

# triReduce CLS FX for Third Parties

Since triReduce and CLS first introduced FX forward compression, notional principal has been reduced by more than \$19 trillion, with more than 20 banks now participating.

The service is now available to CLS third parties for better gross notional exposure management and counterparty credit risk mitigation.

## Features

- Market risk neutral per counterparty, maturity and currency/currency pair
- Available for dealer, prime broker and CLS third parties
- Choice of compression or offsetting methodology
- Monthly multilateral cycles for optimal efficiency
- New trades delivered via Thomson Reuters TRTN

## Capabilities

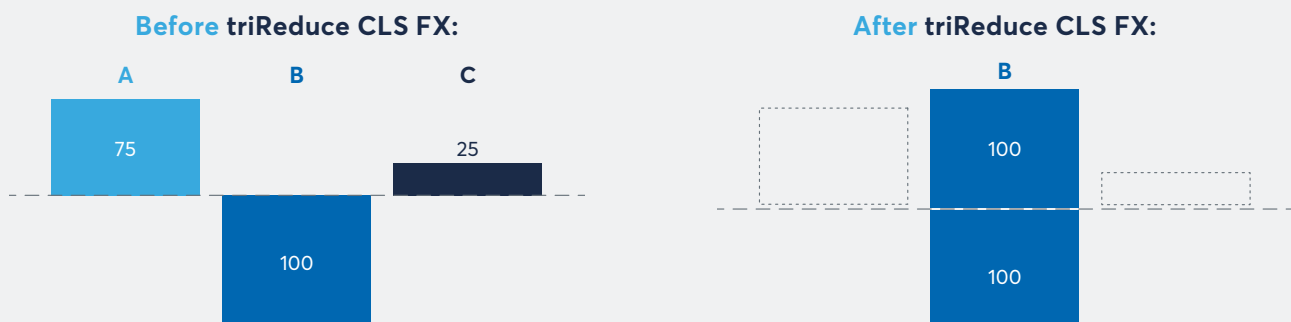
- Enhance capital efficiency and leverage ratios
- Manage counterparty credit risk
- Reduce operational risks and costs
- Reduce both gross and net notional positions

## For Third Parties

- Third parties that settle in CLS through their service provider can now benefit from compressing their portfolios in the same cycles as CLS settlement members.
- To join, third parties should contact their service provider to discuss the sending and rescinding of trades for CLS settlement related to compression.

### HOW IT WORKS

Example for Bank X in EUR/USD FX forwards position at a given end-date:



Bank X has a market risk flat position, consisting of 3 trades, one each with counterparty A, B, and C. Trades versus A and C are deemed eligible to compress but the position versus B is only eligible to offset.

The trades versus counterparties A and C are compressed and a new trade versus counterparty B is created. The result is that net exposures versus counterparties A, B, and C are all reduced, line items have decreased and market risk remains unchanged.

## The Process

### Trade Submission and Matching

CLS provides all eligible forward-dated trade data for participating settlement members and third party clients to triReduce. Participants confirm the trades eligible for compression and/or net positions to be offset.

### Dress Rehearsal

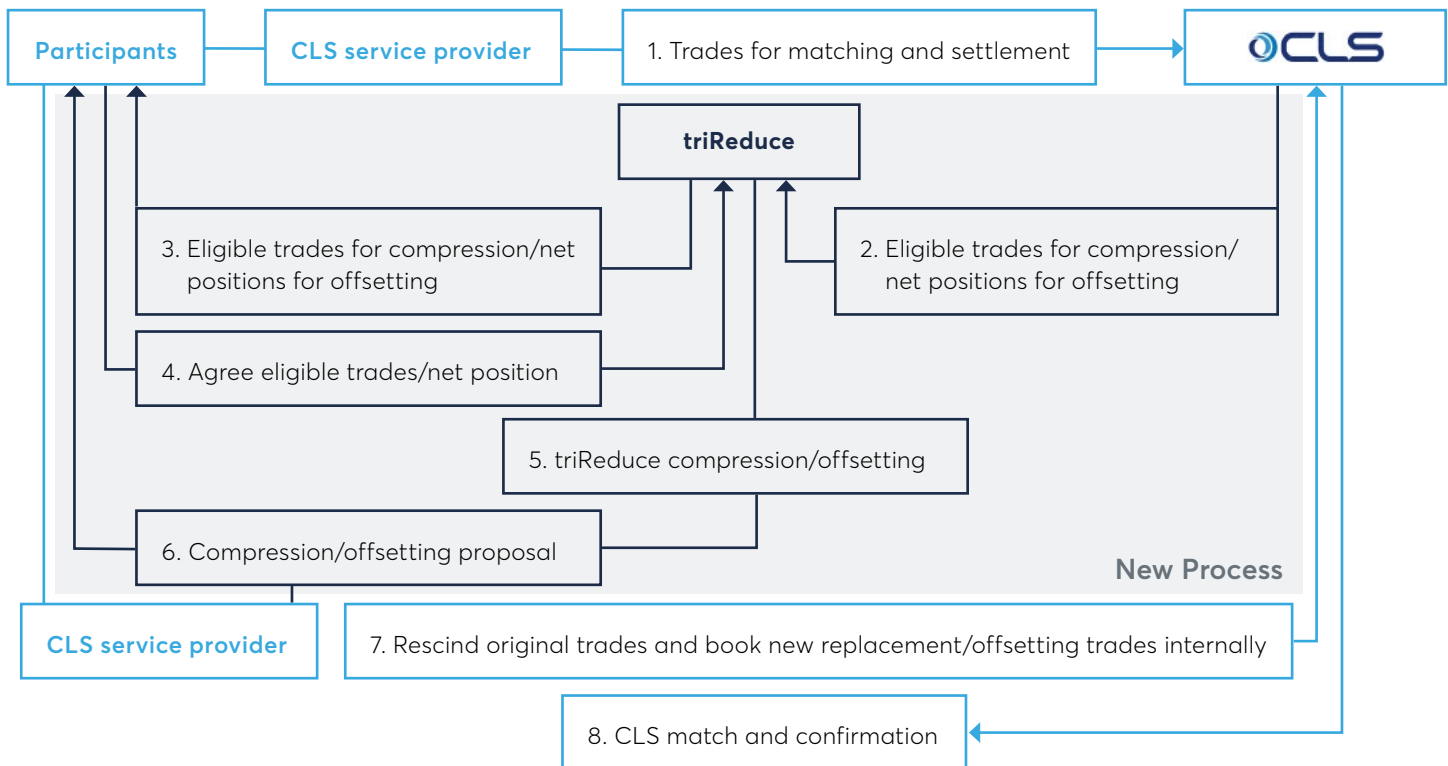
Participants set risk tolerances. The triReduce team delivers a dress rehearsal result for verification.

### Live Execution

TriOptima runs its compression algorithm on the final set of trades using the risk parameters submitted by participants and recommends a set of termination and replacement/offsetting trades for agreement.

### Downstream Processing

Participants rescind original trades, book replacement/offsetting trades, and submit settlement instructions to CLS in the same manner they submit all other FX instructions for settlement. Participants can elect to receive replacement trades via Thomson Reuters Trade Notification Service (TRTN).



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