

COMMITTEE LETTER • ISSUED JOINTLY WITH THE SINGAPORE FOREIGN EXCHANGE MARKET COMMITTEE**Regarding the Format of SWIFT Trade Confirmations**

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Dear Mr. Virgilio:

When the Foreign Exchange Committee and the Singapore Foreign Exchange Market Committee met in New York on November 2, 2000, a key item on the agenda was the recent trading uncertainties related to the format of SWIFT confirmation messages. The two groups, working with the Foreign Exchange Committee's Operations Managers Working Group, discussed steps that might simplify trading procedures and limit error and confusion.

Pursuant to this discussion, the two committees respectfully suggest the following:

I. REDEFINING FIELD 77D OF THE SWIFT TRADE (MT3XX) CONFIRMATION

The committees recognize the importance of trade confirmations for both cash and options transactions because these documents verify trade details previously agreed upon between counterparties. The committees reiterate that short-form confirmations should not be used to impose any new or additional provisions on trades nor make reference to other financial conditions that may significantly alter aspects of the transaction. Indeed, master agreements published by the foreign exchange industry prohibit the addition of new terms or the amendment of existing terms by means of a confirmation.

Field 77D, as currently defined by SWIFT, is a reference for master agreements, local regulations, and any other specific conditions that may be applicable to the trade. Given this broad definition, the field has been utilized to attach additional provisions to the agreed upon terms of the trade.

Accordingly, the committees suggest that SWIFT narrow the published terms and conditions of Field 77D. Specifically, we encourage use of following language:

Field 77D: Terms and Conditions

Definition: Field 77D specifies the underlying master agreement, if any, which governs the transaction being confirmed.

Rules: Field 77D is to be used to refer to specific agreements between the parties to the trade. This field is not to be used to impose any additional conditions or references to local regulations that are not covered in master agreements. If the field is not present, the deal conforms to the usual banking practice.

2. TAKING FURTHER STEPS TO SUPPORT STRAIGHT-THROUGH PROCESSING REQUIREMENTS

The committees applaud SWIFT's efforts in recent years to introduce new fields to assist trading procedures. Fields such as 82 and 87 provide the tags needed to identify the exact party to a trade. However, because the fields were initially labeled as optional, they had the effect of complicating coding. SWIFT's move to make fields mandatory as of November 2001, therefore, is very welcome.

Going forward, we suggest that SWIFT consider other actions to promote straight-through processing. Specifically, we recommend converting Fields 82, 83 (used to determine the underlying fund or beneficiary), and 87 to a mandatory, *machine-readable format*.

We appreciate your attention to this letter and to our requests. Please feel free to contact us if you have any questions or you would like to discuss these subjects further.

Very truly yours,

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