

Securities Market Practice Group (SMPG) – Reflections following the SMPG Fall Meeting 2022

The [Securities Market Practice Group \(SMPG\)](#) is known as the global forum for Market Practice in the securities industry. The SMPG enjoys a strong representation of National Market Practice Groups (NMPGs) in all regions around the world and includes affiliations with international market infrastructures, industry, and liaison organizations.

The SMPG aims to create globally harmonised market practices with the objective of enhancing Straight Through Processing (STP) at an industry level. This objective includes the harmonisation of non-regulated geographic differences as well as consistent implementation of ISO messaging standards by securities industry participants for processing within and across all markets.

The SMPG has three active market practice working groups covering settlement and reconciliation, investment funds and corporate actions. These working groups are attended by the representatives of 20 NMPGs from around the world, and representatives from the ICSDs and other affiliated organisations. These representatives are business and market practice experts from (global) custodians, banks, broker dealers, investment managers, infrastructures, market utilities and providers of technology and other services.

The SMPG meets virtually on a regular basis and twice a year in person. In addition, these conferences offer a platform for discussion and reflection on industry trends and new securities regulation and are a focal point for shaping the direction of future market practice development.

The [SMPG Fall Meeting 2022](#) was held in Amsterdam from 5 October to 7 October, and featured an opening day with presentations that were open to participation from the wider standards and market practice community. Following this meeting, the SMPG chair, Armin Borries of Clearstream, provided ISO/TC 68 with his insights into the exciting world of securities market practices, his personal takeaways from the SMPG plenary, and he also reflected on areas where ISO standards and SMPG market practices jointly strive to provide benefits to implementers, now and in the future.

Question No. 1

In the context of market practice for the securities space, could you describe the role of standards and in particular ISO standards? Could you name a few ISO standards that SMPG builds upon in defining market practice, encompassing reference data standards, information exchange standards and others?

Armin Borries – The role of standards, and ISO standards in particular, is of paramount importance in the securities industry as it significantly improves the STP of securities instructions, transactions and reporting flows and therefore makes the global processing of cross border transactions much more efficient. ISO 20022 and ISO 15022 are the key standards building blocks of the messaging standards in the post trade securities industry. ISO 10383 (MIC), ISO 6166 (ISIN), ISO 10962 (CFI), ISO 17442 (LEI) are other key reference data standards used in ISO messaging.

Question No. 2

Has the SMPG noticed gaps in the set of ISO standards currently available? If so, which?

Armin Borries – Since the Standards Release 2022, digital assets can now be supported by the ISO 15022 and ISO 20022 securities messaging standards (for settlement and reconciliation messages and asset servicing messages). So, we can say that the gap has been at least partially filled in in terms ISO

standards, however we need more insight into how this can be practically used before we can create some robust market practices around it.

We have also seen in the last few years more frequent usage of proprietary APIs in some securities post trade areas, which often supplement the ISO messaging flow to cover some specific needs. It is of paramount importance that, at some point, these APIs are standardized to become ISO 20022 compliant and that market practices can also be developed. In this area also, the SMPG needs to explore further what can be done in what securities business areas.

Question No. 3

The SMPG has already acted as a requestor of new standards to be developed (cf. ISO 20022 messages for SDRII). Was this pattern successful and could it be repeated for future standards development opportunities?

Armin Borries – The ISO 20022 messaging standards (shareholder Identification disclosure and general meeting) developed jointly by Swift and the SMPG in the context of the shareholders rights directive II in 2020 was extremely successful as it combined the securities business expertise of the SMPG members and Swift’s expertise in the ISO 20022 messages development and deployment on the Swift network.

The SMPG has also been instrumental in proposing practical ISO messaging solutions to cover the CSDR regulation penalty scheme, namely by adding required fields into the settlement and reconciliation messages and proposing the reuse of the MT 537/semf.044 for reporting penalties.

With deep knowledge of the post trade business and unique expertise in ISO messages, the SMPG is well placed to be the driver behind the creation of ISO standards and of the related market practices for the future opportunities created by the business or the regulations.

Question No. 4

What were the primary areas of market practice development and ISO standard usage that featured at the recent SMPG plenary?

Armin Borries – One of the main objectives of the half day SMPG plenary sessions that are held twice a year (in-person) is to learn about and discuss emerging standards, new technology trends, new market infrastructure projects, and regulation impacting the securities industry.

During the pandemic, the SMPG made its plenary sessions virtual and public, and the opportunity of increased interactivity attracted a much bigger audience.

At the last SMPG meeting in Amsterdam, topics addressed during the plenary session were:

- The status of the European Collateral Management system infrastructure project presented by the ECB MI development division deputy head – George Kalogeropoulos - and due to enter in operation in November 2023.
- The evolution of the LEI and the LEI digital strategy presented by the GLEIF Head of Standards, Karla McKenna.
- The migration to a T+1 settlement cycle in the US market featured in a panel discussion of US securities experts from BBH, DTCC and SIFMA.

- An update on Swift's securities strategy to deliver instant and frictionless transactions featuring the adoption of the UTI and its usage in the securities messages and API's.

Question No. 5

What are new areas of activity which SMPG sees coming up on the horizon?

Armin Borries – The emergence of APIs in some areas of the securities business flows not yet covered by ISO messages could be an area where SMPG expertise could help shape the API and develop market practices.

The usage of digital assets in securities transactions might also lead to a need for new or updated market practices.

Question No. 6

In the definition of market practice, how does SMPG deal with the challenge of coexistence of two ISO standards for business processes and financial messaging, ISO 15022 and ISO 20022?

Armin Borries – Today, there is coexistence for the ISO 15022 and ISO 20022 securities standards in the settlement and reconciliation and corporate actions domains. A few years ago, before the actual usage of the ISO 20022 standards on the Swift network, the SMPG had started to adapt the huge set of SnR and CA market practices documents to make them compliant with the ISO 20022 SnR and CA respective standards. This was indeed a challenge for the SMPG experts in terms of getting used to the new XML syntax and making sure that all the existing market practices could be ISO 20022 enabled. This challenge was successfully achieved in a couple of years and nowadays all new MPs created are genuinely made compatible with both ISO standards.

Question No. 7

What comes first, the ISO standard or the SMPG market practice?

Armin Borries – Definitely, the ISO Standards comes first, as there cannot be market practices without messaging standards.