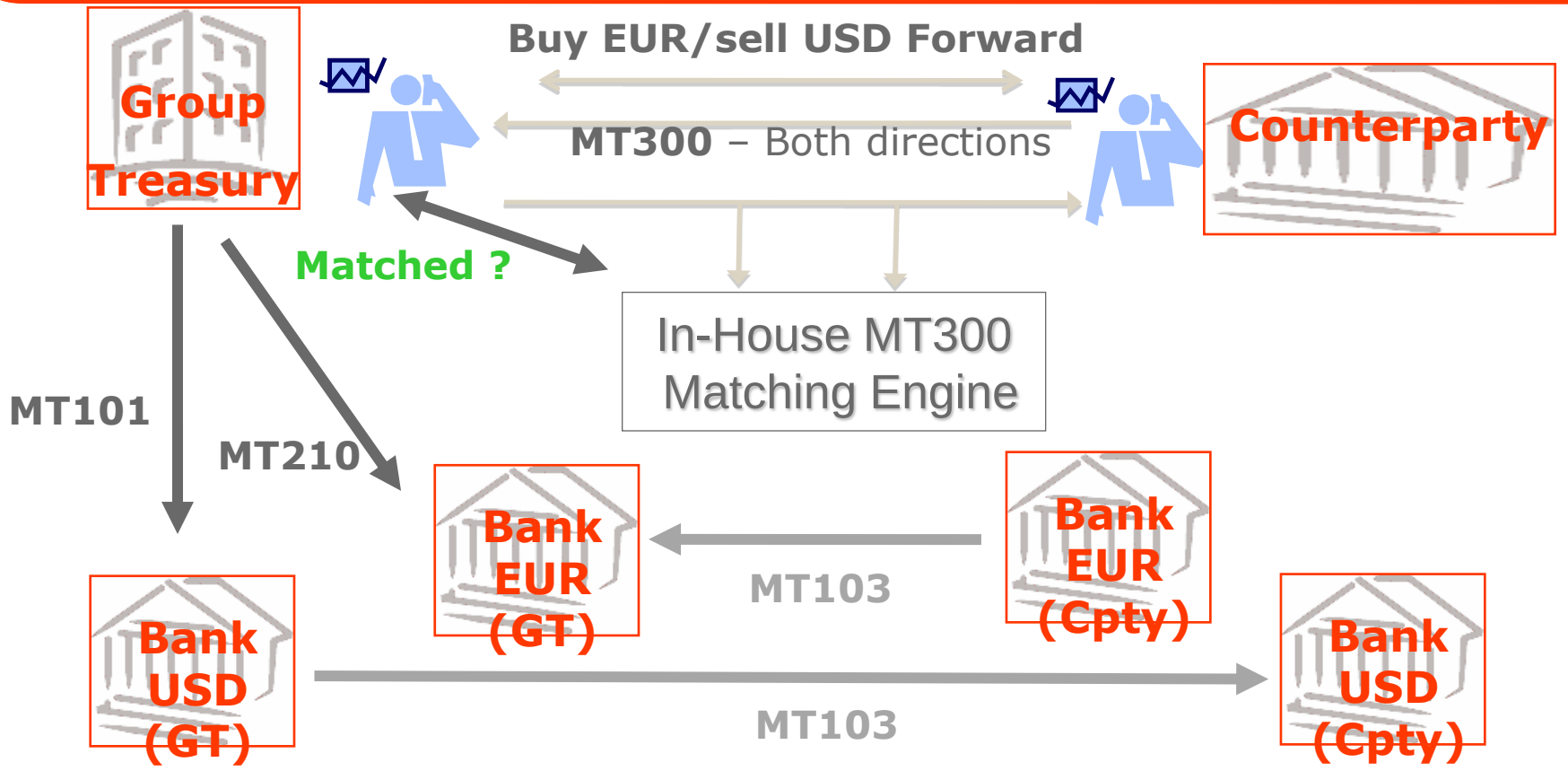
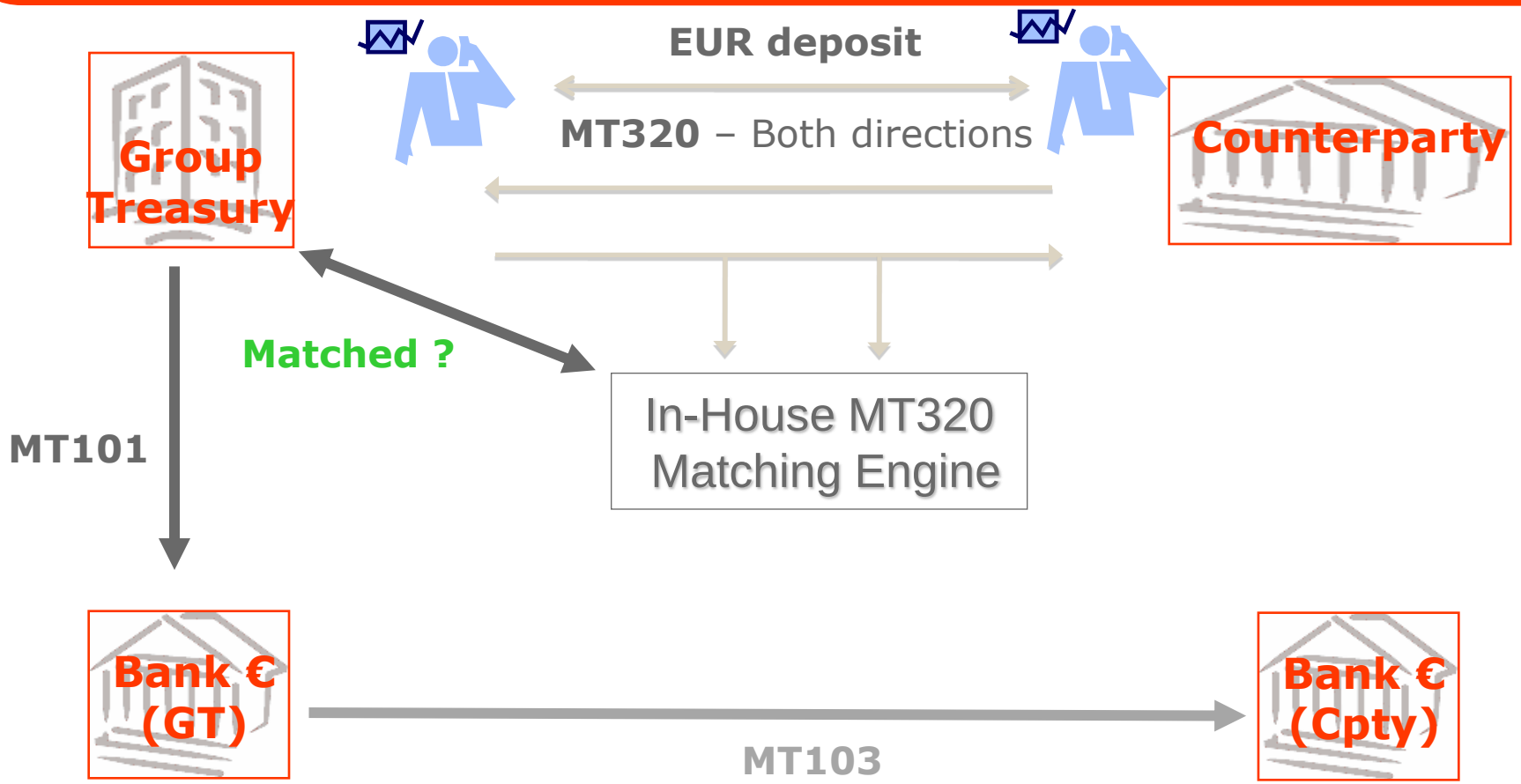
SWIFT Commodities Derivatives MT 66X Initiative

eSTP for Forex: example



eSTP for Money market: example



View of our in-house matching system for Forex

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Monitoring screen for pending deals

MT300 non rapprochés

Tiers	Id	Date Creation	Date Op	Date Valeur	Montant 1	Dev...	Montant 2	Dev...	Entité	Num Op	Statut	User	Cours	Pts T...	Date limite	Operateur	Nb
	CF	31/05/2012 17:19:15	31/05/2012	04/06/2012	214 725 000.00	MXN	15 000 000.00	USD	SNC	1516537	AC	Spot	14.3150	0	01/05/2012	AZIZI	1
BARCG	MT	31/05/2012 16:55:39	31/05/2012	04/06/2012	214 725 000.00	MXN	15 000 000.00	USD	-	-	NEW	-	14.3150	0	01/05/2012	-	1
	CF	31/05/2012 17:19:18	31/05/2012	04/06/2012	18 555 000.00	USD	15 000 000.00	EUR	SNC	1516539	AC	Spot	1.2370	0	01/05/2012	POTIERJC	1
BOFAGB	MT	31/05/2012 16:45:59	31/05/2012	04/06/2012	18 555 000.00	USD	15 000 000.00	EUR	-	-	NEW	-	1.2370	0	01/05/2012	-	1
	CF	31/05/2012 17:19:16	31/05/2012	04/06/2012	214 725 000.00	MXN	15 000 000.00	USD	SNC	1516538	AC	Spot	14.3150	0	01/05/2012	AZIZI	1
CENT	MT	31/05/2012 16:53:29	31/05/2012	04/06/2012	214 725 000.00	MXN	15 000 000.00	USD	-	-	NEW	-	14.3150	0	01/05/2012	-	1
	CF	31/05/2012 17:19:24	31/05/2012	04/06/2012	10 000 000.00	EUR	12 360 000.00	USD	SNC	1516541	VC	Spot	1.2360	0	01/05/2012	POTIERJC	1
COBA	MT	31/05/2012 16:51:09	31/05/2012	04/06/2012	10 000 000.00	EUR	12 360 000.00	USD	-	-	NEW	-	1.2360	0	01/05/2012	-	1
	CF	31/05/2012 17:19:22	31/05/2012	04/06/2012	30 000 000.00	EUR	37 083 000.00	USD	SNC	1516540	VC	Spot	1.2361	0	01/05/2012	AZIZI	1
SOGE	MT	31/05/2012 16:53:59	31/05/2012	04/06/2012	30 000 000.00	EUR	37 083 000.00	USD	-	-	NEW	-	1.2361	0	01/05/2012	-	1

Monitoring screen after automated matching sequence !!!

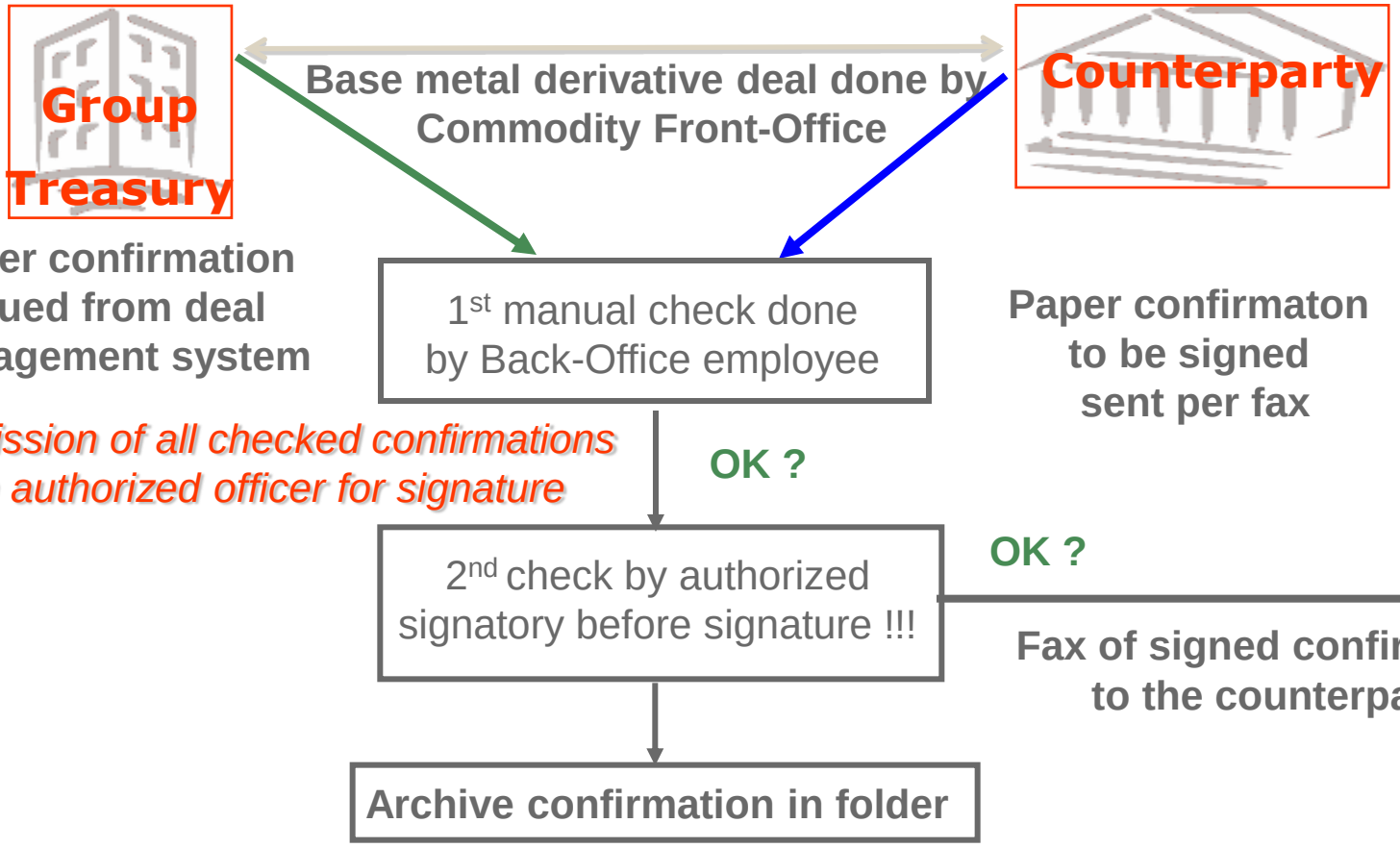
MT300 non rapprochés

Tiers	Id	Date Creation	Date Op	Date Valeur	Montant 1	Dev...	Montant 2	Dev...	Entité	Num Op	Statut	User	Cours	Pts T...	Date limite	Operateur

eSTP for Forex and MM: advantages

- Better ***security*** for the whole transaction process workflow
- Real-time follow-up
- Zero paper !!!!
- Time and human resource saving
- In line with EMIR requirements regarding timely confirmation, UTI exchange, ….

Commodity derivatives: the imperfect world (1)



Commodity derivatives: the imperfect world (2)

Deal settlement report
from deal management system

Manual check done
by Back-Office employee

OK ?

Manual payment key-in in Intranet

Settlement report sent via fax, e-mail or downloaded from an internet website

2nd check by authorized signatory!!!

Payment validation in Intranet

OK ?

Archive settlement in folder

Payment sent via SWIFT (MT101)

Present situation for commodities: disadvantages

- Paper and human based process with greater risk of mistakes
- No unification of paper confirmation formats (each counterparty has its own way to present the deal data to be checked)
- No real-time follow-up
- Time and human resource consuming
- Not in line with EMIR requirements regarding timely confirmation, UTI exchange, ….

eSTP for base metal commodity derivatives: from a stand-alone solution to a SWIFT initiative

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- Decision to launch a stand-alone initiative starting mid-2012
- Solution for OTC deals
- Message format chosen ➔ SWIFT MTn98 (free format class) with 1 message for the initial deal confirmation and 1 message for the settlement period.
- Messages presented to SWIFT and initiative taken over by SWIFT since end of 2012.
- Now covers needs for base metals and energy forwards, swaps and options (asian and swaptions).
- ***Need to have more corporates in the initiative and to enter in a testing phase now.***

Paper confirmation: example of a commodity forward (base metal)

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CONFIRMATION

Date : 04 Jun 2013

To : ARCELORMITTAL TREASURY (or the 'Counterparty') √
IMMEUBLE LE CEZANNE
6 RUE ANDRE CAMPRA
LA PLAINE,
93210 SAINT DENIS
FRA - FRANCE

Attention : Marie-France LIETOUT
Back Office Financial Transactions

From : SOCIETE GENERALE/PARIS ('SG')
OPER/OTC/ECD/CTY
29 BOULEVARD HAUSSMANN
75009 PARIS
FRA - FRANCE

Your contacts are :

	Telephone	Fax	E-mail
Confirmations BO	33 1 42 13 82 79	33 1 46 92 46 58	Commo.confirmation@sgcib.com
Settlement BO	33 1 58 98 31 33	33 1 46 92 46 57	Commo.settlement@sgcib.com

This is not a LME registered Client Contract

Ref : 930016 - Commodity Forward Transaction - Cash Settled

Dear Client,

The purpose of this document is to confirm the terms and conditions of the Transaction entered into between us on the Trade Date specified below (the 'Transaction'). This Confirmation constitutes a 'Confirmation' as referred to in the ISDA Master Agreement specified below. This Confirmation supersedes any previous confirmation with respect to this Transaction and evidences a complete and binding agreement between us as to the terms of the Transaction.

The definitions and provisions contained in the 2005 ISDA Commodity Definitions (as published by the International Swaps and Derivatives Association, Inc.) (the 'ISDA Commodity Definitions') are incorporated into this Confirmation. In the event of any inconsistency between the ISDA Commodity Definitions and this Confirmation, this Confirmation will govern.

1) ISDA Master Agreement

This Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement dated as of 19 Feb 2010, as amended and supplemented from time to time (the 'Agreement'), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified herein.

2) The terms of the particular Transaction to which this Confirmation relates are as follows :

Trade Date: 04 Jun 2013 √

Commodity: GRADE A COPPER ∨

Seller: See table

Buyer: See table

Settlement Date: See table

Ref.	SG is √	Notional Quantity in Mtonne	Forward Price in USD per Mtonne	Pricing Date √	Settlement Date
20597365	Seller	650.00 √	7 385.50 √	28 Jun 13	02 Jul 13 √

Where SG is Seller, the Counterparty shall be Buyer and vice-versa.

Floating Price : The Specified Price for the Commodity Reference Price for the Pricing Date.

Commodity Reference Price : COPPER - LME √

Specified Price : The settlement price.

Rounding of Floating Price : The Floating Price will be rounded to the second decimal place. /

Cash Settlement Terms :

Cash Settlement: Applicable as follows:

(i) If the Floating Price is greater than the Forward Price, the Seller shall pay to the Buyer the Cash Settlement Amount on the Settlement Date

(ii) If the Floating Price is less than the Forward Price, the Buyer shall pay to the Seller the Cash Settlement Amount on the Settlement Date.

Cash Settlement Amount: an amount equal to the product of (a) the absolute value of the difference, if any, between the Forward Price and the Floating Price and (b) the Notional Quantity.

Commodity Business Day Convention : Modified Following, applicable for all dates defined under this Transaction for determination of a price.

Business Day Convention: Modified Following, applicable for all dates defined under this Transaction for the determination of a price.

Currency: USD

3) Calculation Agent: SG, unless otherwise specified in the Agreement

4) Accounts Details :

a) Payments to the Counterparty :
USD Account : As advised separately.

b) Payments to SG :
USD Account :
SOCIETE GENERALE/NEW YORK
Swift Code SOGEUS33 - ABA 026004226
Favour SOCIETE GENERALE/PARIS
Swift Code SOGEFRPPHCM
A/C 00187011
Reference : OPER/OTC/ECD/CTY

5) Offices:

(i) The Office of SG for this Transaction is its Paris head office, and
(ii) The Office of the Counterparty for this Transaction is the office to which this Confirmation is addressed.

6) Governing Law :

This Confirmation will be governed by and construed in accordance with the law specified in the Agreement.

7) Representation:

Each party has concluded the present Transaction after having carried out its own analysis of the Transaction, particularly in the light of its financial capacity and its objectives.

Please confirm that the foregoing correctly sets out the terms of our agreement by executing this Confirmation and returning it to us.

We are pleased to have concluded this Transaction with you.

Regards.

MT660 message: confirmation for the commodity forward example under paper format

ArcelorMittal

Message 660

Deal pris comme exemple : 218709

:20:SNC
:12:660
:77E:<CRLF>
:15A:
:22A:NEWT
:94A:BILA
:22C: SNC1306SOGE
:21N:218709
(:21B:930016) → optionnel dans le 660
:82A:SNC
:87A:SG
:77H:ISDA//20100219 → optionnel
:14C:2010 → optionnel
:15B:
:30T:20130604
:30V:20130628
:30P:20130628
:23A:FLOATFIXED/NET
:26C:LONDON/UNALLCOPP
:70:PHYSICAL/CASH
:32F:650
:30G:20130628
:84A:SOGEFRPP
:15C:
:32A:130604USD0
:15D:
:33G:USD7385.50
:32M:USD4800575.
:17V:B
:15E:
:14F:COPPER-LME
:37N:CASH
:14G:D/UNWEIGHTED
:15H:
:14A:MODIFIEDF
:22B:USNY