# GFMA Global FX Division

## Payment shaping/splitting

**Version: April 2026**

## 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 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.

## Disclaimer

This document is intended for general information only and is not intended to be and should not be relied upon as being legal, financial, investment tax, regulatory, business or other professional advice. While the information contained in this document is taken from sources believed to be reliable, GFXD does not represent or warrant that it is accurate, suitable or complete and none of GFXD or their respective employees or consultants shall have any liability arising from, or relating to, the use of this document or its contents.

[1] Bank of America, Bank of New York, Barclays, BBVA, BNP Paribas, Citi, Credit Agricole, Deutsche Bank, Goldman Sachs, HSBC, ING, JP Morgan, Lloyds, Mizuho, Morgan Stanley, MUFG, NatWest Markets, Nomura, Northern Trust, RBC, Standard Chartered Bank, State Street, UBS, US Bank and Wells Fargo

[2] According to Euromoney league tables

## Introduction

In this third[3] paper on managing risks related to the settlement of wholesale FX transactions, the GFXD Operations Committee[4] has assessed processes relating to the management of wholesale FX settlement liquidity through activities commonly known as payment shaping or splitting – initially introduced as a method to manage Settlement Risk in our first paper[5].

In the context of this paper, payment shaping or splitting is defined as the process where an amount of currency which is due to be paid is broken down into smaller amounts, equal in total to the original amount. For instance, 500 million is split into 5 amounts of 100 million.

When compared to the full population of daily FX settlements, the numbers of those being split/shaped remains small, and due to liquidity reasons may be more concentrated in emerging market currencies.

However, if the market moves toward faster settlement timelines, including more same-day (T0) settlements, splitting payments could become more common even in major currencies. This could increase the number of transactions that must be settled individually rather than being grouped together, which may place additional pressure on liquidity.

This paper will discuss the reasons behind, and the challenges related to the splitting/shaping of payment amounts, the impacts on Settlement Risk with the goal of enhancing today's processes.

Settlement Risk is defined in the BCBS FX Supervisory Guidance[6] as: 'The risk of outright loss of the full value of a transaction resulting from the counterparty's failure to settle. This can arise from paying away the currency being sold but failing to receive the currency being bought. (Also referred to as "Herstatt Risk").'

Whilst the numbers of failed settlements remain small relative to the total volume of FX transactions settled on a daily basis, any failed settlements tend to attract significant internal - and external – focus because both financial risk and internal capital costs can increase.

With these challenges in mind, the GFXD Operations Committee reviewed current practices around payment splitting and shaping. The aim is to understand why these processes are used, identify the challenges they create, and develop recommendations that help reduce Settlement Risk and improve the overall flow of liquidity across the FX market.

---

[3] https://www.gfma.org/wp-content/uploads/2025/09/reduce-fx-payment-errors-and-associated-risks-september-2025.pdf
https://www.gfma.org/wp-content/uploads/2022/05/reducing-settlement-risk-may-2022-1.pdf

[4] The GFXD Operations Committee comprises senior FX operations professionals from GFXD member banks

[5] https://www.gfma.org/wp-content/uploads/2022/05/reducing-settlement-risk-may-2022-1.pdf

[6] https://www.bis.org/publ/bcbs241.htm ("BCBS FX Supervisory Guidance")

## Recommendations:

1. **Market participants adopt automated FX payment split/shaping/reconciliation processes to achieve consistency, scale and efficiency.**

2. **Market participants adopt automated methods when notifying that a payment has been split/shaped. This will ensure that both parties can support and successfully manage the process, avoiding any returns of funds and associated Settlement Risk.**

3. **Market participants include in their communication message the number/sequence (e.g. 1 of 5) and full amount being exchanged (e.g. 100). This will enable the recipient to easily reconcile that all messages have been received and that the full amount has also been received.**

## Why are FX Payments Split/Shaped?

There are many reasons as to why a FX payment is split/shaped, and feedback from the GFXD Operations Committee suggests that these reasons tend to be more proprietary in nature, rather than being defined by a standard set of parameters across the whole market.

A market participant may decide to spit/shape a payment based on the management of i) available liquidity, ii) internal risk limits, iii) individual Nostro Bank requirements, and iv) individual Central Bank requirements.

For example, a large FX payment could attract large intra-day credit and create liquidity challenges between Nostro Banks when it comes to the actual movement of funds – i.e. the large payment could require incoming funds to be held to build a sufficient balance. This 'holding' of funds could challenge the natural flow of liquidity, itself impacting the settlement of other transactions, further reducing the availability of liquidity.

By splitting/shaping the large FX payment, the costs associated with holding additional reserves on balance sheet against the use of intra-day credit will be reduced, and the circular flow of settlement liquidity will continue, ensuring that other FX transactions settle on time in a normalised manner.

## Current Processes

The current lack of automated, industry-wide solutions has resulted in market participants devising their own proprietary processes to perform, reconcile and inform the recipient of split/shaped FX payments.

To better understand some of the complexities involved, and therefore identify opportunities to improve the process, it is helpful to assess where such activity occurs in the lifecycle of a typical FX transaction.

Figure 1: A Stylised example of a FX transaction/settlement flow

- This flow is typified as a single flow of information along the lifecycle

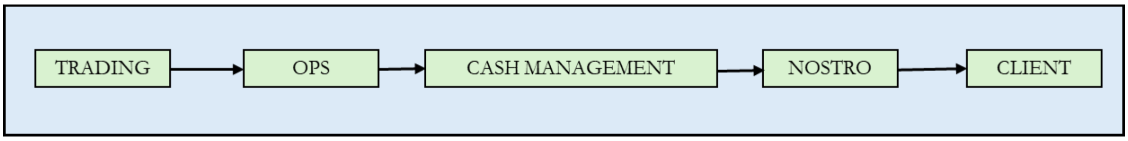
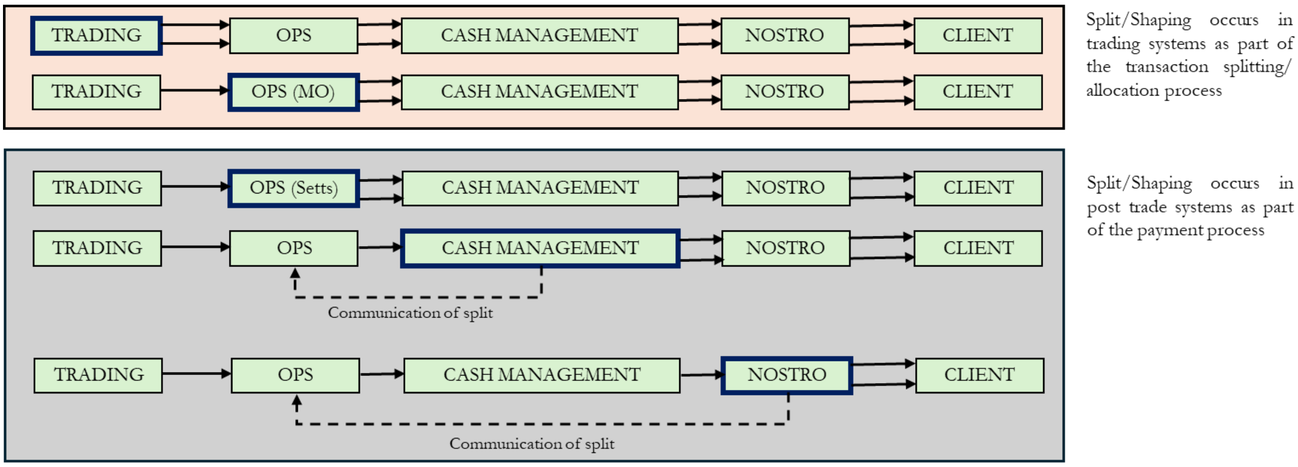


Figure 2: Stylised examples of where the split/shaping of payments could occur

- This flow is typified with multiple flows of information at varying stages of the lifecycle, in this example one flow being split into two




Key:

Blue box indicates where the split/shaping of the FX payment occurs

Single payment flow of one amount

Split/shaped payment flow of two amounts

Communication of split with Ops

Figure 2 illustrates that payment shaping/splitting can occur i) either through splitting/allocating the original transaction into to smaller individual transactions (Orange Box), or ii) through splitting/shaping the original transaction notional as part of the payment process (Grey Box). The net end payment result is the same, but the impacts on the confirmation and settlement processes are different.

Splitting/Allocating original Transaction into smaller, individual Transactions (Orange Box)

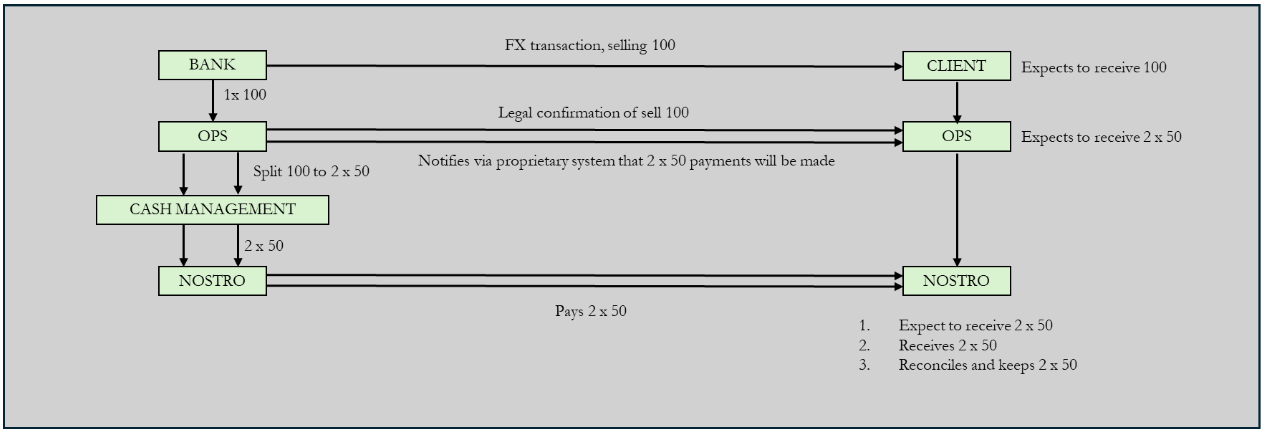
If the original transaction is split/allocated into smaller individual transactions, then the confirmation and payment messages for each will be consistent in terms of quantity of funds to settle and can be electronically processed from front to back. The receiving party will know what funds to expect and can reconcile accordingly.

Splitting/Shaping as part of the Payment process (Grey Box)

If the splitting/shaping occurs as part of the payment process, then the confirmation and payment messages will not be consistent in terms of quantity of funds to settle. Unless informed, the recipient of the funds may not be aware that the quantity expected to settle has been split/shaped and may have trouble reconciling the expected amount versus the amount(s) received. There is a reliance on the client (i.e. the recipient) being able to link together the amounts on individual payment messages to equal the net expected amount. Failure to do so could result in the individual receipts not being recognised and funds being returned, resulting in increased Settlement Risk i.e. a fail to receive with associated funding implications. However, as illustrated below in Figure 3, notification (in this instance between the

Operations teams), via either a manual or automated processes will provide clarity that a payment has been split and enable successful reconciliation.

Figure 3: FX transaction with split/shaped payments




## Communications

Using the example illustrated in Figure 3, it is important that all parties involved in the confirmation and subsequent successful settlement of the FX transaction are aware of any payment splitting/shaping. Communication is key to success, and we note that this could include multiple parties depending on the nature of the relationships, for instance including custodians.

However, as we note above there are challenges in achieving successful communications due to the wide and varied nature of FX market participants – the actual use of automated approaches depending on the scale and sophistication of individual participants.

Current automated approaches include:

i) Proprietary systems and,
ii) ISO pacs messages, for example repurposing the Unstructured Remittance information field to include information notifying the sequencing of the payments e.g. 'payment 1 of 3'

Whilst both are effective means of communicating that a payment has been split/shaped, the effectiveness of each could vary due to the lack of industry-wide standards. The recipient may be required to interpret different message formats, depending on how each approach is implemented. For example, one participant could populate the message with 'payment 1 of 3' another could populate with 'split' and so on.

Whilst it is unlikely that the whole market adopts a single automated approach, there is an opportunity to harmonise the format of the data being communicated, including those using ISO pacs/pain messages. For example, a change (i.e. new fields) could be made to the ISO pacs/pain messages so that the information being communicated is structured and standardised e.g. 'payment 1 of 3, total amount 100'.

This change would require users to stop populating the current free format Unstructured Remittance information field and would drive consistency, aid the recipient of the messages and achieve the desired reduction in Settlement Risk, and better capital/liquidity optimization. Consistency would enable market participants to automate processes, improving efficiency and reducing the risks of any funds not being recognised and returned. Such a standardised formatting approach could also be adopted by those using proprietary systems, again driving consistency across the industry.

## Recommendations:

1. **Market participants adopt automated FX payment split/shaping/reconciliation processes to achieve consistency, scale and efficiency.**

2. **Market participants adopt automated methods when notifying that a payment has been split/shaped. This will ensure that both parties can support and successfully manage the process, avoiding any returns of funds and associated Settlement Risk.**

3. **Market participants include in their communication message the number/sequence (e.g. 1 of 5) and full amount being exchanged (e.g. 100). This will enable the recipient to easily reconcile that all messages have been received and that the full amount has also been received.**

## Conclusion

Our analysis has shown that there are opportunities to improve the FX payment splitting/shaping processes which will result in a reduction of FX Settlement Risk as well as improving liquidity flows and reducing overall costs, such as those incurred though the provision of intra-day credit or through increased manual interventions.

Such opportunities are reliant on i) increased use of and standardisation of automated approaches and ii) improvements in communications between those involved in the settlement of FX transactions.

## Contacts

For queries about this document, please contact:


- Andrew Harvey / aharvey@eu.gfma.org / +44 (0) 203 828 2694