



Standards

Standards MT Release 2024

Discussion paper and Minutes Foreign Exchange

Distribution: FX And Commodities Standards Working Group

Author: Dean Chard

Date Issued: Discussion Paper Issued 8th June 2023

Meeting Date: 6th September 2023

Version: 4.0 Final Minutes

Table of Contents

1	Introduction	3
2	Overview of User Change requests	4
2.1	CR 002005: New Network Validation for MT306 Sequence I Early Termination	4
2.2	CR 002012: New Network Validation to Forbid Premium Sequence for Forwards	6
2.3	CR 002014: New Network Validation for MT306 Sequence A Field 12D	9
2.4	CR 002019: Update Definition of European Expiration Style for MT306	12
2.5	CR 002023: 2022 Averaging Supplement MT306 Implementation	15
2.6	CR 002027: Enhance MT306 Field 29E Expiration or Valuation Location and Time	18
3	Overview of SWIFT Change requests	21
3.1	CR 001928: Unique Transaction Identifier Improvement	21
3.2	CR 001929: Underlying Product Identifier Improvement	24
3.3	CR 002000: MT306 Network Validation Rules C27 and C29 Amendment	28
3.4	CR 002024: MT306 Network Validation Rule C10 Amendment	31
3.5	CR 002065: MT306 Network Validated Rule C13 Amendment	34

1 Introduction

Standards working group members:

David Sullivan (Absent)
Murray Renton
Matthew Leonard (Absent)
Yang Yunbin (Absent)
Du Jiaojiao
Pierre Colladon (Absent)
Laurent Lafeuillade (Absent)
Maximilian Bernrath
Charles Chort
Stanley Y H Chan (Absent)
Marjolijn Strien (Absent)
Marco Heil
Steve Forrest (Absent)
Mehmet Tekin (Absent)
Nihal Surav Cigir (Absent)
Mark Evans
Dean Hardy
Stuart Buckley – Observer
Matthew Verry – Observer
Lisa Iagatta – Observer
Shereef Zedan – Observer
Michelangelo de Marzio – Observer
Megan O’Flynn – Observer

Representing:

Australia SWIFT User Group
Australia SWIFT User Group
Canada SWIFT User Group
China SWIFT User Group
China SWIFT User Group
France SWIFT User Group
France SWIFT User Group
Germany SWIFT User Group
Hong Kong SWIFT User Group
Hong Kong SWIFT User Group
Netherlands SWIFT User Group
Switzerland SWIFT User Group
Switzerland SWIFT User Group
Turkey SWIFT User Group
Turkey SWIFT User Group
United Kingdom SWIFT User Group
United States SWIFT User Group
CLS
CLS
ISITC
ISITC
ISDA
ISDA

2 Overview of User Change requests

2.1 CR 002005: New Network Validation for MT306 Sequence I Early Termination

Origin of request	
Requesting Country:	
Requesting Group:	ISDA
Sponsors	
Message type(s) impacted	
MT 306	
Complies with regulation	
None	
Business impact of this request	
MEDIUM	
Commitment to implement the change	
Percentage of messages impacted: 100 Commits to implement and when: ISDA FX Operations Working Group 2024	
Business context	
A network validated rule to limit the application of sequence I "Early Termination" so it cannot be used in conjunction with transactions governed by the 2022 Barrier Event Supplement and the 2022 Averaging Supplement. This change will ensure alignment with the features of such Supplements and Swift.	
Nature of change	
A new network validated rule to say: 1. If Sequence F Barrier Block is present, or 2. If Sequence J Averaging Options and Forwards is present, then, Sequence I Early Termination is not allowed.	
Examples	

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 2 countries in favour of this CR

Working Group Meeting

Discussion
<ul style="list-style-type: none">• There were no further comments, based on the advance feedback FSWG agreed to deem the CR valid
Decision
<ul style="list-style-type: none">• CR approved

2.2 CR 002012: New Network Validation to Forbid Premium Sequence for Forwards

Origin of request	
Requesting Country:	
Requesting Group:	ISDA
Sponsors	
Message type(s) impacted	
MT 306	
Complies with regulation	
None	
Business impact of this request	
MEDIUM	
Commitment to implement the change	
Percentage of messages impacted: 100	
Commits to implement and when: ISDA FX Operations Working Group 2024	
Business context	
There should be no premium allowed for Forward Transactions, only for Currency Options.	
Nature of change	
Expand network rule C20 to allow premium based on the product specified in Sequence A Field 12F Option Style.	
Field 12F should also be renamed from Option Style as this includes Forward Styles too.	
Premium should be allowed only for style VANI, BINA, DAVO, AVSS, AVSO.	
SWIFT documentation -	

C20 The presence of subsequence B1 and of sequence C depends on the values of subfield 1 of field 22K in sequence A as follows (Error code(s): D16):

Sequence A if subfield 1 of field 22K is ...	Then subsequence B1 is ...	Then sequence C is ...
CLST	Optional	Optional
CONF	Mandatory	Mandatory
KNIN	Not allowed	Not allowed
KNOT	Not allowed	Not allowed
OTHR	Optional	Optional

9. Field 12F: Option Style

FORMAT

Option F 4!c

PRESENCE

Mandatory (referenced in rules C1, C3, C4, C9, C12, C16, C25, C30) in mandatory sequence A

DEFINITION

This field specifies the option style.

CODES

Option Style must contain one of the following codes (Error code(s): T64):

AVRF	An Average Rate Forward has a pre-determined forward rate (agreed on trade date) which is compared to the average spot observations.
AVRO	An Average Rate Option is an option where the average of the spot prices is compared to the strike price on expiration date.
AVSF	An Average Strike Forward is a type of forward in which the forward price is based on an average of the spot rate over a period of time.
AVSO	An Average Strike Option is an option in which the strike price is based on an average of the spot rate over a period of time. The dates used to calculate the average strike price cover the life of the option, and are referred to as the "fixings".
BINA	A binary option is an agreement under which a fixed amount is paid out if a specific condition is met at any time during the exercise period. The binary option has only "barrier events".
DAVF	A Double Average Forward is a forward which combines the features of an average rate forward and an average strike forward.
DAVO	A Double Average Option is an option which combines the features of an average rate option and an average strike option.
VANI	A vanilla option is a contract that provides the buyer the right but not the obligation to buy or sell the underlying currency at a predetermined rate with expiration determined by the expiration style. The expiration style is European, American, or Bermuda.

Examples

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 2 countries in favour of this CR

Working Group Meeting

Discussion
<ul style="list-style-type: none">• There were no further comments, based on the advance feedback FSWG agreed to deem the CR valid
Decision
<ul style="list-style-type: none">• CR approved

2.3 CR 002014: New Network Validation for MT306 Sequence A Field 12D

Origin of request	
Requesting Country:	
Requesting Group:	ISDA
Sponsors	
Message type(s) impacted	
MT 306	
Complies with regulation	
None	
Business impact of this request	
MEDIUM	
Commitment to implement the change	
Percentage of messages impacted: 100 Commits to implement and when: ISDA FX Operations Working Group 2024	
Business context	
A new network validated rule to ensure either Call or Put is specified in Sequence A Field 12D Option Type when the transaction involves a currency option transaction that can be a put or a call. At the moment field is optional meaning that it can be left blank even when it should be specified, leading to ambiguity of contract terms.	
Nature of change	
A network validated rule to say 1. When one of VANI, AVSO, AVSS, DAVO is selected as Option Style, then as an Option Type is mandatory.	
SWIFT documentation -	

11. Field 12D: Option Type

FORMAT

Option D 4!c

PRESENCE

Optional in mandatory sequence A

DEFINITION

This field specifies the option type.

CODES

Option Type must contain one of the following codes (Error code(s): T65):

CALL Call option

PUTO Put option

Examples

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 2 countries in favour of this CR

Working Group Meeting

Discussion
<ul style="list-style-type: none">• There were no further comments, based on the advance feedback FSWG agreed to deem the CR valid
Decision
<ul style="list-style-type: none">• CR approved

2.4 CR 002019: Update Definition of European Expiration Style for MT306

Origin of request	
Requesting Country:	
Requesting Group:	ISDA
Sponsors	
Message type(s) impacted	
MT 306	
Complies with regulation	
None	
Business impact of this request	
MEDIUM	
Commitment to implement the change	
Percentage of messages impacted: 100	
Commits to implement and when: ISDA FX Operations Working Group	
2024	
Business context	
<p>Definition of European Style Option is incorrect in the Scope section and Field 12E section for the MT306.</p> <p>A European option can only be exercised at the expiration time, not before. The current definition (below) should be updated to reflect this.</p> <p>European: can be exercised on expiration date, at or before expiration time.</p>	
Nature of change	
<p>A European option can only be exercised at the expiration time, not before. The current definition (below) should be updated to reflect this.</p> <p>European: can be exercised on expiration date, at or before expiration time.</p>	
SWIFT documentation -	
EURO	European: the option can be exercised on expiration date, at or before expiration time.
	<ul style="list-style-type: none"> European: can be exercised on expiration date, at or before expiration time.

Examples

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 2 countries in favour of this CR

Working Group Meeting

Discussion
<ul style="list-style-type: none">• There were no further comments, based on the advance feedback FSWG agreed to deem the CR valid
Decision
<ul style="list-style-type: none">• CR approved

2.5 CR 002023: 2022 Averaging Supplement MT306 Implementation

Origin of request	
Requesting Country:	
Requesting Group:	ISDA (International Swaps and Derivatives Association)
Sponsors	
Message type(s) impacted	
MT 306	
Complies with regulation	
None	
Business impact of this request	
HIGH MT306 already supports some of the functionalities included in the September 2022 Averaging Supplement (the "Supplement), yet some features need to be added and others modified in order to fully align the MT306 with the Supplement	
Commitment to implement the change	
Percentage of messages impacted: 100 Commits to implement and when: ISDA FX Operations Working Group 2024	
Business context	
<p>At the request of its members, ISDA has developed a new supplement that updates and replaces the basic averaging mechanics that are included in the 1998 FX Definitions.</p> <p>ISDA and its members agreed to carry out this work in two phases: the first phase was to publish a supplement that included the upgraded averaging methods and corresponding features, however it would expressly cover deliverable currencies only. The plan included the publication of a second supplement at a later date, whose aim would be to cover non-deliverable currencies.</p> <p>In line with such plan, ISDA published the 2019 Averaging Supplement, which included the current market conventions and averaging methods, limiting its application to deliverable currencies.</p> <p>This publication was followed in 2022 by the 2022 Averaging Supplement (the "2022 Supplement"), which expanded the 2019 Supplement by including non-deliverable currencies provisions.</p> <p>This later supplement provides a detailed framework for defining confirmation requirements for FX and currency option transactions with averaging features and it is the supplement ISDA and its members wish to be implemented into Swift.</p>	

The MT306 is the industry standard for confirming these types of FX transactions and currency options and the 2022 Supplement provides standard definitions and the confirmation framework used by the industry. It is therefore important that the MT306 is fully aligned with the 2022 Supplement, so that it can be used to replace paper confirmations and thereby facilitate STP.

The 2022 Supplement has been published by ISDA and EMTA on September 26, 2022, allowing parties to confirm relevant FX and currency option transactions on paper confirmations. In order to align paper and electronic confirmation workflows to reference the same legal documentation, it is vital to allow electronic confirmation processing to reference the 2022 Supplement.

Nature of change

This change request will lead to reworking of certain sequences within the MT306, which will include more general improvements to the structure for supporting FX transactions and currency options with averaging features. Certain aspects will be simplified and clarified. MT306 already contains averaging features, some of which can be utilized as they are, some will need to be amended/refined to provide clearer alignment to the 2022 Supplement and others will need to be created.

Full details of the proposed changes can be found in a supporting Word document attached below. Here are some examples of changes that will be made to the MT306:

- Averaging Methods "Arithmetic" and "Harmonic";
- Averaging Date Disruption Consequence (Omission, Postponement, Modified Postponement);
- Maximum Days of Postponement;
- Averaging Date Business Day Convention;
- Adjustment Type and Adjustment.



CR2023 Swift
Message Reference

Examples

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 2 countries in favour of this CR

Working Group Meeting

Discussion
<ul style="list-style-type: none">• There were no further comments, based on the advance feedback FSWG agreed to deem the CR valid
Decision
<ul style="list-style-type: none">• CR approved

2.6 CR 002027: Enhance MT306 Field 29E Expiration or Valuation Location and Time

Origin of request	
Requesting Country:	
Requesting Group:	ISDA
Sponsors	
Message type(s) impacted	
MT 306	
Complies with regulation	
None	
Business impact of this request	
MEDIUM	
Commitment to implement the change	
Percentage of messages impacted: 100	
Commits to implement and when: ISDA FX Operations Working Group	
2024	
Business context	
Allowing Non-Deliverable Options to expire at the time stipulated in the relevant EMTA template for the currency pair.	
Nature of change	
Adding an alternative format option for field 29E, code. The only selectable code would be "EMTA", this should be only used for currency options that have EMT00 in Sequence B - 14S. Currently a user would be expected to populate the actual location and time for this scenario.	
SWIFT documentation –	

27. Field 29E: Expiration or Valuation Location and Time

FORMAT

Option E 4!c/4!n (Location)(Time)

PRESENCE

Mandatory in mandatory sequence B

DEFINITION

For deliverable options, this field specifies the location and time at which the option expires. For non-deliverable options, this field specifies the location and time for valuation of the option and time at which the option expires.

Examples

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 2 countries in favour of this CR

Working Group Meeting

Discussion
<ul style="list-style-type: none">• There were no further comments, based on the advance feedback FSWG agreed to deem the CR valid
Decision
<ul style="list-style-type: none">• CR approved

3 Overview of SWIFT Change requests

3.1 CR 001928: Unique Transaction Identifier Improvement

Origin of request	
Requesting Country:	
Requesting Group:	SWIFT
Sponsors	
Message type(s) impacted	
MT 300, MT 304, MT 305, MT 306, MT 340, MT 341, MT 360, MT 361	
Complies with regulation	
None	
Business impact of this request	
HIGH	
Commitment to implement the change	
Percentage of messages impacted: 100 Commits to implement and when: SWIFT 2024	
Business context	
Regulatory authorities and institutions will benefit from this change as the impacted messages will now carry the ability to include the up to 52-character unique transaction identifier in one dedicated field, it is currently split across two separate fields.	
Nature of change	
<p>Across the impacted category 3 and 6 messages the unique transaction identifier is currently split across two separate fields, 22M UTI Namespace/Issuer Code (30 characters) and 22N Transaction Identifier (32 characters). Considered together these two fields create the unique transaction identifier.</p> <p>To streamline subsequent reporting, we propose to create one new singular field (up to 52 characters) that will carry the unique transaction identifier.</p> <p>There would be two options for implementation (option 1 is preferred) -</p> <ol style="list-style-type: none"> 1. The new field would replace the two existing fields 22M and 22N 	

2. The new field would be optional and added alongside fields 22M and 22N. This would allow the user to quote the unique transaction identifier as one single string or how they currently populate today. This may create confusion though.

SWIFT documentation –

128. Field 22M: UTI Namespace/Issuer Code

FORMAT

Option M 30x (Namespace)

PRESENCE

Mandatory in optional subsequence M1a

DEFINITION

This field specifies a unique code that identifies the registered entity creating the unique transaction identifier.

USAGE RULES

Industry practices will have to be followed for determining the namespace.

129. Field 22N: Transaction Identifier

FORMAT

Option N 32x

PRESENCE

Mandatory in optional subsequence M1a

DEFINITION

This field specifies - in combination with the namespace - the unique transaction identifier to be created at the time a transaction is first executed, shared with all registered entities and counterparties involved in the transaction, and used to track that particular transaction over its life.

USAGE RULES

Industry practices have to be followed for the creation of the Unique Transaction Identifier (UTI). The UTI is a combination of Namespace and Transaction Identifier.

The UTI is also called USI (Unique SWAP Identifier).

Examples

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 1 country **not** in favour of this CR
- 1 country in favour of CR

- *“There is a lot of infrastructure in place that uses the current UTI and a lot of work would be required to change the current structure. In addition the regulator in Hong Kong uses the two separate fields for reporting purposes”*

Working Group Meeting

Discussion

- The FSWG agreed that due to the high impact caused by such a change this CR will be rejected at this juncture
- If a clear regulatory driver arises a new change request may be submitted in the future

Decision

- **CR rejected**

3.2 CR 001929: Underlying Product Identifier Improvement

Origin of request	
Requesting Country:	
Requesting Group:	SWIFT
Sponsors	
Message type(s) impacted	
MT 300, MT 304, MT 305, MT 306, MT 340, MT 341, MT 360, MT 361	
Complies with regulation	
None	
Business impact of this request	
LOW	
Commitment to implement the change	
Percentage of messages impacted: 100 Commits to implement and when: SWIFT 2024	
Business context	
Regulatory authorities and institutions will benefit as the underlying product identifier field will be lengthened to 12 characters, this will provide the ability for users of the impacted messages to provide identifiers in line with the ISO 4914 standard.	
Nature of change	
Field 22U Underlying product identifier field will be lengthened to 12 characters. The updated field will allow identifiers less than 12 characters, therefore existing identifiers and the existing codes suggested in the user handbook can still be used i.e. the SWIFT network will not network validate to enforce an identifier that is 12 characters.	
SWIFT documentation –	

136. Field 22U: Underlying Product Identifier

FORMAT

Option U 6a (Product Identifier)

PRESENCE

Optional in optional sequence M

DEFINITION

This field specifies the underlying product type.

CODES

One of the following codes may be used:

FXCOEX	Foreign Exchange Complex Exotic
FXNDOP	Foreign Exchange Non Deliverable Option
FXSEBA	Foreign Exchange Simple Exotic Barrier
FXSEDI	Foreign Exchange Simple Exotic Binary

USAGE RULES

These product codes must be in line with the ISDA Product Taxonomy.

ISO 4914:2021

Financial services — Unique product identifier (UPI)

Abstract

 Preview

This document specifies the elements of an unambiguous scheme to identify over-the-counter (OTC) derivative products that are reportable to trade repositories, in particular:

- the structure and format of the unique product identifier (UPI) code;
- the minimum data elements of the UPI reference data library, together with their allowable values.

At a minimum, the UPI code is applicable to OTC derivative instruments falling under the following categories of the classification of financial instruments (see ISO 10962):

- swaps (S);
- forwards (J);
- non-listed and complex listed options (H);
- others (miscellaneous) (M).

Examples

--

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 2 countries in favour of this CR

Working Group Meeting

Discussion
<ul style="list-style-type: none">• There were no further comments, based on the advance feedback FSWG agreed to deem the CR valid• The FSWG did not have a preference on whether it was best to extend the existing field or introduce a new optional field
Decision
<ul style="list-style-type: none">• CR approved

3.3 CR 002000: MT306 Network Validation Rules C27 and C29 Amendment

Origin of request	
Requesting Country:	
Requesting Group:	SWIFT
Sponsors	
Message type(s) impacted	
MT 306	
Complies with regulation	
None	
Business impact of this request	
LOW	
Commitment to implement the change	
Percentage of messages impacted: 100 Commits to implement and when: SWIFT 2024	
Business context	
This change request smartens network validated rules C27 and C29 and will be more logical to the user.	
Nature of change	
<p>There is no change to the validation behind rules C27 and C29. This is purely a change to make the rule clearer to the user.</p> <p>These rules are currently in table format and the final row of each rule may be confusing.</p> <p>For rule C27 the final row currently states If 14M is DISC, field 29J is not allowed and field 14O is present. This would be amended to if 14M is DISC, field 29J is not present and field 14O is mandatory.</p> <p>For rule C29 the final row currently states If 14M is CONT, field 29O is not allowed and field 14N is present. This would be amended to if 14M is CONT, field 29J is not present and field 14O is optional.</p> <p>SWIFT documentation –</p>	

C27 In sequence F, if field 14M contains the code DISC, then field 29J or 14O must be present, both cannot be present (Error code(s): D48):

Sequence F if field 14M is ...	Sequence F and field 29J is ...	Sequence F and field 14O is ...
DISC	Present	Not allowed
DISC	Not allowed	Present

C29 In sequence F, if field 14M contains the code CONT, then field 29O or 14N may be present, both cannot be present (Error code(s): D50):

Sequence F if field 14M is ...	Sequence F and field 29O is ...	Sequence F and field 14N is ...
CONT	Present	Not allowed
CONT	Not allowed	Present

Examples

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 2 countries in favour of this CR

Working Group Meeting

Discussion
<ul style="list-style-type: none">• There were no further comments, based on the advance feedback FSWG agreed to deem the CR valid
Decision
<ul style="list-style-type: none">• CR approved

3.4 CR 002024: MT306 Network Validation Rule C10 Amendment

Origin of request	
Requesting Country:	
Requesting Group:	SWIFT
Sponsors	
Message type(s) impacted	
MT 306	
Complies with regulation	
None	
Business impact of this request	
LOW	
Commitment to implement the change	
Percentage of messages impacted: 100 Commits to implement and when: SWIFT 2024	
Business context	
This change request smartens network validated rule C10 and will be more logical to the user	
Nature of change	
<p>There is no change to the validation behind rule C10.</p> <p>This is purely a change to make the rule clearer to the user. The rule is currently in table format and contains a row stating 'Any Other Value'. In fact there is only one other possible value (EURO), therefore the text 'Any Other Value' should be replaced with 'EURO'.</p> <p>SWIFT documentation –</p>	

C10 In sequence D, if present, the presence of field 30P and the presence of field 30Q depends on the value of field 12E in sequence A as follows (Error code(s): D31):

Sequence A if field 12E is ...	Sequence D then field 30P is ...	Sequence D and field 30Q is ...
AMER	Mandatory	Not allowed
BERM	Not allowed	Mandatory (that is, at least one occurrence must be present)
Any other value	Not allowed	Not allowed

Examples

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 2 countries in favour of this CR

Working Group Meeting

Discussion
<ul style="list-style-type: none">• There were no further comments, based on the advance feedback FSWG agreed to deem the CR valid
Decision
<ul style="list-style-type: none">• CR approved

3.5 CR 002065: MT306 Network Validated Rule C13 Amendment

Origin of request	
Requesting Country:	
Requesting Group:	SWIFT
Sponsors	
Message type(s) impacted	
MT 306	
Complies with regulation	
None	
Business impact of this request	
MEDIUM	
Commitment to implement the change	
Percentage of messages impacted: 100 Commits to implement and when: SWIFT 2024	
Business context	
This change request corrects network validated rule C13 as this is currently forcing the user to populate a field that is illogical.	
Nature of change	
Network validated rule C13 currently forces the user to populate field Binary Amount Payment Date when the type of event is KNOT Knock Out. There is no binary amount payment date when the event is knock out. Being forced to populate this field is illogical and may be confusing. A binary option with a knock out event should in theory only occur where the underlying user case is no-touch.	
SWIFT documentation –	

C13

In sequence E, if present, the presence of field 30H depends on the value of subfield 1 of field 22K as follows (Error code(s): D34):

If sequence E is ...	Sequence A and subfield 1 of field 22K is ...	Sequence E then field 30H is ...
Present	KNIN, KNOT	Mandatory
	Any other value	Not allowed
Not present	Not applicable	Not applicable

Examples

Standards Illustration

SWIFT Comment

- 11 countries represented in working group
- 2 countries provided feedback in advance of meeting
- 2 countries in favour of this CR

Working Group Meeting

Discussion
<ul style="list-style-type: none">• There were no further comments, based on the advance feedback FSWG agreed to deem the CR valid
Decision
<ul style="list-style-type: none">• CR approved

End of document