



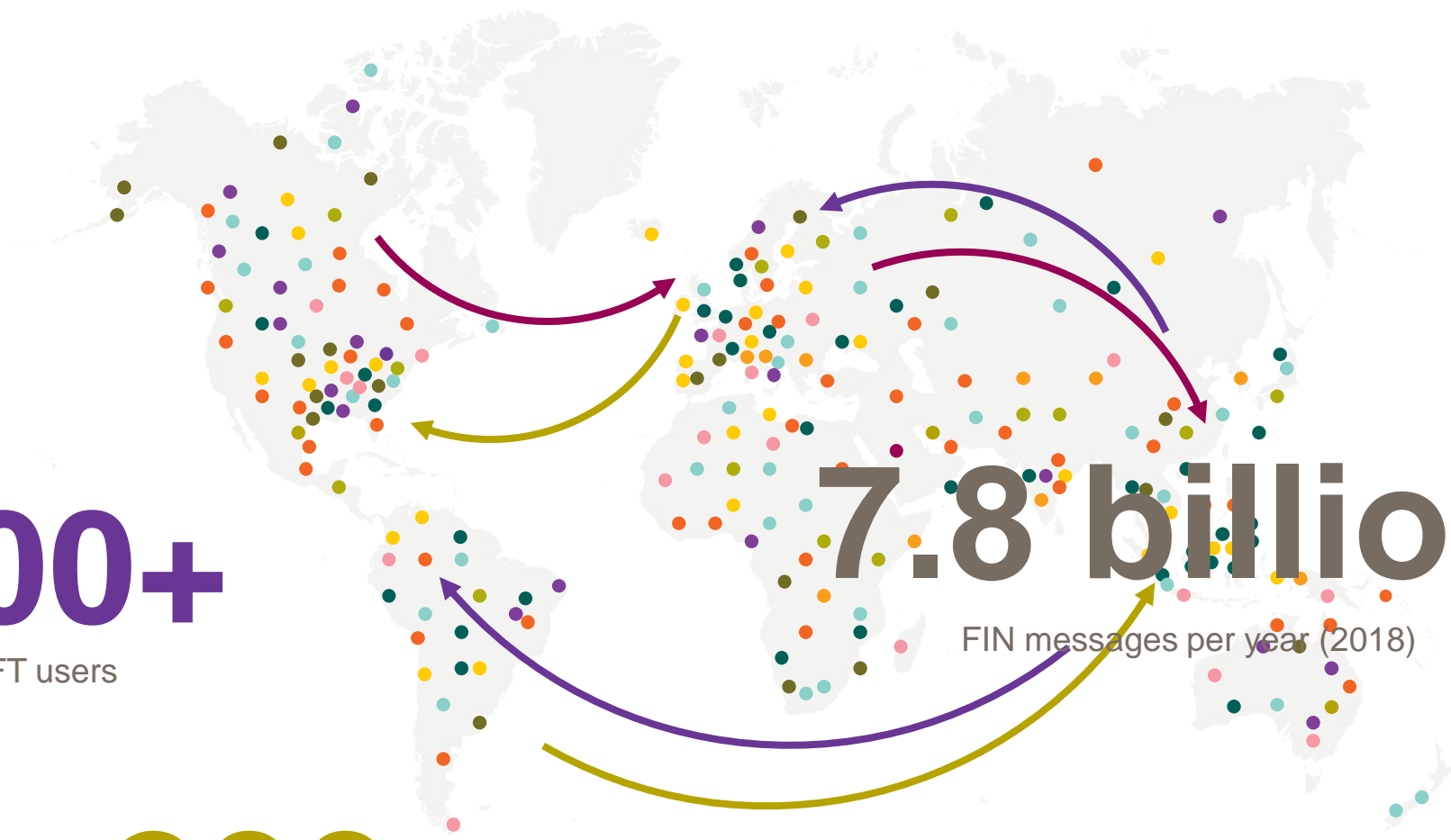
Update SWIFT for Central Securities Depositories

Pascal ROLAND

Securities Market infrastructures

AECSD conference, September 5th 2019

The global provider of secure financial messaging services



11,000+
SWIFT users

7.8 billion
FIN messages per year (2018)

200+
Countries and territories



Importance of the MI business for SWIFT

Market Infrastructures (RTGS, CSDs, CCPs, Stock Exchanges,...)
represent over a **quarter** of all SWIFT's volumes

>1,100 million (+10% growth)

FIN messages to and from (I)CSDs in 2018

88

Live CSDs connected to SWIFT

> 90 %

Of SWIFTNet InterAct

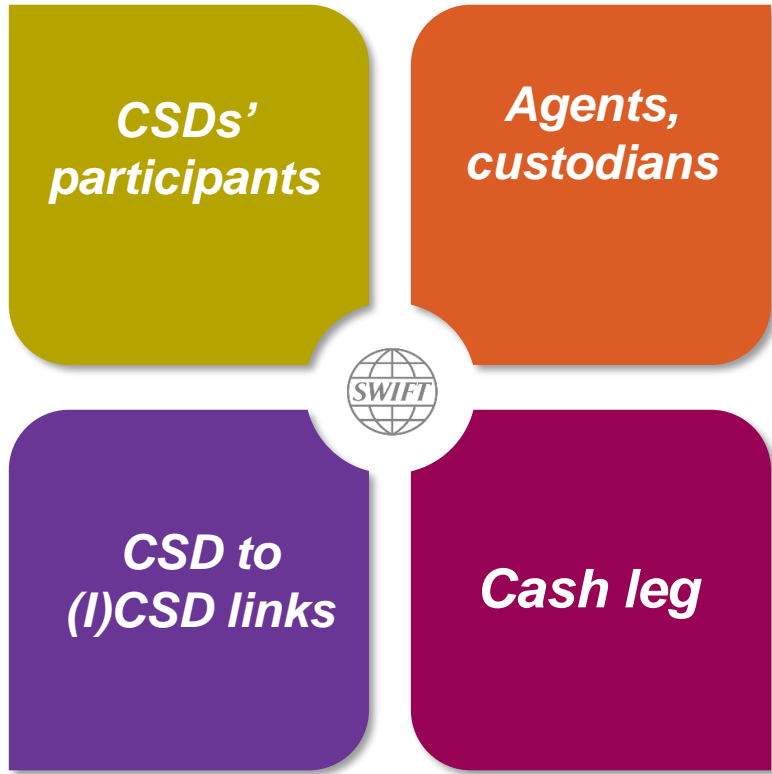


How do CSDs use SWIFT ?

88 CSDs, 3 ICSDs connected to SWIFT

- Clearing and settlement
- Asset servicing: Corporate Actions and custody
- Collateral Management, forex and liquidity management
- Regulatory reporting

- Cross-border clearing and settlement
- Asset servicing
- Link to collateral platforms
- Funds hubs
- Link to new SSS such as T2S



- Link into foreign domestic market

- Link with clearing or settlement banks
- Member of payment and RTGS systems



ISO 20022 and ISO 15022

Some 15 CSDs
communities are using
ISO 20022 today

More than 30 CSDs
will launch new ISO
20022 projects in the
next 24 months





SWIFT gpi – Cross-border payments transformed



Moving cross-border payments to the 21st century

“Yesterday” | Traditional cross-border payments

- Slow, can take multiple days
- No transparency on costs
- No transparency on time
- No confirmation of credit



“Today” | SWIFT global payments innovation (gpi)

- Faster, same day* use of funds
- Transparency of fees
- End-to-end payments tracking
- Remittance information transferred unaltered

(*) within the timezone of the receiving gpi member



Payments tracker

← Back to search
Show in my local time OFF

Latest status 18:20 CET - 14 MAR 2016

In progress
Arrived at TAIPEI FUBON COMMERCIAL BANK, LOS ANGELES BR...

Instructed amount

485,000.00 USD

Charges ⓘ

Shared

Elapsed time

7hr 55min

SLA type

001 ⓘ

SWIFT tracking number

3546553e-0967-4c5b-b380-036dcb1cbf46

Originator

Beneficiary

BANKHAUS ANTON HAFNER KG

BIC: ANHODE77

📍 AUGSBURG GERMANY

🕒 10:25 CET
14 MAR 2016

Internal reference n°:
568842224442233

Charge: 20 USD

DEUTSCHE BANK AG me

BIC: DEUTDEHH

📍 HAMBURG GERMANY

🕒 11:35 CET | 13:45 CET
14 MAR 2016 | 14 MAR 2016

🕒 2hr 10min

Internal reference n°:
4586322488652555

Charge: 10 USD

WELLS FARGO BANK, N.A.

BIC: WFBIUS6WFFX

📍 SAN FRANCISCO, CA UNITED STATES

🕒 06:50 PDT | 09:10 PDT
14 MAR 2016 | 14 MAR 2016

🕒 2hr 20min

Internal reference n°:
966548442244422

Charge: 30 USD

TAIPEI FUBON COMMERCIAL BANK, LOS ANGELES BRANCH

BIC: TPBKUS6L

📍 CITY OF INDUSTRY, CA UNITED STATES

🕒 10:20 PDT - 14 MAR 2016

🕒 09:20 PDT
14 MAR 2016

🕒 1hr

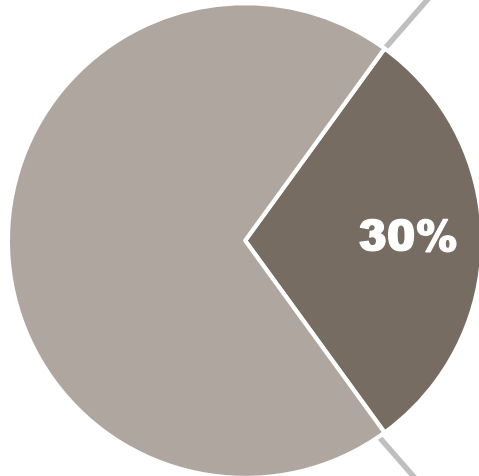
See detailed history



Why is gpi relevant for Securities players?

>30% of FIN payment messages on SWIFT can be linked to Capital Markets activity

1



- Capital Markets institutions exchange **both MT 103 and MT 202 payment instructions** with their counterparties. **Their value is significantly higher** than payment instructions exchanged by other types of customers.
- Capital Markets cross-border MT 103s only represent **10-15 %** of the MT 103s on SWIFT, but **their rate of growth is significantly higher** (10% vs 3%).
- Although there are differences per type of institution and geographical region, most Capital Markets institutions are **heavy users** of the MT 202, and today they represent more than **one third** of all the MT 202s on SWIFT.

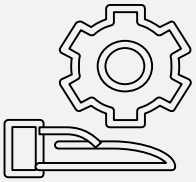
Note: Source: SWIFT, based on internal analysis.

2

gpi will start tracking the MT202 in November 2019



Benefits of gpi for the securities industry



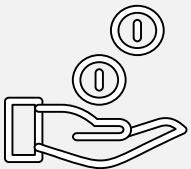
Reduce operational risk and cost through

- Real time tracking, which reduces exceptions and inquiries
- Performing investigations on payment legs of Securities transactions more simply and efficiently



Optimise liquidity management by

- Enabling a real-time view of payments across different nostros
- Reducing the need for credit lines, overdrafts or additional cash borrowing
- Improving visibility on risk exposure



Enhance customer experience by

- Improving data accuracy of the payment status
- Providing transparency on the fees taken
- Offering better settlement windows and improving cash management
- Re-investing surplus cash in assets or in the market

Some use cases

Use case 1: CCP variation margins

Daily margin calls are required by the CCP to ensure settlement of trades. Sums can be large and must arrive on time, otherwise the CM could be declared in default. CM must also follow-up the margin calls expected from its clients (Non Clearing Members or NCM)

Tracking of incoming payments from the clients and certainty of credit for outgoing ones enable the GCM/CCP to reduce the operational risk

Use case 2: Reconciliation of cash payments

A financial Institution has often a mismatch between the expected and actual payment amounts. Differences are discovered only when receiving the payment itself or in the post factum reconciliation process

Use of the payment id (UETR), transparency of fees, the correct & complete data facilitate a better reconciliation process enabling faster allocation of the funds to the settlement accounts

Use case 3: New issue settlement

An IPO is closing and the lead manager and the subscribers want to make sure all the expected subscriptions are collected but they have to wait to see the payments in the next batch of payments

Searching capabilities allow to identify all payments related to the IPO based on the reference. Availability of real time status updates on incoming critical payments enables a faster reaction if some payments are missing or blocked

Use case 4: Earlier credit of Corporate Actions proceeds (non-elective event: interest or dividends)

Sometimes, there might be some delays between the announced date of the income payment and the effective payment date of this income. The financial institution therefore pays the client only when they see the funds are received This is usually happening the day after the pay date

Tracing of incoming payments enables an earlier credit of the corporate actions into clients accounts and a better follow-up on the missing payment with the agent



ISO 20022 update

ISO 20022 for Payment messages

- Payment messages categories 1, 2 and 9 including. payments to/from securities players (custodians, CSDs, etc.)
- Phase 1 Payments & Reporting translation rules published & translation portal live in March 2020
- Piloting in 2020
- Messaging & Translation services live in November 2021
- 2021 – 2025: 4 years of coexistence
- Market Infrastructures that operate a Closed User Group in FIN (MI-CUG), such as RTGS, and some CSDs, will be allowed to continue using MT if they choose to do so.

ISO 20022 service for Securities messages

- New ISO 20022 service available as from May 2020, including all securities messages except funds
- ISO 20022 capability for Securities on opt-in basis



APPENDIX



SWIFT for securities

A common shared infrastructure for the securities industry

