

## **The Foreign Exchange Committee**

33 Liberty Street, 9<sup>th</sup> Floor

New York, NY 10045

*and*

## **The Singapore Foreign Exchange Market Committee**

Singapore

December 15, 2000

Robert Virgilio

SWIFT

200 Park Avenue, 38<sup>th</sup> Floor

New York, NY 10166

Dear Bob:

The Foreign Exchange Committee and the Singapore Foreign Exchange Market Committee met jointly in New York on November 2, 2000 and a key item on the agenda was recent trading uncertainties related to the format of SWIFT confirmation messages. The two groups, working in consultation with the Foreign Exchange Committee's Operations Managers Working Group, discussed steps that might simplify trading procedure and limit error and confusion. Pursuant to this discussion, the two Committees respectfully suggest the following:

### 1. Redefining Field 77 D of the SWIFT Trade (MT3xx) Confirmation

The Committees recognize the importance of trade confirmations for both cash and options transactions as these documents verify trade details previously agreed between counterparties. The Committees reiterate that short-form confirmations should not be used to impose any new or additional provisions on trades, or make reference to other financial conditions that may have the effect of altering significant aspects of the transaction. Indeed, master agreements published by the foreign exchange industry prohibit the addition of new terms or amendment of existing terms by means of a confirmation.

Field 77D as currently defined by SWIFT is a reference for master agreements as well as for 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 terms of the trade.

The two Committees suggest that SWIFT narrow the published terms and conditions for Field 77D. Specifically, the Committees encourage the following language:

Field 77D: Terms and Conditions:

Definition: This field specifies the underlying master agreement, if any, that governs the transaction being confirmed.

Rules: This field 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 over recent years to introduce new fields to assist trading processes. Fields such as 82 and 87 provide needed tags to identify the exact party to trades. However, because both fields were initially labeled as optional they had the effect of complicating coding. SWIFT's move to make those fields mandatory from November 2001 is therefore very welcome.

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 mandatory machine-readable format.

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

Very truly yours

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