

Mitigate the settlement risk associated with the out-legs of CLS Settlement in/out swaps and other same-day FX transactions through CLS Now – our gross payment-versus-payment (PvP) settlement service.

CLS Now

Our leading PvP settlement service, CLS Settlement, protects a substantial part of the global FX market from the most significant risk – settlement risk. However certain segments of the market, such as same-day FX and the out-legs of CLS Settlement in/out swaps, remain unprotected.¹ This can leave market participants with considerable FX settlement risk exposure. CLS Now addresses this challenge.

With access to trade-by-trade matching and PvP gross settlement on a bilateral same-day basis, you can mitigate the loss of principal and other elements of settlement risk in the same-day market, including the out-legs of in/out swaps.

The benefits

- PvP settlement of the out-legs of in/out swaps and other same-day FX transactions
- Reduce counterparty credit risk through the timely exchange of cross currency flows
- Preserve in/out swap credit limits and potentially reduce cash buffer requirements
- Strengthen recovery and resolution planning
- Raise counter currency during market stress events with access to trade-by-trade matching and PvP settlement on a bilateral basis

How it works

Transaction validation and matching:

Upon matching both sides of a qualifying FX trade, we send a match notification to participants.

Payments processing:

Participants submit payments to CLS Now based on trade instruction details. We will match the payment to the relevant instruction and identify both sides of the trade as fully funded.

Settlement:

Once payments have been identified as fully funded, we send a settlement notification to participants. Settlement occurs immediately upon payment receipt from both parties to the trade.

The settlement of these payments is final and irrevocable.

Pay-out:

We will then pay out the funds to the respective participants.

¹ In/out swaps is a CLS Settlement mechanism through which settlement members are able to reduce the liquidity needed to fund settlement by allowing some of the funding to be spread to other times during the day; however, this reallocation reintroduces settlement risk to the market.

² Subject to all necessary approvals.

Improves:

- > Operational and funding efficiencies
- > Access to liquidity

Reduces:

- > Settlement risk
- > Credit risk
- > Operational risk
- > Liquidity risk

700+ USD billion

Daily gross value (USD equivalent) that is settled on average in the same-day FX market outside of CLS Settlement, across CAD, CHF,² EUR, GBP and USD, including the out-legs of in/out swaps

Awards:

Best Settlement Initiative 2023 
FX Markets e-FX 2023
Best FX Settlement & Risk Mitigation Solution
FX Markets Asia
2022 / 2021 / 2020
Best Trading Infrastructure Provider
American Financial Technology 2021



Settlement

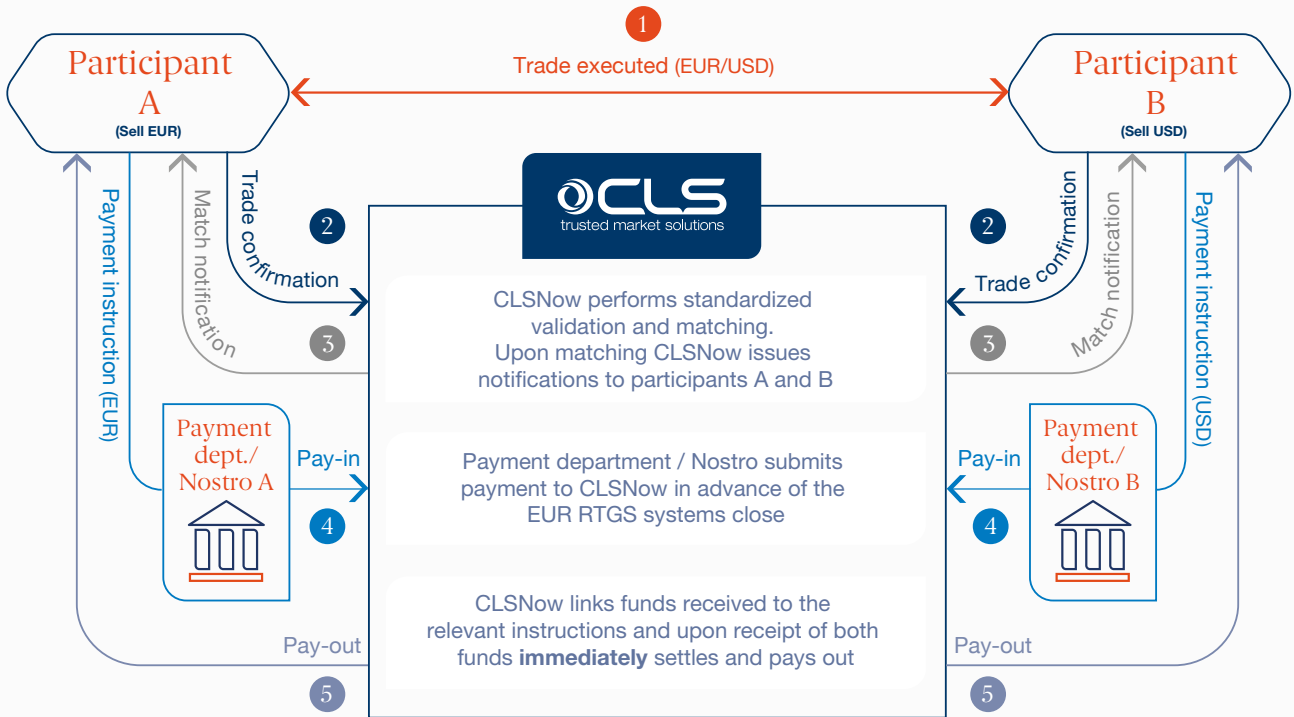


Processing



Data

Single trade settlement flow



Risk mitigation

- Reduces risk of loss of principal and other elements of settlement risk
- Settlement finality

Operational efficiency

- Efficient settlement with agreed market practices
- Elimination of post trade reconciliation items

Treasury and liquidity risk management

- Balance sheet and P&L usage – strengthen recovery and resolution planning around market stress events

What is settlement risk?

To settle an FX transaction, counterparties need to exchange principal (value of the trade) in two currencies. Settlement is the risk that one party to an FX transaction delivers the currency it sold but does not receive the currency it bought from its counterparty. The result is a loss of principal. CLS mitigates this by simultaneously settling the payments on both sides of an FX trade.

For more information please email enquiries@cls-group.com

FX Global Code

Using CLS products and services plays an integral part in helping you comply with the FX Global Code. Find out more at cls-group.com

Trusted by thousands of counterparties within the global FX ecosystem, CLS makes FX safer, smoother and more cost effective. Trillions of dollars' worth of currency flows through our systems each day.

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