GFMA Global FX Division

GFXD Recommendations for FX Confirmations
SWIFT MT300 Fields 17F, 17O, 14S, 57 and 58

Version: July 2020

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 24 global foreign exchange (FX) market participants[1], collectively representing the majority of the FX inter-dealer market[2]. 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, 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, Northern Trust, RBC, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac

[2] According to Euromoney league tables

Executive Summary

- **The GFXD believes that the automation of confirmations is key for reducing operational inefficiency, and that the promotion of market standards contributes to this.**
- **This paper proposes best practices for the following fields in MT300 SWIFT confirmation messages:**
  - **For FX Non-Deliverable Trades: Fields 17F 'Non-Deliverable Indicator', 17O 'NDF Open Indicator' and 14S 'Settlement Rate Source'**
  - **For all FX products, Field 57a 'Receiving Agent'**
  - **For all FX products, Field 58a 'Beneficiary Institution' for third party payments**
- **Market participants should consult SWIFT user documentation to ensure they remain up to date with the latest usage specifications.**

Introduction

'Confirmation' is a risk management technique by which the parties to a transaction validate the key economic and legal terms of that transaction with each other after execution.

The FX market is the world's largest financial market[3], with high trade volumes and diverse range of market participants. In many jurisdictions, regulations[4] require the use of risk management techniques such as confirmations to reduce discrepancies between counterparties' understanding of their trades. Automation of confirmations is therefore important to enable confirmation processing at scale and within the regulatory timelines set.

This paper sets out two key recommendations for market participants with respect to the use of SWIFT[5] MT300 messages for trade confirmation. It is intended to increase confirmation matching levels between market participants, thereby increasing operation efficiency and the resulting positive impact on risk management, costs and resources.

This paper should be used in conjunction with SWIFT user documentation, including the Message Reference Guide and Message Usage Guidelines[6].

1. Non-Deliverable Forwards: Fields 17F 'Non-Deliverable Indicator', 17O 'NDF Open Indicator' and 14S 'Settlement Rate Source'

Incorrect population of key fields for the confirmation of FX Non-Deliverable Forwards (NDFs) has been identified by GFXD members as a significant cause of confirmation breaks between counterparties, in which the two confirmation messages fail to match.

Since the functionality for NDF confirmation was enhanced, as part of the 2017 SWIFT Standards Release, differences in implementation, including the use of default values rather than trade-by-trade population of key fields, have emerged. The GFXD believes that further standardisation of these key fields will improve matching rates. It will also facilitate the development of more functionality for cross-currency products and other automation opportunities.

The GFXD recommends the following best practice, in line with SWIFT Message Reference Guide:

- When confirming FX NDFs, Field 17F 'Non-Deliverable Indicator' must be populated with 'Y', to indicate that the trade is non-deliverable.
- This will then require Field 17O 'NDF Open Indicator' to be populated, specifying whether or

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[3] BIS 2019 Triennial FX Survey https://www.bis.org/statistics/rpfx19_fx.htm

[4] See, for example: EU Commission Delegated Regulation 149/2013 Article 12, or US 17 CFR §23.501

[5] https://www.swift.com/

[6] https://www2.swift.com/knowledgecentre/products/Standards%20MT

not the confirmation is for an opening instruction (as opposed to a message sent at point of fixing).

- If Field 17O is also populated with 'Y', indicating that it is an opening confirmation, at least one instance of Field 14S 'Settlement Rate Source' must be populated. Field 14S specifies the rate source for the settlement of the non-deliverable trade.

- The standardised values that can be used for the Settlement Rate Source are published in Annex A to the 1998 FX and Currency Option Definitions[7]. The GFXD notes that:

  o For trades using EMTA[8] terms, 14S must be populated with "EMT00" in order to designate the Settlement Rate Source and incorporate all other terms of the current EMTA Template Terms for NDFs for the relevant currency pair.

  For example, for a FX NDF in BRL/USD, settling in USD, using EMTA terms, 14S would be populated with 'EMT00'.

  o For other trades, Annex A lists the possible values. These should be populated using the mnemonic, a forward slash, local time (24 hour) a forward slash, and location (a two character ISO country code and a two character location code. If the location name is one word, then the location code is the first two letters of the location name, if the location name consists of at least two words, then the location code is the first letter of the first word followed by the first letter of the second word).

  For example, a FX NDF in MAD/USD, settling in USD, which does not use EMTA terms, 14S might be populated with 'MAD01/1000/MORA'.

- For cross-currency NDFs, two separate Settlement Rate Sources may be quoted, in which case the fields must appear in order of Reference Currency[9] Rate Source followed by Settlement Currency[10] Rate Source.

  For example a FX NDF in BRL/EUR, settling in EUR, using EMTA terms for BRL, might be populated as 'EMT00' for the Reference Currency followed by 'WMR01/1600/GBLO' for the Settlement Currency.

The GFXD strongly recommends that these fields are populated per the above for FX NDFs, and that undefined values are not used for Field 14S. While the use of undefined values in Field 14S avoids message rejection, it also prevents automated matching of the confirmation messages, resulting in a requirement for manual intervention.

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[7] https://www.isda.org/book/1998-fx-and-currency-option-definitions/ - defined as 'Settlement Rate Options'

[8] https://www.emta.org/

[9] "Reference Currency" is defined in the 1998 FX and Currency Option Definitions: In respect of a Transaction, the currency specified as the Reference Currency or the local currency, as the case may be, in the related Confirmation.

[10] "Settlement Currency" is defined in the 1998 FX and Currency Option Definitions: The currency specified as such in the related Confirmation or determined in accordance with Section 5.2(c)(x)(A) of the 1998 FX and Currency Option Definitions.

2. Field 57a 'Receiving Agent'

The SWIFT 2019 Standards Release implemented changes to the settlement party fields to promote more structured usage, including by the removal of the free-format option.

In accordance with the SWIFT Usage Guidelines (page 51), for matching purposes, Option A should be used where possible, populated with a SWIFT Business Identifier Code (BIC). Consequently, the GFXD proposes best practices for the population of Field 57a 'Receiving Agent' for five scenarios, in order to improve matching rates and reduce the need for manual follow-up of settlement instructions. Trade settled in CLS[11]

Party A will RECEIVE funds from Party B	Party A will PAY funds to Party B
57A	57A

Deliverable trade, settled gross, outside CLS

Party A will RECEIVE funds from Party B	Party A will PAY funds to Party B
57A	57A

Deliverable trade, settled net, outside CLS

Party A will RECEIVE funds from Party B	Party A will PAY funds to Party B
57J:/NOSI/NETS	57J:/NOSI/NETS

Non-deliverable trade

Reference Currency	Settlement Currency
57J:/NOSI/NDFS	57A (except where the settlement is in a third currency, in which case, populate with 57J:/NOSI/NDFS[12]) In the event that the BIC is unavailable, J:/NOSI/UKWN

Trade in which the bank is also the custodian

Party A will RECEIVE funds from Party B	Party A will PAY funds to Party B
57A (including the branch BIC and the Account Number)	57A (including the branch BIC and the Account Number)

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[11] https://www.cls-group.com/

[12] See SWIFT message Usage Guidelines §3.2

3. Use of Field 58a 'Beneficiary Institution' for Third Party Payments

When Field 58a is populated to denote the beneficiary institution for a third party payment[13], we recommend that Option A is utilised wherever possible. If Option A is not possible, Option J should be used in accordance with the SWIFT Message Reference Guide.

Contacts

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[13] A payment to a beneficiary that differs in any way from the name of the entity traded with. This may include subsidiary and affiliate accounts of that entity.