

La Hulpe Swift BE HQ Global SMPG Meeting

November 14 – 16, 2023

Hosted by: Swift

Meeting Venue:

Swift BE HQ

Avenue Ernest Solvay, 81

1310 La Hulpe

Belgium

Dress Code: Business casual



I. Meeting S&R Agenda

Tuesday 14 th of November	
08:30 – 09:00	Arrival & Check-in at Meeting Venue
Morning Session	
09:00 – 10:30	<ul style="list-style-type: none"> • Welcome & review the conference agenda • Action item summary review • Overview of market practice updates
10:30 – 11:00	Coffee Break
11:00 – 12:30	<ul style="list-style-type: none"> • PSET PSAF usage debate (<i>possible continuation after lunch break</i>)
12:30 – 13:30	Lunch
Afternoon Session	
13:30 – 15:30	<ul style="list-style-type: none"> • MT548: <ul style="list-style-type: none"> ○ Reporting of multiple settlement statuses ○ NVR around cancellation updates
15:15 – 15:30	Coffee Break
16:00 – 17:00	<ul style="list-style-type: none"> • CSDR Refit – impact on penalties reporting

Securities Market Practice Group

La Hulpe Meeting 14 to 16 November 2023 – S&R WG Agenda



Evening	
17:00	Drinks at Swift premises
Wednesday 15 th of November	
08:30 – 09:00	Arrival & Check-in at Meeting Venue
Morning Session	
09:00 – 10:30	<ul style="list-style-type: none"> Digital assets MP
10:30 – 10:45	Coffee Break
10:45 – 12:00	<ul style="list-style-type: none"> PSET BICs for T2S - review of the spreadsheet Case sensitiveness of reference and Ids – Common Elements MP
12:00 – 13:00	Lunch
Afternoon Plenary Session	
13:00 – 16:30	<ol style="list-style-type: none"> Welcome by Host Welcome Address SMPG Chair Global and Plenary Session Agenda Swift Securities Strategy Update T+1 Keynote speeches - North America, ALFI, ECSDA, APAC Updates T+1 Panel Discussion ECMS - SCoRE update EU Regulation update Conclusion / Wrap up by SMPG Chair
Afternoon	
16:30 – 16:45	Break
16:45 – 18:00	<ul style="list-style-type: none"> Joint Session with all WGs to discuss new Eligible Balances for Triparty Securities Lending Services in MT 564 / 535.
Evening	
18:00 – 21:00	Dinner – Registration required

Thursday 16 th of April	
8:30 – 9:00	Arrival & Check-in at Meeting Venue
Morning	
09:00 – 10:30	Joint Session with all WGs to discuss: <ul style="list-style-type: none"> • ISO 20022 Migration ISSA Report • Update of Structured Address
10:45 – 11:15	Coffee Break
11:00 – 12:30	<ul style="list-style-type: none"> • Plenary session follow-up – focus on S&R impact: <ul style="list-style-type: none"> ○ UTI adoption ○ T+1 ○ ISO20022 migration
12:30 – 13:30	Light Lunch
Afternoon	
13:30 – 15:30	<ul style="list-style-type: none"> • SMPG payment task force
Closing	

II. Attendees

Attendee	Representation	Attendance	Attendee	Representation	Attendance
Alberto Almazan	ES		Marcin Zawistowski (co-chair)	PL	X
Alexandre Hotat	SWIFT		Mayte Arraez	ES	
Karine Taquet (host)	SWIFT	X	Elodie Dahmet	FR	
Angeliki Katapodi	GR	X	Olivier Leveque	ECB	
Ann-Kristin Gonska	Market Infrastructure/ECB	X	Paolo-Maria Deantoni	IT	
Armin Borries	DE/Clearstream		Ryosuke Abiko	JP	
Arnaud Jochems (co-chair)	LU/Clearstream	X	Robin Leary	UK/IE	X
Asa Lewenhagen	SE		Tero Töllikkö	FI	
Ayaka Shibui	JP	X	Shereef Zedan	US	
Brett Kotze	ZA		Silvia Sancin	IT	
Charles-Raymond Boniver	SWIFT		Philipp aufdermaur	CH	X
Christian Pientz	AT	X	Suzanne Forup	DK	X
Christine Strandberg	SE		Hitoshi Tanaka	JP	X
David Wouters	Euroclear	X	Terence Ferrao	Market Infrastructure/DTCC	
Denis Andrejew	DE	X	Ton Van Andel	NL	X
Hiroyasu Niitsu	JP		Yusuke Kobayashi	JP	X
Hans Martin Aulie	NO	X	teresa palacios	ES	
Lisa Lagatta	US	X			

III. Settlement and Reconciliation – Meeting Minutes

Welcome address

Karine, Marcin and Arnaud 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.

Settlement and Reconciliation - Action List review

The group reviewed the action list, and the below topics were discussed:

- The UTI was briefly discussed but was discussed in more depth with the group on Thursday.
- The PEN to be included in the cash payment will be discussed separately with the Cash Payment Taskforce.
- SWIFT mentioned that they will have a colleague in Asia that will be dealing with user guidelines for SWIFT.
- The recommendation regarding the quantity and amount exceeding the length of the field was re-discussed. Should the recommendation be in a small separate document or a generic with multiple guidelines? The idea to put all recommendations in one single market practice (e.g. common element) was re-discussed. [Marcin](#) will check as he previously worked on a similar document. He will share it with the group.
- Digital Asset is still open for discussion. [Lisa](#) asked if we would split the approach between digital assets and digital currencies, but we confirm that we want to look at both angles. Discussion will take place in the future about the different fields asked from the industry.
- The group asked if SWIFT could provide some stats on the most “viewed” market practices. [Karin](#) will check if something is available.
- The market practice on MT548/MT537 (Settlement Status Advices) could not be found on the website. The only version available was the ISO 20022. It was probably deleted by error. [Karin](#) will republish it on the website.
- The market practice on mandatory buy-in that was created in the context of CSDR SDR is put on hold until/if MBI (Mandatory Buy-in) materializes.
- Robin and Lisa agreed to have a look at the Time Deposit market practice.
- The recommendation on camt.053 will be discussed with the cash payment taskforce.
- Table of content for market practice document. The group discussed the idea to have a short summary of what was updated in the previous market practices. Should we have a market practice update sheet of what is news and what was updated? [Marcin](#) will check and suggest an approach.
- The group discussed the market practices that should included the ISO20022 payment examples. The updated version of the market practices will be published soon.
- All the items on the cash penalty market practice (MT537 PENA) have been closed as the market practice has been updated accordingly.
- The group discussed the idea to have all the word versions of every market practice available on a protected folder on the website, so each member can log in and access the word document to update it (no need to ask SWIFT for the word version).
- Buy sell back market practice was discussed. [Robin](#) will do the examples in ISO20022
- The group concluded that all the market practices (+40) should be reviewed on yearly basis. Some of the documents have not been reviewed in the last 10 years.

- **Settlement and Reconciliation - PSET and PSAF discussions**

- Arnaud presented the PSET topic and started by giving the SMPG definition of both PSET and PSAF and comparing it with the actual usage of the PSET and PSAF in the industry. The presentation gave an overview on how the PSET is used throughout the industry and the different obstacles that were detected (mainly in Europe) to embrace the PSET and the Cross-border model. All the different usages of PSET in T2S were discussed and illustrate to the group via PowerPoint slides.
- The feedback received by each of the country on the usage of PSET was as well discussed. Here are some of the key feedbacks.

- (US) There are a couple of scenarios the group recognized were the place of safekeeping (PSAF) is not the same as place of settlement (PSET). This occurs sometimes with clearstream/euroclear settlement and Euroclear/DTCC. For T2S the original idea at industry level was that there would be a harmonisation across the 21 in scope European markets so that trades could settle cross platform. This never took off and has fallen off the radar since the initial tranches back in 2015. Haven't anything that suggests this is being looked at again..

(US) Overall the group is not pro separate place of safekeeping that is different than PSET. The current PSET as place of settlement, holdings and counterparty works efficiently.

(CH) The Cross-CSD model was already in place before T2S. T2S simply adopted an existing rule.

From my perspective, the PSET depends on whether a CSD has the role of a regular CSD-participant or an investor-CSD.

(UK) In general, yes, we process the PSET and PSAF as instructed by the client in all regions of the world with very few issues. By definition, the PSET is the place of settlement of the counterparty so if a PSAF is included, we will take that as being the place of settlement of the client and route accordingly.

- There was a debate within the group whether the PSET was linked to the ISIN in many stakeholders backoffices or whether this is rather that the PSET is strongly linked to the trading location. The group understood the complexity of the PSET and all the various cases. The group acknowledges as well that a simplification of the Cross-CSD settlement could improve the settlement efficiency.
- The group concluded on the PSET that there is not one solution that would fit all the needs and that there were too many specific cases. The group still believes that the current definition of the PSET is the correct one and that the definition of the market practice should not be changed.
- The group discussed as well the PSAF usage and Clearstream mentioned that both ICSDs are only using the PSAF in case of multi-listed securities where an ISIN was used (in order to determine the correct depository where the securities were held). Some Global Custodians mentioned that they shield their clients from this complexity and only ask their clients to mention where they want to settle and Global Custodians will adapt and enhance the place of safekeeping depending of the needs (e.g. Multi-listed securities)

- **Settlement and Reconciliation - Multiple Settlement Statuses to be reported.**

- Arnaud explained to the group that there are more and more settlement statuses that need to be reported and that sometimes multiple settlement statuses are needed. Arnaud illustrated with the example of "PATD" (partial settlement differs) which has been introduced in a previous SWIFT release. This new status is often reported in combination with another status (e.g. LACK, PREA,...). The group debated on what was the best option.
- Two options were illustrated on slides (see below)

Option 1 on how to report the PATD in more complex scenario! (HOLD)

1st MT548	2nd MT548
:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND
:16S:STAT	:16R:REAS
	:24B::PEND// PREA
	:16S:REAS
	:16S:STAT

1st MT548	2nd MT548	3rd MT548
:16R:STAT	:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND	:25D::SETT//PEND
:16S:STAT	:16R:REAS	:16R:REAS
	:24B::PEND// PATD	:24B::PEND// PREA
	:16S:REAS	:16S:REAS
	:16S:STAT	:16S:STAT

Option 2 on how to report the PATD in more complex scenario! (HOLD)

1st MT548	2nd MT548
:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND
:16S:STAT	:16R:REAS
	:24B::PEND// PREA
	:16S:REAS
	:16S:STAT

1st MT548	2nd MT548
:16R:STAT	:16R:STAT
:25D::MTCH//MACH	:25D::SETT//PEND
:16S:STAT	:16R:REAS
	:24B::PEND// PATD
	:16S:REAS
	:16R:REAS
	:24B::PEND// PREA
	:16S:REAS
	:16S:STAT

- However, the group went for a third option which is to report all statuses (Matching and Settlement) in one single MT548.
- The group acknowledges that this option is probably not supported by most industry stakeholders as most of participants cannot handle multiple settlement statuses (or even matching statuses) in one single MT548. Most back offices system cannot read multiple statuses. So Option 1 should be the least impacting one. However, as SWIFT does not guarantee the order, option has some risks as well.
- **Arnaud** will update the market practice to show the different options and mention that even if all options are accepted, we still recommend stakeholders to adapt to be able to receive all matching and settlement statuses in one single MT548.

• Settlement and Reconciliation - NVR about cancellation updates.

- The topic was already discussed during a previous monthly call. However, we discovered during the discussion that some information was available in the market practice regarding the misuse. The group decided that there was no point to create a Network validation rule. Robin will bring a definition change.

• Settlement and Reconciliation - CSDR Refit – Impact on penalties reporting

- Arnaud gave a presentation on the timeline regarding the CSDR refit implementation. It was recently approved by the European parliament and should be soon signed off at ministerial level (Q4 2023/Q1 2024). ESMA will have then 18 months to produce updated RTS.
- This is a bit early to assess the impact of the CSDR Refit as the RTS has not been drafted yet. However, we know that article 19 is treated independently from the CSDR Refit and clearly states that the collection and distribution of cash penalties will not be done by CCPs anymore but directly by CSDs. It will have an impact on the reporting of cash penalties via MT537 as we will not use the value “N” in the field “17B::CMPU//” for instructions from CCP. The expectation is that the value “N” will only be used in the rare cases of insolvency. The MT537 PENA will be updated accordingly in the future.

Securities Market Practice Group

La Hulpe Meeting 14 to 16 November 2023 – S&R WG Agenda



• Settlement and Reconciliation - T+1 Affirmation/confirmation process

- Arnaud provided a generic update on T+1 and all the state of play in Europe.
- The group discussed the affirmation/confirmation process in the US and tries to compare the matching process in Europe on a typical Stock Exchange transaction vs an affirmation/confirmation process in the US on a Stock Exchange transaction. [Arnaud](#) and [Lisa](#) will dig further with DTCC to try to have a better understanding of this specific US process

• Settlement and Reconciliation - Digital Assets MP

- **Karine** did a presentation to the group on the Digital Assets. The context is that some firms have contacted SWIFT to have a view on how to map the different DLT necessary fields into SWIFT ISO20022 (e.g. PSET and PSAF). SWIFT wanted to discuss with the group on how the different DLT necessary fields into SWIFT ISO20022 (e.g. PSET and PSAF). Some firms have been contacted SWIFT to have more details on the mapping.
- Karine recommended the white paper “call to action” [CAST-White-Paper-1.0 Final 17-05-2021.pdf \(cast-framework.com\)](#) if stakeholders want to be educated on the topic.
- **Karine** introduced many DLT topics such as the difference between DTI and ISIN to the group. For each ISIN, you have a multiple DTI created per DLT where the instrument could be settled. DTI is specific per block chain.
- **Lisa** (US) mentioned that Cross-Borders between different chains will have to happen as firms do not want to be exposed to only one chain. So Cross-movements between chains will happen.
- The group discussed some key questions listed below?
 - What should be the PSET to be used in DLT? Should the BIC11 be a concatenation of the BIC8 of the platform operator and 3 extra digits with the DLT platform? Therefore, it will be a unique BIC 11 for each DLT platform, but it will include the BIC8 of the operator.
 - How to interpret BUYR/SELL fields in the context of DLT?
 - What information should be part of the message?
 - Do we need the PSAF if the DTI includes the exact information of the block chain where the securities are held.
- It was an introduction session on DLT for many stakeholders. So no firm decision has been taken yet.

• Settlement and Reconciliation - PSET BICs for T2S – review of the spreadsheet

- A lot of industry stakeholders are relying on this PSET list to source information for their SSI (Standard Settlement Instructions).
- The group discussed whether we should use a BIC8 or BIC11. The group agreed that we should use the BIC11
- The list is not fully up to date. The PSET of Clearstream for T2S CSD-Out securities and the new PSET from EB on their new T2S CSD is missing. [Arnaud](#) will update the PSET list with the new PSET.
- Arnaud mentioned that the PSET list cannot be used as such as SSI should be sourced directly from the CSDs/account operator/Global Custodians as there are a lot of different connectivities for which there are a lot of deviation from standard regarding the PSET and using the list as such is a bit simplistic. However, the group challenged that position and confirmed that this is still the best tool that we have for the PSET and that we should keep it up to date. We will then continue to maintain this list.

- **Settlement and Reconciliation - Case sensitiveness of reference and Ids – Common Elements MP**

- The use of different characters (UPPER case and LOWER case) was already discussed in SMPG Singapore and Helsinki. We had recommended to use only UPPER cases. However, some CSDs still require the usage of LOWER case which penalizes some Global Custodians that are defaulting any LOWER cases receive from their clients into UPPER cases (which is then problematic when the Global Custodian forward the instruction to the local market in UPPER case and gets rejected as the domestic CSD requires LOWER case).
- Even if the group still recommends the approach to only use UPPER case, some CSDs have confirmed that they have some exceptions and that changing it is very unlikely due to the costs involved.
- The group discussed whether we could add a comment that there are some specifics on some markets and that clients should be careful when sending UPPER case to this market. However, the group did not agree otherwise we would need to mention all market specifics in Global Market Practice.

- **Plenary session - Swift Securities Strategy Update**

- Sharifa gave an introduction on the current context:
 - Things have been changing in the security space. Investors behaviour have changed and look to diversification more and more (new asset class, ESG, private market,...) What does it mean in the post trade environment?
 - We see more and more data-based companies.
 - Change of operating model with T+1. Communication ISO15022 vs ISO20022
 - Still many regulations (CMU, FASTER, Open Finance...)
 - Expectations is more consolidation and harmonization when in reality we see more and more fragmentation (discussion on T+1)
 - The reality is that all the initiatives (like CSDR) come at a cost. Proliferation of block chain of different initiatives solving the same problem (still very fragmented). How do we keep fragmentation as low as possible. SWIFT is looking for solutions to cope with this fragmentation.
- SWIFT will focus on the below initiatives in the future:
 - Market engagement (part of every initiative that they launch)
 - FX action plan. Payment vs payment and reduce settlement risk. How to decrease settlement risk in the industry?
 - Securities view
 - UTI adoption
 - Digital assets
- Update on Securities view:
 - Tracking service to see the entire lifecycle of the instruction . They leverage the UTI to create the connection between the two instructions. Participants in the chain can see anything happening at any moment on the lifecycle.
 - They are developing as well a message comparison. Taking the two instructions and checking if there are discrepancies and give an early warning that you might want to call your counterparty as matching is not happening.
 - An API service(notification). They send information on what is happening in the lifecycle in realtime.
 - Clients see the tool as a source of data, what are the markets that are the most efficient? Is settlement efficiency better on bonds or equities? SWIFT is looking to different means to FASTER the resolution of issues.
 - SWIFT is pushing for stakeholders to use the UTI as clients will get bigger value of the service if stakeholders are using the UTI. Without the UTI, they are using the SEME or the RELA to try to find the transactions that should be paired together.

La Hulpe Meeting 14 to 16 November 2023 – S&R WG Agenda

- Can security view replace the standard messaging? Do you need all the MT548 still flowing? It is going to take time but this is the ideal situation that you are fetching the information as soon as you need it.
- A lot of volume in T2S is going via FileAct. If they do not use FileAct they will be missing a lot of flows. They are looking into T2S as a specific case.
- Update on Digital Assets
 - Their priority is to act as a connector in this space. How do SWIFT keep that role as connector? How do you use a single window to discuss with public or private platform? They would like to look at being an orchestrator role. Roles are going to change. How do we make sure that participants keep using this single window?
 - What framework do we put in place for this role of connector? Who is doing what? How do we make sure that we have the right security, framework, liability?

Corporate Actions:

- They still see a lot of manual actions in the CA space. The data sourcing is a big problem. For example in the data set of a specific event. A lot of MT599 (3%) still used for CA purposes.
- ISO20022 is high on the agenda for Corporate Action. SWIFT will support this exercise. They cannot impose a view to the rest of the world. If Europe wants to go to ISO20022, they will support it but other type of players might still want to use ISO15022, so SWIFT needs to continue to support it. We need to ensure that there is a value added to change to SWIFT ISO20022. We need to have a business case and not just change for the sake of changing. SWIFT will make sure that all their products will integrate ISO20022 flows

Investment funds:

- SWIFT has been asking key clients about their operational pain points for funds.
 - (1) funds transfers (too long)
 - (2) Corporate Actions (too complex)
- They want to look at how the industry in funds are using SWIFT messages. How can SWIFT help the industry to ensure that messages are used efficiently?
- SWIFT is rather looking to ensure that customers have stronger business case to adopt ISO20022 rather than proving a translator for client to keep the coexistence forever.
- The only player that can force the migration to ISO20022 is the regulator. SWIFT will not force any migration. Harmonization is good but how do we make sure that there is value in it.

• Plenary session – T+1 update

- Key points from the presentations- **David Kirby** (Managing Director- DTCC) - **Francois Baratte** (ALFI – Senior Industry Affairs Adviser) – **Anna Kulik** (ECSDA -Secretary General)- **Hitoshi Tanaka** –(Managing Director-MUFG)
 - **DK** : US, Canada, Mexico moving to T+1 on 28th of May 2024 – Very unlikely that it will not happen, it would need a major event ! **US** market is prepared, **EU** a bit less but the concerns are regarding **Asia**
 - **DK** : **Affirmation/confirmation** process (which becomes mandatory on Trade Date 9PM ET) is still not understood by the industry.

La Hulpe Meeting 14 to 16 November 2023 – S&R WG Agenda

- **FB:** The change of deadlines implies staff reallocation to cover US time zone. Less impact on big players but hard for smaller players
 - **FB:** FX and liquidity challenges. This new workflow will increase the transaction cost !
 - **FB:** Securities lending. The main impact of T+1 is the recall period. For the borrower, this is not interesting to fund back the security for one day. It will probably impact the pricing effects on the borrower .
 - **FB:** Primary market transactions are settling on T+3, for investment funds with US exposure, it will take three days to receive money that they had to invest on T+1 in the US! (short for two days). How to cover this liquidity gap? How to isolate the cost? Very likely that end investor will have to bear the cost of T+1!
 - **FB:** Impact on Corporate Action as with the new US cutoff, the snapshot for CA will not be the same.
 - **AK:** EU CSDs are used to manage different settlement cycles already today for different classes, not a bit impact for CSDs! However, T+1 has an impact on (1) multi-listed securities and on (2) Corporate Actions (Ex date and Record date). Increased Settlement Risk.
 - **AK:** Securities financing will be more solicited to cope with the additional challenges that were accumulated during the day. We might not be able to finalize all instructions during the day or not all assets will be available. So potential impact on the attractiveness of the EU market.
 - **AK:** Potential corrections from T2S/CSDs needed on their Night-time Settlement process as stakeholders might need more time to send their transactions !
 - **HT:** The Challenge in Asia is the time zone difference. The business hours in Tokyo will be short as they will have to do everything in one third of the hours!
 - **HT:** China and India already did it. The main driver was to bring more individuals investors to the market with shorter cycle.
- Key points from the Panel discussion:
 - Almost no stakeholders (except the US where they see a most efficient and less costly process) saw any advantage of the T+1. No direct benefits and imposed by the US! This is not the right time, and this is not the right tool to improve the Settlement efficiency (far from it)!
 - Stakeholders from the EU are waiting to see how it will work in the US (post-mortem). The US migration will be closely monitored to see the real impact on T+1. It will help to determine for which asset class we need to move to T+1.
 - The question whether we should move to T+1 in EU is a false choice. The true question is whether this is the right priority for us in the short/medium term. If we do an assessment and that this is neither urgent, nor important, we should not do it! However, as UK might decide to move for political reasons, Europe might want/have to follow.
 - The US did not have the choice (mandated by the SEC). Let's see if the EU regulators will impose it but it will be huge cost for the EU!
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- **Plenary session – Presentation of SCoRE standards**
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- Single collateral management rulebook for Europe. Single rulebook containing a set of rules and standards for market players. Single collateral management rulebook for Europe. Single rulebook containing a set of rules and standards for market players.
 - 3 objectives:
 - (1) Define a single Triparty model
 - (2) Define CA rulebook
 - (3) billing process
 - Timeline for Score entering into force in 2024 might be postponed as ECMS has been postponed.
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- **Plenary session – EU regulation updates**
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- Peter Betzel (head of SWIFT regulatory team) gave an overview of what they are currently doing and the main regulations that are in the pipeline.

- CSDR refit : Stakeholders asked if there is a defined threshold (in terms of settlement efficiency) by which the ESMA would decide if the MBI (mandatory buy-in) would be imposed
- ESMA call for evidence on T+1: Answer from the industry on the ESMA survey is expected for the 15th of Dec 23.
- SRD 3 : Consultation ongoing.
- EMIR 3 : Mitigate exposure to third countries central counterparties and improve the efficiency of EU clearing markets.
- FASTER : More efficient withholding tax procedures for financial intermediaries, investors, and the tax administration.
- DLTR : Pilot regime for DLT market infrastructure
- MICA : markets in crypto-assets. Legislative framework on digital assets
- DORA : Digital Operational Resilience Act
- FIDA. Financial Data Access (FIDA) : Gives customers effective control over the use of their data. Enable access to customers data based on customers permission.

• **Plenary session – Triparty Securities Lending (Corporate Action notifications)**

- Corporate Action proposed to add a new balance in the MT564 and wanted to discuss with the Settlement group whether we wanted to add it in the MT535 as well.
- CA suggested in a new balance but Settlement did not accept and wanted a sub balance. CA and S&R will need to further discuss about this change. However, we could end up with CA deciding to implement it but not Settlement.

• **Plenary session – Usage of special character**

- SWIFT (based on a client's request) asked to the group whether there was any usage of special character (ticker symbols) in field 35B of MT564.
- An example was given with **A#A** that could not fit in the 35B.
- Nobody in the group has had a similar issue

• **Joint Session with all WGs – ISO 20022 Migration ISSA Report**

- Juliette Kennel (head of SWIFT standards) presented the ISSA report on ISO20022 adoption.
- ISSA did a second survey. Things have changed a little bit and we saw slight increase of ISO20022 (e.g. proxy voting and shareholder disclosure). However, over SWIFT network, the ISO15022 is still the mostly used standard. ISO20022 is used when mandated by regulation or market infrastructure (T2S).
- Conclusion, the potential drivers to increase the adoption of ISO20022 did not materialize (e.g API). There is not enough of a business case to move. A bit more for CA but less for Settlement. We need to continue the coexistence, what is the view of the industry? We need to think about how can we make a coexistence that will stay for a while.

La Hulpe Meeting 14 to 16 November 2023 – S&R WG Agenda

- The group discussed that translation tool might be the solution. Especially for smaller players that might have difficulties to adapt and be ready on time. There was a mixed view in the audience on the use of a translation tool (seemed easier for Settlement than for CA)
- **Joint Session with all WGs – ECSDA taskforce on ISO20022**

- Jean Paul Lambotte (Euroclear) presented the view from ECSDA on ISO20022 migration. The taskforce from ECSDA was meant to see the readiness of the industry. Because of T2S and ECMS, a lot of big players are already ready to support ISO20022.
- Three main recommendations were issued:
 - 1) Apply strong interoperability and coexistence rules.
 - 2) Define a timeline for decommissioning 15022 (the most controversial). No plan for Settlement but around 2030 for CA. 2026 for General meetings (there are some CSDs that today only support ISO20022 for general meetings).
 - 3) Use the ISO20022 data dictionary in any communication means (e.g API)
- ECSDA should work to have a more aligned approach with the CSDs. We need to make sure that we have the same ISO20022 for all CSD/ICSDs (for example, on ISO20022 for CBF, one for EF, one for Euronext Milan). If everyone is using the flexibility of ISO20022 to create their own version. For example, the validation of the content of the mandatory elements. You add more complexity, if you add more flexibility. At least in ISO15022 everybody is using the same version. The problem is that in ISO20022 there are too many versions that create complexity. The more time is passing, the more you have version. This is the reason why the industry is reluctant to adopt it. There are also CSDs outside of SWIFT network that are using ISO20022. There should be some harmonization, but we cannot enforce it.
- The group debated whether there should a freeze period before the migration from ISO15022 to ISO20022 or whether we should have a translation tool.
- We need to get better at doing at ISO20022 maintenance. However, even if we have problem with flexibility, we need to have a better maintenance process. If it cannot be translated into 15022 currently the changes get dropped on the floor. We need to have a clear separate process on ISO20022.
- From a settlement perspective. We have very minimal changes in the coming years. If nothing new, why should we move to ISO20022?
- The TFOS taskforce was mentioned as well (initiative from CBF). TFOS is reviewing all the T2S restrictions. Many elements were pruned from the T2S message schemas. Many actors in the T2S Community have to support multiple schemas. Increased adoption of ISO20022 calls for harmonization in order to enhance interoperability. In effect, CSDs have to define their own customizations, and their customers have to deal with a variety of customized messages, even if all settlement is on T2S. Some CRs have been raised following the review of the usage guidelines.

Settlement and Reconciliation – UTI usage

- Juliette Kennel attended the session on the UTI and wanted the feedback from the group on the need for the UTI (independently from the need for securities view).
- The CSDs/ICSDs did not see a huge interest for the UTI but Custodians could be more interested. The group does not think that we should impose it or recommend it in the messages.

Settlement and Reconciliation – List of market practices

Securities Market Practice Group

La Hulpe Meeting 14 to 16 November 2023 – S&R WG Agenda



- We ended the session with a full review of all the market practice to ensure that there was an owner for each market practice. The list has been updated accordingly.