

**Summary of Draft**  
**CLS BANK INTERNATIONAL RULES**  
**Regarding NDFs**  
**(FOR DISCUSSION PURPOSES ONLY)**

**New Defined terms:**

“*Matched Valued Instructions*” means two Instructions for which the information required under the Rules is matched in accordance with the parameters required under the Rules.

“*NDF Opening Instruction*” means an Instruction relating to underlying NDF Transaction.

“*NDF Reference Currency*” means a currency that has been (and remains) approved as an NDF Reference Currency..<sup>1</sup>

“*NDF Settlement Currency Amount*” means, in respect of a pair of Matched Valued Instructions, the amount calculated in accordance with the Rules.

“*NDF Transaction*” means a single non-deliverable forward foreign exchange transaction.

“*NDF Valuation Date*” has the meaning ascribed to such term in the Rules.

“*NDF Valuation Instruction*” means the information submitted by a Member through the Submission Process relating to the valuation of an NDF Transaction.

**Material terms to be Submitted to CLS Regarding NDFs:**

*Relating to Underlying NDF Transactions*

- (a) Each NDF Opening Instruction shall also include the following information:
  - (i) *Trade Date* – the date on which the underlying NDF Transaction was entered into by the Transaction Counterparties.
  - (ii) *Exchange (Forward) Rate* – The currency exchange (forward) rate used in the NDF Transaction that is agreed between the Transaction

---

<sup>1</sup> An Instruction relating to underlying NDF Transaction must identify two currencies for the NDF Transaction (i.e. the NDF Reference Currency and the NDF Settlement Currency). As part of Instruction processing, the CLS System will attempt to match such Instructions based on, among other things, these two currencies. However, only the NDF Settlement Currency Amount for the NDF in the NDF Settlement Currency will be settled in CLS Bank

Counterparties.

- (iii) *Notional Amount and Identity of Buy NDF Settlement Currency or NDF Reference Currency* – The notional amount and identity of the buy NDF Settlement Currency or NDF Reference Currency that is agreed between the Transaction Counterparties.
  - (iv) *Notional Amount and Identity of Buy NDF Settlement Currency or NDF Reference Currency* – the notional amount and identity of the sell NDF Reference Currency or NDF Settlement Currency that is agreed between the Transaction Counterparties.
  - (v) *Settlement Date for NDF Settlement Amount* – the Settlement Date, which is the date on which the applicable NDF Settlement Currency Amount is expected to Settle.
  - (vi) *NDF Valuation Date* – the valuation date agreed between the Transaction Counterparties for the valuation of the NDF Transaction (the “*NDF Valuation Date*”).
  - (vii) *Reference to Relevant NDF Transaction* – A reference to an NDF Transaction to which an NDF Valuation Instruction will relate or relates. The NDF Opening Instruction may be submitted prior to or after the relevant NDF Valuation Instruction.
- (b) Each NDF Valuation Instruction shall also include the following information relating to the valuation of the relevant NDF Transaction:
- (i) *Exchange (Settlement) Rate* – The currency exchange (settlement) rate used in the valuation of the relevant NDF Transaction that is agreed between the Transaction Counterparties.
  - (ii) *Notional Amount and Identity of Buy NDF Settlement Currency or NDF Reference Currency* – the notional amount and identity of the buy NDF Settlement Currency or NDF Reference Currency that is agreed between the Transaction Counterparties.
  - (iii) *Notional Amount and Identity of Sell NDF Reference Currency or NDF Settlement Currency* – the notional amount and identity of the sell NDF Reference Currency or NDF Settlement Currency that is agreed between the Transaction Counterparties.
  - (iv) *Settlement Date for NDF Settlement Amount* – the Settlement Date, which is the date on which the applicable NDF Settlement Currency Amount is expected to Settle.

- (v) *Reference to Relevant NDF Transaction* – a reference to an NDF Transaction to which an NDF Opening Instruction relates or will relate. The NDF Opening Instruction may be submitted prior to or after the relevant NDF Valuation Instruction.

**Terms to Be Matched by CLS:**

*Matching of Instructions*<sup>2</sup>

in the case of an NDF Opening Instruction:

- (i) 2 Submitting Members
- (ii) Settlement Date
- (iii) Transaction Counterparties
- (iv) the notional amounts and identity of the buy and sell NDF Settlement Currency within the permitted tolerances specified in Chapter 4 of the Member Handbook;
- (v) the notional amounts and identity of the buy and sell NDF Reference Currency;
- (vi) the NDF Valuation Date

*Application of NDF Valuation Instructions to NDF Opening Instructions: Matched Valued*

CLS Services, as agent for the Submitting Members (and, if applicable, any relevant Designated Settlement member), shall apply an NDF Valuation Instruction to an NDF Opening Instruction relating to the same underlying NDF Transaction by updating the NDF Opening Instruction with the information contained in the NDF Valuation Instruction if the following criteria are satisfied:

- (a) the Identification Code of the Submitting Member of the NDF Opening Instruction and NDF Valuation Instruction is the same;
- (b) there is a reference to the same underlying NDF Transaction.

---

<sup>2</sup> It is CLS' understanding that NDF market participants and industry groups are actively working towards increased standardization of documentation for NDF Transactions. In particular, a master form of confirmation to which EMTA's currency templates. While that documentation is being developed, CLS will be exploring the most efficient and effective way of linking that documentation to the underlying NDF Transactions (of Members as well as third parties) to which Instructions processed in CLS relate.

- (c) the Settlement Date specified in the NDF Opening Instruction and NDF Valuation Instruction is the same;
- (d) The Identification Codes of the Transaction Counterparties are the same, and the Transaction Counterparty identified as purchasing or selling (a notional amount of) the NDF Settlement Currency in one of the Instructions is identified as selling or purchasing, respectively, (a notional amount) of the NDF Settlement Currency in the other Instruction;
- (e) The notional amount of the NDF Reference Currency is the same;
- (f) The identity of the sell NDF Reference Currency in one of the Instructions is the same as the buy NDF Currency in the other instruction;
- (g) The identity of the buy NDF Settlement Currency in one of the Instructions is the same as the sell NDF Settlement Currency in the other Instruction; and
- (h) The NDF Opening Instruction and NDF Valuation Instruction have been received within the applicable time constraints.

After the NDF Opening Instructions included in a pair of Matched Instructions have been updated to include information contained in the applicable NDF Valuation Instructions, the two NDF Opening Instructions shall be classified as Matched Valued Instructions. A pair of NDF Opening Instructions will no longer be classified as Matched Valued Instructions if they do not continue to satisfy the criteria set forth above.

### **Settlement Eligibility**

CLS will settle the NDF Settlement Amount in the NDF Settlement Currency, calculated based upon the difference in the NDF Settlement Currency Amount specified in the Matched Valued Instruction.