# **Net Trade Settlement**

### **PURPOSE**

This document illustrates the process for netting trades, and the printing of settlement instructions and accounting journal entries in CS Lucas system.

## WHY IS THIS IMPORTANT?

Netting trade allow multiple trades with a single counterparty to be combined so that the settlement amounts of these trade are net settled. This reduces the number of physical payments and receipts across our bank accounts and can reduce bank charges associated with settlement.

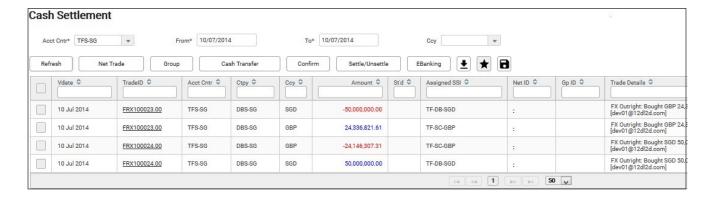
#### **PROCEDURE**

1. For example, you have the following two trades that are done with the same counterparty, i.e. DBS-SG bank and value on the same day, i.e. 10-Jul-2014.

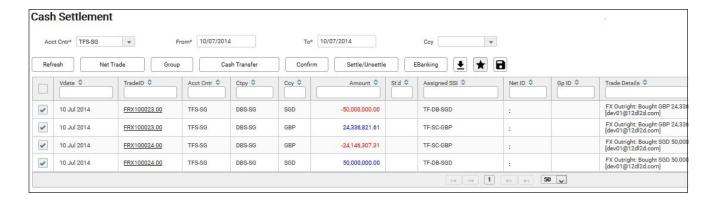




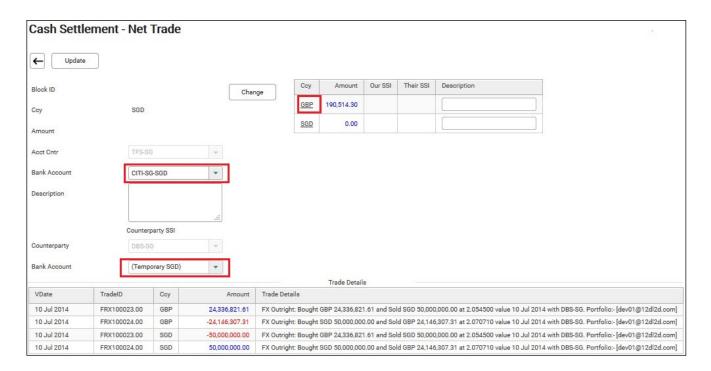
- 2. You may do not settlement for the above two trades, as they are with the same counterparty and have the same value date.
- 3. To net trades, click on Back Office from the menu and then select Cash Settlement. From the Cash Settlement screen, select the accounting centre and filter from date and to date to the same day, i.e. 10-Jul-2014. Click Refresh, you will see all trades that are value on the date filtered.



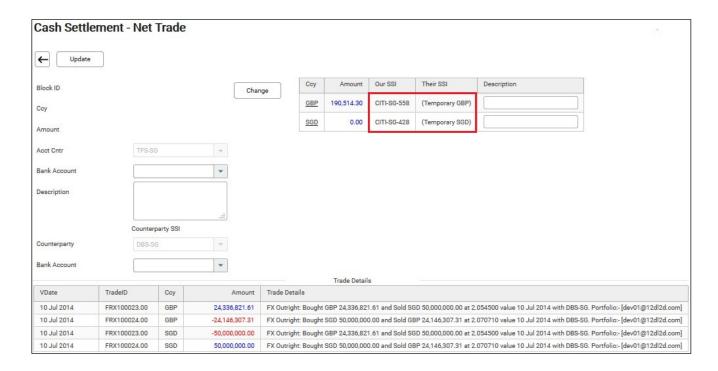
4. Select trades done with the same counterparty by ticking on the checkbox and click Net Trade.



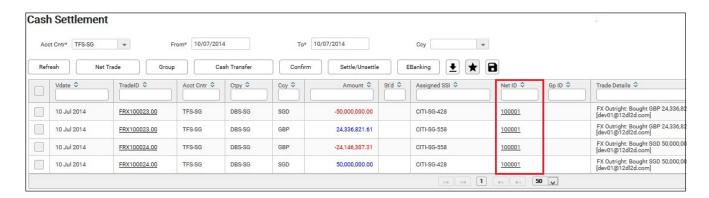
5. Next, assign settlement instructions for the net trade amount. In this example, there is a net amount of 190,514.30 in GBP to receive after netting trades. Click on the currency and then select the bank account you wish the amount to be credited to, and the bank account of the counterparty. If the bank account of the counterparty is not set up, you may set the value to the (Temporary Account).



6. Then, click Change. You will see the Our SSI and Their SSI updated in the table on your right. Continue to do the same for the rest of the currency amount.



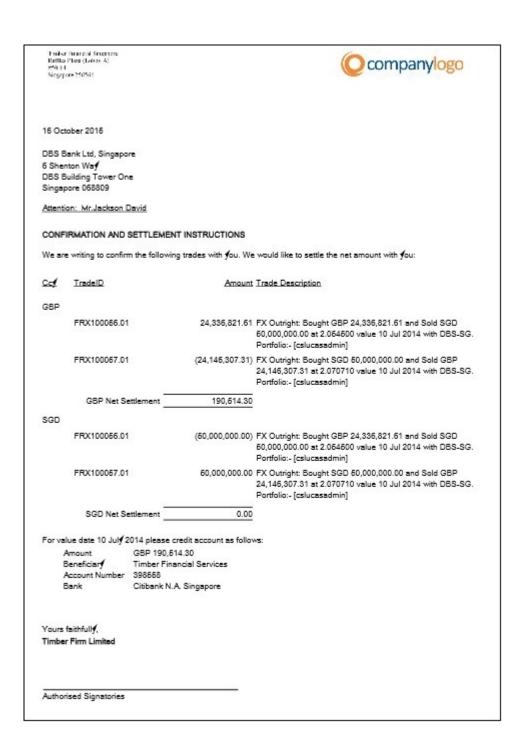
7. Click Update once you have completed all the settlement instructions. Netted trades will be assigned with a net ID as shown below.



8. After netting trades is done, the system can generate a netting trade instructions letter to send to the counterparty. To print this, click Transaction from the menu and select one of the transactions that you have net traded. In this example, we select Foreign Exchange.

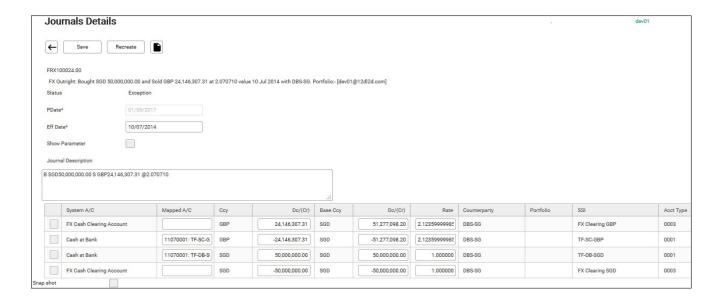
Note: System allows you to do netting trades for Money Market and Foreign Exchange transactions.

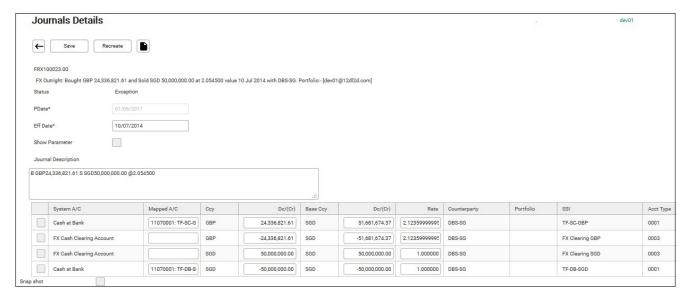
9. In the Foreign Exchange module, filter the trades and then select one of the Foreign Exchange trades and click Confirm. The system will generate a letter as below.



10. For accounting entries, the system will journal in gross and book to the same account. You'll get the same net amount.

System A/C	Mapped GL A/C	Ссу	Dc/(Cr)
Cash At Bank	123782	GBP	-24,146,307.31
Cash At Bank	123782	GBP	24,336,821.61
			190,514.30





# FREQUENTLY ASKED QUESTIONS

## **RELATED INFORMATION**

## **CHANGE HISTORY**

Date	Ву	Changes	
15-Feb-2008	-	Created	
16-Oct-2015	TS	Updated to version 4.14.06 and reformatted.	
12-Jun-2016	Douglas	Proofread.	
2-Aug-2016	TS	Updated.	
22-Nov-2019	Lyra	Updated Screenshots.	