

# World Forum of CSDs (WFC)

Helping securities market  
infrastructures navigate a  
changing world



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Prague  
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# Agenda

A changing world

How can Swift help Securities Markets  
Infrastructures (SMIs) and their communities

Q&A



# Clients' aspirations vs market reality

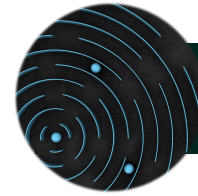
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## What securities firms

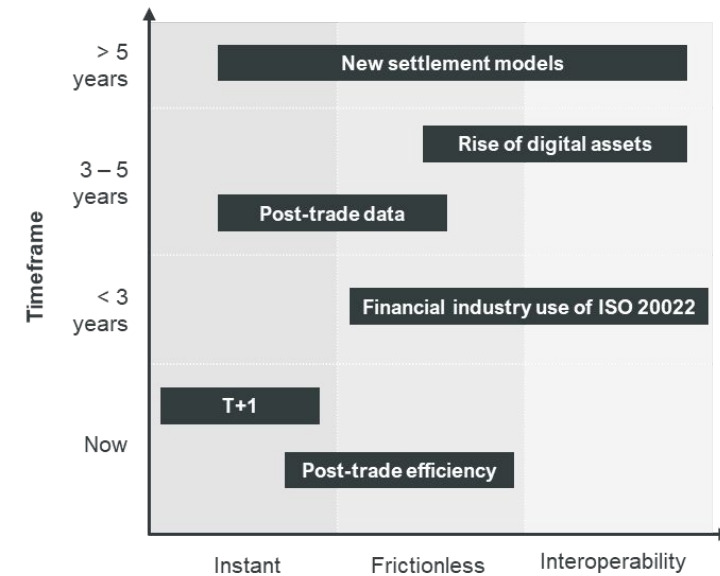
- Zero reconciliation
- No friction in post-trade
- Full interoperability
- Easy access to data
- A cost-efficient way to seize opportunities



## The market reality

- Different settlement cycles per region
- Different regulatory requirements or disciplines regimes
- Multiplication of communication channels, standards and protocols
- Emergence of new asset classes and proliferation of competitive solutions

### Main market initiatives today



# Segment and Market Context

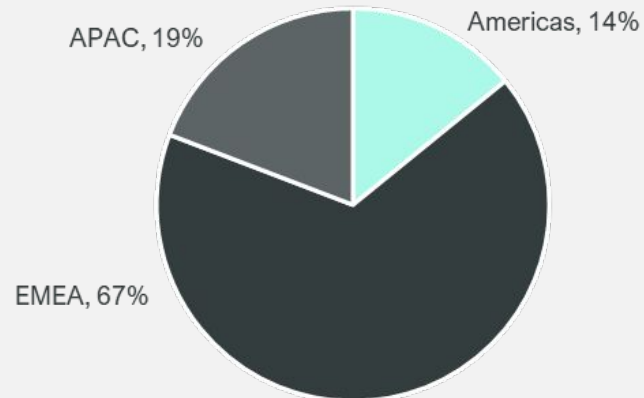
SIMs are a key enabler in a transforming post-trade landscape

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## SEGMENT

**100+ CSD systems connected to Swift**  
Representing ~60% of global CSDs  
Covering 75+ countries



- SIMs ecosystem contributes at least 1/3 to Swift Securities traffic
- Most CSDs do offer Swift next to own network
- Most SIMs use proprietary format, on top of ISO (usually 15022)

**~60 CCP systems connected to Swift**  
Representing ~55% of global CCPs  
Covering ~30 countries

## MACRO TRENDS

### SIMs at the core of a changing ecosystem

#### Market trends

- Regulation & geopolitical pressure
- Institutional crypto & digitization
- Strong growth to private markets and retail investment
- Market consolidation
- ESG

#### Client trends

- Strategic cost pressure & transparency/performance
- Access to and optimized use of liquidity and assets
- Strong need for real-time data insights and analytics
- Strategic restructuring & new business models & entrants
- Multi-asset trading tech./capital efficiency



## SIMs challenges and priorities

SIMs are strategically important, as they shape the ecosystem by driving market initiatives

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### CHALLENGES

- Provide easy and cost-efficient access to a diverse community
- Continuously lower down integration and operating costs to foster direct participation
- Modernize domestic systems while running secure and resilient infrastructures/platforms
- Respond to (vertical) integration and consolidation strategies
- Navigate geopolitical environment and constantly adjust to legal and regulatory evolving requirements
- Foster community engagement on and adoption of new initiatives and services

### SIMs PRIORITIES

- Enhance offering and innovate
- Foster market efficiency
- Increase liquidity into local market
- Invest in (new/open) technology and rationalization to support growing volumes
- Foster single/simple access to clients and enhanced customer experience
- Continuously improve resilience & reduce risks and capital costs

# How Swift can help

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## Swift Smarter Securities

Equip the industry to respond to major trends for post-trade securities

1

### A continuous focus on post-trade efficiency & frictionless processes

- To navigate costly settlement discipline regimes and prepare for T+1 and new settlement models
- To solve long-standing corporate actions/asset servicing problems such as data inconsistencies in event notifications



2

### Interoperability within and across traditional and digital ecosystems

- To support more flexible communication mechanisms, greater front-to-back integration and backward compatibility
- To allow institutional investors access new/digital assets, asset managers to diversify and custodians/CSDs to process
- To grasp benefits from distributed models (enhanced STP, no reconciliation, no information asymmetry, more liquidity) leveraging existing and new rails and technology



3

### Embedded mutualized (data) services

- To support optimized use of assets and liquidity
- To address new reporting requirements such as ESG
- To improve operational processes such as compliance and SSIs and avoid exceptions
- To enhanced customer experience with new data-rich and front-end capabilities



# How does Smarter Securities translate for SMIs?

SMIs are strategically important, as they shape the ecosystem by driving market initiatives

INTERCONNECTEDNESS & REACH	EFFICIENCY & RISK REDUCTION	COLLABORATION & INNOVATION
<p><b>Why</b> Global players look for single window, reach and standardisation, with scalable and easy to deploy/reuse solutions as well as comprehensive services to cost-effectively implement/maintain access to SMIs. Local players look for light, cheap footprint and connectivity solutions, focused on their main market and needs.</p>	<p><b>Why</b> Reducing frictions in the post-trade chain, enabling optimised mobilisation of assets and liquidity, reducing the need for collateral and increasing market access are of strategic importance to market participants regardless of their size. CSDs can significantly contribute to the industry effort in making post-trade risk-free and efficient.</p>	<p><b>Why</b> SMIs are by nature community-driven and expected to enable and even lead market modernisation and attractiveness. New assets classes, new settlement models and increasing need for digitisation are driving innovation and require collaboration and interoperability across CSDs, their users and facilitators like Swift.</p>
<p><b>Swift toolbox</b></p> <ul style="list-style-type: none"> <li>• Single window (potential for direct links with ~6,000 securities players)</li> <li>• Harmonisation and support to coexistence (MyStandards/Translator for SMIs market practices consumption and testing)</li> <li>• CSD community deal</li> <li>• API channel</li> <li>• Cloud connectivity and in-cloud services</li> </ul>	<p><b>Swift toolbox</b></p> <ul style="list-style-type: none"> <li>• Collaborate with SMIs and industry bodies (AFME, ISSA... ) on initiatives to reduce settlement fails and risks such as T+1</li> <li>• <b>Provide Securities View transactional data and capabilities to CSDs and their communities</b></li> <li>• Explore partnerships with CSD platforms to facilitate exception managements and fails resolution</li> </ul>	<p><b>Swift toolbox</b></p> <ul style="list-style-type: none"> <li>• <b>Innovate together on tokenized assets and DVP in CBDC flows</b></li> <li>• Support FMIs interlinking and interoperability across markets and flows</li> <li>• Explore data capabilities supporting ESG requirements and compliance (e.g. KYCR, standardized reporting)</li> </ul>

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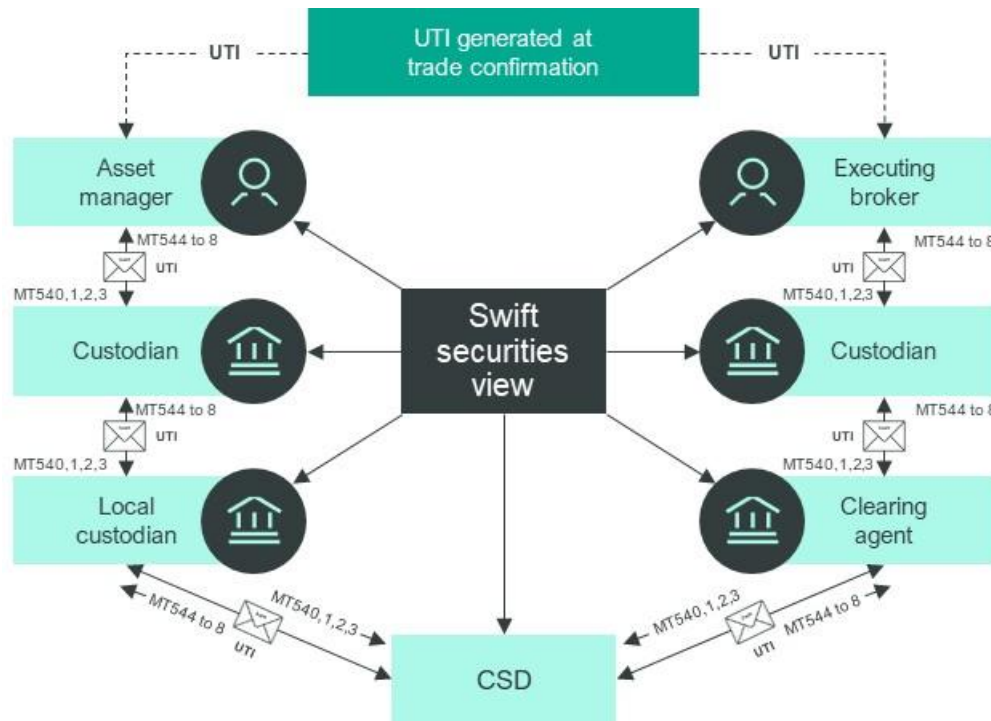


# The strategic journey: starting from transforming securities settlement in the traditional business...

## Transforming Securities Settlement

By smartifying the settlement process every party in the securities eco-system can benefit

What's in it for...



## CSDs

CSDs are expected to help market participants to **avoid or address settlement failure**.

Contributing to greater end-to-end visibility on settlement instructions will help counterparties **react faster to data issues** (discrepancies between the 2 instructions, non-compliance to local market practices, missing data etc).

By joining the Securities View, CSDs can **reduce the number of customer enquiries** coming to them, focusing on more competitive capabilities.

In addition, the **transactional set of data** powered by Securities View, can create opportunities for CSDs to **enrich their own reporting offering**, leveraging analytics and AI/ML for greater predictability and fails avoidance services.

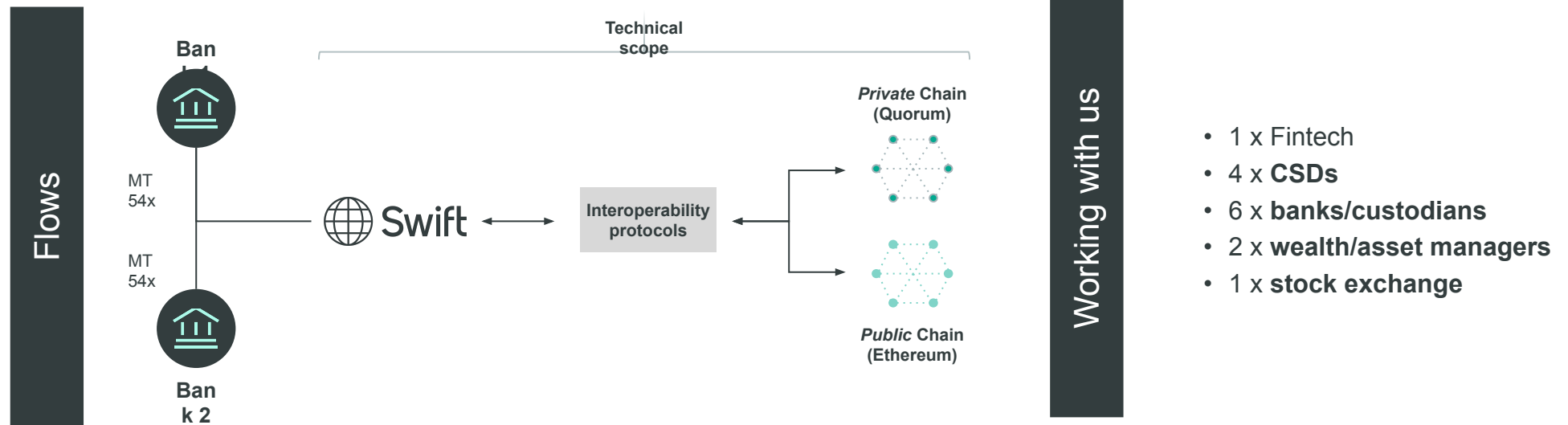
# ... while working on DLT interoperability: collaborating with **12+ global institutions** to expand the focus on wider blockchain interoperability via Swift

**Objectives**

- Demonstrate technical feasibility of secure & scalable way for institutions to **connect to multiple blockchains** using existing **Swift infrastructure** and instruct **cross-chain asset transfers**
- Advance industry **understanding of business requirements** for transacting across multiple blockchain networks

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**Summarised details**

- Cross-chain interoperability is seen as necessary (on DVP cases, collateral movements, access to DeFi apps)
- **Enabling secondary markets** is the initial priority and although **public chains are generally preferred** for interoperability but require better scalability and privacy controls to meet financial markets expectations
- Securities tokens standards exist but have not been widely used.
- To comply with regulation (such as EU DLT pilot regime), **a depository role will be needed**, but balanced with the need for reconciliation savings and direct access benefits that the tech enables.



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