GFMA Global FX Division

Recommendation to exchange settlement instructions via automated, authenticated channels

Version: July 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.

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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 fourth[3] paper on managing risks related to the settlement of wholesale FX transactions, the GFXD Operations Committee[4] has identified that, whilst automated and authenticated channels are used in the communication of settlement instructions, there remains a population of instructions that are communicated via manual, unauthenticated channels, e.g. email (either during the onboarding of the relationship, or during subsequent changes of instructions).

The use of manual, unauthenticated channels increase risk – settlement risk, operational risk and given the increasing sophistication of criminal actors, cyber fraud risk. These risks impact both parties to the transaction, not just the liquidity provider. Risk management standards remain high and the resource required to perform exercises to mitigate risks created via manual, authenticated means can only increase over time.

It is with this in mind that the GFXD Operations Committee is supportive of further industry engagement to reduce such risks and to promote i) automated, authenticated channels of exchange, and ii) existing Codes and Standards, discussed in more detail below.

Recommendations:

1. **The use of automated, authenticated channels for the communication of settlement instructions is recommended and is a significant tool in the reduction of risks within the global FX ecosystem.**

2. **Market participants should leverage the Global FX Code and FMSB Standard for the sharing settlement instructions when assessing their approach to exchanging settlement instructions.**

Risks in using Unauthenticated Settlement Instruction Channels

Whilst most instructions are communicated via automated, authenticated channels (for example SWIFT[5]), many are still communicated via manual, unauthenticated means, such as email. Typically, these types of communications are more prevalent in sectors of the market that are lower volume users of the FX markets, who tend to have a higher reliance on manual systems/processes, such as email.

To ratify manual exchanges and to ensure that funds are paid to the correct and legitimate account, banks will perform a call back verification (CBV). This usually involves a telephone call to an appropriate contact to ratify the details.

CBV related risks include but are not limited to:

1. FX transactions traded with short tenors (2 days or less).

   For FX transactions with short tenors, such as FX spot or T1 securities related FX transactions,

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[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
https://www.gfma.org/wp-content/uploads/2026/04/fx-payment-splitting-shaping-apr2026-1.pdf

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

[5] https://www.swift.com/about-us/swift-and-data

the risk is that there is insufficient time to perform the CBV in a reduced timeframe. Once validated, there is also a reduced amount of time for the bank to then perform the required static data management processes to ensure the details have been correctly loaded (input and subsequently approved) and are available for use. In this situation, there is an increased risk of a late payment, in that the bank is highly unlikely to release funds to settlement instructions that are not validated in time.

2. Operational Risks

   Manual processes are more susceptible to error. In the manual exchange of settlement instructions, clients can be expected to adopt additional internal controls to ensure that the correct information is being communicated to the correct recipient on a timely basis. This will avoid the settlement instruction being sent to an incorrect party (either to i) an incorrect recipient within the correct organisation, or ii) an incorrect organisation) and therefore preventing associated risks and/or late payments. Likewise, the bank can be expected to perform CBVs, which being manual have a higher inherent level of risk. Given the size and scale of the FX market, there is a heightened desire to move away from manual to automated processes. This enables more scale, efficiency, control and reduced risk for all involved.

3. Settlement Risks

   FX transactions are typically very large in size and failure to pay/receive (for instance paying to an incorrect account or paying late due to the need for extra validations) can result in material risks and costs. As such, the global FX industry is keen to reduce the amount of Settlement Risk within the ecosystem. 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").'

4. Fraud Risks

   Manual, unauthenticated communication channels are by definition at increased risk of fraud. The increasing sophistication and availability of new technologies is significantly increasing this risk – emails can be corrupted and voice cyber fraud is an increasing phenomenon. Authenticated channels will have more robust protection frameworks to mitigate such attacks, including using up to date technologies. Authenticated channels can support compliance with regulations, such as financial crime regulations.

Support for the use of Authenticated Settlement Instruction Channels

There are 2 main reference sources which FX market participants can reference and leverage in their strategic planning to move settlement instruction processes from manual, unauthenticated to automated, authenticated channels.

1. Global FX Code[7]

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

[7] https://www.globalfxc.org/uploads/fx_global.pdf

Principle 51 of the Code states 'Changes, notifications, and new SSIs should be delivered via an authenticated, and standardised, message type whenever possible…Where SSIs are not available (or existing SSIs are not appropriate to the particular trade), the alternate settlement instructions to be used should be delivered as soon as practicable. These instructions should be exchanged via an authenticated message or other secure means and subsequently verified as part of the trade confirmation process.'

At the point of publishing this paper, over 1500 FX market participants had signed up to the Code and this adherence is a significant tool in reducing risks across the global FX ecosystem.

2. Financial Markets Standards Board (FMSB)

In January 2025, the FSMB published a Standard for the sharing of settlement instructions[8]. The Standard is designed to promote the adoption of electronic, pre-authenticated solutions. The Standard consists of i) core principles promoting good practice when sharing one's own SSIs or those managed on behalf of clients, including the use of automation, and ii) a template to use in residual cases where manual solutions are used. The Standard is applicable across all financial markets and FMSB members are expected to implement the standard by the end of 2026. At the time of this paper being published, the FMSB has over 50 members across multiple industry sectors.

Authenticated Settlement Instruction Technologies

At the time of publishing this paper, the GFXD Operations Committee are currently aware of at least five providers of authenticated settlement instruction services, and SWIFT as the main messaging technology used in the global FX markets is also authenticated.

The GFXD Operations Committee is keen to emphasise the importance of the partnership between banks and their clients, and that managing and reducing the risks involved with using unauthenticated channels lies with both parties to the transaction.

As such, we encourage readers of this paper to engage with the liquidity providers they are executing with to discuss the authenticated technology solutions available, supporting the Global FX Code and FMSB Standard.

Conclusion

Settlement instructions are exchanged via two channels i) automated and authenticated and ii) manual and unauthenticated. Given the significant risks seen with manual, unauthenticated channels we recommend market participants engage in dialogue with their FX providers to better understand the options available to reduce these risks, not least settlement, operational and fraud risk.

[8] https://fmsb.com/fmsb-publishes-final-standard-for-sharing-of-standard-settlement-instructions/

Contacts

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