Swift logoSWIFT_Level_2_Banding_CMYK

Standards Messaging Landscape

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Foreword

This document provides an analysis of the standards messaging landscape by business domain and/or financial instrument. It is an assessment by SWIFT Standards of the current standards offer, the status of various on-going and planned standardisation initiatives and additional opportunities for standardisation. The document focuses on the various business domains of interest to SWIFT users, looks at standards other than MT, ISO 15022 and ISO 20022, and highlights areas with potential for standardisation.

For each business domain, the section documents:

- A business overview, including a business process diagram

- A high-level standards landscape that gives a visual overview of the landscape, further described in

- A detailed standards landscape that offers a breakdown by business process on availability of standards, including on-going and planned activities, and opportunities

- Additional opportunities

For the high-level standards landscape graphics, the following legend applies:



# Payments[[1]](#footnote-1)

## Business overview



A payment is the transfer of cash from one party (such as a person, a company or a financial institution) to another. A payment is usually made in exchange for the provision of goods, services, or both, or to fulfil a legal obligation.

**Initiation**

A payment transaction always starts with the initiation of the payment, be it a customer or a financial institution payment, a credit transfer or a direct debit. The initiation of a payment might be preceded by other processes, for example, the exchange of mandate information for direct debits or of guarantees for electronic online payments. Bank customer may initiate a payment by paying a visit to their bank or using online banking. A company may initiate a payment by means of electronic access to banking services to instruct payments out of their accounts. A payment may also be initiated by a bank as the result of their normal daily business, for example, as a result of a loan, a FX deal or the acquisition of stocks, bonds, commodities, metals etc.

The initiator of the payment may decide to request cancellation, to reverse or to query a payment.

**Clearing & Settlement**

Upon receipt of the payment instruction, and prior to execution, control processes and filtering mechanisms are applied - such as anti-money laundering and sanction list screening, ensuring that necessary mandates are in place, verifying the authority of the initiator to request the payment, the availability of funds etc. Depending on the nature of the payment, the bank will use the most appropriate means for executing the transaction. High value or urgent payments might be channelled through high value payment systems (real time gross or net settlement systems), whereas low-value payments are typically batched and sent for clearing and settlement through an automated clearing house (ACH). Cross border payments will be sent to a correspondent bank in the currency of the transfer. Charges are taken as appropriate and regulatory reporting is done if required. Payment related processes such as cancellation, reject, return, reversal and investigation of a payment may also occur.

**Cash Management**

Advices and reports, for example, end of day statements, are sent to account holders, on which they can start their matching and reconciliation processes. Liquidity is monitored based on incoming transaction and balance reports or interactive online monitoring and may trigger actions, for example, collateralisation of assets to obtain liquidity and process pending payments in queues.

**Transversal**

Transversal processes can occur across the different business areas. Throughout the lifecycle of a payment, exceptions and investigations may be initiated, managed and resolved and this by all parties in the chain. All players will have the necessary tools in place to manage their accounts (for example, opening and closing of accounts), to manage risk, to meet regulatory requirements (for example, KYC procedures, AML screening) and to manage their counterparties and reference data to optimise the payment processing.

## High-level standards landscape



## Detailed standards landscape

| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| --- | --- | --- | --- |
| **Initiation** | Full coverage:  Customer and Financial Institution Request for Transfer/Direct Debit MT messages in category 1 and 2 to initiate payments.  Common Group Request for Cancellation MT message in category 1 and 2 to cancel payments.  Corporate-to-Bank Payment Initiation (pain) ISO 20022 messages to initiate payments, request cancellation of payments and report payment status.  E-mandate ISO 20022 messages for the Initiation, Amendment, Cancellation and Confirmation/Validation of e-Mandates.  E-payment XML messages for the Request and Guarantee of electronic online payments. | Mainly governed by domestic standards (best case) or bank-proprietary communication protocols.  EDIFACT (Payext and Paymul) | Significant opportunities to deploy the standards:  - Important progress is being made by agreeing on common implementation of ISO 20022 in the corporate to bank payment initiation and reporting space through the Common Global Implementation (CGI) initiative.  - E-mandate ISO 20022 message implementation guidelines included in EPC rulebooks for SEPA direct debits.  Furthermore: opportunities in ensuring standards support for new channels such as mobile and e-payments. For example TC68/SC7/WG10 NWIP to create international standards for mobile banking/payments. |
| **Clearing and Settlement** | Almost full coverage:  Customer and Financial Institution Credit Transfer and Direct Debit MT messages in category 1 and 2 to clear and settle payments, including payment returns.  Common Group Request for Cancellation MT message in category 1 and 2 to cancel inter-bank payments.  FI-to-FI Payment Clearing and Settlement (pacs) ISO 20022 messages to clear and settle payments, request cancellation, reverse, return and report status of payments.  ISO 15022 messages for Standing Settlement Instructions (SSI) available. | Domestic standards in local clearing systems.  EDIFACT (Finpay) |  |
| **Cash Management** | Full coverage:  Cash management MT messages in category 9 for payment confirmations, reports, statements and status reporting.  Cash Management (camt) ISO 20022 messages for debit/credit notifications, notification to receive, account and balance reports and statements for the bank-to-corporate and interbank space.  Cash Management (camt) draft ISO 20022 messages to retrieve business information and manage limits and cash reservations within high value payment systems.  Cash Intra-Balance movements draft ISO 20022 messages to manage the cash leg of a securities settlement transaction/instruction | Domestic and bank proprietary standards  EDIFACT (Debmul, Cremul and Finsta) | Significant opportunities to deploy the standards globally. Important progress is being made by agreeing on common implementation of the ISO 20022 in the bank to corporate space through the Common Global Implementation (CGI) initiative.  The cash management messages for use within high value payment systems are being fine-tuned through maintenance to incorporate requirements for Target2-Securities (T2S), as well as being aligned with the existing ISO 20022 payment standards.  There may be opportunities in ensuring that new products like e-bill presentment have adequate reporting and reconciliation means and in this area also card payments may require some more attention and potentially SWIFT involvement.  Discussions are on-going to set global market practices in the area of liquidity management in reaction to increasing regulatory measures. |
| **Transversal** | Partial coverage:  Common Group Query/Answer MT messages in category 1, 2 and 9 to investigate payments and reported transactions.  Exception and Investigation (camt) ISO 20022 messages to investigate payments and reported transactions.  Bank Account Management (acmt) ISO 20022 messages to Open, Maintain and Close a cash account, including mandate management (account permissions). The set also includes messages to report account (parameter) information.  Bank Services Billing ISO 20022 (reverse engineered TWIST message) for both use in both bank to corporate and interbank space.  Authority Financing ISO 20022 messages have been developed to allow financial authorities to investigate cash accounts and associated movements. | Domestic and bank proprietary standards  TWIST (Charging & Billing) | The development of a message for maintenance of mandates ("delta message") is foreseen, but not yet started. |

## Additional opportunities

Most value will be added in the coming years by supporting our different customer profiles with guidance on how to implement the existing standards in a harmonised and consistent, but at the same time flexible manner to address their specific needs.

There is a big opportunity for the securities industry to identify the complete set of ISO 20022 messages or potential messages that will allow full automation of cash processing for the buy-side, custodians, and fund administrators.

# Foreign Exchange

## Business overview



The foreign exchange business and process flow covers pre-trade, trade, post-trade, clearing/pre-settlement and settlement processes where two dealing parties, for example, foreign exchange dealers, investment managers, banks, custodians, corporations, central banks, amongst others may play various roles in any individual step of the process.

**Pre-trade**

The pre-trade area of the foreign exchange business includes business flows prior to the placement of an order, for example, a financial institution or corporation is searching for quotes to exchange one currency for another and provides an indication of interest for a specific quote to a foreign exchange dealer, bank or other financial institution.

**Trade**

The trade area of the foreign exchange business includes the placement or amendment of orders as well as their agreement, matching and execution and the communication of results and statuses. It may also include pre-allocations (if investment managers are involved) and order book reconciliation.

**Post-trade**

The post-trade area of the foreign exchange business covers all activities performed once a trade has been executed, such as matching, allocation (if investment managers are involved), confirmation and affirmation.

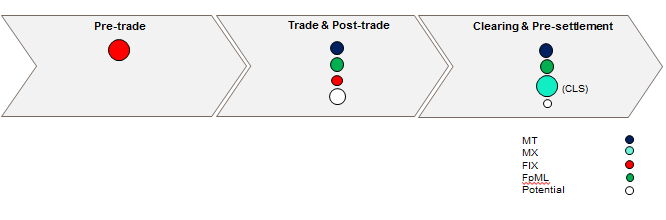
**Clearing / Pre-settlement**

The clearing / pre-settlement area contains processes such as netting, risk management, regulatory reporting, etc.

**Settlement**

Settlement takes place when the currencies are exchanged between the trading parties. This can happen on a gross basis (through normal payment channels), on a net basis (bilateral or multilateral netting between parties) or through CLS Bank on a continuous linked settlement basis.

## High-level standards landscape



## Detailed standards landscape

| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| --- | --- | --- | --- |
| **Pre-trade** | None. | A series of proprietary standards for quoting of foreign exchange rates, for example, the US Fed, ECB, Bloomberg, Reuters, FIX, exist in the pre-trade space for FX. | This process is very often not automated and is usually executed through an electronic trading platform.  Opportunity to analyse the need for ISO standards for pre-trade advertisements, indications of interest (IOIs) and quotes of foreign exchange rates. |
| **Trade** | Some MT coverage for orders and trade execution/notification but very low usage. | TWIST, IFX, FIX and FpML all have limited coverage in this area. Additional proprietary standards exist for trade activity, for example, Bloomberg, Reuters, etc. | Parties can currently exchange trade data using any number of protocols or syntaxes. The process remains heavily focused on a manual environment, meaning that trading parties manually enter and confirm trades via one or more user interfaces – mainly dependent upon which trading platform(s) they use with specific counterparties. |
| **Post-trade** | Some coverage in the confirmation space using Category 3 messages. | FpML has some coverage in the FX post-trade area, mainly concentrating on FX derivatives. FpML is also becoming increasingly important for reporting to trade repositories.  FIX has limited coverage for confirmation, allocation and matching. | Parties can currently exchange post-trade data using any number of protocols or syntaxes.  New fields have been added to some Category 3 MTs to address the regulatory reporting requirements stemming from Dodd-Frank and ESMA legislation. These changes will go live in November 2013 and entail that the MTs can then also be used for reporting to trade repositories. |
| **Clearing / Pre-settlement** | Some coverage is available for pre-settlement, netting and matching messages using Category 3 and ISO 20022 messages (CLS).  The FX Netting Position Advice message has been developed in ISO 15022 and is live since November 2012. | FIX has limited coverage in this area, as messages to support clearing and pre-settlement are available, but specific FX related information is often missing.  FpML also covers clearing flows. | Efforts to move FX clearing activities to CCP’s provide additional opportunity for standardisation.  SWIFT is working with CLS to create ISO 20022 FX messages that will replace CLS’ proprietary messages as from 2014. Goal is to decommission CLS proprietary gateway and to adopt ISO 20022. |
| **Settlement** | Please refer to payments. | Please refer to payments. | Please refer to payments. |

## Additional opportunities

One key area to look at within the foreign exchange market is the compliance with regulatory requirements and reporting of FX trades to trade repositories.

# Securities (equities, fixed income, listed funds and listed derivatives)

## Business overview



The securities business covers a wide range of business processes and transactions from security issuance, reference data and corporate event management through pre-trade, trade, post-trade, clearing/pre-settlement ending with settlement and reconciliation. As the business area covers so many processes, it also includes a multitude of parties involved, for example, investment managers, custodians, broker/dealers, exchanges, matching systems, market infrastructures, data vendors, corporates, accounting agents, central counterparties and central banks amongst others.

**Pre-trade**

The pre-trade space covers business flows prior to the placement of an order where a financial institution is looking for quotes to buy or sell securities.

**Trade**

The trade space covers the placement or amendment of orders as well as their execution and the communication of results and statuses. It may also include pre-allocations and order book reconciliation.

**Post-trade**

The post-trade space covers all activities performed when the trade has been executed, such as notice of execution, allocation, confirmation, affirmation, reporting of completed trades and reconciliation.

**Clearing / Pre-settlement**

The clearing / pre-settlement area contains processes such as novation, netting, risk management, collateral management etc.

**Settlement**

The settlement process starts with the validation and matching of the settlement instructions. The effective settlement will typically take place at an (International) Central Securities Depository ((I)CSD). Once the settlement has happened, advices are sent through the settlement chain. Status reports are sent throughout the lifecycle of the settlement transaction and periodic statements summarise the transactions and balances and allow for the reconciliation process to happen.

**Corporate Events Management**

Corporate actions events, for example, dividend or coupon payment, will occur during the life of a security. The issuer or its agent is responsible for notifying the central securities depositories, stock exchanges, data vendors etc. of the event details. Thereafter it becomes the responsibility of the local and global custodian to ultimately inform the security holder of the event details and entitlement. Corporate event management also includes processing of market claims and automatic transformations, shareholder meetings and tax processing.



**Security issuance**

The issuer appoints an issuer agent to coordinate all aspects of the security issuance process such as syndication, collection and placement of the orders and allotments. The issuer agent will request the relevant numbering agency to assign a security identification, for example, ISIN, that he will then distribute to interested parties together with the characteristics of the security published in the legal publication or prospectus. This data can be used by data vendors and financial institutions to set up the security in the securities master file.

**Reference Data Management**

This process includes the creation of a security and all its attributes in a securities database. During the life of the security some of the attributes can change, for example, a name change. This information must be maintained and updated in the securities master file.

**Portfolio Administration**

The portfolio administration area includes the exchange of messages between account servicers and their clients in support of account opening, modifications, closing and transfer or conversion of portfolios from one account servicer to another.

**Asset Management**

Asset management includes business transactions associated with maintaining security master files for updates that are outside of corporate action events and are exchanged between data providers, issuers and regulatory bodies and end-users of security master file data. An example of asset management messaging would be price reporting, where prices and updates to rates are provided in an electronic format.

**Portfolio Management**

The portfolio management segment includes the exchange of messages between account servicers and their clients, regulatory bodies or other interested parties and include portfolio valuation, tax management (reclaims) and position reconciliation.

## High-level standards landscape

**Pre-trade/Trade**

**Post-trade**

**Clearing & Pre-settlement**

**Settlement**

**Corp Events**

**Issuance**

**Ref data**

**Portfolio Management**

**Asset Management**

**Portfolio Administration**

(maps to ISO)

MT

MX

FIX

In development

Potential

## Detailed standards landscape

| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| --- | --- | --- | --- |
| **Pre-trade** | None | FIX and proprietary standards exist in the securities pre-trade space with FIX being the most widely used standard. | The pre-trade/trade business model has not yet been finalised. |
| **Trade** | ISO 15022 messages available. | FIX and proprietary standards exist for the securities trade business providing close to full coverage for all instruments. | The pre-trade/trade business model has not yet been finalised. |
| **Post-trade** | ISO 15022 messages exist for trade executions, allocations and confirmation process. We are observing increasing interest from our customers for these messages in the SWIFT securities matching and CCP projects.  ISO 20022 messages exist for trade executions and confirmation process and are being implemented, for example, by Jasdec.  ISO 20022 messages have been created for regulatory reporting as a result of MiFID (Markets in Financial Instruments Directive) that mandates the reporting of financial transactions to regulators in each EU market and the sharing of such information between regulators. | Proprietary and FIX standards exist for the securities trade business providing close to full coverage for all instruments. |  |
| **Clearing / Pre-settlement** | ISO 15022 messages exist for bi- and tri-party collateral management.  Candidate ISO 20022 clearing messages for the core communication between CCPs and clearing members are available for use. These messages are expected to be approved by ISO in Q2 2013.  ISO 20022 candidate collateral management messages covering all exposure and instrument types are available for use. These messages are expected to be approved by ISO in Q2 2013. | Proprietary standards exist for domestic clearing and settlement.  FIX standards exist for the securities clearing/pre-settlement business providing limited coverage of the process. |  |
| **Settlement** | ISO 15022 covers core processes and ISO 20022 cover core + additional processes such as counterparty response and modifications. Only ISO 15022 is available in general use. ISO 20022 is available in MI CUG (Jasdec) and is implemented by markets in the Baltics.  Part of the registration process is not covered. | Proprietary standards exist within the domestic settlement markets. | In APAC, a need for messaging (ISO 15022 and/or 20022) for securities or cash earmarking at central or commercial bank to ensure settlement of trades has been identified (VN, PH, etc.) |
| **Corporate Events Management** | ISO 15022 and ISO 20022 messages exist for corporate actions and proxy voting (limited in ISO 15022). ISO 20022 is available in MI CUG (DTCC).  The proxy ISO 20022 messages cover processes such as meeting notification, voting, and confirmation of vote execution and distribution of meetings results. | Proprietary standards exist for communication and processing of corporate events. |  |
| **Security Issuance** | None | EPIM (European Pre-Issuance Messaging) used by DTCC, Euroclear and Clearstream for the issuance of international securities. |  |
| **Reference Data Management** | In the context of T2S, ISO 20022 candidate securities reference data messages have been developed. They are not available for general use.  T2S 4CB have developed ISO 20022 candidate messages for party and account related reference data. | Proprietary and FIX standards exist for reference data dealing with the distribution and trading of securities, providing only limited coverage.  Further proprietary best practice recommendations exist for communication of standing settlement instructions (SSI) for securities based on decisions documented by ISITC. | Covered in the ISO 20022 business model by the Financial Instrument Business Information Model (FIBIM) as designed by ISO WG11.  Opportunities exist in other reference data areas such as standing settlement instructions for securities.  EU and US data gathering requirements following new regulations.  Tax processing is another area for which there are no standards available yet. |
| **Portfolio Administration** | ISO 20022 standards exist for the transfer or conversion of portfolios from one institution to another as well as for account opening, modifications and closing. | None | Opportunities exist to extend the current ISO 20022 standards for portfolio administration to allow support for a greater variety of portfolio type, for example, trust, funds, safekeeping, investment, credit, etc... |
| **Asset Management** | Limited coverage in standards exists for pricing and reporting in ISO 20022. | Proprietary standards exist and are used widely for the provision of asset management data. | Current messages for pricing in ISO 20022 should be extended to include more products outside of the investment funds business area.  ISO 20022 securities reference data messages developed by SWIFT and the 4CB in the scope of T2S could be used for the exchange and management of securities reference data. |
| **Portfolio Management** | SWIFT, ISO 15022 and ISO 20022 standards exist in the asset management area by means of various reconciliation messages including Total Portfolio Valuation. | FpML provides limited coverage for portfolio valuation, but has recently expanded the scope of their message to include products outside of the derivatives domain. |  |

## Additional opportunities

Analysis is required to determine the need for ISO 20022 messages for processes such as securities lending or tax processing.

ISO 20022 messages are being developed for Settlement Standing Instructions (SSI) for securities by ISITC and Omgeo. Usage of those messages over the SWIFT Network should be investigated.

ISO 20022 securities reference data messages developed by SWIFT and the 4CB in the scope of T2S could be used for the exchange and management of securities reference data.

TPV family of messages represents an opportunity to standardise the fund administration related data provided to the buyside. There are no standards in this space today. Also represents an opportunity to bring a number of pure play fund administrators onto the SWIFT network (i.e those that are not already on the network because they are also custodian banks).

## Standards Coordination Group Investment Roadmap

Another important source of information for the securities standards landscape is the Standards Coordination Group [Investment Roadmap](http://www.iso20022.org/documents/general/InvestmentRoadmap.pdf).

The Standards Coordination Group gathers standards organisations that have a history of industry collaboration in the creation and implementation of financial markets open standards. The group recommends through its [Investment Roadmap](http://www.iso20022.org/documents/general/InvestmentRoadmap.pdf), the emergence of one ISO 20022 business model providing standardized standardised processes, communication flows and terminology to the financial industry. The group recognises the need for multiple communication protocols under ISO 20022, based on specific industry technical needs. The Investment Roadmap therefore identifies the protocols best suited for each business area and instrument type and highlights the areas for collaboration.

The Standards Coordination Group is a collaboration between FIX Protocol Ltd. (FPL), Financial Products Markup Language (FpML), International Securities Association for Institutional Trade Communication (ISITC), SWIFT, eXtensible Business Reporting Language (XBRL US) and Financial Information Services Division of SIIA (FISD).

# Investment Funds

## Business overview



The investment funds business covers a wide range of business processes and transactions from issuance, reference data and corporate event management through pre-trade, trade, post-trade up to settlement. As the business area covers so many processes, it also includes a multitude of parties involved, for example, investment managers, promoters (fund management company, sponsor), transfer agents (registrar), administrators, custodians, distributors (retail banks, funds supermarkets), investors amongst others. The roles of funds agents (transfer agent, administrator, custodian) and the fund itself may also be combined.

**Issuance**

The fund promoter is responsible for the fund set up as well as for the strategy of the fund. An investment fund represents a basket of underlying assets (bonds, equities, real estate, commodities etc.) and the strategy will determine the kind of assets that the fund will invest in. The promoter informs relevant parties of the information that is required to support distribution of the fund. This is the kind of data that is available in the prospectus of a fund.

**Pre-trade**

The advertisement and sales of investment funds are done by the distributors.

**Trade**

Exchange traded funds and other similar products are covered in section [Securities (equities, fixed income, listed funds and listed derivatives)](#_Securities_(equities,_fixed).

**Post-trade**

Subscription, redemption or switch confirmations confirm execution and the executing parties inform relevant parties of the incoming and outgoing cash of the fund, as a result of subscriptions and redemptions respectively.

**Settlement**

Settlement for investment funds is done through the registration process (used to define the legal status of ownership) allocates/removes units to/from the transfer agent. Periodic statements summarise the transactions and balances and allow for the reconciliation process to happen. Some CSDs enable that process through a plain vanilla settlement process comparable to the warrant settlement process.

**Corporate Events Management**

Corporate action events, for example, dividend or coupon payment, will occur on the assets underlying an investment fund as well as on the fund itself. The process is similar to the corporate events management of securities.

**Reference Data Management**

This process includes the creation of an investment fund and all its attributes in a securities database. During the life of the investment fund some of the attributes can change, for example, a name change. This information must be maintained and updated in the securities master file.

Reference data management also includes the reporting of the price or the net asset value of a fund. The net asset value is typically calculated at a specified frequency (daily, weekly, etc.) and is the price to be used for subscriptions and redemptions. This information needs to be conveyed to all interested parties. For example, the transfer agent / fund administrator needs to be kept up to date with the price per unit that is to be applied to subscriptions and redemptions. Other parties may need to know the net asset value of the fund itself.

## High-level standards landscape



## Detailed standards landscape

| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| --- | --- | --- | --- |
| **Issuance** | The ISO 20022 Fund Processing Passport messages exist to report funds static data. | Proprietary and FIX standards exist for reference data dealing with the distribution and trading of securities, providing only limited coverage. |  |
| **Pre-trade** | None | FIX and proprietary standards exist in the pre-trade space. |  |
| **Trade** | ISO 20022 and ISO 15022 messages exist for investment fund orders. | Proprietary and FIX standards exist for the securities trade business providing close to full coverage for all instruments. | None |
| **Post-trade** | ISO 20022 and ISO 15022 messages exist for the confirmation of investment fund orders.  ISO 20022 messages exist to report cash in and cash out as result of subscriptions, redemptions, switches to/from an investment fund (fund cash forecast). | Proprietary (EMX , NSCC). Funds XML is also a standard used in this area. | Opportunity to engage EMX (now part of E/C) and NSCC, both parent organisations are active players in the 20022 space |
| **Settlement** | ISO 20022 messages exist for the transfer of investment funds. | Proprietary (EMX , NSCC) | None |
| **Corporate Events Management** | ISO 15022 and ISO 20022 messages exist for corporate actions and proxy voting. | Proprietary standards exist for communication and processing of corporate events. |  |
| **Reference Data Management** | The ISO 20022 Fund Processing Passport messages exist to report funds static data.  ISO 20022 messages exist for price reporting. | Proprietary and FIX standards exist for reference data dealing with the distribution and trading of securities, providing only limited coverage. |  |

## Additional opportunities

Additional opportunities exist for the standardisation of investment fund commission reporting.

## Standards Coordination Group Investment Roadmap

Another important source of information for the securities standards landscape is the Standards Coordination Group [Investment Roadmap](http://www.iso20022.org/documents/general/InvestmentRoadmap.pdf),

The Standards Coordination Group gathers standards organisations that have a history of industry collaboration in the creation and implementation of financial markets open standards. The group recommends through its [Investment Roadmap](http://www.iso20022.org/documents/general/InvestmentRoadmap.pdf), the emergence of one ISO 20022 business model providing standardized standardised processes, communication flows and terminology to the financial industry. The group recognises the need for multiple communication protocols under ISO 20022, based on specific industry technical needs. The Investment Roadmap therefore identifies the protocols best suited for each business area and instrument type and highlights the areas for collaboration.

The Standards Coordination Group is a collaboration between FIX Protocol Ltd. (FPL), Financial Products Markup Language (FpML), International Securities Association for Institutional Trade Communication (ISITC), SWIFT, eXtensible Business Reporting Language (XBRL US) and Financial Information Services Division of SIIA (FISD).

# OTC Derivatives

## Business overview

The over-the-counter (OTC) derivatives business covers pre-trade, trade, post-trade, clearing/pre-settlement and settlement processes where two dealing parties, for example, dealers, investment managers, accounting agents, custodians, corporations, and service providers amongst others may play various roles in any individual step of the process.

**Pre-trade**

The pre-trade area of the OTC derivatives business includes the process of agreement of a contract and associated credit terms between two dealing parties.

**Trade**

The trade space covers the placement or amendment of trade as well as their execution and the communication of results and statuses. It may also include pre-allocations (if investment managers are involved) and order book reconciliation processes.

**Post-trade**

The post-trade space covers all activities performed when the trade has been executed, such as novation, matching, modification, allocation (if investment managers are involved), confirmation, affirmation and termination.

**Clearing / Pre-settlement**

The clearing / pre-settlement area contains processes such as netting, risk management, regulatory reporting, etc.

**Settlement**

The nature of many OTC derivatives is such that some do not ‘settle’ in the traditional way at the end of a contract period. Some cash does flow between parties according to the normal cash flow schedule (such as rate swaps) and some cash is occasionally settled as part of an expiration or maturity of a particular type of contract. Settlement is done through the normal payment channels (see payments section).

## High-level standards landscape

MT

MX

FIX

FpML

In development

Potential

**Settlement**

**Clearing & Pre-settlement**

**Post-trade**

**Pre-trade/Trade**

(Collateral Management)

## Detailed standards landscape

| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| --- | --- | --- | --- |
| **Pre-trade** | None  FpML committed to map to ISO 20022 but without clear timeline. | FpML has limited coverage of the quoting process. | The pre-trade process is currently not supported very well by any one of the commonly known standards in the industry and remains a highly manual process.  FpML and FPL are currently working on expanding usage of FpML within a FIX message for pre-trade activity. |
| **Trade** | Current ISO coverage within the trade segment for OTC derivatives is limited and waning, as value added service providers are looking to use the FpML standard and in some cases moving to a proprietary method of communication in line with dealing systems.  FpML and FIX to map to ISO 20022 | FpML has limited coverage in the trade segment, but as of recent months has been working with FPL to incorporate FpML extensions into the FIX trade messages. FIX are gaining additional footing in the trade area for OTC derivatives. | The trade segment for OTC derivatives is effectively split across multiple standards and proprietary methods of communication.  Opportunities exist for modelling the OTC trade business in ISO 20022 models. FpML with whom such work would have to be done is not very pro-active in starting the process. Might change with the regulation framework change. |
| **Post-trade** | There are SWIFT standards in this area but the support for the various and continuously growing number of derivatives products is limited. | The post-trade segment for OTC derivatives is dominated by FpML. | Opportunities exist for modelling the OTC trade business in ISO 20022 models. FpML with whom such work would have to be done is not very pro-active in starting the process. Might change with the regulation framework change. |
| **Clearing / Pre-settlement** | The ISO 20022 standard provides regulatory reporting support via a series of messages designed for MiFID, but may require updates to further support the full range of derivatives products.  ISO 20022 collateral management messages covering all exposure and instrument types (including OTC derivatives) are available. | FpML has fairly sizeable coverage for clearing of OTC derivatives, risk management and regulatory reporting.  FIX is positioning itself in the trade reporting and clearing space for OTC derivatives.  FpML has developed collateral message with a more restricted scope than the ISO 20022 messages. The ISO 20022 business justification was a co-submission by FPL, FpML and SWIFT with the support of ISITC. | Opportunities exist for modelling the OTC trade business in ISO 20022 models. FpML with whom such work would have to be done is not very pro-active in starting the process. Might change with the regulation framework change.  ISO 20022 candidate clearing messages, currently covering equity and fixed income might be expanded to also cover OTC considering the push from the regulators to clear most OTC trades. This is currently on hold. |
| **Settlement** | Please refer to payments.  Part of OTC derivatives position reconciliation (and potentially regulatory position reporting) is covered by the ISO 20022 position reports. | Please refer to payments. | Current transaction reporting and reconciliations coverage within the ISO standards should be extended to better support OTC derivatives. |

## Additional opportunities

OTC derivatives are an open field of opportunity for the standards environment with many challenges at the same time. The OTC market is rapidly expanding with transactional volumes expected to show continued growth in the years to come.

One of the biggest challenges for any standards initiative within the OTC derivatives landscape will be an organisation’s ability to quickly address and support new derivatives products and changes to the structure of current products. There have been cases where the timeline from creation of a new derivative product to the release of a messaging standard for a specific class of derivative has been as low as four (4) months. This will obviously create challenges for anyone attempting to standardise this business area, and thus far looks to be best achieved using the FpML syntax.

SWIFT Standards should look to continue to gain forward momentum on full ISO 20022 businesses modelling of the FpML covered derivatives and associated set of messages in support of all business transactions within the life of an OTC derivative.

As for post-trade, SWIFT should also expand the coverage of clearing messages to standard OTC derivatives. CCPs and their clearing members will be interested in a solution that covers all the instruments they deal with, not a solution for equities and fixed income (based on ISO 20022 XML) and another for OTC derivatives based on FpML. Especially considering that OTC derivatives now cleared could be considered as being listed. Need to engage CME, ICE, LCH, all of whom have developed their own proprietary messages.

Additional opportunities to automate the OTC operations between buy-side and custodian/fund administrator

FpML’s involvement in the regulatory reporting space represents an opportunity to nudge FpML towards 20022 by ensuring that the FpML Reporting view is aligned with a 20022 model.

## Standards Coordination Group Investment Roadmap

Another important source of information for the securities standards landscape is the Standards Coordination Group [Investment Roadmap](http://www.iso20022.org/documents/general/InvestmentRoadmap.pdf),

The Standards Coordination Group gathers standards organisations that have a history of industry collaboration in the creation and implementation of financial markets open standards. The group recommends through its [Investment Roadmap](http://www.iso20022.org/documents/general/InvestmentRoadmap.pdf), the emergence of one ISO 20022 business model providing standardized standardised processes, communication flows and terminology to the financial industry. The group recognises the need for multiple communication protocols under ISO 20022, based on specific industry technical needs. The Investment Roadmap therefore identifies the protocols best suited for each business area and instrument type and highlights the areas for collaboration.

The Standards Coordination Group is a collaboration between FIX Protocol Ltd. (FPL), Financial Products Markup Language (FpML), International Securities Association for Institutional Trade Communication (ISITC), SWIFT, eXtensible Business Reporting Language (XBRL US) and Financial Information Services Division of SIIA (FISD).

# Commercial and Syndicated Loans

## Business overview

For commercial and syndicated loans the borrower (issuer) is most likely to be a large corporation, a government agency or a national development bank intending to borrow a large sum of money for a large project. It awards a loan mandate to a lead / agent bank that is in charge of originating, structuring and syndicating the transaction.

**Origination**

The borrower and lead bank will enter into a credit agreement and will form the syndicate by bringing together other syndicate members and disseminating information related to the credit agreement.

**Syndication**

During the syndication stage position allocation is decided on and the syndicate members are advised. If any upfront fees are required to be paid, it will be advised and paid during this phase and payment will be confirmed.

**Loan Administration**

During the loan administration phase, the lead bank will advise the syndicate members about any drawdown requested by the borrower as well as rate resets and principal repayments by the borrower. The principal repayments may be scheduled or unscheduled, mandatory or voluntarily repayments. The lead bank will also advise the syndicate members about any fee payments due by the borrower and any one-off fee payments. During the life of the loan the lead bank has to advise syndicate members about loans rollovers and adjustments in commitments.

**Secondary Trading**

Loan sales are structured as either assignments or participations. In an assignment, the assignee becomes a direct signatory and receives interest and principal payments directly from the agent. This type of trade requires the consent of the borrower and or agent. A participation is an agreement between an existing lender (syndicate member) and a participant. The buyer is taking a participating interest in the existing lenders commitment; however the original syndicate member lender remains the official holder of the loan. No input is required from the borrower or the agent. Most lending today is done via assignments and not participations.

## High-level standards landscape



## Detailed standards landscape

| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| --- | --- | --- | --- |
| **Origination** | None | None | FpML plans to cover the Credit Agreement and Conditions Precedent Notice in a later phase of development. |
| **Syndication** | None | None | FpML will cover the Position Allocation and Upfront Fee payment in future. |
| **Loan Administration** | Some coverage is available for the Loan Administration process using category 64x messages. | FpML has some coverage in the Loan Administration area, concentrating on the message flows between the Agent Bank and Lenders. | FpML is currently developing messages to cover Simple and Complex Rollovers, Letter of Credit Events and Price Changes and will in future development cover Commitment Adjustment and Payment in Kind (PIK). |
| **Secondary Trading** | None | None | FpML is currently developing a Lender position snapshot and a Lender Position History and will cover Trade Confirmation, Funding Memo, Trade Settlement Payment and Assignment Agreement in future development. |

## Additional opportunities

This market currently lacks automation. FpML, with the assistance of LSTA and ISITC in the US and the LMA in Europe, is in the process of addressing this need. FpML has also indicated a need to create FpML payments messages. The market and SWIFT have responded and recommended that the cash settlement function utilise existing ISO and MT messages.

# Commodities

## Business overview

**Pre-trade**

The pre-trade space covers business flows prior to the placement of an order (advertisements, indication of interest and quote) where a financial institution is looking to buy a physical commodity or futures/option contract (synthetic) on a commodity.

**Trade**

The trade area of commodities includes the agreement of trade or contract, based on acceptance of a previously provided quote for a physical or synthetic commodity. The trade area also includes the order process for the agreed trade.

**Post-trade**

The post-trade area covers activities performed once a trade has been executed, such as matching and confirmation of the trade.

**Settlement**

Settlement of commodities may be either in physical form or via cash settlement. The trading parties will initiate transfer of funds or physical delivery with their counterparty and advise their account servicing institutions of the delivery or receipt transaction. Upon settlement, the account servicing institution(s) will provide debit and credit advices for cash accounts as well as commodities accounts as necessary. Statements are also sent between account servicing institutions and clients to reconcile positions and outstanding contracts.

## High-level standards landscape



## Detailed standards landscape

|  |  |  |  |
| --- | --- | --- | --- |
| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| **Pre-trade** | None | Limited coverage of pre-trade activities is provided in FIX for synthetic commodities.  No standards for physical commodities are available at present. | Working with FIX on pre-trade standards. Scope should be expanded to include synthetic commodities in the ISO 20022 business model. |
| **Trade** | Limited coverage with MT messages for post-trade on precious and base metals and commodities.  ISO 15022 for carbon emissions settlement using the category 5 messages has been documented. | Limited coverage for synthetic commodities exists in the FIX standard.  FpML for physical commodities and OTC derivatives of commodities trading. | Awaiting business case from Markets on ISO 20022 solution for commodities trade, post-trade and settlement. |
| **Post-trade** | Limited coverage with MT messages for post-trade on precious and base metals and commodities.  ISO 15022 for carbon emissions settlement using the category 5 messages has been documented. | Limited coverage for synthetic commodities exists in the FIX standard.  FpML for physical commodities and OTC derivatives of commodities trading. | Awaiting business case from Markets on ISO 20022 solution for commodities trade, post-trade and settlement. |
| **Settlement** | ISO 15022 and ISO 20022 messages support cash settlement.  ISO 15022 for carbon emissions settlement using the category 5 messages has been documented. | None | Awaiting business case from Markets on ISO 20022 solution for commodities trade, post-trade and settlement. |

## Additional opportunities

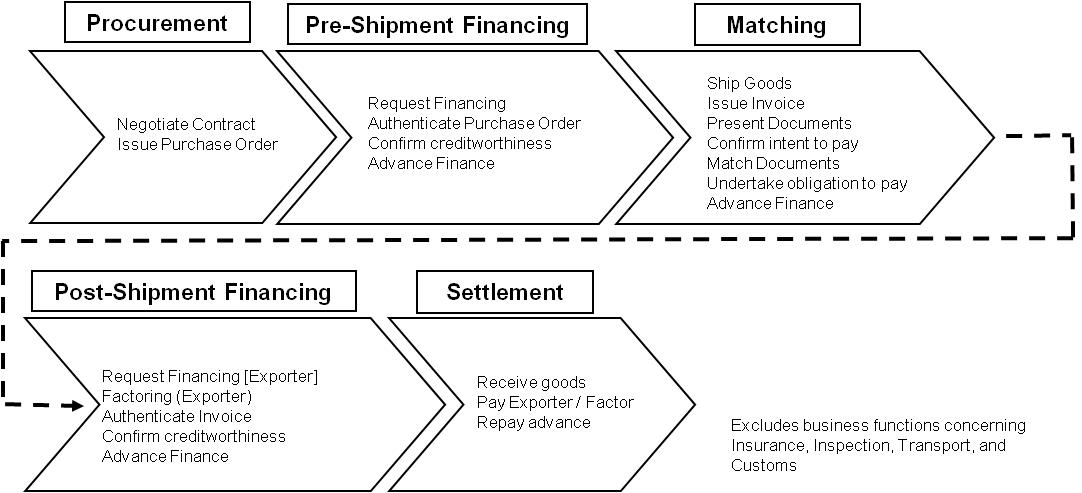
Additional opportunities exist with commodities corporations, such as mining corporations etc., in communication with their banks, which is a completely un-tapped and fully manual market. Both banks and corporations have indicated a need for Alliance Lite in this space as well as standards development to automate a fully manual process.

The FpML Commodities working group has recently initiated discussions on providing coverage for physical delivery and settlement of commodities, specifically oil and gas via pipeline and barge. SWIFT Markets business case should provide clarification on whether the market wants standardisation efforts to continue in FpML or ISO 20022.

# Trade and Supply Chain

# Supply Chain Overview

## Business overview



Over recent years large strides have been made to improve efficiencies in the commercial supply chain (movement of goods or services between buyer and seller) - reduced lead times, lower inventories, more responsiveness, increased variety, more collaboration on planning and forecasting, and improved customer service. Along with this trend has been a move from traditional financing instruments such as documentary credits to open account settlement.

Open account settlement agreements rely more on the stable trading relationship between the buyer and seller and typically have a less rigorous compliance regime. Such agreements are giving rise to the development by banks of a range of supply chain finance products, for pre- and post-shipment financing. For example, buyers seeking to extend their payment terms by requesting their banks to cooperate in financing designated suppliers and to collaborate in the supply chain process by contributing to the provision of information relating to the status of the documentation and finance process.

The SWIFTNet Trade Services Utility (TSU) is a collaborative centralised matching utility, designed to address supply chain financing. Banks can build individually on the core functionality of the TSU to offer competitive services that will be complementary to their existing offerings to their corporate customers.

**Procurement**

Importer (buyer) and exporter (seller) negotiate a sales contract and the importer issues a purchase order to the exporter. Depending on the purchase agreement, the exporter may issue a pro-forma invoice.

**Pre-shipment Financing**

The exporter requests financing from the financing bank, which authenticates the purchase order or export letter of credit, confirms the creditworthiness of the importer and/or exporter, and provides advance financing to the exporter.

**Matching**

The exporter ships the goods, issues an invoice and presents the documents to the financing bank. The importer confirms his intention to pay. In collaboration with its bank, the importer matches the documents and undertakes the obligation to pay. The exporter may contract a third party for invoicing and receivables services including finance through factoring of its invoices.

**Post-shipment Financing**

The exporter requests financing from the financing bank, which authenticates the invoice, confirms the creditworthiness of the importer and/or exporter, and provides advance financing to the exporter. The exporter may seek finance through factoring or discounting of its invoices.

**Settlement**

The importer receives the goods and pays the exporter (or factor in the case of factoring) who in turn then repays any advance financing to the financing bank. Under open account settlement, the goods are typically shipped and delivered before payment is due, for example 30, 60, or 90 day terms after invoice or bill of lading date.

## High-level standards landscape



## Detailed standards landscape

| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| --- | --- | --- | --- |
| **Procurement** | None | UN/CEFACT, ANSI X12, UBL, RosettaNet, TWIST, etc. |  |
| **Pre-Shipment Financing** | 1 ISO 20022 message for Invoice Financing:  Trade Services Initiation   * tsin.004.001.01 (Financial Invoice)   50 ISO 20022 messages for the Trade Services Management business area in support of the TSU Phase 1 & 2), tsmt.001 – tsmt.052 | UN/CEFACT, ANSI X12, UBL, RosettaNet, TWIST, etc.  Bolero DC Advice |  |
| **Matching** | 50 ISO 20022 messages for the Trade Services Management business area in support of the TSU Phase 1 & 2), tsmt.001 – tsmt.052.  1 ISO 20022 message for Invoice Financing:  Trade Services Initiation   * tsin.004.001.01 (Financial Invoice) | UN/CEFACT, ANSI X12, UBL, RosettaNet, TWIST, etc.  Proprietary factoring standards | Development of corporate-to-bank and bank-to-corporate ISO 20022 messages in support of the TSU planned for 2011. |
| **Post-Shipment Financing** | 5 ISO 20022 messages for Invoice Financing:  Trade Services Initiation   * tsin.001.001.01 (Invoice Financing Request) * tsin.002.001.01 (Invoice Financing Request Status) * tsin.003.001.01 (Invoice Financing Cancellation Request) * tsmt.044.001.01 (Intent To Pay Notification) * tsin.004.001.01 (Financial Invoice)   50 ISO 20022 messages for the Trade Services Management business area in support of the TSU Phase 1 & 2), tsmt.001 – tsmt.052 | UN/CEFACT, ANSI X12, UBL, RosettaNet, TWIST, etc.  Proprietary factoring standards |  |
| **Settlement** | Existing MT and ISO 20022 payment initiation messages and payment reporting messages. Please refer to Payments.  50 ISO 20022 messages for the Trade Services Management business area in support of the TSU Phase 1 & 2), tsmt.001 – tsmt.052 in support of the Bank Payment Obligation (BPO) |  |  |

## 

## Additional opportunities

Development of further Corporate-to-Bank and Bank-to-Corporate messages, particularly in support of existing and new supply chain finance models. As the TSU offering expands and is further rolled out, there is likely to be further development on the trade services (tsmt) messages.

# Documentary Collections (Payment Instrument)

## Business overview



A documentary collection can be defined as the collection of a sum of money due from a buyer by a bank against delivery of certain documents. The bank acting as trustee and intermediary between exporter and importer presents documents – by order of the exporter – which are proof of the actual delivery of a product or service rendered and in exchange receives payment of the amount owed or obtains acceptance of a [bill of exchange](http://www.businessdictionary.com/definition/bill-of-exchange-BOE.html) or receives a signed [promissory note](http://www.businessdictionary.com/definition/promissory-note.html).

The documentary collection offers, in comparison with open account terms ([buyer](http://www.businessdictionary.com/definition/buyer.html) [pays](http://www.businessdictionary.com/definition/pay.html) upon the [receipt](http://www.businessdictionary.com/definition/receipt.html) of [goods](http://www.businessdictionary.com/definition/goods.html), or [on](http://www.investorwords.com/9376/cut_down_on.html) [deferred payment](http://www.investorwords.com/1365/deferred_payment.html) basis), considerably more security for the seller, but not to the same extent as a documentary credit. The basis for the execution of documentary collections is provided by the “[Uniform Rules for Collections](http://www.iccwbo.org)” (URC).

**Request**

Importer (buyer) and exporter (seller) will negotiate a sales contract. The exporter will then compile the required documents, prepare the collection request and lodge the cover letter and documents with the remitting bank.

**Presentation**

The remitting bank will prepare the collection instruction, endorse the bill of exchange and dispatch the collection instruction and documents to the presenting bank, which in turn will present the collection documentation to the importer in exchange for the importer accepting the bill of exchange / making out the promissory note or paying for the proceeds of the collection.

**Settlement**

The importer will examine the documents and confirm the payment to the presenting bank, which will release the documents and transfer the funds to the remitting bank. Finally, the remitting bank will pay the exporter.

## High-level standards landscape



## Detailed standards landscape

|  |  |  |  |
| --- | --- | --- | --- |
| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| **Request** | None | Bolero XML (Corporate-to-Bank):   * Remitting Banks Collection Instruction * Collection Amendment Request |  |
| **Presentation** | 3 MT messages (plus 7 common group message types) for use in the Bank-to-Bank exchanges:   * MT 405 Clean Collection * MT 410 Acknowledgement * MT 430 Amendment of Instructions | Bolero XML:   * Collecting Banks Collection Instruction * Collection Amendment Advice |  |
| **Settlement** | 5 MT messages for use in the Bank-to-Bank exchanges (excluding payment messages):   * MT 400 Advice of Payment * MT 412 Advice of Acceptance * MT 416 Advice of Non-Payment / Non-Acceptance * MT 420 Tracer * MT 422 Advice of Fate and Request for Instructions | Bolero XML:   * Collection Advice of Non -Payment or Non Acceptance * Collection Status Request * Collection Status Advice |  |

## 

## Additional opportunities

ISO 20022 Documentary Collection messages could leverage ISO 20022 developments for Documentary Credits and Guarantees, in particular the support for inclusion of functionality to support the electronic submission and exchange of electronic documents (instead of paper).

# Documentary Credits (Payment Instrument)

## Business overview

A documentary credit represents a commitment of a bank to pay the seller of goods or services, a defined amount provided the seller presents stipulated documents evidencing the shipment of goods or the performance of services within a prescribed period of time. Strict requirements govern the composition of documents used in the documentary credit. The buyer is ensured that payment is not made until the conditions of the credit are met.

There exist many different types of documentary credit (revocable/irrevocable, confirmed/unconfirmed, by payment/by negotiation, at sight/by acceptance, etc). The basis for judging the conformity of the documents is provided by the “[Uniform Customs and Practices for Documentary Credits](http://www.iccwbo.org)” (UCP).

**Application / Amendment**

Importer (buyer) and exporter (seller) negotiate a sales contract. The importer will request the issuance or amendment of a documentary credit to the issuing bank, which will check the creditworthiness of the importer.

**Issuance**

The issuing bank will issue (or amend) the letter of credit and inform the applicant. The advising bank will authenticate the letter of credit.

**Advising**

The advising bank will inform the exporter of the issued or amended letter of credit, which the exporter will accept or refuse.

**Presentation**

The exporter will ship the goods, collect the required documents and present them to the examining bank, which will – after examination – present the documents to the issuing bank.

**Negotiation**

The examining bank will claim payment from the nominated bank and pay the exporter.

**Settlement**

The issuing bank will examine the documents, obtain payment from the importer and release the documents to importer.

## High-level standards landscape



## Detailed standards landscape

|  |  |  |  |
| --- | --- | --- | --- |
| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| **Application / Amendment** | 2 MT 798 message flows under MT Implementation Guide for Corporate-to-Bank use:   * Application for issuance of Documentary Credit * Request for amendment of Documentary Credit | Bolero:   * DC Application * DC Amendment Request * DC Acknowledgement   UN/EDIFACT:   * DOCAPP (Documentary credit application message) * DOCAMR (Request for an amendment of a documentary credit) | V4 of MT 798 flows under development. Publication targeted for 1st quarter 2013 (under MT Implementation Guide for Corporate-to-Bank use). |
| **Issuance** | 3 existing MT messages under MT Implementation Guideline for Corporate-to-Bank use:   * MT 700 as a notification of issuance of Documentary Credit * MT 701 as a notification of issuance of Documentary Credit Continuation * MT 707 as a notification of amendment to a Documentary Credit   3 MT 798 message flows under MT Implementation Guide for Corporate-to-Bank use:   * Notification of issuance of Documentary Credit * Notification of amendment of Documentary Credit * Request for Transfer of a Documentary Credit | Bolero:   * DC Notification * DC Amendment * Documentary Credit (DC)   UN/EDIFACT:   * DOCINF (Documentary credit issuance information) * DOCAMI (Documentary credit amendment information) | V4 of MT 798 flows under development. Publication targeted for 1st quarter 2013 (under MT Implementation Guide for Corporate-to-Bank use). |
| **Advising** | 6 MT 798 message flows under MT Implementation Guide for Corporate-to-Bank use:   * Advice of Documentary Credit * Advice of amendment of Documentary Credit * Advice of Acceptance/Refusal of Amendment * Advice of Transfer Documentary Credit * Advice of Third Bank Documentary Credit * Notification of Acceptance/Refusal of Amendment | Bolero:   * DC Advice * DC Copy * Beneficiary’s DC Amendment Acceptance or Refusal * Advice Of A Third Banks Documentary Credit   UN/EDIFACT:   * DOCADV (Documentary credit advice) * DOCAMA (Advice of an amendment of a documentary credit) * DOCARE (Response to an amendment of a documentary credit) | V4 of MT 798 flows under development. Publication targeted for 1st quarter 2013 (under MT Implementation Guide for Corporate-to-Bank use). |
| **Presentation** | 3 existing MT messages for use in the Bank-to-Bank exchanges:   * MT 732 Advice of Discharge * MT 734 Advice of Refusal * MT 750 Advice of Discrepancy   3 MT 798 message flows under MT Implementation Guide for Corporate-to-Bank use:   * Response to Documentary Credit presentation * Advice of Discrepancy * Response to Advice of Discrepancy | Bolero:   * Issuing Banks DC Presentation Instruction * Paying Banks DC Presentation Instruction * Exporters DC Presentation Instruction * DC Advice of Discrepancy * DC Advice of Discrepancy Discharge * DC Advice of Discrepancy Refusal | V4 of MT 798 flows under development. Publication targeted for 1st quarter 2013 (under MT Implementation Guide for Corporate-to-Bank use). |
| **Negotiation** | 3 existing MT messages for use in the Bank-to-Bank exchanges:   * MT 752 Authorisation to Pay, Accept or Negotiate * MT 754 Advice of Payment / Acceptance / Negotiation * MT 756 Advice of Reimbursement or Payment   4 MT 798 message flows under MT Implementation Guide for Corporate-to-Bank use:   * Notification of authorisation to Pay, Accept or Negotiate * Notification of Advice of Payment/Acceptance/Negotiation * Notification of Advice of Discharge * Notification of Advice of Refusal | Bolero:   * DC Reimbursement Claim * DC Reimbursement Authorisation | V4 of MT 798 flows under development. Publication targeted for 1st quarter 2013 (under MT Implementation Guide for Corporate-to-Bank use). |
| **Settlement** | 5 existing MT messages (excluding payment messages) for use in the Bank-to-Bank exchanges:   * MT 754 Advice of Payment / Acceptance / Negotiation * MT 740 Authorisation to Reimburse * MT 747 Amendment to an Authorisation to Reimburse * MT 742 Reimbursement Claim * MT 756 Advice of Reimbursement or Payment   5 MT 798 message flows under MT Implementation Guide for Corporate-to-Bank use:   * Notification of Advice of Reimbursement or Payment * Settlement of Import Documentary Credit * Settlement of Export Documentary Credit * Request for Settlement of Charges * Notification of Settlement of Charges | Bolero:   * Payment Instruction | V4 of MT 798 flows under development. Publication targeted for 1st quarter 2013 (under MT Implementation Guide for Corporate-to-Bank use). |

## 

## Additional opportunities

Redevelopment of the MT 798 corporate-to-bank flows in ISO 20022.

Overhaul of Category 7 MT messages.

# Demand Guarantees/ Standby Letters of Credit (Payment Instrument)

## Business overview

A demand guarantee / standby is issued by a bank on behalf of its customer (e.g. exporter), as financial assurance to another party (e.g. the importer), to be collected in the event that the customer defaults on certain specified contractual obligations. The bank that issues a guarantee / standby will pay the named beneficiary the amount specified on presentation of a written demand as outlined in the guarantee / standby.

There exist many different types of guarantee / standby (tender guarantee, advance payment guarantee, performance guarantee, warranty guarantee, performance standby, commercial standby, etc). Guarantees / standbys may adopt the “[Uniform Rules for Demand Guarantees](http://www.iccwbo.org)” (URDG), or the “[International Standby Practices](http://www.iccwbo.org/)” (ISP) or the “[Uniform Customs and Practices for Documentary Credits](http://www.iccwbo.org/)” (UCP), or other rules as appropriate.

**Application**

Importer (buyer) and exporter (seller) negotiate a sales contract. The applicant applies to the issuing bank for the issuance of a guarantee / standby.

**Issuance**

The issuing bank issues the guarantee / standby and the advising bank advises the beneficiary.

**Demand Settlement**

The beneficiary presents the payment demand to the advising bank, which checks the demand and supporting documents and if compliant with terms of the guarantee / standby then pays the beneficiary (or as an alternative the beneficiary may request an extension to the expiry date of the guarantee / standby).

## High-level standards landscape



## Detailed standards landscape

|  |  |  |  |
| --- | --- | --- | --- |
| **Process Area** | **Availability of MT, ISO 15022 and ISO 20022** | **Availability of other standards** | **Ongoing & planned activities Opportunities** |
| **Application** | 2 existing MT messages under MT Implementation Guideline for Corporate-to-Bank use:   * MT 760 as an application for issuance of Guarantee / Standby Letter of Credit * MT 767 as a request for Amendment of Guarantee / Standby Letter of Credit   2 MT 798 message flows under MT Implementation Guide for Corporate-to-Bank use:   * Application for issuance of Guarantee / Standby * Request for amendment of Guarantee / Standby | Bolero XML:   * Standby Documentary Credit | Undergoing redevelopment, ISO 20022 approval targeted for 1st quarter 2013.  V4 of MT 798 flows under development. Publication targeted for 1st quarter 2013 (under MT Implementation Guide for Corporate-to-Bank use). |
| **Issuance** | 3 MT messages (plus 7 common group message types) for use in the Bank-to-Bank exchanges:   * MT 760 Guarantee * MT 767 Guarantee Amendment * MT 768 Acknowledgement of a Guarantee Message   4 MT 798 message flows under MT Implementation Guide for Corporate-to-Bank use:   * Notification of Guarantee / Standby * Notification of amendment of Guarantee / Standby * Advice of issued Guarantee / Standby * Advice of amended Guarantee / Standby | Bolero XML:   * Standby Documentary Credit | Undergoing redevelopment, ISO 20022 approval targeted for 1st quarter 2013  V4 of MT 798 flows under development. Publication targeted for 1st quarter 2013 (under MT Implementation Guide for Corporate-to-Bank use). |
| **Demand Settlement** | 1 MT message (excluding payment messages) for use in the Bank-to-Bank exchanges:   * MT 769 Advice of Reduction or Release   10 MT 798 message flows under MT Implementation Guide for Corporate-to-Bank use:   * Query to extend or pay Guarantee / Standby * Response to extend or pay Guarantee / Standby * Claim for payment under Guarantee / Standby * Acknowledgment of claim for payment under Guarantee / Standby * Notification of claim for payment of Guarantee / Standby * Settlement of Guarantee / Standby claim for payment and/or charges * Request for Guarantee / Standby Reduction / Release * Advice of Guarantee / Standby Reduction or Release * Request for Settlement of Charges * Notification of Settlement of Charges | None identified | Undergoing redevelopment, ISO 20022 approval targeted for 1st quarter 2013  V4 of MT 798 flows under development. Publication targeted for 1st quarter 2013 (under MT Implementation Guide for Corporate-to-Bank use). |

## 

## Additional opportunities

Overhaul of Category 7 MT messages.

1. As this document primarily focuses on business domains catered for by SWIFT, the payments landscape does not contain an assessment of the (ISO) standards used for card payments. [↑](#footnote-ref-1)