

Currency Loan Swap (W5)

[This version is superseded. Click here to view the latest guide.](#)

PURPOSE

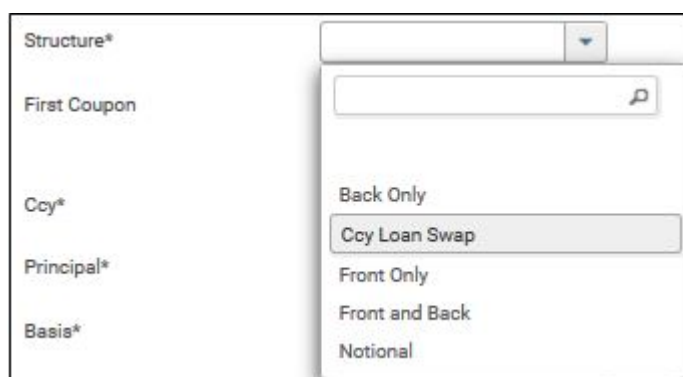
This document explains the detailed procedures on how to create currency loan swap trade using Interest Rate Swap in CS Lucas system.

WHY IS THIS IMPORTANT?

Allows booking of currency loan swap trade in Interest Rate Swap module and journaling of accounting entries from the system. From an accounting stand point, a Ccy Loan Swap will be treated as a borrowing term loan and a lending term loan.

PROCEDURE

1. From the main menu, Select Transaction > Interest Rate Swap.
2. Click New.
3. Enter the trade details. Fields with asterisks are mandatory. Select the accounting centre of the trade from the drop down field followed by Transaction Date, Start Date and Maturity Date.
4. Next, choose Ccy Loan Swap as the structure type. When this is selected, system will create the trade in exactly the same way as an IRS with a Front and Back exchange. However, it allows interim principal exchanges by updating the structure subsequently.



The screenshot shows a software interface for creating a currency loan swap. On the left, there is a form with several fields: 'Structure*' (which is the active dropdown menu), 'First Coupon', 'Ccy*', 'Principal*', and 'Basis*'. The 'Structure*' dropdown menu is open, displaying a list of options: 'Back Only', 'Ccy Loan Swap' (which is currently selected and highlighted), 'Front Only', 'Front and Back', and 'Notional'. The background form is slightly dimmed, showing the layout of the main trade entry screen.

5. Continue to fill in the rest of the fields required. For more details on each field, see [Create Interest Rate Swap](#).

New Interest Rate Swap

Acct Cntr*	TFS-SG	
TDate*	08/04/2016	
SDate*	08/04/2016	
MDate*	08/04/2019	
Structure*	Ccy Loan Swap	
First Coupon	dd/mm/yyyy	
	Pay	Receive
Ccy*	CLP	USD
Principal*	7,000,000,000.00	10,345,541.07
Basis*	-FIXED-	Libor 6 mth
Margin(%)*	0.000000	0.000000
Rate Current(%)*	6.040000	1.817200
Pay Frequency*	Semi-Annual	Semi-Annual
Day Convention*	No Adjustment	No Adjustment
Settle Convention*	No Adjustment	No Adjustment
Reset Convention*	No Adjustment	No Adjustment
Reset Days*	0	0
Accruals		
Facility*	TFS - DBS-GC:IRS	Available:CLP- 75.02m (- 375.1%)
Ctpy ID*	DBS-SG	
Portfolio		
AcctCntr Division	DA1/CC3/PC3	
Transaction Type	-	
Project	-	
Our Dealer	dev01@12dl2d.com	
Ctpy Dealer		
Narrative		

4. Once done, click Book.

5. To maintain periodic structure/ add additional exchanges of principal in between the trade period, click on the TradeID of the trade to drill down to the Amend Interest Rate Swap screen.

6. Click Structure. Maintain Interest Rate Swap screen displays with its structure.

Pay Leg (Borrow CLP)

Maintain Interest Rate Swap								
<div> ← Save Revert Book/Unbook ↓ </div>								
	VDate	P TradeID	P Ccy	Borrowings	P Rate	P Interest CF	P Principal CF	P Total
<input type="checkbox"/>	8 Apr 2016		CLP	.00	6.040000	0.00	7,000,000,000.00	7,000,000,000.00
<input type="checkbox"/>	8 Oct 2016		CLP	7,000,000,000.00	6.040000	-211,979,178.08	0.00	-211,979,178.08
<input type="checkbox"/>	8 Apr 2017		CLP	7,000,000,000.00	6.040000	-210,820,821.92	0.00	-210,820,821.92
<input type="checkbox"/>	8 Oct 2017		CLP	7,000,000,000.00	6.040000	-211,979,178.08	0.00	-211,979,178.08
<input type="checkbox"/>	8 Apr 2018		CLP	7,000,000,000.00	6.040000	-210,820,821.92	0.00	-210,820,821.92
<input type="checkbox"/>	8 Oct 2018		CLP	7,000,000,000.00	6.040000	-211,979,178.08	0.00	-211,979,178.08
<input type="checkbox"/>	8 Apr 2019		CLP	7,000,000,000.00	6.040000	-210,820,821.92	-7,000,000,000.00	-7,210,820,821.92

Receive Leg (Lend USD)

R Ccy	R TradeID	Lending Balance	R Rate	R Interest CF	R Principal CF	R Total
USD		0.00	1.817200	0.00	-10,345,541.07	-10,345,541.07
USD		10,345,541.07	1.817200	95,566.25	0.00	95,566.25
USD		10,345,541.07	1.817200	95,044.03	0.00	95,044.03
USD		10,345,541.07	1.817200	95,566.25	0.00	95,566.25
USD		10,345,541.07	1.817200	95,044.03	0.00	95,044.03
USD		10,345,541.07	1.817200	95,566.25	0.00	95,566.25
USD		10,345,541.07	1.817200	95,044.03	10,345,541.07	10,440,585.10

7. Scroll to the bottom of the screen, key in the details for both pay and receive leg to update the structure. In this example, we will add principal exchange on 5 May 2016.

	<input type="checkbox"/> Pay	<input type="checkbox"/> Receive
	<input type="text"/>	Libor 6 mth <input type="text"/>
Ccy	CLP	USD
Leg Type*	<input type="text"/>	<input type="text"/>
Start Date	<input type="text"/>	<input type="text"/>
End Date*	<input type="text"/>	<input type="text"/>
VDate*	<input type="text"/>	<input type="text"/>
Notional Principal	<input type="text"/>	<input type="text"/>
Interest Rate*	<input type="text"/>	<input type="text"/>
Accrual Method	<input type="text"/>	<input type="text"/>
Reset Date*	<input type="text"/>	<input type="text"/>
Principal	<input type="text"/>	<input type="text"/>
Interest	<input type="text"/>	<input type="text"/>
Auto Recomp*	<input type="text"/>	<input type="text"/>
Skip Holidays	<input type="checkbox"/>	

8. Select the Leg Type as Periodic Exchange.
9. Key in the End Date and VDate.
10. Key in the Notional Principal amount.
11. Key in the Interest Rate.
12. Accrual Method is optional. Leave blank will default to currency's default accrual method.
13. Key in the Reset Date. This is the date when is the next reset.
14. Key in the principal amount to be exchanged. Key in amount as positive for borrowing/ receipt and negative for lending/ repayment.
15. Key in 0 for Interest field and set the Auto Recomp to No to turn off system re-computation of interest.

Update
Delete
Clear

☒ **Pay**

☒ **Receive**

Ccy

Leg Type*

Start Date

End Date*

VDate*

Notional Principal

Interest Rate*

Accrual Method

Reset Date*

Principal

Interest

Auto Recomp*

Skip Holidays

-FIXED-

Libor 6 mth

CLP

USD

Periodic Exchange

Periodic Exchange

dd/mm/yyyy

dd/mm/yyyy

05/05/2016

05/05/2016

05/05/2016

05/05/2016

7,000,000,000.00

10,345,541.07

6.040000

1.817200

03/05/2016

03/05/2016

3,000,000,000.00

-4,433,803.32

0.00

0.00

No

No

☐

16. When completed, tick the checkbox for Pay and Receive and click Update.

17. The structure will be updated as follows. Outstanding balance and the next interest will be auto recomputed by the system.

Pay Leg (Borrow CLP)

Maintain Interest Rate Swap								
<div style="display: flex; justify-content: space-between; align-items: center;"> ← Save Revert Book/Unbook ⬇ </div>								
	VDate	P TradeID	P Ccy	Borrowings	P Rate	P Interest CF	P Principal CF	P Total
<input type="checkbox"/>	8 Apr 2016		CLP	.00	6.040000	0.00	7,000,000,000.00	7,000,000,000.00
<input type="checkbox"/>	5 May 2016		CLP	7,000,000,000.00	6.040000	0.00	3,000,000,000.00	3,000,000,000.00
<input type="checkbox"/>	8 Oct 2016		CLP	10,000,000,000.00	6.040000	-289,423,561.65	0.00	-289,423,561.65
<input type="checkbox"/>	8 Apr 2017		CLP	10,000,000,000.00	6.040000	-301,172,602.74	0.00	-301,172,602.74
<input type="checkbox"/>	8 Oct 2017		CLP	10,000,000,000.00	6.040000	-302,827,397.26	0.00	-302,827,397.26
<input type="checkbox"/>	8 Apr 2018		CLP	10,000,000,000.00	6.040000	-301,172,602.74	0.00	-301,172,602.74
<input type="checkbox"/>	8 Oct 2018		CLP	10,000,000,000.00	6.040000	-302,827,397.26	0.00	-302,827,397.26
<input type="checkbox"/>	8 Apr 2019		CLP	10,000,000,000.00	6.040000	-301,172,602.74	-10,000,000,000.00	-10,301,172,602.74
1								

Receive Leg (Lend USD)

R Ccy	R TradeID	Lending Balance	R Rate	R Interest CF	R Principal CF	R Total
USD		0.00	1.817200	0.00	-10,345,541.07	-10,345,541.07
USD		10,345,541.07	1.817200	0.00	-4,433,803.32	-4,433,803.32
USD		14,779,344.39	1.817200	130,480.38	0.00	130,480.38
USD		14,779,344.39	1.817200	135,777.18	0.00	135,777.18
USD		14,779,344.39	1.817200	136,523.21	0.00	136,523.21
USD		14,779,344.39	1.817200	135,777.18	0.00	135,777.18
USD		14,779,344.39	1.817200	136,523.21	0.00	136,523.21
USD		14,779,344.39	1.817200	135,777.18	14,779,344.39	14,915,121.57

18. Click Save to save the structure.

19. Structure saved does not generate cash flow for the periodic item. To generate cash flow for settlement and accounting purposes, the periodic item needs to be booked.

20. To book a periodic structure, tick on the checkbox next to the VDate and click Book/Unbook. Booked periodic structure will have a trade ID assigned.

Pay Leg (Borrow CLP)

Maintain Interest Rate Swap								
<div> ← Save Revert Book/Unbook ↓ </div>								
	VDate	P TradeID	P Ccy	Borrowings	P Rate	P Interest CF	P Principal CF	P Total
<input type="checkbox"/>	8 Apr 2016	IRS100012/001	CLP	.00	6.040000	0.00	7,000,000,000.00	7,000,000,000.00

Receive Leg (Lend USD)

R Ccy	R TradeID	Lending Balance	R Rate	R Interest CF	R Principal CF	R Total
USD	IRS100012/002	0.00	1.817200	0.00	-10,345,541.07	-10,345,541.07

21. For unbooking, repeat the same as step 20.

ACCOUNTING JOURNALS

The Ccy Loan Swap accounting treat the Pay as Borrowing Term Loan and the Rec as a Lending Term Loan. However, in the Ccy Loan Swap module, we do not handle WHT and capitalisation of Interest.

The journals are the same except that the account type coded differently. See the

corresponding.

In Ccy Loan Swap

Account Type	Account Description
0714	IRS - TL Swap Lending
0715	IRS - TL Swap - Lending Interest Income
0716	IRS - TL Swap - Lending - Interest Receivables
0717	IRS - TL Swap - Borrowing
0718	IRS - TL Swap - Borrowing Interest Expense
0719	IRS - TL Swap - Borrowing - Interest Payables

In Term Loan

Account Type	Account Description
0801	TML - Lending
0802	TML - Lending Interest Income
0803	TML - Lending - Interest Receivables
0804	TML - Borrowing
0805	TML - Borrowing Interest Expense
0806	TML - Borrowing - Interest Payables

The journals for the two Term Loan trades (borrowing CLP and lending USD) are as follows:

[Term Loan - Borrowing CLP](#)

[Term Loan - Lending USD](#)

FREQUENTLY ASKED QUESTIONS

RELATED INFORMATION

[Create Interest Rate Swap](#)

CHANGE HISTORY

Date	By	Changes
6-Nov-2017	TS	Created.
8-Jan-2020	Lyra	Updated Screenshots.