22nd January 2009

Mr. Carlo Comporti
Secretary General
CESR
11-13 avenue de Friedland
75008
Paris
France

Dear Mr Comporti,

CESR/ESCB Consultation Paper
Draft Recommendations for Securities Settlement Systems and Central Counterparties

Thank you for the opportunity to respond to the consultation on the draft recommendations for securities settlement systems and central counterparties. SWIFT very much welcomes the opportunity to respond to this consultation. We have confined our comments to issues of messaging standards and communication.

Our comments build upon our input to the recent open hearing in Paris covering these recommendations.

Yours sincerely

Richard B Young
Securities Markets
SWIFT, London
+44 207 762 2029
richard.young@swift.com

CESR/ESCB Consultation Paper

**Draft Recommendations for Securities Settlement Systems
and
Draft Recommendations for Central Counterparties**

Comments by SWIFT – 22nd January 2009

Section:
Part 1. Securities Settlement Systems:

Recommendation 2: Trade Confirmation and Settlement Matching

We agree with this recommendation on the necessity for the confirmation of trades without delay after trade execution. Our specific comment relates to paragraph 3 of the explanatory memorandum. This paragraph makes reference to automated trade confirmation systems, and in particular the need for providers of such systems to ensure that they are "interoperable to avoid inefficiency and market fragmentation".

In our view reference should be made to the use of the existing non-proprietary ISO 15022 message standards, as recommended in the Giovannini Protocol published in March 2006, as the best way to achieve such interoperability. In addition, new message standards developed under ISO 20022, and due for submission to ISO in Q3 2009, will also be available for trade confirmation. The availability of these ISO standards should also be referenced in paragraph 3. The ISO business justification for the development of the new ISO 20022 securities post-trade messages, recently submitted by SWIFT and Omgeo, is attached as Appendix 1 below for reference.

Recommendation 16: Communication Procedures, Messaging Standards and Straight-Through-Processing (STP)

SWIFT strongly agrees with this recommendation and believes it is most important that such a recommendation is included in the final version of the recommendations.

We note that in paragraph 2 of the explanatory memorandum reference is made to compliance with the Giovannini Protocol Recommendations. Our comments on this are as follows:

- The opportunity should not be missed to emphasise that Giovannini Protocol compliance should be expedited by all settlement system providers and must be completed at the very latest by the target date of March 2011.

- This recommendation should clearly state the desirability that domestic settlement systems also become Giovannini compliant within the same timeframes.

Part 2. Draft Recommendations for Central Counterparties

Our general comment on part 2 of the document is that there is no recommendation covering communication procedures, messaging standards and straight-through-processing. We believe that this part of the document pertaining to central counterparties should have an equivalent to recommendation 16 in part 1 covering settlement system providers

For central counterparties it is essential that open message standards and communication procedures facilitating STP are adopted.

Equally, where applicable to central counterparties, the Giovannini Protocol should be implemented within the target date of March 2011.

End of Comments

Appendix 1

BUSINESS JUSTIFICATION
FOR THE DEVELOPMENT OF NEW UNIFI (ISO 20022) FINANCIAL REPOSITORY ITEMS

> *This business justification is a modified version of what was submitted for the post-trade space by Omgeo in October 2006. SWIFT Scrl is now a joint submitter and agrees to take on the responsibility for the development of the models and resultant schemas. The scope has also been broadened with the addition of listed derivatives, Repo's and lending/ borrowing contracts.*

A. **Name of the request:**
   Securities Post-trade messages

B. **Submitting organization(s):**
   Omgeo LLC
   22 Thomson Place 55-T5
   Boston, MA 02210
   and
   S.W.I.F.T. Scrl
   Avenue Adele, 1
   B1310 – La Hulpe, BE

C. **Scope of the new development:**
   The following is an outline of the revised scope of the business justification. Of note is the addition of listed derivatives, repo's and lending/ borrowing contracts.

Financial instruments	Equity Fixed income Listed derivatives Repo and Lending/ borrowing contracts
ISO 20022 business area	Securities Trade (setr)
Business processes	Trade notification and allocation Trade Matching Trade Confirmation Trade Affirmation

Today, there are multiple standards and syntaxes to support these business processes. There are varying expectations regarding end benefits from the community of users supporting this development:

- The ability to migrate from proprietary communication to ISO 20022 directly, without having to adopt ISO 15022.

- Overall increased syntax interoperability (i.e. FIX, ISO 15022, ISO 20022)

- The ability to utilise a single ISO standard across multiple business processes (i.e. pre-trade/trade, post-trade matching, settlement, reconciliation, etc.).

Integrating ISO 20022 messaging to manage the trade process from Notice of Execution (NOE) to pre-settlement will facilitate the matching of trade sides between counterparties, eliminate manual intervention and reduce risk.

The scope of processing to be covered by the Post-Trade messages includes the following:
• Notice of Execution
• Allocation
• Matching Status
• Confirmation
• Affirmation

D. **Purpose of the new development:**

The goal of this submission is to initiate the transition of Post–Trade messaging from the existing ISO 15022 standard, to new ISO 20022 messages. Those who have not already implemented an existing standard would prefer to move directly to and leverage the benefits of ISO 20022.
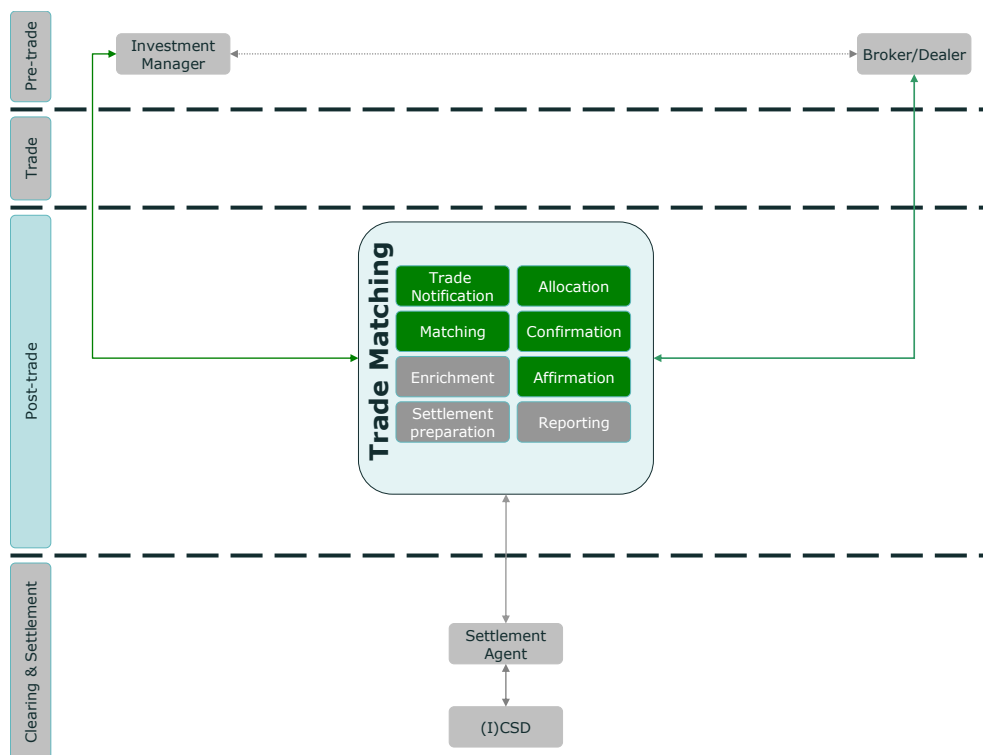
This revised business justification also reflects the increased interest from other parties (noted below), so in addition to transitioning from ISO 15022 to ISO 20022, the development will also incorporate the requirements of existing formats (i.e. JASDEC, Euroclear) as well as leverage the work performed in the pre-trade/trade space.

In the current environment, Post-Trade communication is supported by the following ISO 15022 messages:

o MT509 - Trade Status message
o MT513 – Client Advice of Execution
o MT514 – Trade Allocation Instruction
o MT515 – Client Confirmation of Purchase or Sale
o MT517 – Trade Confirmation Affirmation

New ISO 20022 messages are expected to be reverse-engineered from current industry practices and ISO 15022 standards, however additional messages, functionality and information will be added to support defined functionality as determined by industry participants.

The following diagram is an illustration of the primary communication flows which this business justification is addressing (the green is what is in scope).

Pre-trade — Investment Manager → Broker/Dealer

Trade

Post-trade

Trade Matching

Trade Notification	Allocation
Matching	Confirmation
Enrichment	Affirmation
Settlement preparation	Reporting

Clearing & Settlement

Settlement Agent

(I)CSD

E. **Community of users:**
  Parties/actors that will use/benefit from the new messages:

- IM (Investment Manager) – partners with the Broker / Dealer to communicate details, execute modifications and settle financial instrument transactions.

- B/D (Broker – Dealer) – partners with the Investment Manager to communicate details, execute modifications and settle financial instrument transactions.

- VMU (Virtual Matching Utility) – mediates communication between the Broker / Dealer and Investment Manager to exchange trade details, match settlement criteria and confirm completion of financial instrument transactions.

- Custodian and/or Trust Bank - partners with the Investment Manager and Broker / Dealer to confirm and settle financial instrument transactions.
  Specifically, the following parties are committed to being involved in the development of the ISO 20022 messages and in promoting their use:

  - Omgeo

  - SWIFT

  - JASDEC

  - Euroclear
  SWIFT and Omgeo will involve FIX Protocol Ltd. in the development, where there is overlap between the work performed in pre and post-trade (i.e. NOE - Notice Of Execution) messages.

F. **Timing and development:**
  SWIFT intends to develop the ISO 20022 models together with the parties mentioned in section E and submit to ISO in Q3 2009.

G. **Commitments of the submitting organization:**

- SWIFT, together with Omgeo, is committed to

    - Undertake the development of the candidate UNIFI business models and message models that it will submit to the RA (Registration Authority) for compliance review and evaluation. The submission will include Business Process Diagram (activity diagram), Message Flow Diagram (sequence diagram) and Message Definition Diagram (class diagram), as well as other descriptive material that will be used by the RA to generate the Message Definition Report;

    - Address any queries related to the description of the models and messages as published by the RA on the UNIFI website.

- SWIFT intends to organize pilot testing of the resultant message schemas.

- SWIFT is also committed to initiate and/or participate in future message maintenance.

- SWIFT and Omgeo acknowledge and accept the following:
"Organizations that contribute information to be incorporated into the ISO 20022 Repository shall keep any Intellectual Property Rights (IPR) they have on this information. A contributing organization warrants that it has sufficient rights on the contributed information to have it published in the ISO 20022 Repository through the ISO 20022 Registration Authority in accordance with the rules set in ISO 20022. To ascertain a widespread, public and uniform use of the ISO 20022 Repository information, the contributing organization grants third parties a non-exclusive, royalty-free license to use the published information".

H. **Contact persons:**

Hans Ellis
Trading Standards
SWIFT Scrl
Hans.Ellis@swift.com

David Mellett
Standards initiatives
SWIFT Scrl
David.Mellett@swift.com

Thomas L. Brown Jr.
Standards and Market Practice
Omgeo LLC
tom.brown@omgeo.com

Ellen Goodman
Standards and Market Practice
Omgeo LLC