



SWIFT's response to the  
Securities and Exchange Commission's  
proposed rule on

**"Establishing the Form and Manner with  
which Security-Based Swap Data  
Repositories Must Make  
Security-Based Swap Data Available to  
the Commission"**

(File No. S7-26-15)

22 February 2016

Mr Brent J. Fields  
Secretary,  
Securities and Exchange Commission,  
100 F Street NE.  
Washington, DC  
20549–1090

22 February, 2016

Dear Mr Fields

**Re: Establishing the Form and Manner with which Security-Based Swap Data Repositories Must Make Security-Based Swap Data Available to the Commission (File No. S7-26-15)**

SWIFT<sup>1</sup> welcomes the Securities and Exchange Commission's proposed amendment to specify the form and manner with which security-based swap data repositories will be required to make security-based swap data available to the Commission, and we thank the Commission for providing the opportunity to submit comments.

SWIFT has long been a proponent of standardisation and appreciates the Commission's efforts to promulgate the use of standards in the security-based swap data repository ("SDR") area. Efforts to develop consistent reporting conventions will vastly improve data quality and cross-market and international data harmonisation, as originally envisioned by the G20<sup>2</sup>.

Standards have a key role in financial regulation, particularly when regulation considers financial data. To be effective, such regulation needs to be implemented consistently; however consistency can only be achieved if all stakeholders share the same understanding of the meaning and purpose of that data. This is particularly true when data from multiple entities needs to be aggregated: without consistency at the source, it is impossible to guarantee the validity of data when combined – and potentially unsafe to draw conclusions from it.

SWIFT appreciates the Commission's recognition of the importance of data being made available in internationally recognised industry standards, and ensuring these are interoperable. Under the proposed rule, however, the Commission specifies that SDRs must use either the Financial products Markup Language (FpML) or the Financial Information eXchange Markup Language (FIXML) standards, but does not permit usage of the very widely used ISO 20022 standard.

We very much regret that the Commission does not include the ISO 20022 standard as an alternative. SWIFT believes that omitting to specify ISO 20022 in this proposed rule is a missed opportunity. This standard has already been widely adopted by the financial industry, and is increasingly being embraced by supervisors across the world as a preferred format for data reporting purposes. We therefore urge the Commission to consider

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<sup>1</sup> SWIFT is a global member-owned cooperative and the world's leading provider of secure financial messaging services. 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 financial crime 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, enabling them to communicate securely and exchange standardised financial messages in a reliable way. As their trusted provider, we facilitate global and local financial flows, support trade and commerce all around the world; we relentlessly pursue operational excellence and continually seek ways to lower costs, reduce risks and eliminate operational inefficiencies. Headquartered in Belgium, SWIFT's international governance and oversight reinforces the neutral, global character of its cooperative structure. SWIFT's global office network ensures an active presence in all the major financial centres.

<sup>2</sup> G20 Leaders Statement: The Pittsburgh Summit - point 13, *Improving over-the-counter derivatives markets:* <http://www.g20.utoronto.ca/2009/2009communiqué0925.html#system>

including the ISO 20022 standard as an alternative in its proposed amendment, alongside FpML and FIXML. This would help ensure harmonisation within and across the international regulatory community. ISO 20022 has already been specified in respect of swaps and security-based swap data reporting elsewhere, and its usage in the United States would greatly facilitate the exchange of information between regulators across the world, as well as lowering the burden for those covered entities subject to reporting requirements in both the United States and in other jurisdictions.

## **ISO 20022**

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”.

The ISO 20022 standard is being embraced by supervisors across the world as a preferred format for data reporting purposes because the data model which lies at the heart of the standard is the 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. ISO 20022 is particularly appropriate for use in regulatory initiatives because it is an open and transparently-governed standard that is platform-neutral, and free to access, implement, and extend. It provides a universally agreed language that can be shared by business, legal, and technical experts, greatly simplifying the interpretation and implementation of any regulation defined in that language.

Reporting requirements 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. The rigour and precision of the definitions found in the ISO 20022 business model make it a particularly apt resource 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 between a baseline set of common details and national or regional additions, facilitating tailored reporting at national levels, as well as consistent reporting at global level.

In Europe, ISO 20022 has been specified for two significant regulations concerning swap and security-based swap data reporting. The updated Markets in Financial Instruments Directive (“MiFID2”), which is due to enter into force in January 2018, will expand on the data reporting regime specified under MiFID1 significantly in both scope and required content. One of the most significant changes between MiFID1 and MiFID2 relates to the reporting standard: in its review of the Directive, the European Securities and Market Authority (ESMA) assessed a number of standards, including FpML, ISO 20022, FIXML and XBRL, and concluded that the ISO 20022 format should be adopted for the development of reporting messages. The new MiFID2 obligations will require covered entities to submit their transaction information collected from multiple different sources, to supplement this with the complete information required for the additional data fields and to validate the data before transmission within the deadline set out in the Regulation.

Separately, ESMA is also considering specifying the use of ISO 20022 for the communication of swap and security-based swap trade data between trade repositories and the relevant authorities under the revised EMIR regulation. Whilst some of the elements required for security-based swap reporting by the Commission are not yet covered by the currently used and approved ISO 20022, a set of new elements and messages which *do* cover such instruments has recently been developed for the aforementioned MiFID2. For the ISO 20022

standard to be further enriched with new components, it will only require an update to the data dictionary, whereas in the case of FIXML and FpML, the update would apply to the standards themselves. Furthermore, updating a data model is considerably cheaper than updating a standard.

## **Industry Implementation of ISO 20022**

ISO 20022 has also been widely adopted across the global financial industry for a variety of other purposes. There are around 200 ISO 20022 initiatives globally, ranging from live implementations to communities that are in the early stages of market consultation. Central banks and market infrastructures across the world are increasingly using the standard, with around 70 payments and securities clearing and settlement organisations implementing ISO 20022. In the United States, the Federal Reserve System has declared an intention to implement ISO 20022 for US payments, and the Depository Trust and Clearing Corporation (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) in Europe, the European Central Bank's (ECB's) TARGET2-Securities, and EBA (EURO1/STEP1). In addition, 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. The ECB has selected ISO 20022 for the new reporting requirements on money market transactions in the euro area, and the Bank of England has chosen ISO 20022 for the reporting of sterling money market data. Further details on implementations of ISO 20022 around the world can be seen [here](#).

## **Data Model**

We have responded to several of the questions posed in the proposed amendment, and we have attached hereto a detailed mapping and gap analysis of the Commission's data model compared with the ISO 20022 methodology developed by our Standards experts<sup>3</sup>. We also include a recent information paper on standards and the use of ISO 20022 for regulatory reporting.

SWIFT appreciates the Commission's recognition of the importance of this rule and believes that the Commission has correctly identified the considerations that need to be taken into account in selecting these reporting standards. We strongly believe that ISO 20022 meets the considerations listed and therefore the Commission's objectives, whilst also ensuring harmonisation with the wider international regulatory community. We therefore respectfully urge the Commission to include it in the proposed amendment.

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<sup>3</sup> SWIFT plays an important role in standardisation, notably by creating and maintaining financial messaging standards and reference data standards. Use of standardised messages and reference data ensures that data exchanged between institutions is unambiguous and machine friendly, enabling efficient automation and so reducing industry costs and risk. In its role as a financial messaging standardiser, SWIFT's Standards group works with the financial community to define standards for these messages.

SWIFT Standards is neutral; most work is done pro-bono, in support of industry working groups such as the Payments Market Practice Group (PMPG), Securities Market Practice Group (SMPG) and Common Global Implementation (CGI). Beyond the definition of base standards, SWIFT Standards collaborates with these and other communities to define, formalise and publish market practice guidelines, which describe how messages should be used in particular business and regulatory contexts, and to specify common recommended implementations. SWIFT Standards helps financial organisations and regulators develop and use standards, as part of SWIFT's mission of supporting the continuous evolution and improvement of standards, as well as related products and tools.

SWIFT Standards has been part of the evolution of ISO 20022 from the beginning. SWIFT drafted the original specification as part of the ISO working group that developed the standard, and remains the single largest contributor of content. Under contract to ISO, SWIFT Standards also operates as the Registration Authority for ISO 20022, which maintains the technical infrastructure of the standard, ensures technical consistency, and publishes the content in a variety of formats.

SWIFT would be delighted to discuss this further with the Commission and would readily make ourselves available to do so, should the Commission be interested.

We hope this response proves useful in the Commission's assessment of this important rule.

Yours sincerely,

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Natasha de Terán

SWIFT | Head of Corporate Affairs

Tel: +44 20 7762 2151

Mob: + 44 7780 483 467 [www.swift.com](http://www.swift.com)

S.W.I.F.T. SCRL

Avenue Adèle 1 Tel. +32 2 655 31 11  
B -1310 La Hulpe Fax +32 2 655 32 26  
Belgium swift.com

VAT BE 0413.330.856 - RPM Nivelles  
Bank account: BE50 3101 1973 0018 – BBRUBEBB

### **Section C. Request for Comments**

***Q: The Commission has developed two interoperable schemas so that SDRs can make SBS transaction data available to the Commission using already existing standards in a form and manner that can be easily utilized by the Commission for analysis and aggregation. Are there other ways to provide for the representation of SBS transactions that could be easily utilized by the Commission? If so, what are they? What are their strengths and weaknesses?***

A: Yes, the [ISO 20022](#) standard, which has already been adopted for derivatives reporting in Europe, should also be specified in the proposed rule as a third option alongside FIXML and FpML. ISO 20022 is an open and transparently-governed standard that is platform-neutral, and free to access, implement, and extend. 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”.

ISO 20022 messages have been developed following the standard methodology across many financial business processes including retail and wholesale payments, foreign exchange, securities lending, repo transactions, collateral management, securities settlement and asset reconciliation, and central banks and market infrastructures across the world are now increasingly using the standard across these markets. The ISO 20022 standard is also being embraced by supervisors across the world as a preferred format for data reporting purposes because the data model which lies at the heart of the standard is the 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.

***Q: Should the Commission require direct electronic access be provided by SDRs using only an FpML schema? Should the Commission require direct electronic access be provided by SDRs using only an FIXML schema? Is there another standard that the Commission should consider as acceptable? If so, which characteristics about that standard should make it acceptable to the Commission and how does that standard affect the Commission’s ability to normalize, aggregate, and analyze the SBS data?***

A: By providing a universally agreed language that can be shared by business, legal, and technical experts, ISO 20022 can greatly simplify the interpretation and implementation of regulations. Reporting requirements defined in terms of ISO 20022’s conceptual Business Model allow implementers to understand both the regulated financial concepts, and the contexts in which the regulation is applicable. Once the data elements for a business process have been identified, it is straightforward to create message definitions that can be used to transport the data. In these definitions it is possible to distinguish a baseline set of common details to be shared by all implementers, and to extend the baseline to accommodate regional or national specificities.

In adopting ISO 20022 alongside FpML and FIXML, the Commission could re-use the messages (syntax, form and manner) that have been developed by the European Securities and Markets Association (ESMA) for the European Market Infrastructure Regulation (EMIR). This would accelerate implementation and greatly simplify the sharing and aggregation of data between the US and Europe. SWIFT would be delighted to organise a workshop in which the Commission’s requirements can be mapped to the ISO 20022 data dictionary and existing messages.

***Q: Are the FpML and FIXML standards sufficiently developed to require either one of them to be used by SDRs to provide access to the required SBS data? What factors or indicators should the Commission use to determine when an SBS-related standard has become sufficiently developed to require its use for providing the Commission with direct electronic access to SBS data?***

A: We have attached a spreadsheet which maps the Commission’s data requirement to the ISO 20022 data dictionary and highlighted any missing elements which could of course easily be added as part of the message modelling exercise.

Furthermore, the [Standards Coordination Group](#) (SCG) was established to align different standards used in the

financial industry into the broader framework of ISO 20022. Through participation in the SCG, each organisation responsible for a financial standard (FIX, FpML, SWIFT, XBRL, ISITC and FISD) has affirmed its commitment to the ISO 20022 methodology and business model in order to deliver alignment. 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.

***Q: What would be the costs to an SDR to provide data in either FpML or FIXML standard? Are there other ways that SBS data should be provided to the Commission? Are there other standards that would cost less but still allow the Commission to similarly normalize, aggregate, and analyze the data?***

ISO 20022 uses standard technology and is being widely deployed in the financial industry for transaction processing. The significant investments in technology and skills that financial firms are currently making to support the implementation of ISO 20022 could be re-used in a regulatory context, thereby reducing costs at the industry level.

ISO 20022 has already been specified in respect of swaps and security-based swap data reporting elsewhere in the world, and its usage in the United States would greatly facilitate the exchange of information between regulators across the world, as well as lowering the burden for those covered entities subject to reporting requirements in both the United States and in other jurisdictions.

***Q: The Commission intends to incorporate validations into its schemas to help ensure the quality and completeness of the SBS data that SDRs make available to the Commission. Is there another effective mechanism that would help ensure completeness and still achieve similar or better aggregation and consistency results?***

A: ISO 20022 message definitions include business validation which can be implemented in the technical environment and used in firms' testing to ensure that data is consistent and meets the format requirements before it is processed. The ISO 20022 methodology captures business rules which govern the structure of the data as part of the design process. These business rules can be checked by standards software to ensure that submitted data conforms to the rules. Rules can include conditional statements. For example, a conditional rule can require an exchange rate to be quoted when a currency conversion has taken place.

***Q: How should the common data model support reporting requirements that do not yet have equivalents in FpML or FIXML, while preserving the ability to normalize, aggregate, and analyze the data? As discussed in Section II.B.2, the Commission's schemas would require specific extensions of existing FpML and FIXML reporting elements. Is there a better alternative? Specifically, how would the alternative affect SDRs, the Commission, and market participants?***

A: As noted above, the ISO 20022 business model can be used to capture definitions of key concepts that are missing from current message standards. Such definitions can then be referenced from message definitions in FpML, FIXML or native-ISO 20022. This approach ensures that consistent meaning is attached to important concepts, no matter how they are expressed at a technical level. Specifically regarding the standardised identification of derivatives products, the [ISO Technical Committee 68](#), the ISO committee responsible for financial services standards, has formed a study group to analyse and review requirements. FIX and ISDA are represented in this study group together with international experts from all parts of the world. We encourage the Commission to consider the outcome of this study group for the identification of derivatives products.

#### **Section F: Request for Comments**

***Q: What additional information sources can the Commission use to calibrate the cost of setting up and implementing policies, procedures, and information systems to format and submit SBS transaction data in accordance with the Commission's schemas?***

ESMA has adopted ISO 20022 messages for the revised EMIR reporting format. Most, if not all, of the SDRs that will register with the Commission are also registered Trade Repositories with ESMA. These repositories must implement ISO 20022 messages for EMIR reporting. Should the Commission also accept ISO 20022 messages, the additional implementation costs for the SDRs would be minimal.

Should the Commission adopt the same messages developed by ESMA for EMIR, there would be no additional cost. If changes are required to the existing messages the effort would be limited to modelling the changes to the messages and the evaluation and approval of the changes.

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