Response to ST-01.3 – Establish an Industry Taskforce to Develop a Single 'Gold Standard' Format for Settlement Instructions

This recommendation directly addresses the ST-01.3 requirement outlined in the *High-Level Roadmap to T+1 Securities Settlement in the EU*, published in June 2025. Specifically, it supports the call to establish an industry taskforce aimed at developing a single 'gold standard' format for settlement instructions.

To contribute to this initiative, the SMPG group has reviewed key fields that are known to present challenges in settlement messaging—namely, the Place of Settlement (PSET) and the Place of Safekeeping (PSAF/SAFE). These fields are critical for ensuring accurate and efficient settlement, especially in cross-border and investor-CSD contexts.

This recommendation focuses exclusively on the usage of PSET and PSAF/SAFE within settlement instruction messages, and does not extend to other message types, such as Statements of Holding. The objective is to clarify their definitions, appropriate use cases, and alignment with current market practices, thereby supporting harmonization and reducing operational risk under T+1 constraints.

Definition/clarification:

Within the securities settlement industry, two abbreviations—PSAF and SAFE—are commonly employed to denote the place of safekeeping. These terms are used interchangeably in market practice. It is important to note, however, that the precise SWIFT field in the ISO 15022 standard is :94F::SAFE; there is no corresponding field designated as :94F::PSAF. In the ISO 20022 standard, the equivalent field is <SfkpgPlc>. For the sake of consistency and alignment with established SWIFT messaging standards, this document will exclusively use the term SAFE when referring to the place of safekeeping.

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SMPG recommendations:

- **Reaffirm Existing Market Practice**

  The industry must be reminded that market practice is already well-defined regarding the use of the *Place of Settlement (PSET)* and *Place of Safekeeping (SAFE)*. These definitions are established through SMPG guidelines and should be consistently applied across all actors.

- **Definition and Stability of PSET**

  The definition of PSET remains unchanged:

  "The PSET should be populated with the BIC11 of the CSD where the counterparty is located." This principle is foundational and must be upheld by all stakeholders to ensure clarity and interoperability in settlement messaging.

- **Support for Diverse PSETs in Cross-Border and Investor-CSD Models**

  With the increasing adoption of investor-CSD models and the rise in cross-border settlement activity, it is essential that the industry supports the use of different PSETs, regardless of the underlying security.

  In the context of T2S, where cross-CSD settlement is possible across various combinations of PSETs and security types, flexibility and precision in PSET usage are critical to operational efficiency and risk mitigation.

- **Place of Safekeeping**

  Use of Place of Safekeeping (SAFE) should be included in settlement instructions only when securities are held in multiple locations (e.g., across different custodians, CSDs, or ICSDs).

  - For settlement instructions sent to custodians, if securities are held in multiple safekeeping locations (e.g., domestic market, ICSD, CSD), the custodian may request the Place of Safekeeping to understand the client's market choice (this provision shall be included in, but not limited to, the SLA agreement and/or terms and conditions between the custodian and their clients).

  - For settlement instructions sent to ICSDs, SAFE should not be used unless the security is multi-deposited, in which case the client may specify a preferred location (e.g., remote security).

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- **ISO 15022 and ISO 20022**

  In the context of T+1 settlement, it is important to understand how ISO 15022 and ISO 20022 differ in their handling of Place of Settlement (PSET) and Place of Safekeeping (PSAF):

  - ISO 15022

    - PSET and SAFE are separate fields with limited structural linkage.

    - The PSET field identifies the counterparty location, typically via a BIC.

    - SAFE is used optionally to indicate where securities are held, but its interpretation depends heavily on bilateral agreements and message context.

  - ISO 20022

    - Introduces a more structured and explicit model, with dedicated fields for delivering and receiving depositories.

    - These fields directly reflect the safekeeping location and the CSD of the counterparty, making it easier for CSDs and ICSDs to interpret and process settlement instructions.

    - This structure supports greater clarity and automation, especially in cross-border and investor-CSD models, where multiple safekeeping locations and settlement venues may be involved.

Clear and unambiguous settlement instructions are increasingly important under tighter T+1 timelines. The ISO 20022 data model provides enhanced structure and transparency for identifying settlement and safekeeping locations, which can help reduce operational risk and improve efficiency. SMPG remains neutral regarding the adoption of ISO 20022, acknowledging that ISO 15022 is currently the predominant industry standard. While SMPG recognizes the potential benefits of ISO 20022, it also notes the limited adoption and potential costs involved, therefore, SMPG will focus on promoting clarity and best practices within the current industry framework, without advocating for a specific standard.

It is recognized that ISO 15022 could, in theory, be enhanced to support more granular identification of settlement locations—such as distinguishing between receiving and delivering depositories, as is possible in ISO 20022. However, because ISO 15022 is so deeply embedded in market infrastructures and workflows, any significant change to its structure would have far-reaching impacts on the industry.

Although ISO 20022 provides more explicit definitions for Place of Safekeeping and Place of Settlement, which may facilitate future harmonization, the group acknowledges that both standards are capable of supporting T+1 objectives

- **SMPG website**

For more detailed information, please consult the market practices that are located on the SMPG website: www.smpg.info .