



FX Exchange Order Confirmation Market Practice

Settlements Working Group

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Author(s): ISITC Settlements Working Group

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Document History

Version #	Change Date	Description of Change	Page
1.0	09/27/2006	Initial Draft for MT381 FX Exchange Confirmation requirements for the US markets.	
1.2	02/14/2007	Updates to scope and usage of MT381 based on conference call held within Settlements WG.	
1.3	02/26/2008	Updates to document based on review within working group.	
1.4	05/14/2008	Updates to expansion of scope and field recommendations based on conference call held.	
1.5	11/05/2008	Updates based on final review conference call held with settlements WG.	
1.6	01/07/2009	Update to scope/introduction section regarding MT300 vs. 381 usage. Removal of notes/mark-up for final zoomerang vote.	
2.0	03/30/09	Document converted into updated market practice format	all



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1.0 Background

This document is intended to establish the position of the US NMPG (ISITC N.A.- Settlements Working Group) regarding the usage of the MT381 FX Exchange Confirmation message between Custodian banks and Investment Managers as well as Sub-Custodian Banks and their Global Custodian in the US Market.

ISITC is in agreement with Swift's usage definition to only use the MT381 message for confirmation on an FX instruction/repatriation (not for clean cash payments) received by the fund manager. The confirmation of clean cash payments should be delivered through the MT900/910 cash confirmation messages.

1.1 Scope

The scope of this document is to define all FX Order instructions between the Investment Manager, Custodian Bank, Sub-Custodian and other interested party. This document covers the following scenarios:

Appropriate scenarios include the receipt of an MT380 FX Order instruction or the receipt of an MT54x FXIB/FXIS execution order sent from the fund manager. The following additional scenarios were identified as possible in scope cases of requiring an MT381 response:

1. **FX to cover 1 security trade** – Investment manager for Account A instructs the custodian to execute the foreign exchange on the MT541 FXIS/MT380 instruction for one trade.
2. **FX for account repatriation** – Investment manager for Account A instructs the custodian bank to execute the foreign exchange to convert non-base currency back to the accounts base currency on the MT543 FXIB/MT380 instruction for one trade.
3. **FX to cover multiple security trades** – Investment manager for account A instructs the custodian bank to do the foreign exchange to cover two security trades with the same currency through the instruction of multiple MT54x FXIB/FXIS instructions or MT380 instruction. Practice of custodians to lump confirmation of FX into one MT381 with multiple linkage sequences within A1, field 20C::RELA.
4. **FX to cover security trade and account repatriation** – Investment manager for account A instructs the custodian bank to do a foreign exchange to cover a security trade and to convert non-base currency back to the account's base currency through the instruction of a combination of multiple MT54x FXIB/FXIS and/or MT380 instructions. Practice of custodians to lump confirmation of FX into one MT381 with multiple linkage sequences within A1, 20C::RELA.
5. **Standing SSI to execute FX with Sub-Custodian** –
The group has agreed the MT381 should be used to cover this scenario. Although there will not be an originating instruction from the asset manager, the appropriate confirmation of the execution of the FX by the custodian should be the MT381. The mandatory 98C::ORDR field should be populated with the sub-custodian execution date/time as noted in the field usage format specifications of this document.
6. **Faxed instruction to execute FX with Sub-Custodian** –
Although faxed instructions will not allow the MT381 to have a message type/reference and date/time of order to properly link to the original IM instruction, the group felt the MT381 should consider this scenario in scope and populate the sub-custodian execution date/time as noted in the field usage format specifications of this document.

This document will define the business elements for each type of FX Exchange Order in context of the actors and roles.



1.2 Other Scenarios

Other scenarios which were discussed, but determined not to be appropriate for usage of the MT381 include:

1. MT304 received – The MT900/910 should be used for confirmation. Please refer to the MT900/910 US MP documentation for usage. The IM can also track this FX activity through the receipt of the MT950/940 from the custodian.

2. MT300 vs. 381 confirmation usage difference- In the scenario where the asset manager has requested the treasury dept. within a custodian bank directly to execute the FX, the appropriate confirmation back to the IM usage is the MT300 message.

The MT381 FX confirmation is meant to cover the scenarios in which the sub-custodian in the local market executed the FX on behalf of the custodian and confirmation needs to be sent back to the custodian and ultimately the asset manager. For recommended usage of the MT380 FX order execution message, interested parties should refer to the MT380 US MP documentation. For recommended usage of the MT54x message with the FXIB/FXIS indicator, interested parties should refer to the US Settlements Market Practice documentation.

Message should be real time (time of FX execution).

1.3 Actors and Roles

There are two distinct roles involved in FX exchange order confirmation:

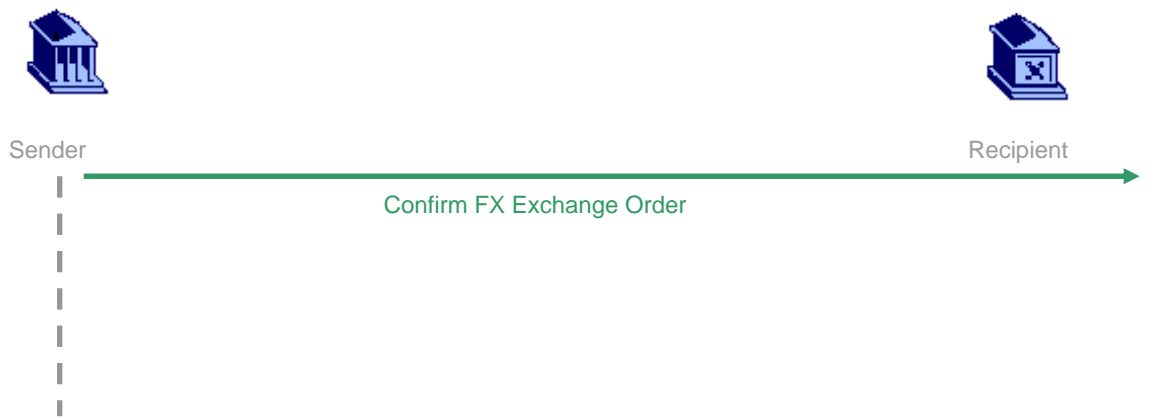
- Sender – A sender send the message containing the data, but does not necessarily provide the source data or terms of the confirmation.
- Recipient – The recipient receives the message containing the data from the provider.

There are multiple actors involved in the process. Each actor may at time play more than one of the roles outlined below.

Sender	Recipient
<p><i>Custodian Bank</i> <i>Sub-Custodian</i></p>	<p><i>Custodian Bank</i> <i>Investment Manager</i> <i>Portfolio Manager</i> <i>Interested Party</i></p>

1.4 Sequence Diagrams

In **green**: Confirmation of FX Exchange Order





2.0 Business Definition

2.1 Business Data Requirements

Business Element	Comments
Message Reference	Unique transaction id from the sender.
Function of the message	Indicates new or cancel.
FX Order Details	Indicates date and time the FX order was placed.
Trade Date	ISO 8601 Date
Value Date	ISO 8601 Date
Buy Currency and Amount	Buying currency and Amount.
Sell Currency and Amount	Selling currency and Amount.
Exchange Rate	Exchange Rate of the Order.
Safekeeping Account	Account number.



3.0 Appendix

1.0 Message Structure and Requirements

Index	Message Item	Definition	Mult.	Syntax	Usage Rule / Comments	
1.0	Message Type	MT381 – FX Exchange Order Confirmation	NA	ISO15022	MT381 is used to confirm a FX Exchange Order.	
ISO 15022 Message structure per SWIFT User Handbook						
M/O	Tag	Qualifier	Generic Field Name	Detailed Field Name	Content Options	Comments
M	16R			Start of Block	GENL	
M	20C	SEME	Transaction Reference Number	Sender's Message Reference		ISITC conforms to SWIFT tag use rule. :20C::SEME// Field will uniquely identify the transaction.
M	23G		Function of the Message	New or Cancel		ISITC conforms to SWIFT tag use rule. :23G:NEWM :23G:CANC –The cancellation confirmation is only to indicate the confirmation of cancellation of the previously sent MT381 message. The notification of cancellation of the original MT54x FX prior to execution should be confirmed back through the MT548 using the CAST qualifier. Refer to usage of MT548 message. Recommendation was agreed the MT381 CANC is not appropriate to notify the FX associated to MT54x has been cancelled.
O	22H	FXTR	FX Order Transaction Type Indicator	Informational only, indicates the FX is the reverse of an order previously sent.		ISITC conforms to SWIFT tag use rule. :22H::FXTR//REVS The code REVS is included for information only and indicates that the FX order in the message is the reverse of an order sent previously. Recommended to only use when the MT380 received with the 22H::FXTR//REVS. The usage of the MT381 REVS indicator is not recommended for confirming back an MT541/543 FXIB/FXIS cancellation.
M	16R			Start of Block	LINK	
O	13A	LINK	Linked Message	Identifies the linked original FX Exchange execution order message		ISITC recommends the usage of this field to identify the linked original FX execution order message when initiated by account owner by Swift messaging. Option A: :LINK//3!c (FIN Message Type) 540, 541, 542, 543 and 380 *Although not typical, it was confirmed the MT540 and MT542 messages do allow for the 11A::FXIB/FXIS instruction to be included.



						<p>We therefore agreed this should be stated as a FIN linkage MT type possibility.</p> <p>**This field would not be recommended to be included if original instruction from account owner was by Fax or MT599.</p>
M	20C	RELA PREV	Transaction Reference Number	Related Message Reference Previously Sent Message Reference		<p>:20C::RELA// This field reference number should link back to the original FX execution instruction(s) reference(s) received from the instructing account owner. If applicable, the use of NONREF is suggested if there is not an original instruction associated with the FX execution.</p> <p>:20C::PREV// ISITC confirms to Swift tag use rule to indicate the previously sent MT381 reference.</p> <p>Due to the limitation of the field not being repetitive, the recommendation is to repeat the entire A1 linkage sequence to identify each account owner initiated message when confirming multiple messages bulked in one executed FX.</p>
M	16S			End of Block	LINK	
M	16S			End of Block	GENL	
M	16R			Start of Block	FXORDER	
M	98C	ORDR	Order Date & Time	Date and Time the FX Order was Placed by the Instructing Party		<p>ISITC Conforms to SWIFT tag use rule. :98C::ORDR//8!n6!n -</p> <p>Date and Time the order was placed by the instructing party with the custodian. This field can be linked back to the original MT380 instruction which contains the 98C::ORDR</p> <p>Recommendation to include the date and time of custodian execution of the FX will be used if the FX was not instructed by MT380. IE. MT54x, MT599, Fax, SSI.</p> <p>Date must be a valid date expressed as YYYYMMDD</p> <p>Time must be a valid time expressed as HHMMSS</p>
M	98A	TRAD	Trade Date			<p>ISITC Conforms to SWIFT tag use rule. Date must be a valid date expressed as YYYYMMDD</p>
M	98a	RVAL	Value Date			<p>ISITC Conforms to SWIFT tag use rule. Date must be a valid date expressed as YYYYMMDD</p>
M	19B	BUYE	Buy Currency & Amount			<p>ISITC Conforms to SWIFT tag use rule. :19B::BUYE//3!a15d</p> <p>The buying currency is considered from the perspective of the asset manager regardless of whether they were the initial instructor of the order or if the FX was executed by SSI. The buying currency on the MT381 should be consistent with what is stated on the MT950/940.</p>
M	19B	SELL	Sell Currency & Amount			<p>ISITC Conforms to SWIFT tag use rule. :19B::SELL//3!a15d</p> <p>The selling currency is considered from the</p>



						perspective of the asset manager regardless of whether they were the initial instructor of the order or if the FX was executed by SSI. The selling currency on the MT381 should be consistent with what is stated on the MT950/940.
M	92B	EXCH	Exchange Rate			<p>ISITC Conforms to SWIFT tag use rule. :92B::EXCH//3!a/3!a/15d</p> <p>The order of the two currencies specified here is independent of the currencies in the amount fields. Therefore the exchange rate can be expressed as a reciprocal if required.</p> <p>For the calculation of the rate itself, the First Currency Code will be the base currency and the Second Currency Code will be the quoted currency.</p> <p>(1,00 First Currency Code = [Rate] Second Currency Code)</p> <p>Example:</p> <p>The exchange rate between US dollars and pound sterling can be shown as:</p> <p>:92B::EXCH//GBP/USD/1,619</p> <p>(1,00 GBP = 1,619 USD)</p> <p>or as</p> <p>:92B::EXCH//USD/GBP/0,618</p> <p>(1,00 USD = 0,618 GBP)</p>
M	16S			Start of Block	ORDRPTY	
M	97A	SAFE	Safekeeping Account	Custodian Account Number		:97A::SAFE// Custody account number to be populated.
O	95Q	INVE	Investor			95Q::INVE//4*35x Recommendation is to not require this optional information. The 97A::SAFE with the custodian account number should be sufficient for identification of the investor.
M	16S			End of Block	ORDRPTY	
M	16S			End of Block	FXORDER	

Repetitive Conditional Sequence A1 – Linkages

Expansion of the MT381 scope to include confirmation of account servicer initiated FXs (SSI or Fax) requires the linkage sequence to be conditional. The A1 linkage sequence is recommended to not be populated when the fx is account servicer initiated. The linkage sequence is recommended mandatory for confirming back account owner initiated messages.

Expansion of MT381 scope usage to include bulk confirmation of multiple MT54x FXIB/FXIS and/or MT380 instructions requires the linkage sequence to be repetitive. Each linkage sequence used to identify individual account owner initiated instructions that make up the FX execution confirmation.



2.0 Sample Message Format

Example: Confirmation of Account Owner initiated MT380 instruction

```
:16R::GENL
:20C::SEME//123456789
:23G::NEWM
:16R::LINK
:13A::LINK//381
:20C::RELA//ACCOWNERSEME
:16S::LINK
:16S::GENL
:16R::FXORDER
:98C::ORDR//20080226122600
:98A::TRAD//20080226
:98A::RVAL//20080228
:19B::BUYE//USD100000000,
:19B::SELL//CHF17100000,
:92B::EXCH//USD/CHF/1,71
:16R::ORDRPRTY
:97A::SAFE//ABCD
:16S::ORDRPRTY
:16S::FXORDER
```

Order execution date and time from account owner sent MT380

Example: Confirmation of Account Servicer initiated or Non-SWIFT Account Owner initiated instruction

```
:16R::GENL
:20C::SEME//123456789
:23G::NEWM
:16S::GENL
:16R::FXORDER
:98C::ORDR//20080226122600
:98A::TRAD//20080226
:98A::RVAL//20080228
:19B::BUYE//USD100000000,
:19B::SELL//CHF17100000,
:92B::EXCH//USD/CHF/1,71
:16R::ORDRPRTY
:97A::SAFE//ABCD
:16S::ORDRPRTY
:16S::FXORDER
```

Order execution from account servicer



Example: Bulk Confirmation of Account Owner initiated MT541 and MT380 instruction

:16R::GENL
:20C::SEME//123456789
:23G::NEWM
:16R::LINK
:13A::LINK//381
:20C::RELA//ACCOWNERSEME1
:16S::LINK
:16R::LINK
:13A::LINK//541
:20C::RELA//ACCOWNERSEME2
:16S::LINK
:16S::GENL
:16R::FXORDER
:98C::ORDR//20080226122600
:98A::TRAD//20080226
:98A::RVAL//20080228
:19B::BUYE//USD100000000,
:19B::SELL//CHF17100000,
:92B::EXCH//USD/CHF/1,71
:16R::ORDRPRTY
:97A::SAFE//ABCD
:16S::ORDRPRTY
:16S::FXORDER

The order date and time should be the time of the last message receipt.

Example: Confirmation of an account owner initiated MT380 Reversal instruction

:16R::GENL
:20C::SEME//123456789
:23G::NEWM
:22H::FXTR//REVS
:16R::LINK
:20C::RELA//ACCOWNERSEME1
:16S::LINK
:16S::GENL
:16R::FXORDER
:98C::ORDR//20080226122600
:98A::TRAD//20080226
:98A::RVAL//20080228
:19B::BUYE//USD100000000,
:19B::SELL//CHF17100000,
:92B::EXCH//USD/CHF/1,71
:16R::ORDRPRTY
:97A::SAFE//ABCD
:16S::ORDRPRTY
:16S::FXORDER



Example: Confirmation of Cancellation of a previously sent MT381 confirmation

:16R::GENL
:20C::SEME//123456789
:23G::CANC
:16R::LINK
:20C::PREV//ACCSERVICERSEME
:16S::LINK
:16R::GENL
:16R::FXORDER
:98C::ORDR//20080226122600
:98A::TRAD//20080226
:98A::RVAL//20080228
:19B::BUYE//USD100000000,
:19B::SELL//CHF17100000,
:92B::EXCH//USD/CHF/1,71
:16R::ORDRPRTY
:97A::SAFE//ABCD
:16S::ORDRPRTY
:16S::FXORDER