Currency Loan Swap

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 on Action and select 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.

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

[X Cancel] [💾 Book] [⬇ Import]

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-SG:IRS ▾ ⟳	Available:CLP 11,820.33m (100.0%)
Ctpy ID*	DBS-SG	
Portfolio	▾	
Transaction Type	- ▾	
Project	- ▾	
Our Dealer	admin@devent1.com ▾	
Ctpy Dealer		
Narrative		
Skip Holidays	☐	

4. Once done, click Book.

5. To maintain periodic structure/ add additional exchanges of principal in between the trade period, click on the Edit button 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

		VDate	P TradeID	P Ccy	Borrowings	P Rate	P Interest CF	P Principal CF	P Total
☐	🖉	8 Apr 2016		CLP	.00	6.040000	0.00	7,000,000,000.00	7,000,000,000.00
☐	🖉	8 Oct 2016		CLP	7,000,000,000.00	6.040000	-211,979,178.08	0.00	-211,979,178.08
☐	🖉	8 Apr 2017		CLP	7,000,000,000.00	6.040000	-210,820,821.92	0.00	-210,820,821.92
☐	🖉	8 Oct 2017		CLP	7,000,000,000.00	6.040000	-211,979,178.08	0.00	-211,979,178.08
☐	🖉	8 Apr 2018		CLP	7,000,000,000.00	6.040000	-210,820,821.92	0.00	-210,820,821.92
☐	🖉	8 Oct 2018		CLP	7,000,000,000.00	6.040000	-211,979,178.08	0.00	-211,979,178.08
☐	🖉	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)

P Total	R Ccy	R TradeID	Lending Balance	R Rate	R Interest CF	R Principal CF	R Total
7,000,000,000.00	USD		0.00	1.817200	0.00	-10,345,541.07	-10,345,541.07
-211,979,178.08	USD		10,345,541.07	1.817200	95,566.25	0.00	95,566.25
-210,820,821.92	USD		10,345,541.07	1.817200	95,044.03	0.00	95,044.03
-211,979,178.08	USD		10,345,541.07	1.817200	95,566.25	0.00	95,566.25
-210,820,821.92	USD		10,345,541.07	1.817200	95,044.03	0.00	95,044.03
-211,979,178.08	USD		10,345,541.07	1.817200	95,566.25	0.00	95,566.25
-7,210,820,821.92	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.

	Pay	Receive
	-FIXED- ⌄	Libor 6 mth ⌄
Ccy	CLP	USD
Leg Type*	⌄	⌄
Start Date	dd/mm/yyyy	dd/mm/yyyy
End Date*	dd/mm/yyyy	dd/mm/yyyy
VDate*	dd/mm/yyyy	dd/mm/yyyy
Notional Principal		
Interest Rate*		
Accrual Method	⌄	⌄
Reset Date*	dd/mm/yyyy	dd/mm/yyyy
Principal		
Interest		
Auto Recomp*	Yes ⌄	Yes ⌄
Skip Holidays	☐	

Buttons: Update | Delete | Clear

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.

	Pay	Receive
	-FIXED-	Libor 6 mth
Ccy	CLP	USD
Leg Type*	Periodic Exchange	Periodic Exchange
Start Date	dd/mm/yyyy	dd/mm/yyyy
End Date*	05/05/2016	05/05/2016
VDate*	05/05/2016	05/05/2016
Notional Principal	7000000000	10345541.07
Interest Rate*	6.04	1.8172
Accrual Method		
Reset Date*	03/05/2016	03/05/2016
Principal	3000000000	-4433803.32
Interest	0	0
Auto Recomp*	No	No
Skip Holidays		

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

		VDate	P TradeID	P Ccy	Borrowings	P Rate	P Interest CF	P Principal CF	P Total
☐	✏	8 Apr 2016		CLP	.00	6.040000	0.00	7,000,000,000.00	7,000,000,000.00
☐	✏	5 May 2016		CLP	7,000,000,000.00	6.040000	0.00	3,000,000,000.00	3,000,000,000.00
☐	✏	8 Oct 2016		CLP	10,000,000,000.00	6.040000	-289,423,561.65	0.00	-289,423,561.65
☐	✏	8 Apr 2017		CLP	10,000,000,000.00	6.040000	-301,172,602.74	0.00	-301,172,602.74
☐	✏	8 Oct 2017		CLP	10,000,000,000.00	6.040000	-302,827,397.26	0.00	-302,827,397.26
☐	✏	8 Apr 2018		CLP	10,000,000,000.00	6.040000	-301,172,602.74	0.00	-301,172,602.74
☐	✏	8 Oct 2018		CLP	10,000,000,000.00	6.040000	-302,827,397.26	0.00	-302,827,397.26
☐	✏	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

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

		VDate	P TradeID	P Ccy	Borrowings	P Rate	P Interest CF	P Principal CF	P Total
☐	✎	8 Apr 2016	IRS100029/001	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	IRS100029/002	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.
19-May-2023	TS	Updated to W6 instructions and screenshots.