

2nd MY NMPG Meeting Minutes – 4th June 2013

Physical Meeting Venue: SWIFT KL Office

Time: 10:00 – 12:00

Attendees:

Samiah Ithnin	Al Rajhi Banking
Freddy Khoo	AmBank
Lai Soo Hui	Bond Pricing Agency Malaysia
Audrey Chai	Bond Pricing Agency Malaysia
Jamaluddin Nor Mohamad	Bursa Malaysia
Chung Siew Foong	CIMB
Ahmad Khalil Danial	CIMB
Benedict Ler	Citi
Raymond Soong	Citi
Jacqueline William	Deutsche Bank
Low Hee	Maybank
Justin Lee	Maybank
Chew Ming Heong	MyClear
William Chew	MyClear
Adeline Chin	RHB
Yong Wai Lian	Standard Chartered
Alexandre Kech	SWIFT
Magdalene Goh	SWIFT

Agenda

1. Previous meeting recap

- Alex opened the meeting and gave a quick summary of what was discussed in the last meeting and the agenda for the day.
- All meeting minutes can be found on www.smpg.info under the National SMPG group folder.

2. Discussion of clearing fee in settlement instructions

- Siew Foong explained the requirements of clearing fee in Malaysia which in essence is necessary for fund valuation, and hence, from the accounting point of view, this information is needed. This is focused on equities requirements.
- Freddy commented that there should be clarity on the exact nature of this clearing fee and that a proper definition is needed for documentation.
- A question was also raised to MyClear on the possibility of a clearing fee qualifier for bonds. William responded that having the field there as optional is fine, and it can be used when needed.
- Action item: SWIFT to come up with recommendations on what fields can be used, and to look for appropriate data elements to recommend to the group. Once approved by the group, this can then be documented in the accounting section of the MP document.

3. Bonds cut-off times

- Details were shared by William with regards to the bond cut-off times issue MyClear encountered recently.
- Situation: The account owner of a Malaysian ringgit bond residing overseas opened an account with an ICSD. When a coupon payment was due on a certain day, the coupon payment was paid to the local bank that was the agent bank for the ICSD. The account owner then instructed Bank CB to collect the coupon payment from the agent bank for onward payment to another bank. However, because Europe is one day behind Asia, the ICSD didn't instruct their agent bank to pay to Bank CB for onward payment to another bank on the coupon payment date. Bank CB informed account owner that money is not in and hence an issue was raised to MyClear by the account owner.
- The ICSD's stance on this was that the funds were not in their books; therefore they cannot execute the coupon payment instruction.
- Yong pointed out that this is a timezone and not a cut off time issue, and that the Bank CB should have the ability to influence agent banks to educate the ICSDs or suggest a service offering to handle such situations. More of an understanding issue with the ICSDs.
- Proposed solution:
 - o Put it under policy (instructions for foreign payments should be made T-1)

Instruction given to ICSDs, and ICSDs should give early instruction to agent bank first due to timezone issue

- Raise issue to ICSDs – SWIFT can possibly influence the ICSDs by raising issue up for global discussion if necessary.

4. Islamic Finance update

- Alex gave an update of the Islamic Finance on SWIFT.
- Previous work: SWIFT Commodity Murabaha solution on using FIN MT messages (ISO 15022 standards). Solution was successfully piloted but lacked critical mass.
- Current work: To create a global market practice rulebook for Islamic finance messaging processing.
- Discussions are taking place on how to deal with mandatory interest fields in Cat 3 messages. The idea to create new MTs for Islamic Finance was discarded as it is more practical to reuse existing MTs by building Market Practice rulebooks that clearly describe how these messages should be used. The long-term objective would be to move towards ISO 20022 messages in the future but at present, it is more important to investigate on the possibility of standardization for Islamic Finance first.
- To not only involve Malaysia, but also other markets. For example: current status in Brunei – Market Infrastructures focused on Islamic finance products and looking at having the right standards in place that are in line with Islamic finance requirements. There will also be 2 SIBOS sessions focusing on Islamic Finance this year.
- Vision: Rulebook that encompass all messages relevant for Islamic Finance and to be certified by at least one certification body with a good take-up of this solution.
- Jamaluddin commented that there should be a clear definition in terms of interpreting the use of the mandatory fields for interest and also a need for acceptance among a wider region.
- Alex agreed that rules are different from country to country and will only be possible if multiple jurisdictions accept that this is as viable, and in the interest of Islamic Finance, have an internationally agreed MP – to make it more standard.
- Freddy mentioned that it might be useful to expand the definition for field 32 – interest, profit or dividend as the contract done for the rulebook today can change a few years later. This way, we can incorporate the current standards into conventional SWIFT standards instead of having SWIFT Islamic Finance standards under the CUG.
- Alex explained that the reason why SWIFT proposed CUG was due to the feedback from scholars who suggested isolating it from conventional banking.
- Kiyono and Tom (SWIFT) currently working on the 1st draft of the rulebook
- Slide decks of Alex's presentation will be circulated via email to all participants.

5. Finalization of Malaysia's S&R MP document

- Alex explained that this Market Practice document is used by international investors / global custodians to instruct custodians in Malaysia for equity and fixed income settlement using ISO 15022.
- Discussions have been ongoing for the additional requirement for CDS account in the second leg of the turnaround for Bursa.
- Custodians present in the meeting agreed on date of implementation by Nov 2014

- Action item:
 - o Send final email with the agreement to sign off document with implementation date set at Nov 2014
 - o SWIFT to add an accounting section to explain the clearing fee as discussed in point 2; and to submit to the group for approval.
 - o SWIFT to circulate this MP document to the group

6. Next steps

- Structure of the working groups has been decided – to keep one group for the time being.
- First priority proposed by SWIFT: to document the EIG + for Corporate Actions.
- Co-chairs: An official call for volunteers will be launched. Standard Chartered proposed that they would be willing to co-chair this group should no one volunteer for this role. Questions were also raised again on the possibility of having Bursa/MyClear co-chair together with a custodian bank – since they will be able to give some confidence and pull the participants together as a group.
- SWIFT confirmed that they are happy to support the group for this year and next and assess on regular basis whether it is still needed.

- Action item:
 - o SWIFT will send an email for a call for co-chairs to the group
 - o Bursa and MyClear will revert back on the possibility of co-chairing the group
 - o SWIFT to send out documents relating to tax-processing on behalf of the Global SMPG Tax sub-group to seek feedback from the group