



Service

Partners

SWIFTReady Securities Settlement

Label Criteria 2012

This document explains the criteria needed to obtain the SWIFTReady Securities Settlement 2012 label for your business application.

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Preface

Purpose of this document

This document explains the criteria needed to obtain the SWIFTReady Securities Settlement 2012 label for your business application.

Intended audience

This document is for the following audience :

- Application Product Managers and Developers
- SWIFT customers seeking to understand the SWIFTReady programme or being involved in the selection of third-party applications.

Related documentation

Below references can be found at http://www.swift.com/partners/certify_your_application

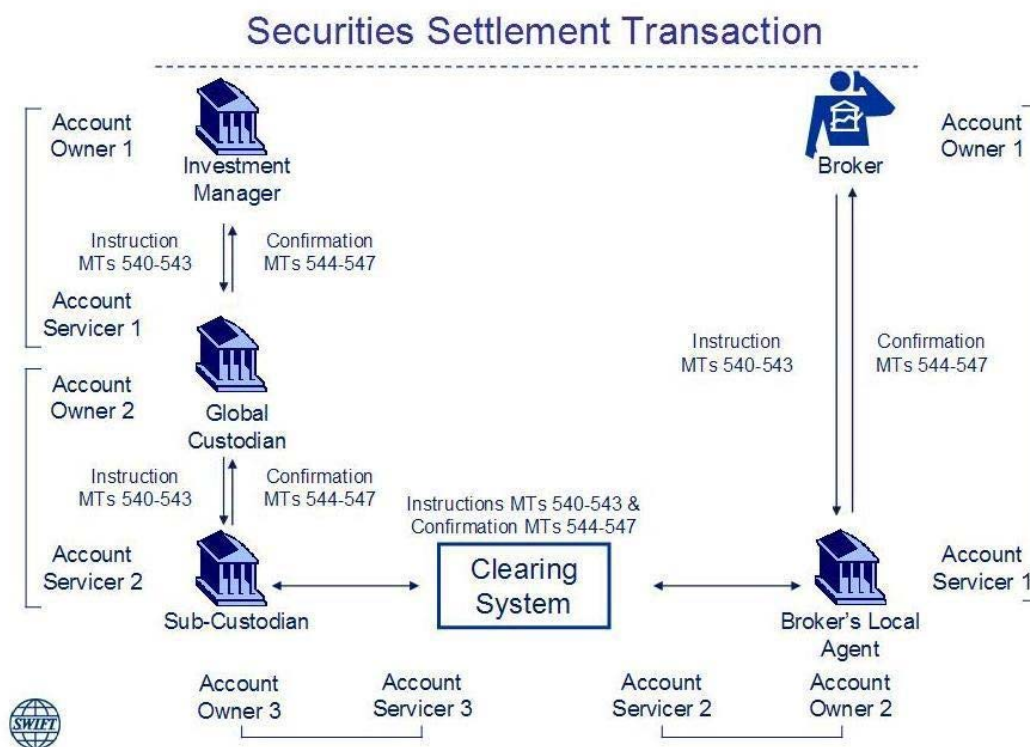
- *SWIFTReady Application Programme Overview*
The document provides an overview of the SWIFTReady programme, including the benefits to join for application vendors. It also explains the SWIFTReady validation process, including the technical, functional and customer validations.
- *SWIFTReady Technical Validation Guides*
The documents provide a detailed description of the technical validation processes for each label.
- The *Standards MT documentation set* on the SWIFT User Handbook Online – accessible through the Documentation site on www.swift.com.
- www.smpg.webexone.com to get the latest information about market practices

1 SWIFT Securities Settlement Messages

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.



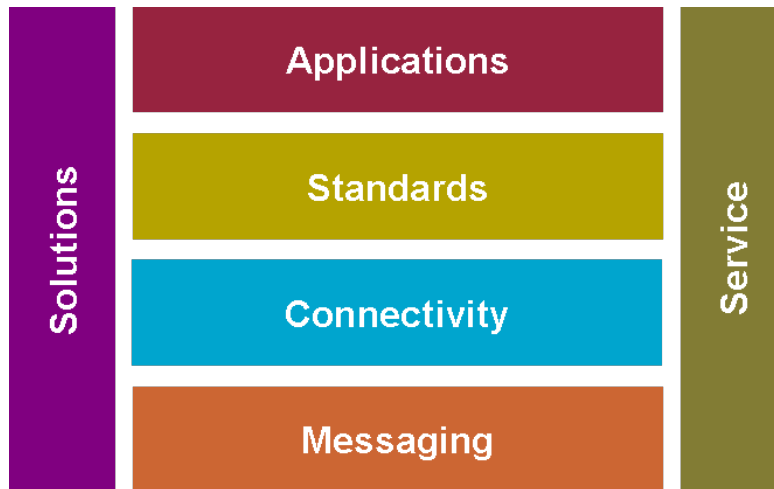
In addition to the mandatory confirmation of the settlement instruction, the Account Servicer may also send an MT 535 Statement of Holdings to the Account Owner. The purpose is to provide additional information, detailing the quantity and identification of securities held for the account at a specific point in time. The Account Servicer may also send an MT 536 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 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.

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 2012



3.1 Changes compared to 2011

New label

Vendors applying for the SWIFTReady Securities Settlement label for the first time must comply to all criteria as defined in this document.

Existing label (renewal from previous year)

Vendors that have been granted the SWIFTReady Securities Settlement label in 2011 are required to prove compliance to Standards Release (SR) 2012.

In case the vendor has upgraded its application, details of the new functionalities will be requested by SWIFT and demonstrated by the vendor (for example, New Functional validation required).

3.2 Installed Customer Base

The application must be used by minimum 5 live customers.

By "customer" we mean distinct 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 must support the FIN protocol and its associated features (for example, message validation).

3.4 Connectivity

The vendor application must properly integrate with SWIFT using:

- either one of the available **Alliance Access** interface adapters (direct connectivity)
- or through a **SWIFTReady Financial Enterprise Application Integration (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 must integrate with Alliance Access.

Alliance Access provides File, Simple Object Access Protocol (SOAP) and MQ-based adapters for FIN, InterAct, and for FileAct connectivity. The direct business application to Alliance Access connection can be achieved using one of the Alliance Access adapters: MQ Host Adapter (MQHA), Automated File Transfer (AFT) or SOAP Host Adapter.

The partner must develop and test SWIFT application integration using Alliance Access 7.0. Proper support of Alliance Access 7.0 is mandated for the 2012 label.

The SWIFTReady Securities Settlement label requires support for either Automated File Transfer (AFT) or an interactive link with MQHA or SOAP.

In summary:

Messaging service	Standards	Interface and release	Mandatory adapter
FIN	MT	Alliance Access 7.0	AFT or MQHA or SOAP

(1) MQSA can no longer be ordered. It is supported in maintenance mode only.

3.4.2 Option 2: Indirect Connectivity

Alternatively, you can prove your application 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 must be made from the list of **2011 SWIFTReady Financial EAI** suites, which are listed on [swift.com http://www.swift.com/partners/locator](http://www.swift.com/partners/locator). Please note that there will not be a 2012 SWIFTReady Financial EAI label.

Financial EAI provides generic adapters that enable to capture business data for various file systems, documents and business application databases, and map them to the requested MT or MX formats, prior to routing and dispatching them to the appropriate Alliance interface. It deals with the messaging and network complexities and eases the integration with SWIFT. The EAI adapters must be customised and configured to map to the partner application, which must also provide the appropriate message reconciliation mechanisms.

When the Partner selects the indirect connectivity option for label qualification, the combined solution (partner application and SWIFTReady Financial EAI) must be tested end-to-end over the SWIFT Integration Test Bed (ITB).

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

3.5 Standards

Only ISO 15022-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.

Warning In future, Securities Settlement messaging based on ISO 15022 as well as ISO 20022 will co-exist. 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 table of MT and MX equivalence can be found in Appendix A. Although the Settlement and Reconciliation ISO 20022 MX messages, equivalent to ISO 15022 MT messages, are not yet available on SWIFTNet, we recommend vendors to stay tuned with the ongoing development of MX messages and be ready to support them. Although ISO 20022 implementation is not mandated to get the SWIFTReady 2012 label, we strongly encourage SWIFTReady vendors to plan for ISO 20022 adoption. For more details, visit swift.com > [Standards information](#).

3.5.1 SWIFT Message Types

1. Account Servicers

The following Message Types, for both incoming and outgoing flows, must be supported by vendors whose players (custodians, central securities depository and other account servicers) are involved as account servicer to an account owner.

This table connects the different message types and the related transaction flows:

Transaction Flow	Message Type
Settlement Instruction and Status Feedback	<p>MT 540, MT 541: Instructions to receive financial instruments from a specified party either Free or Against Payment</p> <p>MT 542, MT 543: Instructions to deliver financial instruments to a specified party either Free or Against Payment</p> <p>MT 537: Provides all or selected outstanding transactions for a specified account</p> <p>MT 548: Reports on the status of a specific settlement instruction</p>
Settlement Confirmation and Position Reporting	<p>MT 544, MT 545: Confirm the receipt of financial instruments from a specified party either Free or Against Payment</p> <p>MT 546, MT 547: Confirm the delivery of financial instruments to a specified party either Free or Against Payment</p> <p>MT 535 incl. Delta: Report on the quantity and identification of securities and other holdings held by the Account Owner</p> <p>MT 536: Report on the account activity for all or selected securities, for a specified period of time for a specified account</p>

The following Message Types, for both incoming and outgoing flows, are optional:

Transaction Flow	Message Type
Additional Processing	<p>MT 549: Request for additional interim reporting on holdings, settled or pending transactions for a specified account for a given point in time.</p> <p>MT 578: Settlement Allegement</p> <p>MT 586: Statement of Settlement Allegements</p>

In summary:

MT Description	IN	OUT

MT 540 – 541 – 542 – 543	Mandated	Mandated
MT 544 – 545 – 546 – 547	Mandated	Mandated
MT 535	Mandated	Mandated
MT 548	Mandated	Mandated
MT 536 – 537	Mandated	Mandated
MT 549	Optional	Optional
MT 578 - 586	Optional	Optional

2. Account Owners

The following table reflect which Message Types must be supported by vendors whose players (typically Investment Managers & Broker/Dealers) are involved as account owner only:

Transaction Flow	IN	OUT
MT 540 – 541 – 542 – 543	Optional	Mandated
MT 544 – 545 – 546 – 547	Mandated	Optional
MT 535	Mandated	Optional
MT 548	Mandated	Optional
MT 536 – 537	Optional	Optional
MT 549	Optional	Optional

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 must 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. SWIFTReady Securities Settlement 2012 label mandates the support of SRG 2012.

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

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

3.6.4 Straight-Through Processing 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 must capture these notifications and ensure technical reconciliation, error handling, repair, and retransmission.

3.9 User Interface

3.9.1 Message Viewer

The vendor application must be able to browse incoming and outgoing SWIFT messages in a formatted way. In particular, FIN messages must be visualized using user-friendly Graphical User Interface (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 GUI or a web-based browser enabling a user to manually input any relevant SWIFT message.

The message entry tool must 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 GUI or a web-based browser enabling 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 directory:

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 it uses the latest update of the

BIC. As such, we expect the application to provide the user with a comprehensive tool to enable 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 **B**usiness **I**dentifier **C**odes (BICs) contained in the BIC Directory can be used in various fields of the SWIFT messages. The absence of BICs in these fields is one of the major obstacles to STP and causes manual intervention on the recipient side. SWIFT expects vendors to provide an integrated interface within their application to enable users to retrieve and input BICs into the proper fields, correctly formatted. The user must 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, the user must be able to select the correspondent BIC and to copy it into the message (that is, 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 must provide SWIFT under non-disclosure agreement with customer-related information.

- A list of all customers active in the finance sector. The list must 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 2012-2013 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 SWIFTReady label.

Appendix A ISO 15022 – ISO 20022 Mapping Table for Securities Settlement

MT type	MX type	MX description
MT 535	semt.002.002.03	SecuritiesBalanceCustodyReportV03
	semt.003.002.03	SecuritiesBalanceAccountingReportV03
	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
MT 536	semt.017.002.01	SecuritiesTransactionPostingReportV01
	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
MT 537	semt.018.002.01	SecuritiesTransactionPendingReportV01
	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
MT 540	sese.020.002.01	SecuritiesTransactionCancellationRequestV01
	sese.023.002.01	SecuritiesSettlementTransactionInstructionV01
	sese.033.002.01	SecuritiesFinancingInstructionV01
	sese.036.002.01	SecuritiesFinancingModificationInstructionV01
MT 541	sese.020.002.01	SecuritiesTransactionCancellationRequestV01
	sese.023.002.01	SecuritiesSettlementTransactionInstructionV01
	sese.033.002.01	SecuritiesFinancingInstructionV01
	sese.036.002.01	SecuritiesFinancingModificationInstructionV01
MT 542	sese.020.002.01	SecuritiesTransactionCancellationRequestV01
	sese.023.002.01	SecuritiesSettlementTransactionInstructionV01
	sese.033.002.01	SecuritiesFinancingInstructionV01
	sese.036.002.01	SecuritiesFinancingModificationInstructionV01
MT 543	sese.020.002.01	SecuritiesTransactionCancellationRequestV01
	sese.023.002.01	SecuritiesSettlementTransactionInstructionV01
	sese.033.002.01	SecuritiesFinancingInstructionV01
	sese.036.002.01	SecuritiesFinancingModificationInstructionV01
MT 544	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
	sese.025.002.01	SecuritiesSettlementTransactionConfirmationV01
	sese.026.002.01	SecuritiesSettlementTransactionReversalAdviceV01
	sese.035.002.01	SecuritiesFinancingConfirmationV01
MT 545	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
	sese.025.002.01	SecuritiesSettlementTransactionConfirmationV01
	sese.026.002.01	SecuritiesSettlementTransactionReversalAdviceV01
	sese.035.002.01	SecuritiesFinancingConfirmationV01

MT 546	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
	sese.025.002.01	SecuritiesSettlementTransactionConfirmationV01
	sese.026.002.01	SecuritiesSettlementTransactionReversalAdviceV01
	sese.035.002.01	SecuritiesFinancingConfirmationV01
MT 547	semt.020.002.01	SecuritiesMessageCancellationAdviceV01
	sese.025.002.01	SecuritiesSettlementTransactionConfirmationV01
	sese.026.002.01	SecuritiesSettlementTransactionReversalAdviceV01
	sese.035.002.01	SecuritiesFinancingConfirmationV01
MT 548	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
MT 549	semt.021.002.01	SecuritiesStatementQueryV01
	sese.021.002.01	SecuritiesTransactionStatusQueryV01

SWIFT will implement a subset of the ISO 20022 messages restricting ISO 20022 data formats to what ISO 15022 can support (therefore enabling validation of ISO 15022-20022 coexistence rules documented in the ISO 20022 messages).

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