Currency Loan Swap

See previous W5 version guide

PURPOSE

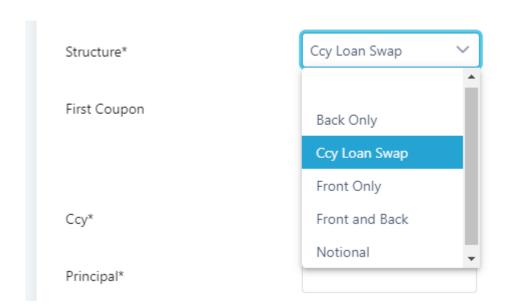
This document explains the detailed procedures on how to create currency loan swap trade using Interest Rate Swap in CS Lucas system.

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.

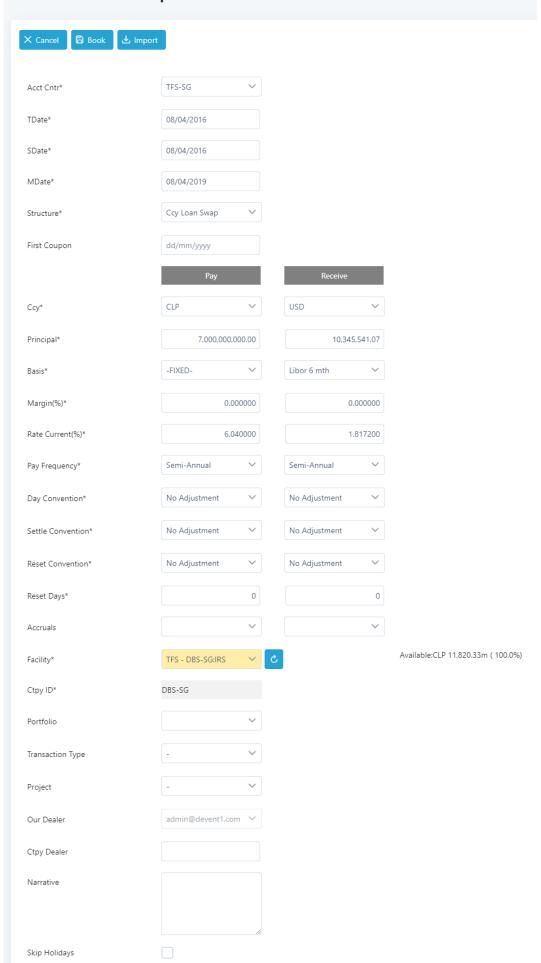
PROCEDURE

- 1. From the main menu, Select Transaction > Interest Rate Swap.
- 2. Click 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.



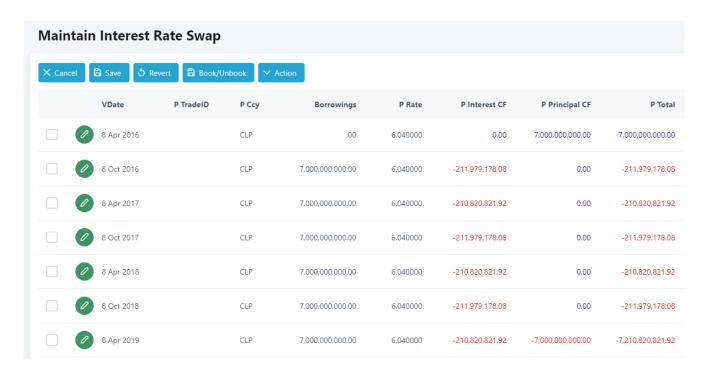
5. Continue to fill in the rest of the fields required. For more details on each field, see Create Interest Rate Swap.

New Interest Rate Swap



- 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.

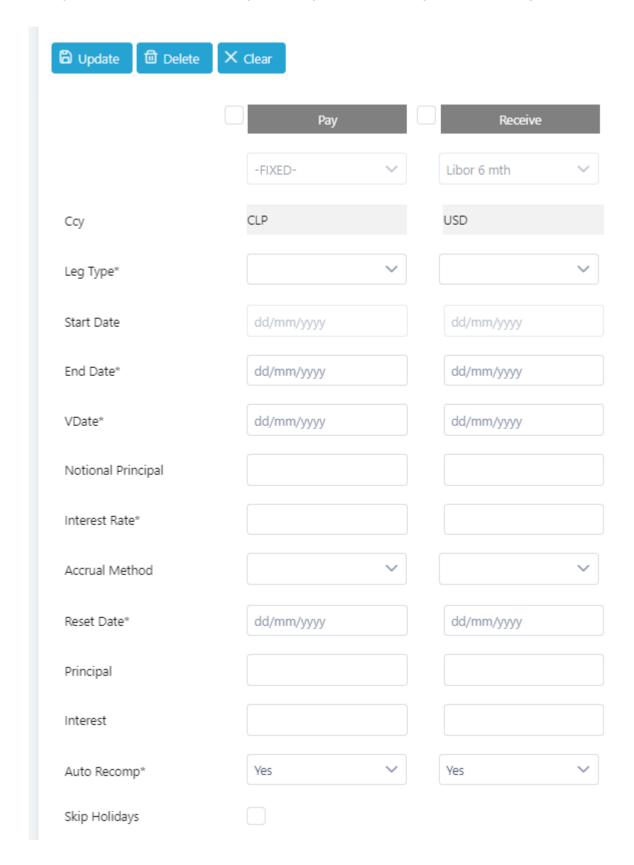
Pay Leg (Borrow CLP)



Receive Leg (Lend USD)

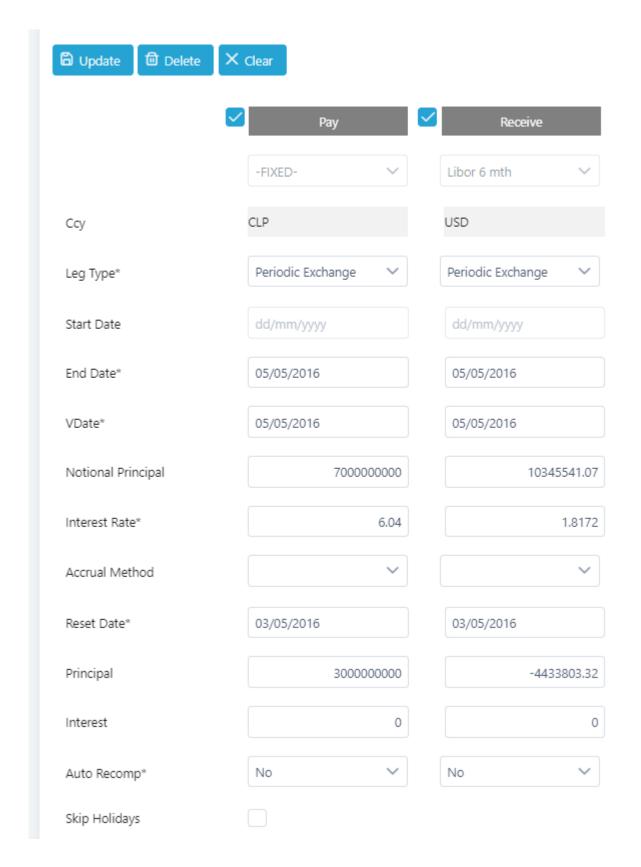
P Total	R Ccy	R TradeID	Lending Balance	R Rate	R Interest CF	R Principal CF	R Total
7,000,000,000.00	USD		0.00	1.817200	0.00	-10,345,541.07	-10,345,541.07
-211,979,178.08	USD		10,345,541.07	1.817200	95,566.25	0.00	95,566.25
-210,820,821.92	USD		10,345,541.07	1.817200	95,044.03	0.00	95,044.03
-211,979,178.08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



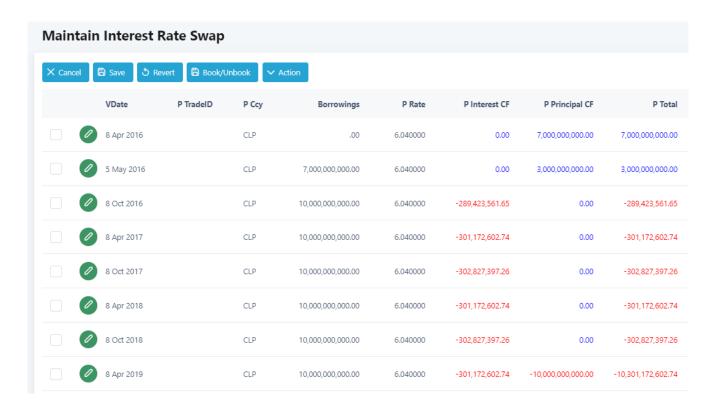
8. Select the Leg Type as Periodic Exchange.

- 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.



- 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)



Receive Leg (Lend USD)

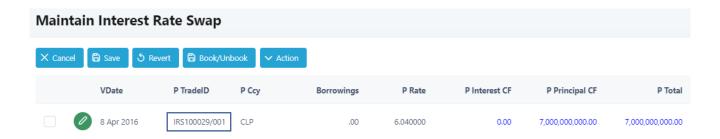
R Ccy	R TradelD	Lending Balance	R Rate	R Interest CF	R Principal CF	R Total
USD		0.00	1.817200	0.00	-10,345,541.07	-10,345,541.07
USD		10,345,541.07	1.817200	0.00	-4,433,803.32	-4,433,803.32
USD		14,779,344.39	1.817200	130,480.38	0.00	130,480.38
USD		14,779,344.39	1.817200	135,777.18	0.00	135,777.18
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)



Receive Leg (Lend USD)

R Ccy	R TradelD	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 Term Loan

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			

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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:

<u>Term Loan - Borrowing CLP</u> <u>Term Loan - Lending USD</u>

FREQUENTLY ASKED QUESTIONS

RELATED INFORMATION

<u>Create Interest Rate Swap</u>

CHANGE HISTORY

Date	Ву	Changes
6-Nov-2017	TS	Created.
8-Jan-2020	Lуга	Updated screenshots.
19-May-2023	TS	Updated to W6 instructions and screenshots.