GLOBAL FOREIGN EXCHANGE DIVISION

Swift 2017 Standards Release

Summary

- The Swift 2017 Standards Release will go live on 19 November 2017. It contains a number of changes for FX Swift messages.
- All the FX changes are mandatory, and some, if not implemented, could have extremely high levels of operational impact due to trades not matching automatically.
- This document highlights the key elements of these changes and is intended to raise awareness amongst FX market participants. Further materials to assist implementation are available on the Swift website (link on slide 9).

About the Global FX Division (GFXD)

The GFXD was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 25 global foreign exchange (FX) market participants, collectively representing around 85% of the FX inter-dealer market. Both the GFXD and its members are committed to ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.

Contacts

Andrew Harvey – aharvey@gfma.org / +44 (0) 203 828 2694
Fiona Willis – fwillis@gfma.org / +44 (0) 203 828 2739

Summary of Changes to Category 3 Messages

Message Types (MT)	Short description of the modification
MT 300	**CR 000964** **Add structured fields for support of non-deliverable forward (NDF) opening and valuation confirmation messages. Retire use of NDF codes in field 77D, in sequence A.** NDF trades have, until now, been confirmed using codes in a free format field, which has led to manual processing and errors. This CR replaces these codes with specific structured and validated fields. Mandatory impact on users of the MT 300 for NDFs and cash-settled forwards.
MT 304	**CR 000965** **Add structured fields for support of non-deliverable forward (NDF) opening and valuation instruction messages. Retire use of NDF codes in field 72, in sequence C.** NDF trades have, until now, been instructed using codes in a free format field, which has led to manual processing and errors. This CR replaces these codes with specific structured and validated fields. Mandatory impact on users of the MT 304 for NDFs and cash-settled forwards.
MT 305	**CR 000966** **Add structured fields for support of non-deliverable option (NDO) opening and valuation instruction messages. Retire use of NDO codes in field 72, in sequence C.** NDO trades have, until now, been instructed using codes in a free format field, which has led to manual processing and errors. This CR replaces these codes with specific structured and validated fields. Mandatory impact on users of the MT 305 for NDOs and cash-settled options.
MT 300 MT 304	**CR 001107** **Add an optional, settlement-session field.** To allow a message sender to notify the recipient, typically a market infrastructure, of the settlement mechanism or session in which the trade should be processed. This field is optional and is intended for use by participants of market infrastructures such as CLS
MT 300, MT 304, MT 305, MT 306, MT 340, MT 341, MT 360,MT 361, MT 362, MT 364, MT 365	**CR 001105** **Add an ISIN field to messages used for OTC Derivatives.** Under MiFID II, derivatives have to be identified with ISINs. It is likely that, as a consequence, trade confirmations will require the ISIN to be included. The ISIN is an optional field, which may be utilised by users of SWIFT messages for OTC derivatives.

Key changes – more detail on slides 3-4

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Highlights

- **The following changes are perhaps the most significant since the introduction of MT306 for Barrier and Binary transactions**

- MT300 – CR 000964

  – Change will: add structured fields for support of non-deliverable (and other cash-settled) forward (NDF) opening and valuation confirmation messages; and, retire the use of NDF codes in field 77D, in sequence A

  – **Non-Deliverable Indicator, NDF Open Indicator, Valuation Date, Reference to Opening Confirmation, Settlement Currency and Settlement Rate Source will be added**

  – NDF trades have historically been confirmed using codes in a free format field, which has led to manual processing and errors. This CR replaces these codes with specific structured and validated fields

  – **Mandatory impact on users of the MT300 for NDFs and cash-settled forwards**

- MT305 – CR 000966

  – Change will: add structured fields for support of non-deliverable option (NDO) confirmations; and, retire the use of NDO codes in field 72, in sequence C

  – **Non-Deliverable Indicator, Settlement Currency and Settlement Rate Sources will be added**

  – NDO trades have historically been instructed using codes in a free format field, which has led to manual processing and errors. This CR replaces these codes with specific structured and validated fields

  – **Mandatory impact on users of the MT305 for NDOs and cash-settled options**

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Key Component – Field 14S

- The Settlement Rate Source field, 14S, is of key importance in this change

- Its usage is such that there can be up to two instances of this field, accommodating both USD facing trades and Cross-Currency (non-USD) Trades. The reference currency should be populated first, followed by the settlement currency.

- For non-EMTA currencies, the field is to be populated in the form of Mnemonic, Time, Location
  - Mnemonic will be based upon the values in EMTAs Annex A, see slide 8 (which is being revised to be more inclusive), time is 24h format and location is as per the 4-digit SWIFT standard
  - e.g. GBP1/1500/GBLO - it is recommended for matching purposes that the parties specify this in the same way and not rely on, e.g., USNY/1000 being equivalent to GBLO/1500

- Population for the EMTA currencies will also allow reference to the EMTA templates:
  - EMT00 will be the mnemonic, with time and location not required
  - Standards User Handbook and usage notes will make reference to additional language held within the EMTA templates

- Revision of Annex A will give more flexibility to the mnemonic without compromising the message usage rules
  - More generic descriptions which aren't currency pair specific are to be published to accommodate any combination of currency

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Implications

- Retirement of fields 77 and 72 will result in significantly fewer pieces of information being in free-format mode

- This, with the addition of separate mandatory, matchable fields for Non Deliverable Indicator, Settlement Currency and Settlement Rate Source will mean that crucial information will be able to be matched automatically, resulting in:

  – A complete automatic match for NDO, NDF and 'cash settled' transactions

  – Reduced settlement risk with fixing source discrepancies

  – Increased functionality, **allowing Cross-Currency (non USD) transactions to be confirmed and matched**

  – **No requirement for Cross Currency MCAs to be drafted** – these are very risky due to the paper agreement of SRO for Settlement Currency

  – Increased uptake of standardised terms as exhibited in ISDA/EMTA documents

  – Potential to explore the possibility of retiring the use of MCAs altogether with assistance from User Handbook and usage notes

Mandatory change requires everyone to be compliant. Failure to implement will result in NAK'd messages immediately from 19 November and extremely high levels of operational impact due to trades not matching automatically

Frequently Asked Questions

14S

- What if we have already completed the enhancement to our systems to have 14S populate the EMTA defined short codes for the Settlement Rate Option (BRL09 etc.) rather than e.g. EMT00?
  - *A: You will need to revise your system changes once the final Swift standards are live in November 2017 to reflect the recommendations*

- Has Swift been in contact with the relevant reporting repository and the regulator about the suggested codes?
  - *A: These changes are purely to the mechanism for confirming trades and are not intended to impact regulatory or reporting processes*

- When there are two instances of field 14S, in which order should they be populated?
  - *A: The reference currency should be populated first, followed by the settlement currency.*

- How do you populate 14S if the rate has no place/time in its definition and is continuously quoted?
  - *A: Counterparties should bilaterally agree place and time at booking and always stipulate them in the message*

- What about crosses that have no EMTA template?
  - *A: This should be done as described on slide 4, referencing Annex A*

- What if my counterparty completes 14S using a different time zone?
  - *A: It is technically difficult to create systems that are able to match across time zones. Counterparties should bilaterally agree which time zone to use*

- Is training material available?
  - *A: SWIFT will provide a 30 minute online training module on its SWIFTSmart platform, which is freely available to SWIFT users. A message usage guide will also be available on swift.com*

ISINs

- Are firms planning to incorporate the ISIN enhancement from Nov 2017, or from MiFID go-live?
  - *A: It is not currently expected that ISINs will be available to use before MiFID go-live*

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Schedule

Date	Detail
22 July 2016	**High-Level Information on Standards MT Release 2017** Summary of change requests received for SR 2017 – change requests are not yet approved and some may be declined *For resource and budget allocation purposes only –not to be used for implementation*
18 November 2016	**Updated High-Level Information on Standards MT Release 2017** Summary of approved change requests received for SR 2017 *For resource and budget allocation purposes only –not to be used for implementation*
23 December 2016	**Standards MT Release Guide 2017** (public) **Message Format Validation Rules 2017** (login required) Describes the changes to Standards messages effective as of 19 November 2017 Find advance information for Standards MT Release 2017 in **MyStandards**
24 February 2017	**Update to Standards MT Release Guide 2017** (public) **Update to Message Format Validation Rules 2017** (login required) Updates to documents published on 23 December 2016. These updates are also implemented in **MyStandards.**
6 May 2017	**Vendor Test System**
21 July 2017	**Standards User Handbook** Standards user handbook for Standards MT Release 2017 published online. If necessary, updates to Message Format Validation Rules 2017 also published.
23 July 2017	Test & Training System
19 November 2017	Standards Release 2017 Live

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Useful Links

- Standards Release Guide
  - https://www.swift.com/standards/standards-releases/mt-release-2017

- Latest Annex A revision
  - http://www.emta.org/template.aspx?id=2275#draft

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