# 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.

**Amend Foreign Exchange Outright**

| Field | Value |
|---|---|
| TradeID | FRX100024.00 |
| Accounting Centre* | TFS-SG |
| TDate* | 08/07/2014 |
| VDate* | 10/07/2014 |
| Transaction* | Buy |
| Ccy* | SGD |
| Amount* | 50,000,000.00 |
| Against Ccy* | GBP |
| Spot Ref Rate* | 2.070710 |
| Forward Points | 0.000000 |
| Contract Rate | 2.070710 |
| Counter Value | 24,146,307.31 |
| Facility* | TFS - DBS-SG:FX    Available:SGD 50.00m ( 50.0%) |
| Counterparty ID | DBS-SG |
| Reval Rate | |

2. You may do net 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.



**Cash Settlement**

Acct Cntr* TFS-SG    From* 10/07/2014    To* 10/07/2014    Ccy

Refresh | Net Trade | Group | Cash Transfer | Confirm | Settle/Unsettle | EBanking

| | Vdate | TradeID | Acct Cntr | Ctpy | Ccy | Amount | St'd | Assigned SSI | Net ID | Gp ID | Trade Details |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 10 Jul 2014 | FRX100023.00 | TFS-SG | DBS-SG | SGD | -50,000,000.00 | | TF-DB-SGD | : | | FX Outright: Bought GBP 24,3 [dev01@12dl2d.com] |
| | 10 Jul 2014 | FRX100023.00 | TFS-SG | DBS-SG | GBP | 24,336,821.61 | | TF-SC-GBP | : | | FX Outright: Bought GBP 24,3 [dev01@12dl2d.com] |
| | 10 Jul 2014 | FRX100024.00 | TFS-SG | DBS-SG | GBP | -24,146,307.31 | | TF-SC-GBP | : | | FX Outright: Bought SGD 50,0 [dev01@12dl2d.com] |
| | 10 Jul 2014 | FRX100024.00 | TFS-SG | DBS-SG | SGD | 50,000,000.00 | | TF-DB-SGD | : | | FX Outright: Bought SGD 50,0 [dev01@12dl2d.com] |

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

**Cash Settlement**

| | Vdate | TradeID | Acct Cntr | Ctpy | Ccy | Amount | St'd | Assigned SSI | Net ID | Gp ID | Trade Details |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ✔ | 10 Jul 2014 | FRX100023.00 | TFS-SG | DBS-SG | SGD | -50,000,000.00 | | TF-DB-SGD | : | | FX Outright: Bought GBP 24,336 [dev01@12dl2d.com] |
| ✔ | 10 Jul 2014 | FRX100023.00 | TFS-SG | DBS-SG | GBP | 24,336,821.61 | | TF-SC-GBP | : | | FX Outright: Bought GBP 24,336 [dev01@12dl2d.com] |
| ✔ | 10 Jul 2014 | FRX100024.00 | TFS-SG | DBS-SG | GBP | -24,146,307.31 | | TF-SC-GBP | : | | FX Outright: Bought SGD 50,000 [dev01@12dl2d.com] |
| ✔ | 10 Jul 2014 | FRX100024.00 | TFS-SG | DBS-SG | SGD | 50,000,000.00 | | TF-DB-SGD | : | | FX Outright: Bought SGD 50,000 [dev01@12dl2d.com] |

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).



**Cash Settlement - Net Trade**

| Ccy | Amount | Our SSI | Their SSI | Description |
|---|---|---|---|---|
| GBP | 190,514.30 | | | |
| SGD | 0.00 | | | |

Block ID

Ccy — SGD

Amount

Acct Cntr — TFS-SG

Bank Account — CITI-SG-SGD

Description

Counterparty SSI

Counterparty — DBS-SG

Bank Account — (Temporary SGD)

**Trade Details**

| VDate | TradeID | Ccy | Amount | Trade Details |
|---|---|---|---|---|
| 10 Jul 2014 | FRX100023.00 | GBP | 24,336,821.61 | FX Outright: Bought GBP 24,336,821.61 and Sold SGD 50,000,000.00 at 2.054500 value 10 Jul 2014 with DBS-SG. Portfolio:- [dev01@12dl2d.com] |
| 10 Jul 2014 | FRX100024.00 | GBP | -24,146,307.31 | FX Outright: Bought SGD 50,000,000.00 and Sold GBP 24,146,307.31 at 2.070710 value 10 Jul 2014 with DBS-SG. Portfolio:- [dev01@12dl2d.com] |
| 10 Jul 2014 | FRX100023.00 | SGD | -50,000,000.00 | FX Outright: Bought GBP 24,336,821.61 and Sold SGD 50,000,000.00 at 2.054500 value 10 Jul 2014 with DBS-SG. Portfolio:- [dev01@12dl2d.com] |
| 10 Jul 2014 | FRX100024.00 | SGD | 50,000,000.00 | FX Outright: Bought SGD 50,000,000.00 and Sold GBP 24,146,307.31 at 2.070710 value 10 Jul 2014 with DBS-SG. Portfolio:- [dev01@12dl2d.com] |

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.

**Cash Settlement - Net Trade**

| | Ccy | Amount | Our SSI | Their SSI | Description |
|---|---|---|---|---|---|
| | GBP | 190,514.30 | CITI-SG-558 | (Temporary GBP) | |
| | SGD | 0.00 | CITI-SG-428 | (Temporary SGD) | |

Block ID
Ccy
Amount
Acct Cntr   TFS-SG
Bank Account
Description

Counterparty SSI
Counterparty   DBS-SG
Bank Account

Trade Details

| VDate | TradeID | Ccy | Amount | Trade Details |
|---|---|---|---|---|
| 10 Jul 2014 | FRX100023.00 | GBP | 24,336,821.61 | FX Outright: Bought GBP 24,336,821.61 and Sold SGD 50,000,000.00 at 2.054500 value 10 Jul 2014 with DBS-SG. Portfolio:- [dev01@12dl2d.com] |
| 10 Jul 2014 | FRX100024.00 | GBP | -24,146,307.31 | FX Outright: Bought SGD 50,000,000.00 and Sold GBP 24,146,307.31 at 2.070710 value 10 Jul 2014 with DBS-SG. Portfolio:- [dev01@12dl2d.com] |
| 10 Jul 2014 | FRX100023.00 | SGD | -50,000,000.00 | FX Outright: Bought GBP 24,336,821.61 and Sold SGD 50,000,000.00 at 2.054500 value 10 Jul 2014 with DBS-SG. Portfolio:- [dev01@12dl2d.com] |
| 10 Jul 2014 | FRX100024.00 | SGD | 50,000,000.00 | FX Outright: Bought SGD 50,000,000.00 and Sold GBP 24,146,307.31 at 2.070710 value 10 Jul 2014 with DBS-SG. Portfolio:- [dev01@12dl2d.com] |

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



**Cash Settlement**

| | Vdate | TradeID | Acct Cntr | Ctpy | Ccy | Amount | St'd | Assigned SSI | Net ID | Gp ID | Trade Details |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 10 Jul 2014 | FRX100023.00 | TFS-SG | DBS-SG | SGD | -50,000,000.00 | | CITI-SG-428 | 100001 | | FX Outright: Bought GBP 24,336,82 [dev01@12dl2d.com] |
| | 10 Jul 2014 | FRX100023.00 | TFS-SG | DBS-SG | GBP | 24,336,821.61 | | CITI-SG-558 | 100001 | | FX Outright: Bought GBP 24,336,82 [dev01@12dl2d.com] |
| | 10 Jul 2014 | FRX100024.00 | TFS-SG | DBS-SG | GBP | -24,146,307.31 | | CITI-SG-558 | 100001 | | FX Outright: Bought SGD 50,000,00 [dev01@12dl2d.com] |
| | 10 Jul 2014 | FRX100024.00 | TFS-SG | DBS-SG | SGD | 50,000,000.00 | | CITI-SG-428 | 100001 | | FX Outright: Bought SGD 50,000,00 [dev01@12dl2d.com] |

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.

Timber Financial Services
Raffles Place (Lobsy A)
#9-14
Singapore 269561

16 October 2015

DBS Bank Ltd, Singapore
6 Shenton Way
DBS Building Tower One
Singapore 068809

Attention: Mr.Jackson David

CONFIRMATION AND SETTLEMENT INSTRUCTIONS

We are writing to confirm the following trades with You. We would like to settle the net amount with You:

| Ccy | TradeID | Amount | Trade Description |
|---|---|---|---|
| GBP | | | |
| | FRX100056.01 | 24,336,821.61 | FX Outright: Bought GBP 24,336,821.61 and Sold SGD 50,000,000.00 at 2.064600 value 10 Jul 2014 with DBS-SG. Portfolio:- [cslucasadmin] |
| | FRX100057.01 | (24,146,307.31) | FX Outright: Bought SGD 50,000,000.00 and Sold GBP 24,146,307.31 at 2.070710 value 10 Jul 2014 with DBS-SG. Portfolio:- [cslucasadmin] |
| | GBP Net Settlement | 190,514.30 | |
| SGD | | | |
| | FRX100056.01 | (50,000,000.00) | FX Outright: Bought GBP 24,336,821.61 and Sold SGD 50,000,000.00 at 2.064600 value 10 Jul 2014 with DBS-SG. Portfolio:- [cslucasadmin] |
| | FRX100057.01 | 50,000,000.00 | FX Outright: Bought SGD 50,000,000.00 and Sold GBP 24,146,307.31 at 2.070710 value 10 Jul 2014 with DBS-SG. Portfolio:- [cslucasadmin] |
| | SGD Net Settlement | 0.00 | |

For value date 10 July 2014 please credit account as follows:

| | |
|---|---|
| Amount | GBP 190,514.30 |
| Beneficiary | Timber Financial Services |
| Account Number | 398558 |
| Bank | Citibank N.A. Singapore |

Yours faithfully,
**Timber Firm Limited**

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Authorised Signatories

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 | Ccy | Dc/(Cr) |
|---|---|---|---|
| Cash At Bank | 123782 | GBP | -24,146,307.31 |
| Cash At Bank | 123782 | GBP | 24,336,821.61 |
| | | | 190,514.30 |

## Journals Details

← | Save | Recreate | 📄

FRX100024.00

FX Outright: Bought SGD 50,000,000.00 and Sold GBP 24,146,307.31 at 2.070710 value 10 Jul 2014 with DBS-SG. Portfolio:- [dev01@12dl2d.com]

Status       Exception

PDate*   01/06/2017

Eff Date*   10/07/2014

Show Parameter   ☐

Journal Description

B SGD50,000,000.00 S GBP24,146,307.31 @2.070710

| | System A/C | Mapped A/C | Ccy | Dc/(Cr) | Base Ccy | Dc/(Cr) | Rate | Counterparty | Portfolio | SSI | Acct Type |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ☐ | FX Cash Clearing Account | | GBP | 24,146,307.31 | SGD | 51,277,098.20 | 2.1235999998! | DBS-SG | | FX Clearing GBP | 0003 |
| ☐ | Cash at Bank | 11070001: TF-SC-G | GBP | -24,146,307.31 | SGD | -51,277,098.20 | 2.1235999998! | DBS-SG | | TF-SC-GBP | 0001 |
| ☐ | Cash at Bank | 11070001: TF-DB-S | SGD | 50,000,000.00 | SGD | 50,000,000.00 | 1.000000 | DBS-SG | | TF-DB-SGD | 0001 |
| ☐ | FX Cash Clearing Account | | SGD | -50,000,000.00 | SGD | -50,000,000.00 | 1.000000 | DBS-SG | | FX Clearing SGD | 0003 |

Snap shot ☐

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## Journals Details

← | Save | Recreate | 📄

FRX100023.00

FX Outright: Bought GBP 24,336,821.61 and Sold SGD 50,000,000.00 at 2.054500 value 10 Jul 2014 with DBS-SG. Portfolio:- [dev01@12dl2d.com]

Status       Exception

PDate*   01/06/2017

Eff Date*   10/07/2014

Show Parameter   ☐

Journal Description

B GBP24,336,821.61 S SGD50,000,000.00 @2.054500

| | System A/C | Mapped A/C | Ccy | Dc/(Cr) | Base Ccy | Dc/(Cr) | Rate | Counterparty | Portfolio | SSI | Acct Type |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ☐ | Cash at Bank | 11070001: TF-SC-G | GBP | 24,336,821.61 | SGD | 51,681,674.37 | 2.1235999999! | DBS-SG | | TF-SC-GBP | 0001 |
| ☐ | FX Cash Clearing Account | | GBP | -24,336,821.61 | SGD | -51,681,674.37 | 2.1235999999! | DBS-SG | | FX Clearing GBP | 0003 |
| ☐ | FX Cash Clearing Account | | SGD | 50,000,000.00 | SGD | 50,000,000.00 | 1.000000 | DBS-SG | | FX Clearing SGD | 0003 |
| ☐ | Cash at Bank | 11070001: TF-DB-S | SGD | -50,000,000.00 | SGD | -50,000,000.00 | 1.000000 | DBS-SG | | TF-DB-SGD | 0001 |

Snap shot ☐

# FREQUENTLY ASKED QUESTIONS

# RELATED INFORMATION

# CHANGE HISTORY

| Date | By | 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. |

| Date | By | Changes |
| --- | --- | --- |
| 15-Feb-2008 | - | Created |
| 16-Oct-2015 | TS | Updated to version 4.14.06 and reformatted. |