

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

**New Defined Terms:**

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

“*Option Instruction*” means an Instruction relating to an underlying Option Transaction.

“*Option Premium Amount*” has the meaning ascribed to such term in the Rules (see below).

“*Option Premium Currency*” means a currency that has been (and remains) approved as an Option Premium Currency.

“*Option Transaction*” means a single deliverable or non-deliverable foreign exchange option transaction of the types specified in the Member Handbook.<sup>2</sup>

**Material Terms to be Submitted to CLS Regarding Options:**

*Underlying Option Transactions*

Each Option Instruction shall also include the following information:

- (a) *Contract Date* – the date on which the underlying Option Transaction was entered into by the Transaction Counterparties.
- (b) *Amount and Identity of Option Premium Currency to be Paid or Received* – For the premium that is agreed between the Transaction Counterparties, the amount

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<sup>1</sup> An Instruction relating to underlying Option Transaction must identify two currencies for the FX Option (i.e., the two Option Currencies), as well as the currency for the premium payment (i.e., the Option Premium Currency). As part of Instruction processing, the CLS System will attempt to match such Instructions based on, among other things, the two Option Currencies and the Option Premium Currency. However, only the Option Premium Currency will be settled in CLS Bank.

<sup>2</sup>The Member Handbook will specify the types of Option Transactions whose Option Premium Amounts are eligible for Settlement in CLS Bank. It is currently anticipated that processing of Option Transactions in CLS System will be limited to “plain-vanilla” OTC FX options and non-deliverable FX options, in each case where the Option Premium Currency is an Eligible Currency.

and identity of the Option Premium Currency to be delivered (where the Transaction Counterparty is the buyer of the Option Transaction) or received (where the Transaction Counterparty is the seller of the Option Transaction) pursuant to the Instruction (such amount, the “*Option Premium Amount*”).

- (c) *Settlement Date for Option Premium Amount* – the Settlement Date, which is the date on which the Option Premium Amount is scheduled to Settle.
- (d) *Buyer or Seller* – the identification of the Transaction Counterparty having purchased or sold the Option Transaction.
- (e) *Option Type* – the type of the Option Transaction (put or call) that is agreed between the Transaction Counterparties.
- (f) *Option Style* – the style of the Option Transaction (American or European) that is agreed between the Transaction Counterparties.
- (g) *Expiration Date and Time* – the date, time and location at which the rights of the Transaction Counterparties under the Option Transaction to which the Instruction relates expire.
- (h) *Strike Price* – the currency exchange rate used in the Option Transaction that is agreed between the Transaction Counterparties as the rate at which the currencies will be exchanged if the rights granted under the Option Transaction are exercised.
- (i) *Amount and Identity of the Put Currency* – the amount and identity of the Option Currency that is agreed between the Transaction Counterparties as the put currency if the rights granted under the Option Transaction are exercised.
- (j) *Amount and Identity of the Call Currency* – the amount and identity of the Option Currency that is agreed between the Transaction Counterparties as the call currency if the rights granted under the Option Transaction are exercised.

**Terms to be Matched by CLS:**

- (i) 2 Submitting Members
- (ii) Premium payment Settlement Date
- (iii) Transaction counterparties
- (iv) the amount and identity of the Option Premium Currency and the amounts and identities of the buy and sell Option Currencies, in each case within the permitted tolerances specified in the Member Handbook;

- (v) the type of Option Transaction;
- (vi) the style of the Option Transaction;
- (vii) the identification of the Transaction Counterparty as having purchased or sold the Option Transaction;
- (viii) the earliest date on which the Option Transaction may be exercised that is agreed by the Transaction Counterparties, if such date has been included in the Instruction; and
- (ix) the final settlement date for the exercise of the Option Transaction that is agreed by the Transaction Counterparties, if such date has been included in the Instruction.

### **Settlement Eligibility**

CLS will settle the Option Premium Amount in the Option Premium Currency specified in the Matched Instruction on the Settlement Date (for the option premium).