



## SWIFT Support for the FX Global Code of Conduct

In May 2017, the Bank for International Settlements issued the FX Global Code, which is a set of global principles of good practice in the foreign exchange market. It has been developed by a partnership between central banks and market participants from 16 jurisdictions around the globe, to provide a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market.

SWIFT is a byword for reliability, security and auditability for financial transactions. Global dealers, regional bank, investment managers and corporates all use SWIFT for FX operations.

SWIFT has for many years played a crucial role in supporting effective and reliable operations in the FX market and is therefore pleased to confirm that the services that it offers its clients are fully aligned with relevant principles of the Global Code.

**FX Market participants can be confident that their use of SWIFT plays an integral part in helping them to align with the FX Global Code.**

Use of SWIFT can help ensure market participants are conducting their FX Market activities in a manner consistent with many of the Principles of the Code.

The following are key areas where SWIFT services support principles of the global code.

**Principle 23: Market Participants should communicate with other Market Participants via approved methods of communication which allow for traceability, auditing, record-keeping and access control.**

The SWIFT environment applies strict security, confidentiality and integrity protections to customers' messages. We have controls and procedures in place to protect message data from unauthorised disclosure, to guarantee message origin, to protect against unauthorised attempts to change messages, and to detect corruption of messages; furthermore, content validation features can be used to ensure that only validated messages are processed and delivered in the relevant sequence to the intended recipient

**Principle 33: Market Participants should have business continuity plans (BCPs) in place that are appropriate to the nature, scale and complexity of their FX business and that can be implemented quickly and effectively in the event of large-scale disasters, loss of access to significant trading platforms or other critical services, or other market disruptions... The identification of external dependencies including an understanding of the BCPs of settlement system operators and other infrastructure and critical service providers, as well as the appropriate inclusion of these plans, or other back-up processes, into Market Participants' own BCPs.**

SWIFT has been recognized as one of the leading organisations with regards to implementing best practices for BCP.

The testing of recovery plans and the simulation of crisis situations are key elements of Business Continuity (BC), Crisis Management and the overall Security framework. SWIFT Business Continuity and Crisis Management Exercise services help ensure inclusion of the SWIFT BCP into Market Participants' own BCPs.

**Principle 34: Market Participants should have in place processes to address potential adverse outcomes arising from the use of or reliance on technological systems.**

SWIFT's information security measures are comprehensive, designed to cater for extreme situations and aim to prevent any unauthorised physical and logical access which could lead to a loss of confidentiality, integrity, or availability. Measures include physical controls that safeguard the actual premises, as well as logical controls that protect against unauthorised access to data and systems and encompass our detection, response and recovery capabilities. Strict controls over the handling of computer hardware and media during the entire lifecycle.

**Principle 35: Market Participants should take prudent measures to manage and reduce their settlement risks, including prompt resolution measures to minimise disruption to trading activities.**

SWIFT's payment services are the industry standard for reliable settlement of wholesale payments. As well as being able to instruct payments globally across all currencies, intra-day advices and end-of-day statements provide timely visibility of account activity, which can be used to help track settlement fails and reduce settlement risk. SWIFT's GPI solution provides increased capability to monitor payments in real-time.

**Principle 37: Market Participants should perform "know-your-customer" (KYC) checks on their counterparties to ascertain that their transactions are not used to facilitate money laundering, terrorist financing or other criminal activities.**

SWIFT fully recognises the need for KYC across business lines and instrument types and the utility nature of this

requirement. SWIFT therefore operates the KYC Registry which meets the need for an efficient, shared platform for managing and exchanging standardised Know Your Customer (KYC) data. SWIFT has worked with the world's largest correspondent banks to define a standard set of data and documentation that addresses KYC requirements across multiple jurisdictions. The data is extensively validated and presented in a standardised format.

**Principle 43: Market Participants should institute a robust framework for monitoring and managing capacity in both normal and peak conditions.**

As well as managing capacity on the SWIFT Network, SWIFT provides comprehensive services to assist its clients with capacity planning for their internal networks and systems. This includes analysis, monitoring, statistical reporting and forecasting. SWIFT also helps its customers with short and long term upgrade planning.

**Principle 46: Market Participants should confirm trades as soon as practicable, and in a secure and efficient manner.**

SWIFT messages are the industry standard for confirming a wide range of FX instruments, including spot, forward, swaps, non-deliverable forwards, vanilla and exotic options. The SWIFT confirmation standards are very widely supported across different types of clients and all geographies and therefore provide an effective global solution for timely and secure trade confirmation. SWIFT confirmations are typically used in a way that provides segregation of responsibility between front- and back-office. The combination of the secure SWIFT network and the message standards encourage STP and hence efficient operational processes.

**Principle 47: Market Participants should review, affirm, and allocate block transactions as soon as practicable... Each post-allocation transaction should be advised to the counterparty and confirmed as soon as practicable.**

Post-allocation transactions are confirmed over SWIFT in exactly the

same way as other trades. Refer to principle 46.

**Principle 48: Market Participants should identify and resolve confirmation and settlement discrepancies as soon as practicable.**

The ubiquitous use of SWIFT messages for FX confirmation and settlement has led to sophisticated support for automated processing. A wide range of matching and reconciliation systems are available for detecting and managing confirmation and settlement breaks. These systems typically incorporate best-practice capabilities for following up and escalating breaks.

**Principle 49: Market Participants should be aware of the particular confirmation and processing features specific to lifecycle events of each FX product.**

SWIFT's confirmation messages cover a range of FX instruments, including spot, forward, non-deliverable forward, FX and currency swap, vanilla options and a range of exotic options. The SWIFT messages have been designed to support the individual particulars and nuances of each product in a highly structured fashion. This allows SWIFT to perform syntactic and semantic validation as messages travel over the network and also eliminates ambiguity for recipients. SWIFT messages also support lifecycle events such as option exercise and barrier hits.

**Principle 50: Market Participants should measure and monitor their settlement risk and seek to mitigate that risk when possible.**

As noted in respect of principle 35, SWIFT's settlement message set can be used to help monitor settlement risk. In recent years, SWIFT developed a new netting position advice, which can be used post-confirmation to help with the process of automating settlement netting.

**Principle 51: Market Participants should utilise standing settlement instructions (SSIs).**

SWIFT provides an authenticated message based mechanism for

distributing SSIs in a secure and structured manner. Additionally, SWIFT provides an SSI directory that provides access to accurate and up-to-date Standing Settlement Instructions. It is designed to ensure a fast and accurate cross-border payments process, help reduce settlement risk and improve straight-through processing rates.

**Principle 53: Market Participants should have adequate systems in place to allow them to project, monitor, and manage their intra-day and end-of-day funding requirements to reduce potential complications during the settlement process.**

SWIFT offers a variety of services to support both intra-day and end-of-day account management. This includes use of intra-day credit and debit advices, as well as intra- and end-of-day statements. These messages have been incorporated by SWIFT into a intra-day liquidity management solution.

**Principle 54: Market Participants should perform timely account reconciliation processes.**

The vast majority of correspondent banks are able to send a range of end-of-day and intra-day account statements and advices, which are designed to support Nostro account reconciliation.

## Conclusion

The FX Global Code is in many respects a formalisation of the industry best-practice, that has been developed and enhanced over many years. During this time, the industry and SWIFT collaborated to bring standardised STP processes to support this best-practice and SWIFT's solutions therefore are naturally aligned with the new Global Code.

This factsheet offers an analysis of the FX Global Code Requirements in order to help Market Participants wishing to make a Statement of Commitment to the FX Global Code. This analysis identifies just those requirements and Principles relevant for SWIFT Services – and is not a complete list of all the principles of the FX Global Code. In all cases the decision of what steps should be undertaken, and in what manner, in order to align with the FX Global Code resides with each Market Participant. To find out how you can use SWIFT to support your adherence to the FX Global Code please refer to [www.swift.com](http://www.swift.com) or contact [standardscampaign@swift.com](mailto:standardscampaign@swift.com).

SWIFT has been at the heart of FX operations for decades and continues to work with the industry to support the principles of the FX Global Code