Date: Friday May 13, 2022

From: Securities Market Practice Group (SMPG)

To: Mr. Ulrich Bindseil, Chair of ECB's Market Infrastructure Board (ulrich.bindseil@ecb.int)

Object: About the ISO 20022 message version to be supported by ECMS

Dear Mr. Bindseil,

Since 2018, the SMPG (Securities Market Practice Group) has provided support in the creation of the SCoRE standards with the objective of ensuring consistency between the standards created by the CMH task force and the SMPG standards (the latter going beyond AMI-SeCo markets as they are followed in many countries across the world). It is indeed key to make sure that when using ISO messages, all actors apply the same best practices in order to facilitate STP processing and interoperability.

As part of the yearly ISO 20022 maintenance exercise, messages can evolve to be able to support market evolutions (including regulatory requirements such as SRDII or CSDR recently). The information contained in the ISO messages are not only used in a bilateral relationship but in many instances, are required to be passed through a chain of intermediaries. This is particularly true in the case of the asset servicing because "event" information details (corporate action, general meeting and shareholder identification) must be passed through the holding chain without alteration of the content (in line with SRDII requirements). This kind of process can only be automated if all participants in the chain are able to report the same data. That is one of the reasons why the maintenance of ISO 15022 and ISO 20022 standards for Corporate Actions follow a parallel evolution to allow coexistence of the two standards without creating a break in the information exchanged between intermediaries. The ECMS platform will soon act as an additional intermediary in the flow of information between the issuer and the end investor.

The SMPG appreciates the effort that have been made in the definition of the SCoRE standards and the specification of ECMS to comply to a very large extent with the SMPG standards. This should allow STP processing of the information across the whole chain. However, ECMS announced a three-years message freeze to promote stability of the ECMS platform, causing differences to persist as the system goes live, and not to completely align with current versions or other requirements before November 2025 (the effort toward this end only starting in June 2024).

The nature of the differences between messages used by ECMS and their usage by the rest of the ISO community are largely due to:
1. **Differences between ECMS Message Versions and the latest SWIFT ISO 20022 Message versions** contained in the current SWIFT/Maintenance Release. This is of particular importance when considering:

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- Meeting Event Messages, where during the implementation of the **Share Holder Rights Directive (II) (Directive (EU) 2017/828),** it became clear in the various working group discussions, that owing to the need for changes to existing messages in order to support SRD II, all intermediaries must implement only the latest versions of the relevant ISO 20022 messages, which are not currently supported by ECMS.
- **SCoRE Corporate Actions messages and Meeting Event messages**, where the sending of messages involves transmission of information far beyond the scope of ECMS including international markets outside of the Eurosystem remit (i.e., US securities eligible on T2S, for which the CA processing with participants also active on DTCC already adhere to SMPG Guidelines and expecting the same standards' processing).

2. **Differences between ECMS Message Versions and SMPG guidelines,** where existing SMPG guidelines are already adopted by CSDs and Custodians throughout Europe and beyond.

1. Message versioning:

The co-existence of multiple versions of the same message would impose all impacted stakeholders (CSDs, TPAs and all ECMS counterparties) to implement two sets of ISO 20022 message definitions (one for ECMS, one for all other communication), defeating the object of adopting standards, requiring additional translations to ISO 15022 messages for coexistence and between the two ISO 20022 versions.

Non-compatibility of message versions to the extent that some mandatory information (no different ranking or priority can be applied to mandatory versus optional data element) in selected flows could be lost, impacting straight through processing and resulting in substantial manual work arounds.

This is caused by either:
- fields being removed in latest version
- new fields or groups of fields
- changes optional to mandatory or vice-versa
- Field structure changes (positions/digits change)
- Un(grouping) of fields or moves within the existing structure

2. SMPG adherence

The adherence to SMPG standards by ISO messages users intending to be SMPG compliant would be impacted if any market practice is defined under a message version offering more / less / different elements in the message structure, than the one in use by non-SMPG compliant users (i.e., ECMS), again affecting interoperability (straight through processing, manual work, increased risk of delays, loss of data, …).

Proposed Actions
Whilst the stabilisation of ECMS is understood, a great number of stakeholders would have to cater for these additional scenarios to maintain this stability, increasing the risk of non-readiness, de-stabilisation or indeed non-compliance for these stakeholders as at the November 2023 launch date.

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ECMS should therefore maintain all ISO 20022 messages at the same version as the current SWIFT/ Maintenance Release, starting already from ECMS Go Live date and following each annual SWIFT/ Maintenance Release, and to ensure alignment with SMPG Global Market Practice (GMP) guidelines, ECMS should:

- use the version of the ISO 20022 messages according to the latest SWIFT/Maintenance release as of its go-live[1] ECMS shall ensure that its version of ISO 20022 messages does not conflict with SMPG guidelines.
- update its message schema in MyStandards within 1 months after the publication of the future SWIFT/Maintenance Release by the ISO registration authority.
- <u>not</u> remove elements from any Corporate Actions or Meetings messages it has accepted for processing, but pass on all information it has received (to ease the adaptation to the latest ISO 20022 version, as well as the free flow of information down the chain of intermediaries).
- upgrade to the latest SWIFT/Maintenance Release on an ongoing, annual basis as per industry practice.
- ensure messages are implemented in accordance with SMPG Global Market Practice guidelines.

Illustration of differences with SMPG occur include:
For seev.031, the message is "frozen" to version 10 in ECMS MyStandards. However, the field End of securities Blocking Period (EndOfSctiesBlckgPrd in ISO 20022), which is essential for complying with SMPG guidelines (and indeed SCoRE CA Standard 10), is implemented only as of version 11 (SR2021) so it is not part of the ECMS MyStandards schema for seev.031 message.

We hope that the above proposed actions can be considered by the ECB and we remain at your disposal for any questions or clarifications you would require about the above. In that case, please contact the following SMPG persons:
Ms. Paola De Antoni (paola.deantoni@sgss.socgen.it)
Ms. Mariangela Fumagalli (mariangela.fumagalli@uk.bnpparibas.com)
Ms. Christine Strandberg (christine.strandberg@seb.se)

Kind regards,

On behalf of the SMPG Steering Committee:

Mr. Armin Borries   Paul Fullam
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[1] By "latest SWIFT/Maintenance release" is meant the version implemented in product for the SWIFT/ Maintenance release of the previous November for any given year, and the version in development for implementation in production in the coming November in any given year, as per the information on SWIFT/ Maintenance Release Management

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