Settlement to Third Party Bank Account (W5)

This version is superseded. Click here to view the latest guide.

PURPOSE

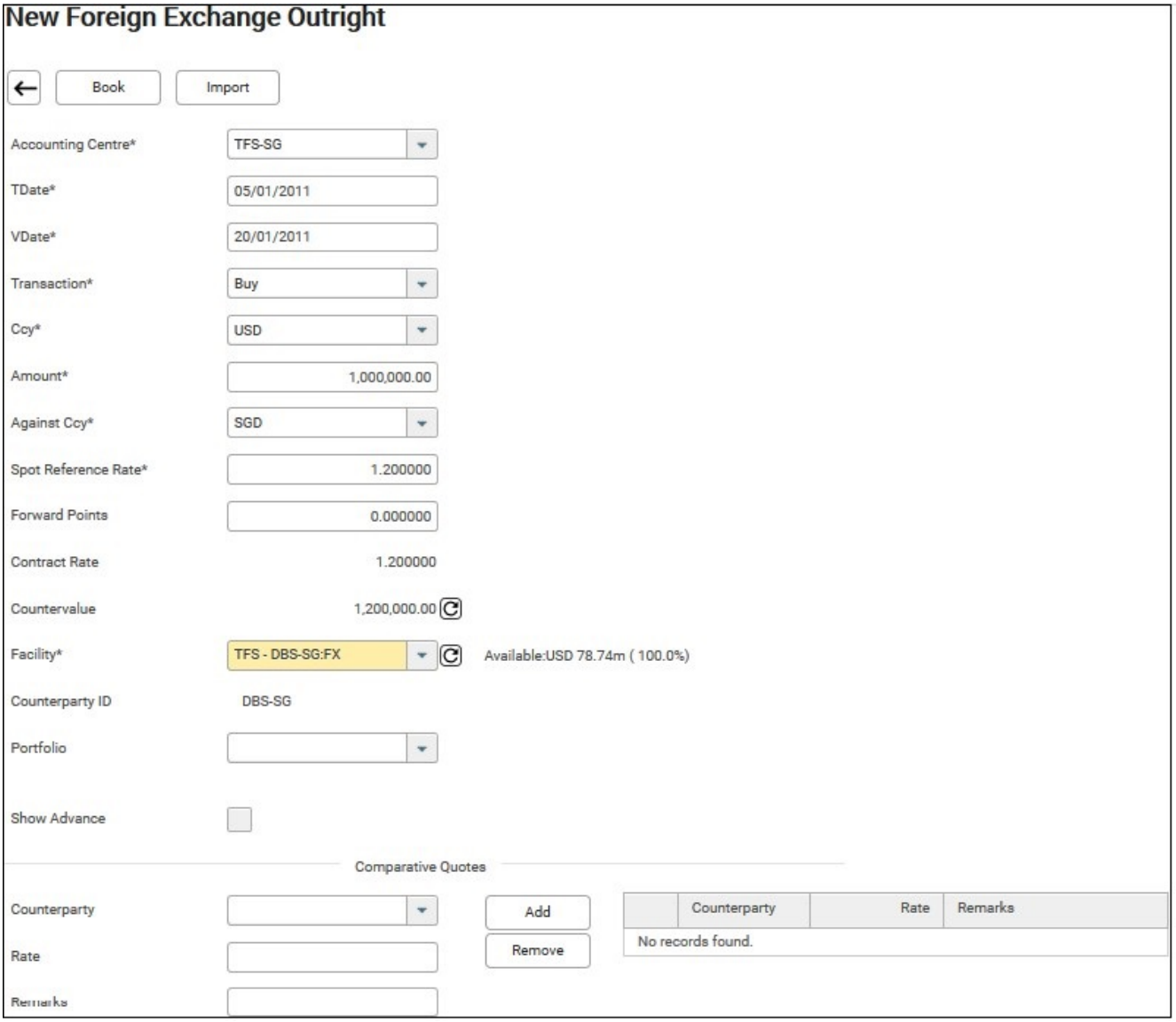
This document explains the procedure to instruct the bank counterparty to make payment on a trade directly to third party bank account and how the system handle the accounting journals.

WHY IS THIS IMPORTANT?

This is important when an entity wishes the bank counterparty to make payment directly to third party, for example their supplier on the trade done.

PROCEDURE

1. The following example shows a Foreign Exchange trade booked, TFS-SG buy USD 1,000,000.00 against SGD with DBS bank.



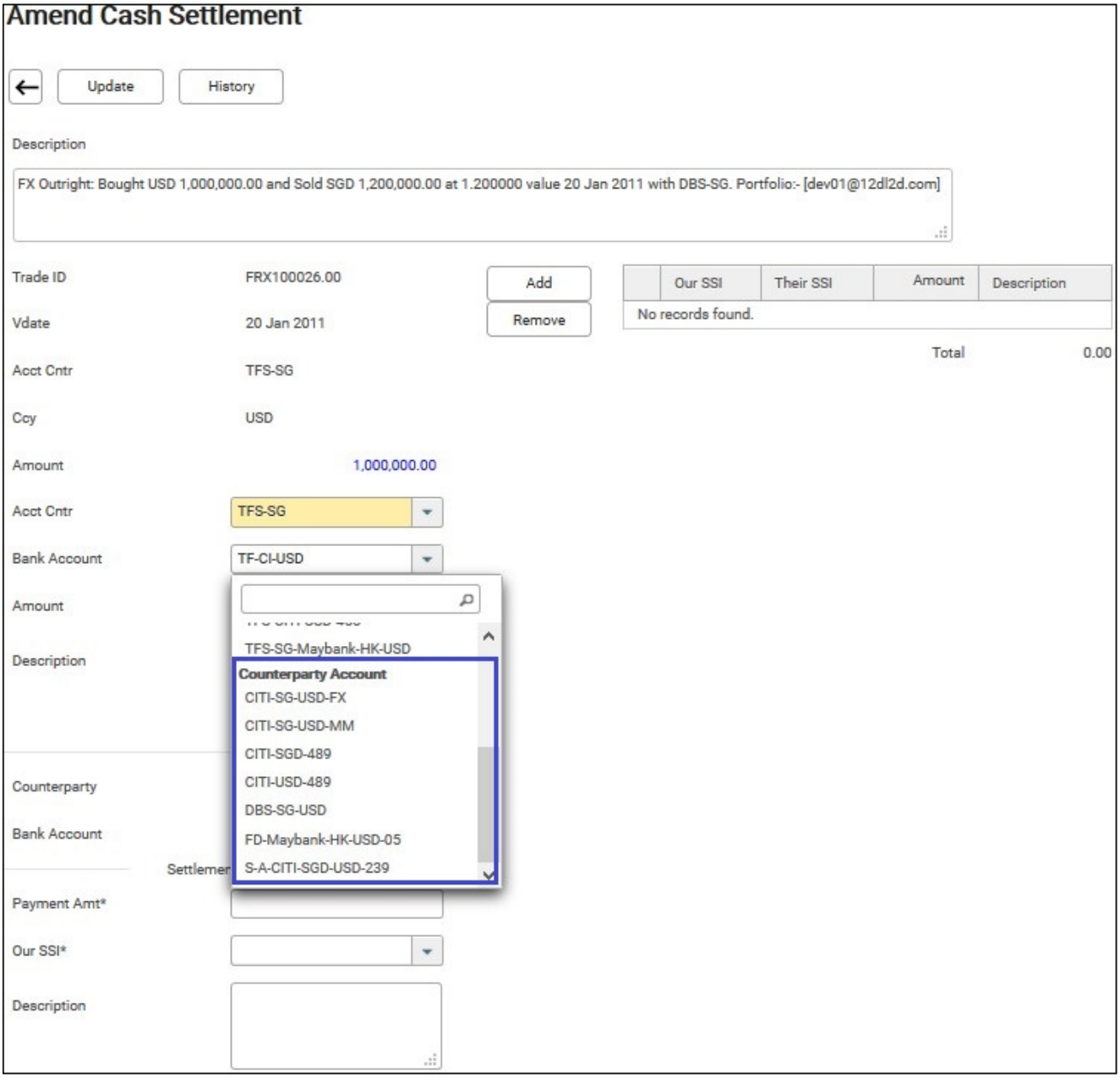
2. In Cash Settlement screen, you will see two cash flows (USD and SGD) created from this Foreign Exchange trade.



3. To instruct DBS bank to credit USD to a third party's bank account, click on the USD cash flow of this Foreign Exchange trade.

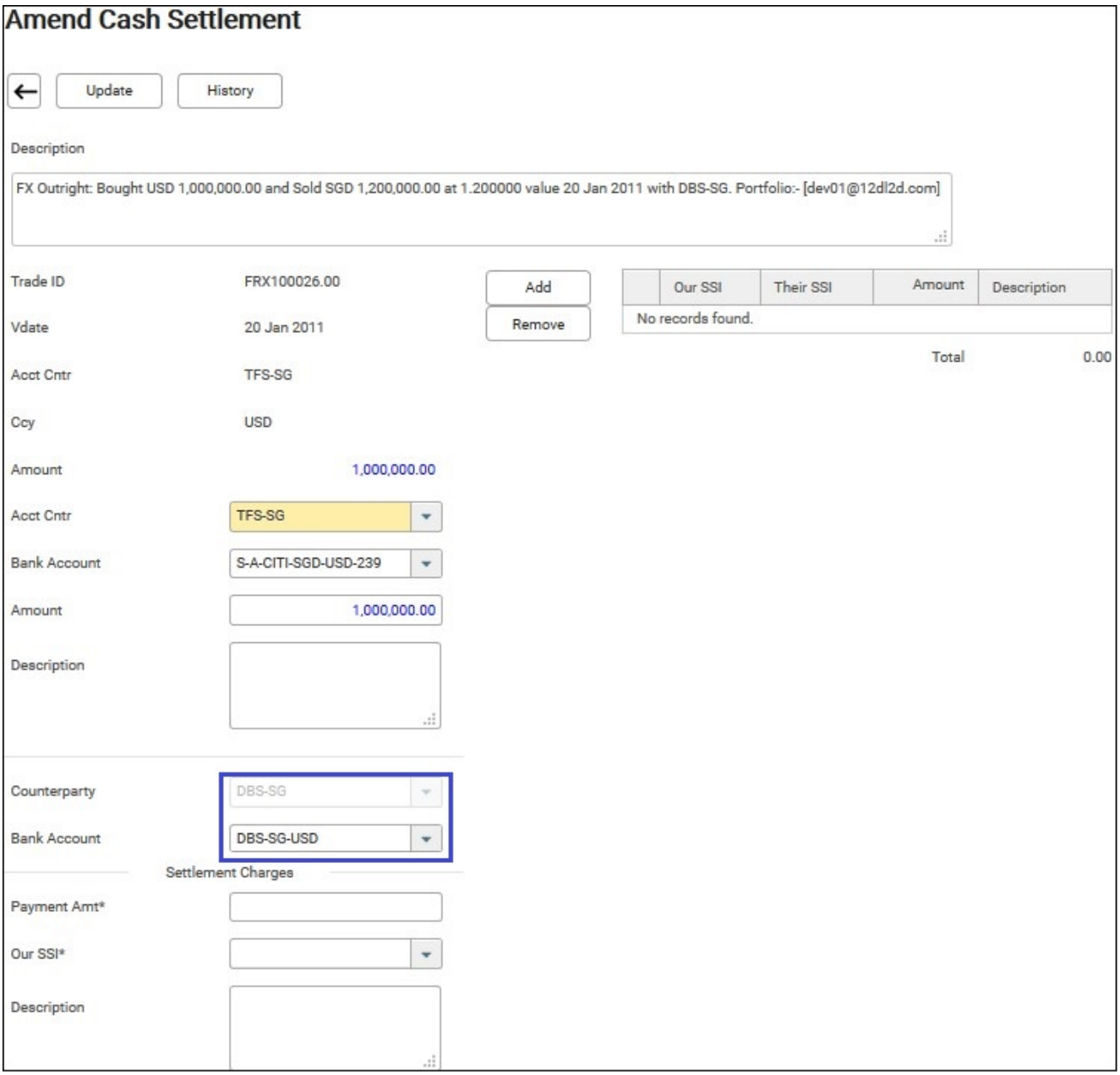
4. Select the third party's bank account from the bank account drop down field on the left menu. In this example, S-A-CITI-SG-USD-239 is selected, which is

Supplier A’s bank account.



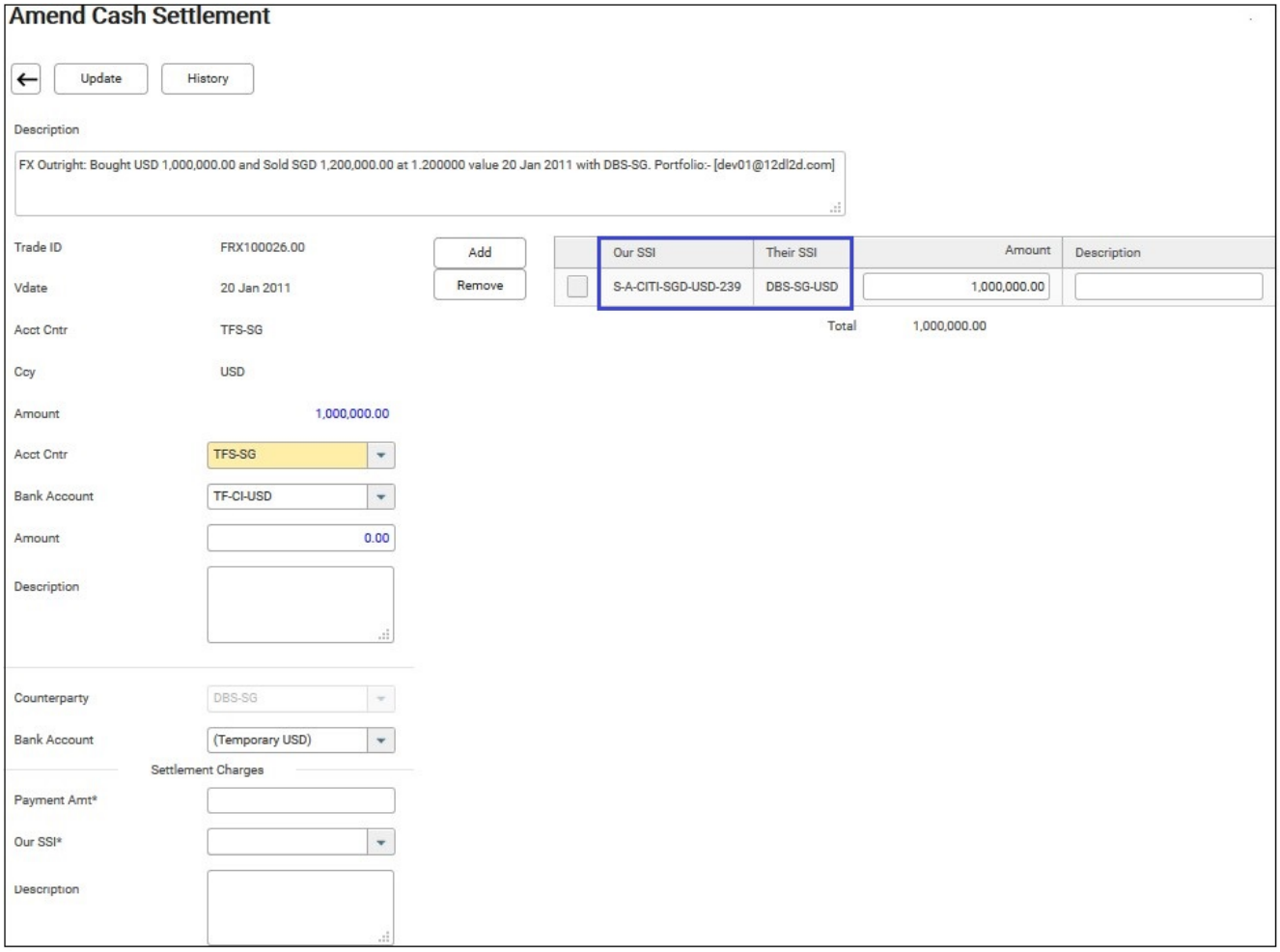
Note that third party is set up as a counterparty in the system. The bank account of the third party has to be set up in the Counterparty SSI beforehand. See counterparty SSI set up for more details.

5. Next, select the counterparty’s bank account from which the USD 1,000,000.00 will be debited from.



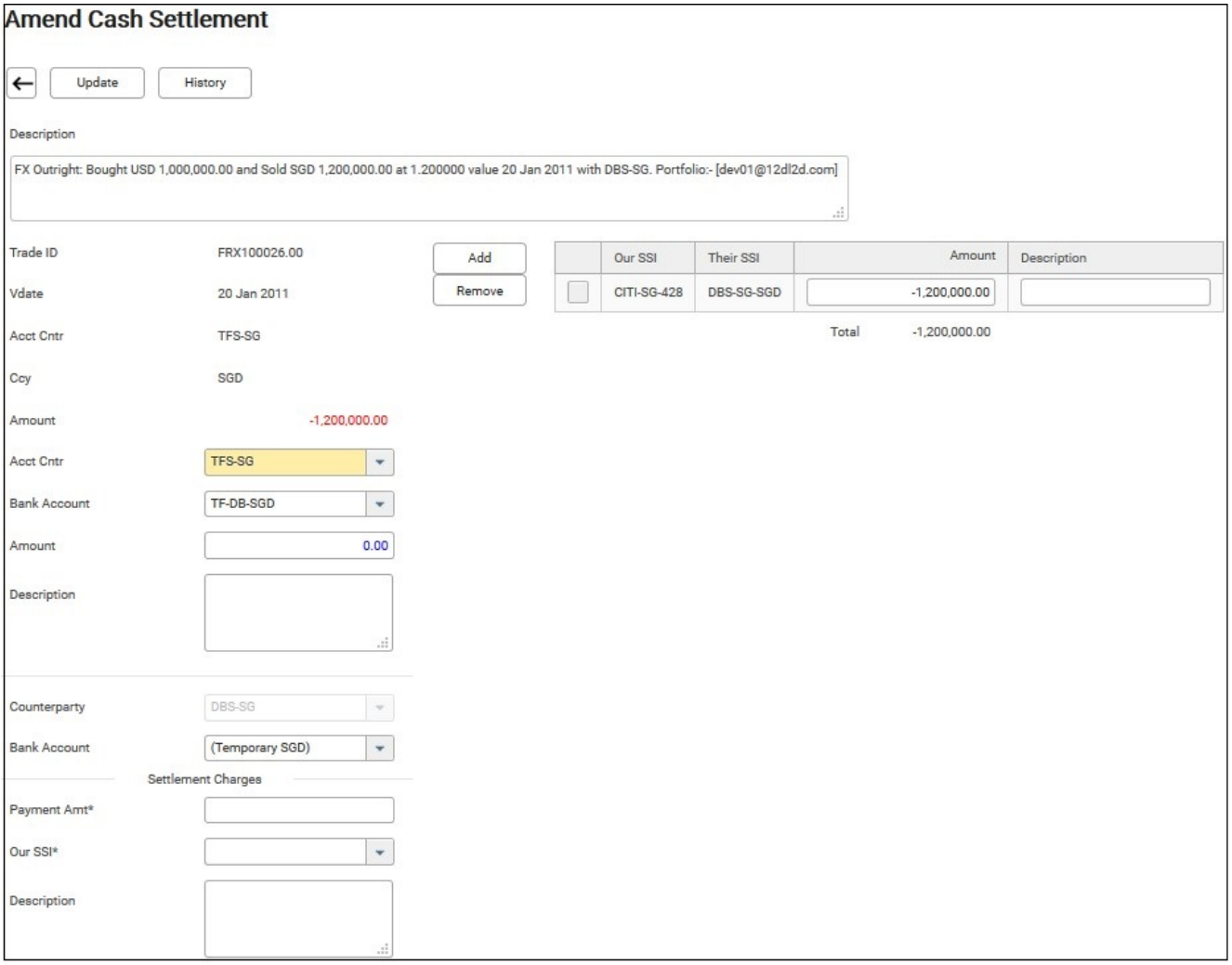
6. Click Add.

7. The assigned settlement instructions will be updated to the table listing on your right.

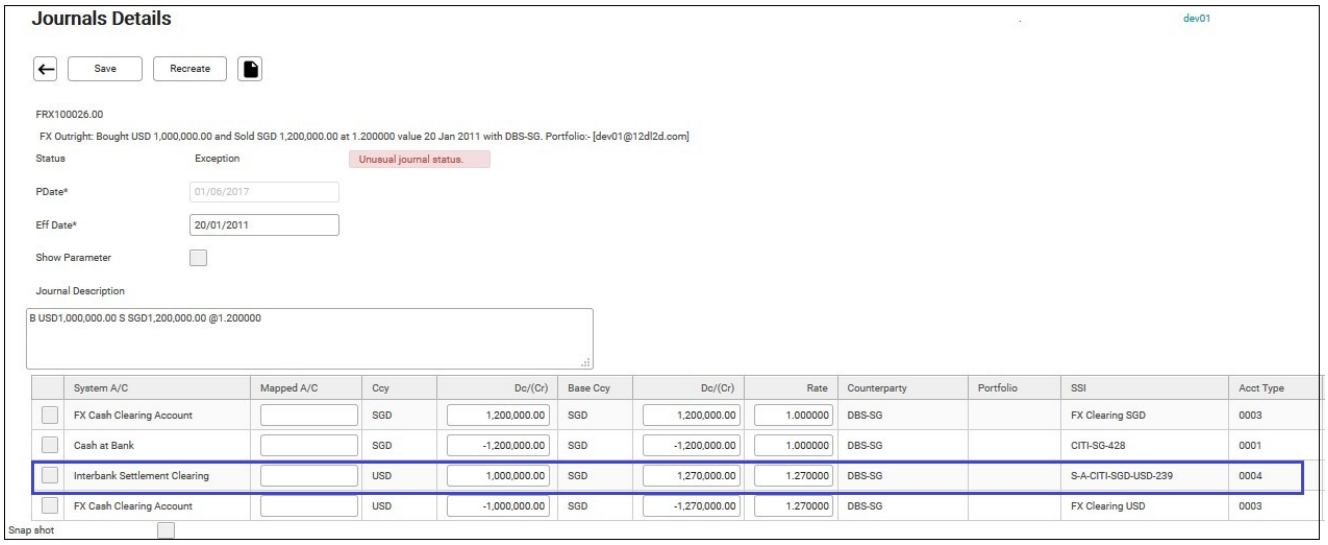


8. Click Update.

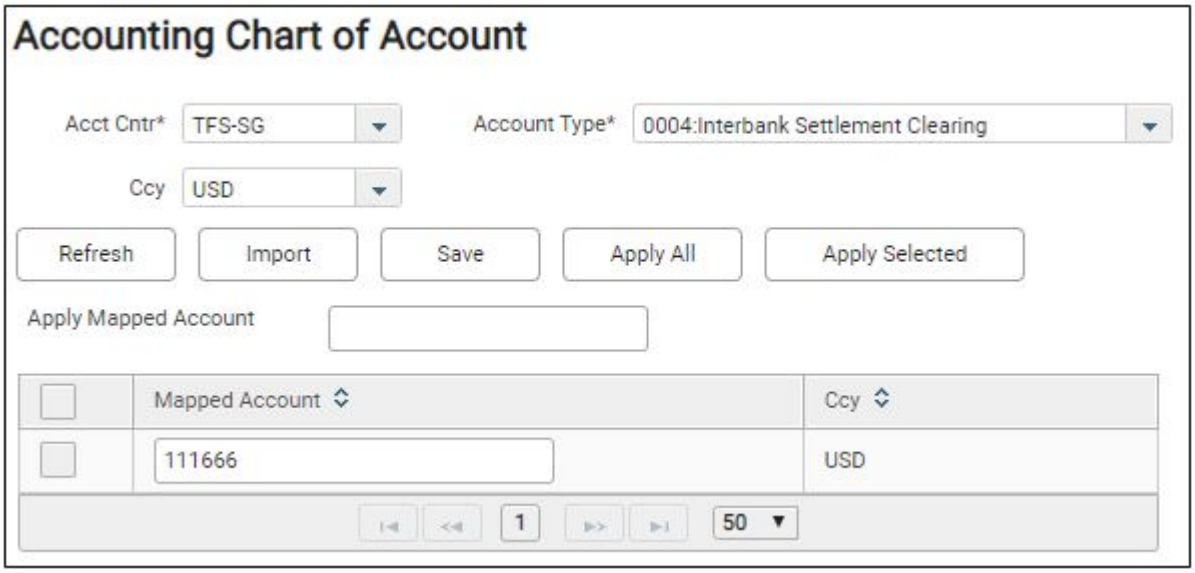
9. Assign the settlement instructions as per normal for the SGD cash flow. In this example, SGD 1,200,000.00 will be debited from TFS-SG's CITI-SG 428 account to DBS bank account DBS-SG-SGD.



10. The accounting journals for the Foreign Exchange trade when there's settlement to third party are as follows. Note that system booked to the interbank settlement clearing account.



11. The interbank settlement clearing mapping is set up as below example. For more details, see Chart of Account set up.



FREQUENTLY ASKED QUESTIONS

RELATED INFORMATION

Cash Settlement

CHANGE HISTORY

Date	By	Changes
11-Oct-2016	TS	Created.
26-Nov-2019	Lyra	Updated Screenshots.