



GFMA Global FX Division

GFXD recommendations for the provision of standardised broker and venue invoices

Version: September 2019

Background to the Global Foreign Exchange Division

The Global Financial Markets Associations (GFMAs) Global Foreign Exchange Division (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 participants¹, collectively representing a significant portion of the FX inter-dealer market². 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.

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¹ Bank of America Merrill Lynch, Bank of New York Mellon, Barclays, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Mizuho, Morgan Stanley, MUFG Bank, NatWest Markets, Nomura, RBC, Scotiabank, Société Générale, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac

² According to Euromoney league tables

Executive Summary

The GFXD proposes the following to help the industry standardise broker and venue invoices which we believe will increase efficiencies:

- **Fee Convention:** Fees for all FX instruments should be in USD/million
- **Taxonomy:** The CFI code should be used for the FX taxonomy
- **Date Convention:** For all currencies, the following ranges should be used:
 - Between 1 and 3 days
 - Between 4 and 7 days
 - Between 8 and 33 days
 - Between 34 and 93 days
 - Between 94 and 186 days
 - Between 187 and 367 days
 - Between 368 and 1101 days
 - Greater than 1101 days

Introduction

The GFXD has recently completed an analysis of the inefficiencies generated in today's broker and venue invoicing processes. The intention of the analysis was to identify a series of standardised criteria, which, if adopted by the market, would lead to quicker dispute resolution and ultimately a timelier payment of the invoice.

Feedback from GFXD members suggests that multiple methods are being used to calculate invoices, including varied terminologies and multiple conventions – there is no single standard for the industry to adopt. It was also noted that variances in approach existed within the same organisation i.e. different branches or desks would use different methods of calculation from others within the same broker/venue.

The impact of these multiple methods of calculation is often a delayed payment of the invoice, due to GFXD members being required to adopt multiple reconciliation processes in order to validate the invoice before instructing payment.

The Bank of International Settlements (BIS) in their Triennial Central Bank Survey of Foreign Exchange and OTC Derivatives Market Activity report³ typifies the FX markets as having 4 main channels of trading.

These are:

Methods	Description
Voice Direct	Trades originated in person, by phone, by telefax or through general messaging systems (e.g. email)
Voice - Indirect	Trades agreed by a voice method and intermediated by a third party (e.g. a voice broker)
Electronic - Direct	Trades executed over an electronic trading system, not intermediated by a third party (e.g. Single Dealer Platforms owned and operated by a bank)
Electronic - Indirect	Trades executed over a third-party electronic platform (e.g. Multi Dealer Platforms showing quotes from multiple liquidity providers)

³ https://www.bis.org/statistics/triennialrep/2016survey_guidelinsturnover.pdf

We therefore focused our analysis on the indirect channels (i.e. those executed via venues/brokers), namely the Voice-Indirect and Electronic-Indirect channels and assessed the three main areas of inconsistency. These are:

- Fee Convention
- Taxonomy
- Date Convention

We also thought it would be of benefit to the market to provide a stylised example of an invoice template. Further details of the above three inconsistencies and the stylised template will be discussed below.

Fee Convention

Our analysis identified that there were two common methods of calculating fees: (i) USD/million and (ii) basis point calculations. It was also noted that there was variance on the convention used per FX instrument e.g. FX Spot could be different from FX Forwards. There was a preference amongst GFXD members for USD/million as this was deemed most effective in reducing any complexity in calculation.

- **GFXD recommendation: Fees for all FX instruments should be in USD/million.**

Taxonomy

Our analysis showed that there were different taxonomies being used by the broker and venue community, noting that the industry has historically used the ISDA FX taxonomy⁴. However, with recent regulatory developments, such as the IOSCO Unique Product Identifier, there is a growing use of the Classification of Financial Instruments (CFI code). It is therefore likely that firms have already started to accommodate the CFI FX codes in order to meet regulatory obligations.

- **GFXD recommendation: The CFI code should be used for the FX taxonomy.**

Date Convention

Our analysis identified that there were several different date conventions being used across the industry, again leading to challenges when reconciling invoices. We also noted some differences based on currency. The proposal below also considers the longer end of the curve, going out to 3+ years. The below recommendation was determined to offer the most accurate representation of risk across the FX market.

- **GFXD recommendation: For all currencies use the following ranges:**
 - **Between 1 and 3 days;**
 - **Between 4 and 7 days;**
 - **Between 8 and 33 days;**
 - **Between 34 and 93 days;**
 - **Between 94 and 186 days;**
 - **Between 187 and 367 days;**
 - **Between 368 and 1101 days; and,**
 - **Greater than 1101 days.**

⁴ <https://www.isda.org/tag/taxonomy-v2-0/>

Example of a Standardised Invoice

In addition to the above examples, we thought it would be helpful, again with the idea of promoting harmonisation and greater efficiency, to propose an example of a standardised invoice. GFXD members commented that the variances in the templates currently used also contributed to the extended reconciliation process, and therefore would be suitable for standardisation and ultimately automation.

Attribute	Examples		
Broker/Venue Trade Entity	Broker Partners LP	Broker Partners LP	Broker Partners LP
Broker/venue Trade ID	54669985AB	99988445GH	78941256FD
Trade Date	04-Apr-2019	04-Apr-2019	04-Apr-2019
Eff. Date			02-May-2019
Mat. Date	01-Aug-2019	01-May-2029	03-May-2019
Start Date	01-Apr-2019	01-Apr-2019	01-Apr-2019
End Date	30-Apr-2019	30-Apr-2019	30-Apr-2019
Tenor / No of Days	29.00	29.00	29.00
Buy_Sell	BUYER	BUYER	SELLER
Issuer Name	CALL EUR PUT USD	CALL EUR PUT USD	NZD/USD
Currency	EUR	EUR	NZD
Amount	30,000,000.00	15,000,000.00	300,000,000.00
Brokerage Rate	0.25	1.00	0.02
Price	1.15	1.4555	0.6652
Counterparty	Bank Number 1	Bank Number 1	Bank Number 2
Obligation ISIN			
Product Type	FXO	FXO	FX
CFI Code			
Transaction Type	OUTRIGHT	BUTTERFLY	FWD
Trader Name	JOHN SMITH	JOHN SMITH	JOHN SMITH
Type of Platform	OTF	MIDIF	MTF
Brokerage	350.00	2,500.00	100.00
Brokerage Currency	USD	USD	USD
USD Brokerage Equivalent	350.00	2,500.00	100.00
Strategy_LinkID	123456	789101	112131
SEF Flag	No	No	No
Bank Entity	Bank 1 London PLC	Bank 1 London PLC	Bank 1 London PLC
MiFID II Flag	On Venue	On Venue	Bilateral
Execution Method	Voice	Voice	Voice
Strike	1.155	1.45	
CCY1	EUR	EUR	NZD
CCY2	USD	USD	USD
Notional1	30,000,000.00	15,000,000.00	
Notional2	34,500,000.00	21,832,500.00	
Option Type	OUTRIGHT	BUTTERFLY	
Initiator_Aggressor	I	I	I

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