

Global S&R SMPG Meeting

April 18-20, 2023

Meeting Venue:

DNB Bank ASA
Dronning Eufemias gate 30
0191 Oslo, Norway
Dress Code: Business casual

Sponsored by:



EURONEXT SECURITIES

I. Settlement and Reconciliation – Agenda

Tuesday 18th of April

08:30 – 09:00	Arrival & Check-in at Meeting Premises (Dronning Eufemias gate 30)
09:00 – 10:30	<ul style="list-style-type: none"> • Welcome & review the conference agenda • SnR Co-chair position • Action item summary review • SR2024 change requests • Overview of market practice updates
10:30 – 11:00	Coffee Break
11:00 – 12:30	<ul style="list-style-type: none"> • SR2023 drafted changes for market practice updates • 3-4 Market Practice Draft Review (volunteers)
12:30 – 13:30	Lunch – Standing Lunch by the Viking ship
13:30 – 15:30	<ul style="list-style-type: none"> • 3-4 Market Practice Draft Review (volunteers)
15:30 – 16:00	Coffee Break
16:00 – 17:30	<ul style="list-style-type: none"> • Cash messaging and reconciliation workshop (Charles Boniver)

Wednesday 19th of April

08:30 – 09:00	Arrival & Check-in at Meeting Premises (Dronning Eufemias gate 30)
09:00 – 10:30	<ul style="list-style-type: none"> • Join CA and S&R on CA subject
10:30 – 10:45	Coffee Break
10:45 – 12:00	<ul style="list-style-type: none"> • US T+1 discussion (hosted by Aundie)
12:00 – 13:00	Lunch at “Kikut”
13:00 – 17:10	<ul style="list-style-type: none"> • Plenary Session
18:00 – 19:30	SMPG Evening Event:
19:30 – 23:00	- Guided tour at the Munch Museum & Dinner

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Thursday 20th of April

8:30 – 9:00	Arrival & Check-in at Meeting premises (Dronning Eufemias gate 30)
09:00 – 10:45	<ul style="list-style-type: none"> • Debrief from Plenary Session (9:00=9:30) • Digital Assets (9:30-10:45 – Virtual discussion with Karine Taquet, SWIFT + Guests)
10:45 – 11:00	Coffee Break
11:00 – 12:30	<ul style="list-style-type: none"> • Debrief from Plenary ISSA Survey presentation by Colin Parry, Director of ISSA (hosted by Charles Boniver)
12:30 – 13:30	Lunch – Standing Lunch by the Viking ship
13:30 – 15:30	<ul style="list-style-type: none"> • All other business

II. Attendees

Attendee	Representation	Attendance	Attendee	Representation	Attendance
Alberto Almazan	ES		Marcin Zawistowski (co-chair)	PL	X
Alexandre Hotat (host)	SWIFT	X	Mayte Arraez	ES	
Angeliki Katapodi	GR		Michaela Fallourd	FR	X
Annemie Loose	Euroclear/ FR	X	Olivier Leveque	ECB	
Ann-Kristin Gonska	Market Infrastructure/ECB	X	Paola-Maria Deantoni	IT	
Armin Borries	Clearstream/DE	X	Ryosuke Abiko	JP	X
Arnaud Jochems	LU	X	Robin Leary	UK/IE	X
Asa Lewenhagen	SE		Sari Rask	FI	
Aundrea Jarvis (co-chair)	US	X	Silvia Sancin	IT	
Ayaka Shibui	JP	X	Stephan Schuetter	CH	
Brett Kotze	ZA		Suzanne Forup	DK	X
Charles-Raymond Boniver	SWIFT	X	Takaya Hamamura	JP	
Christian Pientz	AT		Terence Ferrao	Market Infrastructure/DTCC	
Christine Strandberg	SE		Ton van Anandel	NL	X
David Wouters	BE	X	Yusuke Kobayashi	JP	X
Denis Andrejew	DE				
Hiroyasu Niitsu	JP				
Hans Martin Aulie	NO	X			
Karine Taquet	SWIFT	X			

III. Settlement and Reconciliation – Meeting Minutes

Welcome address

Alexandre, Marcin and Aundie opened the session and welcomed the participants joining from all over the world. The participants introduced themselves and market of representation. The agenda was presented for the sessions scheduled from Tuesday to Thursday.

The collective group thanked Hans Martin Aulie and DNB for hosting participants in Oslo, NO for those attending in person.

Leadership positions and co-chair election

Aundie will be stepping down as the co-chair of Settlements and Reconciliation at the end of her term. Arnaud Jochems (LU), who has years of experience and tenure with the SnR group, was nominated for the vacant co-chair position. The group unanimously agreed to Arnaud's election to the co-chair role.

Alexandre will be stepping down as the host of Settlements and Reconciliation. Alexandre will to be replaced by Karine Taquet as the SnR host.

Action List review

Aundie facilitated review on each open action item.

A number of items are scheduled through the week's agenda

Highlights not included in action list updates, include:

- UTI to remain and covered by the SMPG discussions; target an update on adoption of UTI and use cases from SWIFT at next physical meeting
- Discussed the approach to market practice cover sheets to ensure clarity and consistency across all the SnR documentations. to add review dates, and dates listed, specifically if no change
 - Defined the fields on the coversheet
 - Version: quote the year, if multiple versions in single year you can add .(number for version) for example 2023.2 which represents the version 2 for 2023.
 - Status: FINAL will be posted in Final market practice; Status: DRAFT will be posted in Draft market practice section
 - Creation date: initial publication
 - Review date: last date reviewed; to be used when there are NO content updates made to the document
 - Update date: last date updated; to be used when there are content updated made by owner of market practice
 - Implementation date: Do not include an implementation date going forward, date should be deleted if included on document
 - Do not include Author field going forward; this should consistently be SMPG for publication, acknowledge a specific market may be the author or lead in the documentation
 - The order of the coversheet is version, status, creation date, and either last review/update date
 - The group also discussed the approach to draft documents; when the market practice is under draft version the document should be posted to SMPG site within the draft version folder within Settlements link. This posting is completed by SWIFT host.
 - The group also discussed the titling of the document link; which should include SMPG-MP-SR-(title of the document).

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- The year does not need to be listed in the name, as the date is quoted in the modified date audit stamp on the website.
- The group should also validate the data scheme for the document link is correct, for example, some document links refer to Repo.
- The owners of the market practice need a word document, Alexandre to upload all market practice word documents within the restricted internal SnR folder (see **action item 23-01**)
- The discussion of how to progress recommendation on quantity and amount values exceeding respective field definition needs to continue. A conclusion on approach, and how to incorporate to market practice(s) is undefined.
- AMI-SeCo - harmonisation workgroup for settlement messages in ISO20022. The ECB wanted to set up a group to discuss the settlement process within T2S. The group has not heard more on whether the ECB moved forward with the approach. No members of SMPG have heard an update. The AMI-SeCo was also reorganizing more broadly. The group agreed to close the association **action item 22-01**.

The updated action list will be posted to restricted shared folder for SnR working group reference.

SR2024 Timeline and Change Requests

Alexandre initiated conversation for the SR2024 maintenance cycle. There are a few items raised:

- Robin raised item related to market practice review for function of message; a network validation within the MT548 for allows CAST to be used with IPRC//CAND.
- A number of open questions for digital assets
 - One example a request for Sub balance qualifiers for digital assets
- French market postal addresses to introduce a more structured field for consideration. There is a working group in payments (PMPG) working on this item.
- There is no possibility to map DEAL/UTI to a payment field in current state camt.053 message
 - Likely future release
- US T+1 items are under discussion in US market; to be determined if SR2024 or SR2025 change requests will be a result for the following points:
 - Ability to communicate affirmation outcomes across chain of custody
 - Timestamps as a result of responsibilities to record and retain action times
 - Matching Time Stamp in Europe a consideration
 - MT517 a consideration
- Acknowledgement time stamp
- Research fee flag (optional vs. mandatory)

The group will assess drafts at the May meeting to consider submitting CRs on behalf of SMPG and/or specific market of representation.

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Review of the Market Practice updates

(1) Function of the Message Market Practice

Marcin reviewed draft documentation for the Market Practice – Function of the message.

Ton presented a question on page 15 regarding the wording on page 15. The reference to CANC is not logical to be used with RVSL. The wording needs to be updated to make the two points independent. The language was updated.

Robin presented a question to the group to decide whether there should be a network validation within the MT548 for allows CAST to be used with IPRC//CAND updates CAST. This would

The MT567 CA status update has a network validation rule (C4) that states, if the message function is :23G:CAST then the status should be :25D::CPRC.

The exact wording is

C4 If the message is a cancellation request status (:23G:CAST), then, in every occurrence of sequence A2 Status, a cancellation processing status must be reported (:25D::CPRC...).

If the message is an instruction status (:23G:INST) then, in every occurrence of sequence A2 Status, an instruction processing status (:25D::IPRC...) must be reported.

If the message is corporate action event processing status (:23G:EVST), then, in every occurrence of sequence A2 Status, an event status (:25D::EPRC...) must be reported (Error code(s): C65).

The updated document will be provided to SnR group to review the Final Draft. Vote and approval expected in May 2023.

Action item 23-05 Robin to submit an SR2024 change request.

(2) Block Trade Market Practice

Robin reviewed draft notes to be incorporated in to documentation for the Market Practice – Block Trade Market Practice. No objections to the edits.

Action item 23-06 Once Alexandre distributes the word document, the updated document will be provided by Robin to SnR group to review the Final Draft. Vote and approval expected in May 2023.

(3) COEX List of Codes

Robin reviewed draft documentation for COEX List of Codes

A few edits included:

- To add a cover page
- MT548 to be listed before the MT537 within the document
- Added some values missing from list
- Removed Conditional Delivery Codes
- Added the MT586 messages

Robin will look to consolidate the content to make the document a grid for ease of reference.

Action item 23-07 Once Alexandre distributes the word document, the updated document will be provided by Robin to SnR group to review the Final Draft. Vote and approval expected in May 2023.

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(4) Financial Instrument Identification Market Practice

Ton reviewed draft documentation for Financial Instrument Identification
A few edits included:

- Updated cover page
- Removed aged language
- Added 15022 samples
- Language around Jasdec need to be updated – take away for Yusuke Kobayashi (**action item 23-08**)

Action item 23-08 The updated document will be provided by Ton to SnR group to review the next Draft.

(5) Cash Penalty Market Practice

Arnaud presented a number of changes for the cash penalty market practice, which relate to a number of action items.

(a) Unique Reference ID

Arnaud shared options for single recommendation for Unique Reference ID within the payment statement MT537.

Option 1: SEME same across pages

Option 2: STAT same across pages, with SEME unique per message

The group decided the 2 combinations should be described within the documentation, as there is no single recommendation based on current adoption. However, the SMPG should promote in the market practice to always provide one method to uniquely identify the report (either with Option 1 or Option 2)

(a) Small wording change on 6.3 page 11

The group agreed to update 'do not have to' to 'must'

(c) clarification between switch and reallocation

It is not the SMPG role to define when the SWITCH (SWIC) versus the Re-allocation (code to be confirmed) should be used. These business standards are defined in the ECSDA framework on cash penalties or in T2S CR654. The SMPG should not provide guidelines on when to use the RLOC or SWITCH but rather on how to report it.

The group agreed to a wording adjustments to be added to define how to report the codes, need to validate the right code for reallocation.

(d) A few edits to be further assessed:

- **Action item 22-26** internalized settlement
- **action item 22-10.** Update to cash penalty
- **action item 22-09** removal of cash penalty
- **action item 22-28** comment on DACO

(e) CR 001889 – NVR to enforce the presence of statement period in the monthly penalty report

The group agreed to update grid from recommended to mandatory.

(f) CR 001891 – Update NVR C2 to include the sequence D1aB1 in the validation

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The group agreed to update grid from recommended to mandatory.

(g) CR 001890 – NVR to enforce the presence of payment date in the monthly penalty report

The group agreed to update grid from recommended to mandatory.

(h) CR 001887 – Adding a continuation flag to address pagination challenges

The group agreed to the samples presented and optional field, as this only should be included when the message requires pagination.

Overall, the market practice updated document will be provided by Arnaud to SnR group to review the next draft.

There is also an open question regarding a 'super global net' for custodians to be able to roll up penalties across participants to publish a gross amount at the CSD level. **(see action item 22-12)**

US T+1 Update (presented by Aundie Jarvis)

Aundie provided an update on T+1:

- US migration date decision for May 28, 2024. Canada migration May 27, 2024.
- Overview of the SEC rules in question Rule 15c6-1(a), Rule 15c6-2, SEC amended Rule 204-2, and New Rule 17Ad-27.
- Reviewed concepts of allocation, confirmation, affirmation in the context of the market process
 - Affirmations similar to market matching
- Possible conditions for SR2024 / SR2025 items as a result of reporting requirements
- How is ISITC engaging the industry
 - Educational forums, working group and forum meetings, open discussions at conferences, subject matter experts participating in panels, assessing market practice changes

An updated to be provided at Fall conference.

Action item 23-09 Take away consideration for distributing ValueExchange materials to SMPG. Aundie to provide summary of changes for DTCC cut offs.

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Securities Related Payments discussion (presented by Charles Boniver)

(1) Payments Task Force update

Charles visited the group to give an overview of the payments task force and migration efforts.

- Evaluated camt.053 (equivalent of MT940/MT950)
- All MT100/200/900 are migrating to the equivalent camt messages (CBPR+ messages). The migration started on March 20th. Several other infrastructures are migrating.
- Securities are in a coexistence. This is where ISSA survey focuses to seek migration.
- There is generally a payment message generated for securities activity which presented a question 'How do we map the security details in to the camt message?'
- Highlights:
 - Create new code set
 - Created external code sets are registered at the ISO level, this is managed on a quarterly basis
 - Reviewed the change request, the Payment Seg has to approve the list and new codes; to become official for ISO

There will need to be a similar documentation exercise to the ISITC payments MP, link the payment with the securities movement.

(2) camt.053

The group reviewed the settlement related fields for the CAMT.053 compared to Cross Border Payments and Reporting Plus (CBPR+). Ton shared an example from T2S.

The discussion is focused on determining a recommendation for minimum fields to include in the payment message. The priority is fields that are necessary for researching securities transactions.

The group discussed the following data qualifiers:

- Reference numbers:
 - Account Service Reference number
 - Account Owner Reference number
 - MITI
- SEME from the confirmation should map to the account servicer transaction identification. The account servicer reference would link more to the payment.
- Financial Instrument ID
- Amount – likely settlement -
- Currency
- Settlement Quantity
 - Need to consider impact of partial settlement
- Trade Date
- Interbank settlement date would be the settlement date of the security settlement. The group discussed it is not necessary to include the intended Contractual Settlement Date if different.
- Deal Price

UETR (36 character) is different from the UTI (52 character). UTI is an ISO standard. UTI was already used in reporting space, MT30X, and derivatives space.

Action item 22-23 There is no possibility to map DEAL/UTI to a payment field in current state. Maintenance for payments is in freeze. A future change request will need to be submitted.

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(3) Approach to Securities Related Cash Payment Market Practice

The group agreed the targeted approach is to create a unique market practice document for securities related payment messages. The actions to achieve this will include:

- Assess ISITC market practice documentation for consideration at global level, partial adoption may be a consideration
- Document the standard elements to be included in payment message for securities related payments (see 22-20)
- Remove examples and payment messages from securities market practice document, place in cash market practice
- Engage Payments Task Force for adoption and consideration for securities demands
- Short term, plan to post as SMPG SnR document for reference on recommendation
- Support session with CA and compare results

Multiple Place of Safekeeping

SMPG Corporate Actions working group invited Settlements and Reconciliation to join to review problem statement on place of safekeeping.

Background: The scenario where a single customer has a position at one custodian, where the local CSD (place of settlement for the single CSD) holds the position in two locations. As the CSD has single client position in two locations – there is an opportunity for a corporate action to have multiple deadlines and/or operational deadlines based on local issuer details. As a custodian, you are forced to select the most conservative details to offer your customer.

Discussion points:

- Do asset managers generally know they hold two separate positions? No; and they don't care past point of trade execution.
- Breakdown statement of holdings would need to occur and report both positions uniquely.
- Multilisted / multideposited concept. An example where an ICSD is holding a security in different depositories (home/remote) was discussed.
- Arnaud initiated conversation to define whether we have a standard for how to define place of safekeeping?
- David asked a question to understand why the problem statement requires an adjustment to the MT535.
- Open question to CA working group – how many events/messages does this problem impact?

Example of the condition

ISIN	MT535
DE _____FR	PSAF CEDELULL
CBL	PSAF DAVKDEFF 150 shares
	PSAF CEDELULL
UBS	PSAF SICVFRPP 50 shares
	PSAF DAKVDEFF 0 shares
Customer	

Armin noted the breadth of the impact spans across the whole Cat 5 message series. The group discussed each business flow. This problem will persist. However, with T2S, the number of multi-listed/deposited securities in Europe has reduced (thanks to Cross-CSD settlement). Some cases will remain when the security is held in both Europe T2S and outside of T2S.

The conclusion of the group is there is no viable solution identified where benefit outweighs the cost. No change request to be submitted. **Action item 21-12** reopened.

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Debrief from the Plenary session

The group discussed the session topics:

- Euronext – Becoming the reference in CA standardization and ISO harmonization
- Digital Asset Overview (custody, tokenization, DLT, traditional messages) with the participation of Clearstream, ISSA, SDX, Societe Generale and Swift
- DTCC – Corporate Action – Agent Announcement Initiative
- ISSA - ISO 20022 Survey Results

No action items to report.

Digital Assets Discussions

Karine Taquet presented a few overview documents and initiated the discussion regarding digital assets.

(1) Addition of PSETs for Digital assets

The group discussed a use case for HSBC Orion.

- For digital assets HSBC Orion – should the PSET be added to the published list
- Does the PSET have to be a CSD? Yes – or if not, the party needs to be listed as stock exchange. This rule may be listed in common elements document and/or physical settlement market practice. Digital Asset Task Force should define whether this document should reference the new PSET list for digital assets, OR leverage the new 'sandbox' market practice specific to digital assets.
- Does the PSET have to be registered anywhere?
- Do we need to highlight the blockchain type within the message?

The recommendation from David was for DA PSETs to have a separate tab within the PSET list to distinguish from traditional assets. The tab should provide context and an introduction on why digital assets is separate and distinct from traditional PSET. Armin and Annemie agreed.

Action item 22-02 DA Task Force to leverage use cases and define the approach for digital assets for place of settlement and place of safekeeping and return to SnR to agree to standard approach.

(2) Why is 15022 and/or 20022 the messaging for Digital Assets

The changes and standards being rolled out by SWIFT within the 15022 messages are a result of the industry asking for this strategy. Karine and Tom acknowledged this may be incremental step to another message path. There needs to be iterative learning to understand what is needed for digital assets.

(3) How to define market practice

The suggestion was to create a specific Digital Asset Market practice given the stage and maturity of the digital asset complex. Once the solution and approach is more stable, the group would then reconsider integrating to the existing market practice standards for securities.

- This should consider the Common Elements

Action item 22-02 DA Task Force to facilitate the documentation of the 'sandbox' market practice.

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(4) The potential SR2024 concepts

There are concepts identified within the Digital Assets Task Force that may result in future change requests. This level of detail considers the broader question around the messaging infrastructure. Concepts included:

- Master bookkeeper
- Automated market maker
- Place of Price
- Place of tokenisation when different from PSET

The group is aware of SR deadline of June 1. It is unclear if any items will progress to formal CR for SR2024.

Deep Dive on the ISSA ISO20022 migration survey

Guest attendees Karin Deridder, Karine Taquet, and Juliette Kennel.

For securities traffic, 84% is ISO 15022 vs 16% in ISO 20022. The statistic does not include ISO20022 messages sent over FileAct service, used commonly by T2S. 86% is Europe, 12% US (likely CA). 93% is generally market infrastructure usage.

The pain of coexistence is generally the cost of supporting two communication methods; perception is increased complexity, cost and risk. A discussion is how do you quantify the cost of coexistence? The migration to ISO 20022 would likely need to come from a mandate, incentive, or regulation to encourage the broader industry of custodian, universal banks, and asset managers to migrate as the market infrastructures are typically using ISO 20022 or proprietary.

Robin made the point of defining coexistence. A common model is an organization is consuming market inputs in one source (i.e. 20022) but the output to clients is also one source, yet different (i.e. 15022).

Discussed a theoretical use case - assume a decision is made by SWIFT to mandate a migration date within 3 to 5 years, how would the industry want to decommission?

For a maintenance perspective; SMPG SnR recommendation would be to freeze 15022 maintenance and continue 20022 maintenance with the exception of regulatory changes which would be maintained in both standards. The result would standards are in sync and SWIFT would be able to complete translation.

- SWIFT has demonstrated the ability for SWIFT to translate with approach to generally translate, vs. a few values unable to be truncated.
- Used example that Payments is frozen from 2018, until 2025 to stabilize. The discussion point was presented that regulation and digital assets requires more active changes in securities; likely there will be demand to add and enhance fields during a 'freeze' period.
- The group generally agrees a more condensed timeline would be more beneficial for cutover impacts.
- Consider a 5 year migration, and 3 year freeze
- What trends are preventing migration currently, budget and incentive

Action item 23-10 Next step SWIFT will present to ISSA working group and will communicate back guardrails of a plan.

Portfolio MP

S&R SMPG Portfolio Transfer MP is currently related to MT messages only. The document was driven mainly by Swiss market requirements.

Portfolio transfer process varies from market to market with local specific requirements. Portfolio transfers often take long time, especially with foreign securities. In some markets regulators are looking into it asking for improvement. IF WG prepared ISO20022 based MP for investment fund transfers.

Action item 23-11 Schedule a discussion on development of S&R Portfolio Transfers MP, possibly together with IF working group.

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All other business

The May meeting will be moved to May 22nd with a focus on SR2024 change requests. The June meeting will be moved to June 22nd. There will be no meeting in July. The August meeting will be by August 24th.

The tentative dates for SR2024 SWIFT Maintenance are the following:

- August 29th – Corporate Actions
- August 30th – Settlements and Reconciliation
- August 31st - CAT 5 messages

The tentative date for SMPG Fall conference is within Toronto during September 13-15

Conclude meeting

Marcin Zawistowski and Aundie Jarvis concluded the meeting.

Spring Forum week concluded.