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MARKET ARCHITECTURE GROUP
VENDOR OUTREACH
DISCUSSION DOCUMENT

Global Foreign Exchange Division

Background to the GFMA FX Market Architecture Group (MAG)

About the GFMA FX Division
The Global Financial Markets Association (GFMA) joins together some of the world's largest financial trade associations to develop strategies for global policy issues in the financial markets, and promote coordinated advocacy efforts. The member trade associations count the world's largest financial markets participants as their members. GFMA currently has three members: the Association for Financial Markets in Europe (AFME), the Asia Securities Industry & Financial Markets Association (ASIFMA), and, in North America, the Securities Industry and Financial Markets Association (SIFMA).

The GFMA Global FX Division, headquartered at AFME in London, was formed in June 2010 to support efforts to promote an efficient global FX market, monitor regulatory developments that could affect the foreign exchange markets and assist the industry in building out the infrastructure of the future. Its members comprise 22 global FX market participants, collectively representing more than 90% of the FX market (according to Euromoney surveys).

About the MAG
The MAG is a working group of the GFMA FX Division. Its principal remit is to promote common industry standards and workflows in response to the new international regulatory environment. As such, the group wishes to foster dialogue and discussion with a wide range of market participants, vendors, industry utilities and regulators. The group works closely with ISDA in respect of other asset classes to harmonise cross-asset approaches where possible.

As the first key leg of implementing regulatory reform, the group is focusing on the approach to global trade reporting. This work includes focusing on the development of identifiers (in particular unique transaction identifier workflows and product identifiers / taxonomies) and protocols for determining various reporting responsibilities. All of the MAG's relevant documentation is posted on the GFMA's website at: http://www.gfma.org/initiatives/foreign-exchange-(fx)/fx-market-architecture/

Whilst the group will continue to focus on supporting regulatory reporting, it will also be discussing approaches to all new regulatory infrastructure, including in respect of clearing and execution. Market participants are encouraged to communicate with the MAG on these, or any other related issues.

Important notice
Please note that any materials issued by the MAG contain suggestions and comments on approach based solely upon the views of the participants of the MAG. These materials have not been validated with regulators or any other participants, stakeholders or advisers (including legal advisers) to assess compliance with legislation in any applicable jurisdiction, and GFMA makes no representations as to the accuracy or completeness of the materials.

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Agenda

- External Business Conduct Standards

  - Risk disclosures and scenario analysis

  - Material characteristics

  - Pre-trade mid

- FX ECN data attribute specification

- AOB

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Risk disclosures and scenario analysis

- Suggested approach:
  - Should be provided bilaterally by the dealer to the client outside of the platform

- Platform impact / assistance:
  - Potentially to communicate relevant notices to clients

- Note:
  - Where a dealer is providing a price via a platform without knowing the end client and the end client may be a US person who is not a Swap Dealer, the platform and the client would need to come to an arrangement to ensure that the material risks have been disclosed to the client
  - This combination of circumstances is not common for eligible FX products as far as this group is aware

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Material characteristics

- Suggested approach:

  - Material Economic Terms (METs) to be disclosed to clients

  - The MAG has suggested that for eligible transactions, METs be based upon the terms included in long form confirmation for each eligible product, but excluding any that are believed to be neither material nor economic – see next slide for suggested application to flow products

- Platform impact / assistance:

  - To disclose METs

    - Ideally link to industry standard terms e.g. ISDA / EMTA websites

    - But if not available by the start of January, platforms to consider how they might assist in disclosing these terms to the comfort of the dealers (who remain responsible for the disclosure) either via the platform's own website or by reference to alternative forms of disclosure from the dealers

  - Note – the MAG is aware of instances where a customer may trade NDFs via a forwards screen. If different disclosures (between e.g. forwards and NDFs) are required, then appropriate measures would need to be adopted to ensure that these are made.

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Material economic terms – suggested application to flow products

Option	NDF	NDO	Forward
Buyer	Reference Currency Buyer	Buyer	Forward Rate
Seller	Reference Currency Seller	Seller	Amount and currency payable by Party A
Premium	Notional Amount	Premium	Amount and currency payable by Party B
Currency Option Style (European / American)	Forward Rate	Currency Option Style (European / American)	Settlement Date
Currency Option Type (Call / Put)	Reference Currency	Currency Option Type (Call / Put)	
Call Currency and Call Currency Amount	Reference Currency Notional Amount	Call Currency and Call Currency Amount	
Put Currency and Put Currency Amount	Valuation Date	Put Currency and Put Currency Amount	
Strike Price	Settlement Date	Strike Price	
Expiration Date	Settlement Currency	Reference Currency	
Expiration Time	Settlement Rate Option	Settlement Currency	
Latest Exercise Time (American Style Only)	Disruption Fallbacks	Valuation Date	
Exercise Period (American Style Only)	Price Source Disruption	Expiration Date	
Settlement Date	Other Disruption Fallbacks	Expiration Time	
Premium Payment Date	Price Materiality [Applicable to BRL]	Latest Exercise Time (American Style Only)	
	Primary Rate [Applicable to BRL]	Exercise Period (American Style Only)	
	Secondary Rate [Applicable to BRL]	Settlement Date	
	Price Materiality Percentage [Applicable to BRL]	Premium Payment Date	
	Relevant Cities for Business Day(s) for Valuation Date	Settlement Rate Option	
	Relevant City for Business Day for Settlement Date	Disruption Fallbacks	
	Deferral Period for Unscheduled Holiday	Price Source Disruption	
	Unscheduled Holiday	Other Disruption Fallbacks	
	Valuation Postponement for Price Source Disruption	Price Materiality [Applicable to BRL]	
	Fallback Survey Valuation Postponement	Primary Rate [Applicable to BRL]	
	Cumulative Events	Secondary Rate [Applicable to BRL]	
	Maximum Days of Postponement	Price Materiality Percentage [Applicable to BRL]	
	Calculation Agent	Relevant Cities for Business Day(s) for Valuation Date	
		Relevant City for Business Day for Settlement Date	
		Deferral Period for Unscheduled Holiday	
		Unscheduled Holiday	
		Valuation Postponement for Price Source Disruption	
		Fallback Survey Valuation Postponement	
		Cumulative Events	
		Maximum Days of Postponement	
		Calculation Agent	

Quote Information	Information that would be updated with every price
Transaction Information	Information that would be updated for every swap requested
Static Information	Information that would be communicated and available by reference for every swap requested along with FX Definitions

Note that the proposed division between Quote and Transaction information is based on the most common way of quoting products

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Delivery of pre-trade mid: dealer to platform

- Suggested approach:
    - A) Dealers to provide the mid using a field on the API; or
    - B) Agree with the platform that the dealer will always provide two-way prices and that the platform can use those two-way prices to calculate a mid

- Platform impact / assistance:
    - To enable A), provide an additional, optional field to specify the mid
    - To enable B), functionality to calculate mid price within the platform

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Delivery of pre-trade mid: platform to client

- Suggested approach:
  - A) Platforms could show the mid next to each dealers bid / offer i.e. the dealer provided mid or the calculated mid; or
  - B) By agreement with individual dealers, display a composite mid based on prices provided by responding dealers

- Platform impact / assistance:
  - Ability to show the mid price next to each dealer's stream / RFQ
  - Ability to calculate and show a composite price
    - Note, in this scenario, where only one quote makes up the composite, this may need clearly to be expressed to the client
  - In order to assist with data retention requirements, functionality may be requested for the platform either to:
    - (i) feed the mid price back to each relevant dealer where a trade has been executed; or
    - (ii) act as agent for each dealer to record the mid price associated with an executed trade

ECN data attribute specification

Trade attributes – January 2013

No.	Field	Format	Applicable trade types	Proposed Max. Length	Values
1.	USI Prefix (note 1)	String	All reportable	10	As per CFTC requirements
2.	USI Value (note 1)	String	All reportable	32	As per CFTC requirements
3.	Execution Venue (note 2)	String	All reportable	42	LEI; or Name of venue
4.	Execution Venue Type	Enumeration / Text	All reportable	12	"SEF" or "Off-facility"
5.	Execution Timestamp	Coordinated Universal Time (UTC)	All reportable	25	Date & Time (hh:mm:ss)
6.	Link ID (note 1a.)	String	For FX Swaps	42	USI of far leg can be a potential value.
7.	USI Prefix Far Leg (note 1a.)	String	For FX Swaps	10	See 1 above
8.	USI Value Far Leg (note 1a.)	String	For FX Swaps	32	See 2 above

- The above covers data attributes that the MAG believes is important for meeting the Part 45 & 43 reporting requirements (compliance date in January 2013)

Notes:

1. USI Prefix & Value - These are the unique swap identifier Prefix (or namespace, in Part 45 terminology) and Value (the unique, platform-generated trade ID) that are generated for each distinct and reporting-eligible trade.

1a. FX Swaps - The MAG believes that FX swaps should be identified by two separate USIs representing each leg.

- *Where FX Swaps are communicated as two separate trades, individual legs would contain the relevant USI and a unique link ID (that is not necessarily a USI) that is common to both legs would be specified.*

- *Where FX Swaps are sent as a single trade, USI Prefix and Value (fields 1 & 2) would contain the near leg USI, whilst the far leg USI will be contained separately (fields 7 & 8).*

1b. Option Strategy - The MAG suggests that USIs should be generated for individual legs for option strategies.

2. Execution Venue - Part 45 states that field values should be "Identifier (if available) or name of the [SEF] or [DCM]...." The MAG suggests that these be applied in that order of preference, if available. For European entities, where LEI is not available, a MIC code could be used.

For 1a and 1b above, please see the MAG's UTI overview document for more information.

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ECN data attribute specification

Further trade attributes

No.	Fields	Format	Max. Length	Values
9	Indication of Clearing Exception (note 1)	Boolean Flag	1	Y/N
10.	Indication of Other Price Affecting Term (note 2)	Boolean Flag	1	Y/N
11.	Indication of Allocation (note 3)	Boolean Flag	1	Y/N
12.	Clearing Venue	String	42	LEI or Name of the Clearing House
13.	Clearing Indicator	Boolean Flag	1	Y/N
14.	Transaction Repository	String	42	LEI or Name of the Repository

- The above sets out further data attributes that may be of assistance for reporting and which, depending upon the capabilities of the relevant platform, participants may wish to consider incorporating into any development work.

Notes:

1. Indication of clearing exception - If a trade will not be cleared, this is intended to indicate whether this is as a result of an exception or exemption being elected (please see Part 45 for more details).

2. Indication of other price affecting term - Information to indicate whether the trade is non-standardised (bespoke) and whether there are one or more additional terms or provisions other than those to be disseminated publicly, that materially affects the price of the publicly reportable trade (please see Part 43 for more details).

3. Indication of Allocation - An indication of whether the trade will be allocated.