

**OTC securities transactions
Trade Confirmation Matching
French WG works**

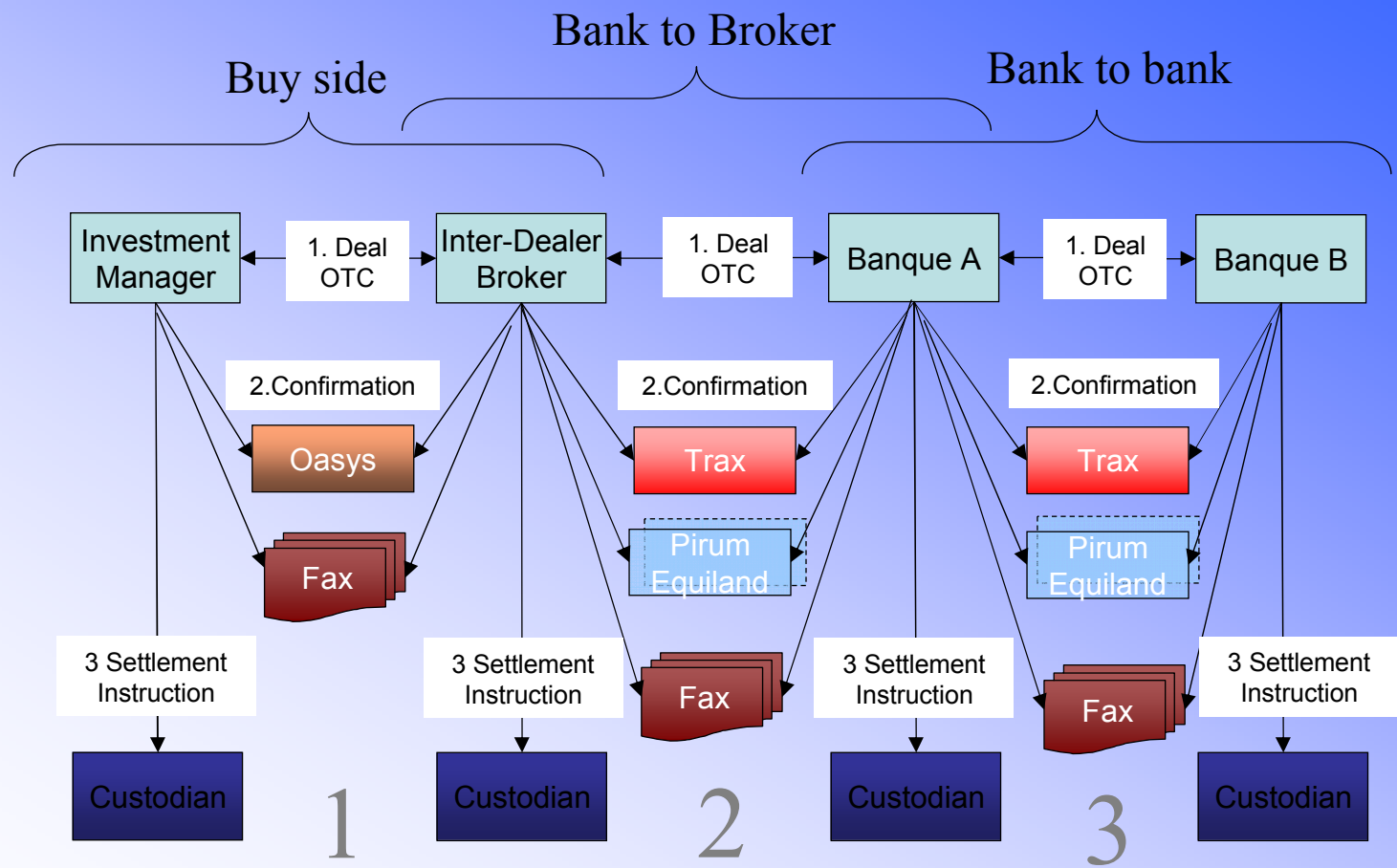
**ECB : COGESI – 17th
November 2009**

- Objectives
- A brief presentation of the French TCM WG
- Confirmation landscape
 - Main confirmations business channels
 - Breakdown per media
 - Economic and non economic considerations
 - Business case
- Confirmation platform benchmark
- Business requirements
- Remaining tasks
- Discussion

- To present:
- The drivers of the TCM WG works
- The findings of the WG
- The conclusions
- The remaining tasks

- A WG composed of the most prominent French institutions (BNPP, Calyon, Natixis, SG, Viel Tradition)
- Kick off meeting of the TCM WG in August 2008
- Officially entitled as an AFTI Working Group in February 2009
- Reports to the AFTI Board and AFTI fixed Income markets WG
- Invited to the TRAX STP steering Committee
- 4 SWIFT workshops (of which SIBOS in Vienna 2008)
 - Invited to take part to the Securities Accord Solution Steering Committee
 - Invited to create with UK brokers a Securities financing WG. Actively involved in current repo confirmation message mapping to MT515
- Exchanges with the French regulator

Confirmations landscape (1/4) : Main securities confirmations channels



- The fax remains the main transactions confirmation media
- Focusing on the activities 2 (Bank-Broker) et 3 (Interbanking)

- Buy / Sell

MEDIA	CLIENTS	%
FAX	All	75%
TRAX	Banks Brokers	15%
OASYS	Investment managers	10%

CLIENTS	%
Investment managers	40%
Banks, Brokers	50%
Corporates	10%

Assets	%
TCN	10%
Bonds	70%
Equities, Warrants	20%

75 % of confirmations are sent by fax
 Of which half of them are sent to banks

Trax up to now not intensively used in France (more in the UK)
 Oasys dedicated to buy side (IM)

- Lending / Borrowing, Repos

MEDIA	CLIENTS	%
FAX	All	80 to 100%

PRODUIT	%
Banks	60%
Others	40%

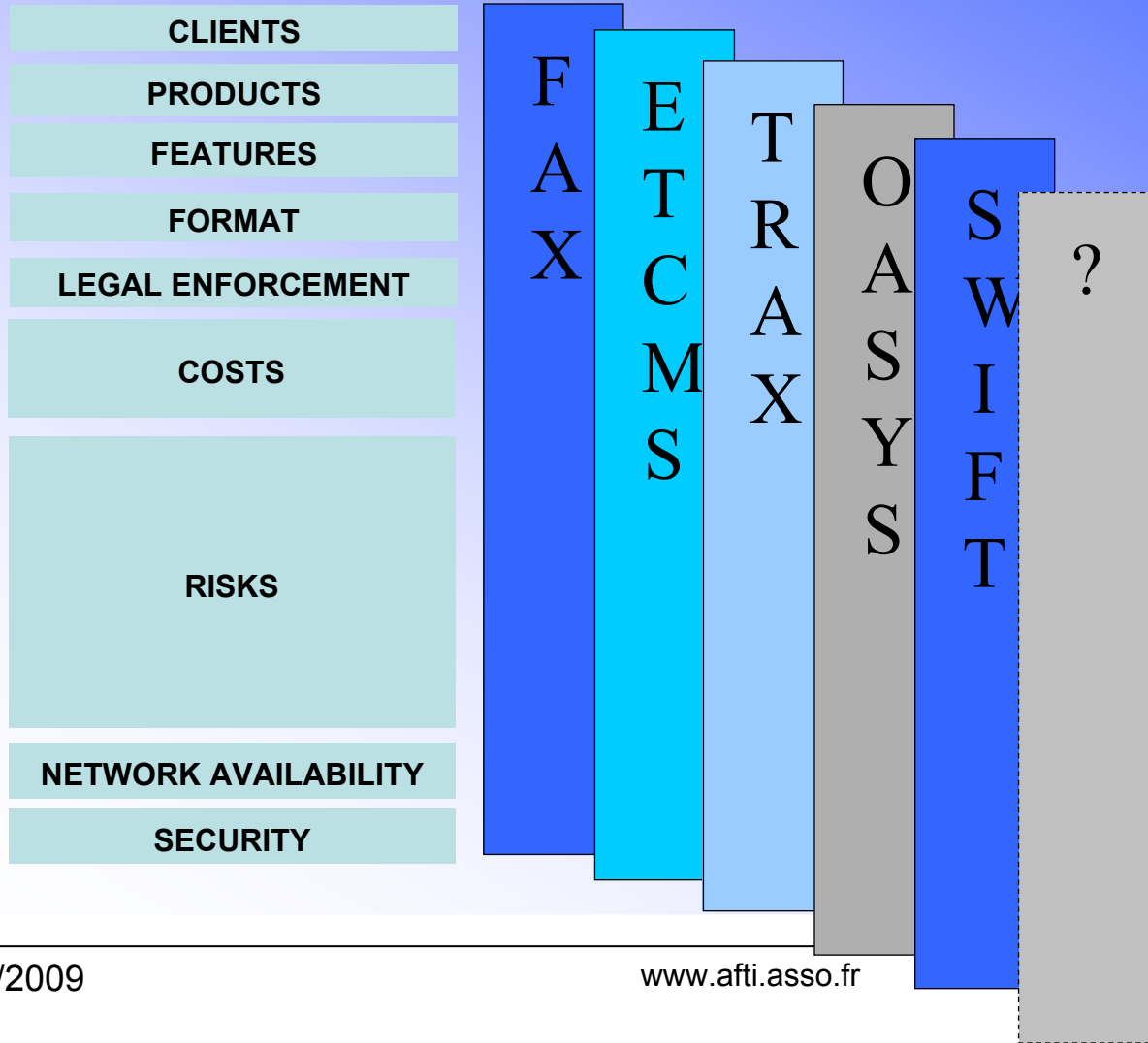
PRODUIT	%
Bonds	50%
Equities	50%

- Risks mitigation
 - Market risks (volatility, currency exchange risks, liquidity risks)
 - Settlement fails risks
- Compliance
 - Clients and counterparties identification
 - Regulatory and internal compliance
- Service improvement :
 - Settlement rate improvement
 - Best practices
 - Process Industrialization
 - Improved process monitoring

Confirmation landscape(4/4) Business Case :

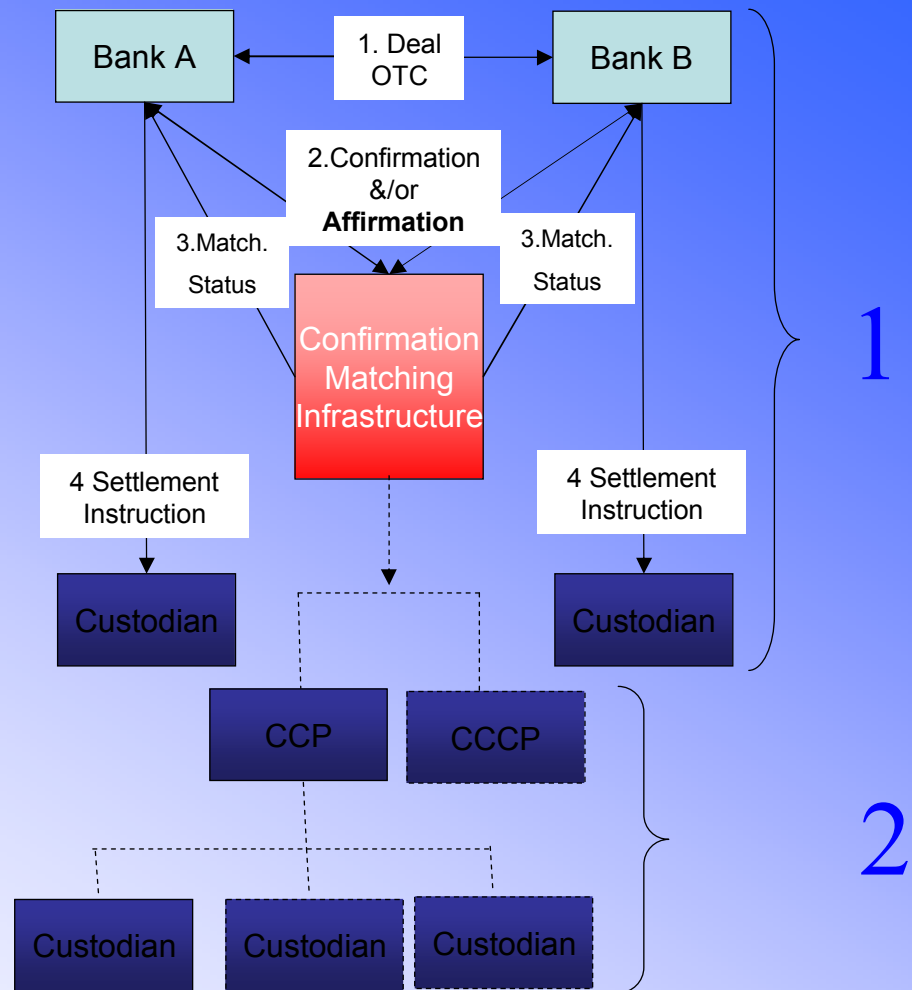
Items taken into consideration

	Scope/Impact	Nature of action	Expected result	Gain	Calculation/Chiffrage		Results
					Information source	Calculation basis	
1	Messaging	Standardization	Decrease of repairs and amendment	Expenses/ Workload Back Office	Dash Board : Nbre de repairs	Unit cost of the repair/amendement X volumes	FTE
2	Matching	Centralization, Standardization, best practices	Improve efficiency (Matching rate)	Expenses/ Workload Back Office about a unit matching	Back Office	Average unit cost for matching X volumes	FTE
3	Settlement	Improve confidence in settlement instruction data	Reduce Market risks	Cancel and replace cost on a settlement instruction	Front Office, expert reports & incident basis	Unit loads estimated, volumes	€
4			Reduce failure risks	Compensation & Penalties due to repair charged to the Back Office	Incident basis	Selling leg (cash)	€ ; FTE
5						Buying leg, no re-delivery	not calculable
6	Life cycle	Automatic confirmation in the upstream process	Improve " the "pre-confirmation" and the streamlining associated	Deletion of all or a part of "pre-confirmation" (when F/O-Sale call back key clients)	Front Office	Unit cost X volumes	FTE
7	Confirmation sending	Reduce maintenance cost for a data referential	Improve procedure	Resilience and reliability of the counterparties database (BIC vs. Fax numbers)	Back Office - client service unit	Number of counterparts X standard duration for creating/modifying a counterparty	FTE
8	Compliance	Strengthening of compliance in the trade confirmation	Improve legal security aspects	Reputation	N/A	N/A	not calculable
9	Reputation	Implementation of a STP trade reconciliation solution	Improve services	Rating / Benchmark	Rating agency, press	Rank, Δ score	not evaluable (?)
10	Sustainable development	Deletion of paper prints	Reduce the paper's cost	Natural resources ; Rating "social responsiveness"	Extra-financial rating	Δ score	€ ; CO2; natural resources



- 4 key needs:
 - A global multi-players, multi-markets, multi products solution.
 - An ISO messaging standard
 - An Industry agreed rule book
 - A contract comparison and a real time confirmation matching status reporting
- » **A Prerequisite : (re) use of an existing solution.**

- An electronic confirmation matching tool
- Based on industry standard
- A central matching (shared matching status)
- A global solution (multi-products, customers, markets)
- Led by best practices and market discipline
- At a competitive price
- With strong legal enforcement
- Preferably users governed



- Legal Issues :
 - What are the obligations in terms of OTC trades confirmations?
 - Electronic messages acknowledgement as court evidence
- Best practices to be defined and Rulebook
- Messages standardisation
- What kind of incentives in order to enlarge the counterparties basis and generalize electronic confirmations?

