

# **FIX Recommended Practices**

Standardization of FX Reject Codes

# **FINANCIAL INFORMATION EXCHANGE (FIX)**

## **RECOMMENDED PRACTICES**

### **Global FX Subcommittee**

#### **Standardization of FX Reject Codes**

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1.0	Sep 9, 2024	Hanno Klein	Prepare for publication.

## 1 Executive Summary

This FIX recommended practices provide guidance on the rejection scenarios of the FX market and communicating of the reason for rejection. When an asset manager's trade is rejected by an execution provider (brokers, dealers or platforms), the asset manager will want to know why the trade was rejected, to ensure its own clients are not being disadvantaged. Previously, the FX market had no widely accepted standardized set of reject codes. The idiosyncratic / non-standard nature of reject codes' distinctions did not assist the asset managers as much as they might. A standardized messaging protocol using FIX with a defined set of reject codes increases efficiency in communicating rejections of FX orders and assists asset managers and thereby their clients.

## 2 Objectives

This document is intended to offer guidance for using the FIX Protocol for greater standardization of FX Reject Codes.

## 3 Scope

This document addresses how to meet the requirements identified by the Investment Association (IA) based on the principals established by the Global Foreign Exchange Committee's FX Global Code using the FIX Protocol.

## 4 Target Audience

This document is aimed at technologists and project planners/managers engaged in the provision of infrastructure used by execution providers (brokers, dealers or platforms) to share FX Reject Codes or by asset managers / clients to receive FX Reject Codes, as required.

## 5 Business Requirements

When an asset manager solicits a quote from a number of execution providers (brokers, dealers or platforms) on a given trade, the asset manager will look to trade on the quote it deems to offer the best outcome. Whether the trade is in spot FX, an FX derivative or any other FX product, asset managers will be seeking to act in their clients' best interests, both as regards the decision to trade and how and where to place that trade. This is in keeping with the Global Foreign Exchange Committee's FX Global Code<sup>1</sup>, which envisages that Market Participants will handle orders fairly and with transparency.

If the trade is not executed, this may disadvantage the client, or potentially leave the client exposed to market risk that it otherwise would not have. For that reason, asset managers have a legitimate concern to understand why a trade has not proceeded. In some instances, a trade will not proceed because it has been rejected by the execution provider.

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<sup>1</sup> [https://www.globalfx.org/fx\\_global\\_code.htm](https://www.globalfx.org/fx_global_code.htm)

There are two different stages in the trade lifecycle during which a rejection may occur – at the quote stage (i.e. where the RFQ itself has been rejected) and at the trade stage (i.e. where a quote has been provided but the subsequent attempt to trade by hitting/lifting the quote has been rejected).

A key line of communication by brokers, dealers and platforms (“execution providers”) to the asset manager that placed an RFQ or trade request is by provision of a shorthand identifier, called a reject code, associated with one or a set of reasons which were the proximate cause of the trade not proceeding to a completed transaction.

Previously, the FX market had no widely accepted / standardized set of reject codes. Some execution providers offered several dozen, others many fewer. The demarcation and extent of each reject code was idiosyncratic for each execution provider. It is in the interests of clients of asset managers that the reasons for rejection are rapidly analyzed so that steps can be taken to remedy any operational or procedural errors, or issues raised with the execution provider. These idiosyncratic / non-standard distinctions did not assist the asset managers as much as they might.

A standardized messaging protocol using FIX with a defined set of reject codes assists transparency for asset managers and thereby their clients.

The Investment Association (IA) took the initiative to propose the categories below to facilitate the industry's ability to meet the requirements of the FX Global Code. These Recommended Practices map the IA's proposed categories to FIX fields and values.

## 5.1 IA's FX Reject Code Categories

The IA created two main categories of rejection codes based on the type of workflow used in the FX market participants: request-for-quote (RFQ) based workflows and Order/Trade based workflows.

### 5.1.1 Quote Rejection

The RFQ based workflow addresses the rejections that could occur upon receiving an RFQ from the asset manager (or liquidity taker).

## QUOTE REJECTION

### CATEGORY A:

**Credit** – quote rejected because of the credit limit (be it (i) breached or (ii) not in place) of the client or its agent making the request.

### CATEGORY B:

**Pricing outage** – where a request-for-quote cannot be processed due to pricing being unavailable.

### CATEGORY C:

**Regulatory** – where a request-for-quote cannot be processed due to regulatory requirements not being met.

### CATEGORY D:

**Risk and capital constraints** – where a request-for-quote cannot be processed as the request breaches internal risk constraints such as country concentration limits.

### CATEGORY E:

**Static Data** – where a request-for-quote cannot be processed due to static data errors – for example, due to an error in the unique trader ID, a counterparty is not properly permissioned, or improper product validation.

### CATEGORY F:

**Unsupported Product** – where a trade cannot be executed because the request covers an unsupported product. This may be due to unsupported currency pairs for example, or tenor restrictions on the client or liquidity provider side.

### CATEGORY G:

**Exceptional** – this residual category is provided to ensure a complete set of categories exists and there should always be a reject code provided. It would only be used if a situation not covered by any of the first five categories exists. It is not expected that this would be used otherwise than on an exceptional and very infrequent basis, if at all.

CATEGORY A: Credit – quote rejected because of the credit limit (be it (i) breached or (ii) not in place) of the client or its agent making the request.

CATEGORY B: Pricing outage – where a request-for-quote cannot be processed due to pricing being unavailable.

CATEGORY C: Regulatory – where a request-for-quote cannot be processed due to regulatory requirements not being met.

CATEGORY D: Risk and capital constraints – where a request-for-quote cannot be processed as the request breaches internal risk constraints such as country concentration limits.

CATEGORY E: Static Data – where a request-for-quote cannot be processed due to static data errors – for example, due to an error in the unique trader ID, a counterparty is not properly permissioned, or improper product validation.

CATEGORY F: Unsupported Product – where a trade cannot be executed because the request covers an unsupported product. This may be due to unsupported currency pairs for example, or tenor restrictions on the client or liquidity provider side.

CATEGORY G: Exceptional – this residual category is provided to ensure a complete set of categories exists and there should always be a reject code provided. It would only be used if a situation not covered by any of the first five categories exists. It is not expected that this would be used otherwise than on an exceptional and very infrequent basis, if at all.

## 5.1.2 Trade Request Rejection

The trade/order based workflow addresses the rejections that could occur upon receiving a trade request from the asset manager.



## TRADE REQUEST REJECTION

### CATEGORY A-1:

**Last Look** – where a trade request was rejected following the use of last look (including cover and trade).<sup>3</sup>

### CATEGORY A-2:<sup>4</sup>

**Last Look - Latency** – where a trade has been Last Looked and where trade execution is prevented by latency issues which mean that pricing or liquidity is no longer available.

### CATEGORY B:

**Pricing/Liquidity Unavailable** – Where a trade request has NOT been last looked, and where trade execution is prevented because clients are attempting to execute on pricing or liquidity that is no longer available.

### CATEGORY C:

**Credit** – where a trade request would have been executed BUT FOR the credit limit (be it (i) breached or (ii) not in place) of the client or its agent making the request, the reject code will be given for Credit Limit.

### CATEGORY D:

**Static Data** – where a trade request cannot be executed due to static data errors – for example, due to an error in the unique trader ID, a counterparty is not properly permissioned, or improper product validation.

### CATEGORY E:

**Exceptional** – this residual category is provided to ensure a complete set of categories exists and there should always be a reject code provided. It would only be used if a situation not covered by any of the first five categories exists. It is not expected that this would be used otherwise than on an exceptional and very infrequent basis, if at all.

CATEGORY A-1: Last Look – where a trade request was rejected following the use of last look (including cover and trade).

CATEGORY A-2: Last Look - Latency – where a trade has been Last Looked and where trade execution is prevented by latency issues which mean that pricing or liquidity is no longer available.

CATEGORY B: Pricing/Liquidity Unavailable – Where a trade request has NOT been last looked, and where trade execution is prevented because clients are attempting to execute on pricing or liquidity that is no longer available.

CATEGORY C: Credit – where a trade request would have been executed BUT FOR the credit limit (be it (i) breached or (ii) not in place) of the client or its agent making the request, the reject code will be given for Credit Limit.

CATEGORY D: Static Data – where a trade request cannot be executed due to static data errors – for example, due to an error in the unique trader ID, a counterparty is not properly permissioned, or improper product validation.

CATEGORY E: Exceptional – this residual category is provided to ensure a complete set of categories exists and there should always be a reject code provided. It would only be used if a situation not covered by any of the first five categories exists. It is not expected that this would be used otherwise than on an exceptional and very infrequent basis, if at all.

CATEGORY F: Unsupported Product – where a trade cannot be executed because the request covers an unsupported product. This may be due to unsupported currency pairs for example, or tenor restrictions on the client or liquidity provider side.

The FIX Global FX subcommittee has summarized each of the IA's FX Reject Code categories and associated values /relevant tags.

## 6 Implementation Details

The tables below summarize each of the IA categories with associated FIX values.

### 6.1 Quote Request Rejection

FIX Protocol supports the RFQ workflow using several message types depending on the business requirements. In FIX the initiation of the RFQ is typically done via the

QuoteRequest(35=R) message. When the QuoteRequest(35=R) is to be rejected by the RFQ receiver, the QuoteRequestReject(35=AG) is used to communicate the rejection with the QuoteRequestRejectReason(658) field set appropriately. The table below provides the rejection code values to use.

IA Code	IA Name	QuoteRequestRejectReason(658)	Notes
<b>A</b>	Insufficient Credit	11 = Insufficient credit	RFQ submitter has insufficient credit limit or is not place.
<b>B</b>	Pricing Outage	16 = Unavailable price or liquidity	RFQ receiver not able to provide a quote due to unavailable price information.
<b>C</b>	Regulatory	17 = Unmet regulatory requirement	Examples of regulatory requirements not met may include an RFQ submitted into a SEF by a non-SEF participant, or an NDF RFQ into a trading platform that does not allow NDF.
<b>D</b>	Risk and capital constraints	3 = Quote request exceeds limit	The RFQ causes the submitter to exceed their configured credit/risk limit, or it is not setup.
<b>E</b>	Static Data	18 = Unknown account(s) 19 = Invalid or missing entitlements	Enum value "18" is used when RFQ is received with account information that is unknown by receiver or not yet setup on receiver's side prior to trading. Enum value "19" is used when RFQ is received and entitlements (whether for account or trader submitting RFQ) is missing (i.e. not setup) or not authorized.
<b>F</b>	Unsupported Product	1 = Unknown symbol 8 = No market for instrument	IA defines as " <i>where a trade can't be executed because request covers an unsupported product (e.g. unsupported ccy pair, tenor restrictions)</i> ".  Enum value "1" may be used if the trading venue does not support the currency pair.  Enum value "8" may be used if there is no market for the currency pair or there are tenor restrictions on the market, this does not necessarily mean the currency pair is unsupported or unknown.
<b>G</b>	Exceptional	99 = Other RejectText(1328) = <exceptional text>	Used when rejection is for other reasons where a FIX standard reject code is not available for QuoteRequestRejectReason(658) field. Other standard reject codes can be found in FIXimate: <a href="https://fiximate.fixtrading.org/en/FIX.Latest/tag658.html">https://fiximate.fixtrading.org/en/FIX.Latest/tag658.html</a>  The RejectText(1328) field in the QuoteRequestReject(35=AG) would be used to further elaborate on the reason.

## 6.2 Trade Request Rejection

The concept of "trade request" is supported in FIX by either one of the following message types, depending on the workflow initiation:

- if initiated by the RFQ workflow, the "trade request" is communicated using the QuoteResponse(35=AJ) to "hit/lift" a Quote(35=S) provided by the quote provider
- if initiated by the order workflow, the "trade request" is communicated using the NewOrderSingle(35=D).

In an order initiated workflow, the NewOrderSingle(35=D) is rejected by the order receiver, the ExecutionReport(35=8) is used to communicate the rejection with the OrdRejReason(103) field set appropriately. The table below provides the rejection code values to use.

IA Code	IA Name	OrdRejReason(103)	Notes
<b>A-1</b>	Last Look	30 = Last look	Price maker rejects the order due to "last look" and the pass on the order.
<b>A-2</b>	Last Look latency	31 = Last look latency	Price maker rejects the order due to "last look" and the price or liquidity is no longer available or has expired.
<b>B</b>	Pricing/Liquidity Unavailable	32 = Unavailable price or liquidity	Price maker rejects the order due to price or liquidity no longer available, however, this is not due to "last look" but market conditions.
<b>C</b>	Credit	25=Insufficient Credit	The counterparty or trader does not have sufficient credit limit to trade, or it is not setup.
<b>D</b>	Static Data	15 = Unknown account(s) 33 = Invalid or missing entitlements	Enum value "15" is used when the order is received with account information that is unknown by the receiver or not yet setup on receiver's side prior to trading.  Enum value "33" is used when the order is received and entitlements (whether for the account or trader submitting the order) is missing (i.e. not setup) or not authorized.

IA Code	IA Name	OrdRejReason(103)	Notes
<b>E</b>	Exceptional	99=Other RejectText(1328) = <text>	Used when rejection is for other reasons where a FIX standard reject code is not available for OrdRejReason(103) field. Other standard reject codes can be found in FIXimate: <a href="https://fiximate.fixtrading.org/en/FIX.Latest/tag103.html">https://fiximate.fixtrading.org/en/FIX.Latest/tag103.html</a>  The RejectText(1328) field in the ExecutionReport(35=8) would be used to further elaborate on the reason.
<b>F<sup>2</sup></b>	Unsupported Product	1 = Unknown symbol	

In an RFQ initiated workflow, a Quote(35=S) can be hit/lifted (traded) with either the

- QuoteResponse(35=AJ) - Venues that deploy the use of this message to trade on a Quote are venues that may allow for negotiation of the quote (i.e. countering of the quote), or the
- NewOrderSingle(35=D) - Venues that deploy the use of this message to trade on a Quote are venues that typically would not allow for negotiation of the quote.

When the “hit/lift” is done using the QuoteResponse(35=AJ), the QuoteStatusReport(35=AI) message is used to “reject” the QuoteResponse(35=AJ). The QuoteStatusReport(35=AI) uses two fields to indicate the state and rejection reason. The table below provides the values to use.

IA Code	IA Name	QuoteStatus (297)	QuoteReject Reason (300)	Notes
<b>A-1</b>	Last Look	11 = Pass		Price maker passes on the hit/lift (i.e. not executing it). The price maker has ended the workflow.
<b>A-2</b>	Last Look latency	7 = Expired 5 = Rejected	8 = Invalid price	“Expired” is used when a process timer has expired which expires the quoted price. This is appropriate for when there are latency issues which cause the validity of the quoted price to expire.

<sup>2</sup> In the IA's published documentation, a Category F under Trade Request Rejection is not present. After discussions with IA it was agreed to add this for FIX to provide consistency across the Trade Request and Quote Request rejection codes.

IA Code	IA Name	QuoteStatus (297)	QuoteReject Reason (300)	Notes
				"Rejected" with a reason code such as "invalid price" is appropriate when the price in the message not valid for the currency pair.
<b>B</b>	Pricing/Liquidity Unavailable	5 = Rejected	22 = Unavailable price or liquidity	The price or liquidity is no longer available, however, this is not due to "last look" but market conditions.
<b>C</b>	Credit	5 = Rejected	17 = Insufficient credit limit	The counterparty or trader does not have sufficient credit limit or it is not setup.
<b>D</b>	Static Data	5 = Rejected	24 = Unknown account(s) 23 = Invalid or missing entitlements	Enum value "24" is used when hit/lift is received with account information that is unknown by receiver or not yet setup on receiver's side prior to trading.  Enum value "23" is used when hit/lift is received and entitlements (whether for account or trader submitting RFQ) is missing (i.e. not setup) or not authorized.
<b>E</b>	Exceptional	5 = Rejected	99 = Other RejectText(1328) = <text>	Used when rejection is for other reasons where a FIX standard reject code is not available for QuoteRejectReason(300) field. Other standard reject codes can be found in FIXimate: <a href="https://fiximate.fixtrading.org/en/FIX.Latest/tag300.html">https://fiximate.fixtrading.org/en/FIX.Latest/tag300.html</a>  The RejectText(1328) field in the QuoteStatusReport(35=AI) would be used to further elaborate on the reason.
<b>F<sup>3</sup></b>	Unsupported Product	5 = Rejected	1 = Unknown symbol	The venue has restrictions on the currency pair or does not support it.

<sup>3</sup> See previous footnote



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