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## AFME and AGC response to FMSB consultation on Draft of Standards for sharing Standard Settlement Instructions

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### Introduction

The Association for Financial Markets in Europe (AFME) and The European Focus Committee of the Association of Global Custodians ("AGC-EFC") welcome the opportunity to comment on the Financial Markets Standard Board's (FMSB) consultation on the Draft Standards for sharing Standard Settlement Instructions (SSIs).

AFME represents a broad array of European and global participants in the wholesale financial markets. Its Members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors, and other financial market participants.

AFME advocates stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is the European member of the Global Financial Markets Association (GFMA), a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

The Association of Global Custodians is a group of 12 global financial institutions that each provides securities custody and asset-servicing functions primarily to institutional cross border investors worldwide.

As a non-partisan advocacy organisation, the Association represents members'<sup>1</sup> common interests on regulatory and market structure. The member banks are competitors, and the Association does not involve itself in member commercial activities or take positions concerning how members should conduct their custody and related businesses.

### General considerations

- **Standardisation and harmonisation**

We are generally supportive of the proposed draft standards and agree with the core principles set out for standardising the exchange of SSI information between market participants.

Notably, we believe that the focus on using electronic solutions for the entry and management of SSIs, as outlined in Core Principle 1, is a significant step forward in the promotion of Straight-Through-Processing (STP), which would consequently lead to reducing manual errors and inefficiencies. Similarly, the emphasis

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<sup>1</sup> The members of the Association are: BNP Paribas; BNY; Brown Brothers Harriman & Co; Citibank, N.A.; Deutsche Bank; HSBC Securities Services; JP Morgan; Northern Trust; RBC Investor & Treasury Services; Skandinaviska Enskilda Banken; Standard Chartered Bank; and State Street Bank and Trust Company.

on harmonising data fields and formats will be essential for creating a consistent and reliable framework for SSI management, which will ultimately benefit all market participants.

- **Enhancement of settlement efficiency**

We note that the draft standards seek to address several key inefficiencies in the current SSI sharing process, including the lack of commonly agreed formats, the high percentage of manual SSI exchanges, and the challenges associated with managing SSI data accurately. We agree that a wider adoption of STP and standardised processes will contribute to the reduction of settlement failures caused by incorrect or missing SSIs. We note the existence of low-cost solutions, such as DTCC ASSIsT, which, if leveraged can make a material difference to operational efficiency.

We are supportive of the initiatives to facilitate more consistent and accurate data exchanges between counterparties, enhancing the efficiency of the settlement process. Moreover, a move towards standardised SSI templates for both cash and securities transactions will help reduce the operational burden on firms and improve the overall efficiency of the market. However, whilst all participants would likely agree that “best practices” do not include manual workflows and that FMSB should therefore consider a transition period of limited duration – we urge FMSB to coordinate with other standards bodies around the world to establish a timeline for common adoption of strategic, electronic solutions. This is essential in order to prevent fragmentation of operational processes, which would increase operational risk. We would welcome the FMSB engaging with SSI vendors in order to extend their services to produce the data in the required format for onwards distribution to parties requiring it, as this will help to adopt and embed the standards. AFME and AGC stand ready to assist here.

- **Ensuring robust governance and compliance**

We agree with the requirements reflected in Core Principle 8, with regard to the need for robust governance and internal controls over the management and sharing of SSIs. Firms should be required to define responsibilities, implement clear processes, and establish monitoring mechanisms, as this would be essential for maintaining the integrity and reliability of SSI data.

Similarly, a periodic review of SSIs, as outlined in Core Principle 9, would be a valuable practice that will help ensure that SSI data remain accurate and up-to-date. Regular reviews and updates of SSIs would minimise the risk of settlement failures and contribute to a more efficient and resilient ecosystem. For increased transparency we consider that having ‘effective’ and ‘last review’ dates would both be beneficial and we recommend that these are added to the templates.

- **Implementation timeline**

We note that the proposed standards do not consider a timeline for industry adoption: it is essential that a timeline be set out in collaboration with the wider global industry and SSI vendors in order to ensure that all material considerations such as technical developments and testing are taken into account. Furthermore, a timeline must also take into account the fact that these standards are not proposed to be finalised until the end of 2024, which means: the clock cannot start ticking for firms’ budget/funding cycles until 2025.

Therefore, it is unrealistic to expect the industry to identify the changes required to internal processes, develop procedural and technical solutions, test and deploy to fully adopt the changes set out in the standards by – for example – the end of 2025. This is based on budget planning for 2025 already being

finalised for most firms, or at least at an advanced stage, with many financial and technological priorities already established. Incorporating the necessary investments to implement the new SSI standards (e.g., systems upgrades, interoperability with third-party vendors, staff training, etc.) would require significant capital and resource allocation, which may not have been factored into the 2025 planning cycle.

We note that many firms organise their processes and technology stack on a regional or global basis. To mitigate the risk of increased fragmentation, the implementation timeline should consider the broader global context in which these standards would apply. The need for “global outreach” is discussed more fully below.

Smaller and less-sophisticated market players may be disproportionately affected for other reasons: they are likely to rely heavily on manual processes for SSI management, so a timeline would need to take this into account as well. Broad industry adoption will be vital.

Furthermore, it is essential to consider the important role of third-party vendors, such as DTCC ALERT and other SSI service providers who typically provide electronic tools and solutions to streamline SSI management. As such, their involvement in the development and implementation will be key to ensure a smooth transition and global adoption to the proposed standards: the timeline will need to take this into account as well.

We envisage that SSI vendors will need to ensure they are able to adhere to the manual template standards before their members go live for the following reasons:

- 1) Firms receive SSIs from SSI vendors and manually from clients / counterparts; if the manual source is different from the vendor’s standard, including with respect to any user interface data fields, firms will need to translate, adding latency to post-trade processes.
- 2) To ensure a successful adoption of the standards, firms will need to conduct comprehensive end-to-end testing with SSI vendors and any other service providers supporting client static data: they will need to ensure that the data formats specified in the standards are fully supported by their platforms and successfully conclude technical implementation with the required levels of testing to ensure resiliency of the process.

For any implementation with a technical component our general recommendation is to ‘work back’ from the vendor’s and/or financial market infrastructure’s implementation schedule, including the testing plan.

In this context, for the reasons specified, we believe that a more realistic timeline for adoption would be by the end of 2026. This would allow firms, vendors and FMIs, where relevant, to integrate the necessary financial and operational adjustments into their 2026 budgets, ensuring they have adequate time to allocate resources, plan for the transition, complete client outreach and, crucially, conclude testing protocols, including internal testing and ‘end-to-end’ industry testing with vendors. A safe implementation with an extended date is better than too short a deadline, with potential slippage and non-conformance with standards.

Finally, we urge the FMSB to take into account the payments industry’s mandatory migration to ISO20022 in November 2025: this is the priority for all sectors of the industry.

- **Global Outreach**

Given that global markets are increasingly interconnected, there should just be one standard for global SSI storage and use, to avoid firms having to implement multiple formats and templates. We therefore support

FMSB partnering with other associations and standards bodies, such as ISITC in the U.S., to develop the proposed manual Cash and Securities templates.

We are not clear on the extent to which other associations and standard setters in other jurisdictions have engaged with the FMSB in the formulation of the standards and/or any timeline for adoption. Such associations presumably would include key industry associations in the Americas and APAC across all sectors of the industry (e.g., investment managers, brokers, custodians and prime brokers in respect of securities and payments). We therefore recommend wide, global socialisation of these standards, especially in lieu of the standards featuring as a requirement in the UK T+1 Technical Group's draft recommendations. AFME stands ready to help facilitate dialogue through its parent entity GFMA –under which AFME (Europe), SIFMA (United States) and ASIFMA (Asia Pacific) sit. The AGC-EFC can do the same through its global governance, which would oversee other committees such as the Americas Focus Committee and the Asia Focus Committee.

It is also important to note that cash SSIs are used more broadly than for payments supporting 'securities post-trade'. Parties transmitting payments will need a universal process, so this may require further exploration to ensure alignment in this important process.

## Technical considerations

- **Cash SSIs**

Please find attached feedback/recommendations on the Cash SSI template which we believe require revision in order to align with industry standards, including ISO 20022 requirements. We have highlighted and numbered the fields on the excel template where changes are recommended.



ISITC-Cash-SSI-Tem  
plate\_Create-Update

Furthermore, we provide the following details which correspond to the marked template fields with details of the issue and recommendations:

### **#1**

**Section:** Settlement Instruction Market Identification

**Field:** Cash SSI Purpose

**Issue:** Available Purpose Codes in the ISO20022 code set constraint (ExternalMarketArea1Code) are not sufficiently granular to capture certain market nuance and industry practice where cash balances and accounts are further segregated by purpose. Examples below.

- Thailand (THB): Market requirement to segregate cash by purpose for Securities Related and Non-Securities Related cash settlements. Available code set does not present options that capture this delineation of Cash SSI purpose.

- Brazil (BRL): Market practice to segregate cash by purpose based on tax treatment / security type (taxable/equity related vs. non-taxable/fixed income related). Available code set does not present options that capture this delineation of Cash SSI purpose.
- Collateral/Margin: Market practice to segregate cash based on general purpose vs. collateral and margin obligations.
- SAR, AED, RUB currencies Purpose of Payment as mandatory field

**Recommendation:** Requires broader industry discussion and consensus on either expanding the existing code set or agreeing to an alternative code set that adequately covers known market nuances and business practices where cash is segregated by purpose; requiring differentiated SSI purpose codes.

## #2

**Section:** Cash Party Details

**Subsection:** Creditor Agent

**Field:** Party Identifier

**Issue:** Current field description “Identification of the party that legal owns the account” lends to ambiguity as it is not clear which account is being referred to. Varying legal / cash clearing structures may lead to confusion on which party’s details should be populated in this field. If the Creditor Agent is a direct clearer of the currency in question, there may not be an account that they legally own in the SSI.

**Recommendation:** Use similar language as the definition of Creditor Agent to remove ambiguity as to which party’s identifier belongs in this field:

- **Option A:** Identification of the financial institution where the beneficiary (Creditor) has its account.
- **Option B:** Identification of Creditor Agent expressed as BIC, Proprietary ID, or Name and Address.

## #3

**Section:** Cash Party Details

**Subsection:** Creditor Agent

**Field:** Clearing system identifier

**Issue:** Currency based rules dictate mandatory population of this field, however if the Creditor Agent is not a direct clearer of the currency in question, there will be no Clearing system identifier to populate in this field.

**Recommendation:** Field should be optional

## #4

**Section:** Cash Party Details

**Subsection:** Creditor Agent

**Field:** Clearing system identification

**Issue:** Field is defined as Mandatory in Column B, however a conditional rule is noted in Column G: “If clearing system identifier is provided then Mandatory else N/A”.

**Recommendation:** Field should be defined as Conditional

## **#5**

**Section:** Cash Party Details

**Subsection:** Creditor Agent

**Field:** Account Identifier

**Issue:** Field is marked as mandatory, however if the Creditor Agent is a direct clearer of the currency in question, there may not be an additional account number to populate in this field as part of the SSI.

**Recommendation:** Field should be optional

## **#6**

**Section:** Cash Party Details

**Subsection:** Intermediary

**Field:** Party Identifier

**Issue:** Current field description "Identification of the party that legally owns the account" lends to ambiguity as it is not clear which account is being referred to. Varying legal / cash clearing structures may lead to confusion on which party's details should be populated in this field. If the intermediary is a direct clearer of the currency in question, there may not be an account that they legally own in the SSI.

**Recommendation:** Use similar language as the definition of Intermediary to remove ambiguity as to which party's identifier belongs in this field.

- **Option A:** Identification of the Financial Institution through which funds must pass to reach the Creditor Agent
- **Option B:** Identification of the Intermediary as expressed by BIC, Proprietary ID, or Name and Address

## **#7**

**Section:** Cash Party Details

**Subsection:** Intermediary

**Field:** Clearing system identifier

**Issue:** Currency based rules dictate mandatory population of this field, however if the Intermediary is not a direct clearer of the currency in question, there will be no Clearing system identifier to populate in this field.

**Recommendation:** Field should be optional

## **#8**

**Section:** Cash Party Details

**Subsection:** Intermediary

**Field:** Clearing system identification

**Issue:** Field is defined as Mandatory in Column B, however a conditional rule is noted in Column G: "If clearing system identifier is provided then Mandatory else N/A".

**Recommendation:** Field should be defined as Conditional

## **#9**

**Section:** Cash Party Details

**Subsection:** Intermediary 2

**Issue:** Description for Intermediary 2 (“Financial institution through which the transaction must pass to reach the account with institution (Creditor Agent)”) is the same as Intermediary. This will create confusion amongst users as to which party’s details belong in Intermediary vs. Intermediary 2 fields.

**Recommendation:** Description should be updated to adequately differentiate Intermediary 2 from Intermediary and reflect where the party sits in the settlement chain.

- **Suggested Language:** Financial Institution through which the transaction must pass to reach the Intermediary

## **#10**

**Section:** Cash Party Details

**Subsection:** Intermediary 2

**Field:** Party identifier

**Issue:** Current field description “Identification of the party that legal owns the account” lends to ambiguity as it is not clear which account is being referred to. If the Intermediary 2 is a direct clearer of the currency in question, there may not be an account that they legally own in the SSI.

**Recommendation:** Use similar language as the definition of Intermediary 2 to remove ambiguity as to which party’s identifier belongs in this field.

- **Option A:** Identification of the Financial Institution through which funds must pass to reach the Intermediary
- **Option B:** Identification of the Intermediary 2 as expressed by BIC, Proprietary ID, or Name and Address

## **#11**

**Section:** Cash Party Details

**Subsection:** Intermediary 2

**Field:** Clearing system identifier

**Issue:** Currency based rules dictate mandatory population of this field, however BICs are a commonly used and accepted alternative to local market clearing codes in market practice for international payments.

**Recommendation:** Field should be Conditional based on presence of BIC as party identifier (Mandatory if BIC not provided, else optional)

## **#12**

**Section:** Cash Party Details

**Subsection:** Intermediary 2

**Field:** Clearing system identification

**Issue:** Field is defined as Mandatory in Column B, however a conditional rule is noted in Column G: “If clearing system identifier is provided then Mandatory else N/A”.

**Recommendation:** Field should be defined as Conditional

### **#13**

**Section:** Cash Party Details

**Subsection:** Intermediary 2

**Field:** Account Identifier

**Issue:** Field is marked as mandatory, however if the Intermediary 2 is a direct clearer of the currency in question, there may not be an additional account number to populate in this field as part of the SSI.

**Recommendation:** Field should be optional

### **#14 – Proposed new addition**

**Section:** Cash Party Details

**Subsection:** Intermediary 1

**Field:** Account Identifier

**Issue:** Field is marked as mandatory, however few currencies like RUB (VO Code), MXN (Clabe Account Number), INR (IFSC Code) etc. would need additional details for final settlement.

**Recommendation:** Field should be optional to update additional details

Other considerations:

- **Template 4**

Member feedback suggest that the classification of financial instruments should be optional as settlement accounts at CSDs can support multi-asset instrument types (although there are product specific CSDs).

- **Template 5**

Member feedback notes that it may be beneficial to make the data fields in both sections of SSI Effective Date details and Settlement Instruction Market Identification optional as this information may not add value when client accounts are closed.

- **Authentication**

Member feedback has been received which indicates that E-signature and Enforced TLS (ETLS) need to be used together and not separately as the former only authenticates the send / signer while the latter encrypts the transmission between the email gateways. We suggest that it may be beneficial to take this point back to the FMSB SSI WG to discuss further and even consider other means of transmission such as host-to-host or SFTP etc.



- **Deleting of SSIs**

Deleting SSIs after 12 months non-usage is not current industry standard, and not in line with the systemic dormancy in place for a number of cash management systems (18 months), therefore we would not be supportive of this proposal.

## **7. Validity**

### **Core Principle 7:**

SSIs should be updated as soon as reasonably practicable upon any changes.

Where the manual template is used, all data fields should be completed for any SSI that has been changed.

SSIs which have not been used for settlement in the past 12 months or used for a trade whose settlement has failed should be reviewed and amended or deleted as appropriate.