



Managing the backbone of global FX settlement

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Objective is to provide the CLS perspective on progress with settlement risk elimination within the context of a rapidly changing market

- » Key changes to the FX market
- » Actions taken:
 - » By individual firms
 - » By industry groups
 - » By central banks in conjunction the market
- » What more can be done

Market changes since 2006

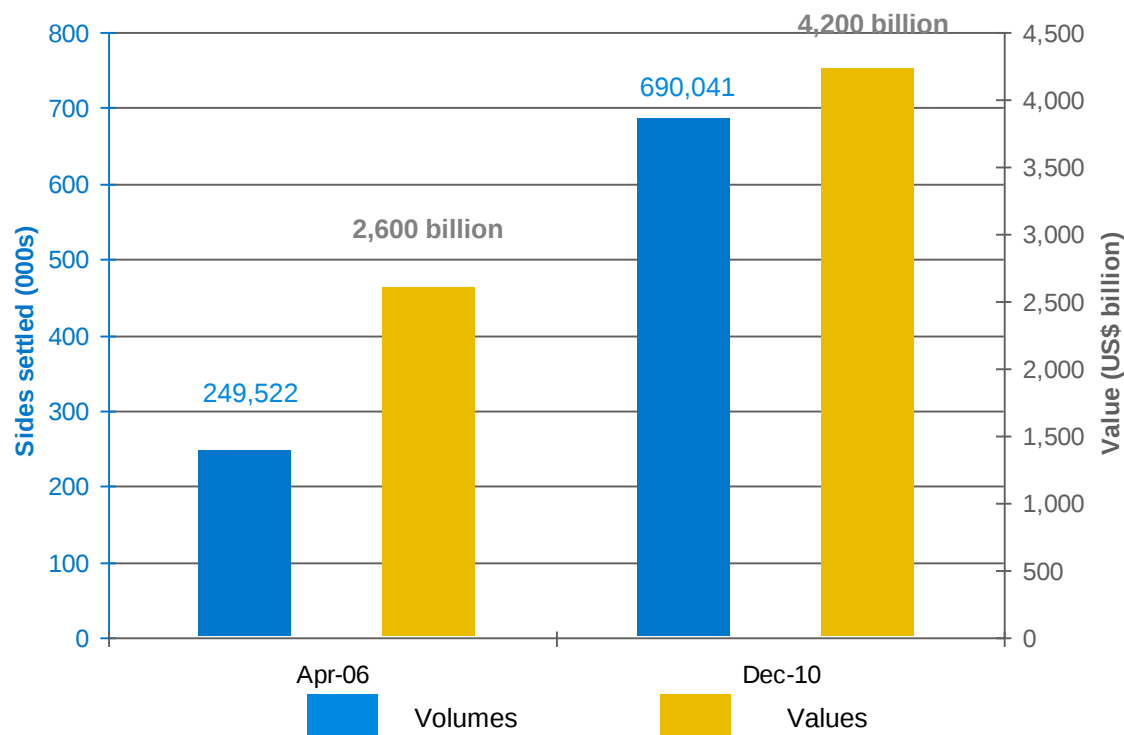


- » Major financial crisis
 - » Structural reforms underway – including derivatives markets
 - » Credit and liquidity management disciplines re-visited
 - » Increased capital requirements - Basel III
- » For FX, a trading revolution has taken place over the last 5 years
 - » Automated trading and multi-function algorithms deployed
 - » Significant decline in average trade size,
 - For CLS trades <1 million rose from <30% to more than 80% of spot
 - » Development and deployment of increasingly sophisticated trading platforms
 - Multibank and monobank
- » Market composition has changed
 - » BIS Triennial Survey:
 - 20% overall growth in global FX (Apr 2007 – Apr 2010)
 - trading with “other financial institutions” grew by 41% - includes hedge funds, pension funds and mutual funds, insurance companies and retail
 - » Many high growth participants are prime brokerage clients of major banks
 - PB is expected to continue to show high growth

CLS participation – Member commitment



- » Growth in CLS since the 2006 CPSS report:
 - » 177% increase **volumes**, 62% increase **values**
- » 79 new Member entities:
 - » Nine Settlement Members, 70 new branches or affiliates

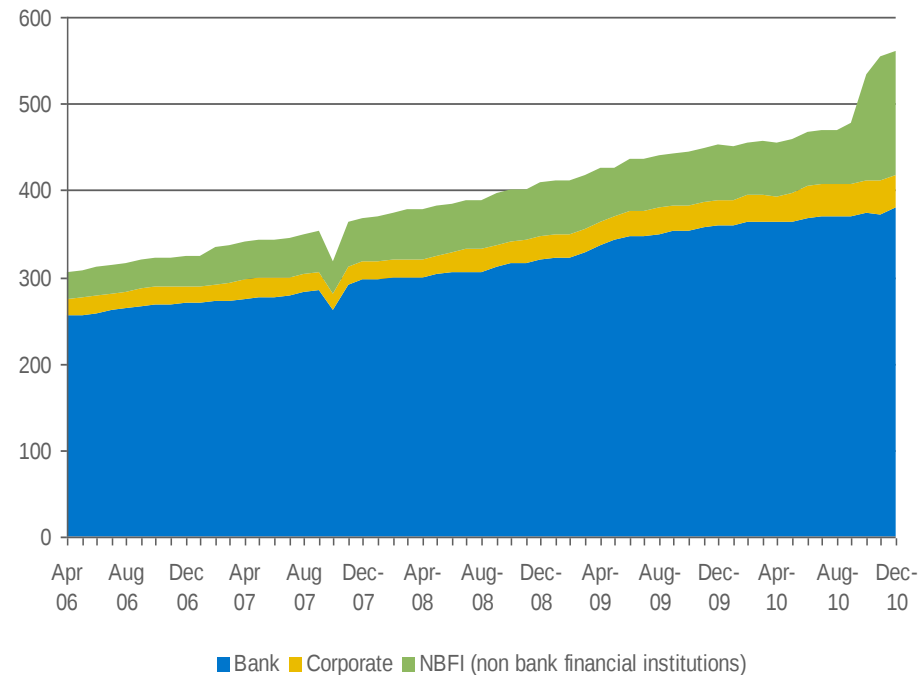


Progress with the broader market (April 2006 – December 2010)



Education and engagement with FX market has raised awareness and promoted growth in participation

- » Fund participation is the largest growth area: 2,358% increase driven by >120 major cross border fund managers *Not shown*
- » Other third party participation has seen a more modest increase:
 - » 49% increase for banks
 - » 95% increase for corporates
 - » 361% increase for NBFIs



Additional actions to extend coverage



- » CLS currency programme is a key strategic objective to **add more currencies** to the settlement service
- » Supports CLS core mission to **provide greater settlement risk elimination** for the global FX market
- » CLS currency programme is an outreach and education programme to raise awareness of the requirements, benefits and impact of settlement risk elimination through CLS participation
- » An additional **two** new currencies, Israeli shekel and Mexican peso
- » **Industry/CB initiative** in one Asian jurisdiction have resulted in:
 - » Further **12** Member offices participating
 - » **Two** additional large local third parties banks