Financial Instrument Identification
Market Practice

The Securities Market Practice Group is a group of experts that represents local markets or market infrastructures and who devote their time on a voluntary basis to define global and local market practices for the benefit of the securities industry. The time spent is sponsored by the market players. The market practice documentation and recommendations produced by this organization are intended to solve common problems across the securities industry, from which financial institutions can derive clear benefits, to harmonize business processes and to facilitate the usage of message protocols ISO 15022 and ISO 20022. While the Securities Market Practice Group encourages the implementation of the market practices it develops it is up to the financial institutions within each market to implement the market practices according to their needs and agreements with their business counterparts to support their businesses as efficiently as possible. For more information on the MP release cycle please refer to the SMPG by-laws document section 4 on www.smpg.info.

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II. BACKGROUND:

I. SCOPE AND DEFINITIONS: .................................................................4

II. BACKGROUND: .............................................................................5

III. ACTORS AND ROLES: ..................................................................5

IV. ACTIVITY DIAGRAM: ....................................................................5

V. COMMUNICATION FLOWS: ...........................................................6

VI. BUSINESS DATA REQUIREMENTS: ..............................................7

For the identification of the Financial Instrument, the following business data are required. ........7

VII. MARKET PRACTICE RULES: ....................................................8

A. ISIN GUIDELINE: ...........................................................................8
B. DESCRIPTION GUIDELINE: ............................................................8
C. SCENARIOS WHERE ISIN IS NOT USED OR USED IN CONJUNCTION WITH ANOTHER IDENTIFIER: ..................8
D. VALIDATION IF MORE THAN ONE IDENTIFIER IS PROVIDED: ........11

VIII. ISO 20022 ILLUSTRATION: ..................................................12

A. ISIN + LOCAL ID + DESCRIPTION, EXAMPLE 1: .................................................14
B. ISIN + LOCAL ID + DESCRIPTION, EXAMPLE 2: ..............................................14
C. TWO OTHER IDS + DESCRIPTION: ...........................................................14
D. PROPRIETARY DUMMY ID + DESCRIPTION: ..................................................15
E. ISIN + DESCRIPTION: ........................................................................15
F. TWO PROPRIETARY DUMMY IDS + DESCRIPTION: ......................................15
G. DESCRIPTION ONLY: .........................................................................16

<table>
<thead>
<tr>
<th>Changes to previous versions</th>
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<tbody>
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<td><strong>Version 0.2</strong></td>
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I. Scope and definitions:

This document aims at proposing a global market practice for the use of the Financial Instrument Identification structure in ISO 20022, within all the securities business processes throughout the whole trade lifecycle, from pre-trade/trade, post trade, settlement, reconciliation, corporate actions, investment funds and all messages with security identifier in use.

This new structure will allow the providing of:

- one ISIN (+ a description)
  For instructions and confirmations ISIN is leading content receiver should rely on
  or

- one ISIN and one or more OtherIds (+ a description),
  For instructions and confirmations ISIN is leading content receiver should rely on
  or

- one or more OtherIds (+ a description)
  In case of more than one OtherID for instructions and confirmations first appearance of the OtherID is leading content receiver should rely on
  or

- a description only as a last resort when no identifier exists

The Other Ids Code will be based on an ISO 20022 external code list for the provision of the type of OtherId (Sedol, Cusip, RIC, OCC, etc.) or proprietary codes, for ids temporarily created by institutions for some instruments.

It is acknowledged that in some business areas, some additional restrictions might be needed and the design allows for it.

Important note: This external code list contains the ISO20022 codes as the market practice focuses on MX message structure, but equivalent 15022 code types are documented in the full External Financial Instrument Identification Type 1 Code list validated and approved by the Standards Evaluation Group (SEG).
II. **Background:**

In the US market, the ISITC Reconciliation working group supports the use of ISIN however there are scenarios where more than one identifier would increase automation of reconciliation processes requested. Further, ISITC wanted to amend the use of primary identifier to be optional as the ability to provide other identifiers is adequate and consistent with how we currently utilize the securities messages in the US.

In Japan, JASDEC provides the central matching service (Pre-Settlement Matching System: PSMS) and PSMS permits its users to use either ISIN or the local code for financial instruments identification when they send the messages to PSMS. PSMS does cross matching of the financial instruments identification and it enriches missing financial instrument identification code when it sends out allegement and matching status to the counterparty/both parties or redirects a settlement instruction to a third party as a copy, etc. Also, JASDEC’s book-entry transfer system (BETS) for stocks permits its users to use either ISIN or the local code when they send the messages to BETS. BETS uses the local code for internal processing and enriches ISIN when it sends out settlement confirmation, etc. to the settlement parties. Thus JASDEC needs to set both ISIN and local code concurrently in one message.

From a reconciliation perspective, there is no risk in having additional security Identifiers where ISIN is recommended and additional security identifiers where local ID could be used as needed simultaneously (at least from a reconciliation perspective). The US currently utilize the functionality today in that firms choose any security identifier or multiple IDs as bilaterally agreed upon between messaging partners. Typically the hierarchy is defined between two parties. The sender of the message is responsible for sending the appropriate security identifier in the messages.

Given this additional flexibility and to avoid any misuses (especially at the instruction level), the industry recommended the creation of a market practice that would clearly reiterate the fact the use of the ISIN is recommended unless it is not available and to describe precise scenarios where the ISIN cannot be used or used together with another identifier.

The various scenarios stem from the timing issue related to the creation of an ISIN. It seems that this timing is different depending on the markets. The group feels it would be interesting in a future Joint SMPG meeting (potentially Athens) to have a representative of ANNA to explain such discrepancies between the markets.

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III. **Actors and Roles:**

This section applies to all the S&R, CA and IF actors and roles involved in these processes.

IV. **Activity Diagram:**

As the standardisation of the financial instrument identification impacts all the securities business areas, it is not possible to describe all the activity diagrams and therefore this section will not be completed.
V. Communication Flows:
As the standardisation of the financial instrument identification impacts all the securities business areas, it is not possible to describe all the communication flows and therefore this section will not be completed.
VI. **Business data requirements:**

For the identification of the Financial Instrument, the following business data are required.

<table>
<thead>
<tr>
<th>Business elements</th>
<th>Additional information</th>
<th>Presence</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISIN</td>
<td>The ISIN is composed of a 2-character prefix representing the country of issue, followed by the national security number (if one exists), and a check digit.</td>
<td>O</td>
</tr>
<tr>
<td>Other Identification</td>
<td>Identification of a security by proprietary or domestic identification scheme.</td>
<td>O</td>
</tr>
<tr>
<td>Description</td>
<td>Textual description of a security instrument.</td>
<td>O</td>
</tr>
</tbody>
</table>
VII. Market Practice Rules:

This section provides the general recommendations for the use of the Financial Instrument Identification and describes the scenarios where the ISIN cannot be used or could be used together with another identifier.

A. ISIN guideline:

When an ISIN code exists, it is strongly recommended that the ISIN is used.

B. Description guideline:

The description alone shouldn’t be used except as the last resort, when no formal id exists.

C. Scenarios where ISIN is not used or used in conjunction with another identifier:

The following reporting scenarios explain why in some very specific business circumstances ISIN cannot be used or is used in conjunction with another identifier. Only in these very specific cases something different than ISIN only will be used.

Scenario 1:
In some reconciliation reporting, there is no industry financial instrument identifier available. In these cases the Asset Manager sends a proprietary ID. In some cases the Identifier may become available or assigned following settlement. In which case, it is helpful to provide both the proprietary ID and the newly issued identifier to allow for STP in reconciliation.

Scenario 2:
In the US, for instance, several organizations offer reconciliation processing as a product. In this service model, there is no visibility to the trade instructions, the source of the data, or linking to a security master database. The firm providing the reconciliation service receives in Custodian/Accounting Agent reconciliation statement messages and the corresponding Asset Servicers reconciliation messages to produce an exception report. It is beneficial in this service model to have the ability to receive more than one identifier to increase the ability to match positions and reduce the exceptions on the report.
Scenario 3:
Providing more than one identifier as there are currently Service Level Agreements between organizations to support sending multiple security identifiers. Having such a Financial Instrument Identification Structure allows a business processing request that has already been contractually agreed upon.

Scenario 4:
A few short term instruments that do not always have standard identifiers at the time they are traded. Some examples include: Certificates of Deposit, Commercial Papers, and Money Market accounts. This also applies to some TBAs as well. In these scenarios the Investment Manager has sent a dummy security identifier for a holding since there was no market identifier available. When the security identifier is assigned, the next time Investment Manager is buying or selling the same security, the Investment Manager will need to communicate to the Custodian both identifiers to allow the Custodian to link the security identifiers together on the new buy or sell transaction. Custodian would report back on reconciliation statement the new market security identifier and their previously used dummy identifier to report the entire holding for the instrument.

Scenario 5: Multiple Systems at participant level (JP CSD)
There are multiple systems at participant level, and each of them uses different identifiers.
A local code is often an identification key in front systems such as OMS (Order Management System), trading system, etc. On the other hand, ISIN code is identification key in back-office systems such as customer reporting system, settlement system, etc.
Therefore, PSMS and BETS provide 2 kinds of identifications so that each participant can establish connections among its multiple systems easily. In the case of PSMS, this post-trade matching system communicates with the front office trading system (local code) and back-office settlement systems (ISIN) of the same client and it is important that both identifiers are provided in the reporting.
For example, one broker administers the result of trading (including the instruction to PSMS and trade status reporting back) in its trading system and the transmission of the settlement matching status and settlement confirmation status in its back-office system. (See above) When the status messages or the confirmation messages are received from PSMS or BETS, an ISIN code is used as identification key and the above mentioned status are updated in its back-office system. Besides, a local code is captured as one of financial attributes in its back-office system at this moment. When these data in its back-office system are transmitted to its trading system, a local code is used as an identification key in its trading system for reconciliation between the trading result and progress in PSMS and BETS.
Scenario 6: Preference of participant’s customer (JP CSD)
As each customer of the participant prefers different identifications in its reports, it is necessary for some participants to use the preferred identification for each of their account. Therefore, PSMS provides, as a service to its customers, 2 kinds of identifications so that each participant can establish, using data coming directly from the market, its reporting system based on customer’s preference. In this case, it is insufficient to specify the preference identification per each participant in PSMS. (See below.)

D. Validation if more than one identifier is provided:
A) In case of ISIN being used with another identifier, the ISIN is the primary information and the other identification are only present for clarification but do not require validation.

B) If no ISIN is available, then the first other identification is the primary information. In other words, if ISIN is not available, the first occurrence of the Other Identification field is the primary ID and the Message Receiver will not be validating any other occurrence of the Other Identification sequence with another ID in the same line of the security.
VIII. ISO 20022 illustration:

Rules (that can be validated by a network) are included to prevent that no identifier is provided by the sender.

*Note
The possible code values will be based on the ExternalFinancialInstrumentIdentificationType1Code message component. This list below has been created based on researches and comments from the requestors FIX and market players.
Once approved, this list will be updated on a quarterly basis as per ISO 20022 rules regarding external code lists.

<table>
<thead>
<tr>
<th>Code Value</th>
<th>Name</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELC</td>
<td>Code SRW (Secretariaat voor Roerende Waarden) or SVM (Secrétariat des Valeurs mobilières)</td>
<td>National securities identification number for BE issued by the National Numbering Association SIX Telekurs Belgium.</td>
</tr>
<tr>
<td>VALO</td>
<td>VALOR</td>
<td>National securities identification number for CH and LI issued by the National Numbering Association SIX Telekurs Ltd.</td>
</tr>
<tr>
<td>WKNR</td>
<td>Wertpapierkennummer (WKN)</td>
<td>National securities identification number for DE issued by the National Numbering Association WM Datenservice.</td>
</tr>
<tr>
<td>COMM</td>
<td>Common Code</td>
<td>National securities identification number for ICSDs issued by the National Numbering Association Clearstream and Euroclear.</td>
</tr>
<tr>
<td>SICC</td>
<td>Securities Identification Code Committee</td>
<td>National securities identification number for JP issued by the National Numbering Association 6 Stock Exchanges and JASDEC (Securities Identification Ticker-like code Committee)</td>
</tr>
<tr>
<td>CUSP</td>
<td>Committee on Uniform Security Identification Procedures (CUSIP)</td>
<td>National securities identification number for US and CA issued by the National Numbering Association Standard &amp; Poor’s - CUSIP Global Services.</td>
</tr>
<tr>
<td>CCCD</td>
<td>Other National Securities Identification Number</td>
<td>National Securities Identification Number issued by the National Numbering Association for a country for which no specific financial instrument identification type code already yet. The first two letters of the code represents the country code (for example, EGDC for Egyptian NSIN). To be used only until the code is added to the ISO ExternalFinancialInstrumentIdentificationType1Code list.</td>
</tr>
<tr>
<td>TIKR</td>
<td>Ticker Symbol (TS)</td>
<td>Ticker Code assigned by an exchange to identify financial instruments.</td>
</tr>
<tr>
<td>BLOM</td>
<td>Bloomberg</td>
<td>Ticker-like code assigned by Bloomberg to identify financial instruments.</td>
</tr>
<tr>
<td>LCHD</td>
<td>LCH-Clearnet</td>
<td>Ticker-like code assigned by LCH to identify listed-derivatives instruments.</td>
</tr>
<tr>
<td>RCMD</td>
<td>Markit Red Code</td>
<td>Ticker-like code assigned by Markit to identify listed-derivatives instruments.</td>
</tr>
<tr>
<td>CMED</td>
<td>Chicago Mercantile Exchange (CME)</td>
<td>Ticker-like code assigned by the Chicago Mercantile Exchange to identify listed-derivatives instruments.</td>
</tr>
<tr>
<td>CTAC</td>
<td>Consolidated Tape Association (CTA)</td>
<td>Ticker-like code assigned by the Consolidated Tape Association to identify financial instruments.</td>
</tr>
<tr>
<td></td>
<td>Financial Instrument Identification</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>-------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>OCCS</td>
<td>Options Clearing Corp (OCC)</td>
<td>Ticker-like code assigned by the Options Clearing Corporation to identify financial instruments.</td>
</tr>
<tr>
<td>OPRA</td>
<td>Options Price Reporting Authority (OPRA)</td>
<td>Ticker-like code assigned by the Options Price Reporting Authority to identify financial instruments.</td>
</tr>
<tr>
<td>RICC</td>
<td>Reuters Instrument Code (RIC)</td>
<td>Ticker-like code assigned by Thomson Reuters to identify financial instruments.</td>
</tr>
<tr>
<td>ISDU</td>
<td>ISDA/FpML Product URL (URL in SecurityID)</td>
<td>URL in Description to identify OTC derivatives instruments.</td>
</tr>
<tr>
<td>ISDX</td>
<td>ISDA/FpML Product Specification (XML in EncodedSecurityDesc)</td>
<td>XML in Description to identify OTC derivatives instruments.</td>
</tr>
</tbody>
</table>

A. **ISIN + Local Id + Description, example 1:**

```xml
<FinInstrmId>
  <ISIN>JP3435000009</ISIN>
  <OthrId>
    <Id>67580</Id>
    <Tp>
      <Cd>SICC</Cd>
    </Tp>
  </OthrId>
  <Desc>SONY CORPORATION</Desc>
</FinInstrmId>
```

B. **ISIN + Local Id + Description, example 2:**

```xml
<FinInstrmId>
  <ISIN>GB00B127GF29</ISIN>
  <OthrId>
    <Id>CB127GF26</Id>
    <Tp>
      <Cd>CUSP</Cd>
    </Tp>
  </OthrId>
  <Desc>CORUS GROUP PLC ORD GBP0.5</Desc>
</FinInstrmId>
```

C. **Two Other Ids + Description:**
<FinInstrmId>
  <ISIN>GB00B127GF29</ISIN>
  <OthrId>
    <Id>CB127GF26</Id>
    <Tp>
      <Cd>CUSP</Cd>
    </Tp>
  </OthrId>
  <OthrId>
    <Id>B127GF2</Id>
    <Tp>
      <Cd>SED</Cd>
    </Tp>
  </OthrId>
  <Desc>CORUS GROUP PLC ORD GBP0.5</Desc>
</FinInstrmId>

D. Proprietary dummy Id + Description:

<FinInstrmId>
  <ISIN>GB00B127GF29</ISIN>
  <OthrId>
    <Id>ABCDEF123</Id>
    <Tp>
      <Prtry>CUST</Prtry>
    </Tp>
  </OthrId>
  <Desc>COMMERCIAL PAPER ABCD</Desc>
</FinInstrmId>

E. ISIN + Description:

<FinInstrmId>
  <ISIN>FR0000133308</ISIN>
  <Desc>FRANCE TELECOM</Desc>
</FinInstrmId>

F. Two Proprietary dummy Ids + Description:

<FinInstrmId>
  <OthrId>
    <Id>XYZ09876</Id>
  </OthrId>
  <Desc>COMMERCIAL PAPER ABCD</Desc>
</FinInstrmId>
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<th>Identification</th>
<th>Type of ID (dummy sedol IM)</th>
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<td>&lt;Tp&gt;&lt;Prtry&gt;IMMIDUMS&lt;/Prtry&gt;&lt;/Tp&gt;</td>
<td>COMMERCIAL PAPER ABCD</td>
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