

Securities — Classification of Financial Instruments (CFI code)

ICS 03.060

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National foreword

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Summary of pages

This document comprises a front cover, an inside front cover, pages i and ii, the ISO title page, page ii, pages 1 to 18 and a back cover.

This standard has been updated (see copyright date) and may have had amendments incorporated. This will be indicated in the amendment table on the inside front cover.

Amendments issued since publication

Amd. No.	Date	Comments

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INTERNATIONAL STANDARD

**ISO
10962**

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Securities — Classification of Financial Instruments (CFI code)

Valeurs mobilières — Classification des instruments financiers (code CFI)



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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

Draft International Standards adopted by the technical committees are circulated to the member bodies for voting. Publication as an International Standard requires approval by at least 75 % of the member bodies casting a vote.

International Standard ISO 10962 was prepared by Technical Committee ISO/TC 68, *Banking, securities and other financial services*, Subcommittee SC 4, *Securities*.

Annex A of this International Standard is for information only.

Descriptors: Banking, stock exchange, transferable securities, classification, coded representation, codes, alphabetic codes, organizations for code assignment.

Introduction

The Classification of Financial Instruments (CFI) code has been developed to address a number of problems which have concerned the financial community in the past few years. 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 ten years in new instruments and new 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 that 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 classifies 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 CFI code system provides a set of codes which can be used by all market participants in an electronic data processing environment and permits electronic communication between participants. Readers of portfolio holdings will see reports from different sources using the same categories. Performance measurement will be more credible as the groupings for measurement will be the same.

The development of these codes will encourage market participants to take advantage of other ISO Standards, particularly ISINs and Securities Messages to simplify the communication process among market participants.

The improved understanding of the characteristics of financial instruments will lead to a better understanding by investors, giving them more confidence to make investment decisions and leading to more active markets and the resulting improvement in market liquidity.

It is understood that some users may not, for practical reasons, be in a position to implement this International Standard immediately. In order for the International Standard to fulfil its objective, users are however recommended to implement it as soon as possible.

1 Scope

This International Standard is intended for use in any application in the trading and administration of securities in international securities business. In so far as the trading and the administration of securities do not affect other countries, the application of this International Standard remains at the discretion of the responsible national bodies, such as stock exchanges, banks, brokers, and other institutions active in the securities field.

This International Standard defines and describes codes for an internationally valid system to classify financial instruments. The classification system applies to financial instruments negotiated internationally as well as to domestic instruments. The term “financial instruments” refers not only to classical securities; it also covers the innovative financial products that have recently emerged in different markets — a trend that is expected to continue in the future.

In principle, the CFI code reflects characteristics that are defined when a financial instrument is issued and that remain unchanged during its entire lifetime. However, a few events that may lead to a new CFI code for the same instrument are anticipated, such as the changing of voting rights or ownership restrictions by a stockholders’ meeting.

The code has been developed to provide the most comprehensive information possible while at the same time maintaining the code manageability.

2 Normative reference

The following standard contains provisions which, through reference in this text, constitute provisions of this International Standard. At the time of publication, the edition indicated was valid. All standards are subject to revision, and parties to agreements based on this International Standard are encouraged to investigate the possibility of applying the most recent edition of the standard indicated below. Members of IEC and ISO maintain registers of currently valid International Standards.

ISO 6166:1994, *Securities — International securities identification numbering system (ISIN)*.

3 Conventions and principles

The CFI Code consists of six alphabetic characters. The first character indicates the highest level of classification and differentiates between six generic categories: Equities, Debt instruments, Entitlements (Rights), Options, Futures, and Others. The second character indicates specific groups within each category: Equities, for example, are broken down into Shares, i.e. common/ordinary, Preferred shares, Convertible preferred shares, Units, i.e. unit trusts/mutual funds/OPCVM/OICVM, and Others. Within the category Debt instruments, the groups are Bonds, Convertible bonds, Bonds with warrants attached, Medium term notes, Money market instruments, and Others. For the complete classification breakdown, see 4. “Codes and Definitions”.

The four last characters indicate the most important attributes applicable to each group: Whereas voting rights, restrictions, payment status and form are useful information in Equities, these features do not exist for Options, which have other attributes (underlying instruments, type of scheme, delivery, standardized/non-standardized).

In Equities, Debt instruments and Entitlements, the sixth (last) character indicates the form of the instrument.

X = not applicable, unknown, not available: If the information is not available or applicable at the time of assignment, the code “X” is to be used for the respective element.

Classification procedure: The order given in 4. “Codes and Definitions” is valid for the classification of ambiguous instruments. A financial instrument, for which the definitions of more than one category or group are correct, should be classified under the first possible category or group. For example, a financial instrument that gives the privilege to receive specific assets and is repaid by the issuer at maturity, thus classifiable both as “Debt instruments” or “Entitlements”, should only be classified as “Debt instruments”.