

ECB OMG November 2023 Meeting

Industry update from SWIFT –
FX, Payments and Securities



November 2023

Agenda

November 2023
Swift Update to ECB
Operations
Managers Group

1. Category 3 standards release changes 2023 & 2024
2. CBPR+ update
3. SWIFT FX Strategy update
4. Hybrid address changes from 2025 to 2026
5. T+1 update

Key Points - Category 3 standards release changes 2023 & 2024

- SWIFT's MT306 message (used for exotic options and averaging forwards) now incorporates ISDA's May 2022 Barrier Event Supplement.
 - Message sequence F (Barrier block) redesigned to support barrier types and concepts outlined in the supplement
 - Business day conventions and rebates now supported
 - Barrier time type of discrete or continuous now explicitly stated
- As of Standards Release 2024 (November 2024), SWIFT's MT306 message will also incorporate ISDA's 2022 Averaging Supplement
- As of Standards Release 2024 (November 2024), SWIFT's MT306 message will also support Unique Product Identifiers in line with ISO 4914

CBPR+ - update on FX impacts

In 2024 SWIFT will update it's CBPR+ (Cross Border Payments and Reporting) ISO 2022 user handbook to include FX trade > Payment flows, examples of MT300 and ISO 2022 payment messages will also be included

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References and Codes

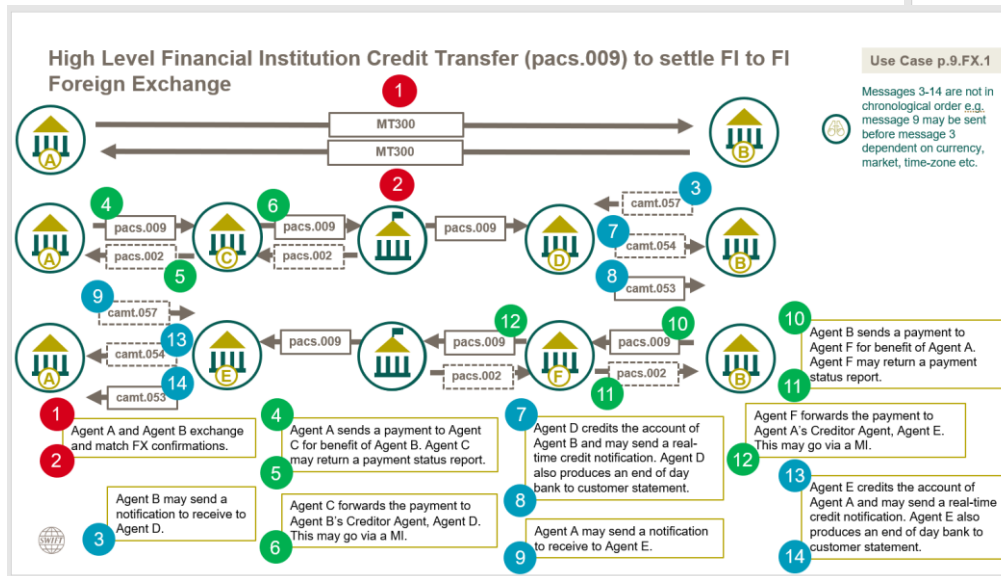


Field 22C Common Reference of the MT300 should be mapped to the **End to End Identification** element on all CBPR+ ISO 2022 messages where this element is available. It should also be mapped to the **Identification** element on the CBPR+ ISO 2022 camt.057 message.

An appropriate code should be populated from the code sets published on the ISO 2022 website in the **Category Purpose** and **Purpose** elements on all CBPR+ ISO 2022 pacs messages where these elements are available.

For example, a user could populate category purpose code **CORT** (Trade Settlement Payment) and purpose code **FREX** (Foreign Exchange).

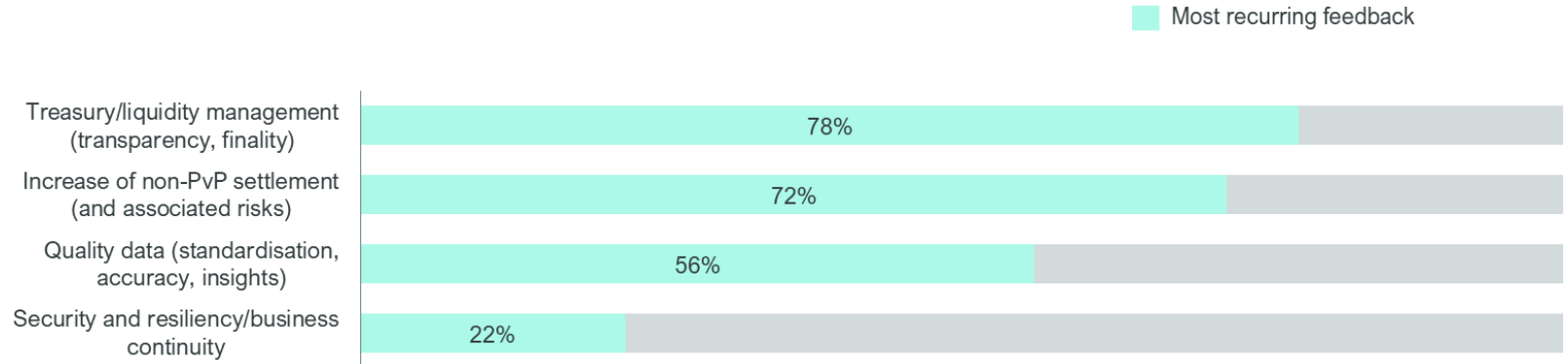
<https://www.iso20022.org/catalogue-messages/additional-content-messages/external-code-sets>



2022: FX customers interviews

Consolidated feedback

Key trends as prioritised by customers



Their main recommendations to Swift



Foster consistent standards usage, market practices and settlement procedures



Support PvP adoption through single window and resilient infrastructure



Enable end-to-end, real-time transparency on FX payments to facilitate liquidity management



Help bring post-trade data closer to front to enable better business decisions



Increase synergies with CLS to the benefit of common users

Hybrid address changes from 2025 to 2026

- In May 2023 the Payments Market Practice Group (PMPG) raised a change request (CR) targeting Standards Release (SR) 2025.
- The CR is proposing changes to the Usage Guidelines (UGs) for Cross Border Payments and Reporting (CBPR+) on FINplus. It will impact UGs for certain pacs, pain and camt message definitions.
- The CR proposes (where the Postal Address is used) to:
 - Mandate structured elements Town Name and Country
 - Allow either structured or unstructured elements to capture remaining address data
 - Achieve this through the addition and amendment of formal and textual rules, from November 2025 (SR2025)
- The proposal is known as a hybrid (semi-structured) postal address. The proposal is a strategic option with no retirement date planned.
- The CR represents a change to the payment industry's current strategy of mandating a fully structured postal address from November 2025.
- The Payments Standards Working Group (PSWG) and High Value Payments Plus (HVPS+) group of Market Infrastructures (MIs) conditionally validated the CR in June 2023.
- A consistent approach to the postal address standard is needed across CBPR+ and HVPS+, alignment will prevent friction and interoperability issues.

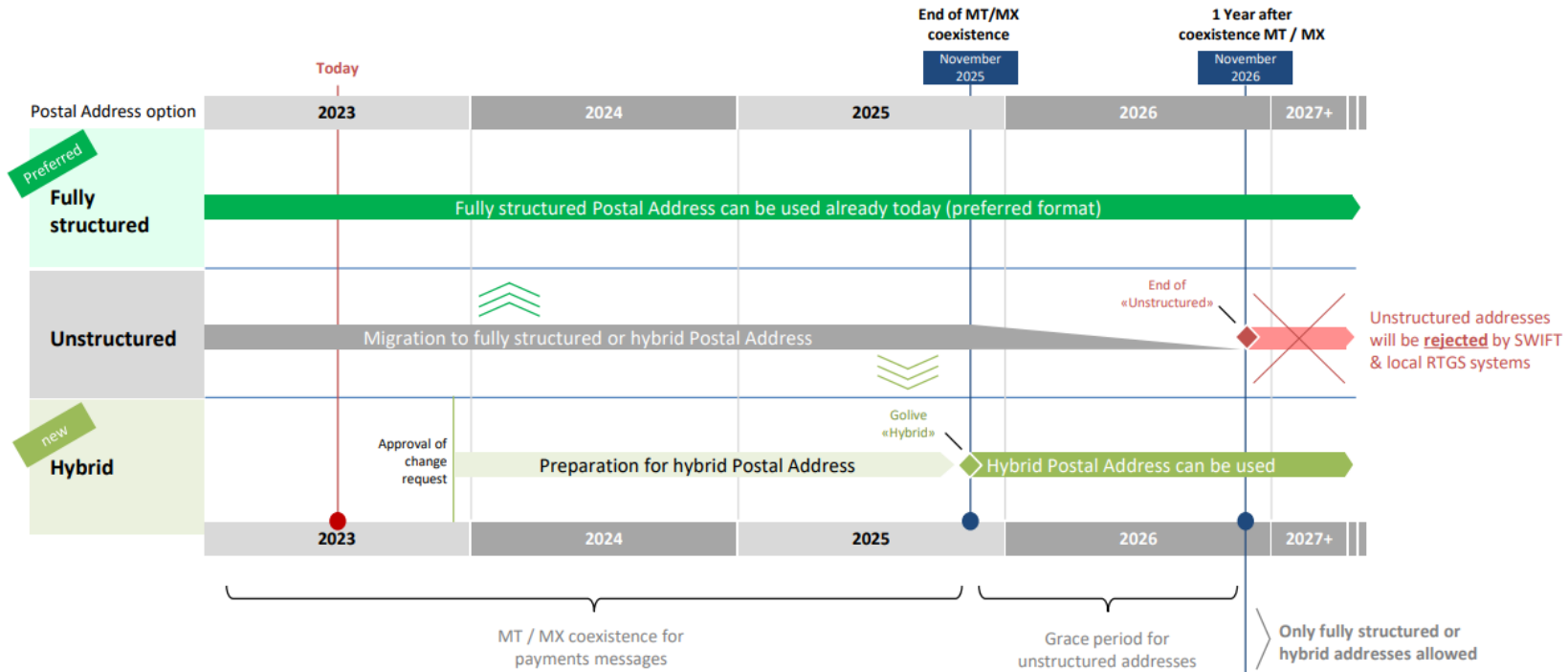
Benefits of the Change Request

- In an industry readiness survey of corporates, conducted by the PMPG in April 2023, over half (54%) confirmed that under the current strategy they would not be capable of outputting fully structured postal addresses post November 2025. Therefore, they would bypass any rules by truncating or concatenating data.
- The risk of corporates and financial institutions (FIs) truncating and concatenating data under the current strategy post November 2025 is high. In the same survey over half (53%) of corporates confirmed they currently had no active project considering how to output fully structured postal addresses.
- The PMPG has found various corporates and FIs typically store postal address data as a (hybrid) combination of structured and unstructured.
- The CR should ease the migration toward more structured postal addresses by offering alternative implementation options, the first fully structured and the second a combination of structured and unstructured.
- The CR is designed to facilitate the industry successfully migrating to CBPR+ with no truncation or concatenation of postal address data. It should also guard against any resistance to the November 2025 retirement of MT payment messages.
- Whilst a combination of structured and unstructured data would be allowed the mandatory presence of structured town name and country elements should ensure the data quality is still sufficient to take advantage of structured data benefits e.g. improved sanction scanning.

Proposed Implementation

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- It has been agreed that whilst the CR is valid a one-year ‘grace period’ for a fully unstructured postal address be allowed from November 2025 – November 2026.
- In this period a fully structured, fully unstructured or semi-structured (hybrid) postal address will be permitted.
- In November 2026, the fully unstructured postal address will be retired and no longer permitted.
- This de-risks the delivery of the CR and will afford SWIFT and the industry better intelligence on readiness for the adoption of a fully structured or semi-structured (hybrid) postal address



November 2025 – November 2026

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Preferred

Fully structured

- All available address data is mapped into one of the 14 ISO20022 fields
- No co-mingling of data
- No combination with “AdrLine” allowed

```

<Cdtr>
  <Nm>JOHN SMITH</Nm>
  <PstlAdr>
    <StrtNm>HOOGSTRAAT</StrtNm>
    <BldgNb>6</BldgNb>
    <Flr>18</Flr>
    <PstlCd>1000</PstlCd>
    <TwnNm>BRUSSELS</TwnNm>
    <Ctry>BE</Ctry>
  </PstlAdr>
</Cdtr>
    
```

Unstructured

- No combination with structured ISO20022 address elements allowed
- Difficulty to interpret data due to co-mingling of address elements

```

<Cdtr>
  <Nm>JOHN SMITH</Nm>
  <PstlAdr>
    <AdrLine>HOOGSTRAAT 6, 18th floor</AdrLine>
    <AdrLine>1000 BRUSSELS</AdrLine>
    <AdrLine>BE</AdrLine>
  </PstlAdr>
</Cdtr>
    
```

new

Hybrid *In scope of PMPG CR*

- Combination of structured ISO20022 address elements **and** up to 2 lines of 70 characters of unstructured “AdrLine” allowed
- Elements available in structured format must be mapped into the respective structured element (minimum: TownName & Country)
- Structured elements must not be repeated in the AdrLine element(s)

Network validation rules

Textual rule

```

<Cdtr>
  <Nm>JOHN SMITH</Nm>
  <PstlAdr>
    <PstlCd>1000</PstlCd>
    <TwnNm>BRUSSELS</TwnNm>
    <Ctry>BE</Ctry>
    <AdrLine>HOOGSTRAAT 6, 18th floor</AdrLine>
  </PstlAdr>
</Cdtr>
    
```



November 2026 Onwards

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Preferred

Fully structured

- All available address data is mapped into one of the 14 ISO20022 fields
- No co-mingling of data
- No combination with "AdrLine" allowed

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  <PstlAdr>
    <StrtNm>HOOGSTRAAT</StrtNm>
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    <Flr>18</Flr>
    <PstlCd>1000</PstlCd>
    <TwnNm>BRUSSELS</TwnNm>
    <Ctry>BE</Ctry>
  </PstlAdr>
</Cdtr>
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  <PstlAdr>
    <AdrLine>HOOGSTRAAT 6, 18th floor</AdrLine>
    <AdrLine>1000 BRUSSELS</AdrLine>
    <AdrLine>BE</AdrLine>
  </PstlAdr>
</Cdtr>
```

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- Structured elements must not be repeated in the AdrLine element(s)

} Network validation rules
 } Textual rule

```
<Cdtr>
  <Nm>JOHN SMITH</Nm>
  <PstlAdr>
    <PstlCd>1000</PstlCd>
    <TwnNm>BRUSSELS</TwnNm>
    <Ctry>BE</Ctry>
    <AdrLine>HOOGSTRAAT 6, 18th floor</AdrLine>
  </PstlAdr>
</Cdtr>
```



Implementation Proposal

- SWIFT will draft two preliminary collections of usage guidelines and their respective readiness portals by December 2023, to promote industry readiness:
 - SR2025 collection for use November 2025 – November 2026, this will allow all three address options
 - SR2026 collection for use November 2026 onwards, this will allow fully structured and semi-structured (hybrid) only, fully unstructured no longer permitted
- The ISO20022 Postal Address is comprised of 16 elements. 15 of these elements would be considered structured whilst the final element, AddressLine can contain unstructured data

Translation

- SWIFT's strategy remains to deactivate category 1, 2 and 9 MT messages across its FIN network as of November 2025
- SWIFT recognises that institutions will continue to perform on-premise translation post November 2025 and may continue to handle proprietary formats locally that closely resemble a category 1, 2 or 9 MT message
- SWIFT currently publishes various translation rules for MX (ISO 20022) > MT and MT > MX (ISO 20022) free of charge, these are used within SWIFT's own infrastructure for generating multi-format messages but can also be used by institutions for on-premise translation
- SWIFT will create updated translation rules prior to November 2025 that include translation both from and to a hybrid postal address. Access to these rules is expected to be a payable service
- SWIFT, in partnership with key stakeholders such as the PMPG will devise the most appropriate rules

Impact to FX Standards

- As of November 2026, cross-border and various market infrastructure payments will mandate a country code and a town name where a postal address is used
- Where a BIC is used there is no requirement to include a postal address
- FX trades and options lead to payments, banks will transpose data from FX and option confirmations onto these payments
- SWIFT and the FX industry should consider whether existing FX and option messaging standards should be updated to enforce a country code and town name so a downstream payment is not rejected or delayed

MT 300 - 38. Field 58a: Beneficiary Institution

Format

Option A	[/1!a][/34x] 4!a2!a2!c[3!c]	(Party Identifier) (Identifier Code)
Option J	5*40x	(Party Identification)

Presence

Optional in mandatory subsequence B2

Definition

This field specifies the institution in favour of which the payment is made.

Codes

In option J, Party Identification must be specified as a list of pairs (Code)(Value) and one or more of the following codes and formats must be used (Error code(s): 178).

The codes must be placed between slashes (/).

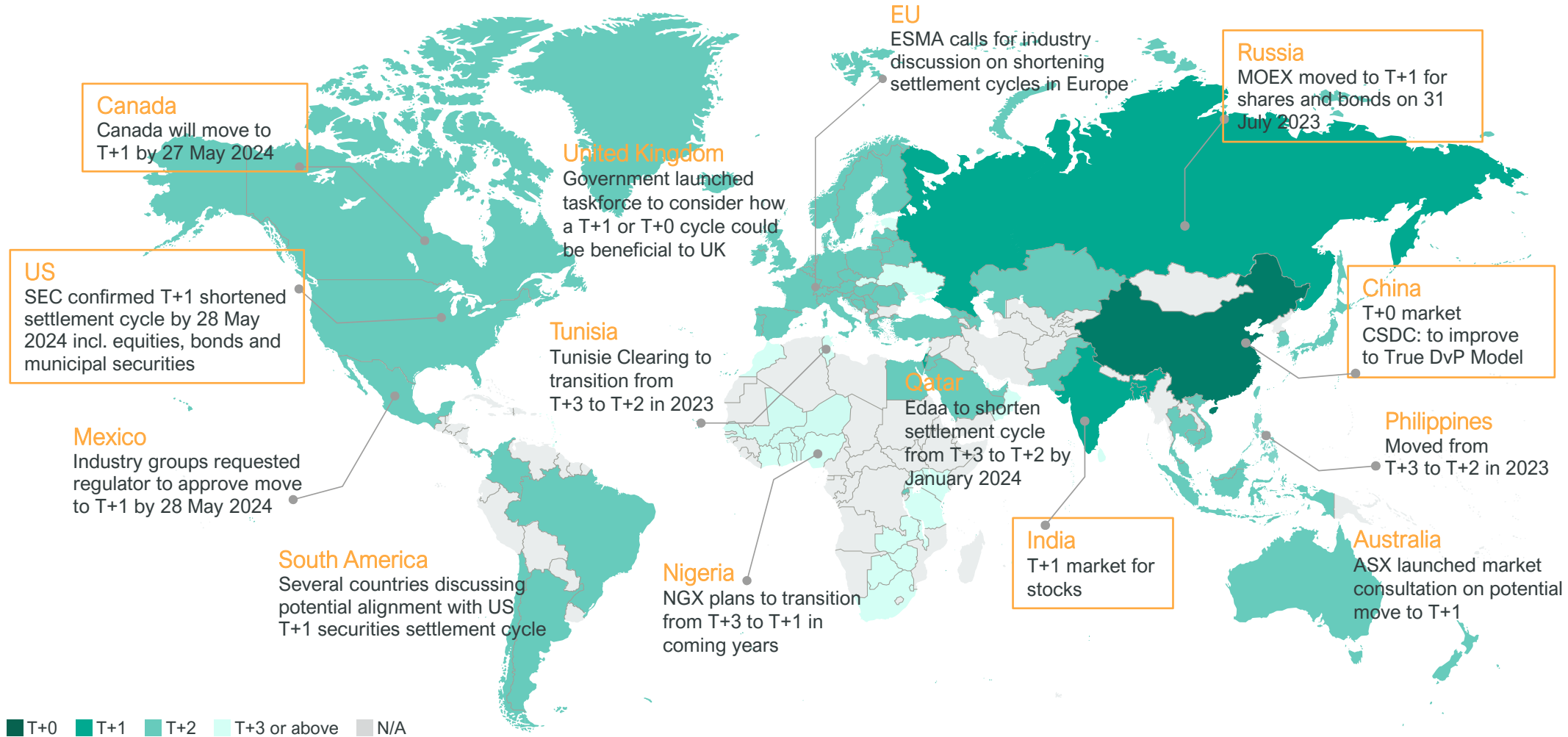
ABIC	4!a2!a2!c[3!c]	Identifier Code
ACCT	34x	Account number
ADD1	34x	First line of the address
ADD2	34x	Second line of the address
CITY	34x	City, possibly followed by state and country
CLRC	2!a[32x]	Clearing code
LEIC	18!c2!n	Legal Entity Identifier
NAME	34x	Party's name
TXID	34x	Tax identification code

Global equities settlement cycles: Most large markets at T+2, but things are moving

Major equity markets are moving towards or exploring feasibility of accelerated settlement

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Settlement cycle on the map is based on the majority of settlement cycles indicated on the settlement Date in DVP/RVP settlement instruction and confirmation.

Countries that have implemented or finalised plans to move to T+0 or T+1 settlement cycle.

Source: Watch and public news
Powered by Swift BI



Swift Institute's research on "Industry preparedness for accelerated settlement"

[Industry Preparedness for Accelerated Settlement | The SWIFT Institute](#)

Key findings:

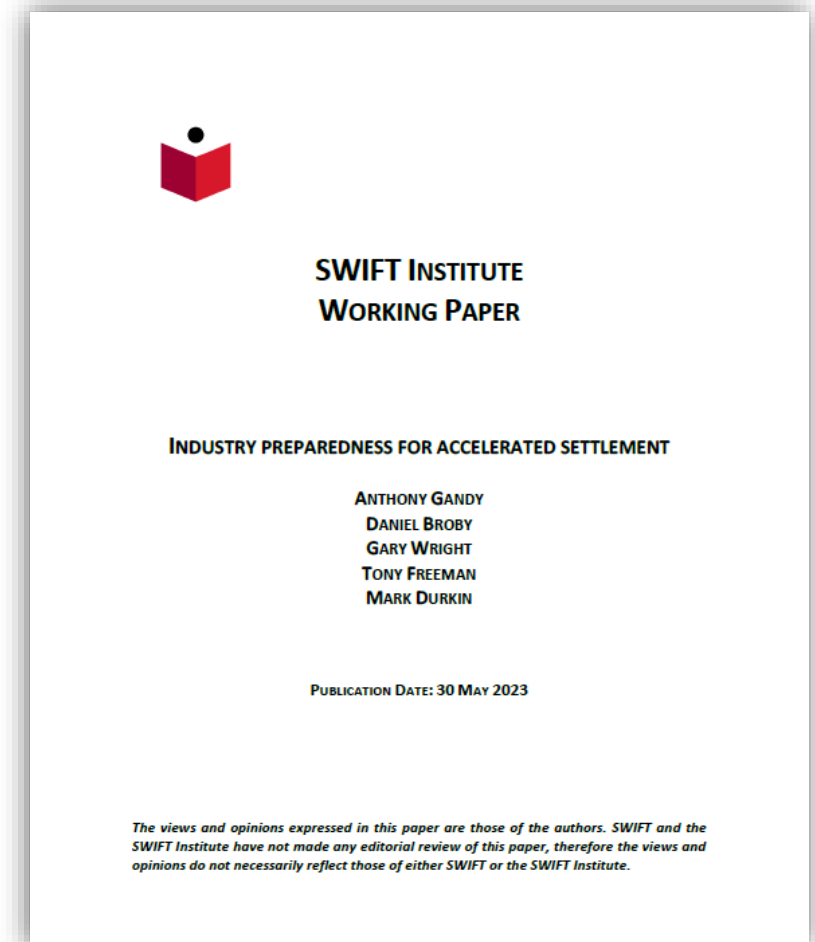
There are benefits accruing to broker/dealers and associated custody businesses from reduced counter-party risk, lower settlement margins and for wealth and fund managers, the improved access to funds for custom.

Technology is a key issue that needs to be addressed as the readying of firms for straight through processing is essential for not only improving the ability to comply with accelerated settlements, but also introducing huge benefits in terms of efficiency and operational risk reduction.

The arguments for accelerated settlements are strong, markets such as India are already on a T+1 cycle and mainland China using a T+0 cycle for delivery vs payment settlements and the benefits can be seen. However, our research shows that acceleration can come with significant costs, and, maybe less intuitively, risks, given the need operate seamless settlement processes.

Clear steps need to be taken to implement the migration to accelerated settlement processes:

- Automated affirmation and straight through processing levels must dramatically increase to ensure that current high levels of settlement efficiency.
- Work to remove batch processes, especially overnight batches which will not meet the new deadlines.
- Remove nonstandard instructions and paper from as much of the system as possible.

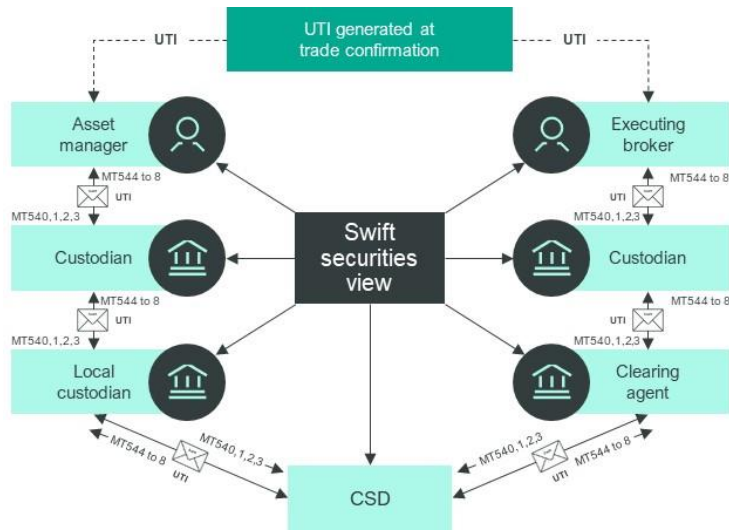


The post-trade transformation : How Swift Can support

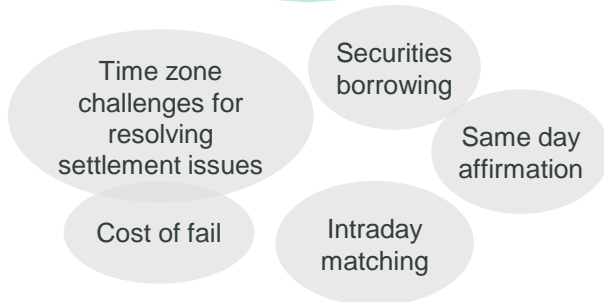
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Starting from Securities View



By smartifying the settlement process every party in the securities eco-system will benefit.



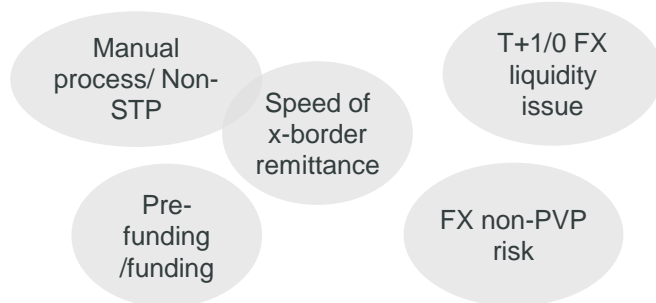
Many initiatives count

Standards, market practices and messages

Payment
 Instant and frictionless strategy

FX
 Explore to support reducing settlement risks and improving liquidity

By increasing the industry STP, payment speed/transparency and reduce the risk of FX



Swift data insights to facilitate industry evolution

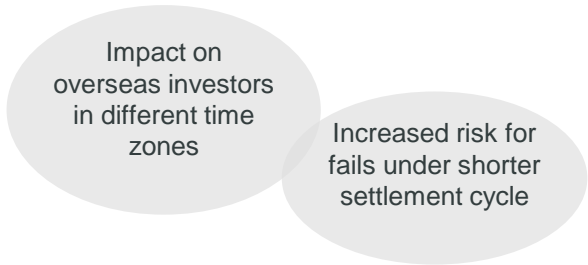
> 90% of APAC customers can not send settlement instruction to settle US equity on T date.

2 times more late settlement for T+1 vs. T+2

What happened to Indian x-border settlement after it moved to T+1 ? What is the take-away?

What are the key reasons of settlement fails ?

By sharing data insights and take-aways across different markets to prepare the industry for transformation



Swift is a global member-owned cooperative and the world's leading provider of secure financial messaging services.

We provide our community with a platform for messaging, standards for communicating and we offer products and services to facilitate access and integration; identification, analysis and regulatory compliance.

Our messaging platform, products and services connect more than 11,000 banking and securities organisations, market infrastructures and corporate customers in more than 200 countries and territories. Whilst Swift does not hold funds or manage accounts on behalf of customers, we enable our global community of users to communicate securely, exchanging standardised financial messages in a reliable way, thereby facilitating global and local financial flows, and supporting trade and commerce all around the world.

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