Global FX Division Market Architecture Group (MAG)

FX trade flows (ECN, SEF and Clearing Broker)
SEF and Platform

- Majority of flow will remain on ECN and Single-Dealer Platforms
  - Question if ECN will adopt SEF-like functionality
  - If so, then should follow SEF workflow, if not, then should follow SDP flow
  - Will SEF allow for dealers to act as 3rd-party?
  - Would dealers want the responsibility for SEF compliance?
  - Objective to make platform trades the same flow – SEF and ECN

- Major question on SEFs will be whether we continue to confirm or verify trades or if making SEF legal confirm means the existing confirmations process goes away
SEF Flow

SEF → Submitting Party → Counterparty → FXTR

- Execution
- USI Assignment
- Trade notification USI (mandatory)
- Trade notification USI (platform mandatory)
- Real-time, PET and Confirmation data (Platform USI)
- Real-time, PET and Confirmation (platform USI)
- Real-time, PET and Confirmation (platform USI)
- Trade confirmation / verification
Platform Flow

Platform Flow Diagram:
- **Platform**
- **Submitting Party**
- **Counterparty**
- **FXTR**

- **Execution**
  - USI Assignment
  - Trade notification
    - USI (mandatory)

- **Submitting Party Trade**
  - USI (platform USI)

- **Submitting party confirmation**
  - USI (mandatory)

- **Counterparty**
  - USI (platform mandatory)
Brokered Trades

- **Broker**
- **Submitting Party**
- **Non-Submitting Party**
- **FXTR**

- **Execution**
- Trade recap USI (mandatory)
- **Submitting Party Trade (Broker USI)**
- Submitting Party confirmation
  Broker USI (mandatory)
- Non-Submitting Party
  Broker USI (mandatory)

USI Assignment if voice to voice, USI consumption if platform to voice
Prime Broker and Clearing Broker Flow

- Prime Broker flow, the PB steps-in to the trade to credit intermediate
- Clearing flow assumes agency FCM
- Variability in agency flow comes from when CB is notified of trade and if the EB USI is included – workflow allows for either.
- Workflow does not include direct novation notification to client via CCP, but this may convey CCP2 USI
Give-up and Principal Model Flows

Client execution

USI Assignment

EB-PB trade with EB USI

FXTR Alleged Trade to NRP (recommended RP USI)

EB trade w/EB USI

PB step-in

USI Assignment

PB-Client leg

PB-Client trade with PB USI

Clearing Broker Flow

PB-EB trade with EB USI (if dual reporting)

Note: Should the give-up be treated as a post-allocation swap and the PB client indicated as it would be on a block trade?
Clearing Broker Flow

Client trade is either submitted directly to the CCP or submitted via their clearing broker.

- Execution
  - USI Assignment
  - EB-Client bi-lateral trade (pre-cleared) with EB USI
  - EB CCP submission
  - Either client direct CCP submission
  - Or client submits via their Clearing Broker
  - CCP Novation, 2 tickets
    - CCP-EB, CCP-Client
    - USI assign CCP-EB (CCP1)
    - USI assign CCP-Client (CCP2)
  - CCP-EB with CCP1, reference EB USI
  - CCP-Client with CCP2, reference EB USI
  - CCP step-in, CCP1 and EB USI
    - "Exit" bi-lateral trade (EB USI), or amend original trade to face the CCP (EB USI and CCP USI)
  - CCP step-in, CCP2 and EB USI (if previously communicated)
  - CCP step-in, CCP2 and EB USI (if previously communicated)
Language of model changed “submitting party” and “counterparty”

- Allows for discussion on USI using Dodd-Frank Rules and an International ID using separate set of rules in bilateral flow
- If the case, parties would act in both role of submitting party and as counterparty

Amend – now support two use cases

- Original case (cancel / new) documented as an exceptions case
- Single message “modify” does not cause a USI change and thus is not documented
- For the case where the submitting party performs a cancel & new and their counterparty has not, the counterparty will need to scrape the USI from the confirm of the new and apply to their amendment record
Bi-lateral Execution

- Submitting Party
  - Execution
  - USI Assignment
  - Trade recap
    - USI (recommended)
- Counterparty
  - Submitting Party Trade Report
  - FXTR Alleged Trade to NRP
    - (recommended SP USI)
    - Non-reporting party trade report
- FXTR
  - Submitting party confirmation
    - USI (mandatory)
  - Counterparty confirmation
    - SP USI (recommended if available from recap)
  - USI upload
  - Trade amend (USI update) or via Snapshot data
Trade Amendment (Exception Case)

Submit Res

Agree amendment

Assign New USI

Counterparty

Link original trade to New (recommended)

Trade recap
New USI (recommended)

Submitting Party Cancel (original USI)

Counterparty Cancel (original USI)

Submitting Party Amend (New USI), reference original USI

FXTR alleged trade to CP
(recommended SP USI)

FXTR alleged trade to CP
(recommended SP USI)

Counterparty trade Cancel

Submitting Party confirmation of amendment
New USI (mandatory), old USI (recommended)

Counterparty amendment confirmation RP old USI (recommended)
RP new USI (recommended if available from recap or CP ACK)

USI upload

Trade amend (USI update)
Currently under review