

ISO 20022 in T2S

– *A new chapter in collaboration*

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TARGET2-Securities (T2S) is a European initiative to establish a single platform for the settlement of securities. It is coordinated by the European Central Bank (ECB), and four central banks (4CB: Banco de España, Banque de France, Banca d’Italia and Deutsche Bundesbank) are currently developing the service and will operate it. Once it goes live in 2014, T2S will provide harmonised delivery-versus-payment (DvP) settlement in central bank money. Central securities depositories (CSDs) using T2S will continue to provide other depository services to their clients.

SWIFT Standards Consulting Services has been supporting the T2S project since 2008, leveraging its many years of expertise and established best practice to support the implementation of ISO 20022. Most recently it has focused on two distinct roles: supporting Deutsche Bundesbank in the management of the messaging specifications and registration aspects of the T2S project; and supporting the 4CB in the technical aspects of developing new ISO 20022 messages.

Benefits of engaging SWIFT Standards Consulting Services

- Customised and efficient workflow
- Faster time to market
- Adoption of best practices
- Build a centre of standards expertise in your organisation

Drivers

As with TARGET2, the pan-European RTGS for euro payments, harmonised and efficient messaging is crucial for the smooth operation of the T2S system and its attractiveness to potential users, who today use a variety of structures to coordinate securities settlement in and across European markets. Therefore, a decision was taken early in the project that messages for use with T2S would be ISO 20022.

“T2S is a new generation of market infrastructure that will completely reshape securities settlement operations across Europe,” says Marc Bayle, ISO 20022 RMG member and T2S Programme Manager at the ECB. “The timing of the T2S project coincided naturally with the growing interest in ISO 20022. We wanted the new generation of market infrastructures in Europe to deploy the new generation of standards.”



A key benefit of ISO 20022 is its ability to create a single model of all the business processes involved end-to-end, while allowing flexibility in the syntax in which those models are expressed. This is of particular benefit to large-scale market infrastructure projects encompassing diverse users. It is expected that by the start of T2S operations in 2014, many more segments of the financial community will have adopted ISO 20022, with the T2S community at the forefront of communication standards.

From a 4CB perspective, using ISO 20022 was a clear decision of the market. "The user requirement documents that guide our project were drawn up based on user input. They clearly state that messages should follow the ISO 20022 methodology," says Christoph Heid, Deutsche Bundesbank, chair of the working group on message standardisation and registration (WG-MSR) charged with responsibility for coordinating the 4CB work of T2S message development.

"One of the great benefits of ISO 20022 is that it is universal; it covers the whole value chain of financial sector information flows," says Bayle at the ECB. "We are very happy to be a frontrunner of ISO 20022. We strongly believe it is a new generation of messaging standard that will significantly improve the efficiency of business information flows." Stakeholders in markets around the globe are looking for ways to optimise the circulation of information. "We are in close contact with our colleagues at other market infrastructures," says Bayle. "They are looking at what we are doing. It's clear now that these parties are seeing the benefits of our approach."

Project organisation

While retaining overall management of the T2S programme at the ECB, the Governing Council of the ECB has entrusted the development work for T2S to the 4CB, each of which has responsibility for coordinating particular areas. "We have a matrix organisation in the 4CB," explains Luis Miguel Caramelo

of Banco de España, who is responsible within the 4CB for liaising with the CCBM2 project, the future collateral management system of the Eurozone central banks, which is being developed in parallel to T2S. "Though each one of the project areas is coordinated by one of the developer central banks, the teams are multi-central-bank; we all work together."

Deutsche Bundesbank has the lead responsibility, inter alia, for coordinating the activities related to messaging. The work on messages includes ISO 20022 development and the creation of new messages by experts from all of the 4CB with SWIFT Standards providing technical and development consulting support.

Three concurrent efforts are under way: the specification, development and maintenance of new and existing messages; the customisation of both for specific usage within the T2S environment; and the attainment of ISO 20022 registration for new messages. One example of a new ISO 20022 development is the associated collateral management message flows between T2S and CCBM2.

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SWIFT Standards helps implement ISO 20022

In moving beyond its traditional function as a standards development centre to a more extensive implementation support role, SWIFT Standards has provided specialist consulting services and technology to assist the 4CB with the development and implementation of ISO 20022 for the T2S project.

"In several business areas, new messages have had to be developed

from scratch," says Heid. "We have also had to familiarise ourselves with the ISO 20022 methodology." SWIFT Standards has played an important role not only in message analysis and development, but in helping design efficient workflows among the various stakeholders to see the process through – from initial message design to registration. "The T2S project, ISO 20022 related activities and early market involvement had to be properly linked with each other and had to work 'hand in hand'" explains Heid.

SWIFT Standards supports each central bank contributing to the development of new messages in the different steps of ISO 20022 development and implementation, notably the UML modelling required in ISO 20022. "We had specific requests in terms of timing, so a new agile process for development support was introduced," says Vincent Bonnier, Director, TARGET2-Securities Project, Banque de France, and T2S Project Manager for the 4CB.

"SWIFT Standards provided training to the 4CB on the ISO 20022 development methodology and helped set up the necessary tools and work environment, including SWIFT's Standards Workstation and Standards Developer Kit which supports customisations required by T2S," explains Matthieu de Heering, T2S project manager, SWIFT Standards.

SWIFT Standards is rolling out its implementation tools and Consulting Services for development support, analysis and customisation as part of the T2S project to support other market infrastructure initiatives. "We are always looking to improve our service offering to help customers reduce cost, time and risk. While we're really happy with the results that have been demonstrated so far with the T2S project, we are already hard at work on a new collaborative platform to make the management of standards and market practices easier and more efficient," says Adam Moulson, Head of Implementation, SWIFT Standards.

20022 – A universal standard for a pan-European project

As explained above, the choice of T2S to rely on ISO 20022 for its messages was a strategic one: thanks to SWIFT Standards' active promotion, by the time the T2S market infrastructure is launched a growing number of communities are expected to have started their migration towards ISO 20022 with T2S at the vanguard.

Bayle says that "more benefits are to be reaped in the process". Participating in discussion forums, such as the ISO 20022 Registration Management Group or Standards Evaluation Group actively supported by SWIFT Standards, to discuss markets developments with message practitioners and future users of T2S is a further opportunity to witness the standardisation process in the making. These discussions emphasize how essential it is nowadays to have a holistic approach to message development across business areas, from pre to post-trade. "In this respect, T2S is indeed a textbook case," adds Bayle.

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Market support is essential

Contributions by the messaging experts of future users are important for the consistent development of the messages. The T2S Advisory Group therefore created the T2S Sub-Group on Message Standardisation (SGMS) in 2008. "The

aim of the sub-group is to convey the market's needs in the definition and scope of the messages to the developers and to provide feedback," says Paolo Carabelli, project manager for T2S at Monte Titoli, and sub-group chairman.

"Where technical issues have arisen in the discussions, these have on the whole been easily resolved within the sub-group with the help of SWIFT Standards." SWIFT Standards has participated in the work of the SGMS from the outset.

SWIFT Standards supports Market Infrastructures

Beyond consulting on the message development process itself, an adjacent benefit derives from SWIFT Standards' participation in messaging projects in general. Marco Pieroni, Deputy Head TARGET2-SSP Division, Banca d'Italia, points out that in developing messages for the TARGET2 RTGS, a close partnership with SWIFT Standards reflected a user preference for leveraging existing investments.

"It was a strong request of the users to have single window access," he says. "That went very smoothly for TARGET2." SWIFT Standards' ability to communicate with potential users could play a similarly positive role in the adoption of T2S. "We learnt from the TARGET2 experience that SWIFT Standards can help users adopt new standards," says Pieroni. "Their role is ultimately to support their community and so they help us look at things from a user perspective." In addition, Marco Pieroni points out that market infrastructures do not work in isolation. "The same user connected to TARGET2 is also connected to Euro1 and to CLS. The more use that can be made of common standards, the better."