INTERNATIONAL STANDARD

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Redline version compares Fourth edition to Third edition

Securities and related financial instruments — Classification of financial instruments (CFI) code

Valeurs mobilières et autres instruments financiers concernés — Classification des instruments financiers (code CFI)

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Foreword

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~~The committee responsible for this document is~~This document was prepared by Technical Committee ISO/TC 68, *Financial services*, Subcommittee SC ~~4~~8, ~~*Securities and related financial instruments*~~*Reference data for financial services*.

This ~~third~~fourth edition cancels and replaces the ~~second~~third edition (ISO 10962:~~2001~~2015) which has been ~~extended to cover necessary technical changes.~~technically revised. The main changes to the previous edition are as follows:

— To address industry requirements for the classification of derivative instruments, 6.8, 6.9 and 6.11 have been amended, where the support for multi-commodity derivatives, the addition of exercise styles not connected to option type (put or call) and the ability to classify foreign exchange derivatives for single currencies and a basket of currencies are included.

— In 6.8, changes have been introduced for the identification of deliverable/non-deliverable for swap products.

— Rolling foreign exchange spot contracts have been included in 6.11.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

Introduction

The classification of financial instruments (CFI) code was developed to address a number of problems which have concerned the financial community. With the growth of cross-border trading, the requirement to improve communication of information among market participants has become critical.

The business problems centre around an inability to obtain information on securities due to the lack of a consistent and uniform approach to grouping financial instruments. With the explosive growth over the past 20 years in new instruments and features attached to financial instruments, a serious communication problem has developed.

Many market participants are using similar terminology for instruments having significantly different features. The problem is compounded when market participants look beyond their own national markets. They encounter the same words to describe instruments in another country, which have significantly different features. Where the terminology is in a different language, the market participant encounters the problem of the same words being applied to different instruments along with the problems of translation, which also can be misleading.

In addition, the customs and practices of local markets vary considerably in the manner in which they structure financial instruments, leaving foreign participants confused and perplexed. On careful analysis, it is often found that the characteristics and features of these instruments are similar to a domestic instrument. However, most market participants do not have the time and resources to do this analysis.

The inability to group securities in a consistent manner is another problem encountered by market participants. Reports of holdings by different sources for similar financial instruments often result in financial instruments being categorized differently. This not only affects comparability but causes a credibility issue with the reader. When relative performances are being measured, the ability to properly categorize holdings is essential if true comparisons are to be made.

The solution envisioned is twofold. One is to establish a series of codes which clearly classify financial instruments having similar features. The other is to develop a glossary of terms and provide common definitions which allow market participants to easily understand terminology being used.

The benefits derived are many~~.~~:

— The development of these codes will increase the efficiency, reliability, data consistency and transparency of financial services transactions for both market and reference data. Classifying financial instruments in a consistent, structured and standardized way is also beneficial for regulatory reporting requirements.

— The CFI code system provides a set of codes for financial instruments which can be used globally for ~~Straight Through Processing~~straight-through processing by all involved participants in an electronic data processing environment. ~~An~~For example ~~being~~, readers of portfolio holdings see reports from different sources using the same ~~categories, groups and attributes~~Categories, Groups and Attributes, making comparison of instruments more credible.

— The broadened scope and coverage of CFI codes encourages market participants to take advantage of other International Standards, particularly international securities identification numbers (ISINs).

— It is intended that the improved understanding of the characteristics and categorization leads to a better comprehension of financial instruments. This leads to more active markets and the resulting improvement in market liquidity. In addition, these codes will be displayed on websites using internet technology, which has allowed the growth of e-issuing, e-trading and e-settlements.

— The CFI code system can further serve as a basis for classification of financial instruments for industry risk aggregation and regulatory reporting.

