SWIFT's Global Electronic Trade Confirmation solution

An ISO standard messaging solution backed by a set of market practices and an Implementation Guide to streamline securities allocation confirmation processing for buy and sell sides

SWIFT

Improved STP at half the cost of alternatives

Benefits

- ❯ Based on industry standards
- ❯ Provides access to SWIFT's global reach
- ❯ Unrivalled resilience
- ❯ Highly cost-effective

What are the benefits of Global Electronic Trade Confirmation solution?

Operations executives in post-trade processing face significant challenges. There is continuous pressure to cut costs, but at the same time, the regulators are pushing for measures that will require major investments - such as a reduction of the settlement cycle to T+2 in Europe by 2015.

In parallel a major market infrastructure supplier is enforcing a move to a central trade confirmation matching model, impacting all firms that have automated around a local matching model. And still there remain a significant number of institutions relying on non-automated communications such as email and fax. SWIFT estimates that up to 100 million allocations are sent to broker/dealers in a non-automated fashion each year.

There is no time or capacity to architect new solutions, so firms must use what they have now more efficiently and more widely.

As a consequence, many buy and sell side firms are now turning to the well-established, well-understood ISO 15022 messages for electronic trade confirmation (ETC) for equity and fixed income trades, in order to standardise this process globally.

The firms using SWIFT's Global Electronic Trade Confirmation (GETC) solution are also benefiting from SWIFT's global reach (more than 10,000 investment managers, brokers, banks and market infrastructures in 212 countries) and proven capabilities in supporting mission critical applications (unrivalled 99.999% resiliency).

SWIFT's GETC solution is also highly cost-effective. The average cost of sending a message on SWIFT has been reduced materially as the popularity and reach of the service has risen, as you'd expect from a not-for-profit co-operative. Some users of GETC are reporting more than 50 per cent savings over the cost of other solutions.

How does SWIFT's GETC solution work?

SWIFT's GETC solution enables automation of the allocation confirmation process based on ISO 15022 messages and underpinned by a community-developed market Implementation Guide. This describes the business models supported, and the best practices for populating the messages. The use of ISO 15022 from allocation to settlement ensures a standard operating model throughout the trade lifecycle.

In order to perform ETC over SWIFT, users simply need to select the business model appropriate to their needs, map their existing message flows to the ISO 15022 formats, and then integrate the flows with their SWIFT gateway, in line with a roll-out schedule agreed with their counterparties. Most – if not all – standard middleware solutions can handle mapping between existing flows and ISO 15022 formats.

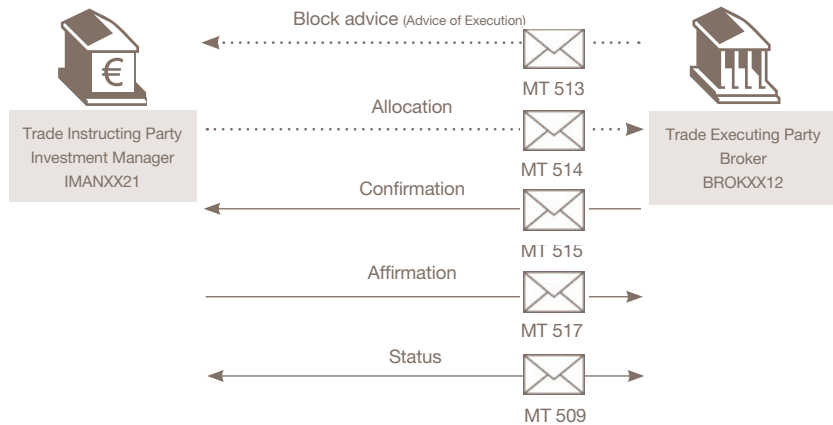## How are standing settlement instructions (SSIs) handled in the solution?

The source of standing settlement information is a critical part of post-trade processing because of the direct link between an affirmed confirmation and the settlement instruction.

Most firms in this industry use a hybrid practical solution where much of this standing settlement information is populated centrally, and used to maintain local databases.

The key issues with all such static databases are:

— Quality: How do you ensure the data is up to date and accurate?
— Coverage: How do you ensure the content covers all appropriate asset classes and all markets?

The risk is that wherever data is incomplete or inaccurate, there will be settlement issues downstream.

	Block advice (Advice of Execution)	
MT 513	
Allocation	
MT 514	
Confirmation	
MT 515	
Affirmation	
MT 517	
Status	
MT 509	

Trade Instructing Party
Investment Manager
IMANXX21

Trade Executing Party
Broker
BROKXX12

ʌ Example of flows for the GETC Block advice and Allocation Business Model

With GETC messaging each party can communicate to the other the SSI they intend to use for settlement. By comparing the SSIs received from the counterparty in the GETC message with internal sources, users can best ensure settlement will proceed correctly.

GETC messaging enables each party to keep their own local SSI static data up to date (whether sourced from a central provider or maintained locally).

What is the value of the GETC Implementation Guide?

The Implementation Guide, first issued in 2011 and regularly updated since, is a collaborative effort between SWIFT and a group of investment managers and broker/dealers to create and agree an enhanced ISO best practice implementation governing the use of GETC messages over SWIFT.

The guide ensures uniform adoption of and processing around the equities and fixed income ISO message suite covering the business process models that can be implemented, the relevant messages and their content, cancellations and exception handling. As investment manager and broker coverage of the solution grows, users confirm its ease of implementation, cost-effectiveness and reliability as an alternative to central matching.

All the ISO 15022 messages covered within the GETC market practice have been available and used for many years. They support:

— Block advice and allocation business model
— Confirmation-only business model
— Equities and fixed income trades
— Securities financing "Two-Leg" trades
— Local matching
— Exchange of standing settlement instructions (SSIs)
— The possibility at each step to enable Reject or Cancellation
— The Affirmation or Reject of a Confirmation
— Exception processes

An agreed market practice approach enables harmonisation of message formats for the business processes agreed by senders and receivers. This helps to ensure success in settlement and results in one implementation by all counterparties - increasing STP rates and ensuring more scalable systems.

The Global ETC Implementation Guide defines processing rules for Referencing, Trade details, Settlement location and account details. Also provided are mapping documents between Omgeo Oasys Global messages and ISO 15022, and FIX 4.4 messages to ISO 15022.

What information does the Implementation Guide contain?

— The Implementation Guide identifies which business data elements are required, and which are optional, using ISO 15022 data elements and message types for the following process flows: Advise execution of the block order; Instruct an allocation; Confirm the allocation; Affirm the confirmation; Status (including rejection).

— The Implementation Guide accommodates different types of clients and the different ways they integrate into internal systems. For example, the following implementation business models are supported:
  — Use of FIX for allocations but GETC for confirmations/ affirmations
  — Block Allocation versus Confirmation Only
  — SSIs mandatory for the broker to supply in the confirmation, but optional for the investment manager in the allocation

— The Implementation Guide describes exception handling flows with guidance on when and how to issue Rejections and Cancellations.

— The Implementation Guide describes in detail more than 20 types of exception conditions that could arise throughout the lifecycle of the GETC process. It details the relevant code words to use (the detection triggers) for each condition, and the required actions in response. This provides invaluable guidance to implementation teams when it comes to scoping, estimating and analysing requirements for the development. It also ensures a standardised implementation that can support multiple clients.

— The Implementation Guide provides detail on additional types of information that could be included over and above the agreed market practice. This is documented so that each institution can decide if to include such additional data in its implementation. Usage of such additional data needs to be agreed on a bilateral basis with each counterparty. As the community grows, such variations could move from bilateral agreements to an agreed market practice model in line with community requirements.

— The Implementation Guide provides examples of each message using realistic business data at each stage of the normal flow sequences, as well as each of the exception flow sequences.

SWIFT's GETC solution: the easy to implement alternative for improved STP

SWIFT's GETC solution enables automation of Block advice and Allocation, or Confirmation only, business models, using established ISO standard messaging. A number of leading investment managers are already automating securities confirmations over SWIFT, and the community of brokers enabled for ETC on SWIFT is growing daily. Several firms are using SWIFT's GETC solution for both equities and fixed income.

The solution is quick, easy and cost-effective to put in place. The agreed market practice guide helps to smooth implementation. And the solution has the guaranteed security, reliability and resilience of SWIFT