Confirmation and settlement practices

Treasury Services
Wolfgang Vogt
Erste Group at a glance
Providing banking services for the real economy

• Core activities of Erste Group – besides the traditional strength in serving private individuals and SMEs – include advisory services and support for corporate clients in financing, investment and access to international capital markets, public sector funding and interbank market operations.

• Erste Group plays advancing role in region’s capital markets and is strongly focused on digital innovation.
**Strategy**

Real customer needs are the reason for our business

### Strategic Objectives

<table>
<thead>
<tr>
<th>Customer banking in Central and Eastern Europe</th>
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<tbody>
<tr>
<td><strong>Eastern part of EU</strong></td>
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<tr>
<td><strong>Retail banking</strong></td>
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<tr>
<td>Focus on local currency mortgage and consumer loans funded by local deposits</td>
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<tr>
<td>FX loans only in EUR for clients with EUR income (or equivalent) and where funded by local FX deposits (HR &amp; RS)</td>
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<tr>
<td>Savings products, asset management and pension products</td>
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<tr>
<td>Expansion of digital banking offering</td>
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</tbody>
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DERIVATIVES 01960555/Treasury Processing Group of Dept. 01960563
Mr. VOGT
Dep. Mr. CORDES
17142
FT Employee: 12 (60%)
PT Employee: 9 (40%)

DESK Derivatives
9,38 FTEs
Exchange Traded Derivatives
Settlement of new trades and trade lifecycle events for
• Exchange Traded Options
• Futures

OTC Derivatives
Settlement of new trades and trade lifecycle events for
• Interest Derivatives
• Credit Derivatives
• FX Options
• Equity OTC

DESK FX / MM
8,27 FTEs
FX-/MM + Banknotes
Settlement of new trades and trade lifecycle events for
• SPOT (FX)
• FX-Swaps
• Outright Forwards
• NDF
• Precious Metals (Spot + Forw.)
• Loans and Deposits (Standard/Call/Rollover)
• Repo – internal cash booking part
• Cash Collaterals
• Banknotes

DIRECT CLEARING MEMBER
• Eurex OTC
• Eurex ETD
• Non-Eurex ETD
• LCH for IRD (OTC)
• ICE for CRD (OTC)
• CDSClear (OTC)
• CLS Member for FX

SHARED SERVICE CENTER
• EB – Holding
• EB – Österreich
• Savings Banks

March 2023
Confirmation handling in EG Treasury Services

Creation of confirmations
• Erste Group (EG) treasury system Calypso – out of the box
• Template designer for structured trades

Main Master Agreements
• ISDA MA
• Österreichischer + Deutscher Rahmenvertrag

Confirmation matching
• Confirmations via Swift -> TLM Aurora (provided by external vendor)
• CLS -> via web app of CLS broker and TLM Aurora
• Misys CMS - > via web app of Misys CMS vendor and TLM Aurora
• Long form confirmations -> manually
Confirmation handling in EG Treasury Services

FX
• Automatic payment release after successful confirmation matching
• In case of netting additional pre-value amount alignments via email

MM
• Automatic payment release after successful confirmation matching
• In case of rollover additional pre-value amount alignments via email

OTC
• On request delivery of fixing / payment advice

Payments
• Creation -> EG treasury system Calypso – out of the box
• After value reconciliation -> TLM Aurora
Confirmation handling in different asset classes

**FX**
- Swift MT300 + MT600
- CLS
- Misys CMS
- Long form confirmations

**OTC**
- Central cleared business
- Trade affirmation via Markitwire
- Swift MT305, MT306, MT340, MT360, MT361
- Misys CMS
- Long form confirmations
- high number of daily payment reconciliation and settlement instruction requests

**MM**
- Swift MT320
- Misys CMS
- Long form confirmations
Breakdown different confirmation methods

**FX + MM**
- Bilateral via Swift -> 50%
- CLS -> 25%
- Long form confirmations NonSwift - counterparties -> 20%
- Bilateral via Misys CMS -> 5%

**OTC**
- Central Cleared -> 40%
- Swift MT305, MT306 -> 25%
- Trade affirmation via Markitwire -> 15%
- Long form confirmations - >15% (volatile!)
- Misys CMS, Swift MT360 + MT361 + MT340 ->5%
Pain points in confirmation handling

Mismatches from settlement instructions (SI’s)
- Different presentation of details in Swift (acc.no, intermediary)
- Missing SI change announcements

Mismatch from different field filling in Swift
- Rollover / New, Call Buy/Put Sell etc…

Limited possibilities for matching rules in recon system

Widespread need of long form confirmations
- CCY NDF + Barrier Options (special MCA, various approaches)
- EQD structures
- MM Plain Vanilla due to counterparty structure
Pain points in confirmation handling

UTI handling
• Delivery of correct UTI

Late confirmation receipts
• Backlog for outstanding confirmations
• Backlog for not acknowledged payments

Cumbersome reminder process for outstanding confirmations

CLS In – Out leg / T0
• Late T0 and near lag / far leg handling
NonSTP Swift FX confirmation matching

NonSTP rate stated in %

FX
NonSTP rate stated in %
Sharing of experience

Questions to the audience

Confirmation matching – smooth or cumbersome process?

How do you reconcile settlement instructions?
• Within the single trade confirmation matching process?
• Within a different process (pre-value payment reconciliation, checking of Swift Broadcasts etc…)?

Does someone use Alert database?
• Experiences?
• Advantages?
Questions

Thank you!