

CLS update ECB Operations managers group

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cls-group.com

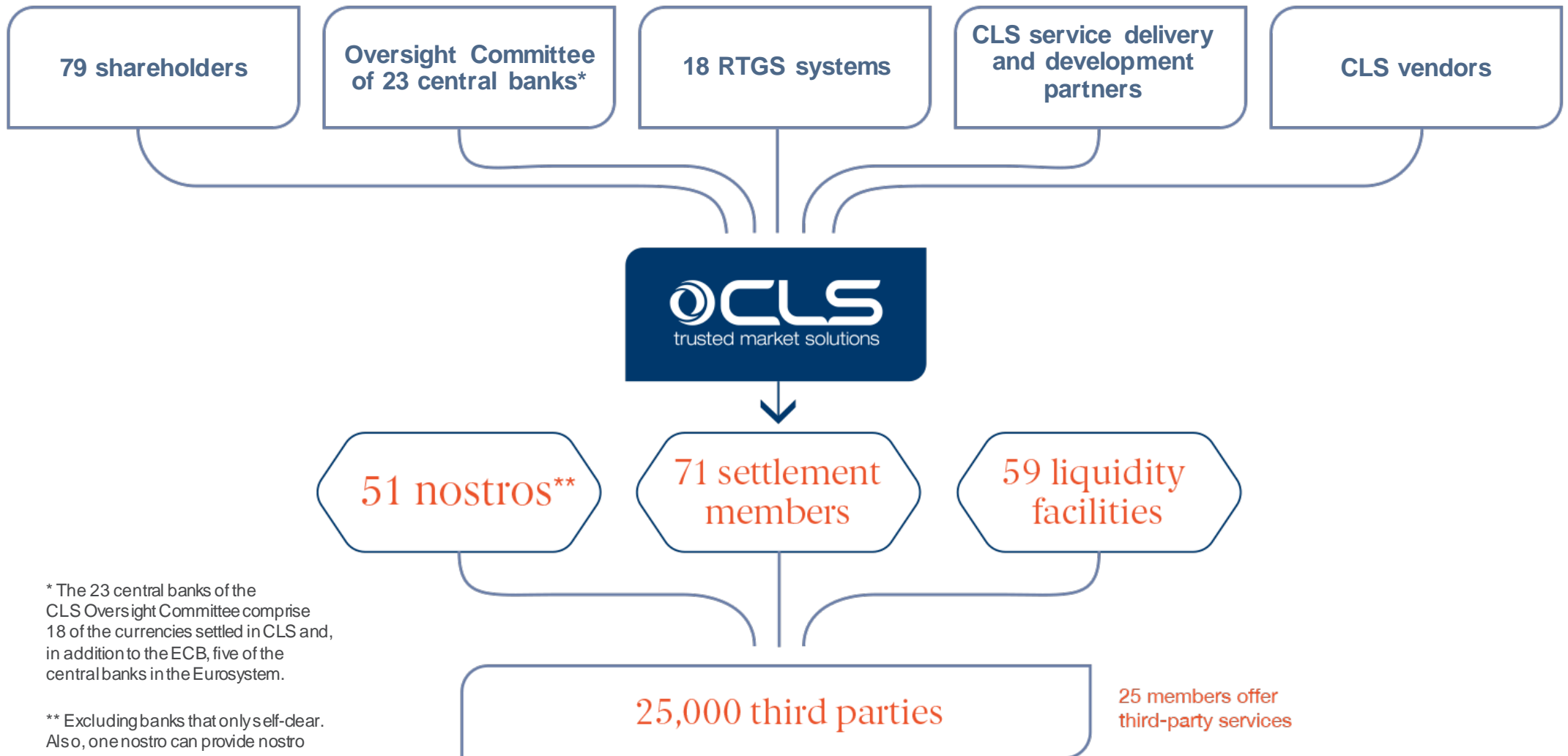
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CLSSettlement community



* The 23 central banks of the CLS Oversight Committee comprise 18 of the currencies settled in CLS and, in addition to the ECB, five of the central banks in the Eurosystem.

** Excluding banks that only self-clear. Also, one nostro can provide nostro service for multiple currencies. There is no requirement for nostros to be settlement members.

25 members offer
third-party services



Strategic context

CLS is exposed to long-term secular trends in its core markets

Market trends

- FX Clearing
- Move towards real-time payment & settlement
- Buy-side cost transparency
- Sell-side cost imperative

Technology trends

- Development of new data management techniques (DLT; cloud etc)
- Streamlining of technology infrastructure



Strategic context

Our strategic response to those trends

Market trends

- FX Clearing
- Move towards real-time payment & settlement
- Buy-side cost transparency
- Sell-side cost imperative



CLSClearedFX



CLSNow



CLSTradeMonitor



Compression

Technology trends

- Development of new data management techniques (DLT; cloud etc)
- Streamlining of technology infrastructure



CLSNet



Convergence



Product overview

Reduce risk, improve efficiency
and increase liquidity



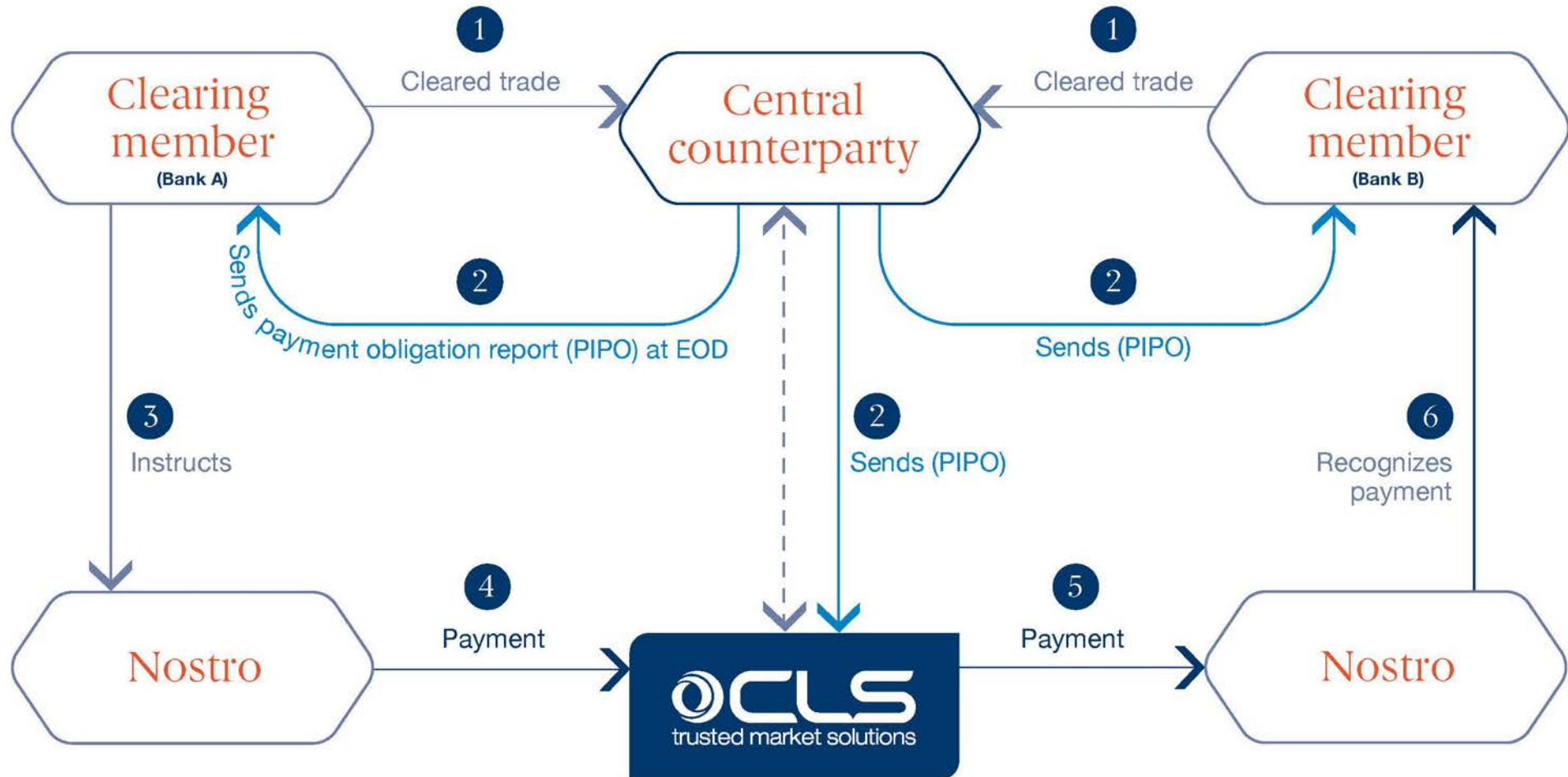
CLSClearedFX

Mitigate FX settlement risk for over the counter cleared FX derivatives while benefitting from capital, margin, leverage and operational efficiencies using our payment-versus-payment settlement service

- We are working with the global central counterparty (CCP) community to develop a service to facilitate the settlement of cleared FX products
- The service provides payment-versus-payment settlement for cleared, deliverable FX products in certain CLSSettlement-eligible currencies
- Supports goals set by the G20 to promote clearing of standardized derivatives, expressed in PFMI
- Enables capital, margin, leverage, liquidity and operational benefits for industry participants



CLSClearedFX structure and CLS's role





CLSNOW

Same-day gross payment-versus-payment (PvP) settlement service to mitigate settlement risk and optimize the use of available liquidity in the same-day market.

Bilateral, same-day, gross payment-versus-payment gross settlement - initially in CAD, EUR, GBP and USD – will:

- Mitigate settlement risk associated with other same-day trades that are currently settled bilaterally outside of CLS Settlement
- Potentially expand the same-day market through the exchange of liquidity across currencies with PvP settlement, which enables better daily management of liquidity in a crisis/stress scenario
- Diminish settlement member counterparty credit risk and associated settlement limits, resulting in greater access to liquidity
- Mitigate the principal risk of out-legs of in/out swaps



CLSTradeMonitor

A post-trade monitoring and reporting tool that provides a consolidated view of all trade instructions submitted to CLSSettlement and CLSNet

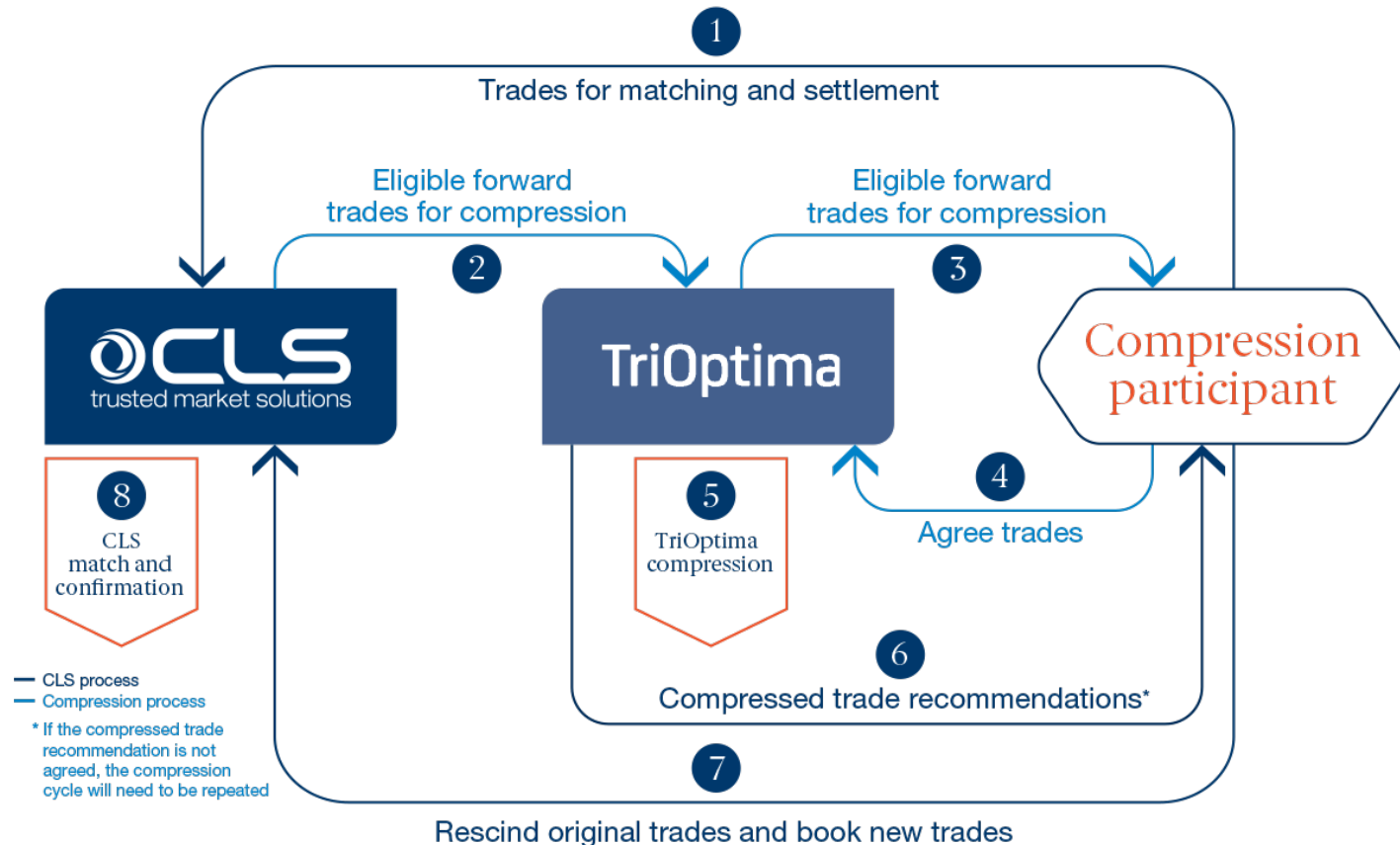




Compression

Combines CLS's central role in the FX markets with TriOptima's expertise in multilateral exposure compression and delivers:

- Reduced operational risk
- Reduced counterparty exposure and counterparty credit risk
- Reduced gross notional exposures
- Improved regulatory leverage ratio
- Improved capital usage





CLNet

Our bilateral payment netting solution, operating on a distributed ledger technology (DLT) platform, allows clients to drive operational process efficiencies, such as optimizing intraday liquidity, enabling real-time awareness of currency and counterparty exposures, and reducing risk.

CLNet supports FX trades not settling in CLS Settlement by standardizing and automating post-trade matching, confirmation and netting processes.

As a result, clients can:

- Make fewer payments for less value
- Mitigate operational risk
- Create operational efficiencies
- Comply with aspects of the FX Global Code of Conduct

120⁺
currencies

Six

FX products –
spot, tom/next-day,
forwards, NDFs, swaps
& same-day trades

Buy-side &
sell-side participants

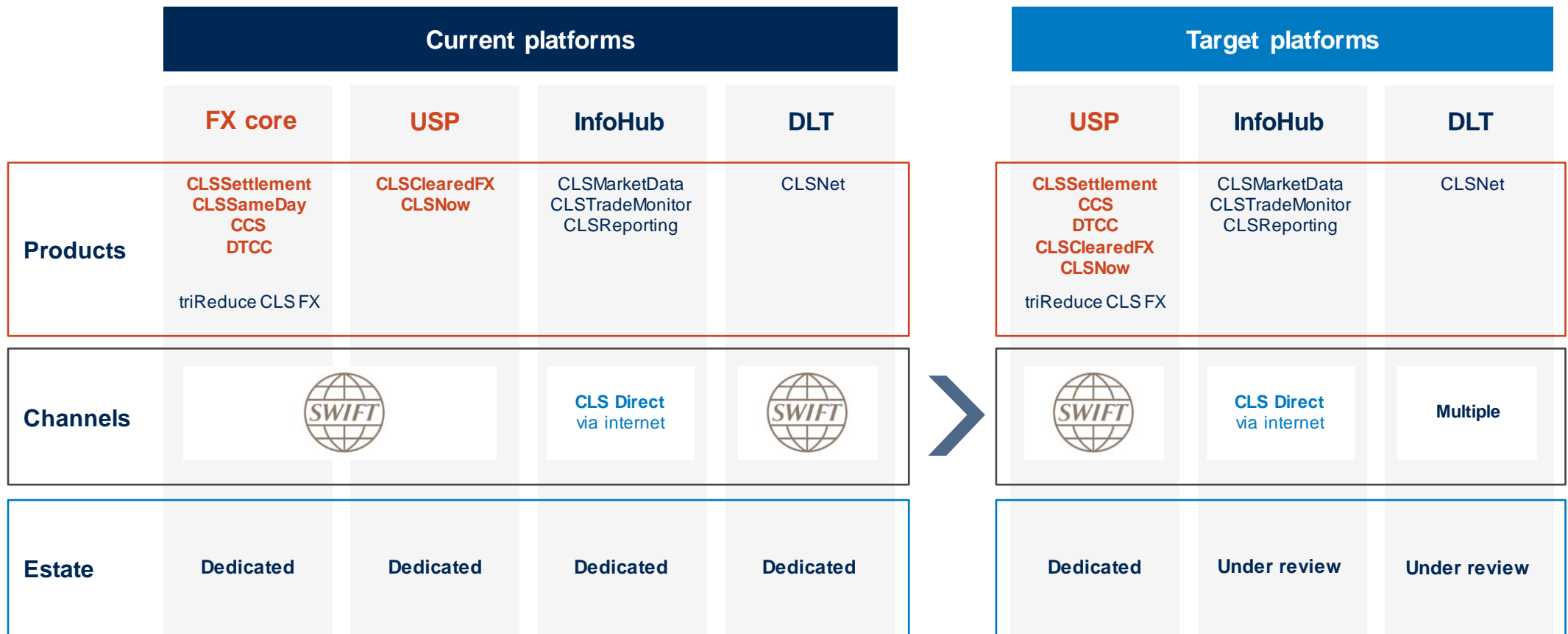


Technology overview

Bringing together innovation
and world-class performance



Our technology strategy at a glance



Key:

- Settlement
- Processing and Data



CLNet – DLT platform

CLNet is CLS's first production implementation using DLT

Why did we choose Hyperledger?

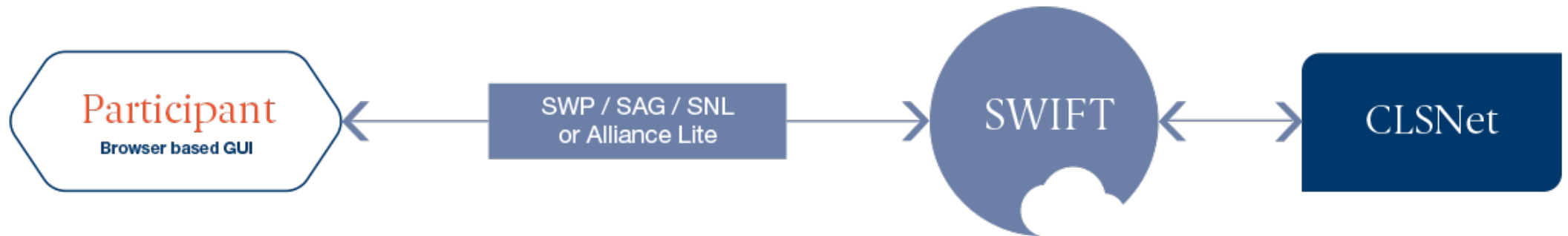
- Longstanding relationship between CLS and IBM on developing infrastructure appropriate technology
- Hyperledger is an open-source DLT permissioned blockchain network solution that enable appropriate levels of confidentiality, security, standardization, scalability and flexibility across the financial industry.

What does it offer and how does it benefit settlement members?

- Harmonious functionality - using either DLT or SWIFT connectivity
- Secure permissioned blockchain networks
- Full traceability
- Simplified reconciliation



CLSNet connectivity architecture



- The CLS GUI is a Browser based application accessible through SWIFT WebAccess
- SWIFT WebAccess is a secure and reliable channel to access web applications over SWIFT
- Enables participants to manage exceptions (enter, view, modify, approve and cancel instructions)
- Allows participants to view netting reports and export data
- Users can manage their cut-off times and view netting groups details
- Participants can use their existing dedicated SWIFT infrastructure or the Alliance Lite solution (hosted by SWIFT)



Convergence

We are enhancing our technology platform that hosts CLS Settlement. The new multi-session-capable technology platform – the Unified Services Platform (USP) – will be used to run CLS Settlement and launch new services. Convergence is the migration of CLS Settlement onto this new platform.

Why Convergence?

It will enable the following opportunities:

- Greater control of change delivery
- A single-platform foundation which supports the business growth strategy
- A more optimized estate

When?

- Convergence go-live is planned for October 2020.



Settlement member impact – Convergence

Settlement member and vendor support is key. To prepare for Convergence, all members are required to:

- 1 Perform scripted testing¹
- 2 Perform regression testing¹
- 3 Develop and test the capability to replay instructions to CLS in the event of failback post-Convergence cutover.²

Convergence is planned for 12 October 2020. CLS will cutover all settlement members on this date. All settlement members and vendors will need to be ready.

1. Targeted to be completed by end of Q2 2020.
2. Members and vendors to action now through Q2 2020.



Questions & answers