



Technical Committee Meeting

CHESS messaging & ISO 20022
Project

Tuesday 7 February 2017



Agenda

Agenda overview

Minutes from last meeting, actions

Update from Business Committee (verbal)

ISO 20022 project update by ASX

Market education and training on ISO 20022

Key principles and recommendations for adoption



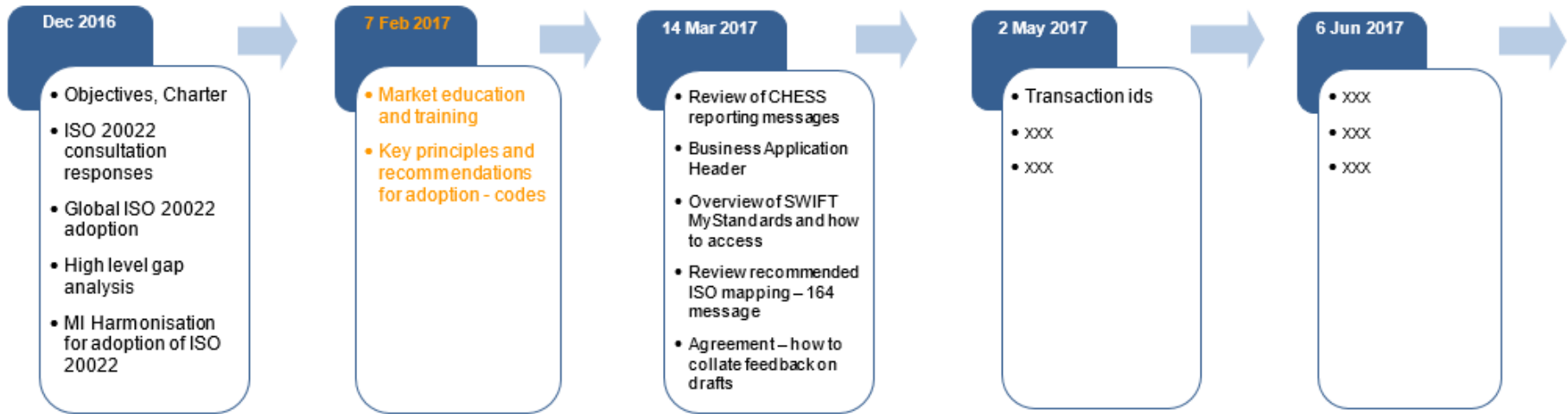
ASX

Agenda overview

TECHNICAL COMMITTEE – ISO 20022 - AGENDA TOPICS

Theme	Objective	Standing Agenda items
Transitioning to ISO 20022 messaging for Equities Post Trade	ASX working with market stakeholders to ensure best practice adoption and implementation of ISO 20022 for Equities Post Trade	1. Welcome and agenda overview
		2. Minutes from last meeting, actions
		3. Update from Business Committee
		4. ISO 20022 project update by ASX
		5. Matters for consideration

Timing for Technical Committee Meetings 2017 and proposed matters for consideration (outside standing agenda items)



Minutes and actions

Minutes for 13 December 2016 meeting available here:

http://www.asx.com.au/documents/settlement/Technical_Committee_13December2016_minutes.pdf

Action items:

#	Open Action Items	Owner	Due Date
2	Provide members with information on how to access SWIFT MyStandards.	ASX	7 February 2017
3	Provide members with an overview of ISO 20022 training options.	ASX/SWIFT	7 February 2017

#	Closed Action Items	Owner	Due Date
1	Amend the Charter to reflect that the Chair “will” (instead of “may”) forward copies of the minutes to the Business Committee for endorsement. ASX to publish and distribute final Charter.	ASX	13 December 2016

ISO 20022 project update by ASX

Detailed mapping stream of work commenced by SWIFT standards consultants.

Scope:

- Detailed mapping for 477 CHES messages;
- Descoped current functionality - Stock Lending, Electronic Trade Confirmation;
- Assume as-is, or changes based on changed or new business requirements;
- ASX has nominated a number of tranches of work for SWIFT consultants' delivery, initial tranches for 1st half 2017 include:

CHES business line	# of EIS messages	% of total messages in business line	Example key messages included
Clearing, settlement	33	53%	134, 138, 156, 164
Holder management	33	60%	201, 203, 512, 520
Holding movement	51	77%	001, 007, 015, 426
Reporting	7	17%	503, CEB, FHT
Miscellaneous	5	50%	240 (Payment facility)

- January 2017 ASX/SWIFT validated business component mapping for initial tranches, key principles, identify topics to raise with Technical Committee;
- Agreed process for SWIFT delivery of draft usage guidelines (ISO 20022 schemas).

Market education and training



ASX

ISO 20022 education and training options

	Type	Duration	Timing	Topic	Cost
General knowledge	SWIFT Webinar	2 hour session Offered 3x	Q1 2017 onwards	ISO 20022 and XML messaging max 50 attendees per session	Covered by ASX
	SWIFT Webinar	2 hour session Offered 3x	Q1 2017 onwards	ISO 20022 for Securities Settlement and Management max 50 attendees per session	Covered by ASX
	SWIFT Webinar	2 hour session Offered 3x	Q1 2017 onwards	e.g. Overview of one or more business areas max 50 attendees per session	Covered by ASX
Advanced	SWIFT Classroom	1 day	Q2 2017 onwards	ISO 20022 and XML messaging Mix of attendees, organisations	TBA
	SWIFT Classroom	1 day+	Q2 2017 onwards	Standard training course e.g. ISO 20022 for a business area, securities settlement and management or funds	TBA
Customised	SWIFT Customised on site	various	Q2 2017 onwards	On site for an organisation, tailored to requirements. E.g. implementation considerations for ISO 20022, specific business areas	TBA
	Classroom or webinar	various	Q1 2018 onwards	ISO 20022 flows for ASX implementation	TBA

Key principles and recommendations for adoption

SWIFT - High level gap analysis recommendations

- Adopt ISO 20022 business model concepts
- Adopt standard message for common functions
- Use ISO standard reference identifiers where possible
- Support multi-currency – currency indicator is mandatory
- Use of Business Application Header to identify services
- Simplify reporting model
- Comply with Market Infrastructure Harmonisation Principles
- Market training and consultation
- ISO adoption roadmap and timeline
 - Implementation model/strategies
 - Lead times for change requests, new message registration

Use ISO standard reference identifiers where possible

Identify the issuer of a proprietary code

ISO 20022 schemas allow for references to proprietary codes that may be established references in a market. Where a proprietary code is referenced in an ISO 20022 schema (e.g. the proprietary code “UIC”), there is an associated mandatory field to identify the “issuer” of that code (e.g. ASX). The code to identify the issuer must be 4 characters. A potential code to use are the Market Identification Codes (MICs) registered per ISO 10383 available for each market operator in Australia.

Recommendation:

Adopt “Operating MIC” to identify the issuer of a proprietary code e.g. for ASX – use XASX, or for NSX use XNEC.

Trade Transaction Condition	0	*
Code	1	1
Proprietary	1	1
Identification	1	1
Issuer	1	1
Scheme Name	0	1

Fixed value
set to XASX

Use ISO standard reference identifiers where possible

Party identification

The CHES EIS currently specifies the use of PID (Participant ID), or UIC (User Identification Code), or BIC (Business Identifier Code – per ISO 9362) or other identifiers to identify a party (e.g. a participant, issuer, payment bank). ISO 20022 schemas allow for the identification of parties (e.g. Receiving or Delivering Agent) and that id may be a proprietary code. A number of identifiers can be included in the ISO 20022 schema – for example the identifier could be a proprietary code or a BIC. In the future the LEI (Legal Entity Identifier) could also be used.

This description and scope excludes the identification of holders and accounts.

Recommendation:

Standardise the code used to identify parties and use only one identifier. Use UIC as the proprietary reference. For participants UIC and PID are synonymous. ASX considers BIC more appropriate to use in message routing information.

Party 1	0	1
Identification	1	1
BIC	1	1
Proprietary Identification	1	1
Identification	1	1
Issuer	1	1
Scheme Name	0	1

Provide UIC
as Proprietary Code

Issuer = XASX

Use ISO standard reference identifiers where possible

Identify place of trade - market

Trade related messages in ISO 20022 include a mandatory reference to the Place of Trade. The schema allows for the inclusion of either the Place of Trade identification or the Type of Place of Trade (e.g. Stock Exchange code (EXCH)).

The convention is to include a MIC to identify the Place of Trade where there is a single venue applicable to a transaction. MICs are registered for each market operator in Australia. This could be an important consideration for future multiple clearing house models.

Place of Trade is optional in many messages (e.g. setr, sese), but is mandatory for clearing related messages (secl). For secl messages, it is not a choice between MIC or Type, but the Type is mandatory and the MIC may be provided.

Recommendation:

Dependent upon message usage definition, Place of Trade is either “VARI” Type, or the “Operating MIC” Identifier e.g. use XASX for ASX Trades.

▼ ● Place Of Trade	0	1
▼ 𐄂 Identification	0	1
● Market Identifier Code	1	1
● Description	1	1
▼ 𐄂 Type	0	1
▼ 𐄂 Code	1	1
◆ Over The Counter [OTCO]		
◆ Various [VARI]		
◆ Stock Exchange [EXCH]		
> ● Proprietary	1	1

Use ISO standard reference identifiers where possible

Identification of a financial instrument (security)

Currently the CHES EIS allows all users to include either the ISIN or the ASX code in a message to reference a financial instrument. CHES will use the same code type on associated outbound messages. This preference can also be set as a standard for users that send and receive messages through CHES. ISINs are issued according to an international standard (ISO 6166), while the ASX code is a proprietary code. The base component for financial instrument identification supports either ISIN or proprietary code (like ASX code). Note that CFI (Classification of Financial Instrument per ISO 10962) is present in reference data, so is not required in post trade messages.

Recommendation:

Allow the use of either the ISIN or the ASX code as the financial instrument identifiers, as preferred by the user (UIC).

Financial Instrument Identification	1	1	
ISIN	0	1	Allows for either ISIN or ASX Identifier
Other Identification	0	*	
Identification	1	1	-or- Currently supported CHES format
Suffix	0	1	
Type	1	1	
Code	1	1	
Proprietary	1	1	Fixed to 'XASX'

Use ISO standard reference identifiers where possible

Identification of Safekeeping Account

In the CHESSEIS, the HIN (Holder Identification Number) is the primary reference to identify an account. In a number of CHESSEIS messages (e.g. 101) the inclusion of the HIN is optional and if absent CHESSEIS may assume a “standing HIN default”.

In ISO 20022 schemas, the inclusion of the Safekeeping Account id is mandatory. A proprietary code may be used for the account identification. The mandatory nature of this field will impact inbound and outbound messages.

Recommendation:

Continue to use the HIN as the identifier for Safekeeping Accounts, as a mandatory element.

▼ ● Party 1	0	1
> 𐄂 Identification	1	1
● Additional Information	0	1
> ● Alternate Identification	0	1
● Safekeeping Account	0	1

Provide Account Identification or default value DEFAULT

Safekeeping Account
Multiplicity
[0..1]
Type
Max10NumericOrDefaultText
• minLength: 1
• maxLength: 10
[0-9]{1..10} DEFAULT
Definition
Account to or from which a securities entry is made.
XML Tag
SfkgpAcct

Use ISO standard reference identifiers where possible

Identification of depository in delivering/receiving settlement parties

ISO 20022 messages (e.g. sese.023) mandate the presence of settlement parties on either side. The identification of the depository is therefore a mandatory field. The global convention is to use a BIC as the identifier. If the party isn't the CSD then the code used should be that of the stock exchange. Note this field will be mandatory on some inbound messages, for example the equivalent of the 101 message.

Recommendation:

Mandate a standard reference to represent the depository in relevant messages. The field value can be specified. e.g. to represent ASX Settlement, BIC XASXAU2S.

Delivering Settlement Parties	0	1
> Depository	0	1
> Party 1	0	1
> Party 2	0	1
> Party 3	0	1
> Party 4	0	1
> Party 5	0	1

Depository and Party1
Mandatory (through ISO20022 rule)
when Delivering or Receiving

Securities Market Practice
Guidelines makes Party2
Mandatory when Receiving

Use ISO standard reference identifiers where possible

CHES proprietary field values vs. ISO 2002 code format (page 1)

The CHES EIS specifies a number of fields where valid values are defined. The values are codes that represent a definition. The valid values range from 1 to 3 characters.

The modelling rules in ISO 2002 require 4 character codes. This carries forward an ISO 15022 convention and allows backwards compatibility to 15022.

For example quotation codes in EIS are 2 characters, and equivalent codes in ISO 2002 are 4 characters:

EIS codes:

CB	Cum Bonus Issue
CC	Cum Capital Return
CD	Cum Dividend
CE	Cum Entitlement
CI	Cum Interest

Equivalent codes in ISO 2002:

Code
◆ Cum Bonus [CBNS]
◆ Ex Bonus [XBNS]
◆ Cum Coupon [CCPN]
◆ Ex Coupon [XCPN]
◆ Cum Dividend [CDIV]
◆ Ex Dividend [XDIV]
◆ Cum Rights [CRTS]
◆ Ex Rights [XRTS]
◆ Cum Warrant [CWAR]
◆ Ex Warrant [XWAR]

Use ISO standard reference identifiers where possible

CHES proprietary field values vs. ISO 20022 code format (page 2)

Extensions to Code lists for ISO 20022 are available as follows:

- **External code list:** ISO registered / Securities Evaluation Group (SEG) approved but not available in standard schema. Updated quarterly, allows flexibility, and need a change request to add a code.
- **Data Source Schemes (DSS):** a code list is registered with SWIFT as registration authority, but not the specific codes within the list. These are usually proprietary codes for a specific market, and generally need to comply with the 4 character size.

Options available for implementation:

- Agree to translate all existing CHES proprietary codes into equivalent ISO 20022 4 character codes (i.e. those with the same definition). If there is no ISO 20022 code equivalent, then determine a new 4 character code for registration.
- Seek registration of a proprietary code list, that does not comply with the standard 4 characters. This may be available for circumstances where the market conventions associated with those codes are well ingrained and difficult to change.

Recommendation:

- ASX to review current CHES EIS code lists and descope any codes not in use
- Don't mix proprietary and ISO codes within one element/field usage
- Use ISO codes where available and publish into DSS list
- Start with registered DSS list, then once definitions are mature, move to registration in External Code Lists (3 month registration process)

Next meeting, more information

- Noted actions from this meeting
- Draft minutes from this meeting will be distributed for review
- Next meeting to be held on Tuesday 13 March 2017, 3pm (2 hours) – topics:
 - CHES reporting - review responses (material will be provided in advance)
 - Overview of SWIFT MyStandards
 - Business Application Header
 - Sample ISO 20022 message – equivalent to 164
 - Discussion on how to provide and collate feedback on draft messages
- More information on CHES Replacement & Technical Committee documents:
<http://www.asx.com.au/services/chess-replacement.htm>
 - ISO 20022 for dummies booklet now available on web page, or request a hard copy

Or email ASX project team: CHESReplacement@asx.com.au



Thank you

