

swift

Giovannini protocol: update

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CESAME October 24, 2005



Agenda

- Methodology
- Terminology
- Data Layer
- Transfer Layer
- Implementation
- Next Steps



Methodology:

Independent Advisory Group - What & why?

- June 05, Independent Advisory Group established to define protocol content whilst maintaining:
 - Key principles; Leverage, Openness, Neutrality, Inclusivity
 - Business not technology focus
 - Congruency with G30
- 4 meetings scheduled, ending on September 12
- Minutes and presentations available on swift.com
 - http://www.swift.com/index.cfm?item_id=57398

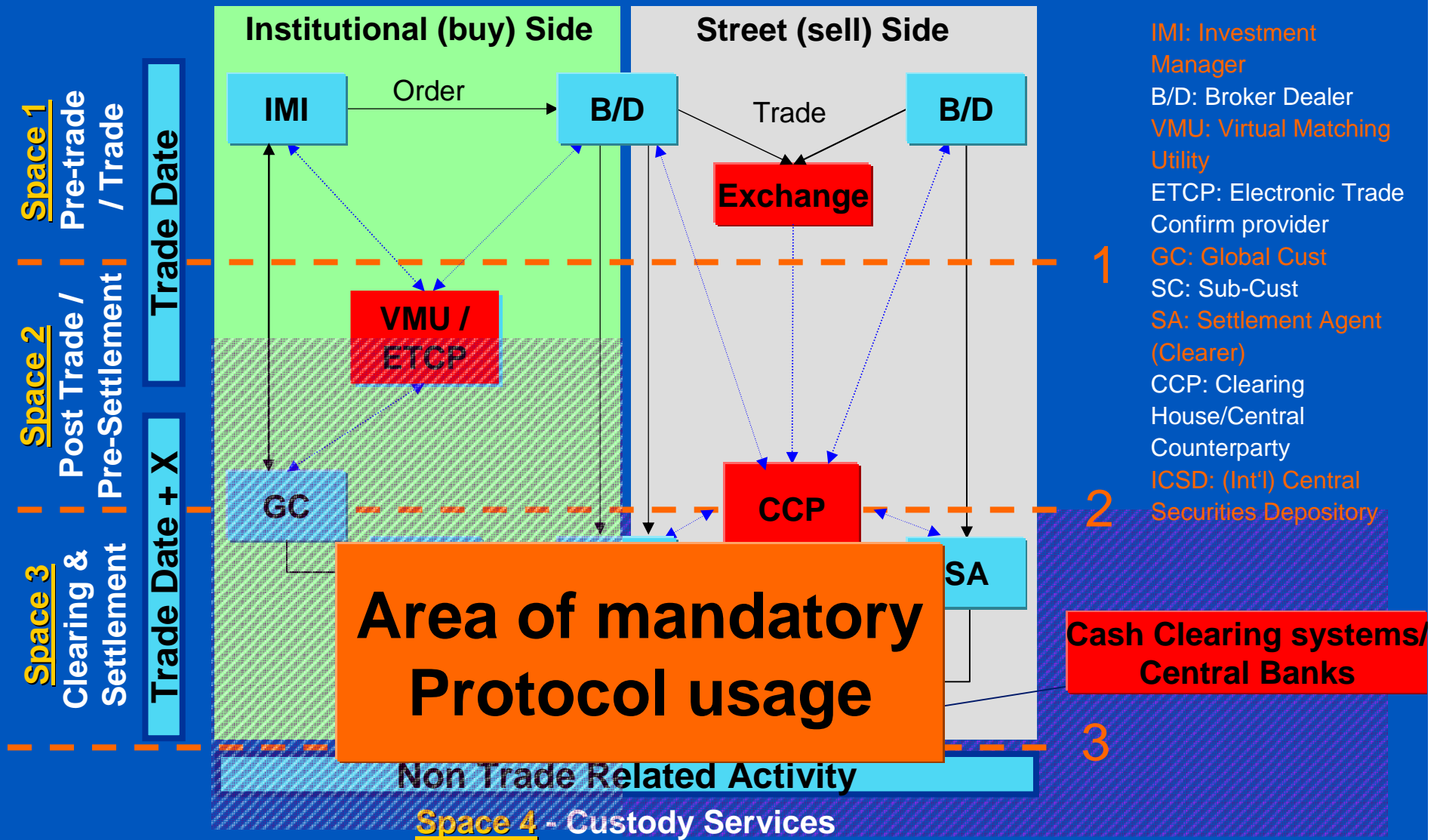


Methodology: Independent Advisory Group - What & why?

Chairman	Stephan Schuster	Chairman of G30 European Monitoring Committee
Secretariat	Andrew Douglas	
ABN Amro	Ruud Sleenhoff	ABN Amro, SVP Global Transaction Services
BNP	Pierre Willems	Head of Ops, Multi Direct Clearing & Custody
Citigroup	Brian Crabtree	Director, Global Transaction Services
Deutsche Bank	Stephen Lomas	Head of Domestic Custody, Trust & Securities Services
Deutsche Börse	Karl van Gestel	Head Settlement and Custody Design (Clearstream)
ECSDA	Joel Merere	Chairman
FBE	Didier Hermans	Adviser
Euroclear	Jan Sonck	Director
LCH Clearent	Pierre Dominique Renard	Director, Infrastructure & Service Design
Morgan Stanley	Keith Berrett	Executive Director
NCSD	Heikki Ylpekkala	Director, Business Development
Exceptional invitees		
FPL	Kevin Houston	Global Technical Committee Co-Chair
	Peter Randall	Executive Director
ISSA	Thomas Rohr	Vice President, Securities Messaging
SMPG	Catherine Dias	Chairman
SWIFT	Jamie Shay	Head of Securities Standards
Observer		
ECB	Concetta Cerafogli	Policy Division
EU Commission	Salvatore Lo Giudice	National Expert, DGMarkt

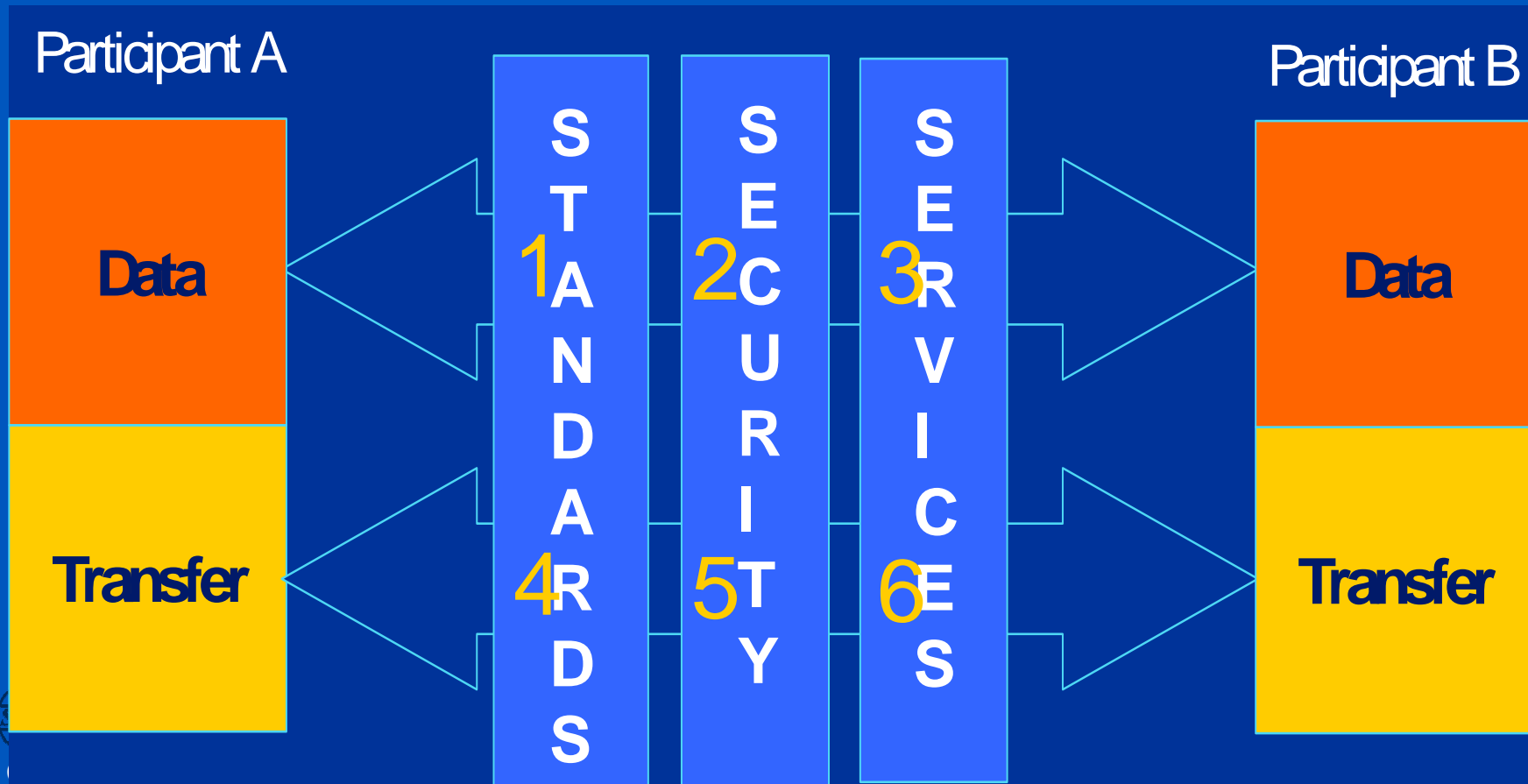


Terminology: Protocol scope

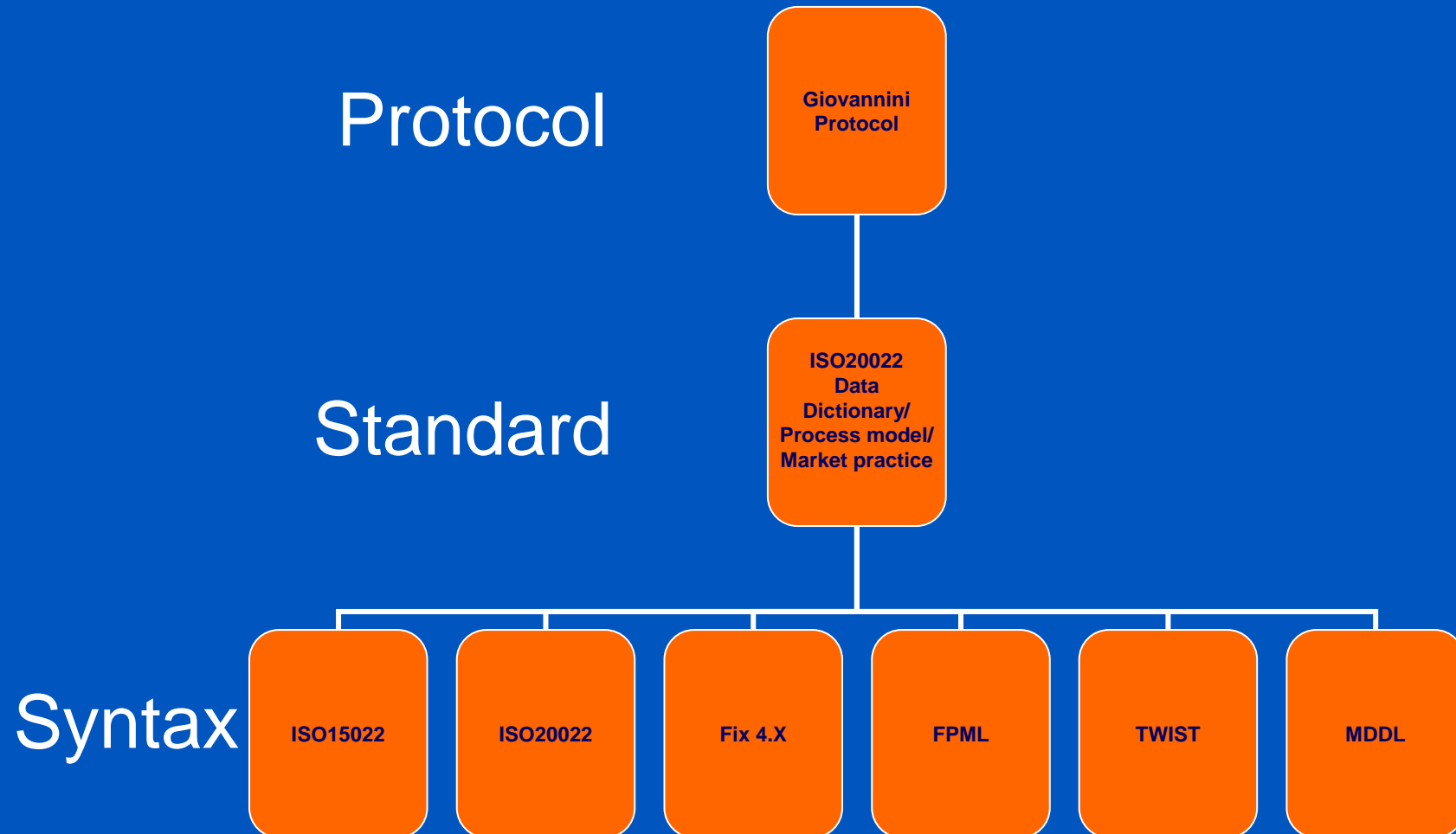


Terminology: Protocol framework

- The original 9 element framework should be simplified into 6 elements over 2 layers



Terminology: Protocol vs Standard vs Syntax



Data Layer:

Element 1 – Data Standards (1/2)

- It is mandatory for all Infrastructures and Participants active in EU Clearing, Settlement & Asset Servicing of Cash Equities, Fixed Income and Listed Funds to support the use of ISO15022/ 20022 standards/syntaxes for all cross-border participants, and domestic participants where appropriate
- For Exchange Traded Derivatives, relevant expert bodies must consult on the feasibility and, if appropriate, recommend a plan to achieve compliance with the Protocol



Data Layer:

Element 1 – Data Standards (1/2)

- It is recommended that all EU Infrastructures and Participants implement support for all ISO data standards relevant to ISO15022/20022, e.g. ISO 6166 for ISIN, ISO 9362 for BIC etc.
- Where relevant to other EU initiatives e.g. MiFID, support for these standards should be implemented to avoid the development of non-compliant solutions that inhibit end-to-end straight through processing



Data Layer: Element 3 – Data Service

- A gap analysis of ISO Standards must be completed by SWIFT Standards for all EU States (plus other countries as necessary) to identify missing functionality. Standards must then be extended to include that functionality
- The gap analysis should prioritise discrete processes for all countries rather than all processes for a specific country.



Giovannini compliant Transfer Layer: Elements 4, 5 & 6

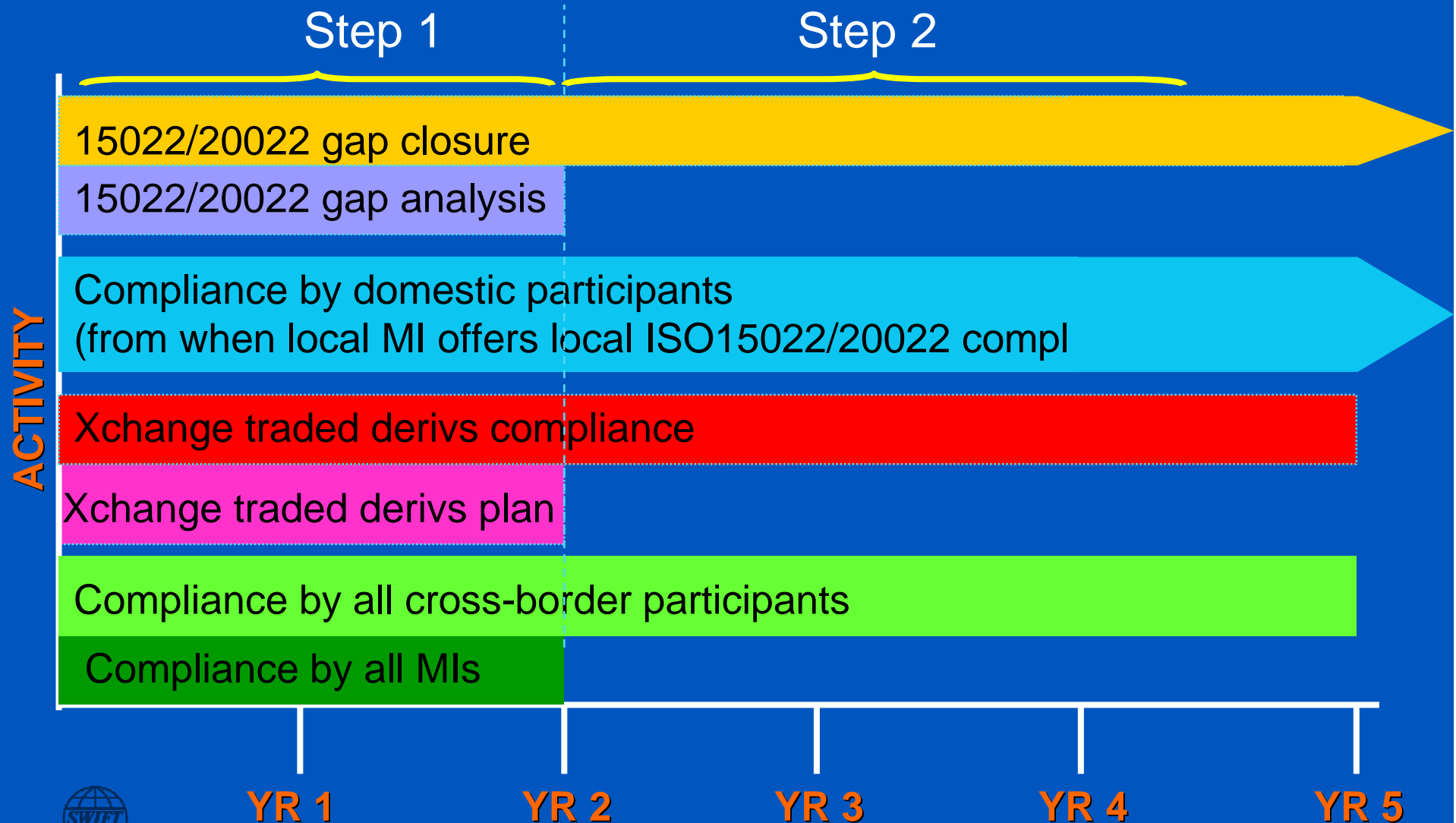
- Standards:
 - ISO15022/20022 structured messages & file formats
 - Use Internet Protocol (IP)
 - Offer message & file transfer services plus GUI interfaces

- Security:
 - Authentication/data integrity, via PKI
 - Non-repudiation
 - Time stamping
 - PKI: ISO21188 if relevant & Market best practice minimum key strength

- Service:
 - Be at least available during TARGET opening hours
 - Satisfy business & regulatory requirements for performance, resilience & network management
 - Message/file audit log, guaranteed delivery & delivery once and only once



Implementation Theory: A 2 step process



Cost/benefit analysis

- Entities incurring the cost (Infrastructures) are not necessarily the entities deriving the benefit
- Work in progress
 - Institutions: Cost saves from implementation
 - Infrstructures: Costs incurred from making the change
- Satisfaction of multiple market reform initiatives e.g. G30, ESCB-CESR, MiFID etc



Implementation support

- Protocol success requires commitment from Cash & Securities Infrastructures to implement Step 1

- Infrastructures fully involved through IAG representation:
 - [I]CSD's: Clearstream, Euroclear & NCSD (ECSDA)
 - Clearing Houses/CCP's: Eurex (via Clearstream), LCH.Clearnet
 - Central Banks: European Central Bank

- Protocol to include statement of compliance intent from:
 - Infrastructures
 - Top 30 EU active Financial Institutions
 - Thought leaders from the Fund Management community



Implementation monitoring

- Solution to G30 Rec 2 is congruent with solution to Giovannini Barrier 1, i.e. ISO15022XML over IP network
- G30 terminates in 2006; ISSA have sought responsibility for ongoing global implementation monitoring for G30 Rec 2
- Leverage this and request ISSA take on responsibility for monitoring (and reporting) implementation of Giovannini protocol to CESAME



Next Steps

- Present draft recommendation:
 - 17 October, 2005 – SMPG
 - 18 October, 2005 – SWIFT Board
 - 24 October, 2005 – CESAME group

- Industry review
 - October 25th, 2005 – January 27th, 2006

- Expected final publication
 - March 2006

