



SWIFT Partners

SWIFTReady Securities Settlement

Label criteria 2009

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Preface

Purpose of this document

This document explains the criteria needed to obtain the SWIFTReady Securities Settlement 2009 label for your business application. The intended audience are Application Product Managers and Developers as well as SWIFT customers seeking to understand the SWIFTReady programme or being involved in the selection of 3rd party applications.

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

Related documents

- [SWIFTReady applications guide](#)

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

- [SWIFTReady criteria portfolio](#)

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

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

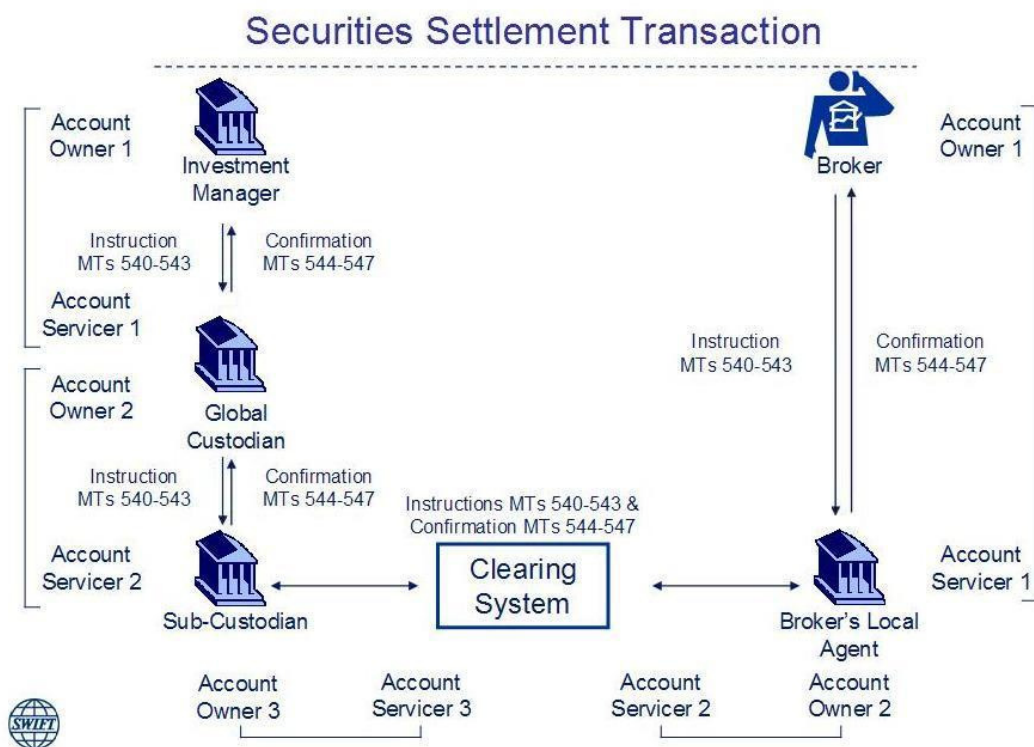
Explains the 'How' in a detailed manner on how your application will be validated to become SWIFTReady Securities Settlement

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.

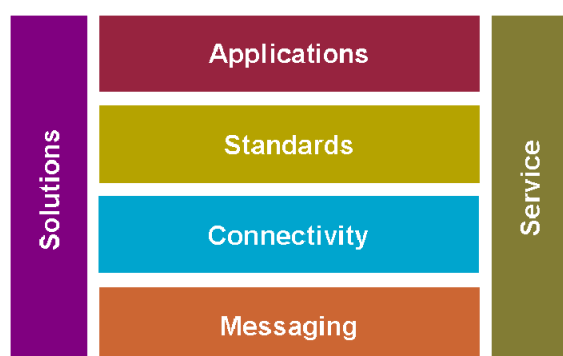
2 The SWIFTReady Securities Settlement label

The SWIFTReady 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 SWIFTReady 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 SWIFTReady Securities Settlement criteria 2009



3.1 New criteria for 2009

No changes brought to the 2009 criteria compared to 2008, to the exception of an alternative connectivity option to Alliance Access, offered through the MQHA (the new WebSphere MQ Adapter for Alliance Access).

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 SWIFTReady 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 application should be able to connect directly or indirectly to Alliance Access.

An 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

The direct business application to Alliance Access connection can be achieved using one of the Alliance Access adapters: MQSA (MQ Series SWIFTAlliance Access Adapter), the MQHA (the new WebSphere MQ Adapter for Alliance Access - available as of release 6.2) or AFT (Automated File Transfer).

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

We encourage all SWIFTReady vendors to plan for MQHA support in the coming years, or even offer it as of 2009 although not required to get the 2009 SWIFTReady Corporate Actions label.

3.4.2 Option 2: Indirect connectivity

Alternatively, you can prove your 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. This is preferably one of the SWIFTReady Financial EAI applications. The complete and up-to-date list of SWIFTReady Financial EAI applications can be found on www.swift.com.

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. The application must be able to support all fields and all code words, mandatory and optional.

3.5.1 SWIFT MT incoming and outgoing:

The message types to be supported, for both incoming and outgoing flows as appropriate, are the following:

- **Settlement Instruction and Status Feedback** : MT540, 541, 542, 543, 537, 548

- **Settlement Confirmation and Position Reporting**: MT544, 545, 546, 547, 535, 536 as well as the MT549 to request statements.

The table below connects the different message types and the related transactions flows

Transaction Flow	Message Type
Settlement Instruction and Status Feedback	<p>Instructions to receive financial instruments from a specified party either Free or Against Payment (MT540,MT541)</p> <p>Instructions to deliver financial instruments to a specified party either Free or Against Payment (MT542, MT543)</p> <p>Provides all or selected outstanding transactions for a specified account (MT537)</p> <p>Reports on the status of a specific settlement instruction (MT548)</p>
Settlement Confirmation and Position Reporting	<p>Confirm the receipt of financial instruments from a specified party either Free or Against Payment (MT544, MT545)</p> <p>Confirm the delivery of financial instruments to a specified party either Free or Against Payment (MT546, MT547)</p> <p>Report on the quantity and identification of securities and other holdings held by the Account Owner (MT535 incl. Delta)</p> <p>Report on the account activity for all or selected securities, for a specified period of time for a specified account (MT536)</p>
Additional Processing	<p>Request for additional interim reporting on holdings, settled or pending transactions for a specified account for a given point in time (MT549).</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 it means that the software has to be able to support the concept and has already a minimum of countries 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 2009 and 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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