



SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION

7th September 2006

Fabrice Demarigny
Secretary General
The Committee of European Securities Regulators
11/13 Avenue de Friedland
75008 Paris
France

Dear Mr Demarigny,

CESR Work Program on MiFID Level 3 Work

SWIFT welcomes the consultation opportunity offered on the CESR MiFID Level 3 work program. As stated in our responses to previous consultations, SWIFT is committed to the goal of achieving a harmonised European financial market, and we welcome every opportunity to continue our involvement in achieving this goal.

This response from SWIFT to the list of work areas and associated priorities identified by CESR for the Level 3 work program, is focused on the one area of Transaction Reporting. We trust that you will find our comments valuable in helping to determine the next steps in this area.

SWIFT would be pleased to provide any further clarification or detail on the comments that we have made. Questions relating to our response may be addressed to either of the contact points below.

Yours Sincerely

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Committee of European Securities Regulators (CESR)

CESR Work Program on MiFID Level 3 Work (CESR/06-413)

Public Consultation

Response from SWIFT

Background

SWIFT is an industry owned and governed co-operative that acts as a central standards body for the financial industry. SWIFT is recognised by the 'de jure' international standards setters such as ISO (International Organisation for Standardisation), ITU (International Telecommunication Union) and UN/ECE (United Nations / Economic Commission for Europe) as an official international liaison organisation which contributes to the initiation, definition and promotion of a number of financial standards. SWIFT is the official ISO Registration Authority for the following key financial standards:

- ISO 15022: the ISO standard for financial messaging in the securities industry
- ISO 20022: the successor to ISO 15022, ISO 20022 is the international standard for messaging in the broader financial industry, i.e. securities, payments, treasury, FX, trade etc. ISO 20022 is the only ISO approved messaging standard for the financial industry.
- ISO 9362: The Bank Identification Code (BIC) unambiguously identifies a financial institution, or an entity within a financial institution and is used extensively in automating financial transaction processing.
- ISO 10383: The Market Identification Code (MIC) is used to identify exchanges, trading platforms and other regulated or non-regulated markets.

All ISO standards are “open standards” that can be used, without payment of royalties, on any financial network.

In addition to its standards role, SWIFT supplies secure financial communication solutions to more than 7,500 of the world's leading financial institutions including central banks. SWIFT also provides secure messaging services to leading financial market infrastructures such as the inter-central bank TARGET system, CLS system for foreign exchange and to many central securities depositories.



Comments on the CESR Work Program outlined in CESR/06-413

As outlined in the covering letter SWIFT will confine our comments in respect of the above document to the issue of Transaction Reporting.

Transaction Reporting

In the work program CESR outlines a number of activities connected with Transaction Reporting. We note that under the existing scheme of work the majority of the activities identified are timetabled for Q4 2007.

It is SWIFT's view that this timetable will be inappropriate for some of these activities, leading to uncertainty in key areas right up to and potentially beyond the implementation date for MiFID. SWIFT has most concern in respect of the following areas:

Guidance on the harmonisation of the standards and formats for transaction reporting.

SWIFT's view is that the guidance on the harmonisation of the standards and formats of transaction reports, timetabled for Q4 2007 needs to be brought forward significantly.

Currently the volume of transaction reports to EU national regulators amounts to several million transactions per day. MiFID will lead to a further increase in this volume. The Level 2 implementing measures for MiFID have also specified a minimum level of detail for these reports, which will be entirely new for some markets.

In addition, there is also a requirement for the sharing of some of these reports between national regulators, resulting in an entirely new data flow.

Given the volumes of reports in question, the level of detail for those reports specified in MiFID level 2 and the need for reports to be shared between regulators, SWIFT believes that a move towards some form of standardised messaging here is vital. SWIFT in its role as a Registration Authority for ISO 20022, highlighted in the background material above, is keen to work with CESR, and the industry, to help with the development of standardised messaging for Transaction Reporting under MiFID. Such work, undertaken under the ISO framework, should be progressed as soon as practicable, and would potentially enable CESR to produce guidance for the market on the standards issue in advance of the timetable published in the consultation.

Proposal for a standard service level agreement for reporting channels

If there is to be such a standard service level drawn up then it would seem to be sensible to timetable completion of this initiative well in advance of Q4 2007 (the current proposal). Suppliers of services, and their customers, will need to be in a position to connect to their chosen reporting channel and perform some form of testing prior to Q4 2007. If a standard service level agreement is to be drawn up (to which SWIFT has no objection provided there is adequate industry consultation) this ideally should precede the provision of these services rather than occur in retrospect.



Measures for approving reporting channels.

Although currently timetabled for Q2 2007 SWIFT believes that this issue should be clarified earlier. There is currently confusion as to whether a channel which is approved by one regulator will be able to offer services in other EU markets and on what terms. Investment firms operating centralised operations for several cross border legal entities are faced with reporting to multiple regulators, and ideally would wish to minimise the number of reporting channels that they will have to use. Clarity on this issue would also help potential service suppliers in this space assess the viability of offering services in multiple markets.
