Standards MT November 2023

SR 2023 – Business Highlights

This document provides summarised, high level, business information related to the changes made to FIN (MT) messages as part of Standards release 2023 (SR 2023).

18 November 2022

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Preface

Purpose of this document

This document provides summarised, high level, business information related to the changes made to MTs as part of Standards release 2023 (SR 2023). These changes will be active on the SWIFT network on 19 November 2023.

The *technical* details of the changes are published in the Standards Release Guide (SRG). Information can be accessed via the Standards MT release 2023 [timeline](#) and analysed using [MyStandards](#). Also available via the [timeline](#) is the Updated High-Level Information document, which contains a summary of the underlying change requests.

1　Background and Summary

Throughout the year, Standards collaborates with the community to understand how their business is evolving, and to compile and assess any required change requests (CRs) to standards messages. These CRs are often required to support the implementation of regulation, innovation in the market or more precise information to enable improved levels of straight-through processing. Each CR goes through a well-established process which includes discussion in the relevant Standards Working Groups.

There are Standards Working Groups for the different business areas such as payments, FX and commodities, trade finance, and securities (trade initiation & confirmation, settlement & reconciliation, corporate actions, (tri-)party collateral). These expert groups discuss, debate, and approve the requests before they are submitted to the SWIFT community for voting at country level. In December, the SWIFT Standards Release Guide with all the approved changes (to be implemented the following November) is published.

More information about the process can be found in the [Standards MTs and MX/ISO 20022 Usage Guidelines Development and Maintenance Processes](#).

2   Regulatory Changes

Align with ISDA 2022 Barrier Event Supplement

At the request of its members, ISDA has spent several years developing a new supplement to the existing 1998 FX Definitions, that updates and replaces the 2005 Barrier Option Supplement, which ISDA members deemed insufficient to cover current market practices and product features in barrier and binary trades. The May 2022 Barrier Event Supplement (the "Supplement") provides a detailed framework for defining confirmation requirements for FX Barrier and Binary options.

The Supplement has been published by ISDA and EMTA on 9 May 2022, allowing parties to confirm relevant Barrier transactions on paper confirmations. In order for paper and electronic confirmation workflows to reference the same legal documentation, it is vital to allow electronic confirmation processing to reference the Supplement. As a result, it will lead to substantial reworking of the MT 306 – used to confirm these transactions - which will include more general improvements to the structure for supporting barrier and binary options. Certain aspects will be simplified and clarified. The language associated with barrier and binary options will be aligned to the terminology contained in the Supplement and several outdated concepts (such as digital and no-touch options) will be replaced.

Here are some examples of changes that will be made to the MT 306:

- Replace the existing 6 barrier types with 8 barrier types that are defined in the Supplement.
- Remove the distinction between barriers and triggers which is currently present in the MT 306. The Supplement defines a single set of trigger events that are common to both vanilla options with barriers and binary options.
- Add fields to account for barrier and binary transactions that are monitored on discrete dates or during a continuous period.

Update the version of ISDA definitions for commodity trades

The current usage rules section of the MTs 600 and 601 for commodity trades refer to the 1998 FX and Currency Option Definitions, which are outdated. These will be replaced by the 2005 ISDA Commodity Definitions, which is the correct document to use for commodity trades.

Add a regulatory reporting jurisdiction code for Switzerland

The Financial Market Infrastructure Act (FMIA), original title Finanzmarktinfrastrukturgesetz (FinfraG) is a body of Swiss legislation for the regulation of financial markets, in particular derivatives. It was originally adopted by the Swiss Federal Assembly on 19 June 2015 and came into force on 1 January 2016. The addition of such a regulatory reporting code for Switzerland allows to identify trades that are reportable in Switzerland.

This change impacts most of the FX (Category 3) and commodities (Category 6) messages.

Address regulatory requirements related to the Central Securities Depositories Regulation (CSDR):

- **Add a continuation field to the penalty report**

  The Penalty Report (MT 537) is currently structured with a large number of (sub)-sequences. This structure means that, if a penalty moves across different pages, due to the maximum length of the SWIFT message being reached, all previous (sub)-sequences need to be included again. The addition of a continuation flag will help reduce confusion around duplication of penalties.

- **Add a new validation rule to enforce the presence of the statement period in the monthly penalty report**

This change supports the Global Securities Market Practice (SMPG) guidelines for CSDR penalty reporting, where the statement period is mandatory in monthly penalty reports. This will enforce usage and make it clear for which month the statement belongs to.

- **Add a new validation rule to enforce the presence of the payment date in the monthly penalty report**

  As per Global Securities Market Practice Guidelines for CSDR penalty reporting, the pre-advised payment date is considered mandatory in monthly penalty reports. However, the payment date is often not contained in the monthly report if a financial institution cannot guarantee that payment will be made on that date. The validation rule will enforce the presence of the payment date.

- **Update a validation rule to enforce the presence of the posting amount if the transactions are against payment**

  The MTs 537 and 548 contain a validation rule that states that, if the transaction type is against payment, then posting amount is mandatory in several (sub-)sequences. This rule has been extended to all subsequences in order to have a clear view on all amounts.

3   Changes to Support Market Evolution

Digital assets and currencies

As part of Standards release 2022, the securities messages (Category 5) were enhanced so they can cater for digital asset identification and new token-related features were added, including the addition of a 30-digit accuracy number to allow for the granularity needed for fractionalisation, and the option to use a wallet blockchain address instead of a safekeeping account.

As part of Standards release 2023, imposing the presence of a blockchain address or wallet account number for the usage of digital token quantities will be relaxed. This means that a regular safekeeping account can also be used to safekeep digital assets. A market practice on how to use the Category 5 messages for digital assets is being worked on by the Securities Market Practice Group (SMPG).

In addition - as part of Standards release 2022 – in the FX messages (Category 3) support was added to the messages for confirming and settling non-deliverable FX trades and options in digital currencies that do not have an ISO 4217 currency code. The format of this digital asset identification field will be changed so it is aligned with the ISO 24165 - Digital Token Identification (DTI) - standard that includes an extra check character on top of the 8-character DTI code.

4   Changes to Enable More Efficient Processing and Reduction of Costs

Harmonise dates and times

A full review of all the date/time qualifiers in all the corporate action messages by the SMPG has shown that there is a lack of consistency in the usage of some of the date/time format options, and UTC time was added to most fields.

Add tax information to securities proceeds

When securities proceeds are paid, it is not possible to indicate the tax rate that has been applied to the securities distribution/re-investment, nor the cash equivalent of the tax that has been deducted and could be reclaimed. The corporate action messages will therefore be enhanced with the tax rate applicable to the securities proceeds, as well as a taxable amount and price (Cash in Lieu of Share Price).

Restructuring of trade finance messages (Category 7)

As part of Standards release 2021, there was a major restructuring in Category 7 messages for Guarantees and Standby Letters of Credit. New functionality was added and messages were restructured in order to increase STP, to enable end-to-end transaction flows, ease screening for suspicious transactions and due diligence, and to ensure compliance with International Chamber of Commerce guidelines. In SR 2023, further enhancements will be made, including:

- **Change name, enhance format and definition of Governing Law and/or Place of Jurisdiction in MT 760**

  The existing format allows users to specify the governing law as an ISO 3166-1 code in Country Code and/or place of jurisdiction that is applicable to the undertaking. However, for several designated laws, the existing format with ISO 3166-1 does not work. The wording "and/or" created confusion amongst the users, especially in certain countries that do not have ISO codes assigned for place of jurisdiction. This change also allows users to add country sub-division. The new format continues to allow for narrative information (if any). The benefit consists in more clarity in law and rules the instrument must abide to, especially in case of a dispute in an international court of law.

- **Add new field Requested New Date of Expiry of Local Undertaking in MT 765**

  The requested new expiry date of the undertaking could be confused with the expiry date of the local undertaking depending on the scenario. The change removes this ambiguity and misunderstanding between local and counter undertaking. It also improves the processing in software applications, due to the use of a structured field instead of free text.

- **Update format of Delivery to/collection by in MT 760 and MT 767**

  The current length of the new field 24G Delivery to/Collection by is too short and the use of a limited character set has caused a number of issues. In many countries, the 6 lines of 35 digits are not enough to detail the contact and address information where the guarantee should be sent or collected from, and some characters like @ are an important part of name and address data.

- **Update name, format, and definition of Additional Amount Information in MT 760**

  The definition and name of the additional amount information has caused confusion in the trade finance community. A change in definition and name eases the use of the field and promotes STP on the core trade systems. The new format also allows for extra information like interest, tolerance, multi currencies, etc. This will remove ambiguity and improve STP.

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