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

200+
Countries and territories

7.8 billion
FIN messages per year (2018)
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?

- 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

88 CSDs, 3 ICSDs connected to SWIFT

- Link into foreign domestic market
- Link with clearing or settlement banks
- Member of payment and RTGS systems

CSDs’ participants

Agents, custodians

CSD to (I)CSD links

Cash leg

AECSD conference, September 5th 2019
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

AECSD conference, September 5th 2019
Tracker Visual

Payments tracker

Latest status: In progress
Arrived at TAIPEI FUBON COMMERCIAL BANK, LOS ANGELES BRANCH

Instructed amount: 485,000.00 USD
Charges: Shared
Elapsed time: 7hr 55min
SLA type: 001
SWIFT tracking number: 3546555a-6967-4c5b-b380-036cd6172d46

Originator

BANKHAUS ANTON HAFNER KG
BIC: AINHDE77
AUGSBURG GERMANY

19:26 CET
14 MAR 2016

Internal reference n°: 588842254442233
Charge: 20 USD

Beneficiary

DEUTSCHE BANK AG
BIC: DEUTDEHH
HAMBURG GERMANY

11:35 CET
14 MAR 2016

13:46 CET
14 MAR 2016

2hr 10min

Internal reference n°: 486332485658555
Charge: 10 USD

WELLS FARGO BANK, N.A.
BIC: WFRUSBWFX
SAN FRANCISCO, CA UNITED STATES

05:56 PDT
14 MAR 2016

9:10 PDT
14 MAR 2016

2hr 20min

Internal reference n°: 96604844244422
Charge: 30 USD

TAIPEI FUBON COMMERCIAL BANK, LOS ANGELES BRANCH
BIC: TFPRUS6L
CITY OF INDUSTRY, CA UNITED STATES

08:29 PDT
14 MAR 2016

19:20 PDT
14 MAR 2016

1hr

See detailed history

AECSD conference, September 5th 2019
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.

2. 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%).

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.

gpi will start tracking the MT202 in November 2019

AECSD conference, September 5th 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 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

AECSD conference, September 5th 2019