



SWIFT Partners

SWIFTReady Securities Settlement

Label criteria 2010

Version 2

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Preface

Purpose of this document

This document explains the criteria needed to obtain the SWIFTRReady Securities Settlement 2010 label for your business application. The intended audience are Application Product Managers and Developers as well as SWIFT customers seeking to understand the SWIFTRReady programme or being involved in the selection of 3rd party applications.

Please refer to the following set of documents for further information on the SWIFTRReady label programme.

Related documents

- [SWIFTRReady applications guide](#)

Explains the 'Why and How' on joining the SWIFT Partner Management framework and its related SWIFTRReady Accreditation programmes.

- [SWIFTRReady criteria portfolio](#)

Explains the 'What' in a generic yet detailed manner on the criteria of your SWIFTRReady Application.

- [SWIFTRReady technical validation guide for Securities Settlement](#)

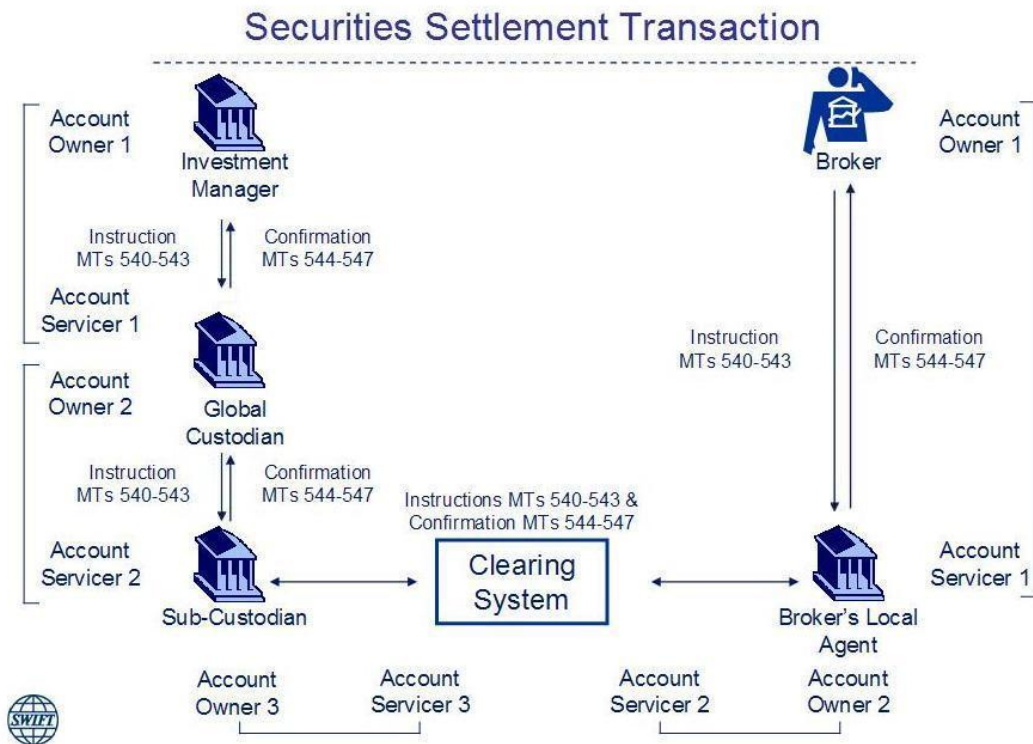
Explains the 'How' in a detailed manner on how your application will be validated to become SWIFTRReady Securities Settlement

1 SWIFT Securities Settlement messages - high level introduction

In terms of business processes, Securities Settlement directly follows the Trade Initiation and Confirmation stage. Once a trade has been confirmed, it must be settled.

Settlement instructions will be issued to each settlement party involved in the chain, until both the related receive instruction from one party and the deliver instruction from the counterparty reach the final place of settlement or clearing system.

Once settlement of the securities has been completed, the Account Servicer will send the appropriate confirmation message to the Account Owner. The confirmation message must match the original instruction message. For example, if the instruction is a “Receive Against Payment” instruction, then the confirmation message will be a “Receive Against payment Confirmation” message.



In addition to the mandatory confirmation of the settlement instruction, the Account Servicer may also send an MT535 Statement of Holdings to the Account Owner. The purpose is to provide additional information, detailing the quantity and identification of securities held for the account at a specific point in time. The Account Servicer may also send an MT536 Statement of Transactions to the Account Owner, detailing the movement of securities into and out of the safekeeping account, including securities movements resulting from corporate actions, borrowing and lending and collateral management activity.

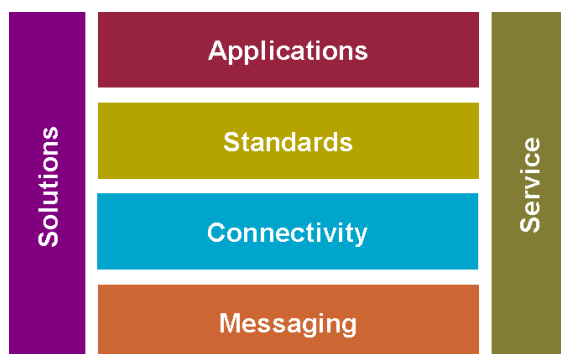
2 The SWIFTRReady Securities Settlement label

The SWIFTRReady Securities Settlement labels targets third-party business applications that support securities settlement message creation/understanding as well as events processing, such as securities portfolio holdings management.

Software products, such as middleware product, whose primary objective is to reformat business data into SWIFT compliant messages to be released over SWIFT, should aim at the SWIFTRReady Financial EAI label.

This label is granted to business applications that adhere to a specific set of criteria linked to the support of SWIFT MT messages, SWIFT connectivity and SWIFT functionality.

3 SWIFTRReady Securities Settlement criteria 2010



3.1 New criteria for 2010

No new business criteria added for 2010, compared to 2009, with the exception of an alternative connectivity option to Alliance Access, offered through SOAP Host Adapter.

Although ISO20022 implementation has not been added as criteria to get awarded the SWIFTRReady 2010 label, we strongly encourage SWIFTRReady vendors to plan for ISO20022 adoption (see section 3.5. Standards for more information).

3.2 Installed Customer Base

The application must be used by minimum 5 live customers.

By 'customer' we mean separate financial institutions using the product to generate/receive FIN messages transported by SWIFTNet. Five live sites from the same customer are not enough to qualify for a label.

SWIFT reserves the right to contact the relevant customer to validate the functionality of the application submitted for SWIFTRReady certification. A questionnaire will be sent as the basis for the customer validation which can be in the form of a telephone interview, an e-mail or a discussion at the customer site. The information provided by the customer will be treated as confidential and will not be disclosed, unless explicitly expressed by the customer.

3.3 Messaging

The application should support the FIN protocol and its associated features (e.g. message validation).

3.4 Connectivity

The vendor application should properly integrate with SWIFT using

- either one of the available **Alliance Access** interface adapters (direct connectivity)
- or through a **SWIFTReady Financial EAI** suite (indirect connectivity)

A vendor application which does not support a link to Alliance Access, even though it may support a link to a third-party SWIFT interface, will not be considered for a SWIFTReady label.

3.4.1 Option 1: Direct connectivity

For **direct connectivity**, the vendor application should integrate with Alliance Access.

Alliance Access provides File, SOAP and MQ based adapters for FIN, InterAct and (as of Alliance Access R6.3) for FileAct connectivity.

The direct business application to Alliance Access connection can be achieved using one of the Alliance Access adapters: WebSphere MQ Interface for SWIFTAlliance Access (MQSA), MQ Host Adapter (MQHA), Automated File Transfer (AFT) or SOAP Host Adapter.

The SWIFTReady Securities Settlement label requires support for both Automated File Transfer (AFT) and interactive link with either MQSA, MQHA or SOAP Host Adapter.

We encourage all SWIFTReady vendors to plan for MQHA support in the coming year, although not required to get the 2010 SWIFTReady Securities Settlement label yet.

In summary

Messaging service	Standards	Interface	Preferred/Mandatory adapter	Optional / Alternate adapter
FIN	MT	Access	AFT MQSA (1)	MQHA (1) SOAP (2)

(1) MQSA is no longer available for purchase. At a later stage, MQHA will replace MQSA

(2) Available as of Alliance Release 7.0 (Q3 2010)

3.4.2 Option 2: Indirect connectivity

Alternatively, the application's compliance with the connectivity criteria by providing SWIFT with evidence of an indirect connectivity solution consisting of your business application and a middleware (EAI) solution. For indirect connectivity, a selection should be performed amongst the list of SWIFTReady Financial EAI suites, which is listed on [swift.com](http://www.swift.com/solutions/partner_programme/swiftready_applications/integration.page?)

An EAI proposes generic adapters that allow to capture business data from diverse file systems, documents or business applications databases, and to map them to the requested MT or MX formats, prior to route and dispatch them to the appropriate Alliance interface.

Indirect connectivity can be accepted only for business applications applying for a SWIFTReady label. Furthermore, its combination with an EAI application needs to be proven through ITB testing or a customer implementation.

In the latter case, Partner Management reserves the right to contact the relevant financial institution for further information.

3.5 Standards

Only ISO15022 compliant message standards are taken into consideration for a SWIFTReady Securities Settlement label, as detailed in the next section. The application must be able to support all fields and all code words, mandatory and optional.

IMPORTANT NOTE

The future of Securities Settlement messaging lies with ISO 20022 – and the ultimate aim is to replace the ISO 15022 messages with new ISO 20022 messages. To this end, ISO 15022 Securities Settlement messages have been reverse engineered to create ISO 20022 messages that will contain at a minimum equivalent business functionality.

The documentation of the final version is available as of now, and will go for live implementation on SWIFT in November 2010. The table of MT and MX equivalence can be found in Annex 1. For more information, see www.swift.com/standards

Although ISO20022 implementation is not mandated to get the SWIFTReady 2010 label, we strongly encourage SWIFTReady vendors to plan for ISO20022 adoption.

3.5.1 SWIFT Message Types

Message Types to be supported, for both incoming and outgoing flows as appropriate are listed below. This table connects the different message types and the related transaction flows :

Transaction Flow	Message Type
Settlement Instruction and Status Feedback	<p>MT540, MT541 : Instructions to receive financial instruments from a specified party either Free or Against Payment</p> <p>MT542, MT543 : Instructions to deliver financial instruments to a specified party either Free or Against Payment</p> <p>MT537 : Provides all or selected outstanding transactions for a specified account</p> <p>MT548 : Reports on the status of a specific settlement instruction</p>
Settlement Confirmation and Position Reporting	<p>MT544, MT545 : Confirm the receipt of financial instruments from a specified party either Free or Against Payment</p> <p>MT546, MT547 : Confirm the delivery of financial instruments to a specified party either Free or Against Payment</p> <p>MT535 incl. Delta : Report on the quantity and identification of securities and other holdings held by the Account Owner</p> <p>MT536 : Report on the account activity for all or selected securities, for a specified period of time for a specified account</p>
Additional Processing	<p>MT549 : Request for additional interim reporting on holdings, settled or pending transactions for a specified account for a given point in time.</p>

3.6 Message Validation (Syntax and Semantic)

FIN Central Services validate every FIN message against syntax and semantic rules. Messages that do not pass validation are rejected by the central system, incurring substantial cost for SWIFT users. To avoid this, applications should provide the same level of validation of the generated messages as the FIN central Service do.

3.6.1 Standards Release

All changes to existing and introduction of new message types must be supported by the application before live release date on the SWIFT Network. If new messages are introduced or a significant modification has been done on existing messages we expect the application provider to provide adequate testing time to its customers before these messages go live.

3.6.2 Network Validation Rules (Message Format Validation Rules (MFVR))

The Network Validation Rules are defined in the Message Format Validation Rules (MFVR) in SWIFT User Handbook. MFVR is updated on a regular basis, following the SWIFTStandards Release cycle.

3.6.3 MT Usage Rules

Usage Rules are not validated on the network, and do not generate error code. Usage rules are nevertheless mandatory for the correct usage of the MT field, as mentioned in the SWIFT User Handbook.

3.6.4 STP Guidelines

STP Guidelines are not validated on the network and are not mandatory for the correct usage of message. An application generating messages is required to comply, wherever possible, with the guiding principles for STP in a SWIFT environment. These include very generic principles, such as avoiding the use of full name and address for a financial institution.

3.7 Market practices

The industry has created Market Practice Groups with the objective work on globally harmonised market practices, which together with the ISO 15022 standards, will enhance STP at an industry level.

Technically speaking, Market Practices can be seen as an instance of a FIN MT message where some optional fields / keyword / qualifier become mandatory for a specific country.

Supporting these industry market practices (more information can be found on www.spmg.info) is mandatory to get the Securities Settlement label. Supporting - in this case - does not mean having implemented all variations of each country but means that the software must be able to support the concept and has already a minimum of country specifics implemented together with the general guidelines.

3.8 Technical message reconciliation

SWIFT validates messages at different levels and provides notification relating to the validation and transmission results of the sent messages. The application should capture these notifications and ensure technical reconciliation, error handling, repair and retransmission.

Please refer to the 'SWIFTReady criteria portfolio' guide for further details.

3.9 User Interface

3.9.1 Message Viewer

The vendor application should be able to browse incoming and outgoing SWIFT messages in a formatted way. In particular, FIN messages should be visualized using user-friendly GUI or web-browser offering business meaningful fields (or a reference to the meaning of a FIN tag field code).

3.9.2 Message Entry

Whenever relevant, SWIFT expects the application to offer a Graphical User Interface (GUI) or a web-based browser allowing a user to manually input any relevant SWIFT message.

The message entry tool should cater for some data input validation at message field level – any invalid entry must be flagged, and the user prompted to correct the input.

3.9.3 Message Repair

Whenever relevant, SWIFT expects the application to offer a Graphical User Interface (GUI) or a web-based browser allowing a user to manually modify any relevant SWIFT message.

3.10 Information Services Integration

SWIFT publishes a number of directories that are indispensable for improving the straight-through processing of payments or updating your customer database. The application must support the following directories:

3.10.1 BIC Directory

The BIC Directory is a file containing the exhaustive list of institutions connected on the SWIFT network, and integration of its data must be supported.

Monthly update of the BIC Directory

SWIFT provides monthly updates of the BIC Directory to all subscribers (swift.com download). It is the responsibility of the subscriber at all times to make sure he uses the latest update of the BIC. As such, we expect the application to provide the user with a comprehensive tool to allow this monthly update in an efficient manner without disrupting the customer operations.

If the BIC Directory database is not located within the application, the vendor must provide an interactive query and retrieve functionality to the database where the BIC Directory is located.

BIC search/retrieval capability

The BIC codes contained in the BIC Directory can be used in various fields of the SWIFT messages. The absence of BIC Codes in these fields is one of the major obstacles to STP and causes manual intervention on the recipient's side. SWIFT expects vendors to provide an integrated interface within their application to allow users to retrieve and input BIC's into the proper fields, correctly formatted. The user should be able to enter a number of search criteria, such as Bank Name or Location, perform a search and be presented with a list of results. From this window he should be able to select the correspondent BIC and to copy it into the message (i.e. transaction). If the search criterion returns no results, the user must be alerted that no BIC is available. If the user manually enters a non-existing BIC, the application must send an alert notifying the user that this BIC is not valid

3.11 Marketing and Sales

Collaboration in terms of administrative and marketing information is requested. In particular the Partner should provide SWIFT under non-disclosure agreement with customer related information.

- A list of all customers active in the finance sector. The list should provide institution names, locations, and an overview of the integration scope (domain, features, and sites) for the present and previous year.
- A product roadmap for 2010 containing the plans for further developments, solutions support and new releases.
- A complete set of documentation, including features overview, where appropriate SWIFT adapters, workflow engine capability and user manuals.
- A dedicated web page on Partner web site for the SWIFTRReady label.

4 Documentation

- SWIFT User Handbooks for FIN MT Standards – on-line accessible through www.swift.com
- www.smpg.org to get the latest information about market practices

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Annexe 1

ISO15022-20022 mapping table for Securities Settlement

MT535	semt.002.002.03	SecuritiesBalanceCustodyReportV03
	semt.003.002.03	SecuritiesBalanceAccountingReportV03
	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
MT536	semt.017.002.01	SecuritiesTransactionPostingReportV01
	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
MT537	semt.018.002.01	SecuritiesTransactionPendingReportV01
	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
MT540	sese.020.002.01	SecuritiesTransactionCancellationRequestV01
	sese.023.002.01	SecuritiesSettlementTransactionInstructionV01
	sese.033.002.01	SecuritiesFinancingInstructionV01
	sese.036.002.01	SecuritiesFinancingModificationInstructionV01
MT541	sese.020.002.01	SecuritiesTransactionCancellationRequestV01
	sese.023.002.01	SecuritiesSettlementTransactionInstructionV01
	sese.033.002.01	SecuritiesFinancingInstructionV01
	sese.036.002.01	SecuritiesFinancingModificationInstructionV01
MT542	sese.020.002.01	SecuritiesTransactionCancellationRequestV01
	sese.023.002.01	SecuritiesSettlementTransactionInstructionV01
	sese.033.002.01	SecuritiesFinancingInstructionV01
	sese.036.002.01	SecuritiesFinancingModificationInstructionV01
MT543	sese.020.002.01	SecuritiesTransactionCancellationRequestV01
	sese.023.002.01	SecuritiesSettlementTransactionInstructionV01
	sese.033.002.01	SecuritiesFinancingInstructionV01
	sese.036.002.01	SecuritiesFinancingModificationInstructionV01
MT544	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
	sese.025.002.01	SecuritiesSettlementTransactionConfirmationV01
	sese.026.002.01	SecuritiesSettlementTransactionReversalAdviceV01
	sese.035.002.01	SecuritiesFinancingConfirmationV01
MT545	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
	sese.025.002.01	SecuritiesSettlementTransactionConfirmationV01
	sese.026.002.01	SecuritiesSettlementTransactionReversalAdviceV01
	sese.035.002.01	SecuritiesFinancingConfirmationV01
MT546	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
	sese.025.002.01	SecuritiesSettlementTransactionConfirmationV01
	sese.026.002.01	SecuritiesSettlementTransactionReversalAdviceV01
	sese.035.002.01	SecuritiesFinancingConfirmationV01

MT547	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
	sese.025.002.01	SecuritiesSettlementTransactionConfirmationV01
	sese.026.002.01	SecuritiesSettlementTransactionReversalAdviceV01
	sese.035.002.01	SecuritiesFinancingConfirmationV01
MT548	semt.014.002.01	IntraPositionMovementStatusAdviceV01
	sese.022.002.01	SecuritiesStatusOrStatementQueryStatusAdviceV01
	sese.024.002.01	SecuritiesSettlementTransactionStatusAdviceV01
	sese.027.002.01	SecuritiesTransactionCancellationRequestStatusAdviceV01
	sese.031.002.01	SecuritiesSettlementConditionsModificationStatusAdviceV01
	sese.032.002.01	SecuritiesSettlementTransactionGenerationNotificationV01
	sese.034.002.01	SecuritiesFinancingStatusAdviceV01
MT549	semt.021.002.01	SecuritiesStatementQueryV01
	sese.021.002.01	SecuritiesTransactionStatusQueryV01

* SWIFT will implement a subset of the ISO 2022 messages restricting ISO 2022 data formats to what ISO 15022 can support (therefore enabling validation of ISO 15022-2022 coexistence rules documented in the ISO 2022 messages).

- End of Document -