



Defining Market Standards: Accounting Statement of Holdings

The Accounting Statement of Holdings is here and the Reconciliation Working Group is working towards completing the first draft of the market practice document in the first quarter of 2008. The new document will allow for the inclusion of a market practice for both the existing ISO 15022 (MT535), as well as the ISO 20022 Accounting Statement of Holdings (SEMT.003.001.02). This is a milestone in defining market standards by adopting a business approach.

The Accounting Statement of Holdings market practice guide will include explanation of actors, roles, and data flows within the reconciliation process. Additionally, specific information to support ad hoc requests of the statement related to the Total Portfolio Valuation (TPV) message will be included. Definitions about frequencies, types of accounting reconciliations such as tax lots, multimanager and derivatives will also be detailed within the market practice document. The ISITC Reconciliation Working Group has been working diligently to complete this work and encompass definitions for all the reconciliation processes existing within the securities industry today.

The Working Group intends to introduce the new market practice as a basis for understanding and to establish a solid foundation of reconciliation practices as the industry migrates to the use of the ISO 20022 message standards in the next several years. Not only will the Accounting Statement of Holdings be able to support more information specific to each financial instrument being reported, it also provides flexibility to support a greater number of financial instruments, including OTC Derivatives and FX.

The success of these initiatives is highly contingent upon the involvement of industry experts. Please join the Reconciliation Working Group to maintain momentum on this effort.

Cash Management Report (CAMT): U.S. and Global Initiatives

ISITC's Reconciliation Working Group has been hard at work changing the landscape of reconciliation within the securities industry.

In 2006, ISITC aligned itself with SWIFT, TWIST and ISTH in a memorandum of understanding, ensuring that it would maintain a major stake in the development of a new cash statement within the guidelines of ISO 20022. The Working Group has seen a major success recently with the approval of the Cash Account Management Report (CAMT), as part of the Bank-to-Corporate (B2C) message model, into the ISO 20022 Standard. Members of the Working Group served on the ISO Standards Evaluation Group for Payments, which officially approved these messages for inclusion in the ISO 20022 standard.

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The ISITC Reconciliation Working Group provides market practice recommendations on existing and potential issues for all messages that facilitate the cash and securities reconciliation process.

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Cash Management Report (CAMT): U.S. and Global Initiatives

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Now that the messages have been approved and are available for development in the industry, the Recon Working Group is shifting its focus and making efforts to complete a Market Practice for the use of the CAMT both in the U.S. and globally.

The Working Group has determined the need for three different types of reconciliation which require specialized reporting:

- Cash Balances and Transactions
- Intra-Day Cash Balances and Transactions
- Forecasted Cash Balances and Transactions

The initial version of the Cash Balances and Transactions Market Practice is now available. Analysis and review are continuing for the remaining two types of required CAMT reporting. ISITC recognizes that CAMT is a key element to promoting straight-through processing in the cash reconciliation process. The new message, seen by many in the securities industry as a replacement of the MT950, elevates cash accounting functions for securities through the much needed clarification of data points.

Some of the key features of the CAMT include the ability to offer multiple currency balances and transactions within a single statement, cash availability projections, and standardized details of data components within individual cash transactions.

The Working Group has been collaborating with experts in the cash reconciliation and reporting field among investment manager firms, custodian banks, fund accounting agents, brokers, standards bodies, and reconciliation vendors. The collaboration among these groups will ensure that the securities industry can globally implement CAMT for cash reconciliation and agree on a reporting solution that meets the requirements of all potential users of the messages.

This group is truly leading the way in setting standards and best practices for cash reconciliation and reporting in the securities industry.

THE TOP 5

Top 5 Industry Reasons to Migrate to SEMT:

1. Supports TPV process breaks

Smoother processing for third-party verification.

2. More instrument information

Additional elements included for swaps and tax lots.

3. Flexibility

A more robust message can report in base and local currency.

4. Alignment with industry migration

Aligns with industry plans to migrate to ISO20022 by 2013.

5. Investment Managers will be looking for this message

Investment Managers and Vendors are ready and looking to use the MX.

Get Involved in Reconciliation for 2008

The ISITC Reconciliation Working Group provides market practice recommendations on existing and potential issues for all messages that facilitate the cash and securities reconciliation process. The Working Group is expecting an innovative and progressive year in 2008 and has set the following goals for the next four quarters:

- Complete initial release of Accounting Statement of Holdings Market Practice
- Complete initial release of Cash Account Management Report Market Practice
- Identify candidates to build and pilot new messages

As well, in support of the Total Portfolio Valuation initiative, the Working Group anticipates the publication of the Message Definition Report for TPV from which initial market practice discussions can begin.

To participate in these developments and be at the forefront of the changes impacting the marketplace, you may join the Reconciliation Working Group conference call and receive Market Practice updates. Contact any of the group's Executive Sponsors or Co-Chairs to find out more information or visit the ISITC website at www.isitc.org.