

Confirmation and settlement practices

Treasury Services
Wolfgang Vogt

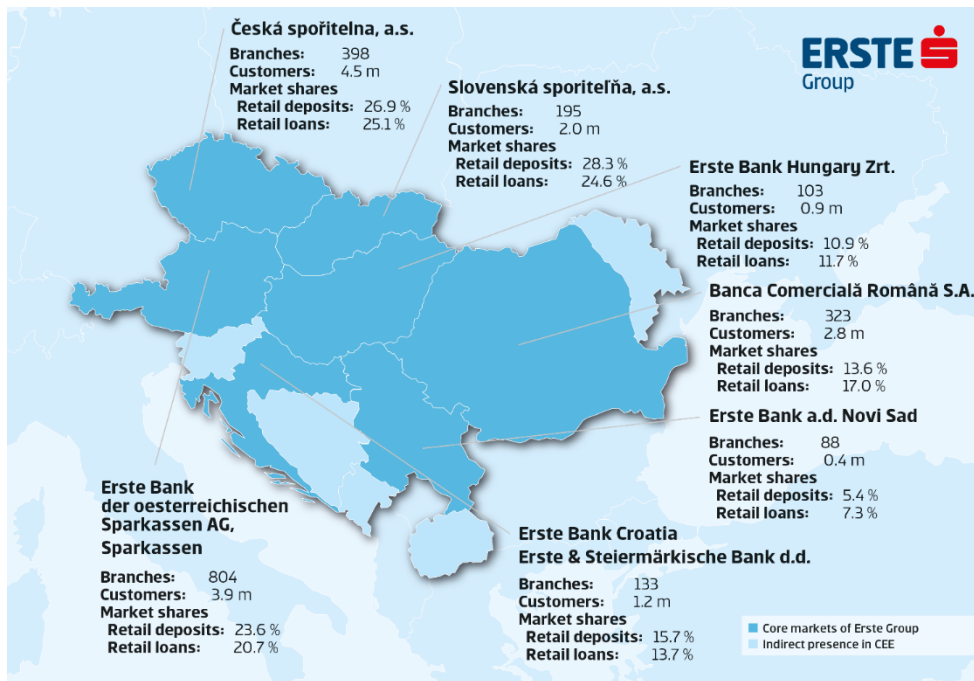


BANKING SERVICES
Erste Group

Erste Group at a glance

Providing banking services for the real economy

- Core activities of Erste Group – besides the traditional strength in **servicing private individuals and SMEs** – include advisory services and support for corporate clients in financing, investment and access to international capital markets, public sector funding and interbank market operations.
- Erste Group plays an advancing role in region's **capital markets** and is strongly focused on **digital innovation**.



Strategy

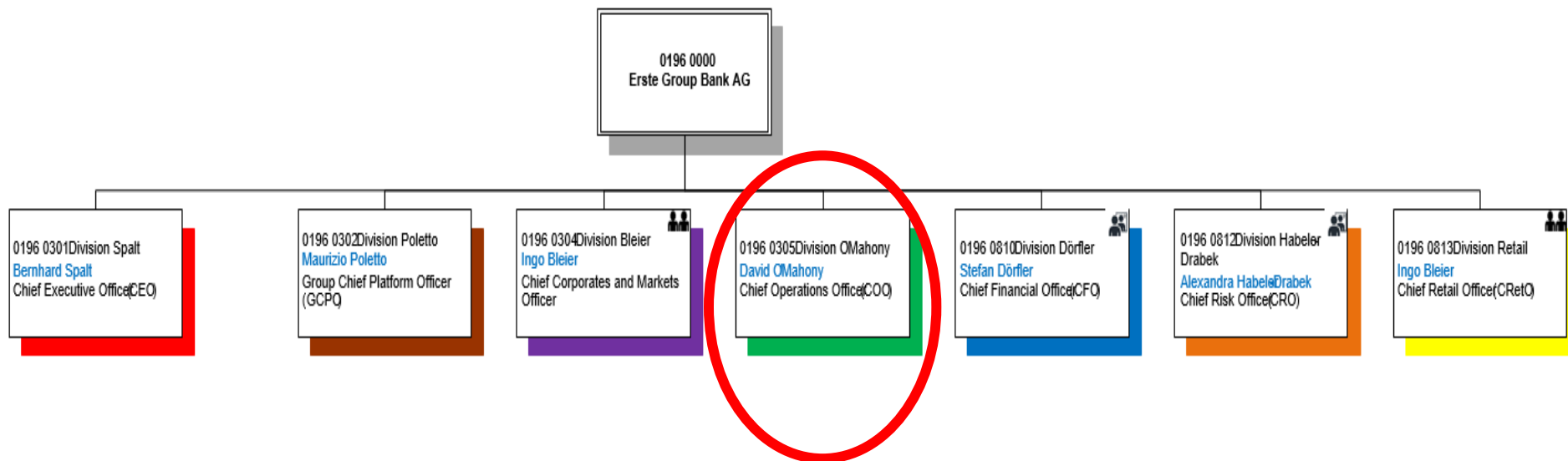
Real customer needs are the reason for our business

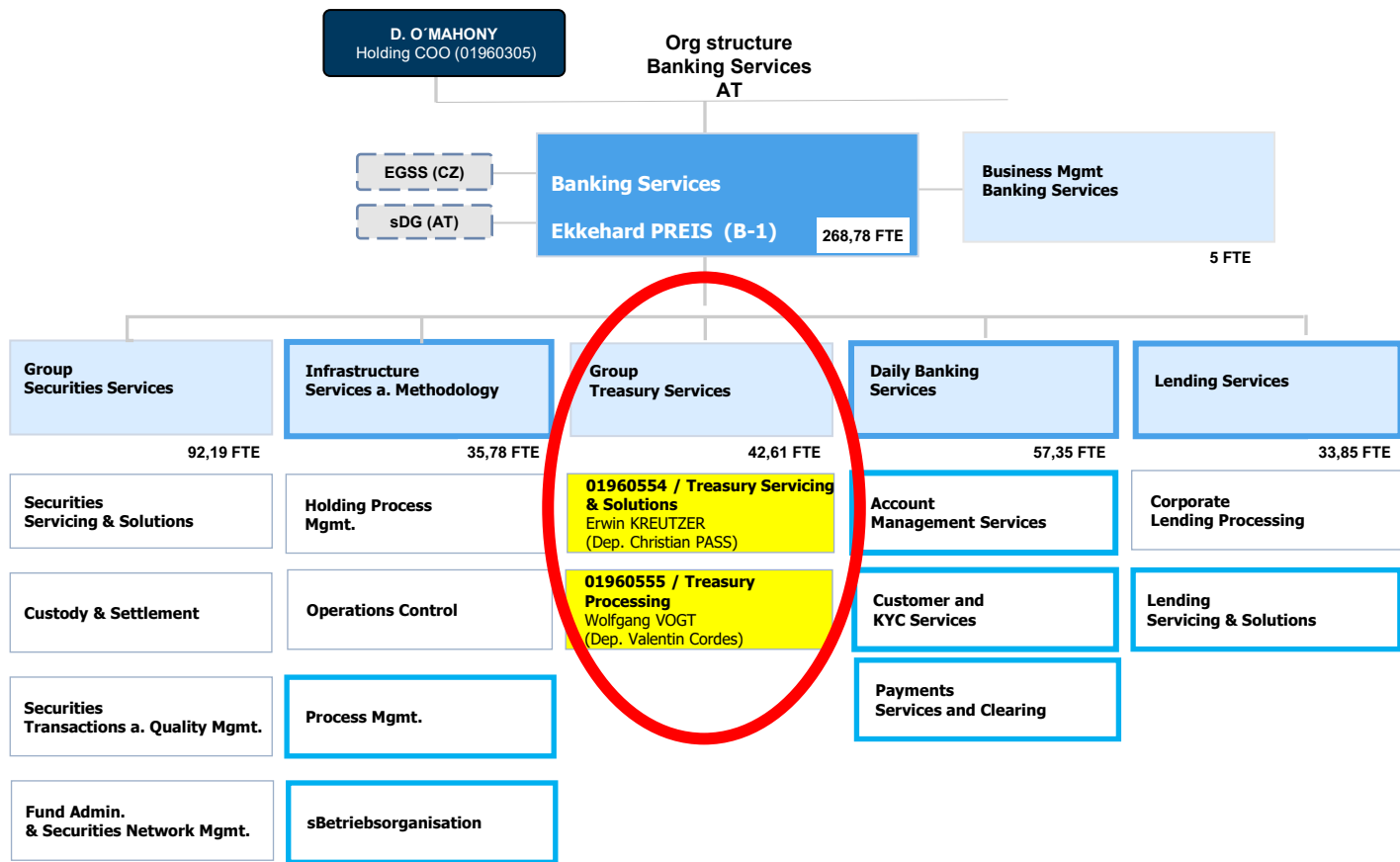
Strategic Objectives

Customer banking in Central and Eastern Europe				
Eastern part of EU		Focus on CEE, limited exposure to other Europe		
Retail banking	Corporate banking	Capital markets	Public sector	Interbank business
<p>Focus on local currency mortgage and consumer loans funded by local deposits</p> <p>FX loans only in EUR for clients with EUR income (or equivalent) and where funded by local FX deposits (HR & RS)</p> <p>Savings products, asset management and pension products</p> <p>Expansion of digital banking offering</p>	<p>Large, local corporate and SME banking</p> <p>Advisory services, with focus on providing access to capital markets and corporate finance</p> <p>Real estate business that goes beyond financing</p>	<p>Focus on customer business, incl. customer-based trading activities</p> <p>In addition to core markets, presences in Poland, Germany, New York and Hong Kong with institutional client focus and selected product mix</p> <p>Building debt and equity capital markets in CEE</p>	<p>Financing sovereigns and municipalities with focus on infrastructure development in core markets</p> <p>Any sovereign holdings are only held for market-making, liquidity or balance sheet management reasons</p>	<p>Focus on banks that operate in the core markets</p> <p>Any bank exposure is only held for liquidity or balance sheet management reasons or to support client business</p>

Organisational Chart

BANKING SERVICES





**01960563
Group
Treasury Services**

**01960555/Treasury Processing
Group of Dept. 01960563**

Mr. VOGT 17142
Dep. Mr. CORDES

18,65
FTEs

FT Employee: 12 (60%)
PT Employee : 9 (40%)

9,38
FTEs

**DESK
Derivatives**

Exchange Traded Derivatives
Settlement of new trades and trade
lifecycle events for

- Exchange Traded Options
- Futures

OTC Derivatives
Settlement of new trades and trade
lifecycle events for

- Interest Derivatives
- Credit Derivatives
- FX Options
- Equity OTC

- Direct Clearing Member Eurex OTC
- General Clearing Member Eurex ETD
- Indirect Clearing Member Non-Eurex ETD
- Indirect Clearing Member LCH for IRD (OTC)
- Indirect Clearing Member ICE for CRD (OTC)
- Indirect Clearing Member CDSClear (OTC)
- Indirect CLS Member for FX

Shared Service Center

- EB – Holding
- EB – Österreich
- Savings Banks

8,27
FTEs

**DESK
FX / MM**

FX-/MM + Banknotes
Settlement of new trades and trade lifecycle events for

- SPOT (FX)
- FX-Swaps
- Outright Forwards
- NDF
- Precious Metals (Spot + Forw.)
- Loans and Depots (Standard/Call/Rollover)
- Repo – internal cash booking part
- Cash Collaterals
- Banknotes

Creation of confirmations

- Erste Group (EG) treasury system Calypso – out of the box
- Template designer for structured trades

Main Master Agreements

- ISDA MA
- Österreichischer + Deutscher Rahmenvertrag

Confirmation matching

- Confirmations via Swift -> TLM Aurora (provided by external vendor)
- CLS -> via web app of CLS broker and TLM Aurora
- Misys CMS - > via web app of Misys CMS vendor and TLM Aurora
- Long form confirmations -> manually

FX

- Automatic payment release after successful confirmation matching
- In case of netting additional pre-value amount alignments via email

MM

- Automatic payment release after successful confirmation matching
- In case of rollover additional pre-value amount alignments via email

OTC

- On request delivery of fixing / payment advice

Payments

- Creation -> EG treasury system Calypso – out of the box
- After value reconciliation -> TLM Aurora

FX

- Swift MT300 + MT600
- CLS
- Misys CMS
- Long form confirmations

MM

- Swift MT320
- Misys CMS
- Long form confirmations

OTC

- Central cleared business
 - Trade affirmation via Markitwire
 - Swift MT305, MT306, MT340, MT360, MT361
 - Misys CMS
 - Long form confirmations
- > high number of daily payment reconciliation and settlement instruction requests

FX + MM

- Bilateral via Swift -> 50%
- CLS -> 25%
- Long form confirmations NonSwift - counterparties -> 20%
- Bilateral via Misys CMS -> 5%

OTC

- Central Cleared -> 40%
- Swift MT305, MT306 -> 25%
- Trade affirmation via Markitwire -> 15%
- Long form confirmations - >15% (volatile!)
- Misys CMS, Swift MT360 + MT361 + MT340 ->5%

Mismatches from settlement instructions (SI's)

- Different presentation of details in Swift (acc.no, intermediary)
- Missing SI change announcements

Mismatches from different field filling in Swift

- Rollover / New, Call Buy/Put Sell etc...

Limited possibilities for matching rules in recon system

Widespread need of long form confirmations

- CCY NDF + Barrier Options (special MCA, various approaches)
- EQD structures
- MM Plain Vanilla due to counterparty structure



UTI handling

- Delivery of correct UTI

Late confirmation receipts

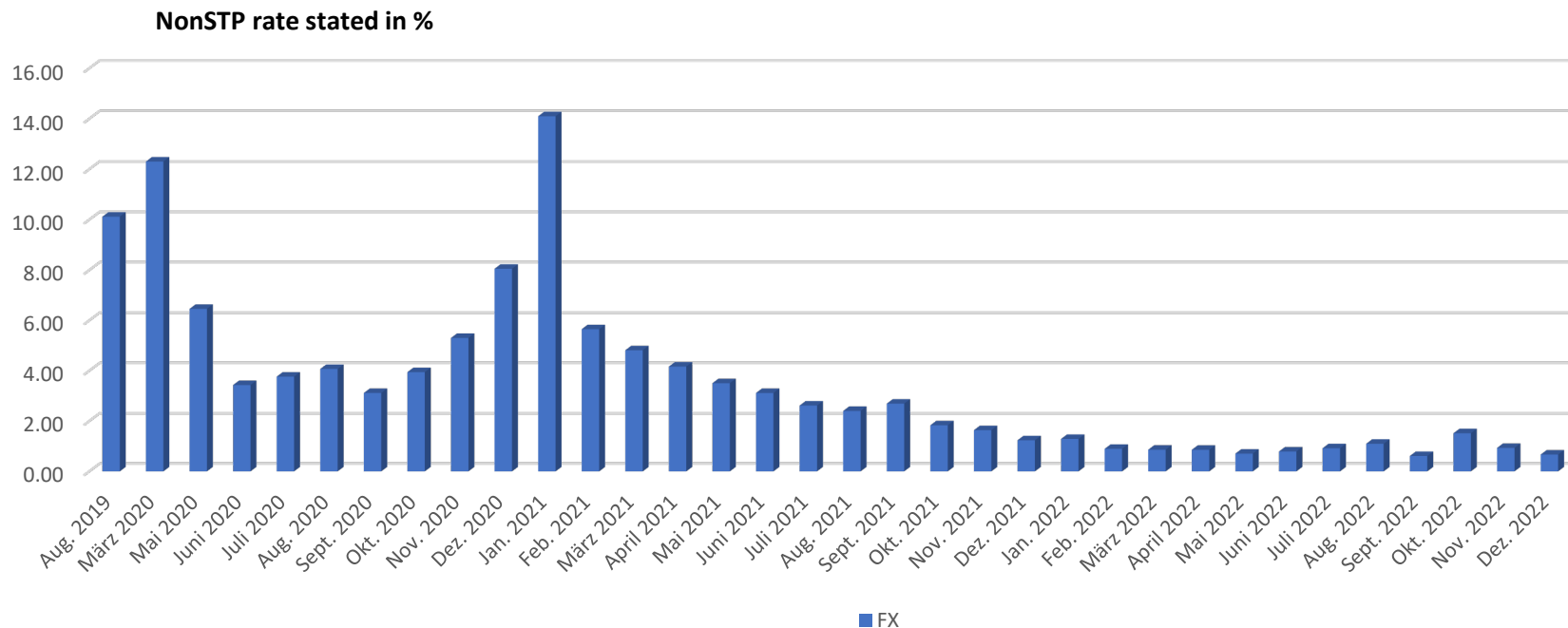
- Backlog for outstanding confirmations
- Backlog for not acknowledged payments

Cumbersome reminder process for outstanding confirmations

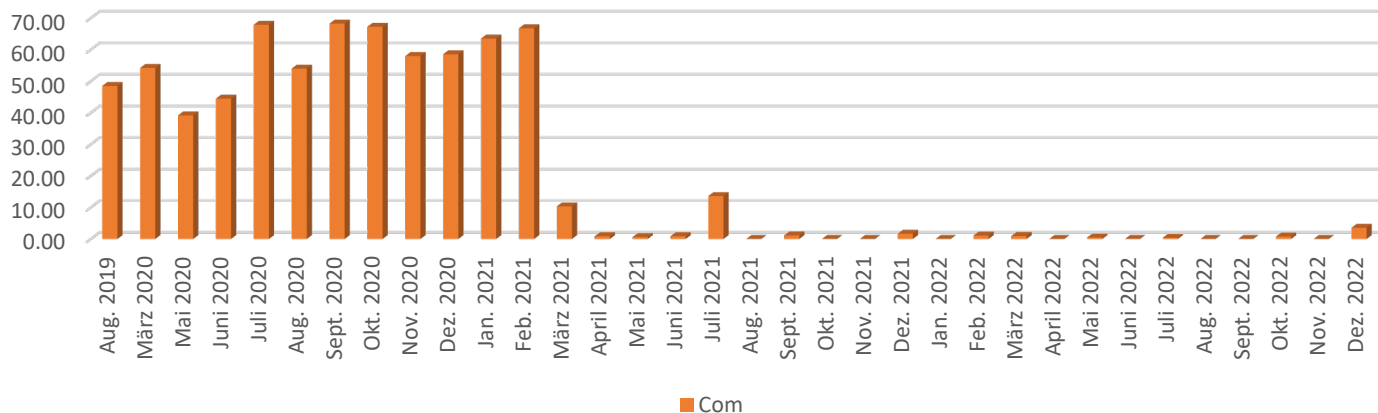
CLS In – Out leg / T0

- Late T0 and near lag / far leg handling





NonSTP rate stated in %



Questions to the audience

Confirmation matching – smooth or cumbersome process?

How do you reconcile settlement instructions?

- Within the single trade confirmation matching process?
- Within a different process (pre-value payment reconciliation, checking of Swift Broadcasts etc...)?

Does someone use Alert database?

- Experiences?
- Advantages?

Questions



Thank you!