



*The combined benefits
of a central and an
in-house system*

Benefits

- Reducing operational risk
- Lowering total cost of ownership
- Ease of access via GUI and/or API
- Improving operational efficiency
- Increasing straight-through processing (STP)
- Reducing settlement risk
- Uptime between 1 January 2001 and 31 December 2008: 99.97%

Matching FX options on Accord™ for Treasury

A real-time matching solution and exception handling tool for all your vanilla and exotic FX options

SWIFT's Accord for Treasury matching application can be your fail-safe matching and exception handling solution for both vanilla and exotic FX options. Accord for Treasury matches all foreign exchange, money market and OTC derivatives confirmations, but can be used just to match FX options if this is your requirement.

Deployed on fault-tolerant, duplicated hardware, and made accessible through SWIFT's secure IP network, Accord for Treasury provides you with the combined benefits of both a central and an in-house system, whether or not your counterparty is also an Accord user.

How can Accord for Treasury help you?

Reducing operational risk

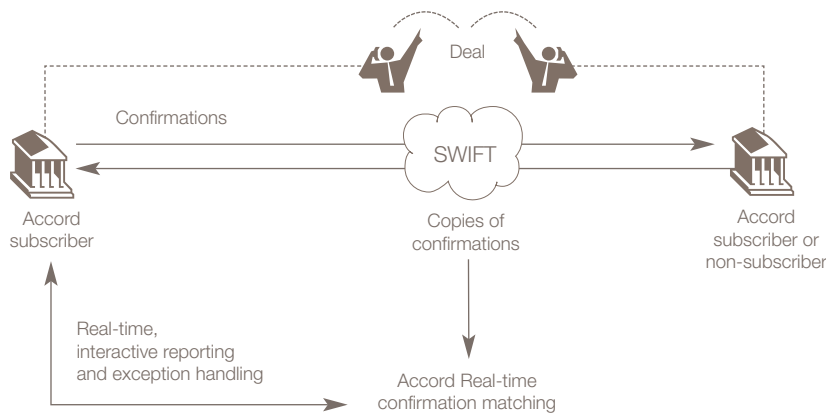
Reducing operational risk is a key requirement for your foreign exchange, money market and derivatives back offices. Increased regulatory scrutiny has forced institutions to address operational risk and deploy solutions to reduce it.

To minimise operational risk, institutions favour the use of real-time, automatic confirmation matching and exception handling solutions. These must be as reliable as the SWIFT network that is used to exchange the original trade confirmations or to send payment instructions.

By subscribing to Accord, your institution can significantly reduce its operational risk, by relying on a central matching system with close to 100% uptime and guaranteed matching results.

In addition, Accord keeps the entire matching history and an audit trail of operator actions associated with transactions for seven days after maturity. This data can then be archived for another ten years, via Accord's Long Term Archival facility.

You can subscribe to Accord just for your FX options business, should you choose to.



▲ Accord confirmation matching

The potential for fraud is eliminated because SWIFT safeguards the integrity of your data in the Accord central matching system.

The matching results obtained by Accord have proved to be extremely reliable. SWIFT accepts financial liability for all matches it reports to its Accord subscribers.

When both parties are subscribers to Accord, there is a 100% certainty that the matching results will be identical for both parties. This is valuable in the hectic environment of a back office, where there is little time to discuss with a counterparty issues such as the status of a trade confirmation or whether further action is required.

For all transactions covered by Accord – which now includes securities – SWIFT consults representative subsets of users to ensure the quality of matching rules is always in line with requirements. When new messages are being added, significant changes are being made or problems have arisen, SWIFT will hold workshops with users to get community-level agreement on the best possible matching rules.

A proven record of uptime

Accord is deployed on a fault tolerant cluster of dedicated high availability servers. The design of the application and its links with SWIFT's messaging infrastructure are particularly resilient, ensuring Accord availability figures around 99.97% for many years.

Lowering total cost of ownership

From a total cost of ownership perspective, Accord is more cost efficient than any local matching system. Using Accord eliminates the need for internal resources to keep a local matching system operational and to implement message standard changes within that application. It also eliminates the need for internal support, as SWIFT offers 24x7 Accord support free of charge to users.

With the increasing frequency of exotic FX options, and the complexity of these transactions, it becomes less and less feasible to match them manually

SWIFT's central matching solution enables you to scale up whenever you need to. Institutions with volumes ranging from a few hundred confirmations per month to tens of thousands per day use Accord with equal ease.

Accord also reduces costs by offering a resilient environment with full support. With Accord, each physical site of your institution can act instantly as a back-up site for your confirmation matching and exception-handling processes.

Additionally, in terms of staff numbers, using Accord as a single cross-asset class matching system is more cost effective than deploying several systems. Different systems usually carry their own training requirements, as well as installation, maintenance and internal support costs.

Ease of access via GUI and/or API

For exception handling and follow-up, the Accord GUI, deployed on an Alliance WebStation, provides operators with an efficient toolkit.

In addition, applications have real-time access to all data available in Accord, via an XML-based API.

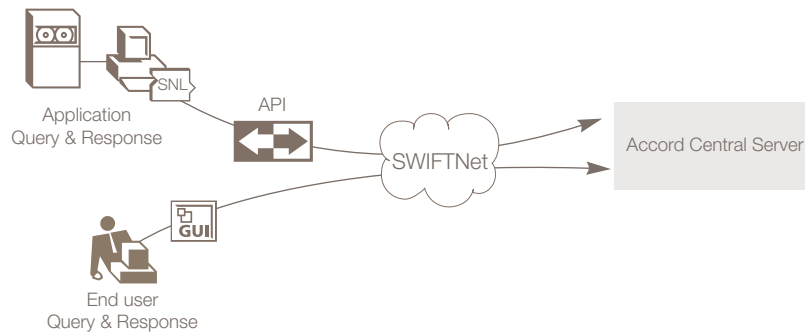
A key feature of Accord is that all data is stored centrally, enabling your authorised users to view or process data from locations anywhere in the world. This means it is possible to work as a team across any geographical distance, dynamically allocating the exception handling work to available staff, wherever they are located. Head offices may access data belonging to remote branches.

They could, for example, take care of settlements, monitor the performance of the branches, or even conduct a remote audit.

Improving operational efficiency

Accord provides single window access to treasury and derivative transactions. This is:

- Independent of financial instruments
Accord for Treasury can be deployed for any sub-section of your OTC treasury business, for example only FX options, or even only exotics – and also by counterparty or by currency traded.



▲ Accord showing API integration

- Counterparty independent
Accord does not require your counterparties to be Accord subscribers as well.
- Carrier independent
Accord handles all your confirmations, both sent and received, over the SWIFT network. In addition, Accord can be fed with non-SWIFT confirmations (by fax, email) sent to/received from parties not using FIN.

Staff costs are the largest element in the cost structure of a trade, so staff efficiency is very important. The Accord GUI offers more than just a user-friendly graphical interface. A number of sophisticated background processes can eliminate the need for certain manual tasks, saving you time and increasing STP and efficiency.

Increasing straight-through processing

Accord for Treasury's XML-based API enables institutions to feed matching results or any other related data into other back office applications, dramatically increasing STP.

The API for Accord is not software; it is simply a dictionary and a grammar for the 'language' a banking application needs to speak in order to exchange information with the central Accord database. Accord also has sophisticated tools to customise matching rules in order to incrementally improve automatic matching rates, while preserving the reliability of the matching results.

The exception handling functionality of Accord for Treasury contains a sophisticated toolbox to send chasers to your counterparties. As errors in FX option transactions can be very laborious to describe, you can use this to set up detailed templates corresponding to the most frequently observed errors, to make sure your counterparty receives full details of the error you found in their confirmation. Between Accord users, such chasers are sent in real time and are automatically attached to the problem the two parties have in common.

Matching non-SWIFT messages on Accord

The Accord GUI supports a function called 'manual match' which enables explicitly-authorised operators to handle low volumes of non-automated confirmations in reply to SWIFT confirmations sent. The function allows an unmatched message to be declared manually matched by an authorised operator.

To automate the matching of larger volumes of non-SWIFT confirmations sent and/or received, Accord subscribers can submit copies of these messages, reformatted as MT 3xx messages.

These are then submitted directly into Accord, where they are matched along with regular confirmations. In order to convert incoming hardcopy documents, firstly into a digital format and subsequently into the MT 3xx equivalent,

SWIFT works with specialist technology providers.

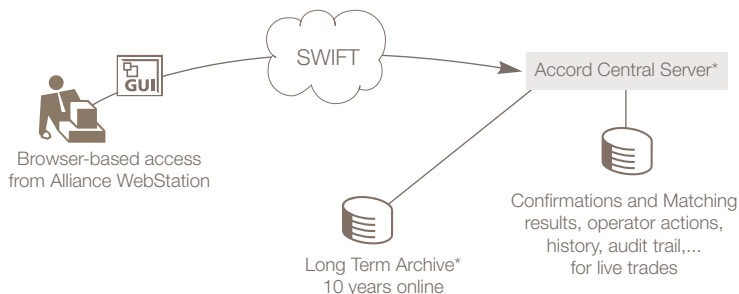
From an STP perspective, transactions confirmed with non-SWIFT messages, whether manually matched by an authorised operator or matched automatically by Accord, can be settled automatically.

How does Accord for Treasury work?

When a transaction has been agreed, both parties confirm by sending the appropriate SWIFT confirmation message, an MT 305 or MT 306 in the case of an (exotic) FX option. If either or both parties are Accord subscribers, SWIFT copies these messages to the central Accord matching service. This means that your counterparties do not need to be Accord subscribers for you to match trades with them.

Accord matches all confirmations and provides matching results in real time. Any subsequent messages sent for the same transaction (cancellations, corrections, changes) are automatically chained to the previous messages, and result in a real-time update of the matching status.

Accord functionality allows an institution to organise a single, global back office team across multiple centres, thereby enabling round-the-clock operations for all the financial instruments for which Accord caters.



* duplicated over two continents

▲ Long Term Archival configuration setup

Matching results

Accord's common rule book covers many sophisticated matching rules, immediately available to anyone joining the service.

In the case of exotic FX options, these rules have been defined in close co-operation with the major players in the market, and are very detailed and sophisticated. They are regularly adapted to cater for evolving market practices.

In addition, subscribers can define their own rules for certain mismatched and unmatched fields in specific contexts. Accord matches incoming confirmations based on the common rule book, combined with these user-defined rules specified for that particular type of deal where appropriate.

This results in a higher level of automated matching rates, as superficial errors are resolved. Not all operators are allowed to create such additional personalised matching rules, and sophisticated tools are available for operators to manage their institution's set of rules. If a matched status is obtained based on the presence of such a rule, that information is kept in the system.

Once processed in Accord, a trade is defined as 'matched', 'mismatched' or 'unmatched'. Confirmations are classified as mismatched if they almost, but do not quite, match. A confirmation for which there is no corresponding match, nor a mismatched confirmation, is classified as unmatched. Accord ensures that only mismatched or

unmatched confirmations contain real errors. For mismatched confirmations, or for specific unmatched confirmations, the offending fields are highlighted, thereby enabling an easier exception-handling follow-up.

An operator can either send a 'chaser' to the counterparty, identifying the error and requesting amendment, or 'force' a match for this specific case or, more generally, create a customised matching rule.

Accord can be 'taught' to apply these rules when considering further confirmations, either generically or from specific counterparties.

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“Even for complex FX options SWIFT takes financial liability for every duo of messages Accord has declared matched”

Handling exceptions: managing the workflow

Accord's task-based GUI is a powerful toolkit that helps organise the workflow among back office staff responsible for exception handling.

Operators can define queries or tasks that keep them informed of the latest changes copied to the central database.

For example, if a given mismatch is not a simple case that can be solved with a 'force-match' or an additional rule, it can be flagged and escalated to another member in the team. The flag might indicate the need for further investigation or the sending of an amended confirmation.

Authorisation levels for operators implementing exception handling processes may be configured per individual. The level may restrict the nature or importance of an item that can be handled, or could indicate that supervisory approval is needed for specific commands.

It is straightforward to ask a counterparty to send or correct its confirmation. You simply define the type of query (chaser message) you wish to send. The Accord GUI then takes care of inserting the relevant trade information into the template, so that your counterparty can correct its confirmation.

Accord's free Test and Training service

Accord subscribers can use the free Test and Training facility to test their own back office applications after a component is deployed or when a new SWIFT Standards release is about to go live.

This service is identical to the live Accord service, but can only be used by Test and Training SWIFT addresses.

Many parties have only recently implemented their capability to send MT 306 confirmations for exotic FX options,

or are still developing this. It is very important for these players to make use of Accord's free Test and Training facility to test once this functionality is ready. For complex transactions, generating syntactically well-formed messages is only a first step; reliably generating messages that mean what both sender and receiver believe they mean is much harder, but essential for an acceptable matching rate.

Accord Long Term Archival

The Long Term Archival facility allows your institution to eliminate the internal workload and operational risk associated with the production, maintenance and secure storage of archived data from Accord.

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“It does not matter how often your institution has been renamed during the past 10 years. Accord’s Long Term Archival has kept track of all that for you. All you need to know is the *current* name of your institution.”
.....

This service automatically archives, on a daily basis, all confirmations with their matching history and associated operator actions. All relevant data is stored, including elements important for fraud prevention. The data is stored in a tamper-proof way for ten years beyond maturity. The resulting archives are accessible only to authorised individuals, and may be consulted online from any Alliance WebStation. A powerful search engine facilitates easy access to required data.

Using SWIFT either as a prime or backup facility means that you benefit from an independent archival service provider with proven reliability, availability and resilience. This archival facility is an optional service offered to those members who subscribe to Accord.

24-hour support

Accord subscribers are automatically entitled to SWIFT support. Use of Accord's central matching service enables SWIFT support staff to analyse your query more efficiently.

First-line support and product-specific assistance is provided by customer service centres, 24 hours a day, seven days a week. As an Accord subscriber you have the flexibility of access to help from remote operators who can see your data. A worldwide problem management and tracking system monitors each call until the customer confirms that the problem is solved to its satisfaction.

Accord for Securities

SWIFT has extended Accord to cover MT515 securities confirmation messages, enabling brokers, prime brokers and custodians to reduce the costs and risks involved in processing securities trades globally. SWIFT's Accord for Securities is being used by a group of major prime and executing brokers to automate trade-date matching, for quicker identification and speedier resolution of errors and a reduction in costly settlement failures.

MT515 matching on Accord can also be used in other process flows, to replace faxed trade confirmations with electronic confirmations that can be automatically matched, further reducing the costs and risks for market participants of securities trade processing.

For more information on Accord for Treasury or Accord for Securities, please contact your SWIFT account manager or visit www.swift.com.