Standard Settlement Instructions
input for OMG's SSI task force from Nordea

Capital Markets & Treasury Operations

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January 2007

Input from Nordea to OMG's SSI task force

In general we see that the work of the (previous) task force of SSI, chaired by Ottmar Ackermann, gives a very good starting point to continue the work of this new task force. The recommendations ("The way forward") of the task force could be all included in the activities/action plan of the new task force (copied here from the report/presentation of SSI Task force April 11 2005):

- *Enhancement of actual practice for secure and timely exchange of SSIs*: investigate which options are best for each type of counter party/client and which can be realistically applied with each; also investigate the establishment of best practices for provision of SSIs over commercial databases.

- *Reconsider the possible acceptance of SWIFT broadcast as a valid means of exchanging SSIs*, overcoming the non-binding aspect by having the receiver acknowledge receipt to institutions with which it has a trading relationship.

- *Better define the exact details to be exchanged for SSIs on a per instrument basis* (e.g.. for repos, specification of intermediaries place of settlement as well as securities account and cash account).

- *Further review of commercial SSI databases and their usage*, including whether sufficient SSI information is provided in each database, the process concerning update and notification of updates to users, etc.

- *Consultation/co-operation with third parties on best practices* including other Operations Groups, ACI Committee for Professionalism and Corporate Treasurers Associations.

Input from Nordea to OMG's SSI task force

From Nordea's point of view the focus of the task force could be especially on:

1. Exchanging SSIs (page 4)
    a) establish a new SWIFT message type *or*
    b) accept SWIFT broadcast as a valid mean

2. Define the exact details to be exchanged for SSIs on a per instrument/ product (page 5)

Input from Nordea to OMG's SSI task force

1. Exchanging SSIs – establish a new SWIFT message type or accept SWIFT broadcast as a valid mean

a) Evaluate the possibility to establish a new authenticated SWIFT message type for SSIs (there was some years ago a work group initiated by SWIFT who worked with an automated and secure SSI message type called MT293)
• Benefits of a new message type: authenticated and secure, sent all or targeted SWIFT members, contains exact details needed for SSI
• Target groups: all banks and corporate on SWIFT

In case the above mentioned a new message type turns too complicated to establish and agree as a mean to exchange SSIs when

b) Reconsider the possible acceptance of SWIFT broadcast as a valid means in exchanging SSIs
• Benefits: SWIFT broadcast is widely used in exchanging SSIs, no need for the further development (already in place)
• Disadvantages: non-binding, content/details not standard (sometimes not easy to interpret)

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2. Define the exact details to be exchanged for SSIs on a per instrument/ product

Whatever is the way/mean to exchange SSIs clearly defined details reduce operational risk (which is one of the main purposes of SSI) and eliminate a need to check possible missing/unclear details afterwards.

We see that "Key details to be covered in SSIs" by the previous task force is a good starting point/proposal. Proposal for the key details to be covered in SSIs:

> -Range of transactions (e.g. same day, spot, forward, etc.);
> - Effective date of SSIs, *value or trade date. Valid for outstanding contract or not*.
> - Counter party's correspondent/custodian name, SWIFT address and account number(s);
> - Range of products covered with the SSI;
> - Confirmation that SSIs remain in force "until advised" otherwise.

In addition to above mentioned issues to enhance the practices to secure timely exchange of SSIs we see that it should be emphasised and recommended (or instructed) that *the internal databases and common global databases should be updated within 10 working days (2 weeks) at the latest after receiving notification from counter party of change in SSIs*.

Input from Nordea to OMG's SSI task force

Comments about other recommendations by the previous task force:
- Further review of commercial SSI databases and their usage (including whether sufficient SSI information is provided in each database)
- Consultation/co-operation with third parties on best practices

We see that the *further review of the commercial databases and their usage* can be made but in case the further steps to agree how SSIs could be exchanged and the details of SSIs can be defined we could get closer to the situation that the SSIs in the different commercial databases will be more identical.

What comes to *the consultation and co-operation with third parties on best practices* (other Operations Groups etc.) our opinion is that consultation and co-operation is definitely needed but it could take place after OMG's own view - if possible with some concrete proposals to improve exchange and/or details of SSIs – has been established. *In case the our proposal to establish a new authenticated SWIFT message type for SSIs creates interest among OMG members when SWIFT should be involved.*