



ISO 20022 – FX Market Perspective

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3 November 2015

- **ISO 20022 background**
- **FX market current status and initiatives**

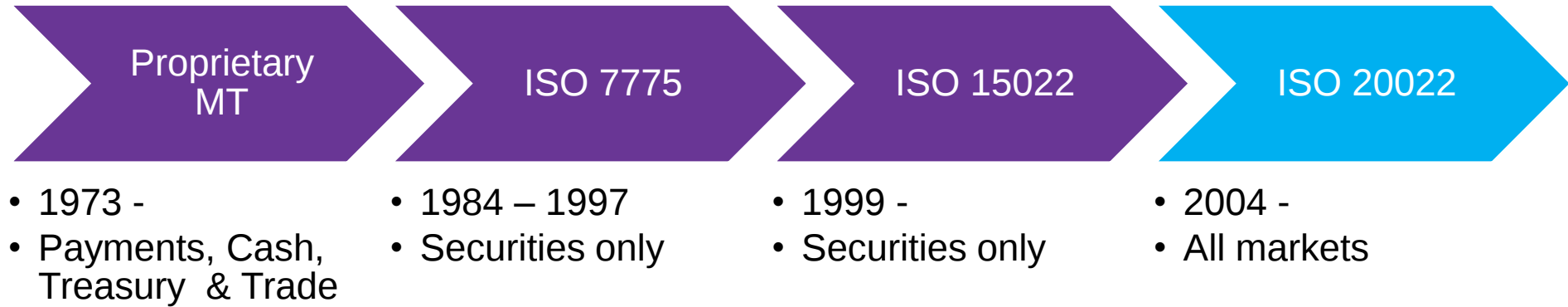


Some key ISO standards managed by TC68 and its subcommittees SC4 & SC7

TC/SC	Standard	Description	RA
SC4	ISO 15022	Securities Messages	SWIFT
TC68	ISO 20022	Universal Financial Messages	SWIFT
TC68	ISO 17442	Legal Entity Identifier (LEI)	-
SC4	ISO 6166	International Securities Identification Number (ISIN)	ANNA
SC7	ISO 9362	Business Identifier Code (BIC)	SWIFT
SC7	ISO 13616	International Bank Account Number (IBAN)	SWIFT
SC4	ISO 10383	Market Identifier Code (MIC)	SWIFT
SC7	ISO 8583	Financial cards	-

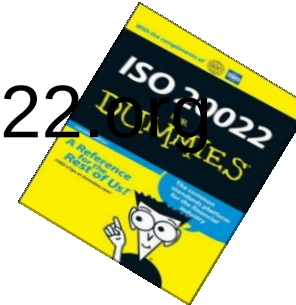


SWIFT & ISO Messaging Standards Timeline



What is ISO 20022?

www.iso20022.org



Single standardisation approach (methodology, process, repository)
to be used by all financial standards initiatives

Recipe to create financial standards

Business / Conceptual

- Defines **business meaning** of financial concepts, e.g., 'Credit Transfer'

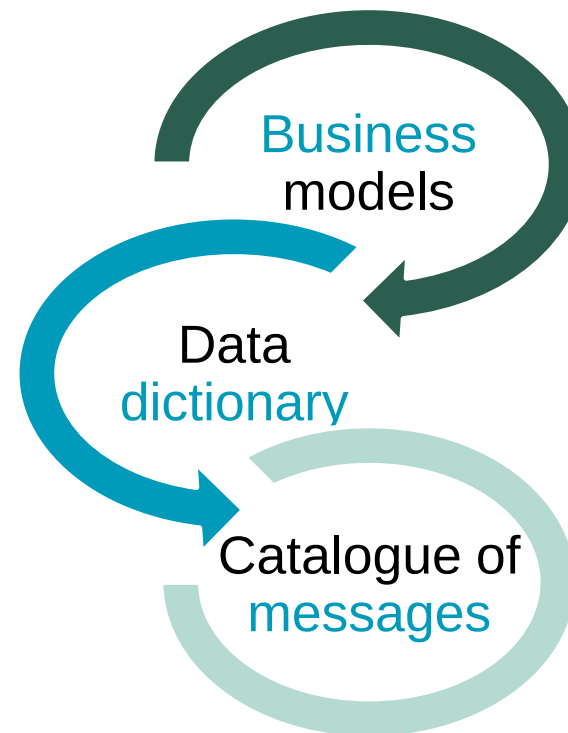
Logical

- Defines e.g. credit transfer **messages**, to execute the business process

Physical

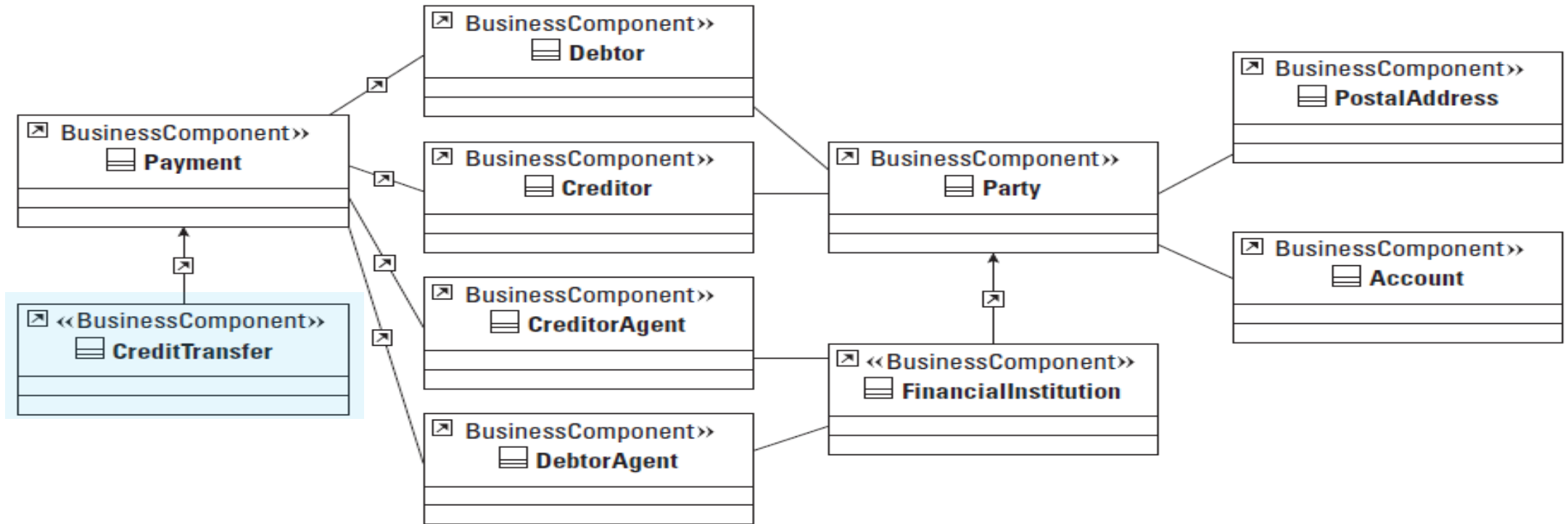
- Defines physical **syntax**, e.g. XML

Body of content

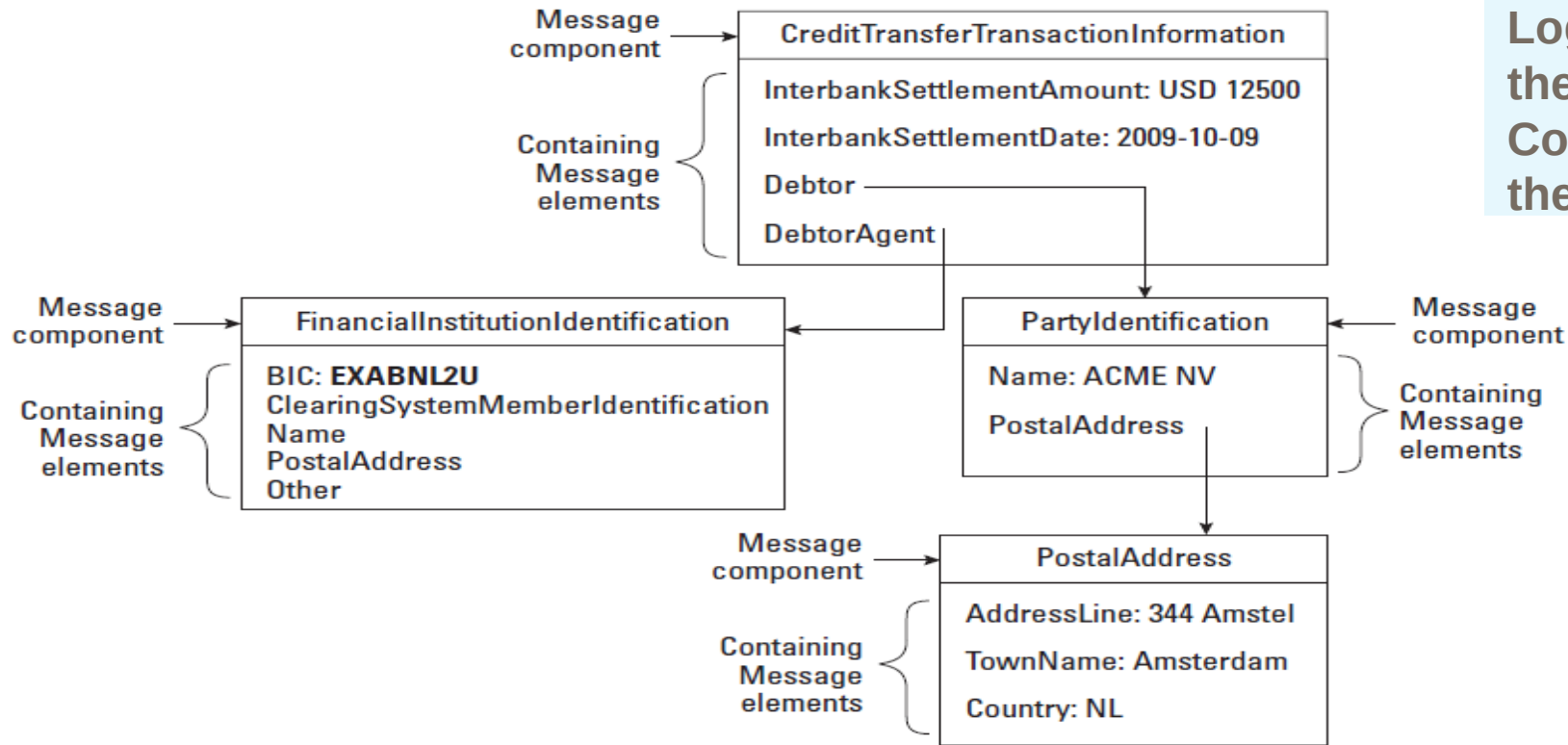


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Methodology - Business / Conceptual Layer



Methodology - Logical Layer



Elements in the Logical Layer refer to the Business / Conceptual layer for their definitions

Methodology - Physical Layer

```
<?xml version="1.0" encoding="UTF-8"?>
<CdtTrfTxInf>
  <IntrBkSttlmAmt Ccy="USD">12500</IntrBkSttlmAmt>
  <IntrBkSttlmDt>2009-10-29</IntrBkSttlmDt>
  <Dbtr>
    <Nm>ACME NV.</Nm>
    <PstlAdr>
      <StrtNm>Amstel</StrtNm>
      <BldgNb>344</BldgNb>
      <TwnNm>Amsterdam</TwnNm>
      <Ctry>NL</Ctry>
    </PstlAdr>
  </Dbtr>
  <DbtrAcct>
    <Id>
      <Othr>
        <Id>8754219990</Id>
      </Othr>
    </Id>
  </DbtrAcct>
  <DbtrAgt>
    <FinInstnId>
      <BIC>EXABNL2U</BIC>
    </FinInstnId>
  </DbtrAgt>
</CdtTrfTxInf>
```

XML

- The commonest syntax for ISO 20022 but not the only one
- Defined by an XML Schema (XSD)
- Easy to integrate in modern IT environments

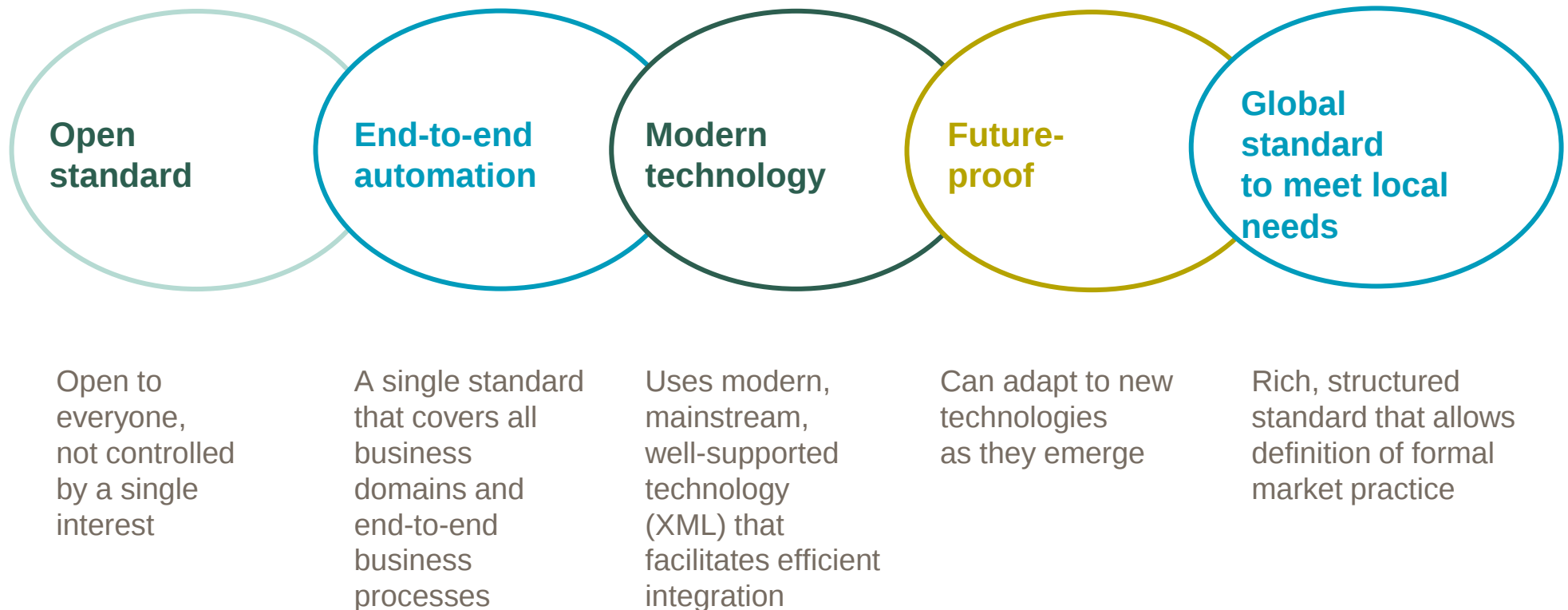


ISO 20022

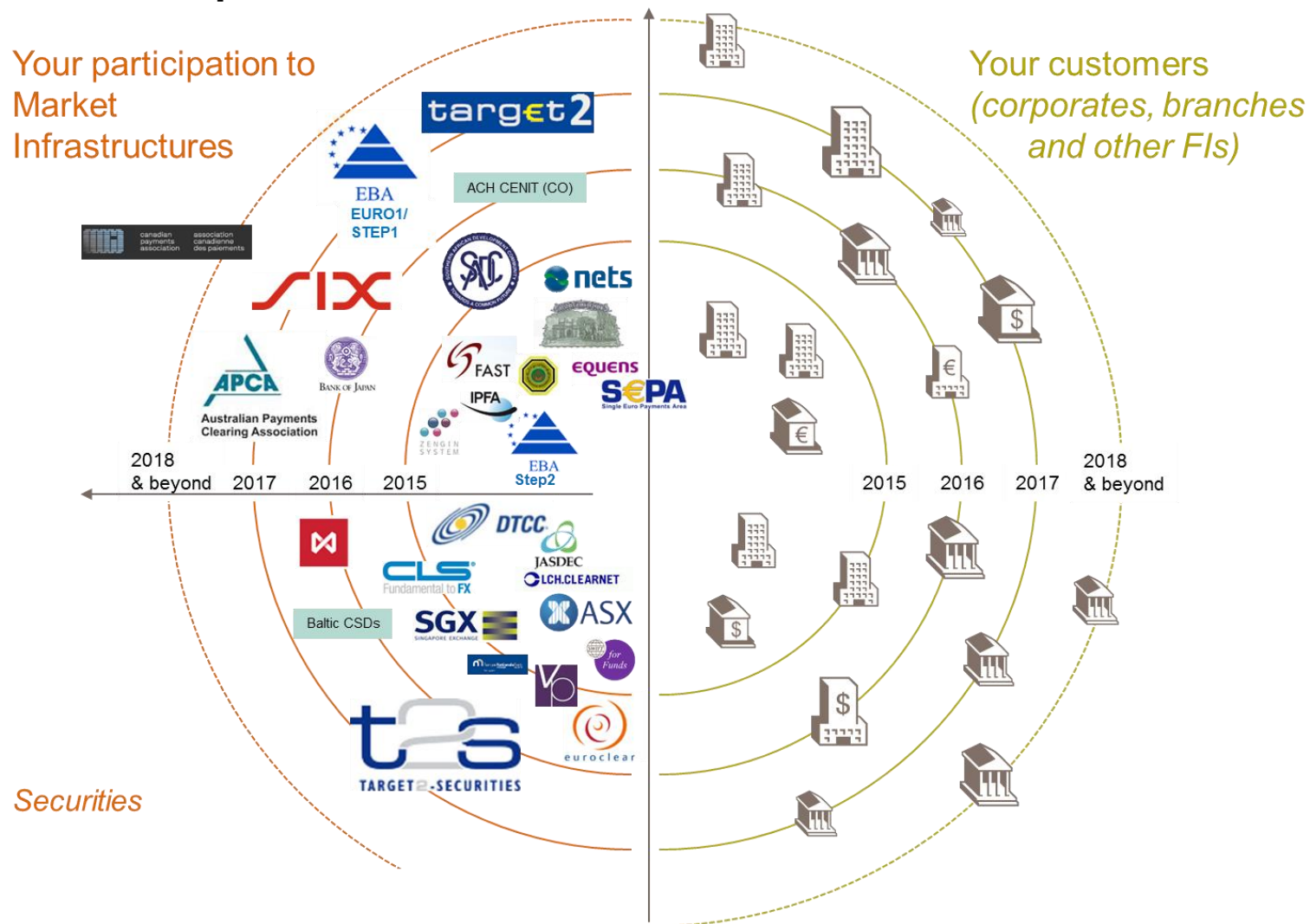
The registration process



Advantages of ISO 20022



An FI's ISO 2002 landscape..



ISO20022 Harmonisation

The ISO 20022 harmonisation Charter is based on four principles:

1. Share information between FMIs about ISO 20022 usage;
2. Adhere to global market practice where it exists and contribute to new global market practice initiatives;
3. Introduce stricter message version control and release management process and timing;
4. Publish up-to-date information about standards on a common platform, including market practice compliance, messages and versions used and message release timeline.

Bringing a little harmony to ISO 20022

The principles for a common, industry-designed ISO 20022 harmonisation framework have been captured in SWIFT's ISO 20022 Harmonisation Charter which aims to support collaboration between market infrastructures. Market infrastructure operators that have already committed to this include CLS, Clearstream, Euroclear, National Settlement Depository of Russia, VP Securities Denmark, ACH Colombia, Bank of Canada, Canadian Payments Association, Australian Securities Exchange, Hong Kong Interbank Clearing and the Southern African Development Community. Other market infrastructures are supportive of the Charter pending development of their implementation plans.

"The consistent adoption of the ISO 20022 standard avoids the costly exercise of solving common processing challenges in multiple ways", says Edwin de Pauw, head of product management, Europe for Euroclear. "The ISO 20022 Harmonisation Charter is a pillar enshrining the industry's collaborative approach to greater efficiencies and straight-through processing."

To join the ISO 20022 Harmonisation Charter Ceremony, go to the Standards Forum stand at 16:45 today.

http://www.swift.com/about_swift/shownews?param_dcr=news.data/en/swift_com/2015/PR_MI_Harmonisation.xml



ECB related ISO 20022 initiatives

SEPA

All EU banks using ISO20022 for SEPA

TARGET 2 Securities

ISO20022 used between T2S and participants.
First wave live.

TARGET 2

ISO20022 part of design. Migration dates TBC

MiFID II / MiFIR technical standards...

“Transaction reports shall be provided in an electronic and machine-readable form and common XML template in accordance with the ISO 20022 methodology”

MMSR – Reporting Instructions

- The **reporting instructions** are:
 - aligned with ISO 20022 standards, or standards will expand where appropriate, to help implementing by the banking industry
 - showing the taxonomy of the variables across the different market segments as unique reference for credit institutions (and NCBs/ECB)
 - complemented with illustrations/examples to further specify data to be sent
 - binding to ensure full automation of the process – and put on ECB web site



FX Market data standards

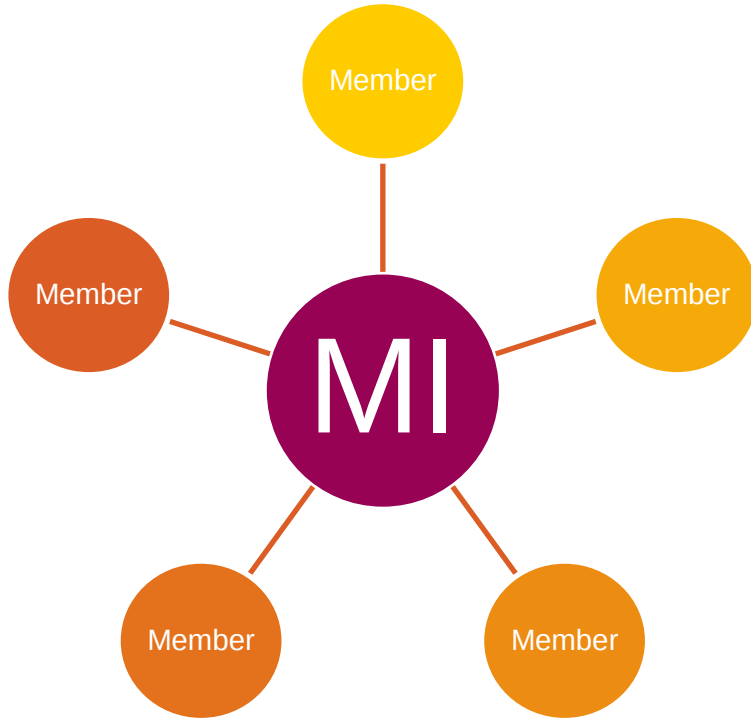


FX Market Standards

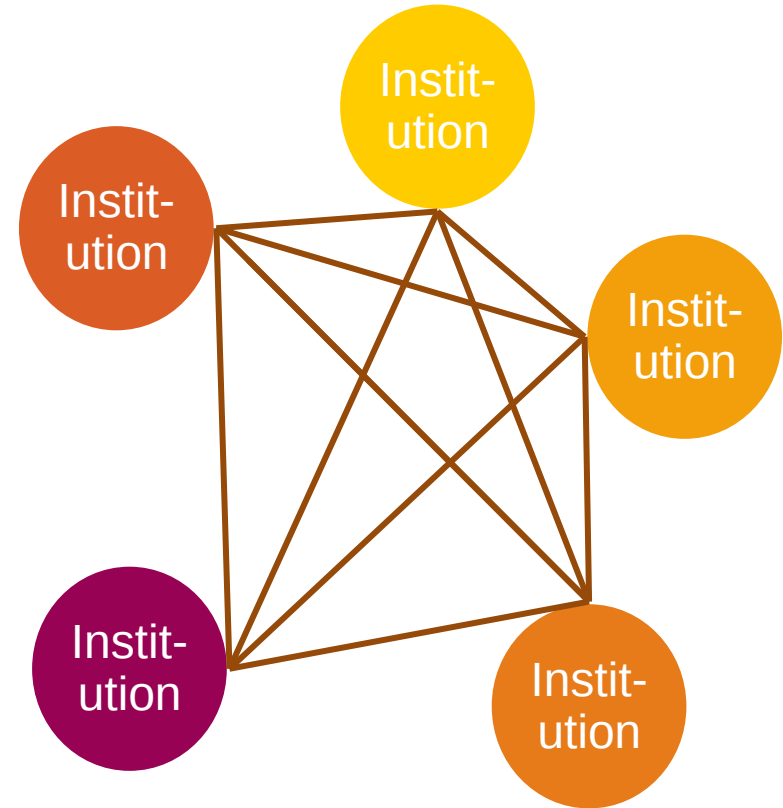
Domain	Standards
Trading	FIX
Confirmation	Bilateral – FIN MT 3xx
	CLS – Proprietary and MT3xx moving to ISO 20022 and MT 300
	CCP – FpML proprietary and MT 300
Settlement	Bilateral – FIN MT1xx & MT2xx
	CLS - Proprietary and MT3xx moving to ISO 20022 and MT 300
	CCP - Proprietary and MT3xx moving to ISO 20022 and MT 300
Reporting	FpML and proprietary



Market Infrastructure (MI) versus bilateral topologies



All communication is between member
an MI and is controlled by MI



Many bilateral communication paths
with no central control

FX Market Infrastructures moving to ISO 20022

- CLS

- Migration from proprietary standards to ISO 20022 under way since H2 2015.
- Messages registered with ISO http://www.ISO 20022.org/fx_messages.page

 **fxtr - Foreign Exchange Trade**

Message Name	Msg ID (XML Schema)	Submitting Organisation	XML Instances	Msg Def Report
ForeignExchangeTradeStatusNotificationV05	fxtr.008.001.05	CLS	N/A	Download
ForeignExchangeTradeWithdrawalNotificationV03	fxtr.013.001.03	CLS	N/A	
ForeignExchangeTradeInstructionV03	fxtr.014.001.03	CLS	N/A	
ForeignExchangeTradeInstructionAmendmentV03	fxtr.015.001.03	CLS	N/A	
ForeignExchangeTradeInstructionCancellationV03	fxtr.016.001.03	CLS	N/A	
ForeignExchangeTradeStatusAndDetailsNotificationV03	fxtr.017.001.03	CLS	N/A	
ForeignExchangeTradeBulkStatusNotificationV03	fxtr.030.001.03	CLS	N/A	

- China Foreign Exchange Trading System (CFETS)

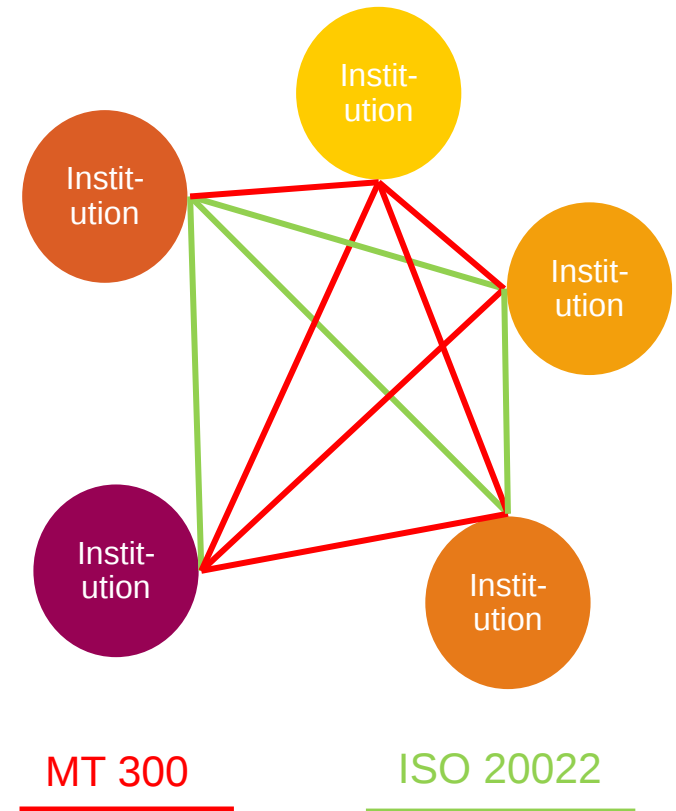
- Approved ISO 20022 Business Justifications for Trade Capture and Trade Confirmation
- SEG review of messages to start imminently



Bilateral exchange – MT 300 example

- **~ 7,000 direct users of MT 300**
 - Hundreds of thousands of bilateral paths
 - Each path would need to migrate individually from MT to ISO 20022!
- **Big-bang migration not practical**
 - Assuming no business case for central translation software and database management
- **No SWIFT or industry policy for general migration of bilateral message flows from FIN to ISO 20022**

Migration scenario





www.swift.com

About ISO



163 Countries

National Standards Bodies (BSI, ANSI, AFNOR, DIN, UNI, etc...)

General Assembly

Central Secretariat

Council

Technical Management Board (TMB)

224 Technical Committees

TC

TC

**TC 68
Financial
Services**

TC

513 Subcommittees

**SC 2
Security**

**SC 4
Securities**

**SC 7
Banking**

WG

WG

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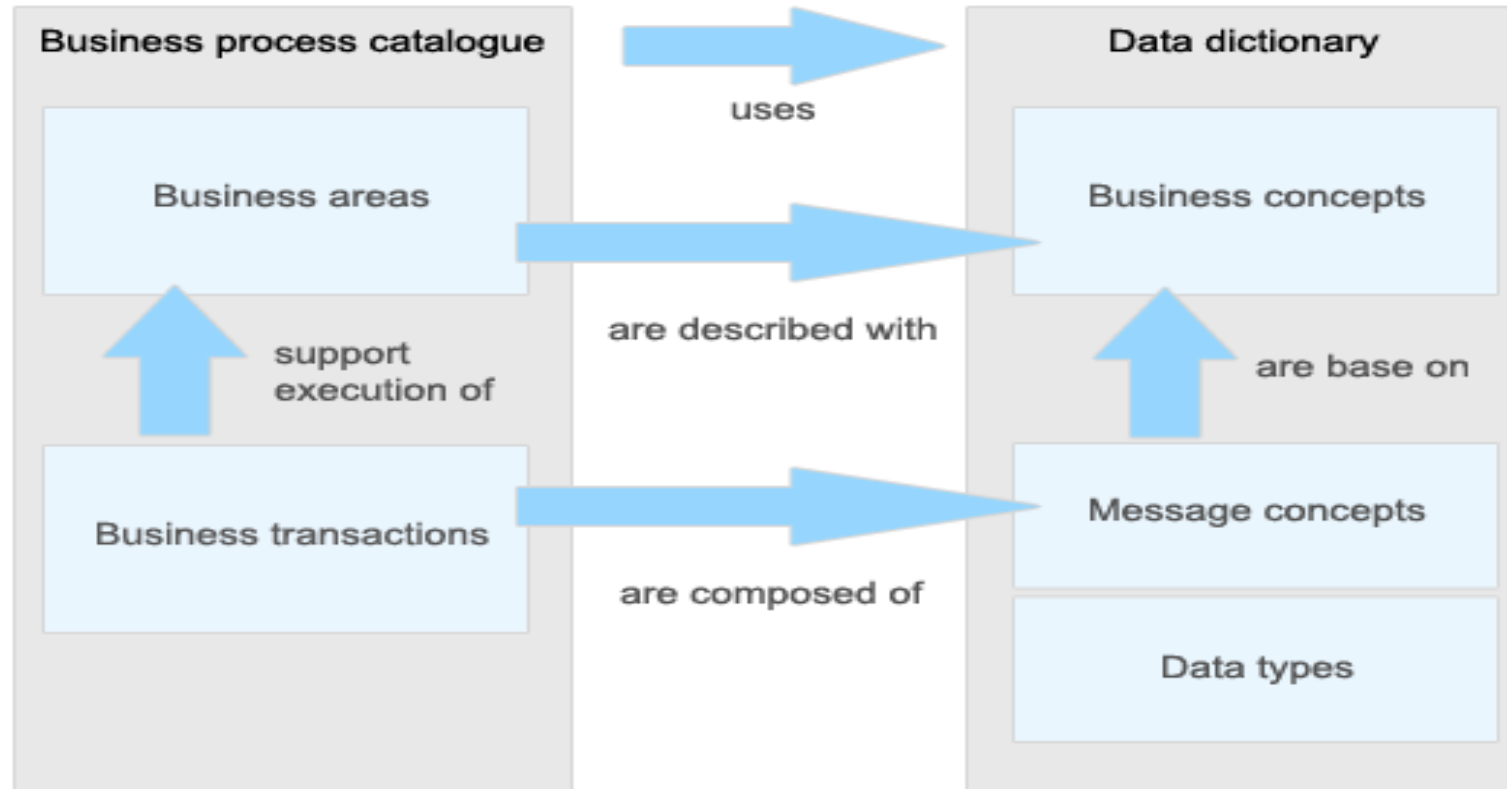
WG4 & 5
ISO 20022

WG 6
LEI

2,516
Working Groups



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Technical Committee 68 (TC68) *[Conv.: K. McKenna]*

– Registration Management Group (RMG) *[Conv.: J. Whittle]*

- Submitters of new messages and maintenance requests
- Registration Authority (RA)
- Technical Support Group (TSG)
- Standards Evaluation Groups (SEGs)
 - Payments
 - Securities
 - Cards
 - FX
 - Trade Services