



SWIFT Response to  
ESMA's consultation paper on

Draft technical standards on  
access to data and aggregation  
and comparison of data across  
TR under Article 81 of EMIR

01 February, 2016

SWIFT thanks ESMA for the opportunity to comment on Draft technical standards on access to data and aggregation and comparison of data across trade repositories under Article 81 of EMIR

SWIFT is a member-owned, cooperative society headquartered in Belgium. SWIFT is organised under Belgian law and is owned and controlled by its shareholding Users, comprising more than 3,000 financial institutions. We connect approximately 10,800 connected firms, across more than 200 countries and territories. A fundamental tenet of SWIFT's governance is to continually reduce costs and eliminate risks and frictions from industry processes.

SWIFT provides banking, securities, and other regulated financial organisations, as well as corporates, with a comprehensive suite of messaging products and services. We support a range of financial functions, including payments, securities settlement, reporting, and treasury operations. SWIFT also has a proven track record of bringing the financial community together to work collaboratively, to shape market practice, define formal standards and debate issues of mutual interest.

We thank ESMA again for the opportunity to comment. Please do not hesitate to contact us should you wish to discuss our comments further.



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**Q1: Do you see any technical issues with the establishment of secure FTP connections between trade repositories and authorities? What are the cost implications of the establishment of secure FTP connections? What other practical difficulties, if any, do you foresee? Please elaborate.**

SWIFT is supportive of the establishment of secure FTP connections between trade repositories and the authorities as this provides a reliable, cost-effective way of transferring the large amounts of confidential data that will need to be exchanged. There are a number of attributes that ESMA might want to consider when recommending the use of FTP connections:

*Security:* files transferred using the FTP should be highly secure. We recommend use of Public Key Infrastructure (PKI) technology as a secure way of verifying the authentication of the sender and ensuring that the file has not been tampered with while in transit. In addition, an FTP may be able to keep a centralised log providing a record of information relating to the files transferred. This can be helpful in the case of a dispute.

*Resilience:* the architecture of an FTP should be designed to ensure that file transfers can be recovered without interruption, even if one part of the FTP infrastructure or the connection fails.

*Openness:* even though the consultation paper supports the use of ISO standards for the exchange of data, we would suggest a FTP should be capable of transferring any type of data, including text, spreadsheets, xml formatted files. It should also support any type of character sets and all types of content structure. This would enable maximum flexibility as the FTP could also be used to transfer data in other formats which may be required in the future.

*Store-and-forward facility:* a 'store-and-forward' mode should be available to ensure that, should the recipient not be online at the time of the file transmission, it can receive it later. An FTP with this feature would forward the file when the recipient is online. This means that the sender of the file can do so without depending on the recipient's immediate availability, and the recipient can receive the file at their convenience. Neither is dependent on the timetable of the other and this can be helpful when sender and recipient are in different timezones.

*Copy feature:* a copy option would enable the file sender to send a copy to a third party for information purposes, such as to the sender's head office or to another relevant department at the sender's organisation.

**Q2: Do you foresee any technical issues with the above mentioned data exchange supported by ISO 20022 methodology? Do you foresee any cost implications from the establishment of standardised data exchange? Do you foresee any additional benefit from establishing data exchange supported by ISO 20022 methodology? Please elaborate.**

SWIFT agrees that the exchange of data between trade repositories and the authorities should be standardised and we support use of the ISO 20022 methodology for this purpose. SWIFT is a firm advocate of ISO 20022 because it is a flexible, state of the art and open standard, not controlled by any single interest, and open to participation from its user community.

Where open standards, such as ISO 20022, have been implemented in financial markets, they have brought substantial benefits in terms of straight-through processing, transparency, regulatory compliance and interoperability; open standards have also reduced costs and frictions, and facilitated the roles of regulators and supervisors thus helping to ensure the development of stronger, safer financial markets.

ISO 20022 is increasingly being adopted as a standard reporting format because the data model which lies at the heart of the standard is the ideal reference point to help regulators, market overseers and reporting firms to harvest, aggregate and interpret data which is unambiguous, clear and comparable (?), irrespective of its source. In the context of regulatory reporting and data aggregation, it is critical that all reporting entities and the authorities to whom they report interpret the specification of the data to be reported in the same way.

Without this consistency, data from different entities cannot be meaningfully compared or aggregated, and the regulatory policy goals will be difficult or impossible to achieve. The more precisely each data element in a report is specified, the more likely it is that reporting entities will submit consistent data, and the easier it will be for the supervisory community to examine the data.

The scope of ISO 20022 has already been widely adopted by the financial industry. Central banks and market infrastructures across the world are increasingly using the standard, with around 70 payments and securities clearing and settlement systems implementing ISO 20022. In the US, the Federal Reserve has declared an intention to implement ISO 20022 for US payments, and DTCC is using it for its Corporate Actions service. In Asia, ISO 20022 is used by the Chinese domestic payments system, CNAPS. It is also used by the Japanese securities depository, JASDEC, the Singapore stock exchange (SGX), the Australian stock exchange (ASX), and it has been chosen as the standard for the forthcoming Australian real-time payments system. It is also the standard used for messaging by strategic initiatives such as the Single Euro Payments Area (SEPA), the ECB's TARGET2-Securities, and in the upcoming migrations of TARGET2 and EBA (EURO1/STEP1). ISO 20022 standards have been developed across many financial business processes including retail and wholesale payments, foreign exchange, securities lending, repo transactions, collateral management, securities settlement and asset reconciliation.

SWIFT is disappointed that the use of a single message format has not been specified for EMIR data reporting purposes between reporting institutions and trade repositories, and we would respectfully recommend that such a requirement should be considered in any future reviews of the legislation. Use of a single standard, such as ISO 20022, would eliminate ambiguities, reduce the reporting burden for affected counterparties, and remove barriers to interpretation both by firms and by their competent authorities.

**Q7: Do you foresee any technical issues with the implementation of xml template in accordance with the ISO 20022 methodology? Do you foresee any technical issues in translating data received in non xml format to an xml template in accordance with ISO 20022 methodology? Do you foresee any benefit from establishing standardised xml template in accordance with ISO 20022 methodology for the aggregation and comparison of data? Would any other data standard fulfil to the same extent the requirements set out in paragraph 48 with respect to the aggregation and comparison of data by authorities? Please elaborate.**

XML Templates (based on XML Schema), such as those used in ISO 20022, are mature and widely deployed and are well supported in all financial IT environments. The process of mapping between XML and non-XML formats is widely understood and very well supported by open source and commercial tooling.

XML technology brings many benefits that are cumulative to the more general business benefits of ISO 20022 discussed above, including:

- Strict format validation.
- Unicode, which supports non-Latin characters required in many markets for example Chinese, Cyrillic
- Simple integration into IT environments.
- Well understood practices for versioning and governance to support future evolution.
- Robust open source and off-the-shelf tool support.
- Large pool of in-house or out-sourced expertise.

The ISO 20022 methodology’s use of a datatype dictionary results in additional technical efficiencies because XML components are re-used within and across templates. This simplifies analysis and mapping, and reduces the programming effort required to support ISO 20022.

The ISO 20022 methodology’s use of a conceptual business model simplifies the aggregation and comparison of XML data by authorities, because data that is represented in multiple XML components can be traced to the same business concept.

SWIFT does not believe that any other data format standard is as mature and well-suited for this purpose as XML is today. However, should another standard achieve a similar level of industry adoption and demonstrate such (or even more) tangible benefits in future, we believe that the effort to migrate from, or to interoperate with XML would be very low. Since the ISO 20022 standard and methodology is syntax independent, all ISO 20022-specific benefits described above would continue apply, even if another non-XML format standard is adopted in future.

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