
FIX Settlement Status FAQ

September 2023

The financial services industry is continually discussing speed and efficiency of trade settlement globally, especially as the industry looks at the implications of certain markets moving to T+1 settlement cycles. In this context, a growing number of market participants wish to know about the settlement status of their trades in a timely and standardized way.

As an extension of the existing FIX Allocations and Confirmation workflows, four new message types are being published to the FIX community to allow market participants, such as a broker, custodian, or an outsourcer (e.g., vendor system) to communicate the settlement status of a security back to the end client.

This FAQ gives an overview of what the change is, how it can be used and who it can be used by.

Q. What is a settlement status?

A. When a trade occurs between market participants, the end state would be for that trade to 'settle' in some capacity. In the case of a securities trade, this means that one party to the trade sends cash and receives a security (or securities), and the other party sends a security (or securities) and receives cash. Both processes are running concurrently, however understanding the status of those processes, for example when cash has left the payers account and landed at the receivers account, is important from a liquidity, risk management and processing perspective. Furthermore, providing that gives participants greater transparency of the trade and whether there are any errors that may need reviewing.

The securities settlement workflow, whether for domestic or cross-border settlement, has a workflow distinct to its operations as it involves the exchange of securities for money. Today this workflow is facilitated by the relevant parties using SWIFT MT or MX messages through the SWIFT network. In the environment where near real-time information is needed or required, Investment managers who initiated the order to transact wish to know about the settlement status of their trades as soon as possible rather than end of day or next day.

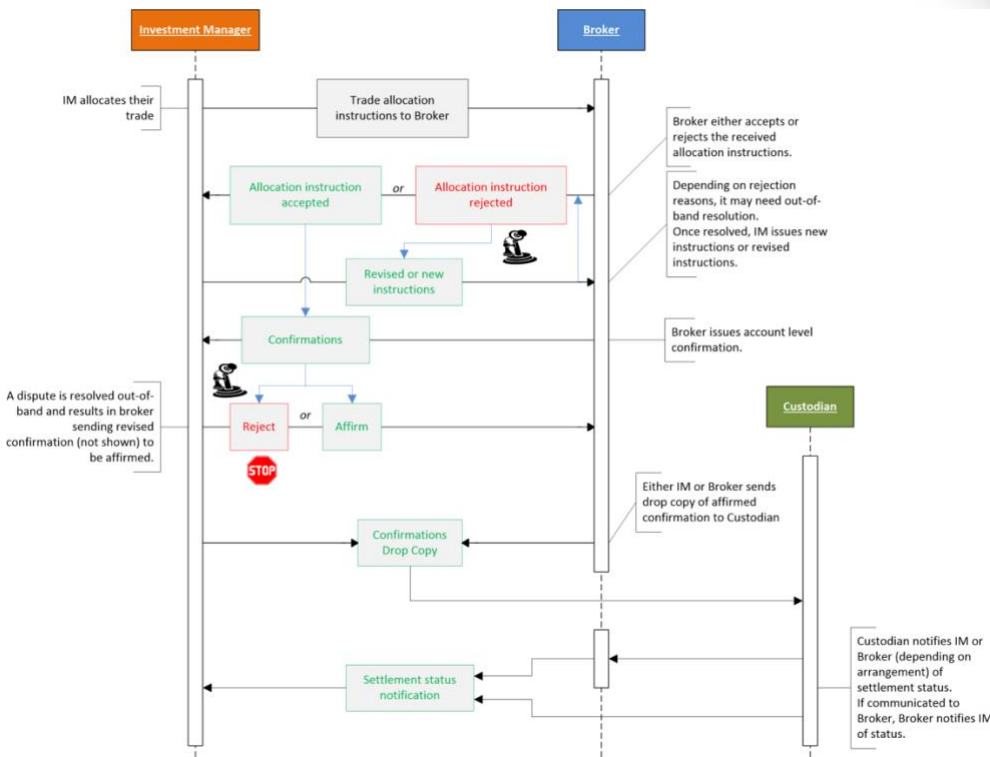
Q. How will the message flow work?

A. The new messages to support settlement status communication are:

- SettlementStatusRequest(35=EC)
- SettlementStatusRequestAck(35=ED)
- SettlementStatusReport((35=EE)
- SettlementStatusReportAck(35=EF)

These new messages also necessitate the creation of a new post-trade message category to be called "Settlement Status Management" in the FIX catalogue of messages.

Figure 1: High level activity flow



It should be noted that the existing allocations and confirmation process as documented in the different FIX Recommended Practices are not affected. The communication of the settlement status picks up after the confirmation has been affirmed (or acknowledged as done in some markets) by the investment manager and the settlement process is initiated using SWIFT MT/MX messages. The purpose of these proposed messages is not to change or disrupt any of the existing process for securities settlement or to replace the correspondent banking model.

Whilst the example workflow shows the buy-side being a recipient or the custodian being the sender of the settlement status, the messages could be used in a wide range of scenarios.

Q. Why are FIX doing this?

A. The FIX Global Post-trade Committee members have been reviewing further areas of opportunity for FIX to create and offer new messaging standards to facilitate operational efficiencies where there are current unmet needs. The members identified a gap in the communication of securities settlement status to the end client in near real-time.

This information gap has led to a desire by the community to be able to send and receive this information in a timelier manner from the party who can provide it too the end client, whether it's the broker, custodian, or an outsourcer (e.g., vendor system).



Q. I thought FIX was only used in electronic trading? Does it now offer post-trade standards and settlement workflows?

A. FIX has standards for a wide range of post-trade processing workflows across many asset classes. Within the FIX Trading Community's various working groups and committees, FIX has the Global Post-Trade Committee that has over 200 individuals representing various FIX member firms. Additionally, FIX continually collaborates and partners with other industry standards organizations and industry associations such as the IA, FIA, SIFMA and ASIFMA.

In 2019 FIX created a new set of messages, Pay Management, allowing members to use FIX to communicate and agree upon an upcoming or scheduled payment. This was the first set of messages that stepped into the settlement optimization space and was a steppingstone for the new settlement status messaging.

Recent in-flight initiatives include the creation of this new workflow and messaging to support the settlement status for securities. Securities Lending discussion also forms part of the FIX community and work is underway to produce a draft proposal for new FIX messages to support the securities lending lifecycle.

FIX also covers post-trade CCP clearing in the derivatives space, collateral management, position and margin management, and communication of settlement instructions reference data between parties.

Beyond post-trade, FIX have messages that supports several pre-trade workflows such as party entitlements and reference data, party risk limit checks, securities reference data, market data, quoting, and indication of interest.

Q. I'm a hedge fund based in APAC and trade US securities; Can I still use this message?

A. Absolutely. FIX Protocol is global in nature and can be used by any participant looking to understand the status of settlement of a security, irrelevant of where that security is listed.

