





*CSDs can leverage  
SWIFT to boost  
efficiencies for their  
entire user communities*

# SWIFT for Central Securities Depositories

Streamlining communication between CSDs and  
their communities

## Benefits

- Align with global standards and best practices
- Enable reuse of existing SWIFT infrastructures
- Support value-added services
- Reduce costs and risks
- Improve straight-through processing

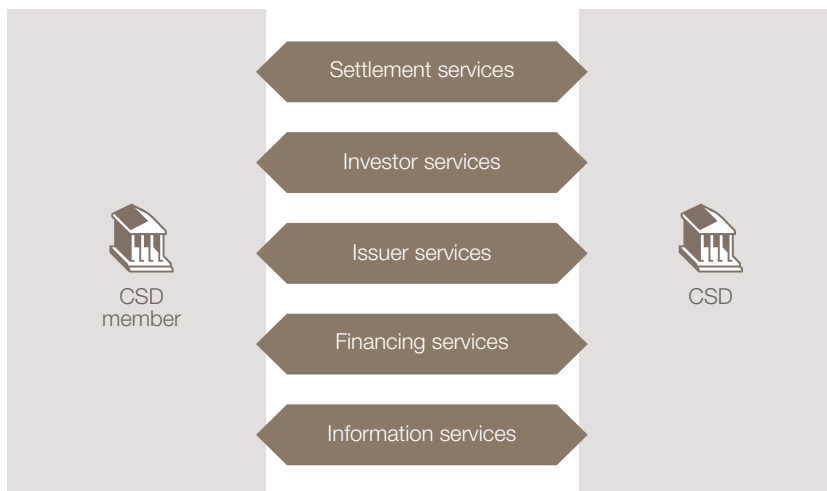
SWIFT provides a complete and proven solution to support communication between central securities depositories (CSDs) and their communities, spanning all the services CSDs provide, including settlement, investor and issuer services, financing and information services. CSDs can offer SWIFT as a highly secure and resilient channel for communication not just for cross-border business but for domestic business as well. With SWIFT CSDs can support their communities' adoption of global standards, enabling them to reuse their existing SWIFT infrastructures. This helps them reduce costs, improve operational efficiency and benefit from economies of scale.

## Industry challenges

With the constant demand to increase operational efficiency, CSDs and their communities must embrace best practices and standards in line with the recommendations of the G30. This means CSDs need modern, state-of-the-art platforms – and the ability to continuously improve their infrastructures to meet evolving needs.

The communities the CSDs serve want to see costs and risks being reduced and service levels rising. They don't want to have to build and maintain multiple connections to different market infrastructures. They do want to adhere to global standards, be able to streamline connectivity, harmonise their domestic and international activities and maximise the benefits of their investment in their existing SWIFT infrastructures.

The CSDs' communities are pushing their market infrastructures to offer commoditised services on an outsourced basis, and at the same time competitive pressure is forcing CSDs to rise up the value chain, developing new capabilities in areas such as asset servicing and issuer services. This takes them into new areas of competition and intensifies the pressure for service excellence further still.



Services for CSDs and their communities accessible via SWIFT

### The solution

By leveraging SWIFT for not only their international business but their community business as well – and across all the services they provide – CSDs can improve their own operational efficiency and reduce costs and risks for their communities.

### Settlement services

The bulk of the communication between CSDs and their communities is related to settlement services. Settlement instructions catering for all transaction types (including plain vanilla trades, repos, collateral management and borrowing and lending) are used to instruct the CSD to move the securities. Through processing advice the CSD can inform its customers of acceptance, validation results, matching results and any other pre-settlement status. After settlement, confirmations and statements (of settled transaction and holdings) are sent. All this communication can be carried out over SWIFT.

### Investor services

Once in customers' balances, assets need to be monitored. Positions can change as a result of corporate actions, which need to be announced, the customer's choice needs to be recorded and then the event itself needs to be processed. In addition to corporate actions processing, other investor services offered by CSDs can include proxy voting and tax reclamation. SWIFT offers solutions to support the automation of all these activities.

### Issuer services

There is usually a significant overlap between a CSD's community of users and the major issuers of financial instruments within a marketplace. The link between issuers and the CSD, which often acts as a central registrar, requires more and more automation, especially in bigger markets where there is a large number of new and complex issues. To support issuer services, communication links to underpin the issuance process, including number allocation, activation and corporate actions, can be created on SWIFT.

### Financing services

To lubricate the settlement process and increase overall settlement efficiency, some CSDs offer financing services – including securities lending and borrowing and collateral management services to monitor credit lines with the central bank. Here too, SWIFT can support these activities with messaging solutions and standards.

### Information services

CSDs often maintain a number of databases to support the automation of the securities settlement process. This could include securities databases, participants databases and standing arrangements databases. SWIFT's messaging can be used to exchange reference data between CSDs and their communities, supporting these information services.

## The components of SWIFT's offering for CSDs and their communities

### Messaging

Through SWIFT, all the services provided by CSDs can be accessed. Any combination of channels (one by one messaging, file transfers or operator-based access) can be created via SWIFT – using ISO standard messages or the proprietary message formats of the CSD itself, or a combination.

### FIN

FIN is SWIFT's core store-and-forward messaging service. It enables the exchange of individual structured financial messages (like securities settlement instructions) in a secure and reliable way. Value added processing includes message validation to ensure messages are formatted according to SWIFT message standards, enabling seamless integration with existing reconciliation packages, delivery monitoring and prioritisation, message storage and retrieval. FIN is based on a distributed processing architecture with full, built-in redundancy to ensure maximum availability.

### Interactive messaging

InterAct is SWIFT's interactive messaging service supporting the exchange of messages between two parties. InterAct can support tailored solutions for market infrastructure communities. Via InterAct either ISO standards or proprietary standards can be used. With InterAct, messages such as status updates can be pushed in real-time in a guaranteed, reliable fashion.

### File transfer

SWIFT's FileAct allows the secure and reliable transfer of files and is typically used to exchange batches of structured financial messages and large reports. FileAct supports tailored solutions for market infrastructure communities. FileAct is particularly suitable for securities value-added information and reporting. Settlement results after a batch cycle or database uploads can be easily communicated through FileAct.

### Secure web access

SWIFT's Browse messaging service combines the user friendliness of web technology with the security features offered by SWIFT. Designed to complement FileAct and InterAct, this service offers the capability to browse remote web servers using SWIFT's Alliance WebStation. For communications of a more sensitive nature, the browsing capability provides direct access to the secure messaging features of InterAct and FileAct, offering authentication, encryption and non-repudiation. An existing CSD web service can be easily moved to Browse over SWIFT's secure IP network.

### Closed User Groups (CUGs)

CSDs will often form a Closed User Group (CUG) on SWIFT. The CUG structure supports the creation of a community between the CSD and its membership, in which SWIFT solutions can be used in a defined context. The CSD can determine the criteria for membership of the CUG, which will typically cover its direct members, as well as the billing options available (including reverse billing), and which messaging services are to be used. Via the CUG structure, CSDs and their communities can shape SWIFT's solutions to meet their needs.

### Standards

The majority of the services provided by CSDs are supported by ISO standards. These standards have been developed by market practitioners to reflect the needs of today's securities markets. They cover simple transaction types, but also more complex transactions (like repos or pair-offs). They cover the complete lifecycle from settlement to corporate actions.

The Securities Market Practice Group (SMPG), comprising representatives from the industry (including from many CSDs), continually reviews all ISO messages and publishes usage guidelines. The use of standards has been proved to reduce interpretation risk, shorten development cycles and enable faster service roll-out.

### Other SWIFT solutions

SWIFT also offers solutions for specific business domains relevant to CSDs and their communities, including:

- Corporate Actions
- Data Distribution
- Proxy Voting
- Funds
- Regulatory Reporting

### Security and resilience

The SWIFT network availability approaches 5x9 reliability – 99.999% of uptime – and offers the peerless security levels only available from a private, secure and closed network.

### Support

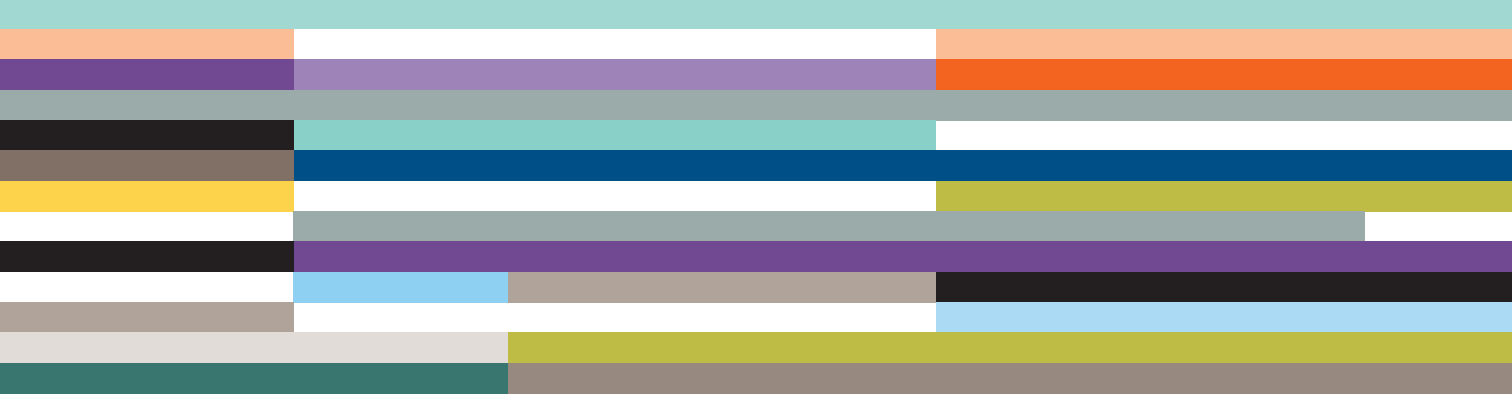
Our award winning customer support is provided on a 24 hour by seven day basis globally.

### Training

SWIFT offers a range of classroom and onsite training and e-learning products, specifically tailored to meet your business needs. Visit [www.swift.com/training](http://www.swift.com/training) for a complete list of available courses.

*For more information, please contact your SWIFT account manager or visit [www.swift.com](http://www.swift.com).*





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