



The ISO 15022 and ISO 20022 standards are widely used in securities settlement, reconciliation, custody and corporate actions operations, and are dominant in the post-trade domain. Within these processes, it is fundamental to ensure straight-through-processing (STP) is supported. The annual standards release (SR) cycle for the ISO 15022 and ISO 20022 messages on the SWIFT network has contributed year after year to rising STP rates, by keeping the messages in line with evolving market practices and new business requirements.

Lately, the growing level of regulation has also triggered changes to these widely used securities messages to allow financial institutions to comply with regulatory requirements.

While a previous standards release incorporated requirements from the Markets in Financial Instruments Directive and Regulation (MiFID 2/MiFIR), the Central Securities Depositories Regulation (CSDR) – more specifically, the new Settlement Discipline Regime – has initiated important changes to the securities settlement messages.

Standards Release 2019

One of the key requirements of MiFID 2/ MiFIR is the obligation to clearly identify research fees. Following the changes introduced in SR 2018, a research fee flag will be added to clarify the use of the research fee amount. This will apply to most of the ISO 15022 Trade Initiation and Confirmation and Settlement and Reconciliation messages.

MiFID 2/MiFIR (Article 63) also requires investment firms to send a 'statement of holdings' to their clients on at least a quarterly basis and specifies the content of such statement. The MT 535 – Statement of Holdings – will be adapted to include a quarterly statement frequency indicator, an indicator of asset ownership status and an optional narrative field to communicate additional information for the account and holdings.

From 14 September 2020, CSDR requires that CSDs must implement a penalty mechanism for late or settlement failures. This will serve as an effective deterrent for participants that cause settlement fails. The penalties will be calculated and reported on a daily basis for each business day that a transaction fails to settle after its intended settlement date, until its actual settlement date or until the end of the newly introduced mandatory buy-in process. To support this business requirement, a new penalties reporting block will be added to the MTs 537 – Statement of Pending Transactions and MT 548 – Settlement Status and Processing Advice.

CSDR also imposes a buy-in mechanism

in case the delivery of securities fails. Since the new order for the buy-in must carry a reference to the original trade, the buy-in indicators have been harmonised. A buy-in indicator will also be added to the MT 502 – Order to Buy or Sell.

The Securities Financing Transactions Regulation (SFT) that will come into effect in 2020 will require reporting of Unique Transaction Identifiers (UTI) to enable the matching and aggregation of transactions by the trade repositories. Based on the recommendations from the Bank of International Settlements and IOSCO, the UTI will become a new ISO standard with a maximum of 52 characters. In anticipation of this, we have introduced a change in the Trade Initiation and Confirmation and the Settlement and Reconciliation messages to extend the length of the transaction reference fields.

In addition, in the MT 564 – Corporate Action Notification and MT 565 – Corporate Action Instruction, the Legal Entity Identifier (LEI) of the issuer, offeror and transfer agent, is being added. This will allow institutional investors to report an event with LEI and to allow institutional investors to communicate their own LEI to the custodian or broker. The LEI has already been added to other ISO 15022 messages in a previous standards release, allowing financial institutions to include the LEI in their reporting processes.

The changes listed above will also be made to the equivalent ISO 20022 messages in Standards Release 2019 to ensure uniformity between the two message sets.

Regulatory reporting

SWIFT continues to support market authorities such as the European Securities and Markets Authority (ESMA) in their adoption of ISO 20022 for regulatory reporting. New messages to support SFTR reporting, as well as an updated version of the ISO 20022 messages for European Markets Infrastructure Regulation (EMIR) transaction reporting have been developed and will soon be approved ISO 20022 messages.

SWIFT is also working with the securities industry to formulate a new ISO 20022 Securities Transaction Penalties Report, as required by CSDR. This will be equivalent to the Penalties sequence in the MTs 537 and 548 and will be introduced in Standards Release 2019.

In the area of asset servicing, SWIFT – together with the Securities Market Practice Group (SMPG) – is developing new ISO 20022 shareholder identification

messages to be used in the context of the European Shareholders Right Directive II (SRD II), which comes into force in September 2020. The existing ISO 20022 proxy voting messages will also be updated to enable financial institutions to comply with the SRD II specific additional data requirements outlined in the EU Implementation Regulation. For instance, elements specifying the allowed methods of participation to the meeting, specific attendance admission conditions, vote threshold for resolution approval or modality of counting the votes have been added to the set of messages. To comply with the regulation, new identification parameters for parties like meeting attendees, proxy or rights holders; new vote instruction types have also been added.

All these new and enhanced ISO 20022 messages will be included in the new SWIFTNet service that SWIFT will make available for its customers from mid-2020.