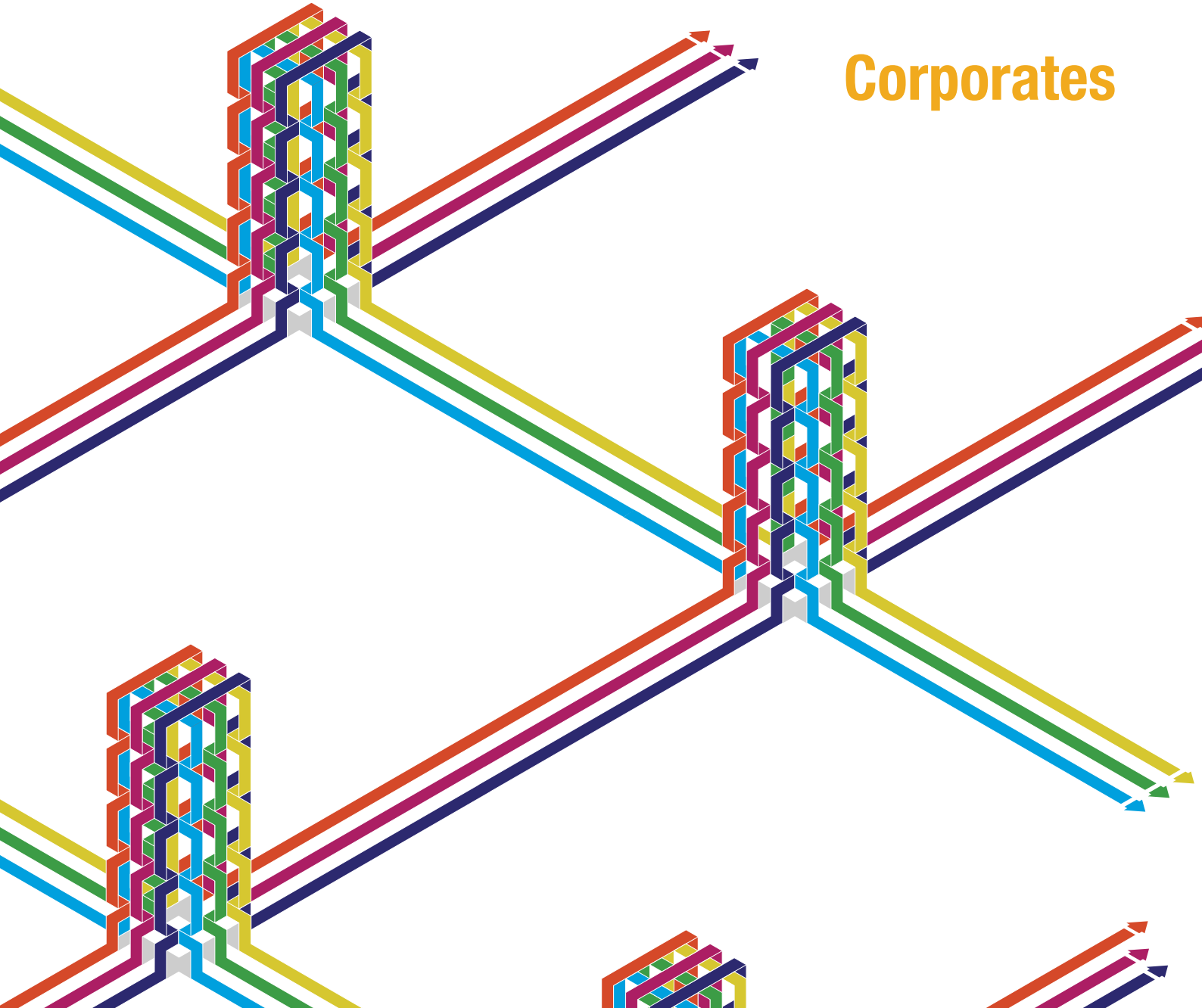


CLS[®]

Corporates



Mitigating settlement risk,
delivering efficiency,
growing **business**
opportunities

CLS[®] Fundamental to FX

CLS for corporates

CLS® Settlement¹ mitigates the risk associated with foreign exchange (FX) settlement across time zones.

The CLS concept is the industry's response to increased and continuing regulatory concern about settlement and systemic risk associated with the growth in FX trading. With CLS, both sides' instructions for an FX trade are settled simultaneously on a payment versus payment (PvP) basis and with finality.

CLS changes the way the financial services industry operates by linking central banks and the world's leading financial institutions in a unique global real-time settlement system that has become the world's largest settlement service by value.

A new way of thinking

Corporates operating in the FX market today face a range of challenges including pressure to reduce risk, maximise operational efficiencies and comply with an increasing number of regulatory requirements such as Sarbanes-Oxley. Consequently, corporate treasurers need to ensure they have the solutions in place to meet these demands. Settling FX transactions through CLS Bank can help corporates address these issues, while at the same time reducing the number of bank settlements and reconciliations.

CLS Bank is the market standard for FX settlement and the benefits don't stop there.

¹ Offered by CLS Bank International (CLS Bank)

Benefits

"With no increase in day-to-day system costs we have freed up to 70% of the resources that used to be tied up dealing with FX settlement. Elimination of settlement risk and a much higher level of control are important benefits, but it is the improvements in operating efficiency and the level of automation that are providing the big gains for us."

Nike, Inc.

Ulrich Kammholz, Director,
Global Foreign Exchange
Risk Management

Mitigation of settlement risk

By providing a real time settlement process with legal finality, CLS Bank protects participants against loss of principal associated with FX trades. In the event of a settlement failure, neither of the two instructions for an FX trade will be settled and the related funding is promptly returned to the CLS Settlement Member.

With the mitigation of settlement risk and shorter, more secure settlement periods, corporate treasurers can significantly improve their operational control and oversight of their FX settlements as well as consider new FX counterparties.

Operational efficiency and cost savings

Corporates increasingly look to CLS to help them achieve cost savings through operational efficiencies. Some of the benefits include:

- » Enhanced straight-through-processing (STP);
- » Reduced number of settlements and associated transaction costs;
- » Reduced errors, virtually no instances of settlement failure;
- » More efficient allocation of monetary and physical resources.

Improved visibility of settlement process

CLS-enabled banks are able to send participants a report of trades whose instructions have not matched in CLS. Any issues arising can be actively managed in advance of settlement rather than the cumbersome process of resolving issues following a settlement failure.

Minimised interest charges and compensation claims

Pre-settlement matching mitigates failed settlements and consequently, any resulting interest and compensation claims.

Improved liquidity management

The CLS settlement cycle includes same day funding which minimises the time funds are tied up to prepare for and complete settlement. Furthermore, settlement in CLS occurs on a gross, individual PvP basis, but funding required for settlement is calculated on a multilateral netted basis which significantly reduces the number and amount of payments that must be made to CLS. This netting effect can also be beneficial in reducing the size of intra-day credit lines required.

Benefits (cont.)

Increase in reconciliation speed

By minimising the number of payments needed to settle a day's trades and reducing trading errors and manual processing, participants are able to improve their cash reconciliation cycle.

Enhanced business opportunities

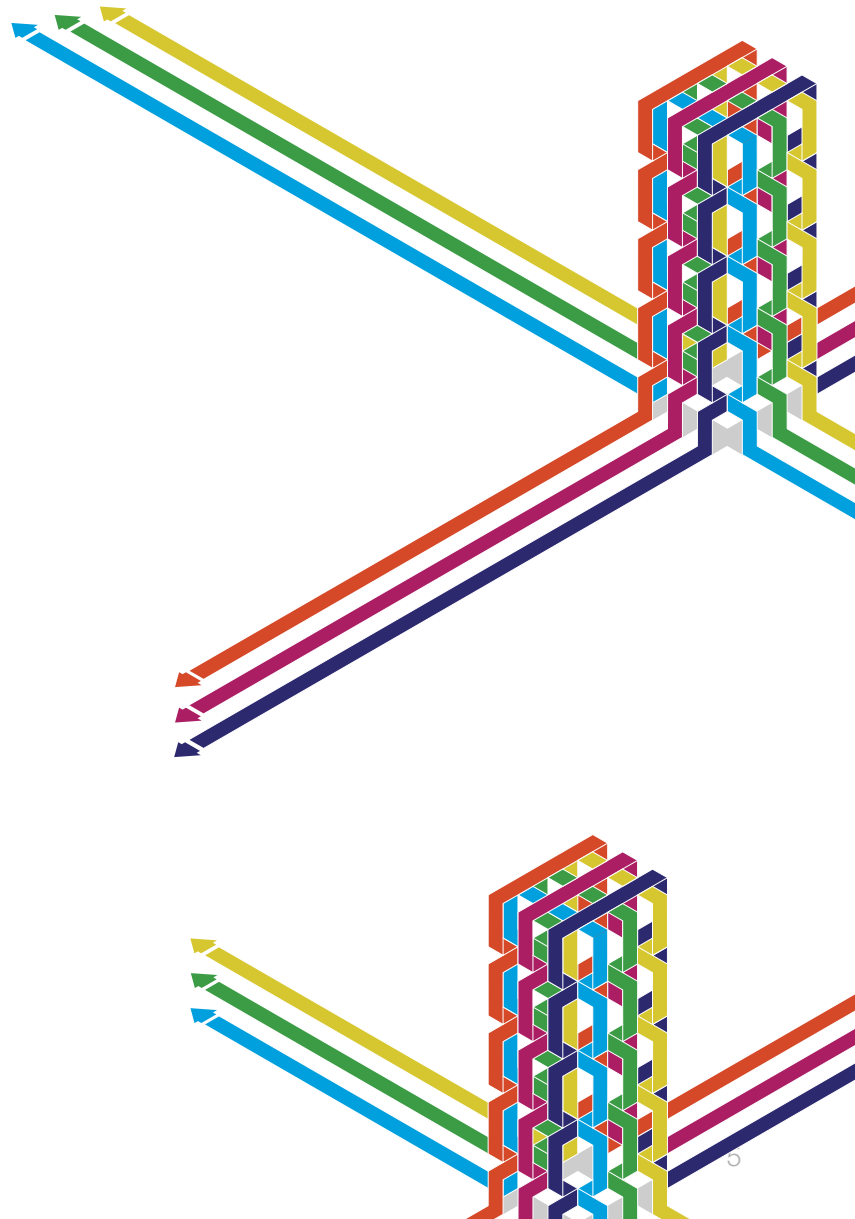
Settlement risk reduction mitigates counterparty risk. As settlement risk applies to the principal of each FX trade, mitigating this risk category has allowed corporate treasurers to consider trading with a wider panel of banks to achieve better pricing for more esoteric currency trades. Alternatively it allows higher value trades with a single counterparty than would have been acceptable without CLS settlement.

Regulatory & compliance

Corporates which participate in the unique legal and operational framework provided by CLS are complying with the FX industry's best practices. Operational oversight and control throughout the transaction life cycle can help organisations meet compliance with Sarbanes-Oxley and equivalent legislation. It is this adherence to best practice that is one of the most compelling reasons for settling FX via CLS.

CLS is continually working with its Members and the market to extend the current service to further currencies and enhance the capabilities of the system by settling additional traded financial products.

For more information, please visit
www.cls-group.com



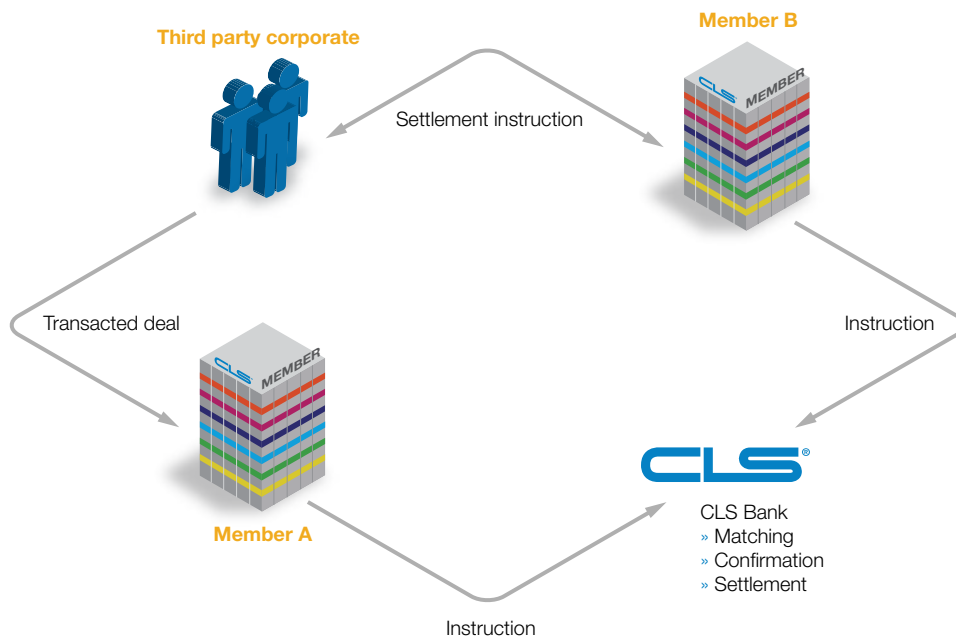
Who can use CLS?

If you are interested in using CLS Settlement you can use the third party services offered by a CLS Settlement Member.

Using CLS

Using CLS as a third party is simple. Your selected CLS Member will input instructions relating to your trades and provide you with an interface with their system that allows you to submit your trades and see real-time trade status and settlement information.

In many cases, a service provider will allow you to use your existing nostro accounts for CLS funding purposes.



Implementation

You must have a CLS service provider to sponsor FX trade settlement in CLS. The following steps are offered as a guide to implementing CLS:

1. Establish whether your clearing banks can offer CLS Settlement.
2. Visit www.cls-group.com for more detailed information and a list of CLS Members offering third party services.
3. Assess volumes and values of trades in current and future CLS eligible currencies.
4. Ensure that your key counterparties have access to CLS.
5. Establish a project group to assess business case and feasibility.
6. Review and develop your back office processes and test as appropriate.

Typically implementation takes between three and six months from the initial meeting with your selected service provider, although this can vary.

The expenditure on back office modifications is different for every firm however the potential savings from settling via CLS are easily identified.

"As all settlements are automated after matching, CLS forms an integral part of GSK Treasury's Business Continuity plan. In the event that our Business Continuity plan has to be invoked, we can rest assured that all our matched CLS trades will settle without the need for our interaction, freeing up essential resources which we can focus elsewhere."

GlaxoSmithKline

Adrian Bates

