

# CLS Initiatives

---

Ruth Laslo, Executive Director and Senior Counsel  
UBS Investment Bank

# CLS Initiatives

---

- ◆ Initiatives in Production
  - NDFs (Q4 2006)
  - Option Premium Payment (2007)
  - New Platform
  
- ◆ Initiatives Under Consideration (not Board Approved)
  - Interest Rate Swaps
  - Multiple Settlement Sessions
  - New Currencies

# Non-Deliverable Forwards

---

- ◆ One Way Payment: increase liquidity
- ◆ Settlement Currencies
- ◆ Confirmations (current Status)
- ◆ Master Confirmation
  - Protocol
  - Covered Entities

# Non-Deliverable Forwards

---

## ◆ Settlement Currencies

- AUD, CAD, DKK, EUR, HKD, JPY, NZD, NKR
- SGD, ZAR\*, KRW\*, SKR, CHF, GBP, USD

- \*currency restriction issues

# Non-Deliverable Forwards

---

- ◆ NDF Reference Currencies:

- ARG, BRL, BGN, CLP, CNY, COP, INR, IDR, KZT, KES, MYR, TWD, RON, PEN, PHP, RUB, UAH, UYU, VEB

- ◆ Deliverable Reference Currencies:

- CZK, EGP, HUF, MXN, ILS, TRY, PLN, THB, AUD, CAD, DKK, EUR, HKD, JPY, NZD, NKR, SGD, ZAR\*, KRW\*, SKR, CHF, GBP, USD

# Non-Deliverable Forwards

---

- ◆ Instruction Matching-Confirmation
  - Economic Terms
- ◆ Current Status
- ◆ Handbook:



---

Each Member agrees that, with respect to any Transaction to which such Member and another Member are both Transaction Counterparties, any notification received by such Member through the CLS System that the Instructions relating to such Transaction have been designated as Matched Instructions in accordance with [the CLS Bank Rules] shall, as between such Members, constitute a confirmation by each such Member of each term so matched by the CLS System, provided that no such confirmation shall supersede any other confirmation that may be sent by such Member to another Member, whether such other confirmation is received before or after such notification.



# Non-Deliverable Forwards

---

## ◆ Confirmation

- Industry Master NDF Confirmation
- CLS does not require BUT desirous to help industry by hosting a Protocol

# Non-Deliverable Forwards

---

- ◆ PROTOCOL
- ◆ Covers All CLS Eligible Instructions
- ◆ Eligible Participants: 54 CLS Settlement Members; 2 CLS User Members; Member Affiliates; Non-Members
  - Issues:
  - Protocol only applies to CLS Instructions
  - Protocol Language Deletes: “ ... provided that no such confirmation shall supersede any other confirmation that may be sent by such Member to another Member, whether such other confirmation is received before or after such notification.”
- ◆ What if a party requires a MT300 or other confirmation?



# Non-Deliverable Forwards

---

- ◆ PROTOCOL continued:
  
- ◆ Protocol to provide adherence by product type
- ◆ Elections to address separate confirmation requirement
- ◆ Separate Adherence Letter for NDF Master Confirmation

# Non-Deliverable Forwards

---

## ◆ PROTOCOL Process?

- 1. Adherence to cover Transactions only: Transactions are currently defined as Deliverable Currencies
  - acceptance via Adherence Letter
- 2. CLS “go-live” for NDFs: may require a second Adherence Letter (in order to incorporate terms of master confirm)
  - If second Adherence Letter not received then the CLS Member requires an MT300 or other form of Confirmation
  - Second Adherence Letter incorporates the Multilateral NDF Master Confirmation and provides for elections: e.g.: Joint Calculation Agent, no MT300 or other confirmation required
  - Other?

# Non-Deliverable Forwards

---

- ◆ NDF Issues:
- ◆ CLS currency Business Day Convention (applies to Settlement Date only: Valuation Date not addressed): Modified Following vs. Following - members must work around
- ◆ Disruption Events:
  - Instruction expires, new instruction must be submitted OR amend original instruction before cut-off time on original Settlement Date

# Options & Interest Rate Swaps

---

- ◆ Options:
  - Premium Payments
  - One-Way Payments: increase liquidity
  - NDO Premium Payments
  - If Option exercised, submit Instruction
  
- Interest Rate Swaps (under consideration)
- Deliverable Currencies Only
- Submissions directly or indirectly through a utility that provides matching services

# Multiple Settlement Sessions (under consideration)

---

- ◆ Current Session:
  - 7 a.m. to 9 a.m. CET
  - Possible 2 New Sessions:
    - Extra session for North America
    - Extra session for European/North America
  - ISSUE: liquidity (timing of prefunding and subsequent payouts)

# Platform

---

- ◆ CLS working towards a new Web Based Platform: NDFS and Options (any other new products) are/will be on the new platform
- ◆ Design of old system was not flexible. New platform will be more flexible and scalable (for adding new products)