



Smarter Transactions

Unique Transaction Identifier (UTI)

Securities Product Management
Simon A.X. Daniel

June 2021

Purpose: Review transformation to smarter transactions via UTI adoption

Request: AMI-SeCo feedback, advise, expertise and thought leadership

Shared alignment of goals

– Facilitate Dialogue

- facilitates an active dialogue with market participants on issues related to the clearing and settlement of securities and to collateral management

– Objectives

- Safe and efficient financial market infrastructures
- providing advice and a forum for the exchange of views on all market developments relevant for the harmonisation and integration of securities settlement and collateral management;
- contributing to the harmonisation of market practices and processes in the fields of securities clearing and settlement



Smarter Transactions

enabling a harmonized securities lifecycle for the capital market community

Removing a direct cost

of USD ~3 billion every year in the securities industry (ESCDA), expected to increase with CSDR penalty scheme

Preventing & addressing fails

while removing manual intervention and enhancing end-customer experience

Delivering visibility

and greater control on settlement transactions status

Leveraging a common identifier: the UTI

on a global scale on a shared service platform

To bridge existing fragmented solutions

through a shared solution powered by a neutral entrenched party

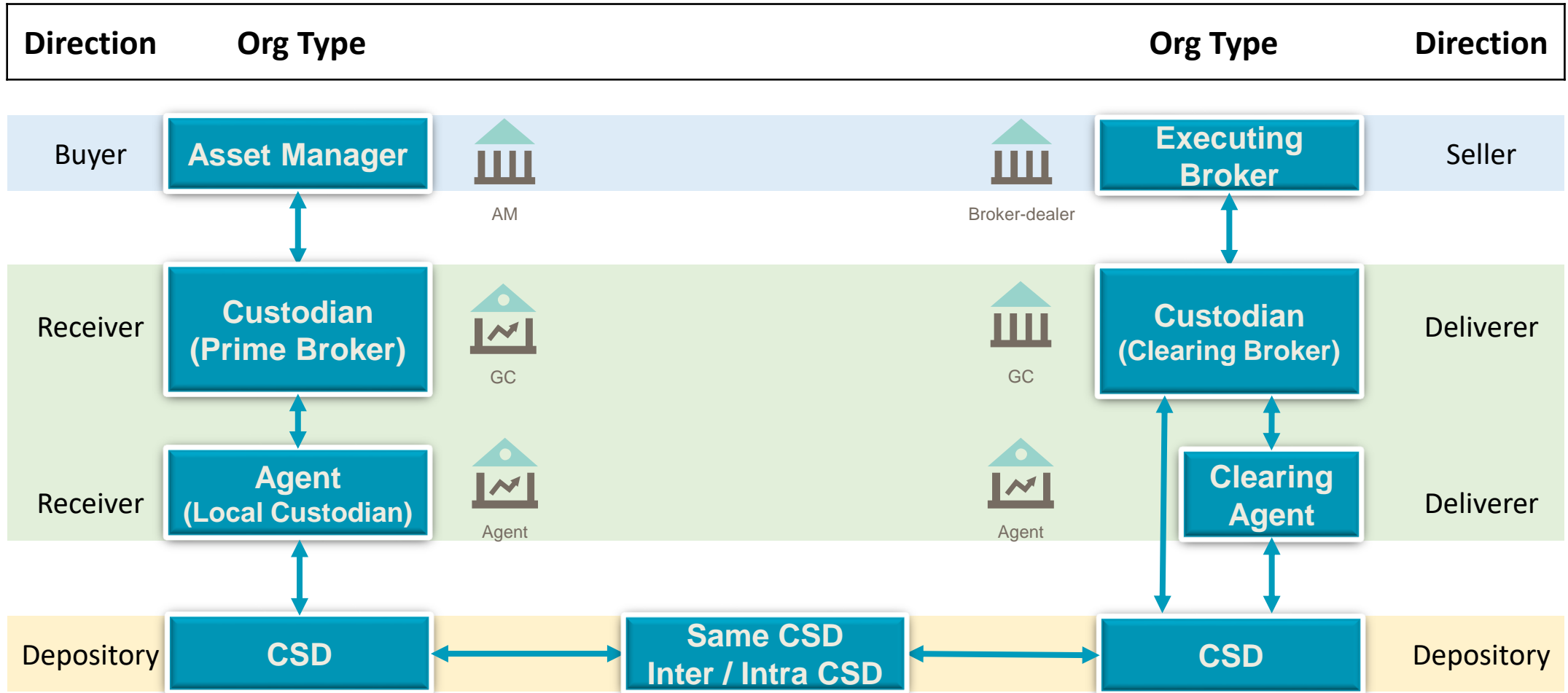
Through an end-to- end two-sided, transaction view

offering flexible formats, exception management, and integration with case resolution venues



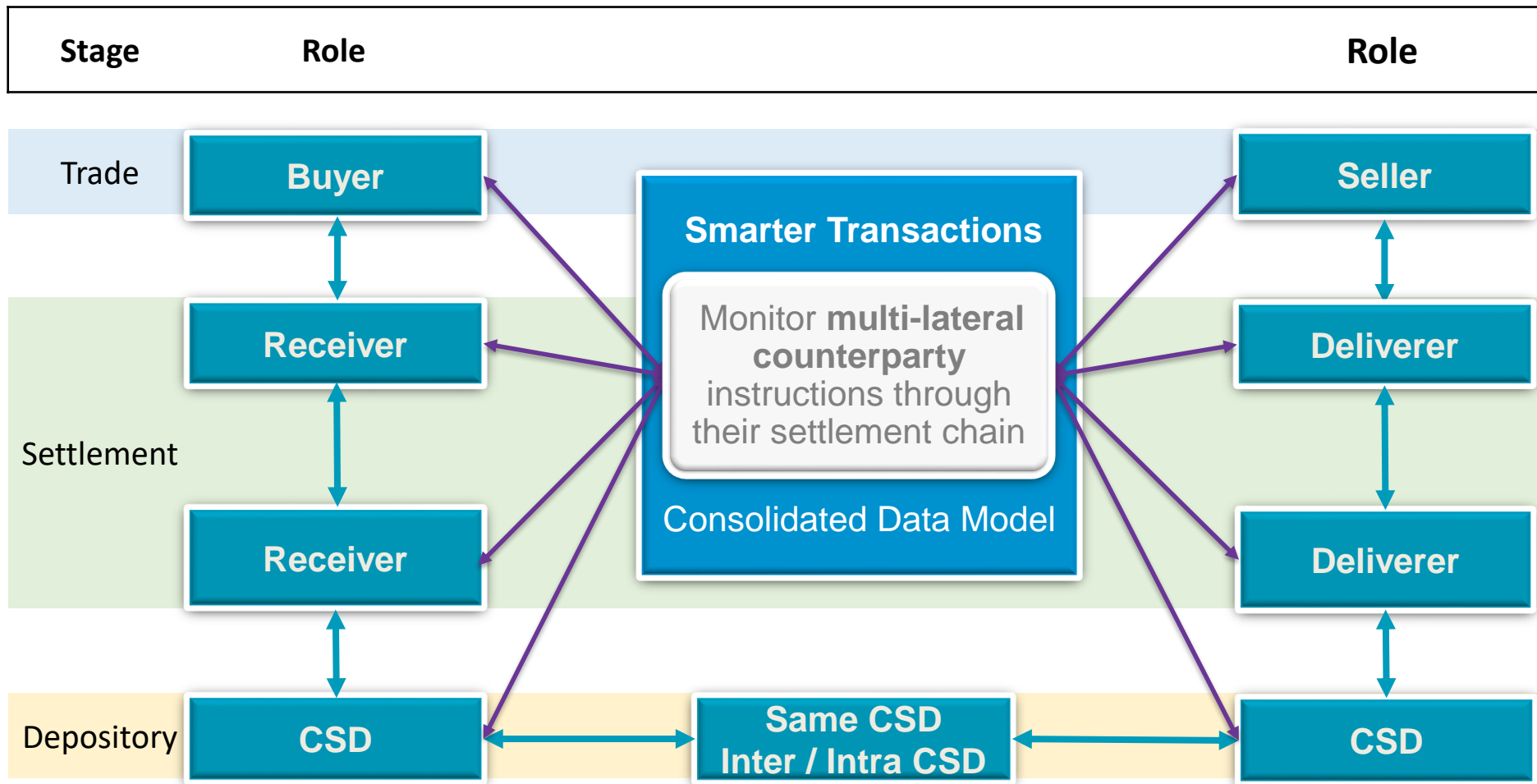
Securities lifecycle today

Instruction and status message flows



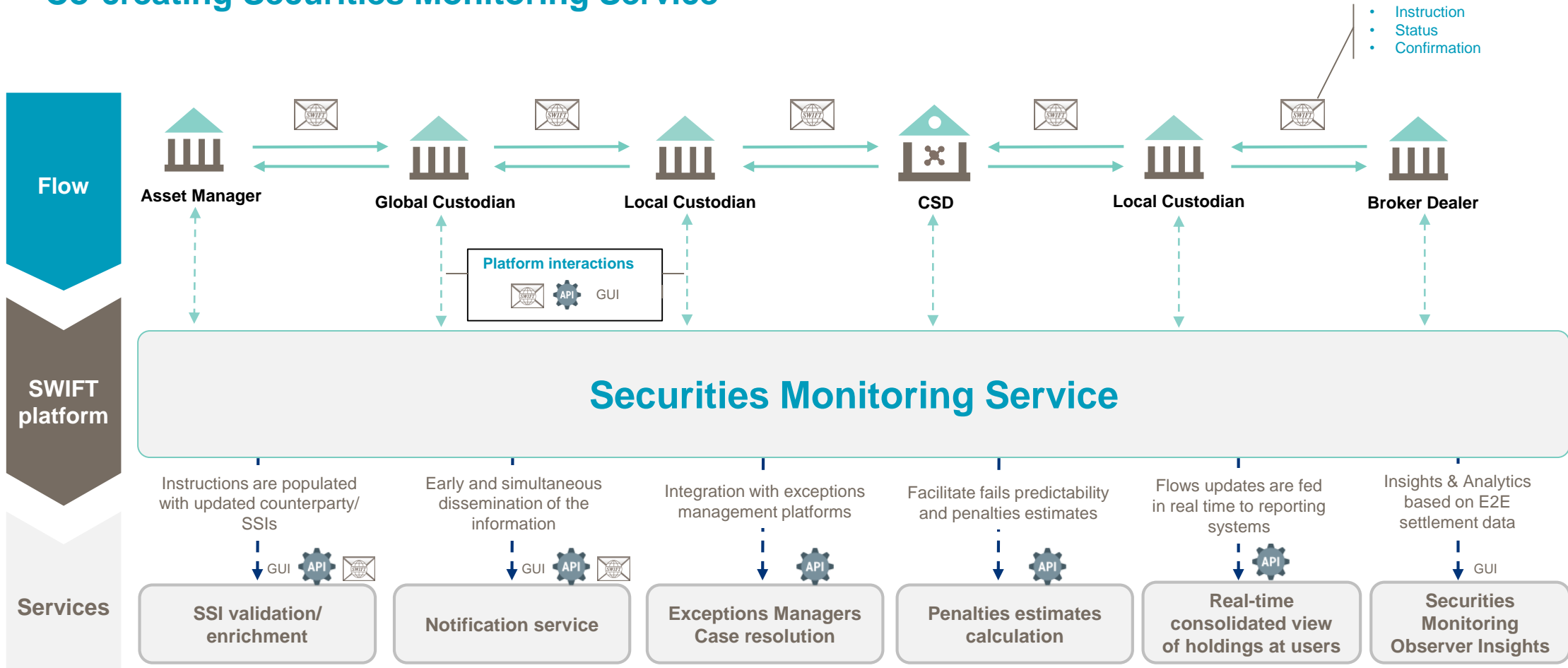
Harmonized securities lifecycle

Efficient settlements processing



SWIFT Securities Strategy

Co-creating Securities Monitoring Service



Securities Lifecycle : Impact areas

Risk Domains / Control Functions	Value
Operations: Transaction Management – monitoring	Direct
Operations: Exception Management – transaction processing control functions	Direct
Operations: Liquidity Management – inventory, dependency between transactions	Indirect
Operations: Claims Management – processing, initiation, determination, reconciliation	Indirect
Metrics & Analytics : Benchmarking, root cause analysis, efficiency feedback	Direct
Audit & Compliance: Audit & monitoring functions for compliance, claim validation	Indirect
Resilience & Business Continuity: Contingency, monitoring instructions (BCP)	Indirect
Regulatory Requirements: CSDR, MIFID, SFTR, ESG etc.	Indirect
Technology Costs: Consolidated data supports IT transformation programs	Indirect
Better Customer Service: Enhance an organisations existing client offerings	Indirect



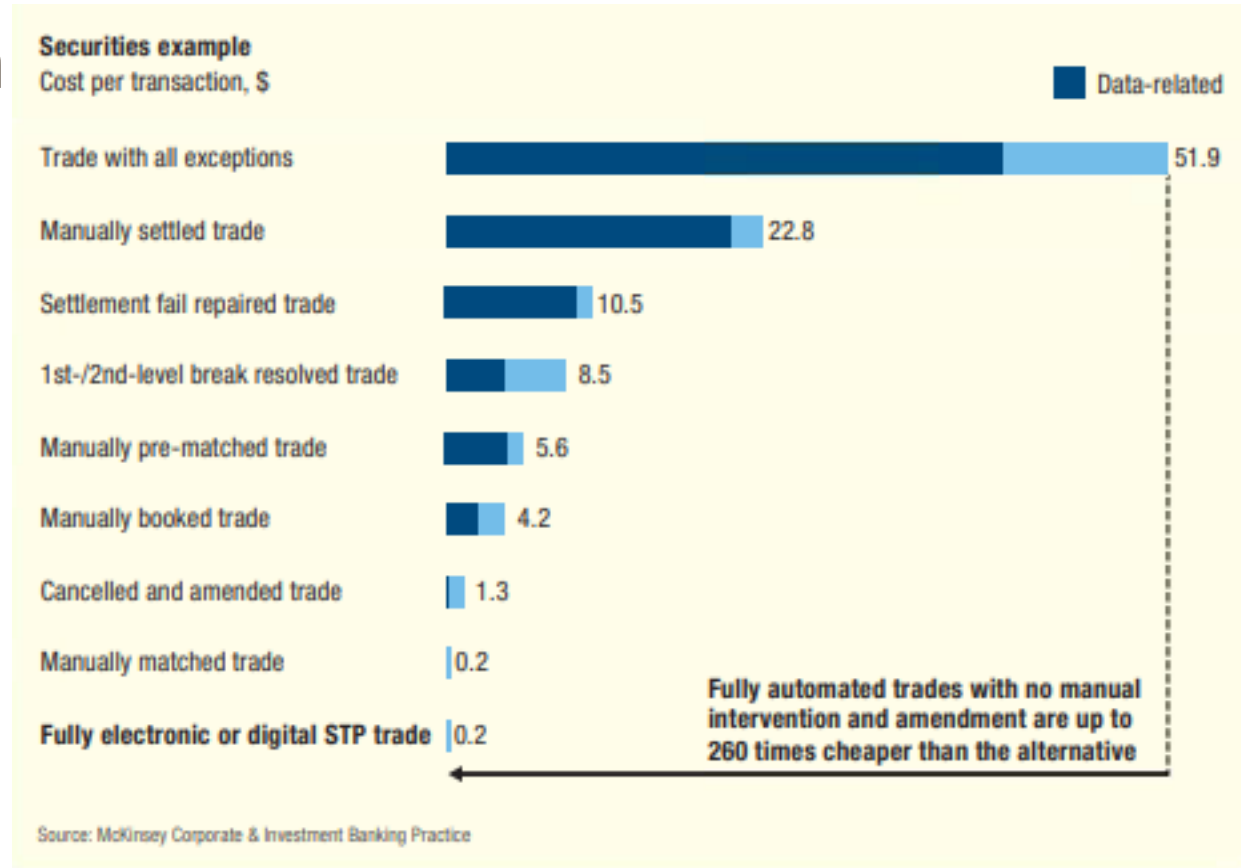
* Values differ per organisation type and role in settlement lifecycle



Settlement Efficiency – costs of non-stp

Trades that “do not touch the sides” are up to 260 times cheaper and offer a significantly better control environment

McKinsey



The **unique transaction identifier** or UTI

UTI

Unique number/reference of a financial transaction to be allocated as agreed among the parties and/or within the initiative or regulatory system under which it is formed.



unique

52 characters, (**first 20 for the LEI** of the generating body (FI/exchange/service provider)..

standard

Standardized and structure **ISO-registered** format (ISO 23897:2020)

trusted

Already used today for reporting of financial transactions to any authority in any jurisdiction.

persistent

Can be carried as a reference **across disparate systems** and processes

unambiguous

Can be referenced unambiguously by **all parties involved** or interested in that transaction.

Market practice for UTI generation, communication and persistence

IOSCO Technical Guidance Harmonisation of the Unique Transaction Identifier

Source: www.iosco.org

Document link:
<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD557.pdf>

Version: February 2017

ESMA Guidelines for reporting under Articles 4 and 12 SFTR

Source: www.esma.europa.eu

Document link:
https://www.esma.europa.eu/sites/default/files/library/esma70-151-2838_guidelines_on_reporting_under_sftr.pdf

Version: 29/03/2021 | ESMA70-151-2838 EN

ISDA Unique Trade Identifier (UTI): Generation, Communication and Matching

Source: www.isda.org

Document link: <https://www.isda.org/a/IdiDE/2015-july-20-uti-best-practice-v11.pdf>

Version: July 2015

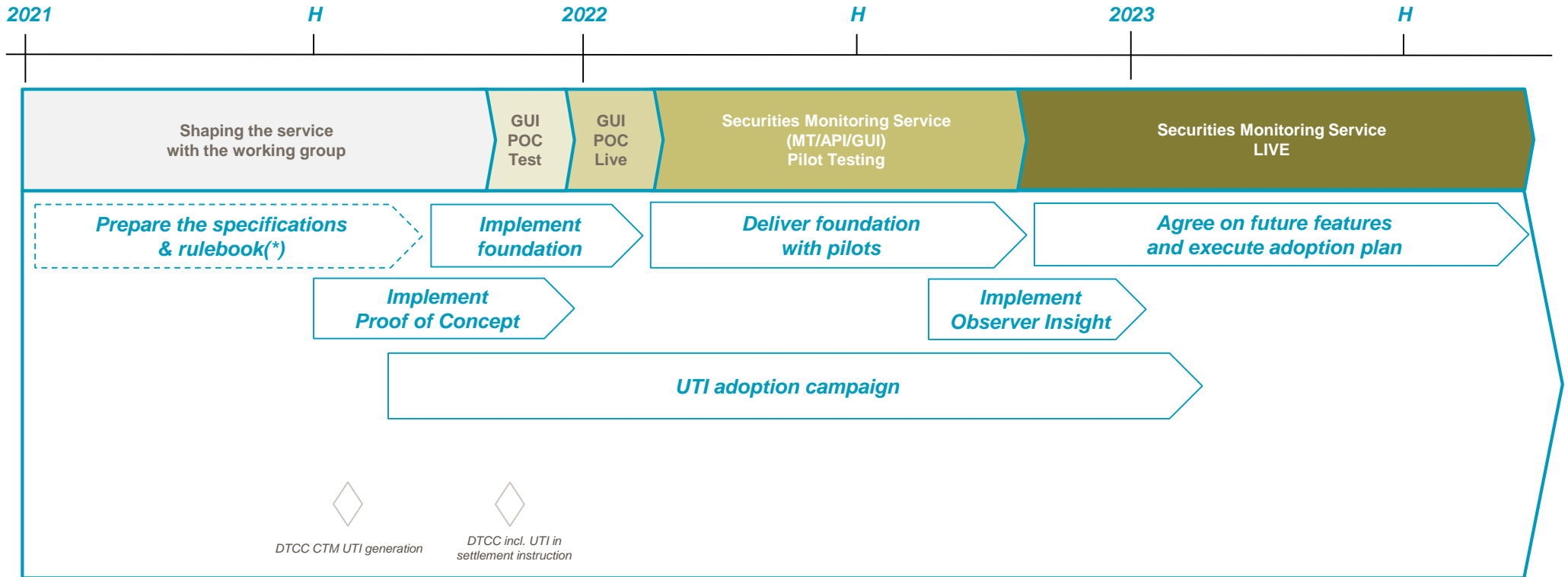


Securities Service roadmap: define, prove and start adoption in 2022

Depending on working group feedback and SWIFT progress, this roadmap is subject to revision

Legend:

Define solution –
Strong implication of working group



(*) The need for gCASE and potential 3rd party integration is still to be defined with the working group



How UTI adoption can be organised

--- Engagement needed from key players for a successful start

ADOPTION PHASE	INFLUENCE	# KEY PLAYERS	TIMELINE	
<p>Phase 1A: adoption by trading venues and matching engines which assign UTI at trade and allocation level and eventually send settlement instructions with UTI related to the trade/blocks/allocations</p> <p>Phase 1B: adoption by CSDs who own actors in phase 1A (vertical model: trading venue-clearing house-CSD)</p>		3	Q3 2021	<i>AMs are brokers are main users of matching engines, and brokers and IBs are main users of trading venues</i>
<p>Phase 2: adoption by asset managers/buy-side (UTI is assigned by phase 1A actors and settlement instructions with UTI can be sent on behalf of these same AMs)</p>		6	Q2 2022	<i>Brokers and IBs (and some asset managers) are most important customers of the ICSDs</i>
<p>Phase 3: adoption by brokers/IBs (UTI is assigned by phase 1A actors or by brokers themselves in a FIX P2P flow)</p>		7	Q3 2022	<i>Custodians move at the request of their brokers and asset manager customers or other custodians they serve</i>
<p>Phase 4: adoption by ICSDs as direct providers to brokers/IBs and/or asset managers/buy-side</p>		2	Q4 2022	<i>In theory local CSDs take into consideration the needs of their local participants (brokers, custodians)</i>
<p>Phase 5: adoption by global/local custodians as providers to brokers and asset managers/buy-side or other custodians</p>		8	2023	
<p>Phase 6: adoption by (others) CSDs as part of a global push for UTI adoption</p>		4	2023	



SWIFT: enabling smarter securities

A common shared infrastructure for the securities industry

With the objective to tackle settlement fails



June 2021 – Confidentiality: RESTRICTED

FROM

Securities messages

Providing post-trade services to 6,000+ institutions, which represents around 63% of the total SWIFT daily average traffic

Reduced complexity and cost through standardised, secure messaging

Supporting various processes: Trade allocation, confirmation, matching, settlement, portfolio reconciliation, collateral management, asset servicing and more



TO

Smarter securities transactions

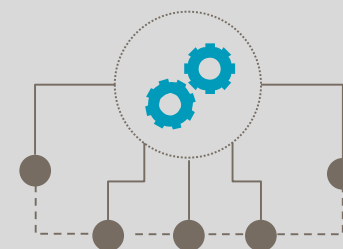
Providing **E2E visibility**, linking messages to transactions

Providing **pro-active insights** through MT, MX, API and GUI

Deliver **business insights**

Support **exception management and case resolution** capabilities

Integrate key industry **partners**



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Use Case review request?

- **Settlements efficiency**

Exception Management & STP gaps: failed trades, and pre-settlement issues are costly.

Investigations, counterparty communications, corrections, lifecycle events, penalties

Other use cases / Industry pain points

- **Asset Class focus**

- **Corporate Actions**

- **Claim management**

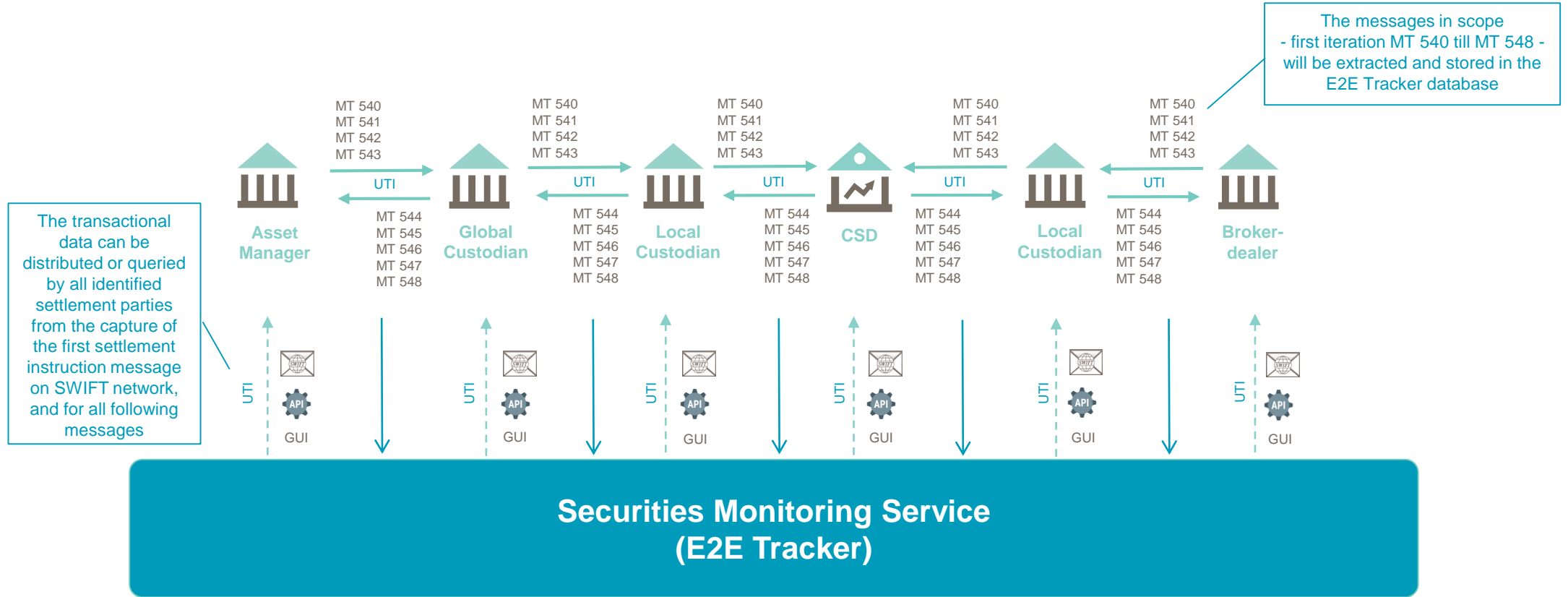
- **Robotic process automation (RPA) & Machine Learning**



– Annex



Main focus for the foundation of Securities Monitoring Service



UTI persistence during Pre Settlement

In principle a settlement transaction should **keep the same UTI throughout its lifetime.**

Some life cycle events affecting existing transactions will **create one or more new transactions.**
Each of these new transactions will **require a new UTI.**

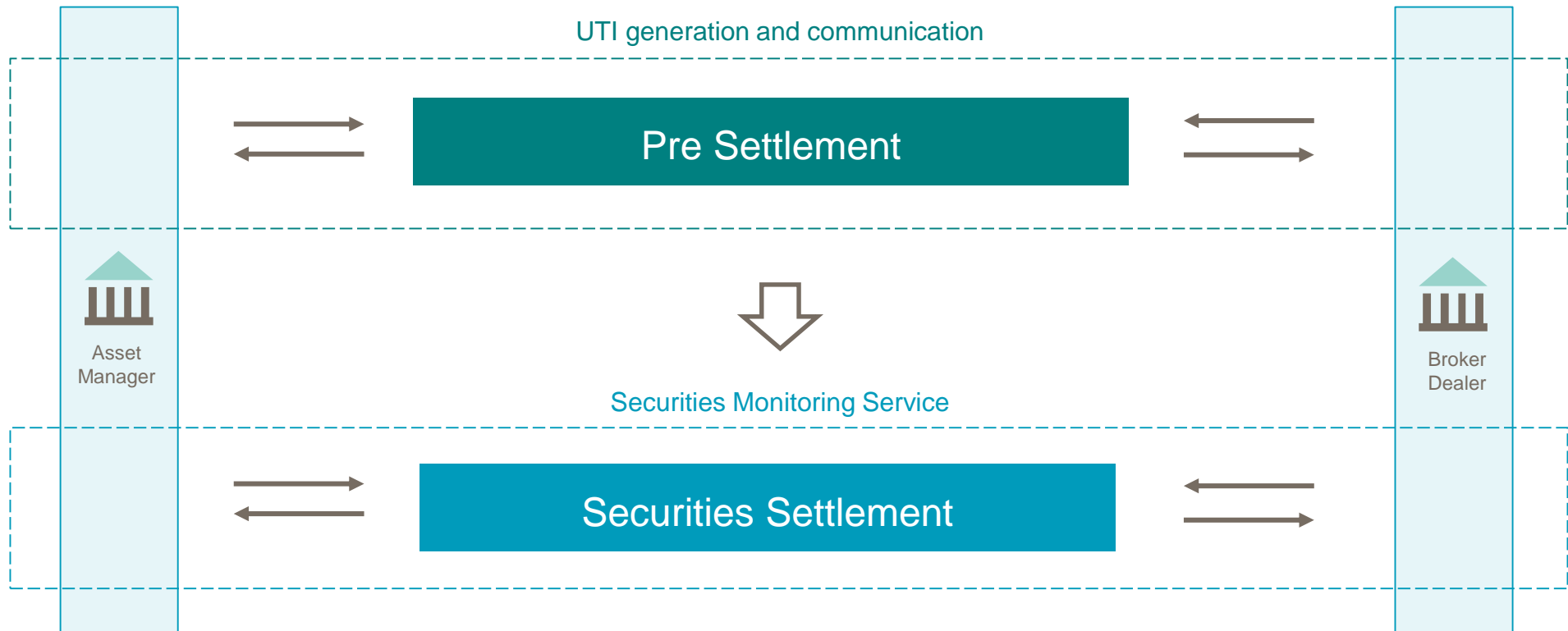
Events affecting existing transaction:

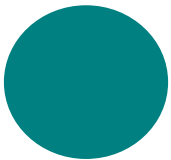
Block order split in several allocations
(1-to-n)

CCP netting
(n-to-1)



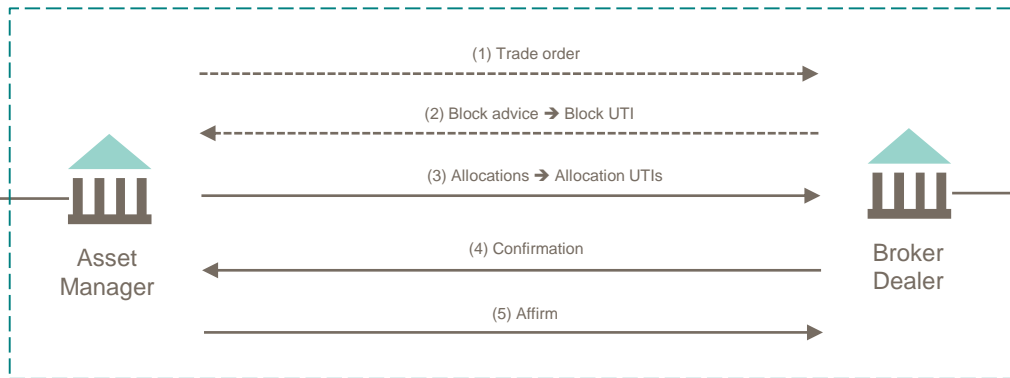
UTI generation and communication





Use case: 1 block trade > n allocations > 1 settlement transaction per allocation

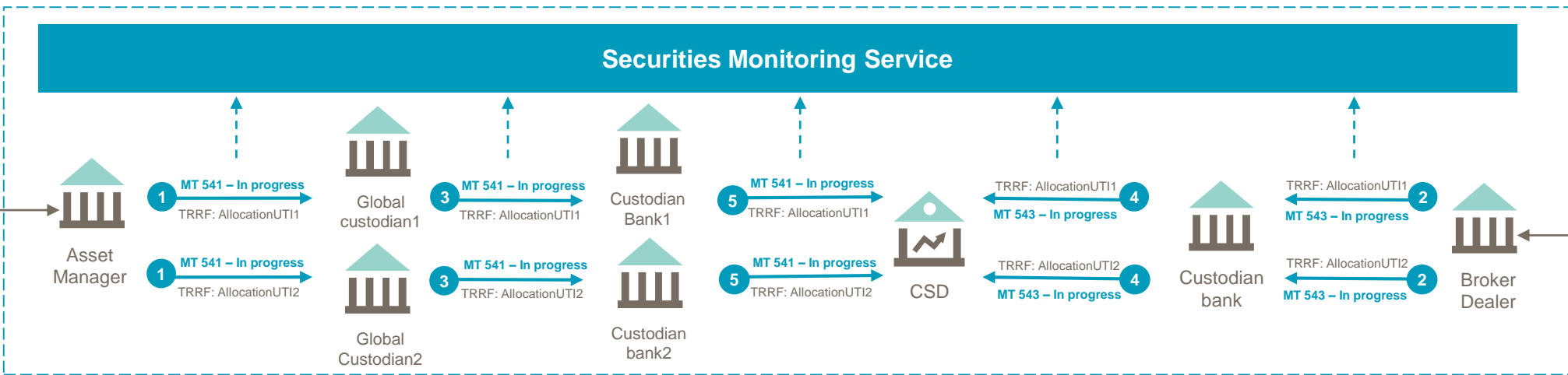
Pre Settlement

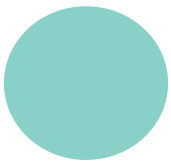


Instructs 1 settlement instruction per allocation each carrying their dedicated *AllocationUTI*

Instructs 1 settlement instruction per allocation each carrying their dedicated *AllocationUTI*

Securities Settlement





Use case: CCP netting

The CCP will generate and communicate a **new UTI for the netted transaction**.

As the settlement occur between the CCP and CSD in this scenario it is considered **out of scope** for Securities Monitoring Service, as only a very small volume of these messages occur on SWIFT network.

Overall principle for the UTI persistence in the Securities Settlement lifecycle

During Pre Settlement the UTI will be generated and communicated between the two settlement initiating parties.

By validating the Securities Settlement use cases, both simple and more complex cases (incl. partial settlement and splits), it has been confirmed that the **generation of UTI during the Securities Settlement lifecycle flow will not be required.**

In other words,

- none of the Securities Settlement life cycle events affects the existing transaction in a way that will require one or more new UTIs,
- the UTI generated during Pre Settlement can persist throughout the E2E message flow.

However, to accommodate for the various split use cases where:

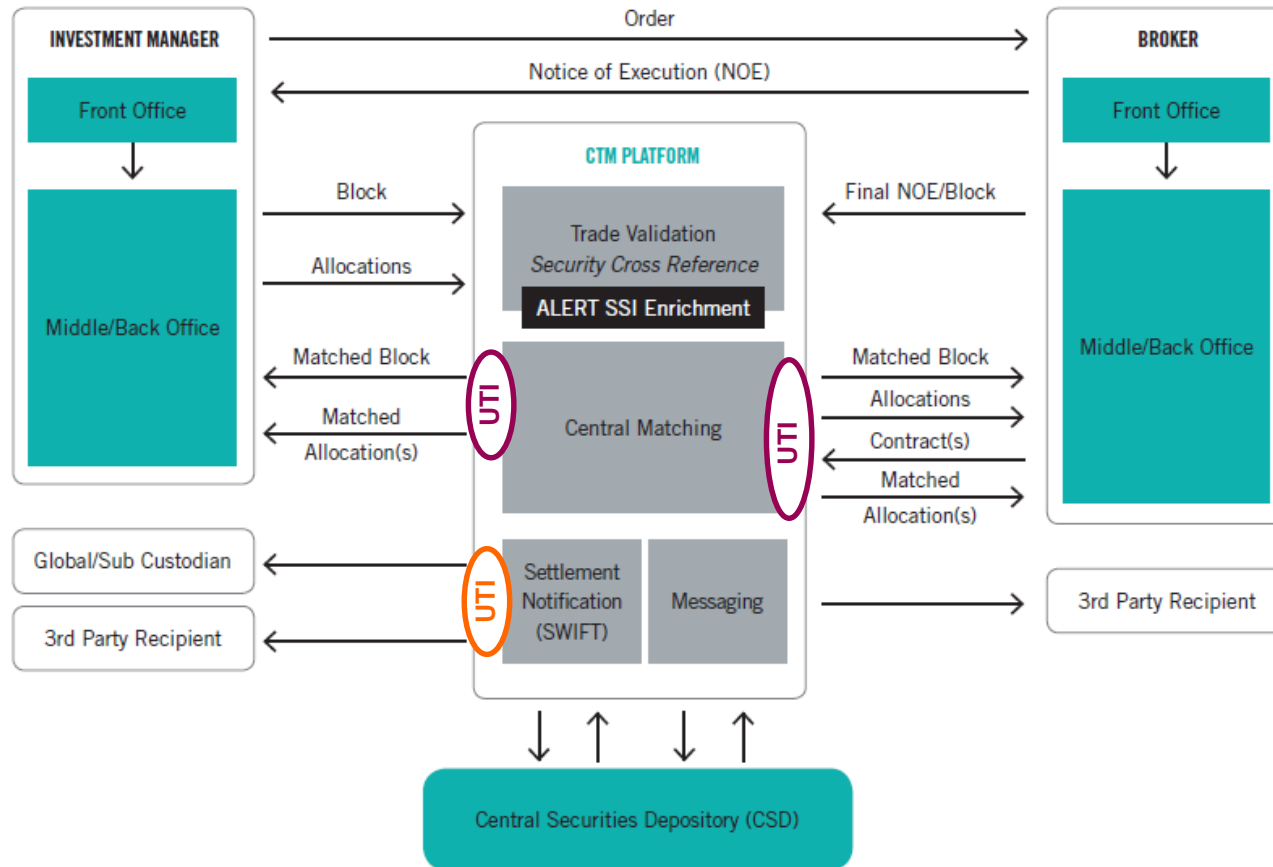
- the original underlying trade i.e. UTI stays the same, but
- the SEME of a given settlement party will change:

SWIFT must maintain the **relationship between UTI and SEME references**

SWIFT must share status notifications based on a **combination of UTI and SEME**



DTCC roadmap for UTI adoption



UTI Auto generation of UTI if neither of the clients submits a UTI

DTCC CTM has since a few years offered clients to use the UTI field. From **August 2021** CTM plans to automatically generate UTI when neither of the clients submits a UTI.

Rule:

- If neither party submits a value in the Block UTI field, then CTM generates a Block UTI.
- If neither party submits a value in the Allocation UTI field, then CTM generates an Allocation UTI.
- If one or both parties submit a value in the Block UTI field, then CTM uses the clients UTI.
- If one or both parties submit a value in the Allocation UTI field, then CTM uses the clients UTI.

In case both parties submit a UTI and these are not aligned, then this discrepancy will be solved during the pairing process, and a master UTI is chosen.

In most cases, it is the Sell-side that generates the UTI, and the Buy-side applies the UTI generated by their counterpart

Structure:

- 52 alphanumeric characters,
- prefixed with the LEI of DTCC to guarantee uniqueness,
- contains the CTM reference

UTI Inclusion of UTI when releasing SWIFT settlement instructions on behalf of clients

If investment managers have outsourced the SWIFT settlement instruction generation to DTCC, then DTCC plans to include the UTI (i.e. TRRF option U) in the SWIFT settlement instruction by **Q3 2021**.





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