

# Clearstream Cash & Banking

## Newsletter

02/16

## New banking services, easing global market access

In today's world, financial possibilities are endless. In a single click, you can travel from your desk to halfway across the globe, buying and selling, and making investments in currencies one had never heard of 20 years ago. Click again and translate that exotic currency into another that you, your customers and their customers can comprehend and settle.



It may all sound rather complicated but at Clearstream our objective is to find simple solutions to help our customers, wherever they may want to go. We endeavour to deliver the ideal processes and the best possible solutions, including enhanced foreign exchange services for currency settlement and income processing.

A financial world traveller needs to be able to translate currencies: much as we need a translator when visiting a foreign country, whose language we do not speak. Clearstream and its parent, Deutsche Börse, continue to strive for excellence in the areas of trade and post-trade services.

One company highlight of 2015 was bringing into its fold one of the world's best currency translators, 360T, the foreign exchange platform.

As a meeting place for financial institutions, fund managers and corporate treasurers, the platform delivers that instant currency translation global investors require.

This new partnership has led us to review our current FX offering with the idea to leverage the synergies between the two companies. This could lead to improved deadlines and pricing, full lifecycle reporting, the launch of new FX products, FX direct dealing and straight-through-processing. In addition, Clearstream already delivers new automated and on-demand solutions in foreign exchange services across the majority of its settlement and income currencies. As with FX, Clearstream continues to perfect its other banking solutions to provide the excellent level of service our customers have come to expect.

## Enhanced foreign exchange service

Our newly enhanced FX service has resulted in increased flexibility for our customers who are now free to choose any two of our 38 FX-eligible currencies for settlement instructions: in the past, it was mandatory to use Euro as one of the currencies. This flexibility means, for instance, that a customer who wishes to settle in Singapore dollars but has US dollars can do so with a single FX exchange instruction during the transaction process, instead of having a double conversion via Euro.

We believe this service is particularly useful for customers outside the Eurozone who are looking to trade with emerging markets.

This enhancement aligns our FX Service for Security Settlement Instructions with our Automatic FX and Case-by-Case FX services.

### How does our Automated FX service work?

Our Automatic foreign exchange service (Automatic FX) allows full flexibility in automated currency management for custody proceeds, interest charges and standard monthly fees. Automatic FX automatically converts cash from the currency of the payment to a base currency.

You are able to nominate a specific base currency for each Automatic FX currency included in the service. For example, you can automatically convert proceeds in non-Euro currencies (e.g. CZK, HUF) into Euro, and at the same time convert proceeds in Asian currencies into USD. Our Automatic FX service gives you greater control on how you convert proceeds to the main currencies in which you actively manage or conduct business.

## Improvements to cash services

### Changes to eligible currencies

- OMR as a new settlement currency via Standard Chartered Bank, Oman as CCB
- BRL becomes a settlement currency (previously denomination only)
- GEL moved to a settlement currency in December 2015 (see next page).

### Cash correspondents

- Renminbi: Clearstream now offers five offshore RMB accounts in four leading financial centres (new accounts with BOC Frankfurt, ICBC Luxembourg and ICBC Singapore)
- Change in AED and BHD cash correspondent banks.

### Cash deadline improvements

- HUF: VD 14:15 to 16:00
- THB: VD-1 15:00 to VD 03:00 (winter time)
- GBP: VD 16:00 to 16:10.

## 45 settlement currencies

Argentine Peso	ARS	Malaysian Ringgit	MYR*
Australian Dollar	AUD*	Mexican Peso	MXN*
Bahraini Dinar	BHD*	New Zealand Dollar	NZD*
Botswana Pula	BWP*	Norwegian Krone	NOK*
Brazilian Real	BRL* <sup>1</sup>	Omani Rial	OMR*
Bulgarian Lev	BGN*	Peruvian Sol	PEN*
Canadian Dollar	CAD*	Philippine Peso	PHP
Croatian Kuna	HRK*	Polish Zloty	PLN*
Czech Koruna	CZK*	Qatari Rial	QAR*
Danish Krone	DKK*	Romanian Leu	RON*
Euro	EUR*	Russian Ruble	RUB*
GB Pound Sterling	GBP*	Saudi Riyal	SAR
Georgian Lari	GEL*	Singapore Dollar	SGD*
Gold	XAU	South African Rand	ZAR*
Hong Kong Dollar	HKD*	Swedish Krona	SEK*
Hungarian Forint	HUF*	Swiss Franc	CHF*
Iceland Krona	ISK	Thai Baht	THB*
Indonesian Rupiah	IDR*	Turkish Lira	TRY*
Israeli Shekel	ILS*	UAE Dirham	AED*
Japanese Yen	JPY*	United States Dollar	USD*
Kazakhstan Tenge	KZT*	Uruguayo Peso	UYU*
Korean Won	KRW	Yuan Renminbi	CNY*
Kuwaiti Dinar	KWD		



\* Currencies currently eligible for FX. Please refer to the customer handbook for detailed FX information on each currency: <http://bit.ly/1JxoOTm>

<sup>1</sup> BRL: receipt AP instructions must be performed using USD – no clean payment in BRL.

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## IMF adds the Renminbi to SDR currency basket

On 30 November 2015, the International Monetary Fund (IMF) announced plans to include the Renminbi (RMB) into the Special Drawing Rights (SDR) basket. This significant step marks a major economic milestone for China and we anticipate will lead to an accelerated demand for Chinese assets. The weight of the currency within the SDR basket will be 10.92%.

Clearstream has been offering SDR as a denomination currency for many years and interested issuers are able to issue SDR-denominated securities via Clearstream Banking. This is just one part of our comprehensive range of RMB-related services covering the full spectrum of issuance, settlement, custody and cash management.

### What is the SDR currency basket?

Special Drawing Rights (SDR) are international reserve assets that supplement the official money



reserves of member countries, providing extra credit and liquidity to the international market. SDRs are not a currency themselves but can be used to potentially claim the equivalent value of the currencies in the SDR basket.

There are currently four currencies included: the Euro, the Japanese Yen, the British Pound and the US Dollar. The RMB will be added as a fifth currency from 1 October 2016.

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## Georgian Lari becomes eligible for settlement

During our November release, we enhanced eligibility of the Georgian Lira (GEL) to a settlement currency, thereby facilitating GEL-denominated Eurobond issuance through our ICSD issuance hub. The Bank of Georgia was selected as our cash correspondent bank (CCB) for GEL.

This is a first step in our ongoing efforts to develop our CIS/Caucasus region offering. January saw the opening of our domestic link to Georgia, bringing the total number of accessible links to 55. The product offering includes internal free of and against payment settlement in all settlement eligible currencies, including GEL. Further available services are external free of payment settlement, custody and reconciliation as well as asset servicing.

## Seamless access for customers

Our continuing effort to simplify use of our triparty services for corporate customers has led to a small but significant change in funds transfer instructions. For SWIFT messaging, corporate customers instruct the transfer of funds using a MT101 message, while our financial customers need to use MT103. This can lead to incorrect mapping and subsequently the rejection of the instruction.

Clearstream has implemented a tool into their systems which will automatically transform corporate customer instructions (MT101) into banking instructions (MT103) thus avoiding this possible rejection. It also saves corporate customers time and expense having to adapt their systems.

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## News in brief

### Repatriation of PHP income proceeds

A new service for the Philippine Peso (PHP) is now available that enables customers to repatriate their PHP income proceeds directly from their Clearstream account to their USD account.

This service is particularly beneficial for customers who wish to simplify their cash management in PHP.

### New services for Xact Web Portal

Our new web-based connectivity channel, Xact Web Portal undergoes a number of major transformations during 2016 as we add new services to this state-of-the-art portal. As well as launching settlement and asset servicing services this year, in July we will be implementing a comprehensive package of cash instruction, query and reporting functionalities.

### Negative interest rates

Recently, one hard-hitting change in the macro business environment has been the introduction of negative interest rates. While interest rates have remained extremely low across Europe and the U.S. in recent years, the move by the European Central Bank in June 2014 to lower the deposit rate from zero to -0.1% (currently -0.3%) took us to new levels in the interest rate cycle.

This triggered a domino effect of rate cuts across Europe with the Swedish and Swiss national banks choosing to follow suit (Denmark having already made this move in 2012) in an effort to protect their currencies and reduce market liquidity and volatility.

As a result, Clearstream now applies a daily negative credit interest rate on the end-of-day long balances of these currencies.

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# Denomination only currencies

As well as the settlement currencies, we offer a comprehensive array of denomination only currencies bringing the total number of currencies eligible in our ICSD to 99.

## What is the difference between denomination only and settlement?

The currency in which an instrument is issued is referred to as the denomination currency. A currency listed as "denomination only" means it can be used only for issuance purposes. For example, a Costa Rican issuer could issue a bond in their local currency (CRC) but with the redemption and the settlement activity conducted in USD.

A "settlement" currency, on the other hand, allows the currency to be used not only for issuance but also settlement or redemption purposes. We are able to offer DvP settlement on most currencies that are eligible for settlement.

## Our current list of denomination only currencies

Belarusian Ruble	BYR	Moroccan Dirham	MAD
CFA Franc BCEAO	XOF	Namibia Dollar	NAD
CFA Franc BEAC	XAF	New Taiwan Dollar	TWD
Chilean Peso	CLP	Nicaraguan Cordoba Oro	NIO
Chilean Unidad de Fomento	CLF	Nigerian Naira	NGN
Columbian Peso	COP	Serbian Dinar	RSD
Costa Rican Colon	CRC	Sri Lanka Rupee	LKR
Dominican Peso	DOP	Tanzanian Shilling	TZS
Egyptian Pound	EGP	Tunisian Dinar	TND
Ghanaian Cedi	GHS	Ugandan Shilling	UGX
Guatemalan Quetzal	GTQ	Ukrainian Hryvnia	UAH
IMF Special Drawing Right	XDR	Venezuelan Bolivar	VEB
Indian Rupee	INR	Venezuelan Bolivar Fuerte	VEF
Jamacian Dollar	JMD	Vietnamese Dong	VND
Jordanian Dinar	JOD	Zambian Kwacha	ZMW
Kenyan Shilling	KES	Zimbabwe Dollar	ZWD
Lebanese Pound	LBP		
Macao Pataca	MOP		
Mauritius Rupee	MUR		
Mexican Udi	MXV		
Mongolia Tugrik	MNT		

Plus 17 original currencies of European countries that adopted the Euro.



All information in this newsletter is valid as at January 2016

## Contact info

If you would like more information on any of the topics in this newsletter, please contact your relationship manager.



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