CLS third-party services
Reducing settlement and operational risks in FX trading

CLS™ (Continued Linked Settlement) is a global system for settlement of foreign exchange (FX) trades using the payment-versus-payment (PvP) principle and thereby eliminating the settlement risk.

Nordea is Settlement Member of CLS Bank and offers CLS third-party services to financial institutions and large corporates, which settle large FX trades.

In Nordea, you will be able to obtain a straight-through processing (STP) flow when settling FX trades in CLS Bank. This is done by using integrated solutions, linking your treasury management system (TMS) to the CLS system in Nordea.

To support daily back-office activities we also offer you CLS Web Access which provides you with online overview of your CLS trades, search tools and the possibility to extract user-defined reports.

Benefits

Risk reduction
- Due to PvP the settlement risk for CLS trades is eliminated
- One standardized STP process for all CLS trades reduces the operational risk
- The compliance risk is reduced

Efficiency maximization
- Enhanced STP increases operational efficiency
- The risk of errors is reduced in internal processes, settlement and in interaction with external parties since all processes are handled automatically
- Monetary and physical resources are allocated more efficiently
- You have online overview of your CLS trades

Regulatory compliance
- CLS is a market standard for settling FX trades
- When using CLS you will follow the global FX industry’s best practice for obtaining operational control and overview
- CLS enables you to comply with regulatory requirements

CLS in Nordea

CLS flow
- You close a trade with a counterparty and agree to settle via CLS.
- You send the settlement instruction (MT304 or MT300 format) from a CLS module in your TMS to Nordea via the agreed communication channel (SWIFTNet, FTP/VPN or SFTP). The counterparty also sends the details to CLS.
- Nordea communicates with CLS Bank and sends a status reply file or SWIFT message (MT396 format) to your TMS stating the status of the trade in CLS Bank.
- You receive a status reply file or SWIFT message for every change of status in CLS Bank – from “unmatched” to “matched” on
the trading day and from "matched" to "settled" on the settlement day. Thereby, you always have an updated overview of the trade status in your TMS.

- Once the trade has been matched, the transaction is queued and automatically settled by Nordea on the settlement day.

CLS settlements are automatically funded via your currency accounts as one net payment per currency per settlement day, either as a positive or a negative net position of all settlement payments in the relevant currency.

**Scope of the service**

CLS settles the following 17 currencies: AUD, CAD, CHF, DKK, EUR, GBP, HKD, ILS, JPY, KRW, MXN, NOK, NZD, SEK, SGD, USD and ZAR.

Nordea does not settle KRW.

**Trades included in the service**

Spots, forwards, swaps and exercise options.

**Other CLS settlement requirements**

- Both currencies must be CLS eligible.
- The value date has to be after the trading date.
- The counterparty has to be CLS eligible – either a CLS Settlement Member or a CLS third party participant settling via a CLS Settlement Member.

**How to get more information**

For further details about CLS third-party services please contact your cash management adviser in Nordea.

CLS™ is a trademark of CLS Services