



Triparty Collateral Reverse Engineering

- *Scope of the project*
- *SWIFT Governance*
- *Timeline*

April 17th 2018 - Meeting of the AMI-SeCo HSG's Collateral Management Harmonisation Task Force (CMH-TF)

Scope of the project

SWIFT will ensure to :

- design the ISO 20022 messages with mapping to ISO 15022 in mind to ensure the same levels of STP as today,
- make sure the ISO 20022 functionality covers the functionality available in ISO 15022 during the coexistence period,
- Include any additional functionalities missing today, solve existing issues and cater for any gaps with the ECMS requirements,
- Ensure the ISO 20022 philosophy principals are respected. One function, one message. There should be one way to process a specific functionality (there should not be 2 ways to do the same thing), reusability of messages and existing components when creating new messages,
- synchronise the maintenance between the 2 standards in terms of timing, review process and content,
- provide coexistence support, *e.g., the necessary mapping/translation documentation - TBD.*



Scope of the project

Ensure right balance is kept between the need for close reverse engineering and the need for leveraging the benefits and principles of ISO 20022:

- ensure SMPG market practices are adhered to,
- attempt to solve ISO 15022 standards issues,
- ensure additional requirements identified by harmonisation initiatives are included, in both ISO 15022 and ISO 20022 ,
- ensure additional requirements identified by regulatory initiatives are included, in both ISO 15022 and ISO 20022 (i.e. LEI),

Collateral management European framework

Who, What, How?

Standards: Karine Taquet, Jacques Littré & Charles Boniver

- CMH TF attendance – KT
- CMH TF Work streams attendance – KT, JL and CB
- Requirements capture - KT
- Message development – KT
- Point of contact between Standards with Securities Markets and Market Infrastructures - CB

Standards Consulting : Miriam Ortseifen

- ECMS/consultancy project co-ordinator
- Consultancy for all activities not related to message development



Securities Markets - *Market Impact Assessment*: Matt Cook, Cecile Dessambre, Nadine Limbourg & Pascal Roland

- Review impact on collateral traffic
- Review any additional S+R considerations
- Provide findings
- CMH TF streams back up & contact - MC & CD

Securities Initiatives and Payment MIs *ECB – Relationship & ECMS project* - Thomas Ramadan/Elena Migliore

- ECB point of contact on holistic project - TR
- AMI-SeCo Belgian National Stakeholders Group (BENSG) – EM



High Level Plan: New message Development (Triparty)

Actor	Action	From-To
CMH-TF	Single harmonised triparty model	January 2018 - June 2018
CMH-TF (SWIFT)	ISO 15022 reverse engineering high level process	April – June 2018 [tbc]
CMH-TF (ECMS and SWIFT)	Business justification process	April 2018- July 2018 [tbc]
RMG ¹	Business justification approval	September 2018 [tbc]
CMH-TF (ECMS- and SWIFT)	Draft messages development ²	June 2018 December 2018
SEG ³ (setting up of an evaluation team)	Message final approval	1st quarter 2019
CMH-TF (ECMS- and SWIFT)	Triparty message specification	[December 2018 – March 2019]
Eurosystem	Triparty management UDFS iteration	[April 2019 – Mid June 2019]



¹ ISO 20022 release management group

² Candidate ISO 20022 message definitions

³ Standards Evaluation Group .

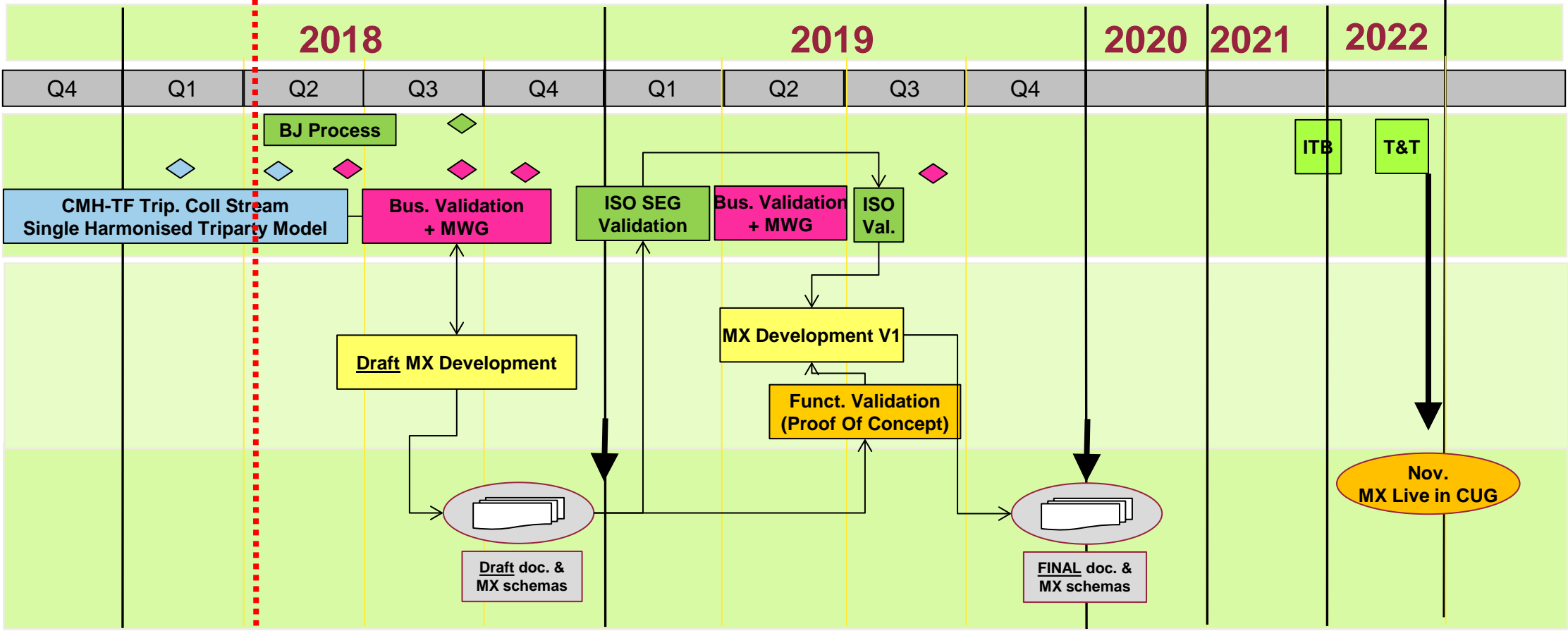
High Level Plan: New message Development (Triparty)

Actor	Action	From-To
ECMS-SWIFT	Testing phase	TBD
SWIFT	Implementation	November 2022

Overall Project Timeline

- ◆ Meetings
- ◆ RMG Business Justification Approval - Sept

Today



WARNING

PROPOSAL for ISO 20022 messages subject to discussion

Details such as ISO 20022 message/component/element names may change

Resulting Triparty Collateral ISO 20022 messages

MT527 Triparty Collateral Instruction – 3 functions

- **NEWM** - new colr message – *Triparty Collateral **Transaction** Instruction* colr.xxx
- **CANC** – could use an existing message **colr.005 Collateral Management Cancellation Request** (with CR) or a new colr.xxx message- TBD
- **REPL** – new colr.xxxx message *Triparty Collateral **Transaction** Replacement Request/**Instruction*** ? **Is it a full replacement or just a few fields? If it is a full replacement then a new message with a link referring to the original transaction should be enough. TBD**

Resulting Triparty Collateral ISO 20022 messages

MT558 Triparty Collateral Status And Process Advice

- **ADVD Advice** – new colr.xxx message *Triparty Collateral Transaction Allegement Notification*- in the Allegement the information required is very limited compared to the status message (field 25D Status, 24B Reason, 17B Collateral Approved flag, 19A Required Margin Amount, Sequence C Securities Movement and Sequence D Cash Movement must not be used). TBD.
- **CAST Cancellation Request Status** - could use an **existing colr.006 Collateral Management Cancellation Status** (CR required) – TBD
- **INST Instruction Status** – New message colr.xxx *Triparty Collateral Transaction Status Advice* and New message colr.xxx *Triparty Collateral Transaction Confirmation*
- **REST Replacement Status** – new message colr.xxx *Triparty Collateral Replacement Status Advice*. Depends on the outcome of the discussions for the Replacement message. TBD

Resulting Triparty Collateral ISO 20022 messages

MT569

- **NEWM** - new colr.xxx message *Triparty Collateral and Exposure Report*. Evaluate if **existing colr.016 Collateral Exposure Report or secl.005 Margin Report** could be used (CR required). TBD.
- **CANC** – could use existing message **semt.020 Securities message Cancellation Advice** (CR required) – TBD

Resulting Triparty Collateral ISO 20022 messages

MT599 covering the removal of a specific asset

Either new colr.xxx or consider the usage of the colr.010 (Collateral Substitution Request) and colr.012 (Collateral Substitution Confirmation).

NOTE: ALL the new ISO 20022 messages will have to be used with the Business Application Header head.001, as it is the case today for T2S. Therefore some information such as message identification, message date/time, copy duplicate functions will have to be removed from the payload of the messages when creating the new ISO 20022 messages.

Resulting Triparty Collateral ISO 20022 messages

Methodology

- Reverse engineering of the 3 ISO 15022 messages into X ISO 20022 messages. For stage 1, no business or functional requirements will be taken into account. These will be catered for in phase 2 during the review process with the CMH-TF Triparty Collateral Substream and the 4CBs.
- Generate documentation for 4CBs and ideally Tri Party collateral experts (Business Validation Group) + review and updates
- Generate documentation for the SEG + review and updates
- Registration

Resulting Triparty Collateral ISO 20022 messages

- 3 ISO 15022 messages effectively covering +/- instruction type/activity combinations
- ISO 20022 philosophy – one function, one message, try to remove any complexity of existing ISO 15022 that leads to misuses or complex market practices.
- X ISO 20022 messages
- Important decisions:
 - *Define what is the replacement process, is it just a cancel a replace of the whole transaction? If yes the linkage should be enough in the new transaction (no need for a replacement message). TBD*
 - *Have a separate allegation message*
 - *Reuse of the existing cancellation request (colr.005) and cancellation request status (colr.006) and cancellation advice (semt.020)*
 - *Status reporting per process → split some statuses into different messages 5 (Allegation, Cancellation Request Status)*
 - *Have a separate Confirmation message.*

Resulting ISO 20022 messages

