



FX Industry GPI consultation

SWIFT GPI - unparalleled growth in adoption, traffic and corridors

Very large
community

450+

banks committed to implement,
60 of top 60 banks signed

200+

countries covered

80+%

SWIFT cross-border payments
represented

Millions live
payments

127

banks live
35 top 50 banks

1100+

country corridors

170+Mio

payments sent as gpi since go live -
+1M payments/day

50+%

cross-border MT103 sent
as gpi

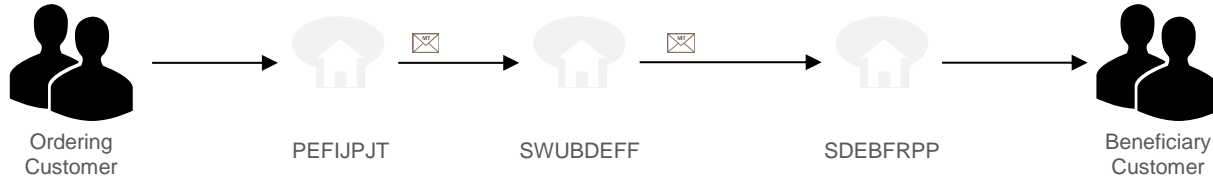
Delivering
real value

- Over 50% of SWIFT gpi payments are credited to end beneficiaries within 30 minutes
- More than 300 billion USD are being sent daily via gpi
- Banks are saving costs thanks to quicker investigations handling and a significantly reduced number of payment enquiries
- Positive reactions from corporates



SWIFT global payments innovation (gpi) features

End-to-end tracking number - UETR



Payment Tracker



End-to-end payments tracking database

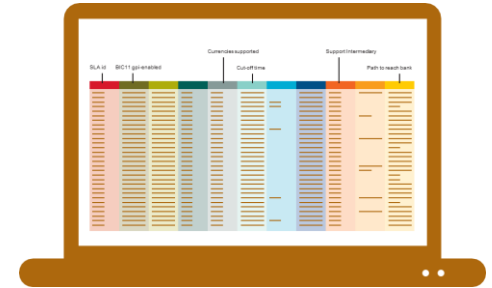
- to monitor progress of a gpi payment in real time
- To obtain transparency on deducts
- To receive confirmation that payment was credited

Observer



Business Intelligence dashboard showing bank compliance with gpi SLA

Directory



Providing operational info on gpi members, BICs, currencies, cut-off times

Key features: The SWIFT gpi Tracker

Function

End-to-end payments tracking database to monitor progress of a gpi payment

Benefits

Allowing to track a payment's path in real time, obtain transparency on deducts and confirmation that payment was credited

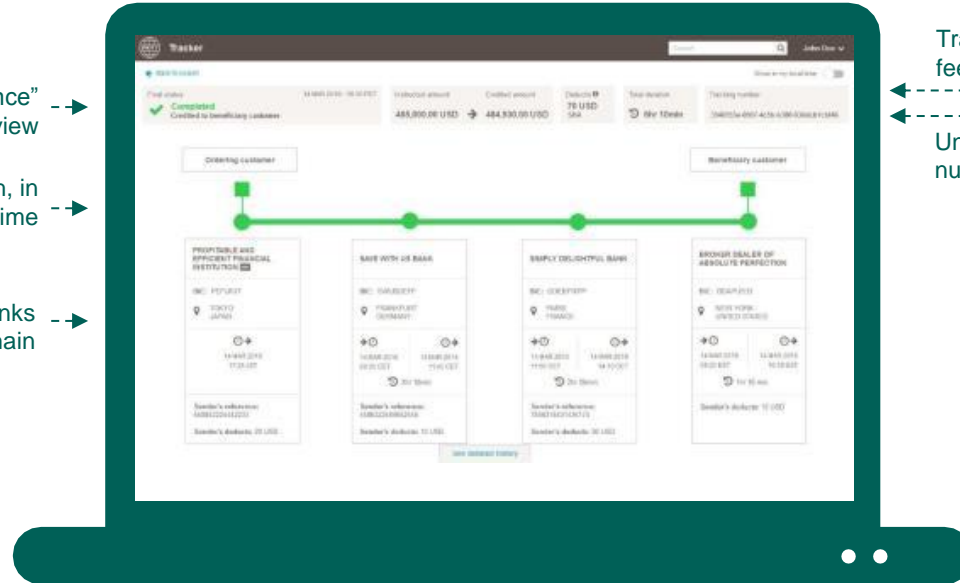
Availability

MT 199 / API: Today

"One-glance" status overview →

Track path, in real time →

Details of banks along the chain →

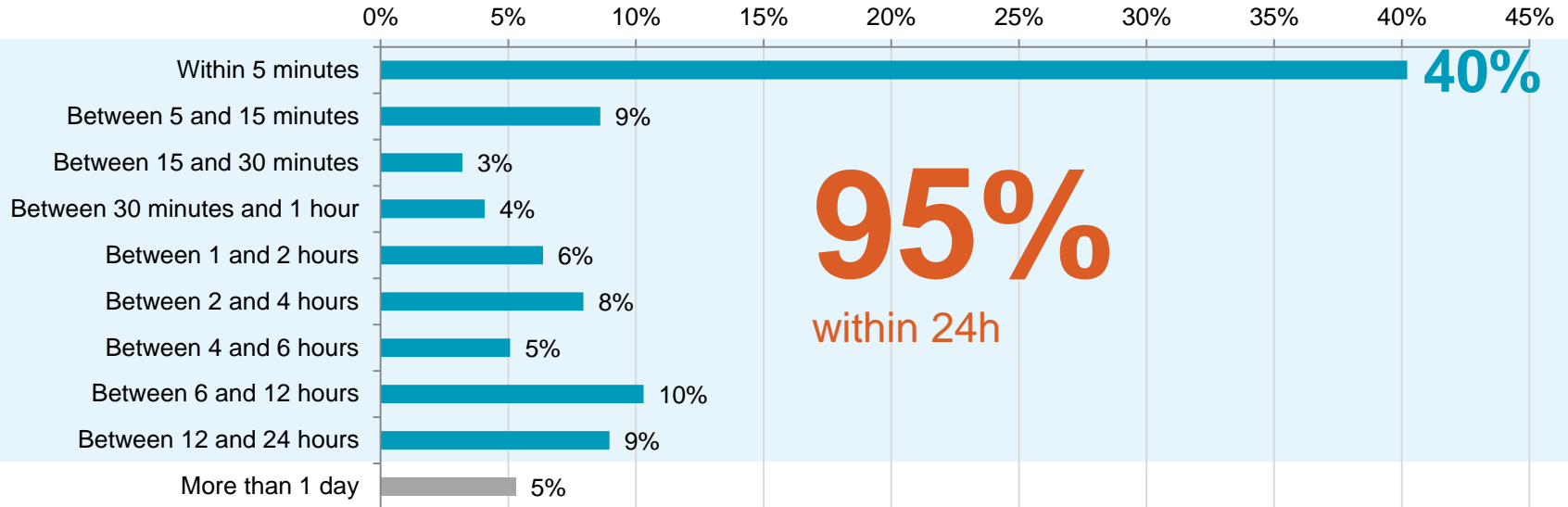


← Transparency of total fees and time

← Unique, end-end tracking number

- Central payments database, hosted at SWIFT
- Updated via MT199 or API
- Data consumption via GUI, via MT199 (push) or via API (pull)

Fast payments over SWIFT – with real time status via GPI



GPI – a future proof option

2017

Tracker

Delivering end-to-end payments tracking

Observer

Measuring the community's compliance to the gpi SLA

Directory

Providing a complete overview of which banks can send and receive gpi payments

Customer Credit Transfer

Enabling gpi customers to offer enhanced payments services directly to their customers

2018

Stop and Recall

Halting immediately payments not yet credited, efficiently recalling credited payments

Extended Tracking

Extending tracking capabilities to all SWIFT payments, initiated by any SWIFT institution

Cover Payments

Increasing timely transfer of payments when there is no direct account relationship between the sender and receiver

Manual Confirm GUI

Allowing manual authorisation for smaller banks

Integration Back-office

Integrating with SWIFT interface when no vendor application is available

2019

Payment Initiation and Tracking

Extending gpi to corporates' end customers

Faster gpi Payments

Delivering universal instant payments

Pre-validation

Reducing friction by pre-validating transaction information

Case Resolution

Improving customer experience through efficient processing of enquiries and investigations

Notification/Visibility Incoming

Enabling tracking and notifications for incoming payments

Request for Payment

Enabling integrated procure-to-pay solution for cross-border payments

Financial Institution Transfers

Tracking for high value financial institutions

2020

Mandatory Confirms

Delivering mandatory confirmation for all payments by SWIFT users

2021

Go live dates

ISO 20022

Complying with ISO right across SWIFT



The moment has arrived to prepare and capture the benefits of SWIFT gpi

Vision 2020

SWIFT gpi will be the **norm in 2020** through the **mandatory confirmation** and **tracker for all FI's**; Leaders in capital markets will be those who capture the benefits of SWIFT gpi and leverage it for their clients in the next 18 months.

MT 202 in scope

For SWIFT gpi to unlock its full potential, it needs to become ubiquitous and include capital markets. From 2019, **tracking of the MT202** will be available forming part of the full solution, which is essential to capital markets business

More value adding services

Future features of the product roadmap to enable more operational efficiencies and customer relevance include e.g. the **API to tracker, Instant Payments, Request for payment, notification of incoming...**



Relevance for the FX Industry

- SWIFT is in a unique position in the FX market given that practically all FX trades are settled over SWIFT either bilaterally through the correspondent banking process, or instructed to CLS for central settlement



Objectives of FX industry consultation:

To investigate how best the FX industry can benefit from the GPI (the global payments initiative) as follows:

- *Agree on where GPI can bring value*
- *Agree on problem statements / where are the issues in FX payments*
- *Evaluate potential solutions to integrate GPI into FX payment workflows*
- *Investigate FX payment use cases and determine which solution would be best to implement*

Where GPI can bring value to FX Industry

- Managing counterparty / credit risk
- Advance warning of market stress
- Improving liquidity management
- Ability to release payment when incoming funds are credited
- 'Real time' monitoring of Nostro account balance
- Full audit trail for overseas payments
- Improving Operational efficiency
- 'Real time' exception management of settlement discrepancies
- Help with the claims process
- Support for the SSI change management process

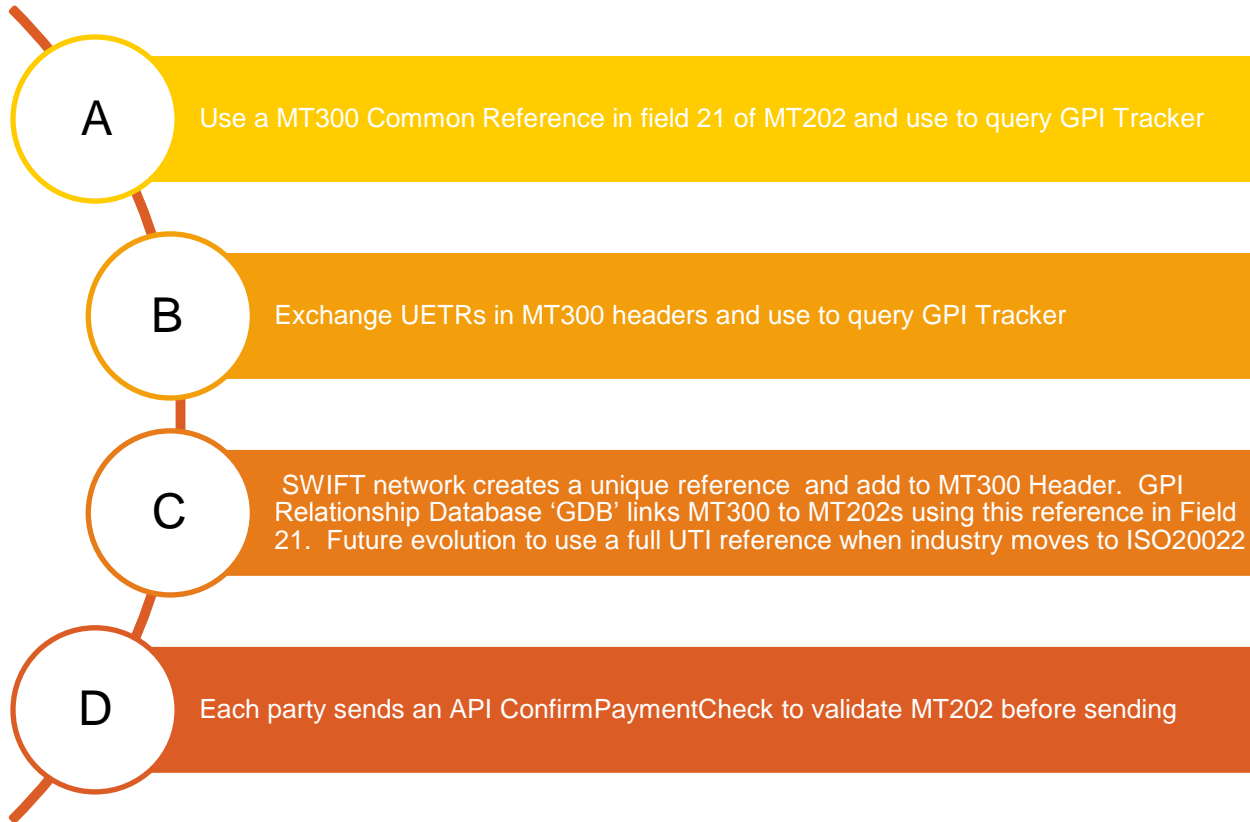


Overall concept – GPI for FX

1. To link the underlying FX Trade to the outgoing MT 202 payment leg used in bi-lateral settlement.
 - *This requires the UETR of the outgoing payment to be associated by a bank's internal systems to the originating FX trade*
2. Each party needs to know when the incoming MT 202 payment related to the FX trade is credited to their account
 - *In order to maximise the benefits of the GPI Tracker this means that each party to the FX Trade needs to inform the other party of the UETR they will be using*
3. Important to also support the netting of FX Trades into a single payment
 - *The single netted payment needs to be linked back to the underlying FX Trades by both parties*



Summary of potential solutions





FX Industry GPI consultation

Solution descriptions

A - Exchange UETRs in MT300 headers and use to query GPI Tracker

OVERVIEW

- At time of FX Trade, create a UETR and insert into the MT300 Header
- When MT300s are matched send a MT202 using the same UETR as was sent in the MT300
- GPI Tracker is used to monitor status of the UETR for the payment sent, and the UETR for the payment received

SWIFT USER ACTIONS

- Create payment UETR at time of trade, update MT300 message header, integrate with the GPI Tracker (GUI or API)

SWIFT ACTIONS

- Standards Release to allow UETR to be added to the MT300 Header

BENEFITS

- Status of payment sent / received is known in near real time

ISSUES

- Only supports MT300 confirmations that are linked directly to a payment (i.e. does not support netting, or trades confirmed not using MT300s)
- Requires a significant community of users to make the investment for this to work



B - Use a MT300 Common Reference in field 21 of MT103 and use to query GPI Tracker

OVERVIEW

- At time of payment ensure Field 21 of the MT202 includes the MT300 Common Reference in Field 21
- GPI Tracker is used to query on Field 21 in order to monitor status of the UETR for the payment sent and the UETR for the payment received

SWIFT USER ACTIONS

- Insert MT300 Common Reference in Field 21 of MT202

SWIFT ACTIONS

- Support API alerts/queries based on Field 21

BENEFITS

- Status of payment sent / received is known in near real time

ISSUES

- Whilst an industry market practice the MT300 Common Reference is not felt to be unique (especially when used to settle allocations)
- Only supports MT300 confirmations that are linked directly to a payment (i.e. does not support netting or trades confirmed not using MT300s)



C – SWIFT network to create a unique reference and add to MT300 Header. GPI Relationship Database ‘GDB’ will link MT300 to MT202s using this reference in Field 21. Future evolution to use a full UTI reference when industry moves to ISO20022

OVERVIEW

- SWIFT to create a unique 16 character reference based on key fields in the MT300. This together with the MT300 details is held in the GPI Relationship database, and the reference added to the MT300 header by the network
- This reference to be used in Field 21 of the associated payment

SWIFT USER ACTIONS

- Extract the reference from the MT300 Header and use in the Field 21 of the associated payment

SWIFT ACTIONS

- Create the unique reference and add to reach MT300 Header.
- Upload the reference and MT300 to the GPI Relationship database
- If a MT300 Cancel is sent then link that to the original NEW MT300 and delete from the Relationship Database
- If more than one MT300 has the same key details then link them together
- Link the MT300 to the associated payments based on the reference in Field 21 of the MT202

BENEFITS

- Relatively small development needed by SWIFT user
- Direct link between FX Trade and payment

ISSUES

- A significant change to the GPI Tracker that may take some time to implement



D – Each party sends an API ConfirmPaymentCheck to validate MT202 before sending

OVERVIEW

- Once the trade is confirmed and validated use the GPI API to 'ConfirmPaymentCheck' to send details of the payment, the UETR that will be used, and the FX Trade details to which the payment relates
- Each party would check and send a confirmation before releasing their payment

SWIFT USER ACTIONS

- Implement the 'ConfirmPaymentCheck' API to send UETR you will be using in the payment to be sent
- Implement the 'ConfirmPaymentCheck' API to validate that the payment details, are correct. Using the FX trade details provided link the UETR provided to enable the incoming payment to be tracked.

SWIFT ACTIONS

- Create/Modify the 'RequestPayment' API to support exchange of UETR

BENEFITS

- Direct link between FX Trade and payment

ISSUES

- API to be developed, and significant change to current payment process
- Need to be able to link the details provided in the API request to the underlying FX trade





FX Industry GPI consultation

Use Cases

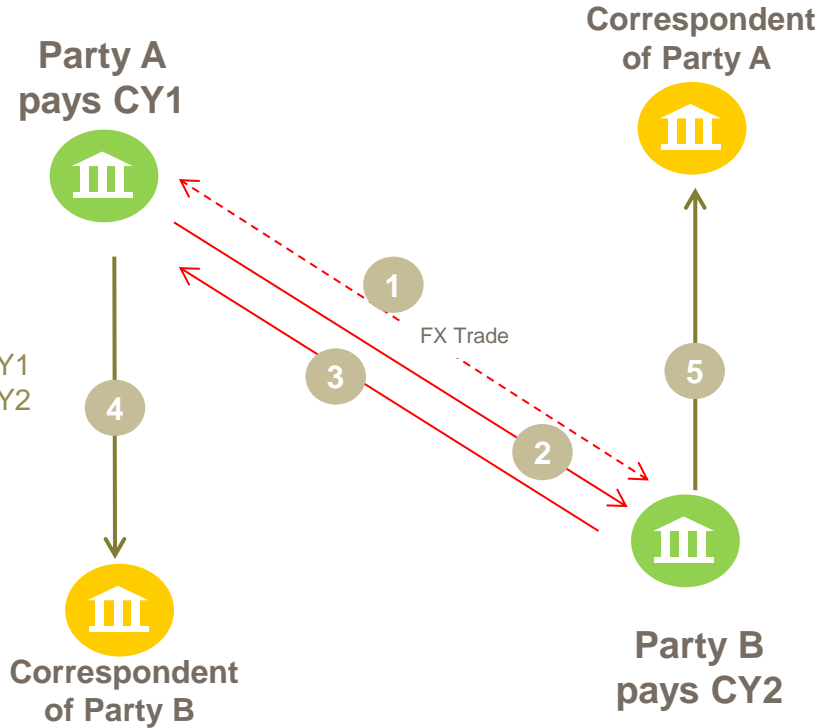
Summary of Use Cases

- 1 A FX Institutional Trade
- 2 FX Institutional Trade with use of an Inter-Dealer broker 'IDB'
- 3 FX Institutional Trade without confirmations
- 4 FX Institutional Trade with Allocations (Splitting)
- 5 FX Institutional Trade with Netting
- 6 A FX Institutional Trade linked to a Transactional Trade
- 7 Investment Manager to Custodian
- 8 Investment Manager via FX Platform to Custodian
- 9 Corporate to Servicing Bank



Use Case 1 – A FX Institutional Trade

1. FX Trade
2. Send MT 300
3. Send MT 300
4. Send MT 202 payment CY1
5. Send MT 202 payment CY2



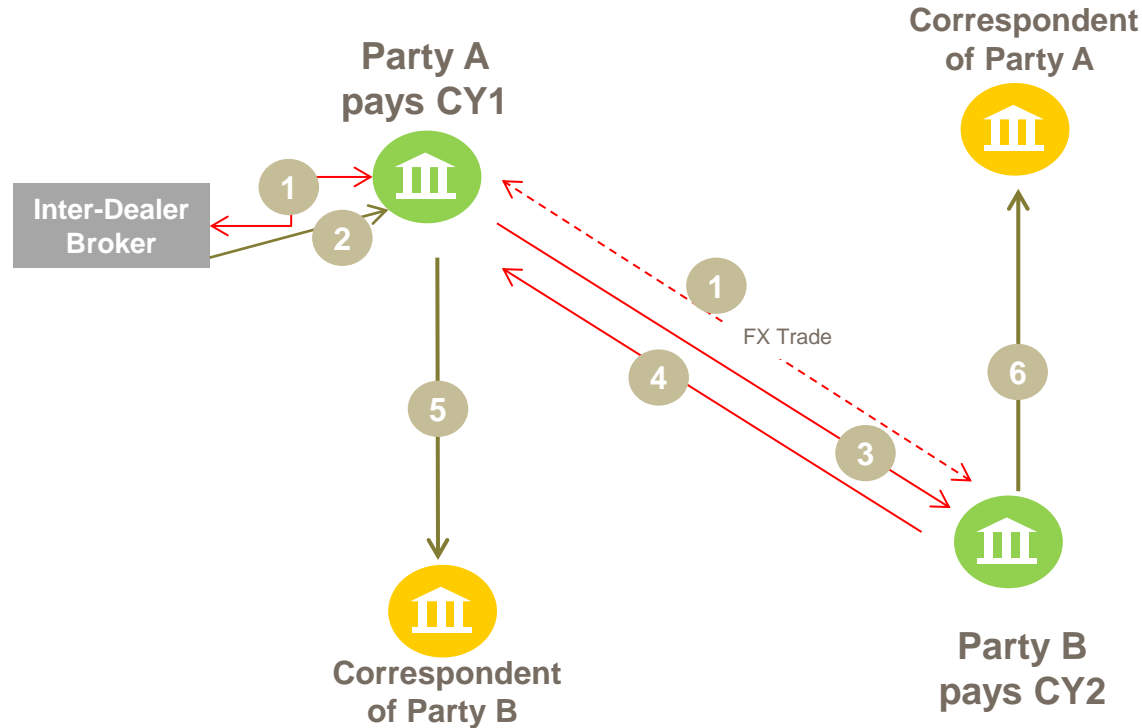
Normal business practise as documented in this extract from the FX Global Code Principle 46 is:

Market Participants should confirm FX trades as soon as practicable after execution, amendment, or cancellation. The use of automated trade confirmation matching systems, when available, is strongly recommended. Market Participants should also implement operating practices that segregate responsibility for trade confirmation from trade execution.

Confirmations should be transmitted in a secure manner whenever possible, and electronic and automated confirmations are encouraged. When available, standardised message types and industry-agreed templates should be used to confirm FX products.

Open communication methods such as e-mail can significantly increase the risk of fraudulent correspondence or disclosure of Confidential Information to unauthorised parties. If confirmations are communicated via open communication methods, those methods should comply with information security standards (and also see Principle 23 in Information Sharing)

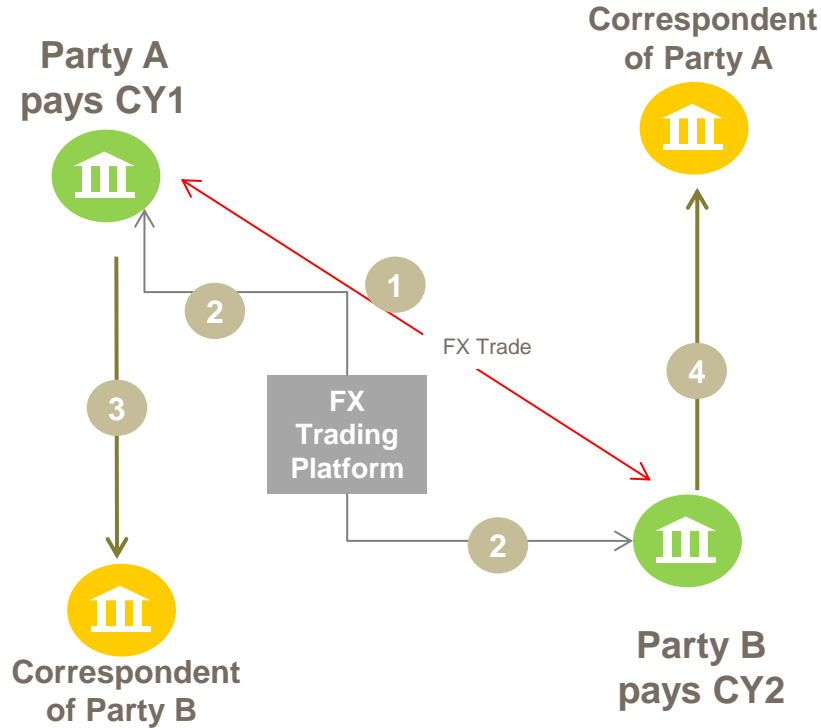
Use Case 2 – FX Institutional Trade with use of an Inter-Dealer broker ‘IDB’



Normal business practise as documented in this extract from the FX Global Code Principle 46 is: Trades arranged via an IDB should be confirmed directly between both parties to the transaction. Market Participants should receive an affirmation from the IDB to assist in accurately booking trades.

1. FX Trade where Party A uses services of IDB
2. Affirmation from IDB
3. Confirmation sent to Party B
4. Confirmation from Party B
5. Send MT 202 payment CY1
6. Send MT 202 payment CY2

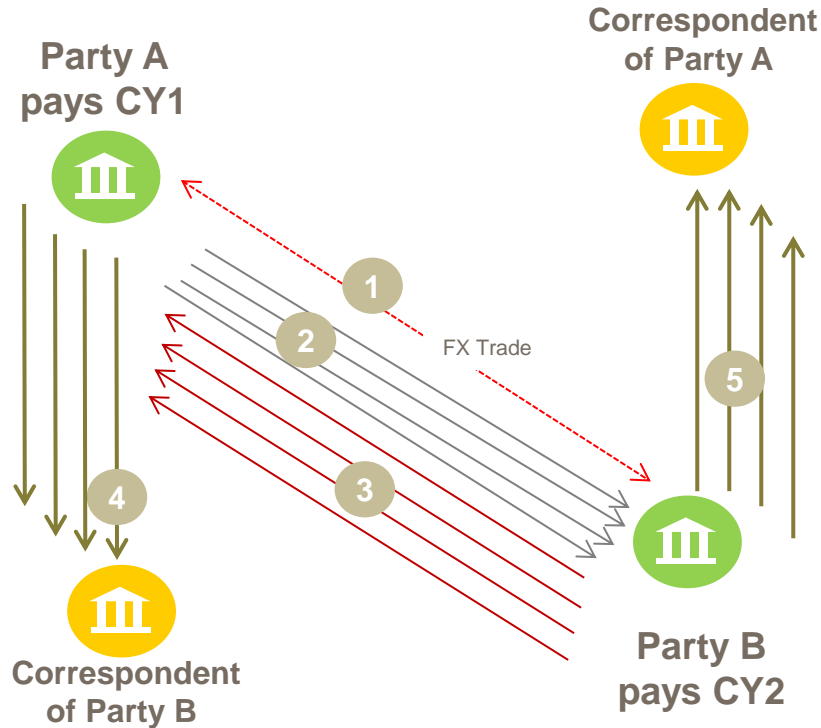
Use Case 3 – FX Institutional Trade without confirmations



Normal business practise as documented in this extract from the FX Global Code Principle 46 is: Market Participants bilaterally choose to match trades using front-end electronic dealing platforms in place of exchanging traditional confirmation messages, the exchange of trade data should be automated and flow straight-through from the front-end system to operations systems. Strict controls should be in place so that the flow of data between the two systems is not changed and that data are not deleted or manually amended. Any agreements between the parties to use electronic dealing platforms for trade matching rather than exchanging traditional confirmation messages should be documented in the legal agreement between the parties.

1. Trading platform updates to internal systems
2. Send MT 202 payment CY1
3. Send MT 202 payment CY2

Use Case 4 – FX Institutional Trade with Allocations (Splitting)



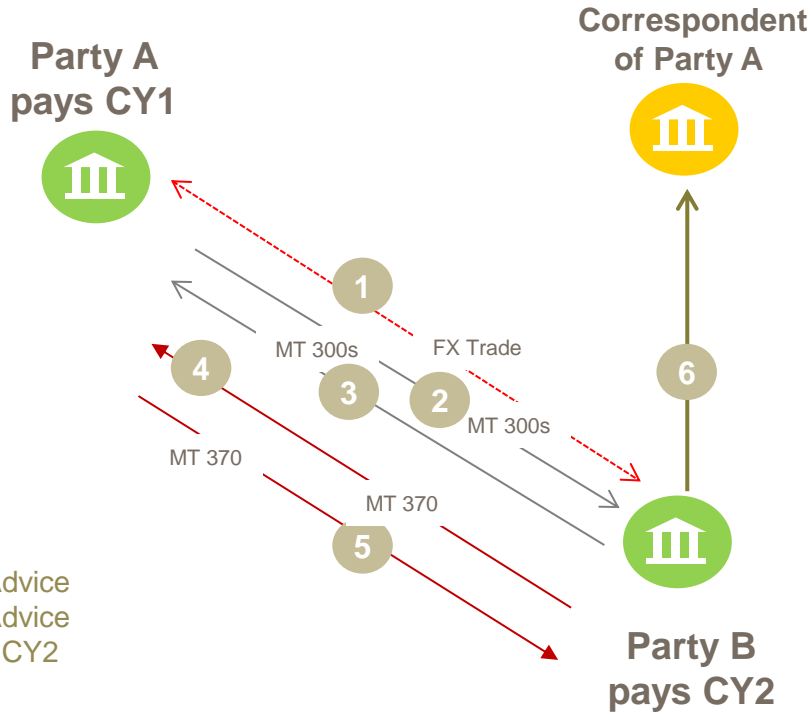
Normal business practise as documented in this extract from the FX Global Code Principle 47 is:

Block transaction details should be reviewed and affirmed as soon as practicable following execution. Investment managers or others acting as Agent on behalf of multiple counterparties may undertake block transactions that are subsequently allocated to specific underlying counterparties. Each underlying counterparty in a block transaction should be an approved and existing counterparty of the dealer-counterparty prior to allocation. Each post-allocation transaction should be advised to the counterparty and confirmed as soon as practicable..

1. FX Trade (Block)
2. Confirmation of Allocation
3. Confirmation of Allocation
4. Send MT 202 payments CY1
5. Send MT 202 payment CY2

Note: The result of such a process is that can be many payments of an identical amount, value and counterparty

Use Case 5 – FX Institutional Trade with Netting



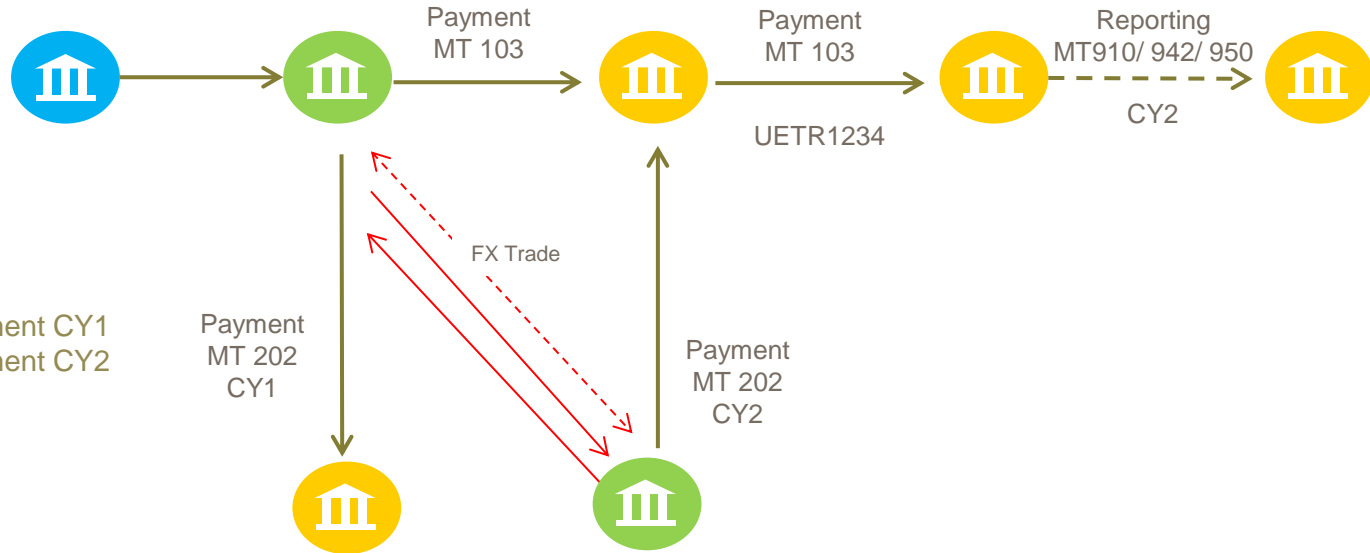
Normal business practise as documented in this extract from the FX Global Code Principle 50 is:

The netting of FX settlements (including the use of automated settlement netting systems) is encouraged. Where used by Market Participants, a process of settling payments on a net basis should be supported by appropriate bilateral documentation. Such netting may be bilateral or multilateral. The initial confirmation of trades to be netted should be performed as it would be for any other FX transaction. All initial trades should be confirmed before they are included in a netting calculation. In the case of bilateral netting, processes for netting settlement values used by Market Participants should also include a procedure for confirming the bilateral net amounts in each currency at a predetermined cut-off point that has been agreed upon with the relevant counterparty. More broadly, settlement services that reduce Settlement Risk—including the use of payment-versus-payment settlement mechanisms—should be utilised whenever practicable.



Note: There is today a very small usage of the MT370 – the netted amount is more normally just confirmed by e-mail or similar

Use Case 6 – A FX Institutional Trade linked to a Transactional Trade

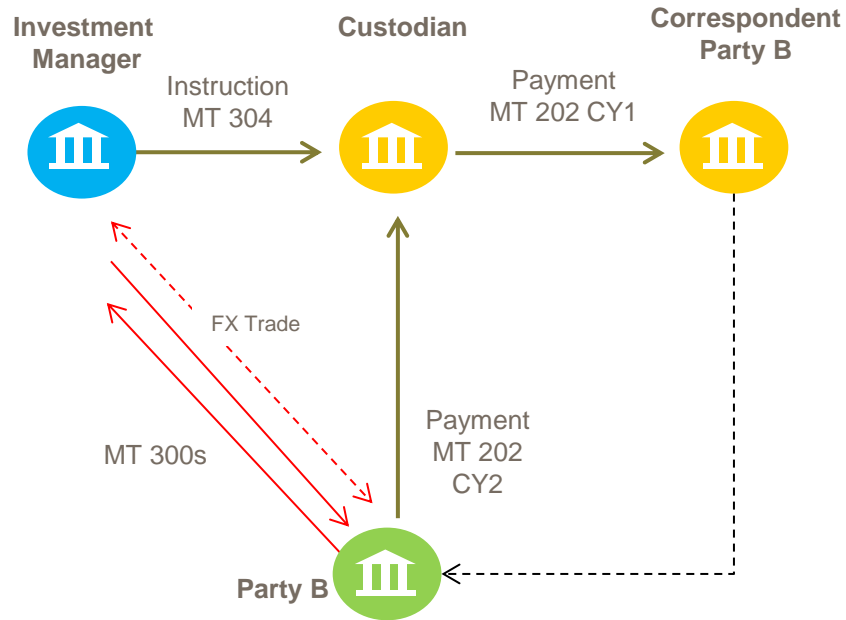


1. FX Trade
2. Send MT 300
3. Send MT 300
4. Send MT 202 payment CY1
5. Send MT 202 payment CY2

Note: There is unlikely to be a 1-to-1 relationship between the MT202 and the MT103. The MT202 is more likely to include a netted sum of flows. This is not to be confused with the MT202 COV message flow.

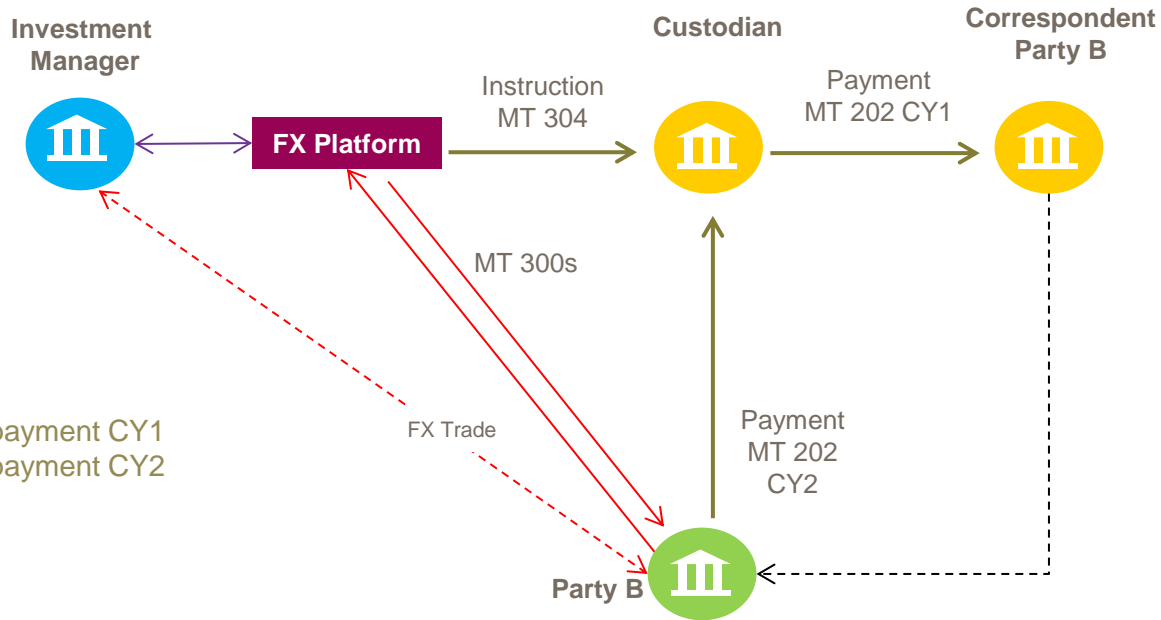
Use Case 7 – Investment Manager to Custodian

1. FX Trade
2. Send MT 300
3. Send MT 300
4. Sent MT 304
5. Send MT 202 payment CY1
6. Send MT 202 payment CY2



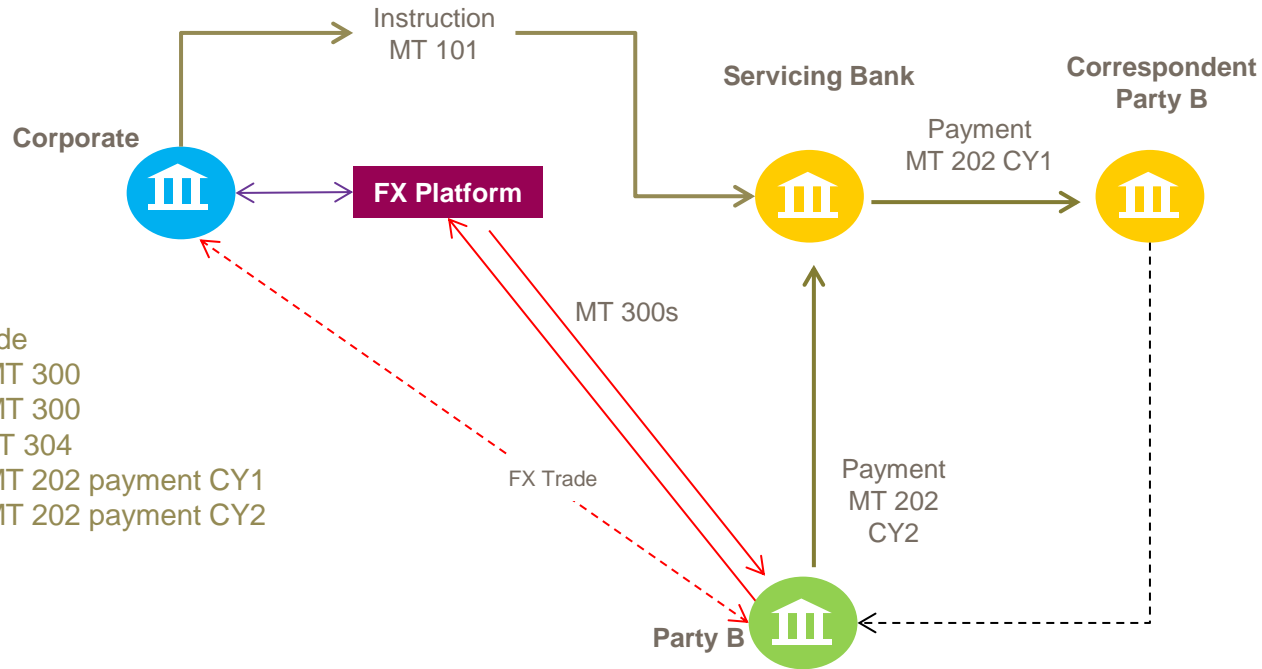
Note: In this case the Investment Manager makes the trade and then instructs their custodian to settle

Use Case 8 – Investment Manager via FX Platform to Custodian



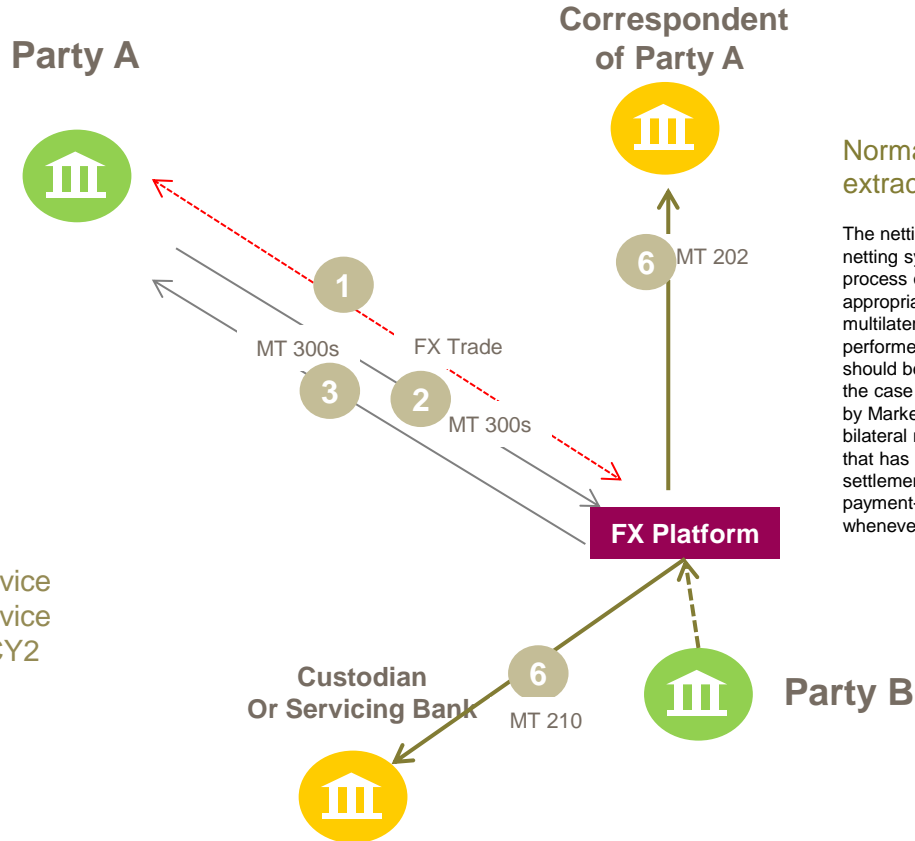
1. FX Trade
2. Send MT 300
3. Send MT 300
4. Sent MT 304
5. Send MT 202 payment CY1
6. Send MT 202 payment CY2

Use Case 8b - Corporate via FX Platform to Servicing Bank



1. FX Trade
2. Send MT 300
3. Send MT 300
4. Sent MT 304
5. Send MT 202 payment CY1
6. Send MT 202 payment CY2

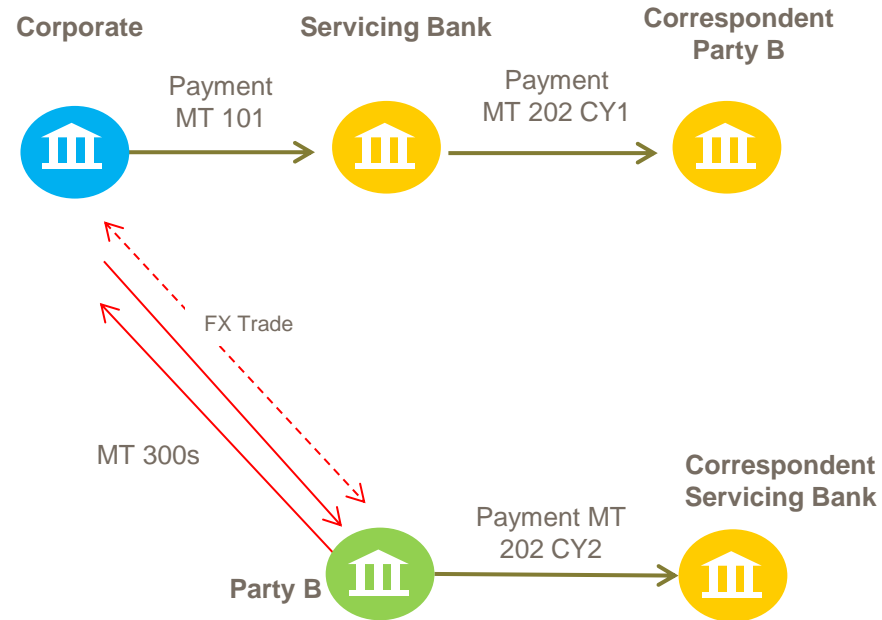
Use Case 8c – FX Platform Trade with Netting



Normal business practise as documented in this extract from the FX Global Code Principle 50 is:

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Use Case 9 – Corporate to Servicing Bank



1. FX Trade
2. Send MT 300
3. Send MT 300
4. Sent MT 101
5. Send MT 202 payment CY1
6. Send MT 202 payment CY2