

# Trading under One Legal-Entity Name

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In March and April 2000, the Foreign Exchange Committee conducted a short survey to determine the recent progress made in reducing the number of legal-entity names used in global trading activities. The survey, which drew on the experiences of the largest financial institutions involved in foreign exchange trading, solicited opinions on the important benefits of, and the roadblocks to, having fewer trading names. The Committee believes that trading under fewer names may help simplify the trading, payment, and settlement processes as well as reduce risk.

Twenty-two institutions responded to the survey.<sup>1</sup> Many noted that they book different foreign exchange products in different locations. Approximately one-third execute trades under seven or more entity names, another third trade under four to six names, and the remaining third use one to three names.

The institutions reported mixed priorities in the objective to reduce the number of trading names. Somewhat less than half considered trading under one legal name a top priority; the other half considered it a moderate priority. None deemed it a low priority.

Many of the surveyed institutions identified increased netting and operational efficiencies as the most beneficial aspects of trading under one legal name. Credit support, more efficient risk management, and simplicity and transparency of structure were viewed as other important benefits. Those institutions that did pare the number of names indicated that their biggest obstacle was their own operational procedures.

The survey questions and responses are reprinted here.

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<sup>1</sup>Institutions (as of April 2000) participating in the survey were: AIG, Bank of America, Bank of Montreal, Bank of New York, Bank of Tokyo-Mitsubishi, Bank One, Chase Manhattan Bank, CIBC Wood Gundy, Citibank, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, Lehman Brothers, Mellon Bank, Merrill Lynch, J.P. Morgan, Morgan Stanley, Natwest Bank, Standard Chartered, State Street, and UBS-Warburg.

**TRADING UNDER ONE LEGAL-ENTITY NAME SURVEY**

**1. (a) Your institution can be broadly categorized as?**  
 Investment bank .....5  
 Commercial bank .....17

**(b) You are primarily organized?**  
 In the United States .....12  
 Outside the United States .....10

**(c) In how many jurisdictions do you have a foreign exchange trading desk?**  
 1 to 5 .....10  
 More than 5 .....12

**(d) Do you book different foreign exchange products or currencies in different booking locations?**  
 Yes .....18  
 No .....4

**2. How high a priority in your organization is the goal of trading under one legal name? (Ranked 0 to 10; 0=no interest, 10=a top priority)**  
 8+ .....9  
 4 to 7 .....13  
 0 to 3 .....0

**3. What are the benefits of trading under one legal name as perceived by your organization?**  
 (a) Increased netting of counterparty exposures and associated credit risk management and regulatory benefits.....21  
 (b) Reduced credit support requirements.....14

(c) More efficient management of market risk.....13  
 (d) Operational efficiencies, including the need for less trading documentation .....21  
 (e) Simplicity/transparency of structure to marketplace.....9  
 (f) Other .....1  
 (g) No benefit .....0

**4. How long has your organization worked on this goal?**  
 Less than six months.....6  
 One year .....5  
 More than one year.....11

**5. How would you rate your progress on this goal? (Ranked 0 to 10; 0=no progress, 10=progress greater than expectations)**  
 8+ .....3  
 4 to 7 .....10  
 0 to 3 .....6  
 Not applicable.....3

**6. How many names do you trade under at the present time? (1), (1 to 3), (4 to 6), (more than 7)**  
 7+ names .....8  
 4 to 6 names .....7  
 2 to 3 names .....4  
 1 name .....3

**7. Has the inability to trade under one legal name... (Mark all answers that are applicable)**  
 (a) Negatively impacted any customer relationships? .....3  
 (b) Resulted in your organization having to provide guarantees or other credit support for affiliates?.....5

- (c) Negatively impacted your ability to net customer exposures? .....12
- (d) Had no perceivable negative impact?.....3

**8. Have you purposely maintained separate trading entities to avoid “head office liability” for trades executed in certain foreign countries?**

- Yes .....2
- No .....17
- Not applicable.....3

**9. What impediments to trading under one legal name have you overcome? (Mark all answers that are applicable)**

- (a) Regulatory capital issues .....3
- (b) Other regulatory issues.....5
- (c) Tax issues .....8
- (d) Other legal impediments .....1
- (e) Operational issues unique to your organization .....17
- (f) Corporate structural issues unique to your organization .....7
- (g) Other or not applicable.....5

**10. What impediments to trading under one legal name are you currently experiencing? (Mark all answers that are applicable)**

- (a) Regulatory capital issues .....6
- (b) Other regulatory issues.....10
- (c) Tax issues .....6
- (d) Other legal impediments .....3
- (e) Operational issues unique to your organization .....9
- (f) Corporate structural issues unique to your organization .....8