

The elimination of Giovannini Barrier 1: Progress Update

Jacques-Philippe Marson - BNP Paribas
Andrew Douglas – SWIFT

CESAME Meeting,
25th October 2004

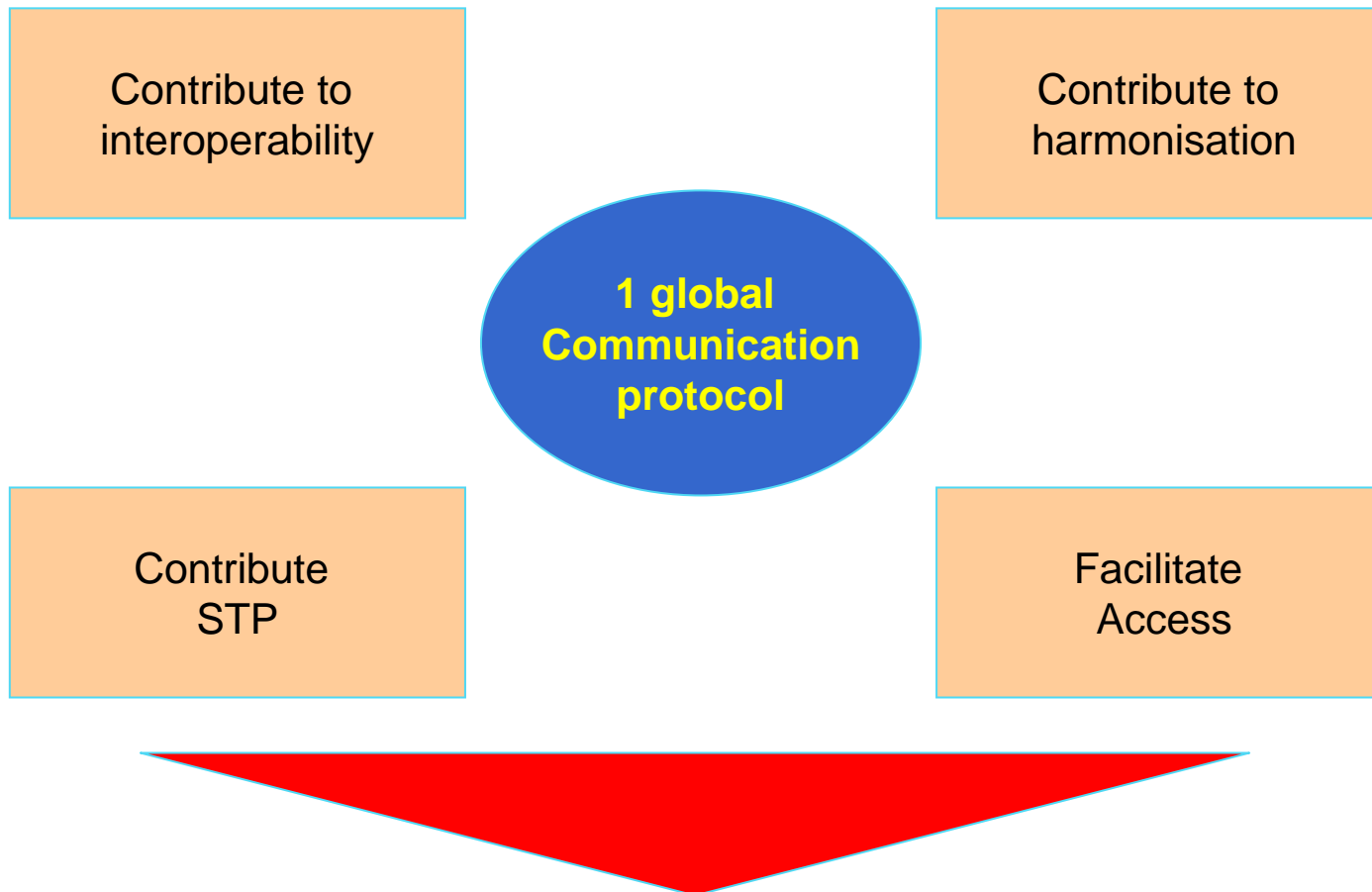


Agenda

- Objective
- Methodology
 - Key principles
 - Business scope
 - Technical scope
 - Next Steps
- Market current status
- Issues identified
- Industry views
- Q&A



Objective



Reduction of costs



Methodology

- Key principles
- Business scope
- Technical scope
- Next Steps



Methodology

Key principles

- **Leverage** - congruency with G30 and CPSS-IOSCO, build on implementation of ISO 15022 etc
- **Inclusive** - feedback from all sectors/participants
- **Neutrality** - extend SWIFT neutrality beyond standards
- **Openness** - Public consultation



Methodology

Business scope

- Value of standardisation is directly proportional to level of uptake - keep scope broad to be inclusive
 - All post trade processes
 - All instruments
 - All participants
 - Infrastructures
 - Institutions

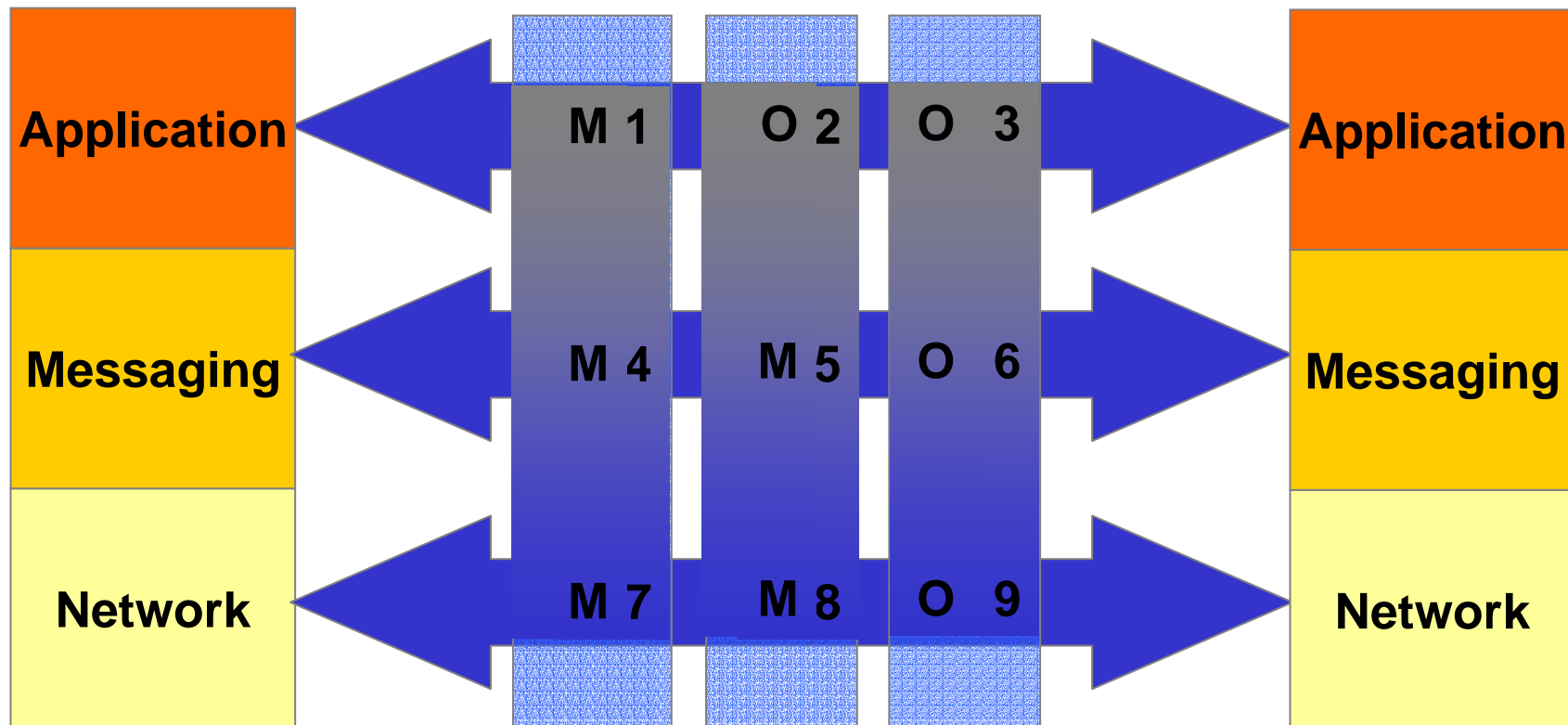


Methodology

Technical scope

Participant A

Participant B



M = Mandatory
O = Optional



Methodology

Next Steps

- Protocol consultation document
 - Discussion paper SSC and SWIFT board - Dec 2004
 - Consultation period - S1 2005
- Protocol definition - S2 2005
- Protocol published - Q1 2006



Market Current Status:

result of questionnaire sent to post trade infrastructures

| Available Std | EU Market infrastructure Use | % of respondents |
|-------------------------|---------------------------------|------------------|
| BIC | 4 | 40% |
| ISIN | 10 | 100% |
| Account # | No Standard | 0% |
| ISO CCY | 10 | 100% |
| ISO CTY | 10 | 100% |
| Cert ID | No Standard | 0% |
| 15022 DD | 9 | 90% |
| 15022 Syntax | 8 | 80% |
| 15022 Msgs | 3 | 30% |
| SMPG Msgs | 7 | 70% |
| IP | 10 | 100% |
| Central architecture | 10 | 100% |
| Dedicated Network | 10 | 100% |

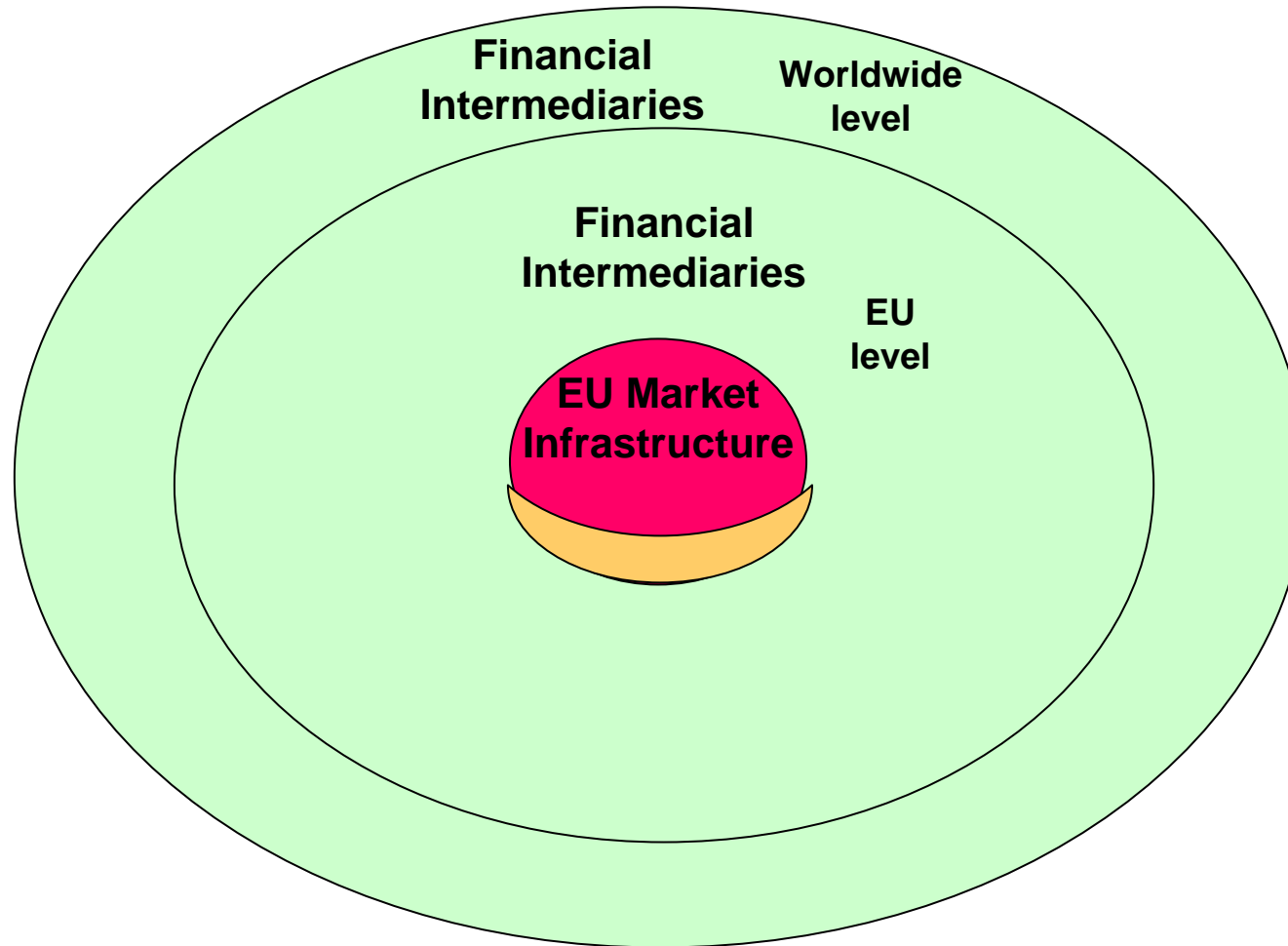


Issues identified

- Service provision
- System vs business interoperability
- ISO15022 vs ISO20022
- Realistic timeframes
- Cross border vs domestic applicability



Industry views



Strong progress has been realised by the industry and in particular by Financial intermediaries in terms of harmonisation, STP and inter-operability



Industry views

| Available Std | EU Market Infrastructure | | Financial intermediaries |
|----------------------|--------------------------|------------------|--------------------------|
| | EU Market Use | % of respondents | Community use |
| BIC | 4 | 40% | 100% |
| ISIN | 10 | 100% | 100% |
| Account # | No Standard | 0% | No Standard |
| ISO CCY | 10 | 100% | 100% |
| ISO CTY | 10 | 100% | 100% |
| Cert ID | No Standard | 0% | No Standard |
| 15022 DD | 9 | 90% | 100% |
| 15022 Syntax | 8 | 80% | 100% |
| 15022 Msgs | 3 | 30% | 100% |
| SMPG Msgs | 7 | 70% | As appropriate |
| IP | 10 | 100% | 100% |
| Central architecture | 10 | 100% | 100% |
| Dedicated Network | 10 | 100% | 100% |

➔ **Key standards to be leverage**



Questions and Answers

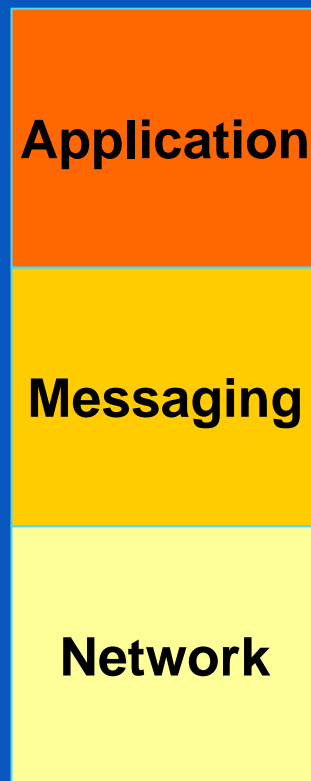


Appendix

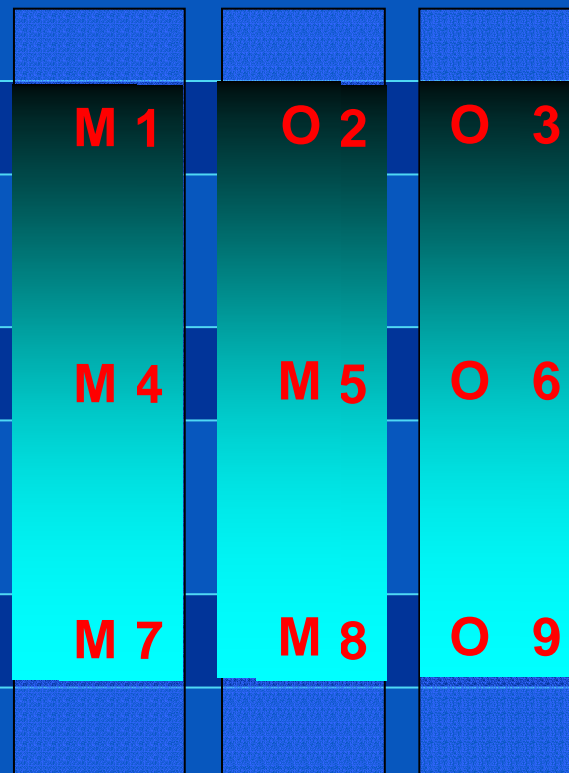


Methodology: Technical scope

Participant A



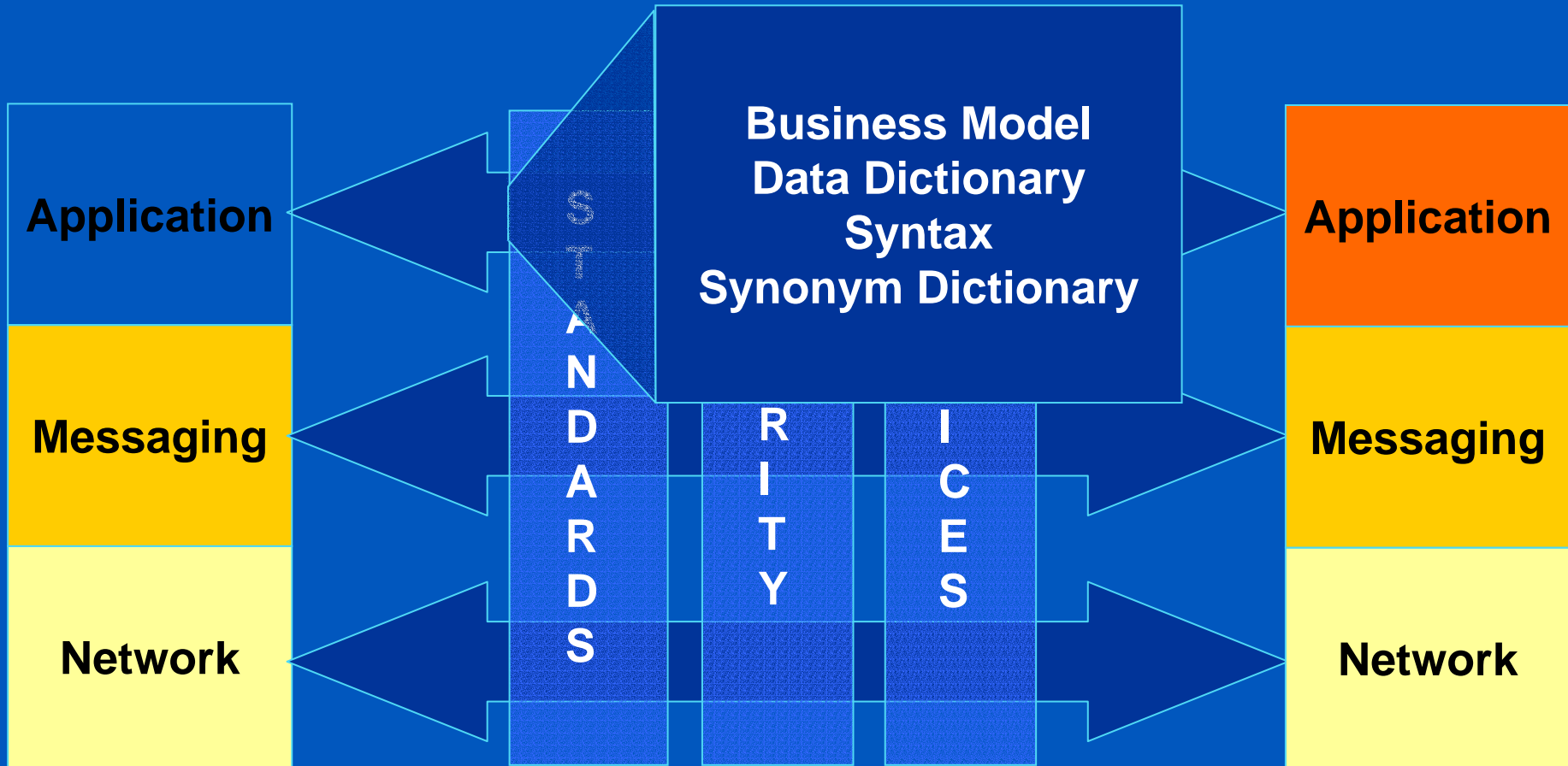
Participant B



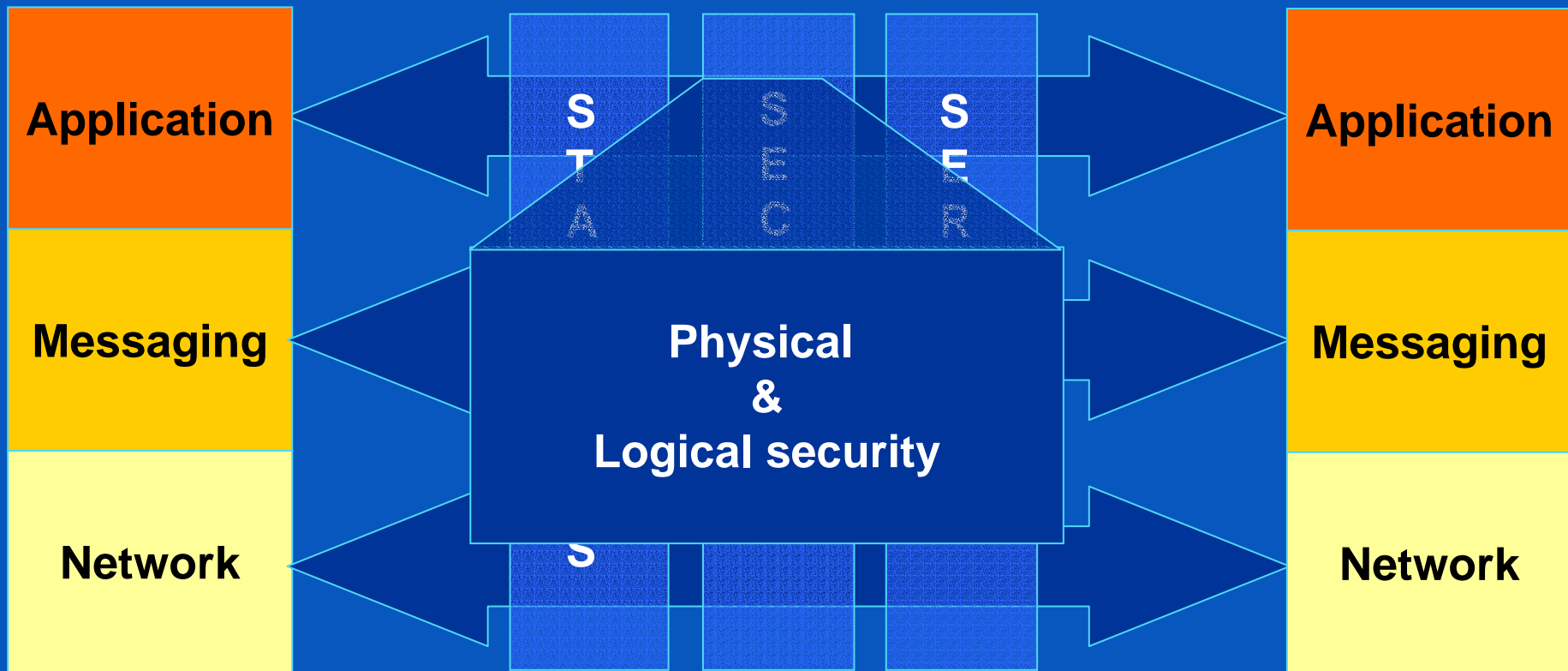
M = Mandatory
O = Optional



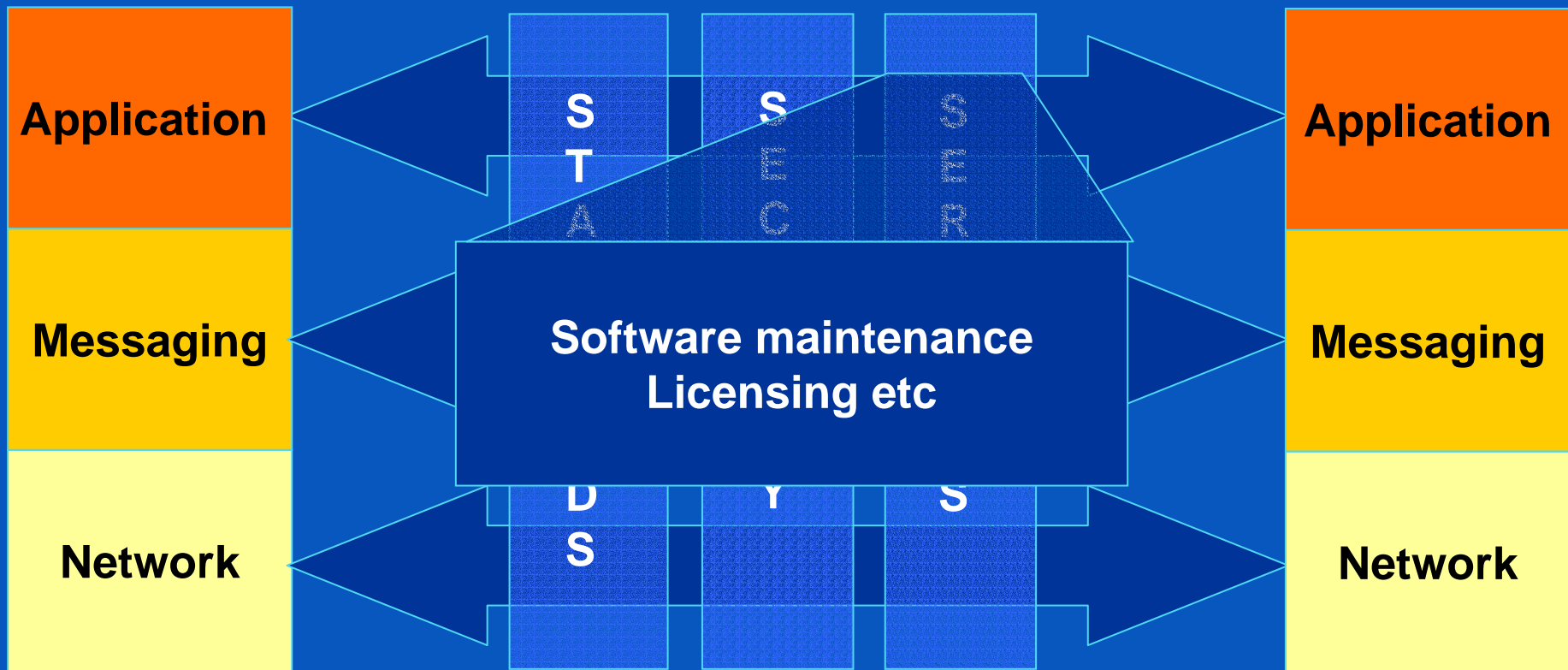
Protocol Framework: Application Standard



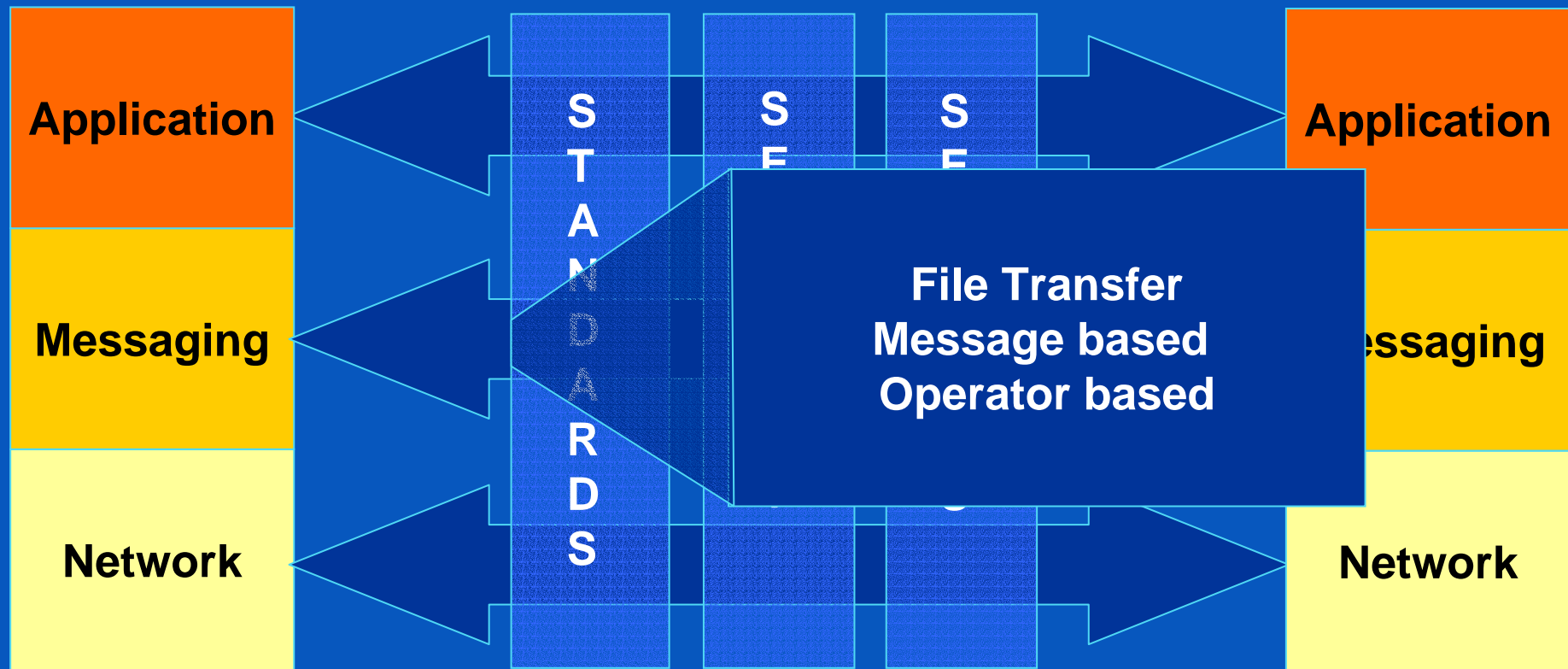
Protocol Framework: Application Security



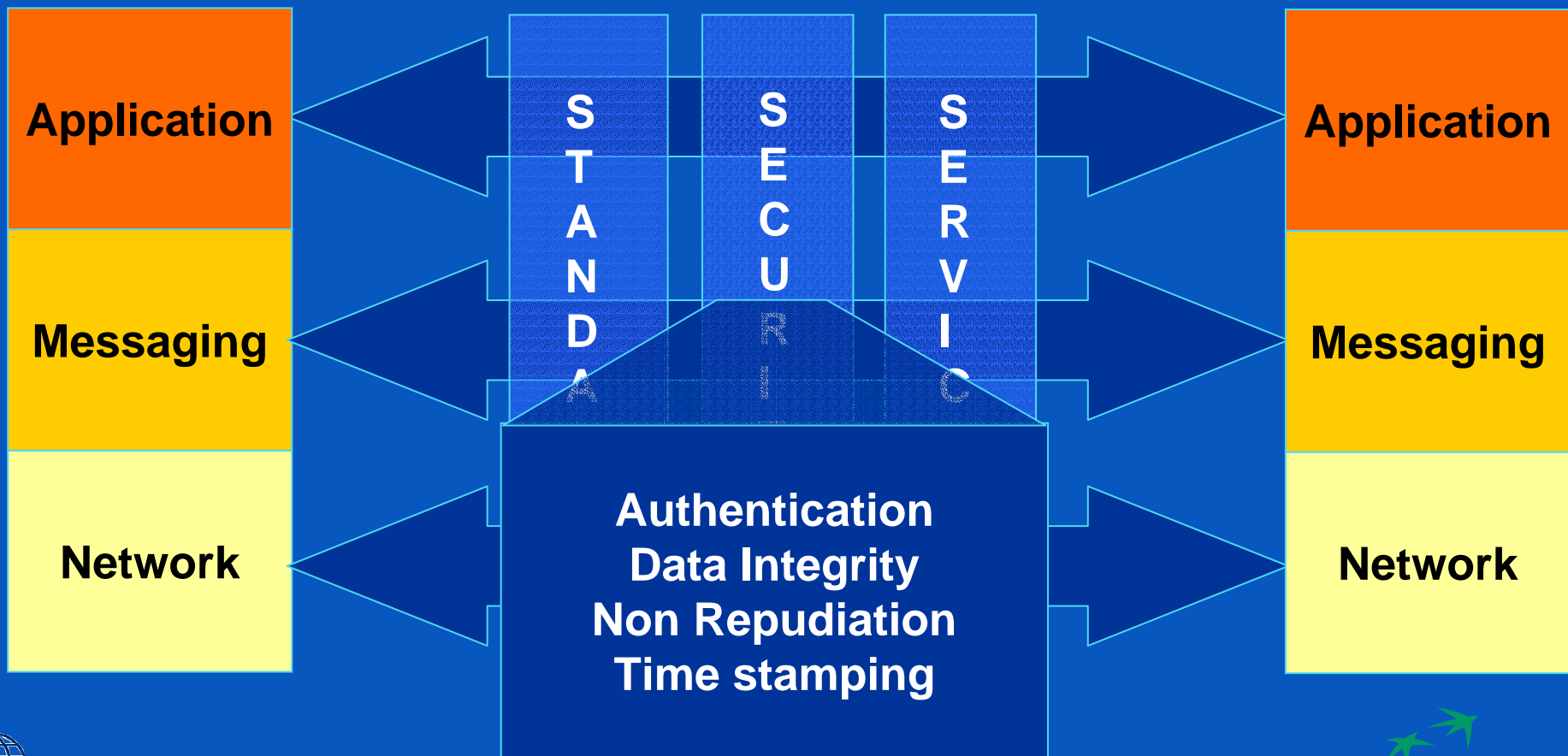
Protocol Framework: Application Services



Protocol Framework: Messaging Standard



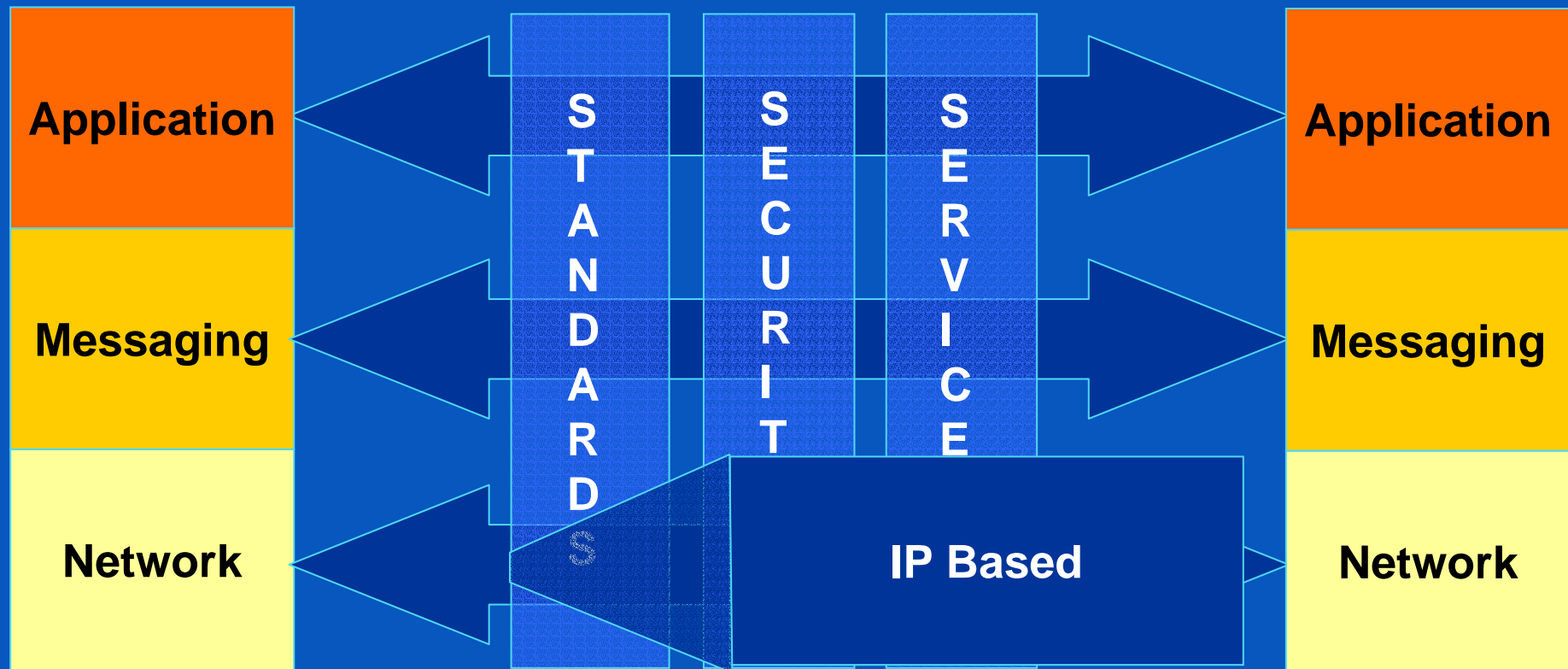
Protocol Framework: Messaging Security



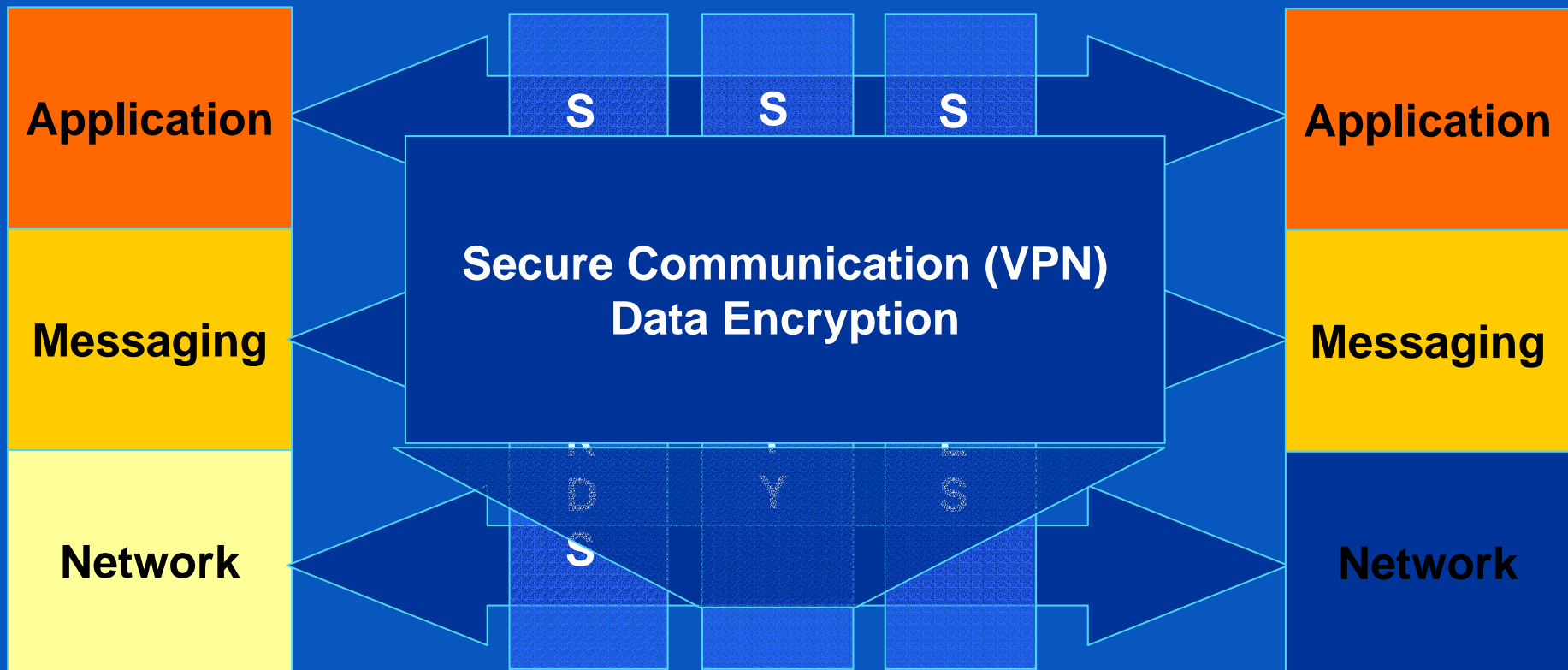
Protocol Framework: Messaging Services



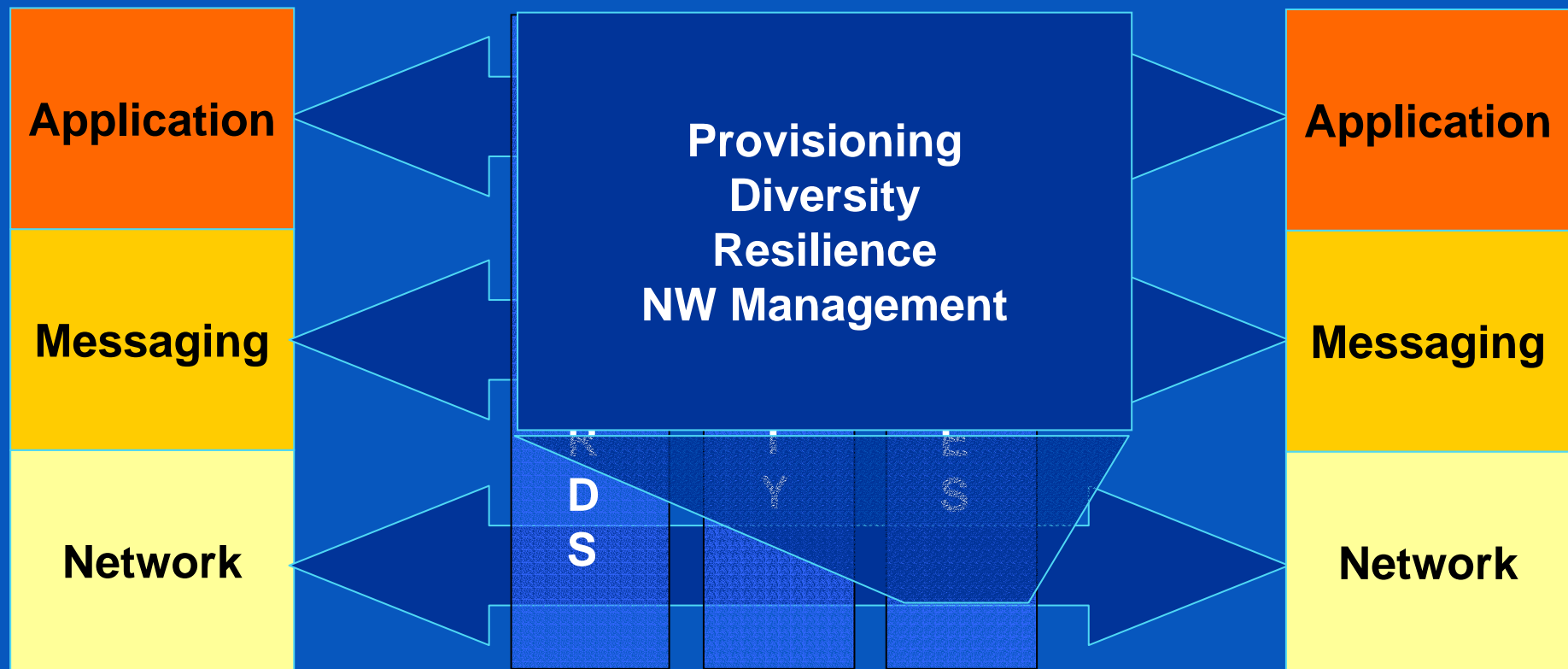
Protocol Framework: Network Standard



Protocol Framework: Network Security



Protocol Framework: Network Services



Methodology

- Which mountain are we climbing? - Identify scope
 - Business scope
 - Technical scope

- How high is the mountain? - Market current status
 - Infrastructures
 - Institutional participants

