



SWIFT Response to Bank of England public consultation:

A new sterling money market data
collection and the reform of SONIA

1 October 2015

Q15: Do you have any comments regarding the system for providing data? Are there any specific problems posed by the provision of data in .xml or .csv file formats?

SWIFT thanks the Bank of England for the opportunity to respond to the public consultation “A new sterling money market data collection and the reform of SONIA”. SWIFT carries a high volume of Sterling Money Market confirmations, including full details of each transaction, and is supportive of the Bank’s efforts to secure and improve the information available to it on conditions in sterling money markets.

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect more than 10,800 banking organisations, securities institutions and corporate customers in more than 200 countries and territories. SWIFT enables its users to exchange automated, standardised financial information securely and reliably, thereby lowering costs, reducing operational risk and eliminating operational inefficiencies. SWIFT is actively working with regulators elsewhere in Europe as well in the US in helping to develop ISO 20022 standards to support their reporting requirements. For example, ESMA has recently specified ISO 20022 as the required standard for all transaction reporting under the revised Markets in Financial Instruments Directive (MiFID II). SWIFT has also been closely involved in the Legal Entity Identifier (LEI) initiative, contributing to the LEI standard and issues LEI numbers as part of the Global Market Entity Identifier (GMEI) utility, in partnership with DTCC.

We note that the Bank’s proposed approach to the new sterling money market data collection is similar to that of the ECB’s Money Market Statistical Reporting (MMSR) regulation. MMSR reporting will start in April 2016 when large credit institutions in the euro area will report daily transaction-by-transaction data. In early 2017, other relevant market participants will start daily reporting.

The stated objectives of MMSR are to:

- achieve a better understanding and timely surveillance of the functioning of the money markets in general and of banks’ funding in different segments in particular;
- provide better and timely information on the monetary policy transmission mechanism as well as to provide improved information on market expectation on the future trajectory of policy rates;
- provide more information to market participants on the function of the money market in order to allow a more informed choice among alternative reference rates.

Given the large data volumes concerned and the daily frequency of data collection, the ECB has required that data flows between the reporting credit institutions, the national central banks and the ECB itself should be standardised and automated. The internationally-used open standard, ISO 20022, has been selected as the reporting framework for MMSR.

SWIFT has supported the ECB in the development of this framework and in the development of the ISO 20022 messages that will be used for the daily transmission of MMSR data. SWIFT would be happy to provide similar advice to the Bank to help formulate standardised messages for the new sterling money market data collection, should that be of interest.

Furthermore, should the Bank wish to explore with the UK reporting community whether automated solutions could facilitate compliance with these reporting requirements – for instance, by reporting institutions’ having their relevant transactional message data directly copied to the Bank we would be ready to discuss such potential solutions.

It is likely that many of the firms that will have to implement the Bank's new sterling money market data collection requirements are currently implementing the MMSR requirements. If the Bank of England were to adopt ISO 20022 for its reporting, it would greatly facilitate implementation of Sterling money market reporting requirements and assist reporting firms in meeting the Bank's requirements as they will be able to reuse much of what they are developing for MMSR. ISO 20022 messages are syntax agnostic but most implementations now specify XML as the default format and we would therefore recommend XML as the preferred reporting standard. XML has the advantage that it can be validated by both the submitter and by the bank on receipt using standard technology. Moreover, if the Bank bases its reporting standards on the definitions already formalised for MMSR, if at some future date UK and Eurozone data needs to be compared or aggregated, the task will be much simpler.

About ISO 20022 for reporting

ISO 20022 is increasingly being selected as a preferred reporting format, because the data model which lies at the heart of ISO 20022 is an ideal reference point to help regulators, market overseers and reporting firms to harvest, aggregate and interpret data which is unambiguous, clear and equivalent irrespective of its source. In the context of regulatory reporting and data aggregation, it is critical that all reporting entities interpret the specification of the data to be reported in the same way. Without this consistency, data from different entities cannot be meaningfully compared or aggregated, and the policy goals of the regulation can become difficult or impossible to achieve. The more precisely each data element in a report is specified, the more likely it is that implementers of the regulation will submit consistent data – and the easier it is for the supervisory community to examine the data. ISO 20022 is the open methodology for developing new financial messaging standards and for harmonising existing financial messaging standards. As an initiative of the International Organization for Standardization (ISO), ISO 20022 was conceived to harmonise the fragmented financial standards landscape, and can best be described as a 'recipe' for developing financial messaging standards. The main ingredients of this recipe are a development methodology, a registration process, and a centralised, machine-processable "e-Repository".

By providing a universally agreed language that can be shared by business, legal, and technical experts, ISO 20022 greatly simplifies the interpretation and implementation of any regulation defined in that language. Regulations defined in terms of ISO 20022's unique conceptual Business Model and Business Process layer allow implementers to understand both the regulated financial concepts, and the contexts in which the regulation is applicable.

ISO 20022 is also appealing to regulatory initiatives because it is an open and transparently governed standard that is platform neutral, and free to download, implement, and extend. All standardised financial business processes have been, or will be, incorporated in the ISO 20022 business model and the ISO 20022 methodology supports the creation of new ISO 20022-compliant messages to support each business process. Although ISO 20022 allows coexistence of legacy domain-specific syntaxes and protocols in certain circumstances to protect the investments of market participants, it lays the groundwork for a common financial messaging standard, and clearly communicates that direction to the entire industry.

The rigour and precision of the definitions found in the ISO 20022 business model make it an excellent resource through which to ensure that data elements specified in a regulatory reporting context are interpreted consistently by implementers. Moreover, once the data elements for a business process have been identified, it is straightforward to create a message definition that can be used to transport the data.

In these definitions it is possible to distinguish a baseline set of common details and national or regional additions, facilitating tailored reporting at national or regional level, as well as consistent reporting at global level.

ISO 20022 is an open industry standard that is being adopted globally in the financial industry. Central banks and market infrastructures across the world are increasingly using the standard, with around 70 payments and securities clearing and settlement systems implementing ISO 20022. In the US, the Fed has declared an intention to implement ISO 20022 for US payments, and DTCC is using it for its Corporate Actions service. In Asia, ISO 20022 is used by the Chinese domestic payments system, CNAPS. It is also used by the Japanese securities depository, JASDEC, the Singapore stock exchange (SGX), the Australian stock exchange (ASX), and it has been chosen as the standard for the forthcoming Australian real-time payments system. It is also the standard used for messaging by strategic initiatives such as the Single Euro Payments Area (SEPA) and the ECB's TARGET2-Securities. ISO 20022 standards have been developed across many financial business processes including retail and wholesale payments, foreign exchange, securities lending, repo transactions, collateral management, securities settlement and asset reconciliation.

Further information about can be found on www.iso20022.org.

We thank the Bank of England for the opportunity to comment. We would very much welcome the opportunity to discuss these important issues with you further, and would readily make ourselves available, should that be of interest.



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