



CLS Update

European OMG Meeting

13 February 2008

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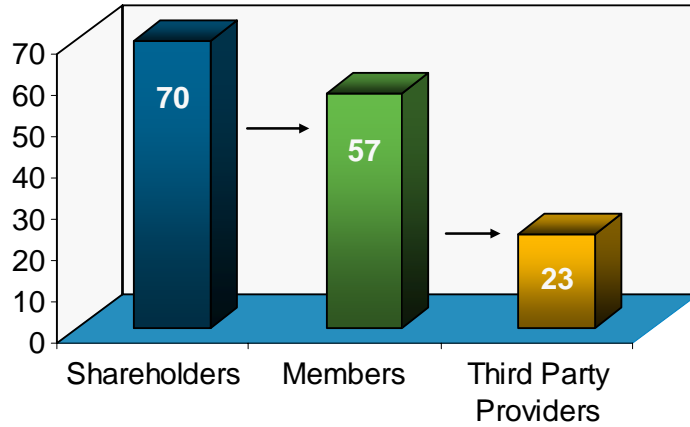
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Agenda



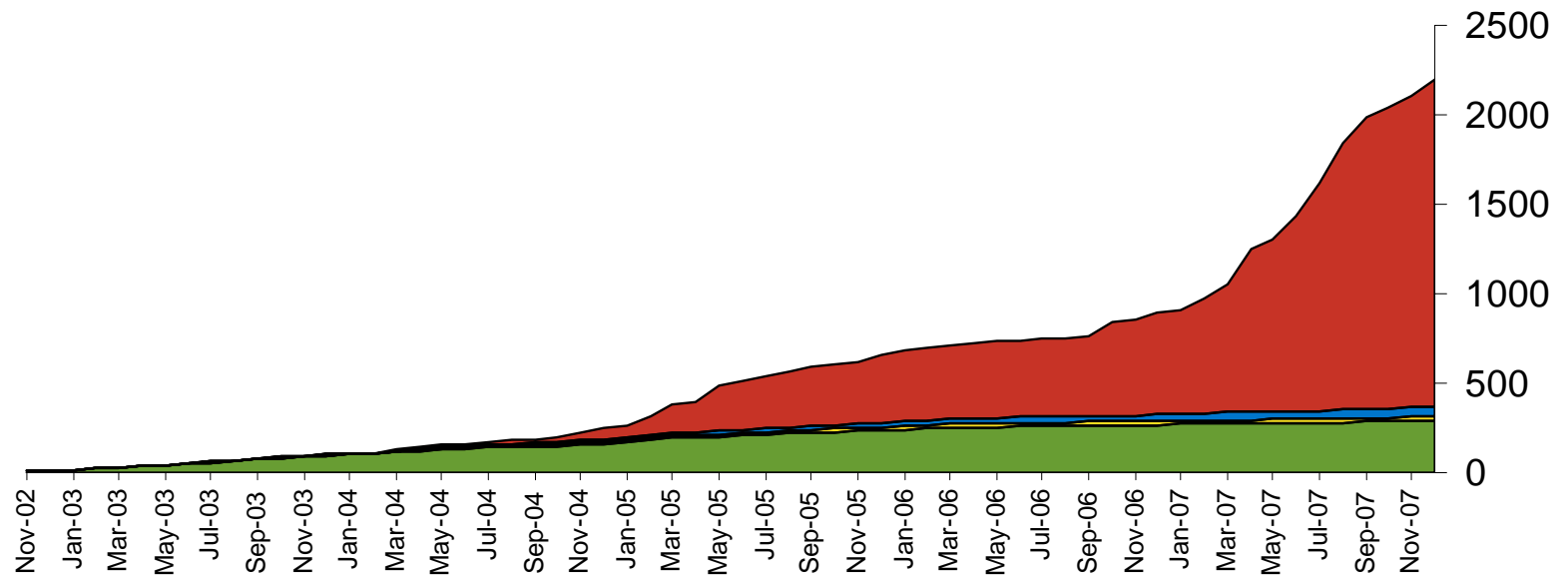
- CLS Business Update
- FX Volume growth
- NDF Protocol

CLS today



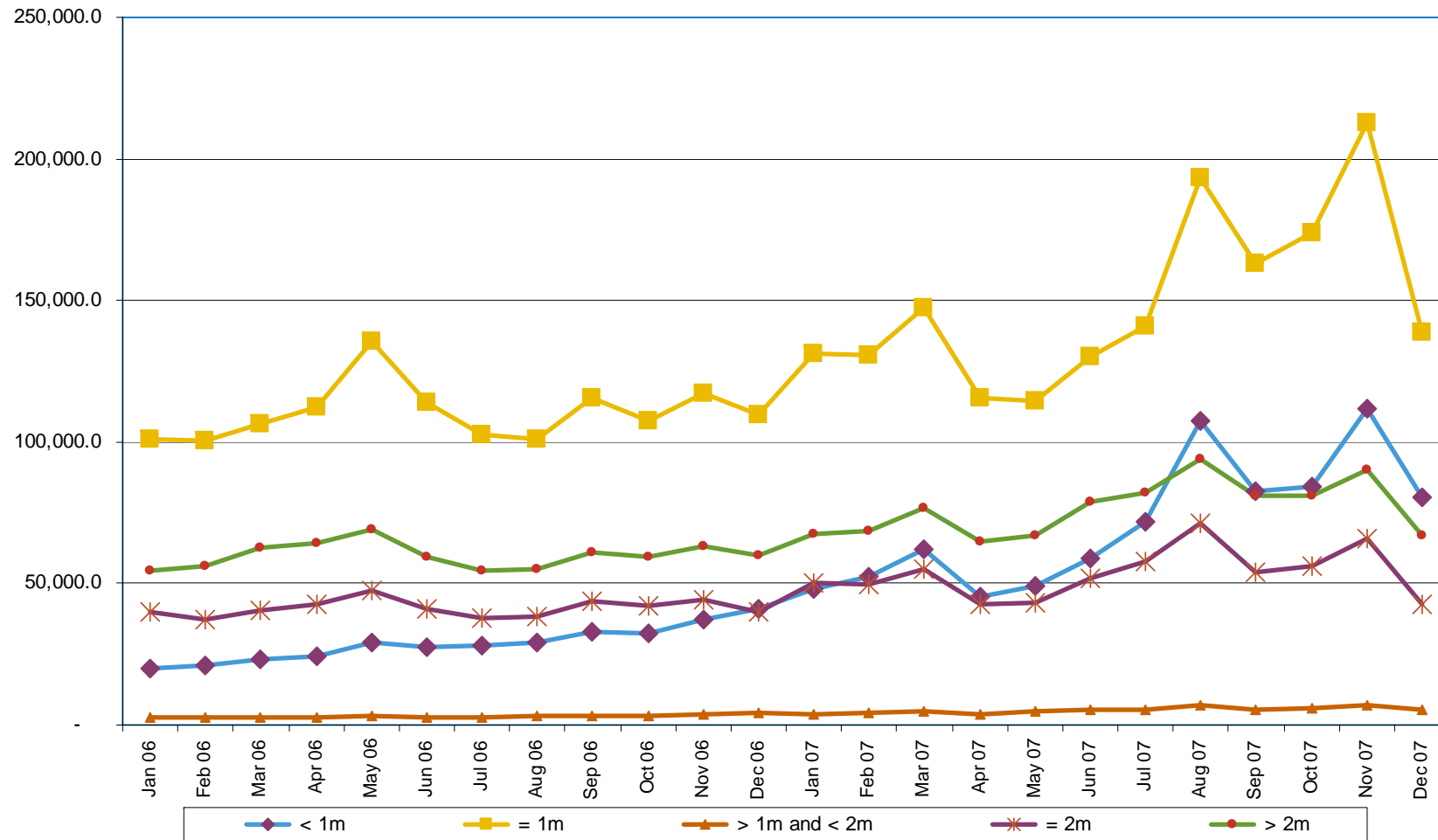
Third party growth

1 January 2008
Total: 2195

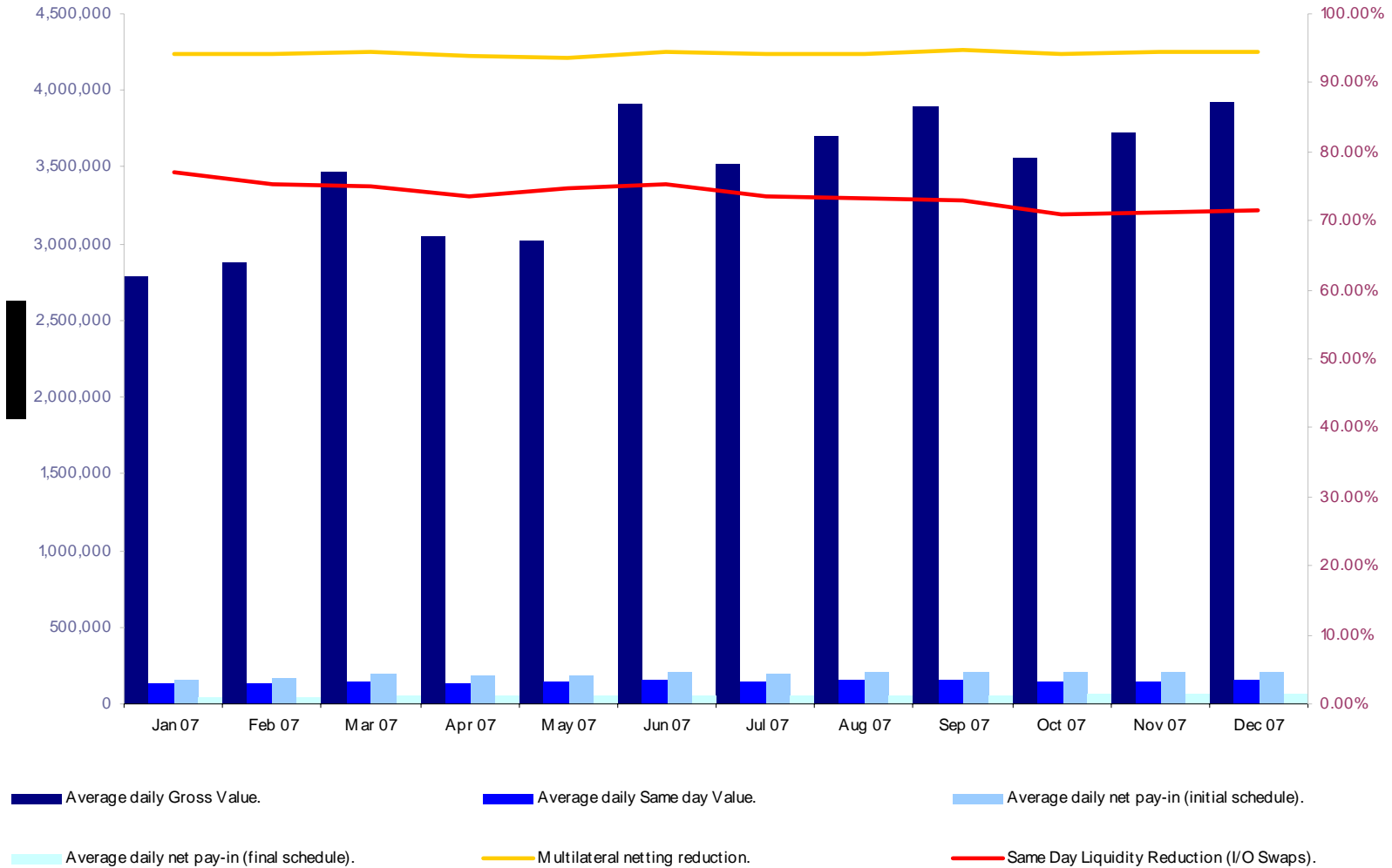


■ Banks: 296	■ Corporates: 21	■ NBFI: 51	■ Fund accounts: 1827
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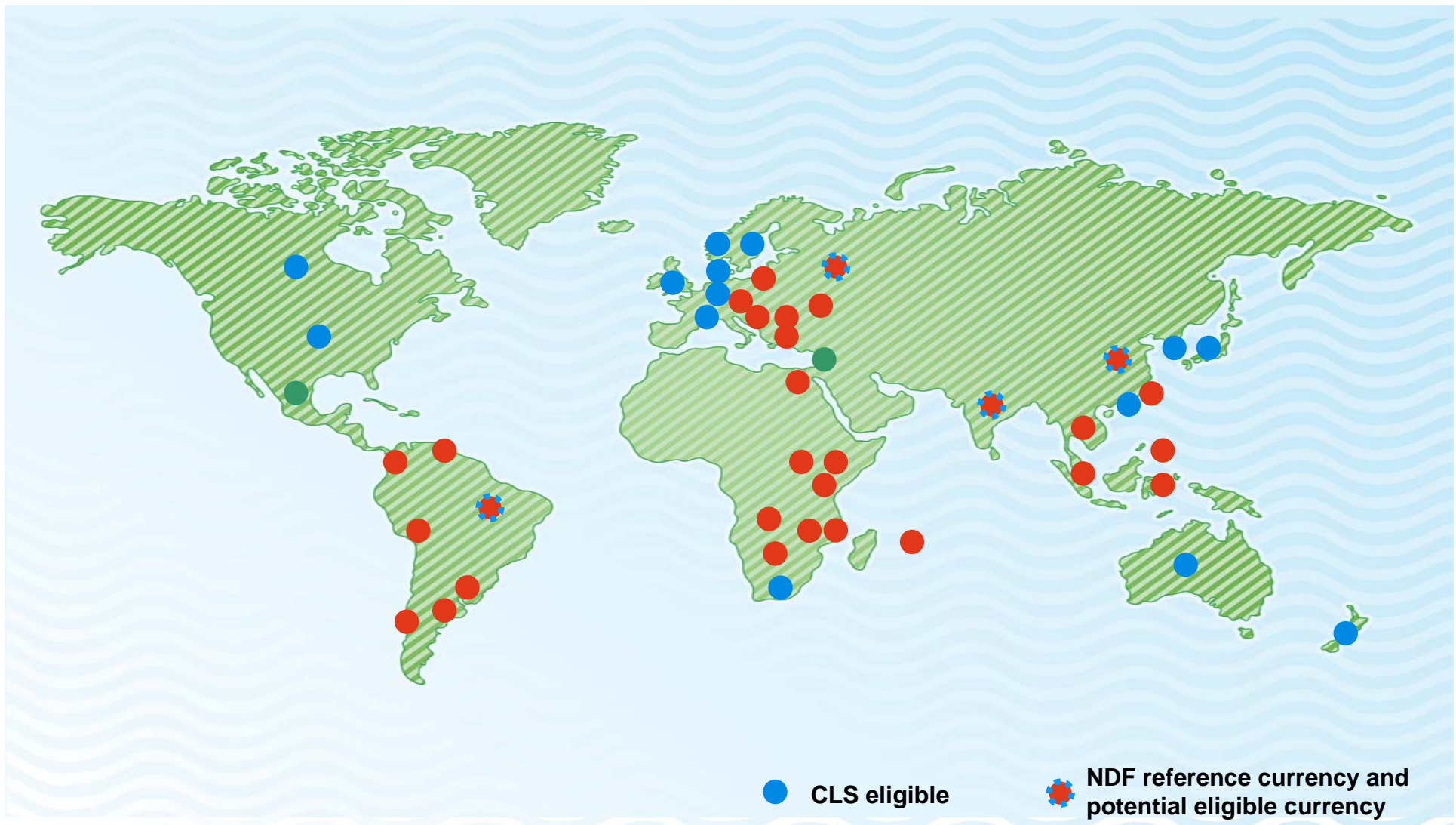
Average daily CLS volumes settled by base currency value bands



Average daily values – gross and net



Currency coverage - Eligible currencies & NDFs



● CLS eligible

⚙ NDF reference currency and potential eligible currency

● CLS eligible 2008

● NDF reference currency⁶

Agenda



- CLS Business Update
- FX Volume growth
 - Challenges
 - Ongoing growth
- NDF Protocol

FX Volume Growth - Challenges



- Maintain CLS performance
 - Performance enhancements being brought online
 - Support for 1M average / 2M peak Instructions during 2008
- Support Members
 - Extend deadlines to support Members with backlogs
 - Members working to improve B/O performance

FX Value Growth - Challenges



- Gross values increased alongside, although slower than, volumes
 - Currently around \$3.8 Trillion
 - Peaked at \$8.7 Trillion in December
- Average net pay-in increased from ~\$37Bn to ~\$61bn over 2007
 - Peaked at \$112 Billion in October
- CLS Treasurers Group and Liquidity Taskforce - *actions*
 - Improving I/O Swap efficiency
 - Analysing sources of imbalances
 - Investigating additional liquidity management tools

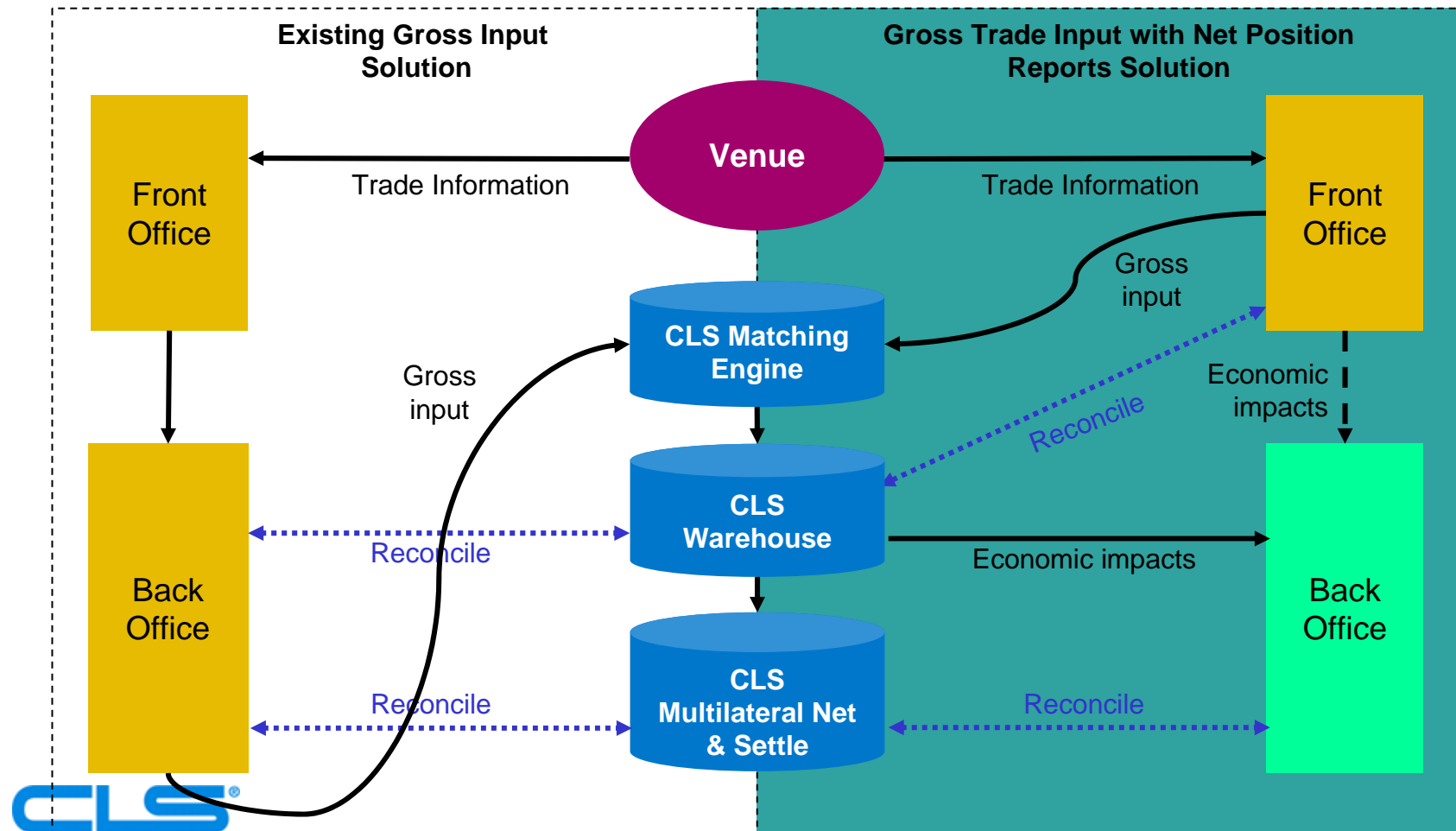


- Members expect FX market to continue growth curve
 - Market concentration in small number of major players
- Continued growth in CLS capacity
 - New service platform
 - Migration of FX to CLS2 infrastructure
- CLS working with Members to improve FX market efficiency
 - CLS FX pre-settlement services
 - Use the CLS system as an information warehouse

CLS FX warehouse solution - overview



CLS keeps both existing and new options available to members to allow complete flexibility of timing and scope of adoption according to each bank's requirements



Agenda



- CLS Update
- FX Volume growth
- **NDF Protocol**

CLS NDF value proposition



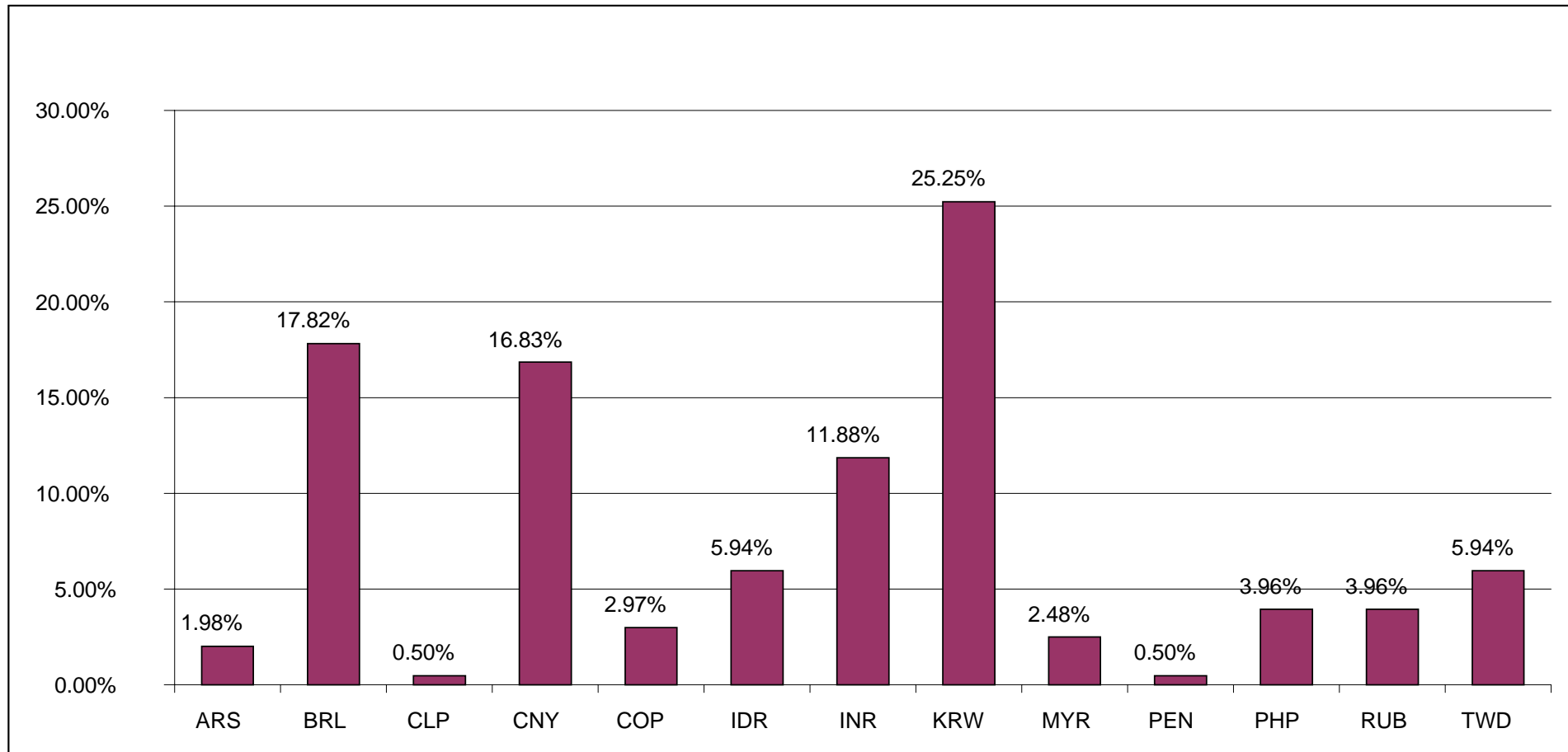
- Standardisation
 - SWIFTNet FIN and XML message standards
- Straight through processing
 - post-trade confirmation through to settlement
- Elimination of long-form confirmations
 - multilateral master confirmation
 - protocol for NDF instructions
- Reduction in payment operational risk
- Integrated with FX settlement

CLS NDF product scope



- 15 settlement currencies, 48 reference currencies
 - EMTA templates for 13 currency pairs. More under development.
 - elimination of long-form confirmation and bilateral master confirmations
- Confirmation matching – opening
- Linking and matching of valuation
- Multilateral net settlement of settlement currency
 - included with FX settlement
- Support for
 - User Members
 - third party services
 - fund managers and custody trades

Production - Reference Currency distribution



NDF product status – February 2008



- Unscripted settlement commenced Dec 07
- Second wave planned for Q2 2008
- Later adopters to follow in H2 2008
 - Including
 - Third parties
 - Fund Managers

CLS Protocol for NDF instructions



- Generic Multilateral Master Confirmation published 31 October 2007
 - FMLG / FXC OMWG / JSC OMG
 - <http://www.ny.frb.org/fxc/ongoingwork/fxoptionsndfs.html>
- CLS Protocol for NDF instructions drafted
 - under review by FX industry groups
 - launch expected February 2008
 - <http://www.cls-group.com/CLSBankProtocols>
- EMTA NDF templates published for 13 currency pairs
 - further templates under development
 - <http://www.emta.org/>

CLS NDF service + CLS NDF Protocol + EMTA templates =
Elimination of long-form confirmations for NDF



Questions?

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