



# SWIFT and Standards

*Standards Forum, Tokyo*

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# Agenda

- Convergence and ISO 20022 adoption
- The investment roadmap  
FpML and FIX
- Coexistence framework and approach
- New products and tools
- Questions and answers

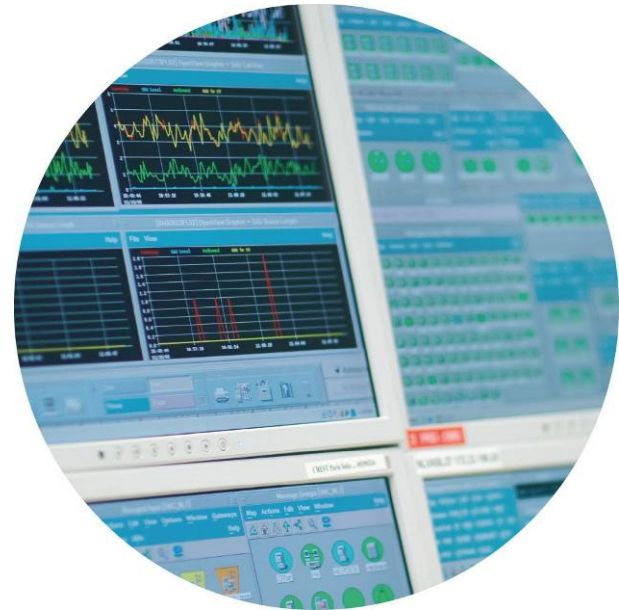


# Convergence and ISO 20022 adoption



# What is driving the move to ISO 20022?

- New initiatives
  - Global harmonisation
  - Giovannini and SEPA in Europe
  - Market infrastructures
  - Automation in the 'funds' market
- New players
  - Corporates, fund managers
- New technology
  - XML, SOA, web services



# FIN message categories

- **Category 1** – Customer Payments & Cheques (18 messages)
- **Category 2** – Financial Institution Transfers (17 messages)
- **Category 3** – Treasury Markets – Foreign Exchange, Money Markets & Derivatives (27 messages)
- **Category 4** – Collections & Cash Letters (18 messages)
- **Category 5** – Securities (67 messages)
- **Category 6** – Treasury Markets – Metals & Syndications (20 messages)
- **Category 7** – Documentary Credits & Guarantees (29 messages)
- **Category 8** – Travellers Cheques (18 messages)
- **Category 9** – Cash Management & Customer Status (29 messages)
- **Category 0** – System Messages (44 messages)



5  
ISO 15022



53  
ISO 15022

# ISO 20022 messages

## Payments, Cash and Trade

- Payments
  - Payments Initiation (5)
  - Payments Clearing and Settlement (7)
- Payments Exceptions & Investigations (14)
- Cash Management (3+28)
- Trade Services Utility (50)
- Invoice Financing Request (3)

*110 messages*

## Securities, FX and Derivatives

- Investment Funds
  - Securities Trade (30) and Settlement (16)
  - Reference Data (3) and Acct Mgmt (5)
  - Securities Management (7)
  - Cash Forecast (6)
  - Funds Processing Passport Report (2)
- Other Securities
  - Pre-trade / Trade messages (29)
  - Securities Transaction Regulatory Reporting (4)
  - Proxy Voting (8)
  - Issuers' Agents Communication (22)
- Foreign exchange and OTC Derivatives
  - Non-Deliverable Forwards (7)
  - Currency Options (4)
  - Generic (4)

*147 messages*

198 ISO 20022 messages

59 Candidate ISO 20022 messages



# Current ISO 20022 development pipeline

## Securities, FX and Derivatives

- Settlement and Reconciliation (SWIFT)
- Corporate Actions (SWIFT)
- Securities Post-trade (Omgeo)
- Market Claims/Transformations (Euroclear)
- Securities Registration and Holder ID (Euroclear)
- Securities Issuance (Euroclear)
- Total Portfolio Valuation Statement (ISITC)
- Alternative Funds (SWIFT)



# Current ISO 20022 development pipeline

## Payments, Cash and Trade (and others)

- Cash Management (+/- 28 messages) (SWIFT)
- E-invoice (UN/CEFACT TBG5)
- Change/Verify Account Identification (GUF)
- E-Mandates (SWIFT)
- Bank Account Management (SWIFT)
- Creditor Payment Activation Request (ACBI)
- ATM Interface for Transaction Processing and ATM Management (IFX)
- Card Payments Exchanges (EPAS)



# ISO 20022 (MX) adoption - Live / Under discussion

- Large infrastructure projects
  - T2 (live 2007)
  - SEPA (live Jan 2008)
  - IPF (Int'l Payments Framework)
  - Fed/TCH
  - HVPS (G10)
  - T2S (3CB+) and
  - CCBM2 (NBB and DNB)
  - Euroclear (single platform)
  - JASDEC / Zengin
  - DTCC

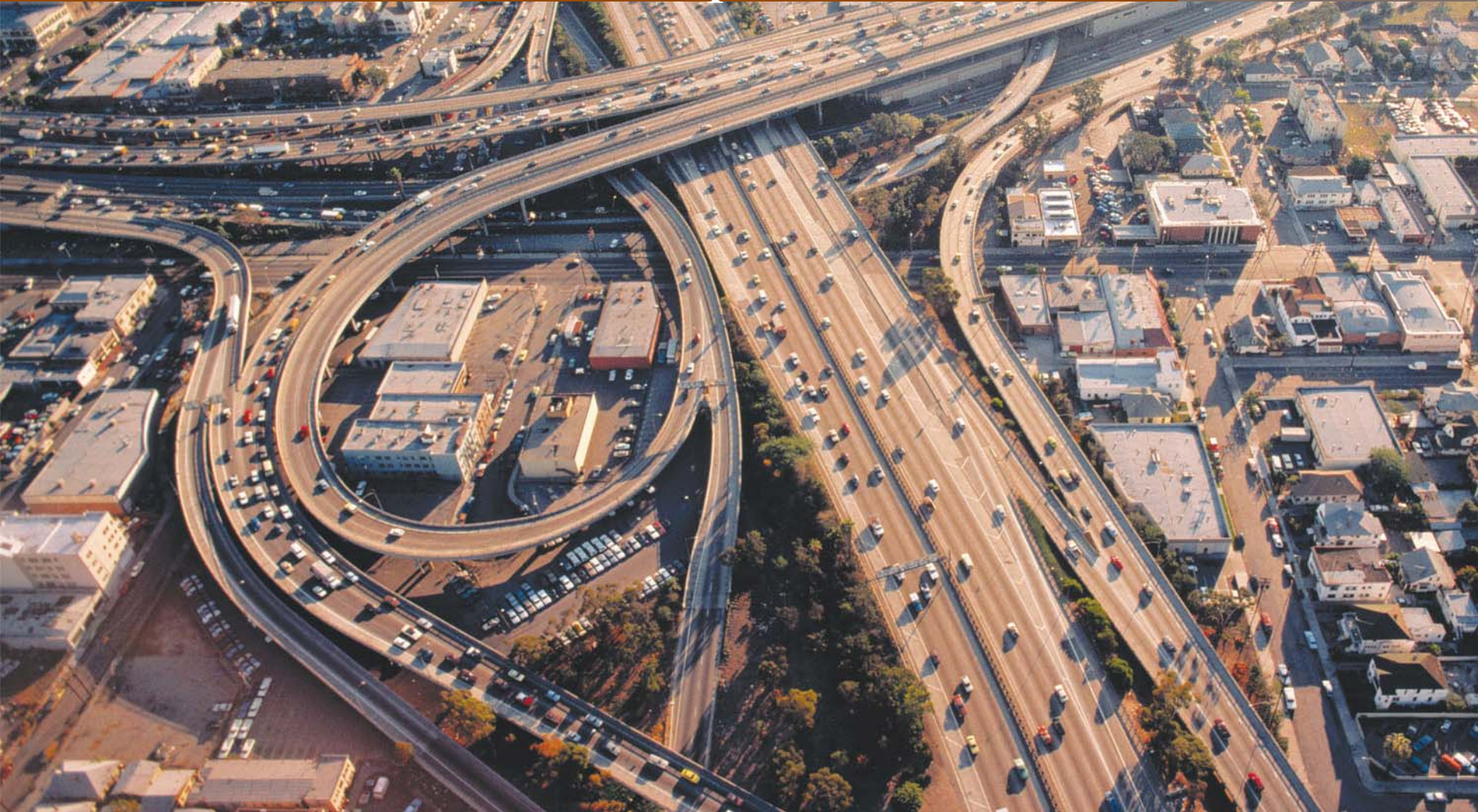
# ISO 20022 (MX) adoption - Live / Under discussion

- Regulation and self-regulation
  - Giovannini barrier 1
  - Code of conduct (CCPs and post-trade)
  - LCH Clearnet
- Regional drivers
  - Asia (China, Japan)
  - BRIC+ (Brazil, Russia)
  - Switzerland
  - Germany
  - South Africa

# ISO 20022 (MX) adoption - Live / Under discussion

- Customer-driven initiatives
  - Custodian and Investment Manager CUG in US
  - Corporates
    - Microsoft, etc.
    - Implementation and usage guidelines
  - Funds (EU and UK communities)
- Other standardisers
  - Investment roadmap (FIX, FpML, ISITC)
  - XBRL

# The Investment Roadmap



# FpML

- An e-commerce standard based on XML for the OTC Derivatives industry
- Wholly owned by International Swaps and Derivatives Association (ISDA)
- Flexible standard for defining complex, quickly-evolving financial products
- Provides a standard method of communicating within and between firms about OTC derivatives contracts



# SWIFT Standards and FpML

- SWIFT Standards maintains a seat on the FpML Steering Committee, enforcing our commitment to the forward progress of the standard
- SWIFT Standards are currently looking at ways to further extend harmonisation between FpML and ISO 20022
- Other SWIFT Standards Activities
  - Working Group Participation & Leadership
  - Support SWIFT Clients sending FpML over SWIFTNet in a CUG
  - Provide examples of messages and document message choreography
- The Future
  - ISO 20022 modeling for OTC Derivatives
  - Documentation (?)
  - Additional messages



# The FIX Protocol

- The Financial Information eXchange (FIX) protocol is a standard developed for the real-time exchange of securities transactions
- Largely based on volunteer efforts from member firms
- Largely used in pre-trade/trade space by exchanges and buy/sell side globally



# SWIFT Standards and The FIX Protocol

- SWIFT Standards maintains a seat on the Global Technical Board, enforcing our commitment to interoperability and cooperation between FIX and SWIFT
- SWIFT Standards have worked with FPL on development of an ISO 20022 Pre-Trade/Trade business model
  - 29 business transactions in model
  - Model supports FIX syntax messages
- Other SWIFT Standards Activities
  - Working Group Participation
  - Collaboration on Articles for FIX Global Magazine
- The Future
  - Extend ISO 20022 business model
    - FIX 5.0 Service Pack's 1 and 2
    - Post-Trade for Listed Derivatives & CCP's
    - Securities Lending Pre-Trade/Trade
  - Interoperability between FIX and ISO messages
  - Support for SWIFT clients sending FIX over SWIFT



# Investment Roadmap

## FIX, ISO, FpML syntax (HIGH LEVEL)

	Cash Equities & Fixed Income	Forex <sup>(2)</sup>	Listed Derivatives	OTC Derivatives <sup>(2)</sup>	Funds
Pre-Trade	FIX	FIX	FIX	FpML	ISO <sup>(1)</sup>
Trade	FIX	FIX	FIX	FpML	ISO <sup>(1)</sup>
Post-Trade	FIX	FIX	FIX	FpML	ISO <sup>(1)</sup>
Clearing / Pre-Settlement	ISO <sup>(1)</sup>	ISO <sup>(1)</sup>	FIX	FpML	ISO <sup>(1)</sup>
Asset Servicing	ISO <sup>(1)</sup>	N/A	ISO <sup>(1)</sup>	FpML	ISO <sup>(1)</sup>
Settlement	ISO <sup>(1)</sup>	ISO <sup>(1)</sup>	ISO <sup>(1)</sup>	ISO <sup>(1)</sup>	ISO <sup>(1)</sup>
Pricing / Risk / Reporting	FpML	FpML	FpML	FpML	FpML

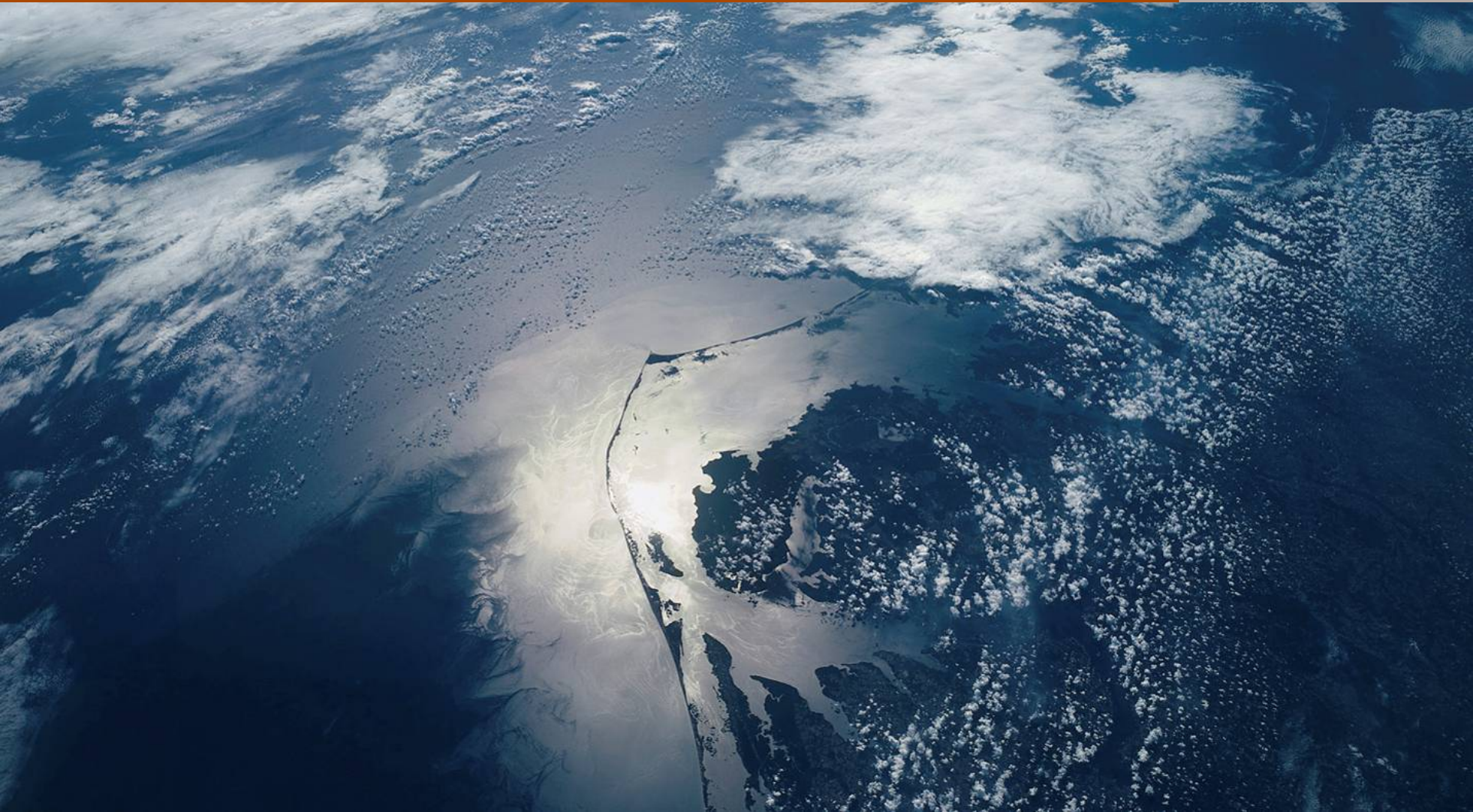


(1) Represents ISO 20022, ISO 15022 and SWIFT FIN messages

(2) See OTC Derivatives breakout for details:

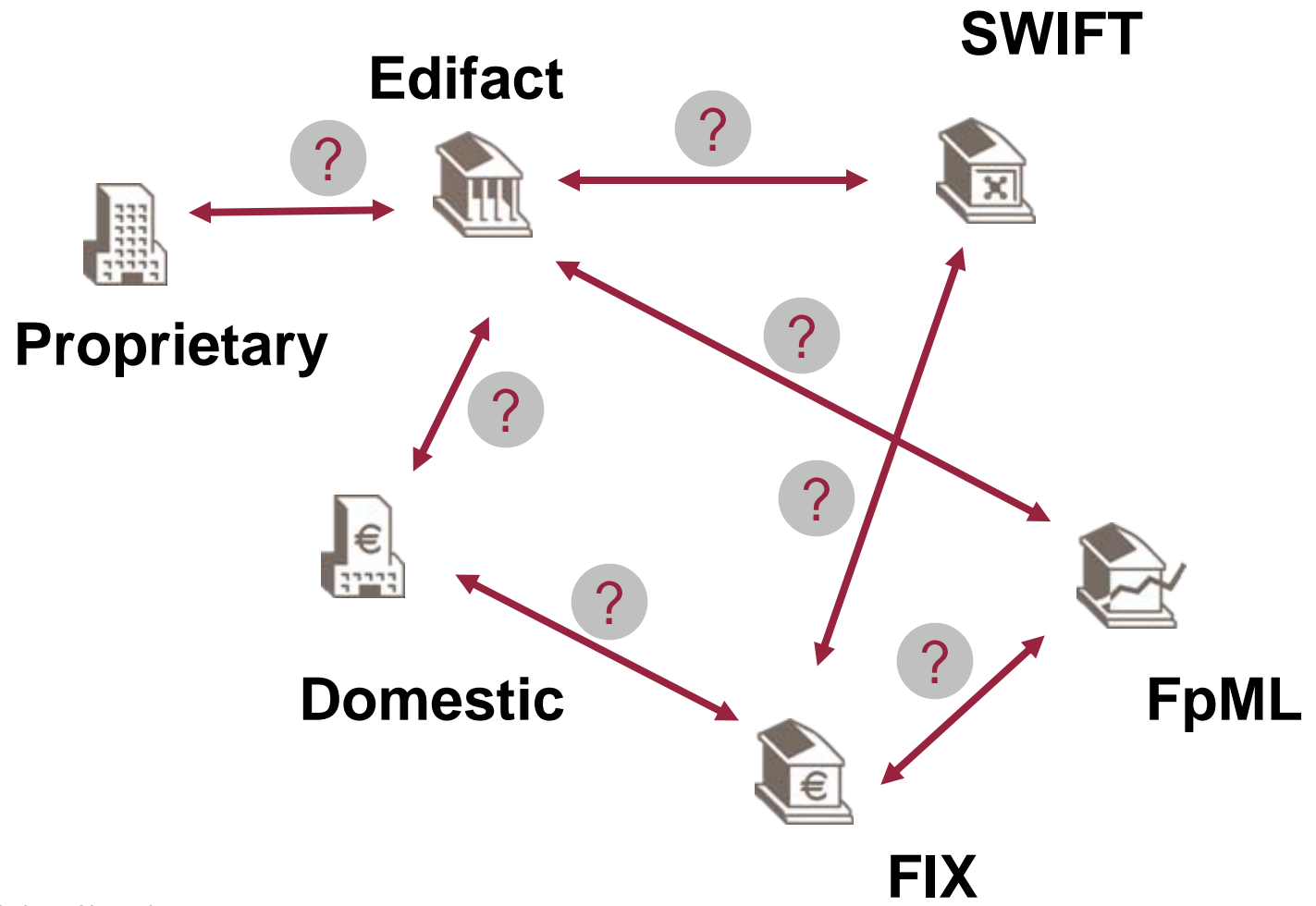
- Commercial Loans, Privately Negotiated FX, and OTC Equity, Bond, Interest Rate, Credit, and Commodity Derivatives
- Combination of FIX + FpML is supported for post-trade allocations for OTC Derivatives

# Coexistence framework and approach

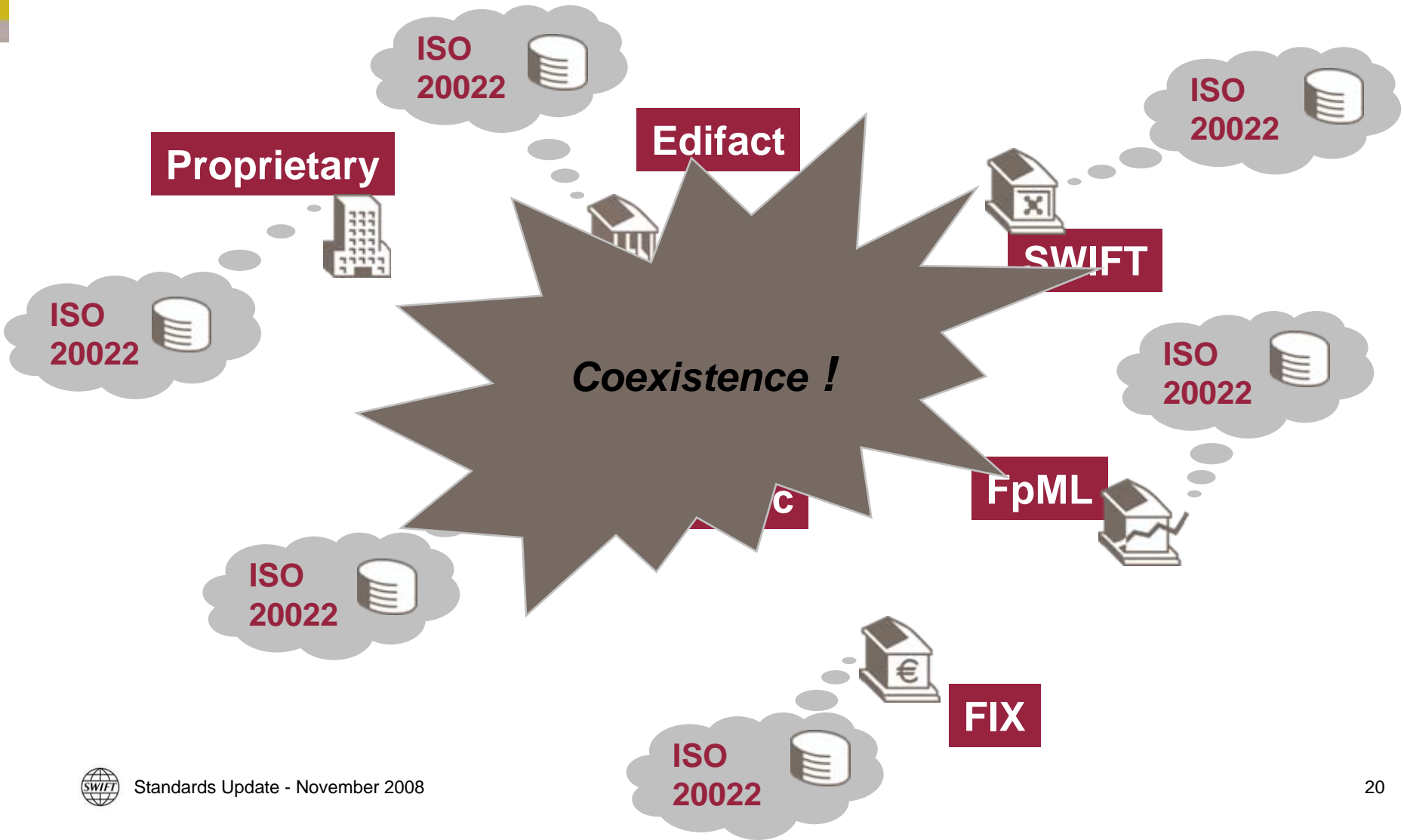


# Financial industry standards

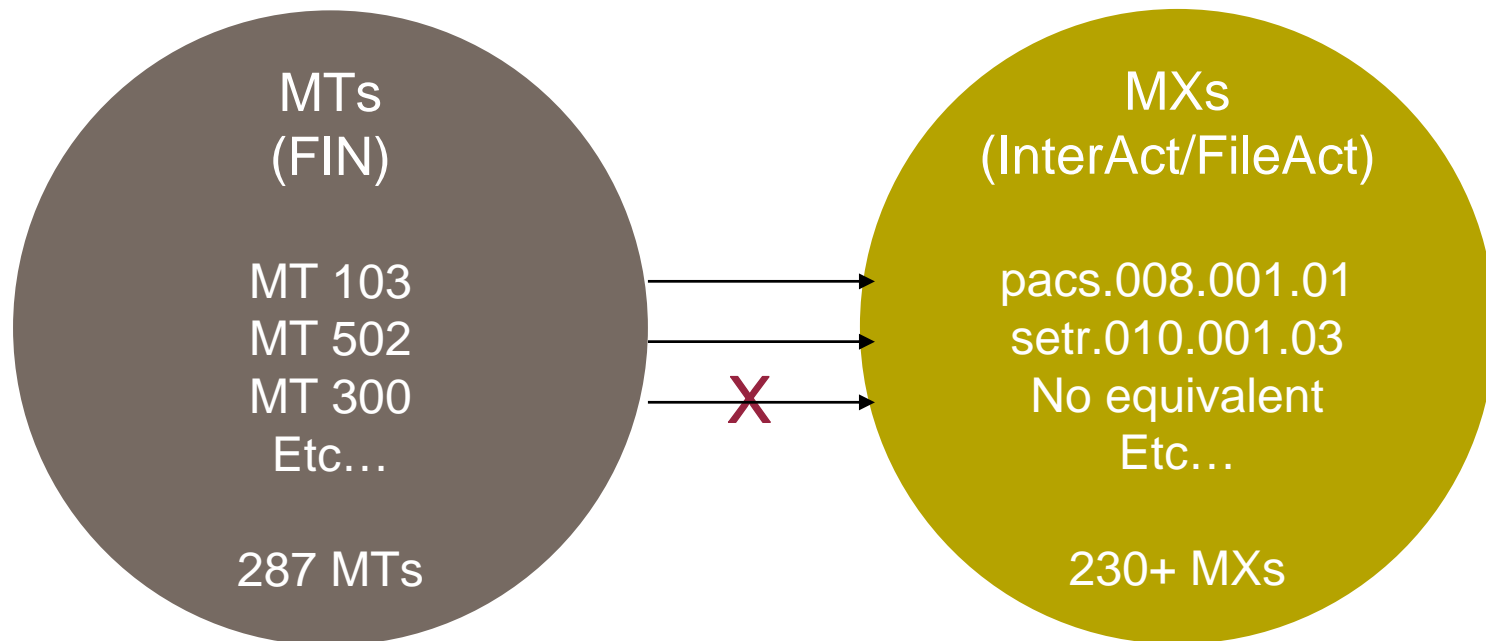
→ The current situation



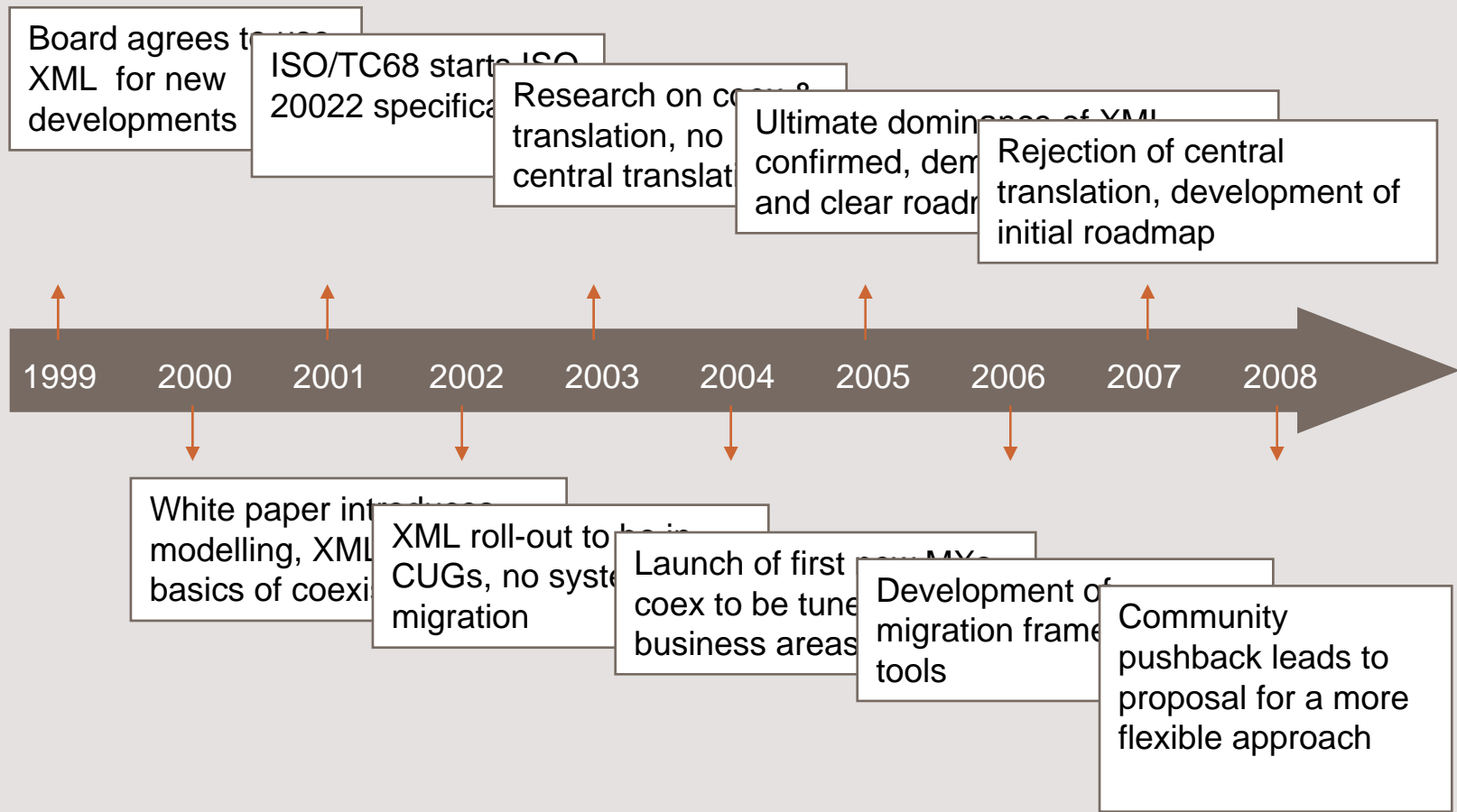
# Financial industry standards → The way forward (Coexistence)



# Coexistence – what is it?



# Coexistence timeline



# Coexistence – current status

- The MTs are not going away anytime soon
- SWIFT will support customers through the coexistence period with additional products and services designed to make coexistence ‘easier’
- A coexistence implementation plan was started in 2007, but community feedback indicates it may be too early for consensus on milestones and dates for many MTs
- SWIFT remains fully committed to ISO 20022 for all standards development



# Guidelines for message development

- New business areas – **MX**
  - Trade Services Utility (TSU)
- MTs not adequate – **MX to replace MT**
  - Proxy voting, Funds, Exceptions & Investigations
- Regulatory or infrastructure driver – **Both MX and MT**
  - Payment infrastructures, SEPA, T2S
- No business case for MX development – **MT, for now**
  - Precious and base metals



# DP 156 – Coexistence (June 2008)

- **Six cases studies for ISO 20022 implementation completed in the first half of 2008**
  - No clear positive business case, 50/50 split between positive and negative business cases
  - Replacing existing messages usually results in a negative case, new implementations often result in a positive or neutral case
  - Other drivers often help ‘make the case’ (technology, reputation, customer demand)
- **Country and national member group feedback even more strongly polarised**
  - Some countries want quick ‘migration’, others want no migration
  - Some communities want to continue using existing MTs and see no business case to replace them with new MX messages
  - Pockets of adoption for some business areas (SEPA, Funds, E&I, cash management), but no overall critical mass yet

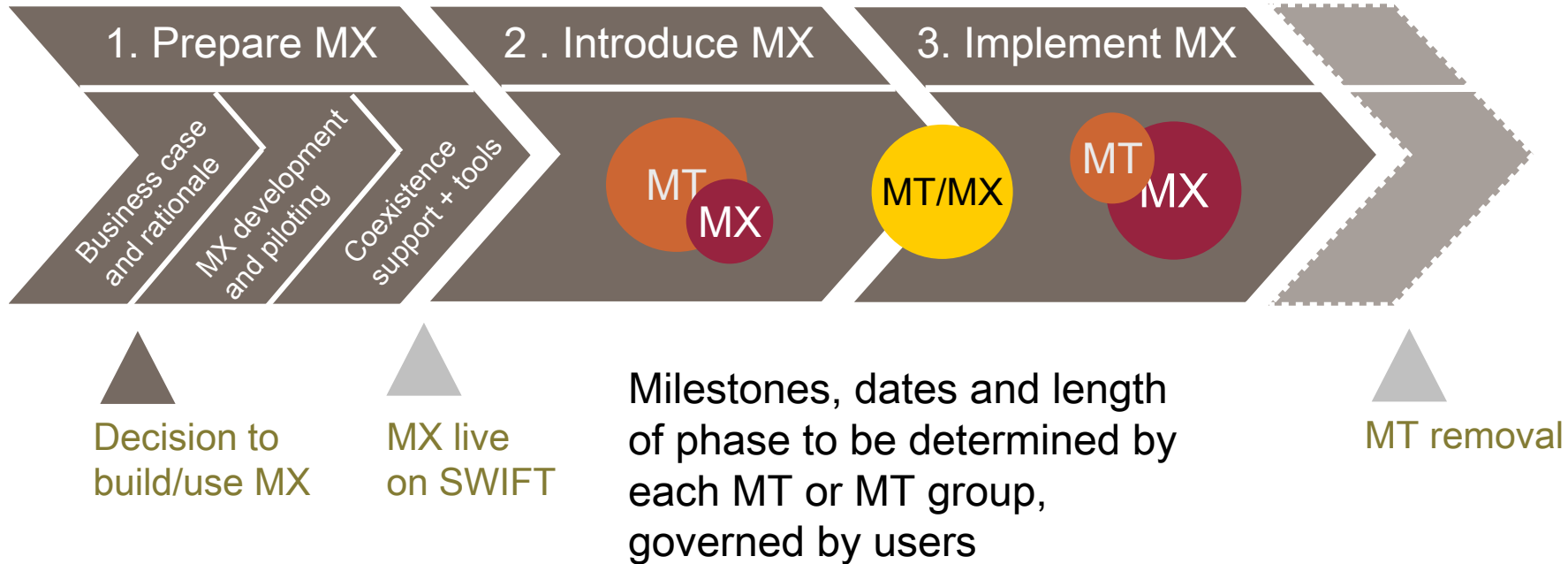
# DP 158 – Coexistence (September 2008)

- **Key components**
  - Full speed ahead with ISO 20022
  - Strengthen repository (models, dictionary, etc.) including added tools (eg, translation)
  - Let the community set the pace for migration
- **Community feedback**
  - Give us dates !
  - Focus translation on MT-MX
  - Concerns about central translation remain

# DP 158 – Coexistence – Next steps

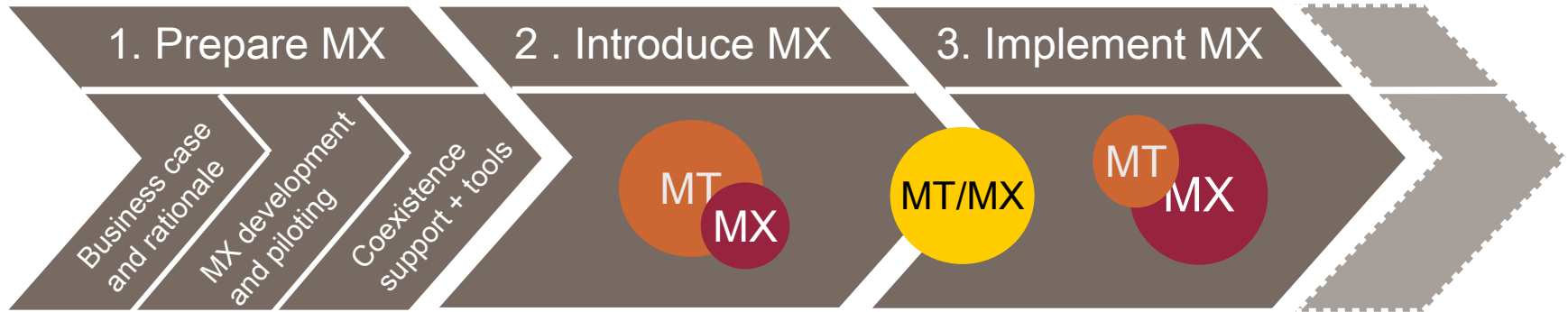
- Confirm/change dates set in 2007
  - Funds, Exceptions & Investigations
  - Executive Reports for December 2008 Board
- Information Paper for December 2008 Board on platform requirements/impact (tools and interoperability)
- Determine translation needs for existing messages
- Executive Report for March 2009 Board approval on implementation and communication plans
- Executive Report for March 2009 Board approval on plan to remove zero and low volume MT messages

# Overall coexistence framework



Decisions by Standards Committee (STC) and business committees (BPC and SSC)

# Coexistence – improved approach



- Strengthen the fundamentals of ISO 20022 by re-focusing on the 'core' (models, repository, dictionary)
- Reinforce our toolkit of products that support implementation, mapping and translation

- Let the market 'catch-up' and allow each business area and community to move at its own pace, while providing guidance on syntax

# New products and tools



# Standards Products Objectives

Help the SWIFT community  
implement SWIFT Standards

- **Lower barriers** for **new customers**
- **Ease** MT and MX implementation for **existing customers**
- **Lower costs**, minimise duplication of effort across the community
- More and easier **automation**, minimal ambiguity
- **Minimise pain** and **cost** of change



# Standards Developer Kit

## Easing the implementation of ISO 20022

Priorities aligned with market initiatives, regulatory requirements and coexistence framework

	SEPA	Investment Funds	Proxy Voting	Cash Management	Payments for Corps.
Smart Test Messages	✓		✓		✓
Translation Rules	✓	✓		✓	
Translation Reference	✓	✓		✓	
Standards Repository for Implementers	✓	✓	✓	✓	✓

# Standards Developer Kit

## Smart Test Messages

- **Ready-to-use**, *pre-filled* messages (payload)
- Customers use to test their **internal** applications
- **Inbound** to the customer, **simulating** messages they received from a customer, counterparty or correspondent
- **Realistic** business data content, not dummy data
- **Valid** (no errors) and **invalid** (with errors) test messages
- **Customizable** content – e.g., BIC, IBAN, etc.
- SWIFT-provided documented **test results**
- Fully documented “how to” **user guide**
- Packaged for use with **SWIFT solutions**



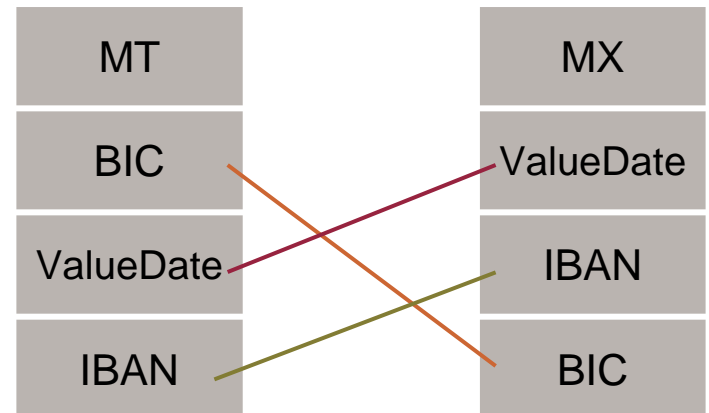
Smart Test  
Messages



# Standards Developer Kit

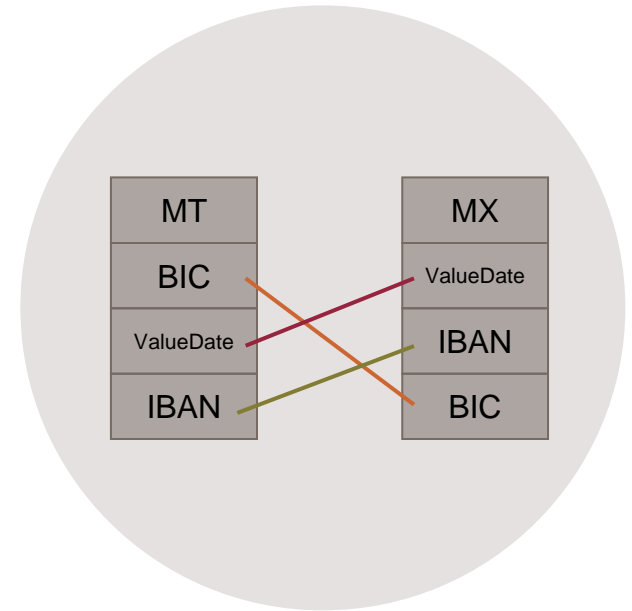
## Translation Rules

- **Comprehensive** documents .pdf  
(human readable)
- **Downloadable** today from **swift.com**
- Provide **guidance** when implementing equivalent MT/MX
- Organised by **business area**
- **Credit Transfers, Cash Management and Investments Funds** already available; **Securities Settlement & Reconciliation, and Corporate Actions** planned for end 2010



# Standards Developer Kit Translation Reference

- Used to **test that an implementation conforms** to the published translation rules
- **Sample framework** including test messages, XSLT and Java
- Licensed as a **reference product** (not supported for production use)
- Updated for MT and MX **standards maintenance**



SWIFT and partners will provide translations services and customisation tools

# Standards Developer Kit

## What and When

	Current Status	Planned Delivery
Smart Test Messages	Live	See UHB
Translation Rules	Live	See UHB
Translation Reference	Beta	End 2008
Standards Repository for Implementers	Beta	End 2008

Current plan, subject to change

# Pilot Early 2009



## Developer Corner

This framework facilitates developers with products and services to develop consistent and robust application around SWIFT messaging services. As a developer around SWIFT messaging services or as an implementer of SWIFT Standards, you need to understand Business Transaction (business flows), Message Transaction (message flow), to learn about available connectivity options and to comprehend Standards (business and regulatory requirements, message standards, such as MT and MX).

Products & Services				<a href="#">Contact Us</a>
	Business Transaction	Message Transaction	Connectivity	Standards
<b>Design</b>	» Business Transaction	» Messaging		» Standards Repository
<b>Develop</b>			» Integration Pack	» MT/XML Schema Library » Datasheet » Download
			» Alliance Gateway Developers Toolkit	» <b>MT-MX Translation Reference</b> » Datasheet » Demo (3.5 mins.) » Download
			» Alliance Access Developers Toolkit	
<b>Test</b>	» Simulation Testing & Qualification Services - SEPA » Simulation Testing & Qualif. Services - Corporate Actions	» FIN Test Messages » Simulation Testing & Qualification Services - SEPA » Simulation Testing & Qualif. Services - Corporate Actions	» ITB Services » Message Validation Mailbox » FIN Test & Training	» MT Test Messages » Smart Test Messages - SEPA » Smart Test Messages - SCORE



# Q&A





Thank you

