

Foreign Exchange Programme

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Madrid, 20th May, 2008



Agenda (20.5.08)

- Overview of « FX forward programme »
 - SWIFT's role in FX today
 - 3 strategic initiatives
 - FX Advisory Group (FXAG)
- Reference Data - FX SSI
- Corporates - confirmations/affirmations
- Q&A



SWIFT's role in FX today

- Processed 177mio FX confirmations (MT 300s) in 2007
- **SWIFTNet Accord** – central matching engine for confirmation messages (FX, MM & OTC derivatives) – used by >425 matching entities in 65 countries; 15.8mio messages in 2007
- **CLS** – supports CLS/community in its communication flow for both core FX and NDFs (& for DTCC-CLS credit derivative flows)
- **CLS Third Party Service** - SWIFT provides solution to support the communication flow between CLS settlement members and Third parties (offered by 22 CLS members to >250 Third Parties live; around 1mio transactions per month)
- **Affirmations** offering (when matching is not possible)
- Industry representation – FX JSC, CLS TPS WG, CLS NDF Steering Group



FX services

Current SWIFT post-trade market space

Asset classes	Segments						
	Banks	Custod.	MI - back	Sell-side	Buy-side	Corporat.	MI - front
« Traditional » FX	√				≈	≈	≈
FX derivatives	≈				≈	×	×
Low value, high volume FX	×						



FX post-trade processing

Key pain areas



Allocations

- No industry consistency regarding allocations
- ECNs and multibank portals complicating workflows



FX Settlement

- Hedge Funds' FX volumes stressing Prime Brokers' processing
- Overall settlement costs considered too high
- No single source of Standing Settlement Instructions
- New flows creating additional exceptions processing



Buy-side/Hedge fund workflows

- Increasing volumes causing processing bottlenecks
- Limited solution available for Prime Brokers
- No industry standard available



Front-end fragmentation

- Proliferation of portals fragments eco-system
- Front and Back office speak different languages
- Breaks in flows hamper end-to-end STP



FX post-trade processing

Three key initiatives



Allocations



FX Settlement



Buy-side/ Hedgefund
workflows



Front-end
fragmentation

1

Middle-office (& Back-office) services

2

Buy-side / prime broker flows

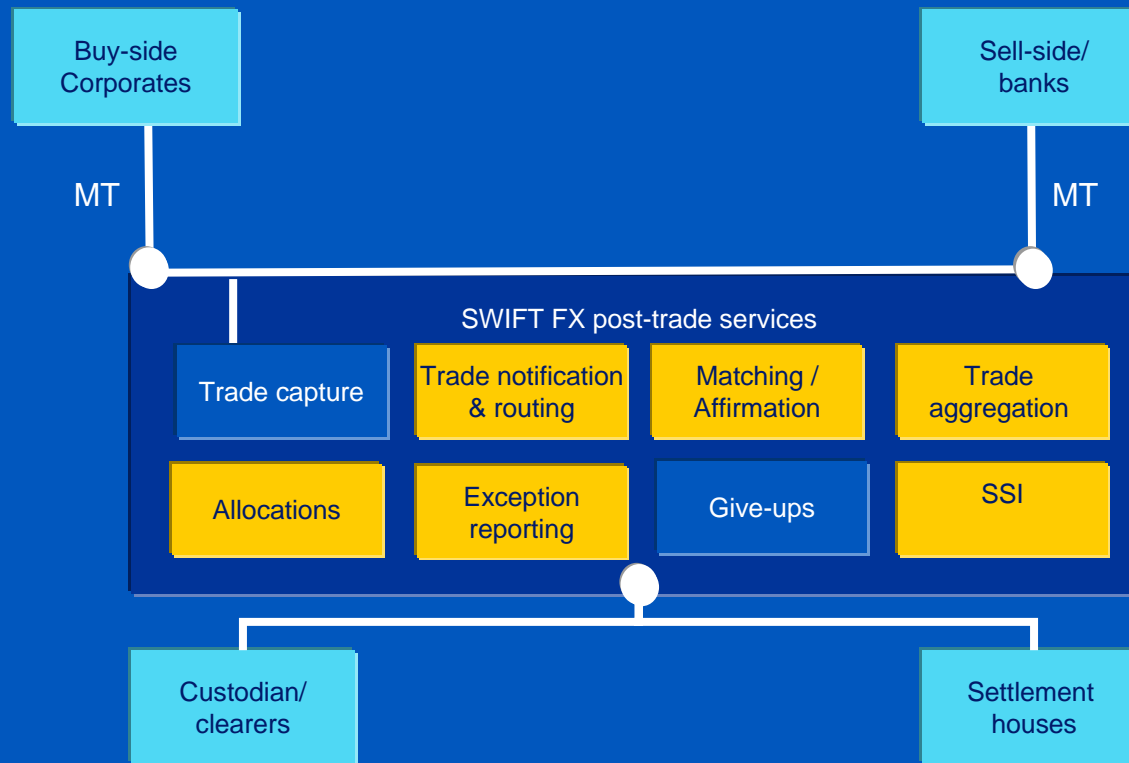
3

Trade capture at source



Three key initiatives

1 – Middle-office (& Back-office) services



1

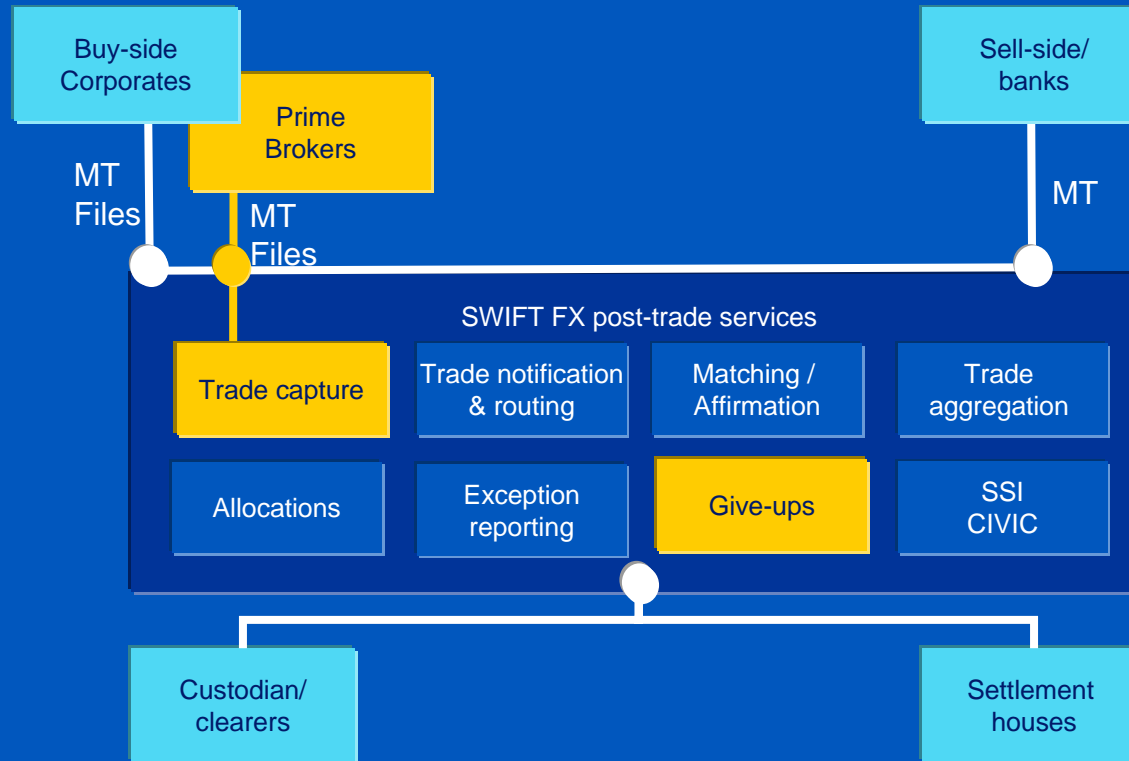
Middle-office services

- Allocation processing
- Trade aggregation support
- Notification generation & routing
- Extend matching to new instruments



Three key initiatives

2 – Buy-side / prime broker flows



2

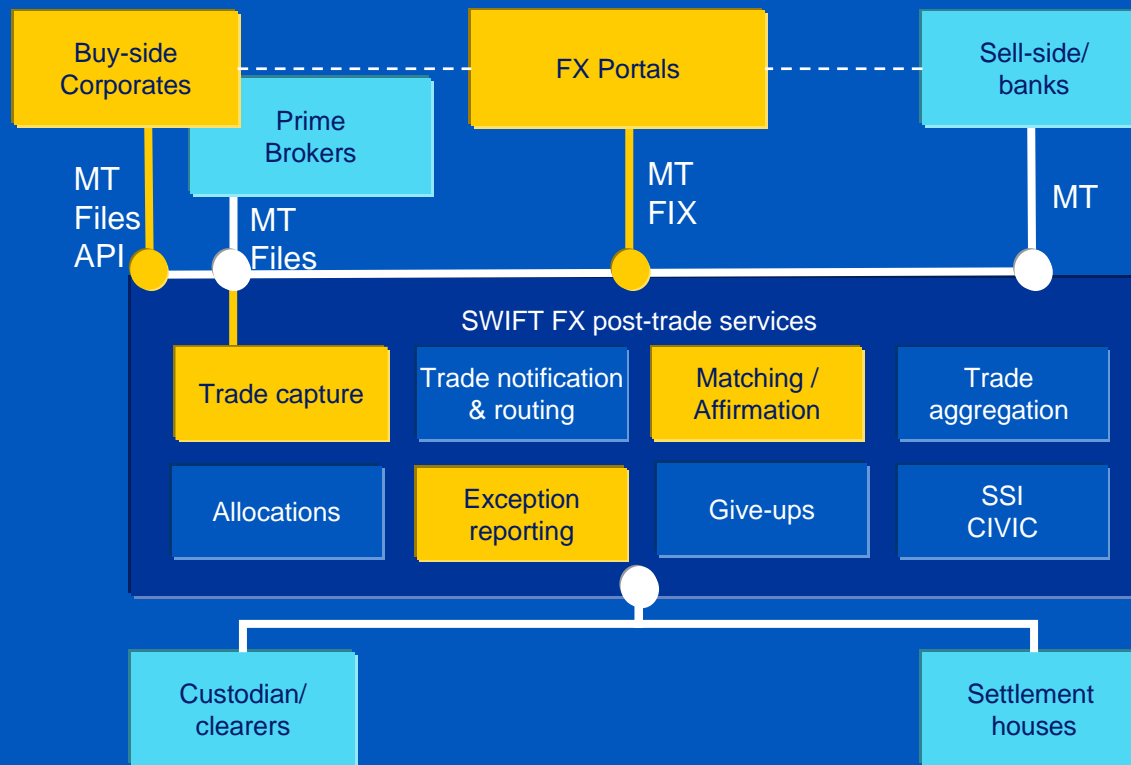
Buy-side / prime broker flows

- Broker give-up processing
- Low-value, high-volume trade flow
- Pricing model for high volume users
- Pricing model for low value trades



Three key initiatives

3 – Trade capture at source



3

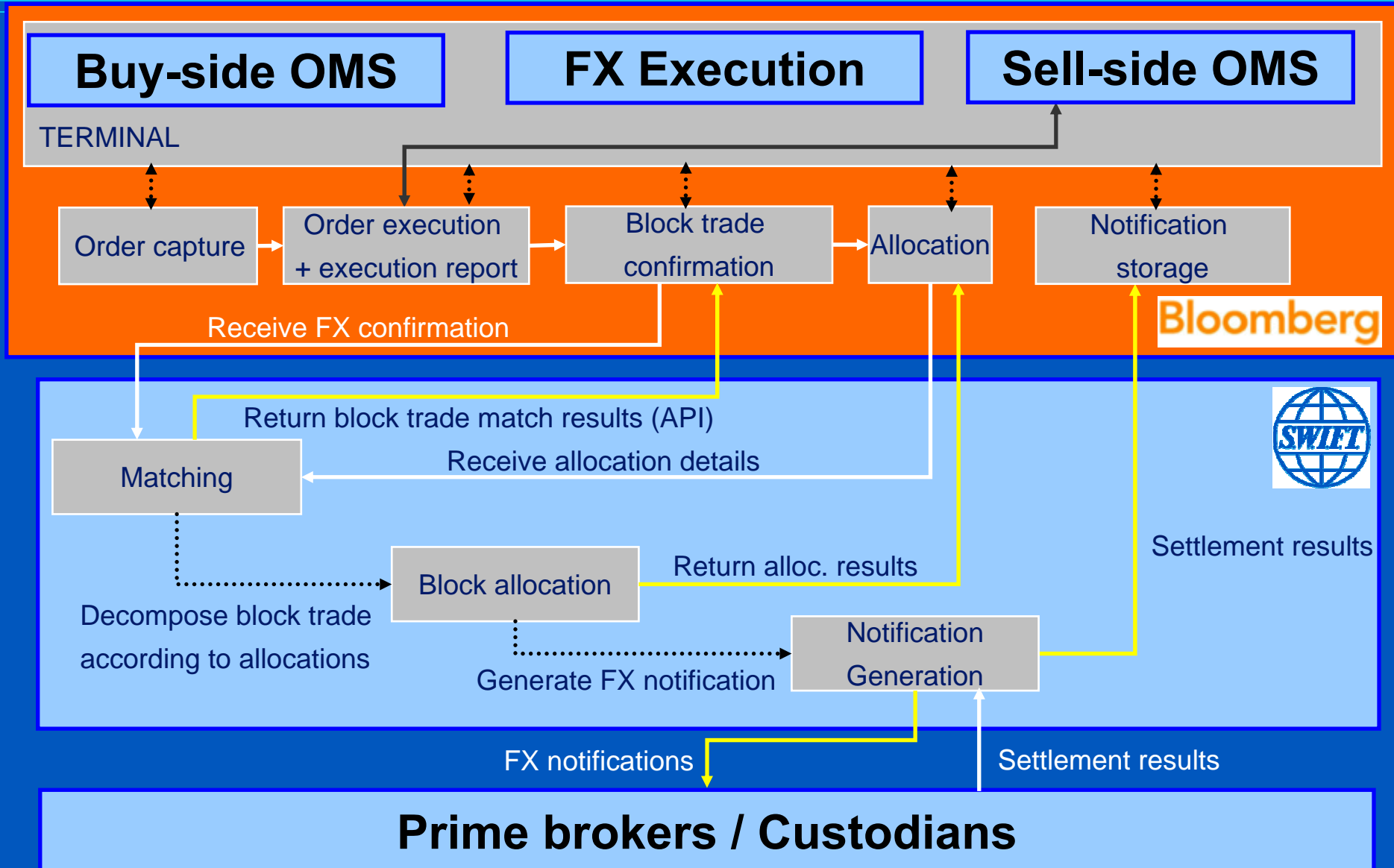
Trade capture at source

- Hooking-up to portals
- Buy-side lighter connectivity
- Affirmation model
- Prime broker connectivity
- ERP/TMS integration (Corporates)



Solution description (one scenario)

↕ Bloomberg blotter update



FX Advisory Group (FXAG)

Established in 2008



FXAG mission and scope

- To assist SWIFT Executive to expand SWIFT's role in FX post trade/pre-settlement processing
- Define and validate community needs in post-trade processing of FX trades
- Formulate & scope strategic business development plans including standardisation and market solutions as appropriate
- Make proposals for a collaborative industry model as required



Discussion (31.3.08)

- SWIFT's FX post-trade, pre-settlement programme validated by the group (including 3 key initiatives)
- Industry pain points identified by SWIFT validated by the group:-
 - Allocations
 - FX settlement (« bottleneck »)
 - Buy-side/Hedge Fund workflows
 - Front end fragmentation



Key actions/follow-up (Q2, 2008)

- Examples of key industry pain points which were prioritised for action by the FXAG:-
 - **Hedge Fund/Buy-side workflows** - re-package existing messaging solution for buy-side/Hedge fund firms
 - **SSIs** - create a standardised, authenticated message for the notification of an SSI change (best practice in change) as a first step



Reference Data – FX SSI (1/1)

■ Requirements

1. Standardisation of SSI
2. Standardisation of communication
 - One provider
 - Authenticated
 - Validated
3. Limit Scope
 - Interbank
 - FI (ie. Hedge Fund Firms/Asset Managers/Investment Managers)
 - Corporates



Reference Data – FX SSI (1/2)

- Next steps

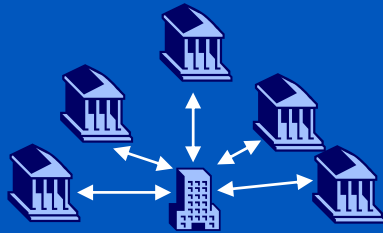
1. Standard SSI Template for FX
2. Results to FXAG by 20th June
3. FXAG to advise next steps

- Discussion



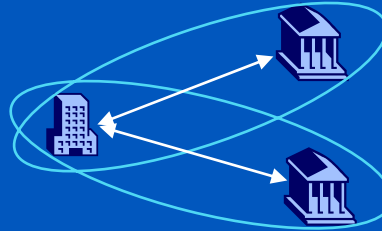
Corporate connectivity – how to join the SWIFT community?

1998 - Treasury Counterparty



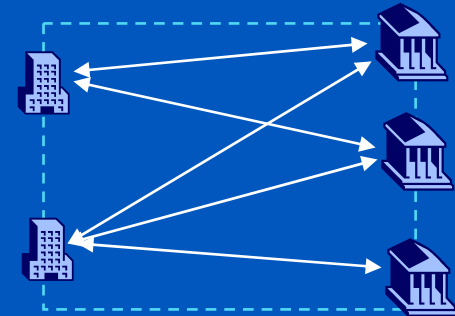
- Access to all banks on SWIFT
- Message usage limited to treasury deal confirmations

2001 MA-CUG



- Each bank sets up its own environment
- No usage restrictions
- Need to join several MA-CUGs to emulate multi-banking

2007 SCORE

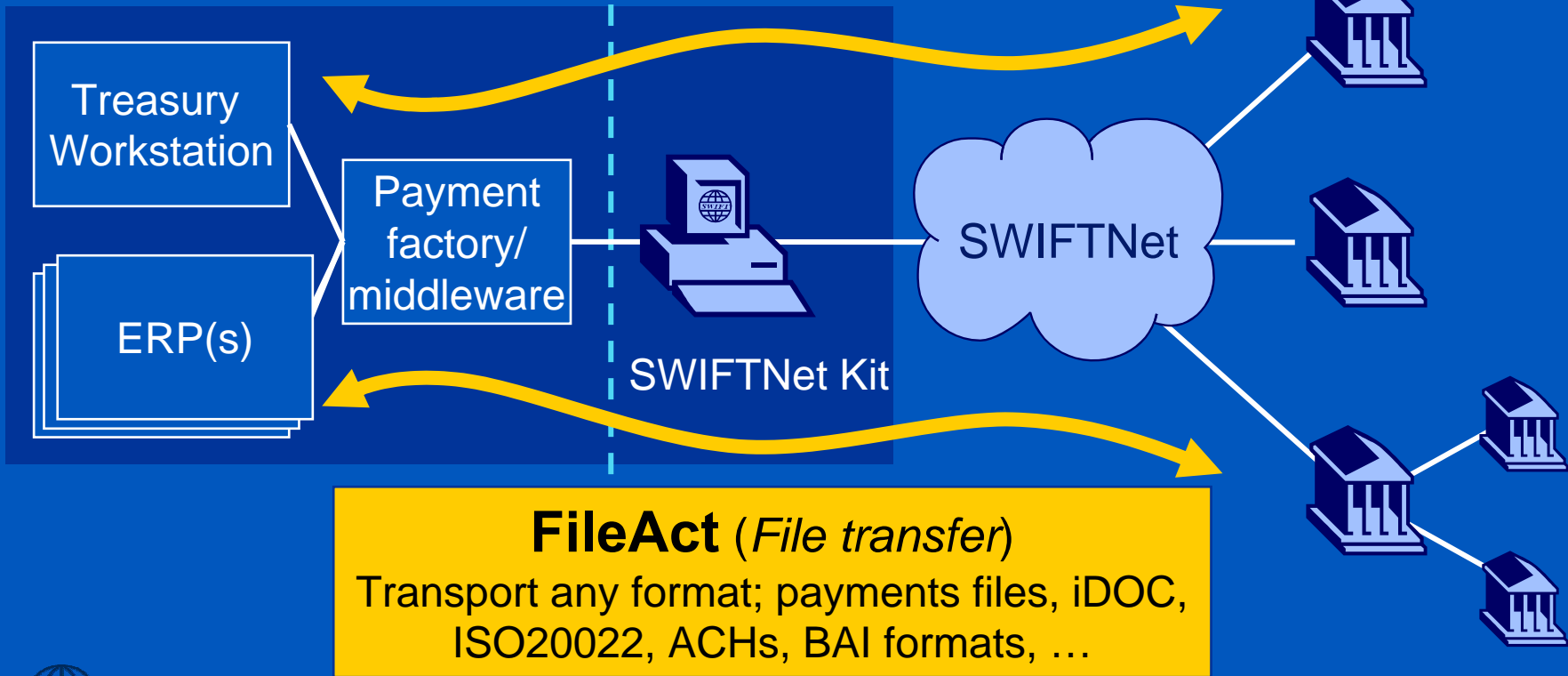


- Messages/standards defined by SWIFT
- Higher standardisation
- Must be listed

Corporate will choose its option(s) depending on its needs

Typical implementation

FIN (*individual messages*)
Payments (MT101), statements (MT940/2)
and FX confirmations (MT3xx)



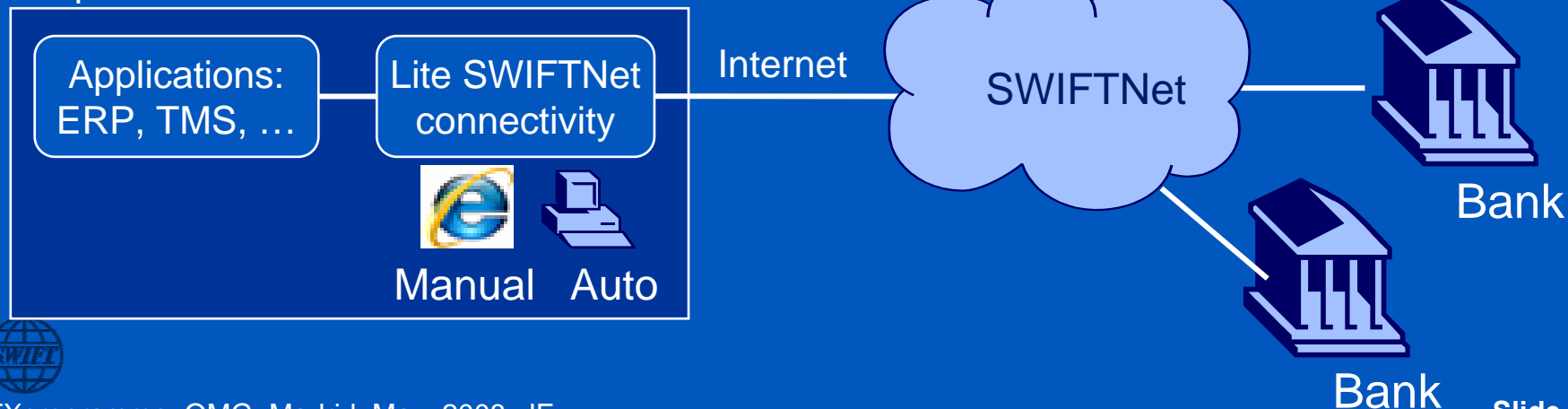
FileAct (*File transfer*)
Transport any format; payments files, iDOC,
ISO20022, ACHs, BAI formats, ...



Connecting new users – New Lite offering (H2, 2008)

- Simplified connectivity offering
- Accessible in a secure way
- Over the Internet (low footprint)
- For manual and automated operations
- At a lower price

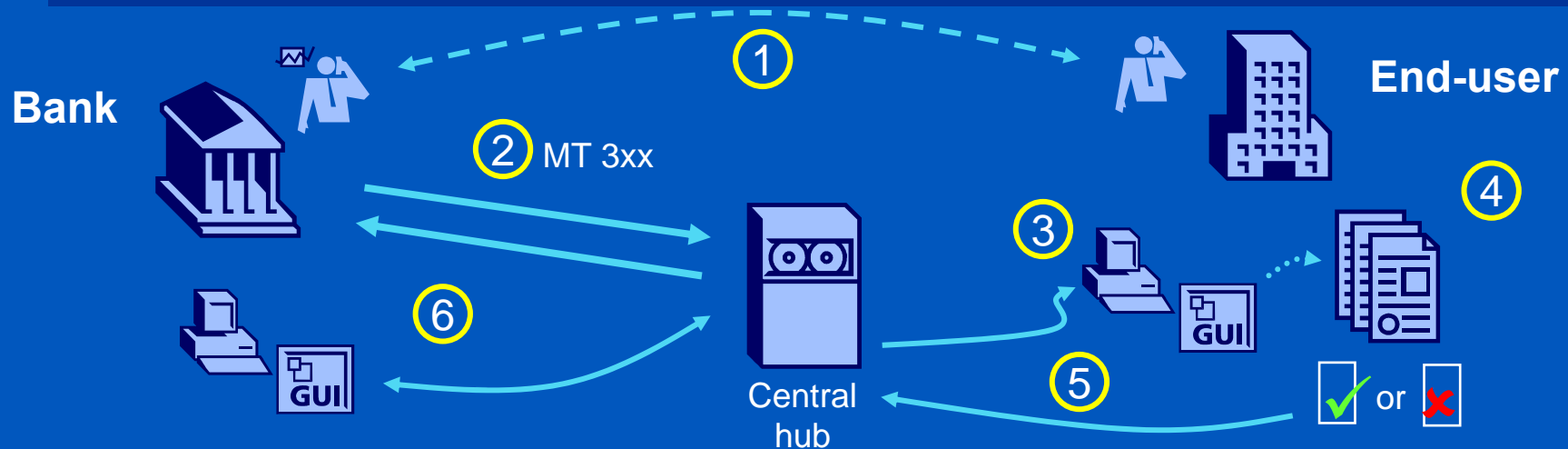
Corporate



When Matching is not possible...

SWIFTNet Affirmations – launched 2007

- Multi-broker affirmation service for FX, Money Market and Derivative trades
- Secure and reliable platform operated by SWIFT
- Uses standard FIN confirmations to submit transaction data to a central hub
- Provides graphical interface to view trade details and to accept, reject or query
- Includes complete audit trail and optional 10-year archival service



1 - Dealing bank brokers a trade with end-user

2 - Bank sends FIN trade confirmation to central hub

3 - User views trade details in graphical environment

4 - End user *accepts, rejects or queries* the trade

5 - Action is stored on central hub

6 - Hub sends reply confirmation for agreed trades
OR

- Bank views trade status in graphical interface



SWIFTNet Accord

single-slide overview – overall architecture

