

# T+1 for Post Trade Processing

Location: Swift | 7 Times Square #45, New York, NY 10036

Date: June 20, Tuesday

Time: 11 AM – 1 PM



20<sup>th</sup> June 2023

## Agenda

### Introduction & Opening Remarks

#### 1. Overview of the Unique Transaction Identifier

- How to leverage UTI to solve for T+1
- Roundtable Discussion: Participants T+1 readiness

#### 2. Swift x ECS Collaboration and how it benefits end users

- Readiness and Process efficiency
- Trade processing interface and dashboards

12:00 PM EST: Lunch & Networking

# Securities post-trade settlement suffers from various inefficiencies & costs

June 2023  
Swift Securities  
View

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## The current process



## The market problem

**Of every 100 securities transactions sent for settlement**

**4%**  
of settlement instructions are cancelled before/on settlement date

**1%**  
of settlement instructions are cancelled **after** settlement date

**5%**  
of settlements are completed **after** the settlement date

**Only ~ 90% of transactions being settled as planned**

1. Instruction Cancellation Rate: measured by MT 540- MT 543 instruction messages with CANC vs. total # of instruction messages sent , data as of H1-2022  
2. Late Settlement Rate : measured by MT545-547 confirmation messages which confirm settlement done before or on settlement date vs. total # of confirmation messages sent , data as of H1-2022  
Source: SWIFT Watch

## Market volatility has made the problem worse



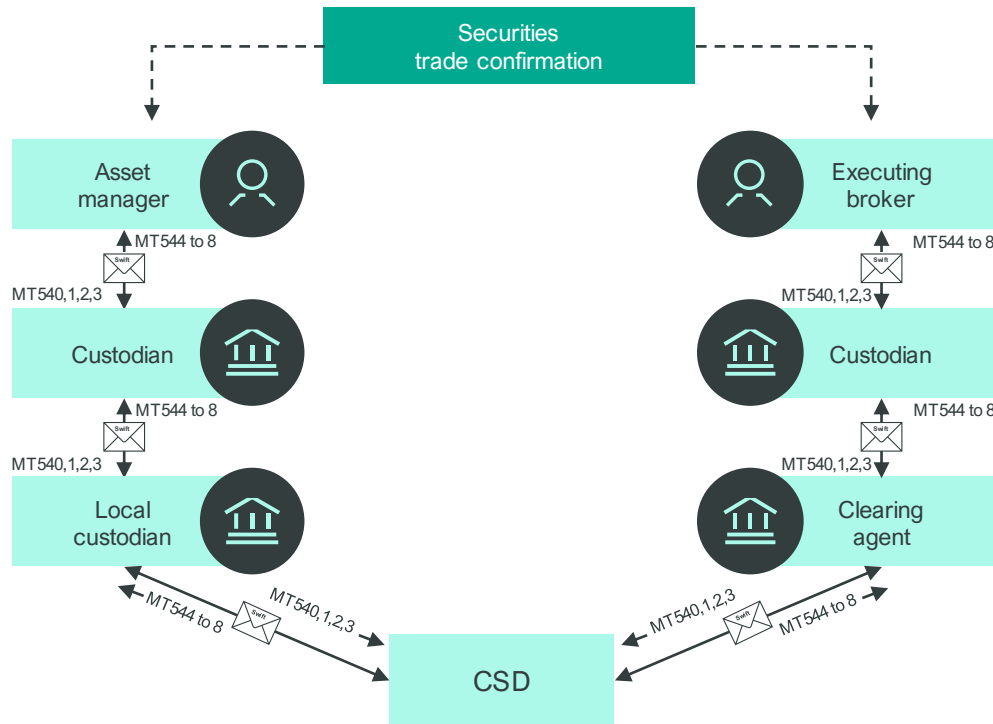
Confidential

# Securities View

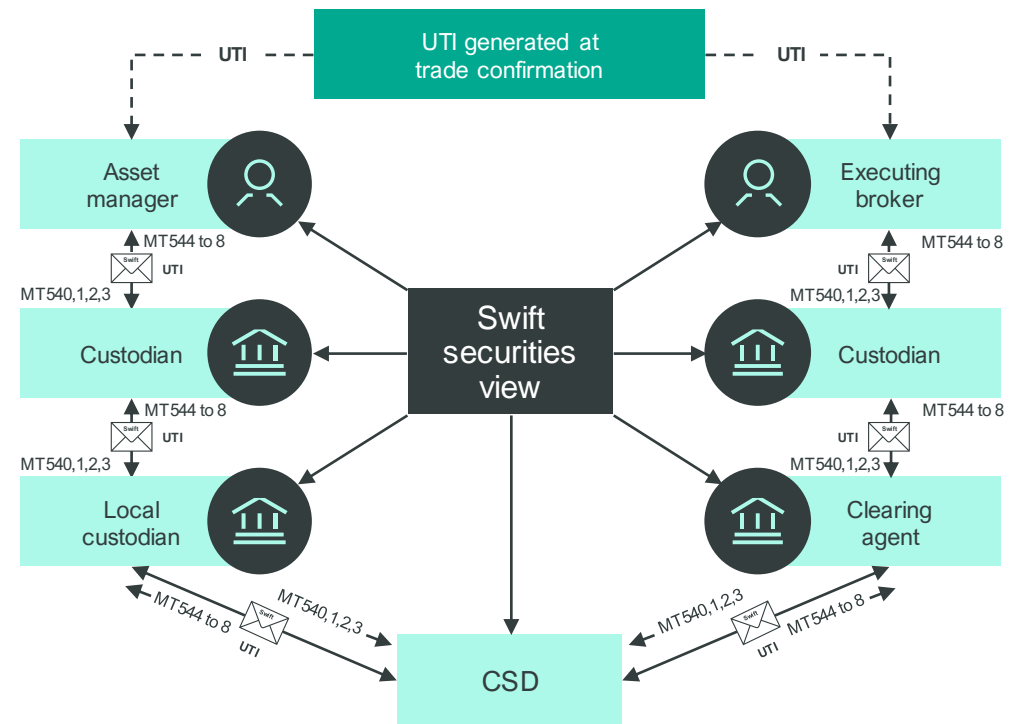
## Provides End to End Settlement Visibility to Reduce Settlement Fails

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From isolated messaging



To transaction visibility

# The Unique Transaction Identifier (UTI) to unlock efficiency improvements and prepare for the future.

# The Unique Transaction Identifier (UTI)

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Unique Transaction Identifier

## Unique

52 characters, with first 20 to be the LEI of the generating body (FI/ platform/ service provider).



## Standard

Standardized and structured ISO-registered format (ISO 23897:2020).



## Trusted

Already used today for reporting of financial transactions to any authority in any jurisdiction.



## Persistent

Can be carried as a reference across disparate systems and processes.



## Unambiguous

Can be referenced unambiguously by all parties involved or interested in that transaction.



Applied to a securities post trade settlement workflow, a UTI identifies a securities transaction obligation:

- For an agreed instrument & quantity
- Between a buyer and seller
- Allocated to settlement accounts and parties

# The UTI – Where to locate it in an MT54x

June 2023  
Unique Transaction Identifier

541 Receive Against Payment (SR2021)			
General Information (A)	GENL	M	N
:16R: Start of Block	GENL	M	N
> :20C: Reference	:4!c//16x	M	N
> :23G: Function of the Message	4!c[4!c]	M	N
> :90a: Date/Time		O	N
> :99B: Number Count		O	R
Linkages (A1)	LINK	O	R
:16R: Start of Block	LINK	M	N
> :22F: Indicator	:4!c[8c]4!c	O	N
> :13a: Number Identification		O	N
> :20a: Reference		M	N
> :36B: Quantity of Financial Instrument		O	N
:16S: End of Block	LINK	M	N
:16S: End of Block	GENL	M	N

Deal Reference [TRRF]	1	Or	N
> :20C:	:4!c//16x		
> :20U:	:4!c//52x		
Qualifier	4!c	M	N
UTI Reference	52x	M	N

```

:16R:GENL
:20C::SEME//MESSAGEREFERENCE
:23G:NEWM
:16R:LINK
:20C::TRRF//1256356365
:16S:LINK
:16R:LINK
:20U::TRRF//1256356365ABCDEFEJKEJEKJEKJEKJEKEJ
:16S:LINK
:16S:GENL
    
```

ISO 23897:2020 definition

Up to 52 alphanumeric characters, (A to Z and 0 to 9 only).

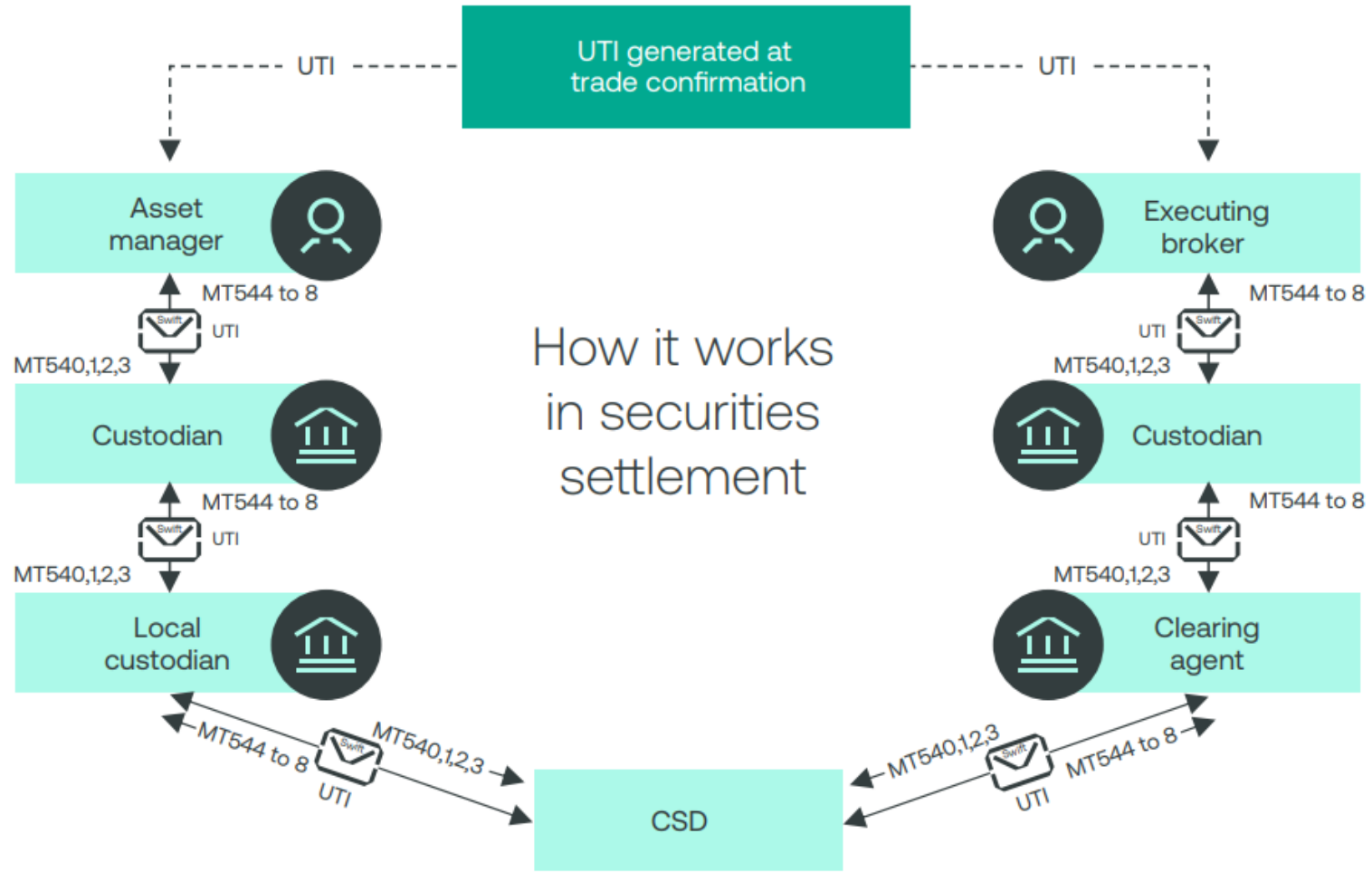
First **20 characters** (18!c and 2!n:fixed length)  
the legal entity identifier of the generating entity, as represented in ISO 17442 – aka LEI

Subsequent **up to 32 characters** (32c:maximum length)  
a unique identifier assigned to the transaction by the generating entity without separators.



# How the UTI Improves Securities Settlement

June 2023  
Unique Transaction Identifier





# Securities post-trade settlement

## Market context

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June 2023  
Market Context

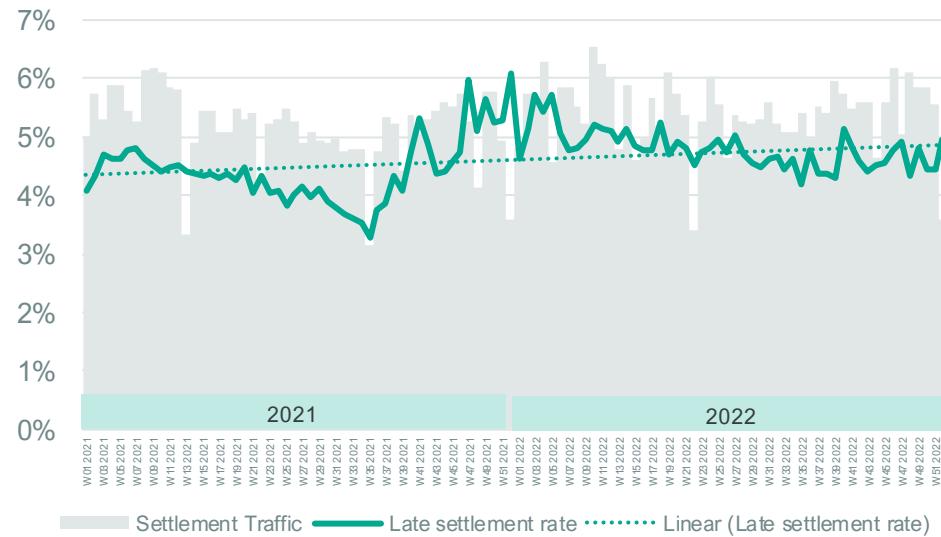
# An industry focus on settlement efficiency: frictionless and faster

## Observations on CSDR post-implementation

**Over 1m**  
Penalties/month (2022)

**~ 1.55 Bn**  
EUR (Feb – Dec 2022)

Late Settlement Rate in Europe : the level is still high post-implementation of CSDR



### Challenges

- Timing Issues
- (Data) discrepancies
- Inventory management (lack of securities or cash)

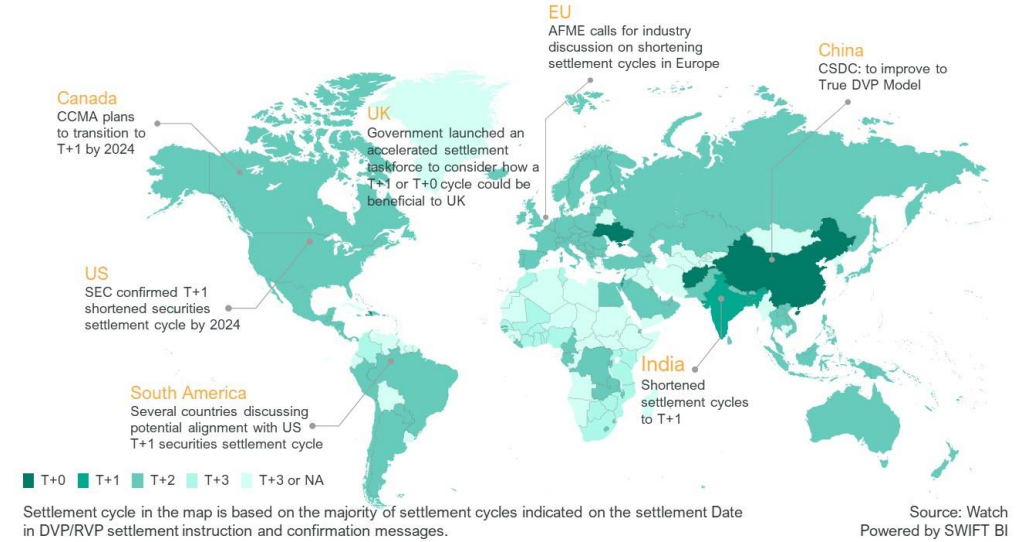
Source: TARGET2-Securities Annual Report / Swift Watch

## Shorter settlement cycle across markets

**~83%**  
Reduction of  
processing time

**stricter**  
Instruction receipt  
deadlines and SLAs

Major equity markets are exploring feasibility of accelerated settlement



### Challenges

- Time zone challenges for resolving settlement issues & cost of fail
- Securities borrowing
- Cross-border FX

Source: Swift Watch



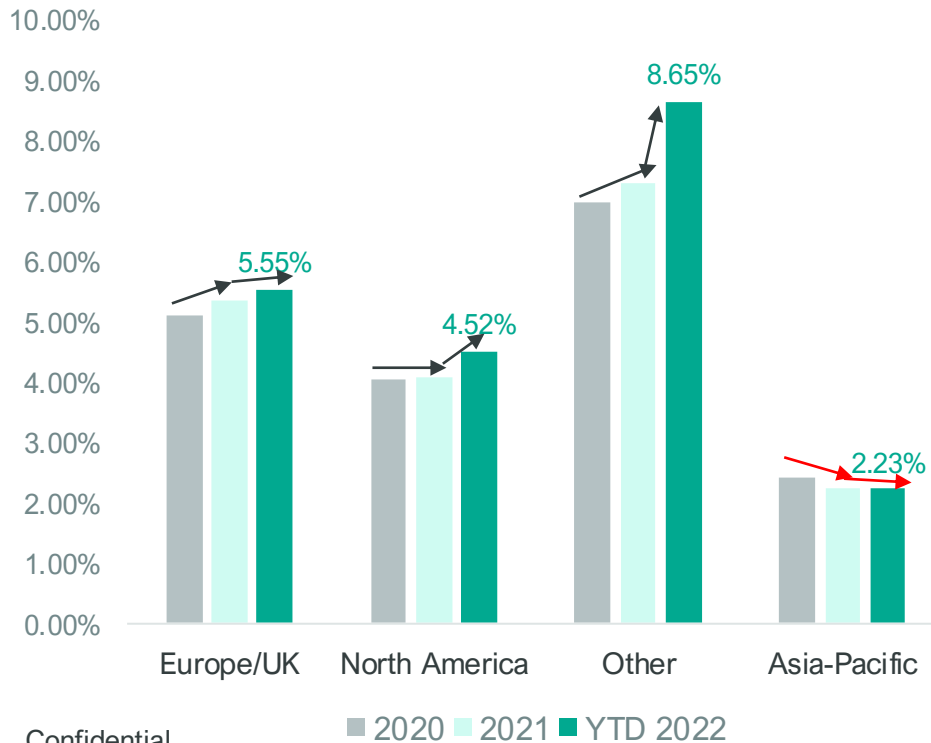
# Settlement Regional View : Inefficiency ratios varies across different regions

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 SWIFT Securities  
 Updates

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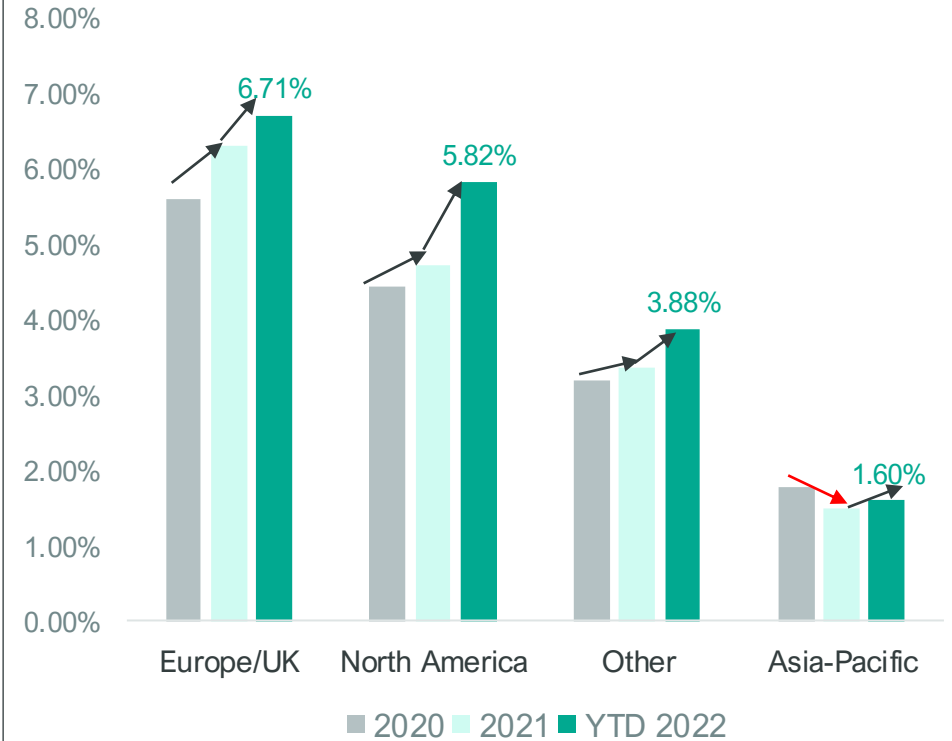
## Instruction Cancellation Rate of Securities Settled in the different regions (Instruction being cancelled) / Total Instructions

Measured by # of MT540-543 instruction messages sent to settle securities  
 (Live and delivered only)



## Late Settlement Rate of Securities Settled in the different regions (Effective settlement date > expected Settlement date) / Total Confirmations

Measured by # of MT545-547 confirmation messages sent to settle securities  
 (Live and delivered only)



## Time to tackle settlement inefficiencies!

Key settlement issues:

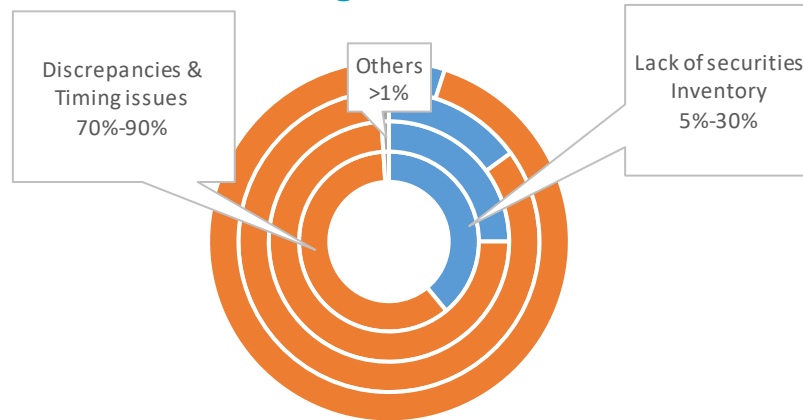
- **Timing:** Counterparty instruction missing / on hold / pending
- **Discrepancies:** Counterparties rely on different economic or SSI data
- **Inventory:** Settlement party(s) has insufficient securities (or cash) at time of settlement

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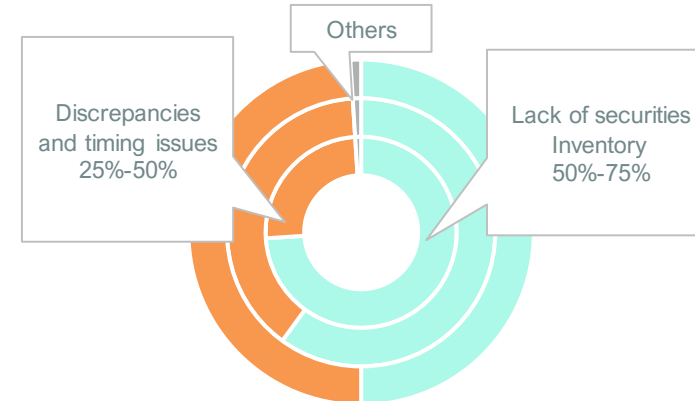
Sharing insights:  
settlement efficiency

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### Pre - Settlement Issue Categories



### Post - Settlement Fail Categories



## Round Table Discussion: T+1 Readiness

### Biggest challenges of T+1 implementation?

- Booking, allocation, confirmations, affirmation processing
- Settlement: fails, penalties, buy-ins, claims
- FX, funding/liquidity management
- Instrument focus: ETF, depository receipts, securities financing
- Workflows: collateral, margin, clearing
- Asset Servicing: corporate actions
- Technology: digitization, customer migrations/dependencies

### How can Swift help?

- **Rule 15c6-2(a)**  
(same day affirmation)  
written policies/procedures  
or agreements, as soon as  
technologically practicable  
and no later than the end of  
the day on trade date
- **SDA, currently about 68% of  
trades achieve affirmation by  
end of day on trade date.**

## Latest **News** and key statistics

The service is in **General Availability** since January, 30 2023

### **User registrations to date (early June 2023):**

- **42 institutions**
- **45 different business entities** (Brokers, Asset managers, Outsourcers, Custodians, CSDs)
- **68 BICs**

### **Data availability to date:**

- **~2,9 Mio messages a day** currently processing.
- **286 Mio messages** have been **processed since inception end September.**

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Swift x ECS Fin Joint  
Event - Not for  
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## Service participants

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### Asset managers (21)

- Adia (EA)
- Citco Bank (NL, IE, CA, CW, KY, LU, MT)
- Global Evolution (DK)
- HSBC investor services (GB)
- Legal & General Investment (GB)
- Nomura Asset Management (JP)
- Northern Trust outsourcers (GB)
- Several US asset managers\* (US)
- Several UK asset managers\* (UK)
- Several EU asset managers\*
- Several China asset managers\* (CN)
- A Sovereign Wealth Fund\* (SG)
- A Life Insurance firm\* (KR)

### Custodians / Agents (14)

- BNY Mellon (US & BE)
- China Citic Bank (CN)
- Custody Bank of Japan (JP)
- First Abu Dhabi Bank (AE)
- J.P. Morgan (US & GB)
- Nomura Bank Luxembourg
- Northern Trust (US, GB, LU, SG)
- SEB (DK, FI, NO, SE)
- A South African Bank\* (ZA)
- A Belgian firm\* (BE)
- A Luxembourg firm\* (LU)
- Several Chinese firms\* (CN)

### Brokers (5)

- Credit Suisse (GB)
- Dinosaur Merchant Bank (UK)
- Renaissance Capital (GB)
- A Japanese broker\* (GB, DE, JP, BM, SG)
- A US Brokerage

### CSDs (2)

- Euronext Copenhagen
- Centralni Depozitar (CZ)

(\*) Requested to keep their name confidential for now

# Securities post-trade settlement

## Market context

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June 2023

Market Context



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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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