Global Operations Managers Conference

Ensuring Readiness & Resilience

April 2007

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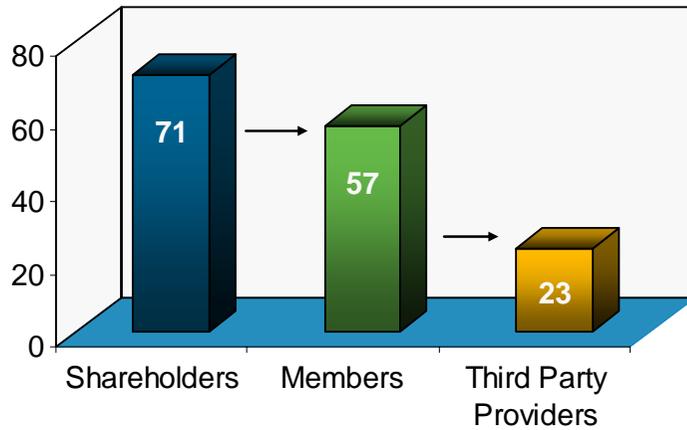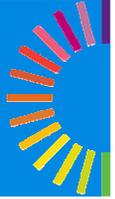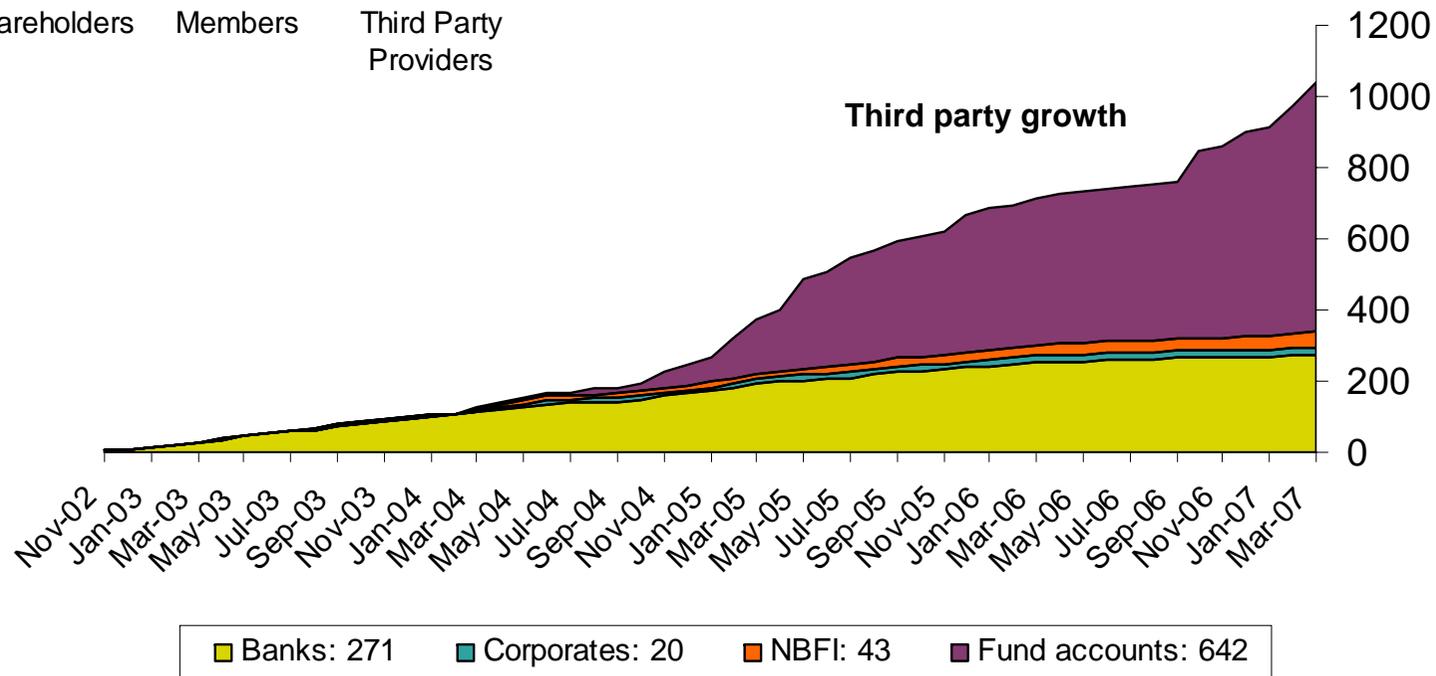www.cls-group.com

Assured.

Overview

➤ CLS Market Position

➤ Business Continuity Arrangements

    ▷ Resilience

    ▷ Failure management tools

➤ Conclusions

CLS today

1 April 2007
Total: 1042

Third party growth

Shareholders: 71
Members: 57
Third Party Providers: 23

Banks: 271 | Corporates: 20 | NBFI: 43 | Fund accounts: 642
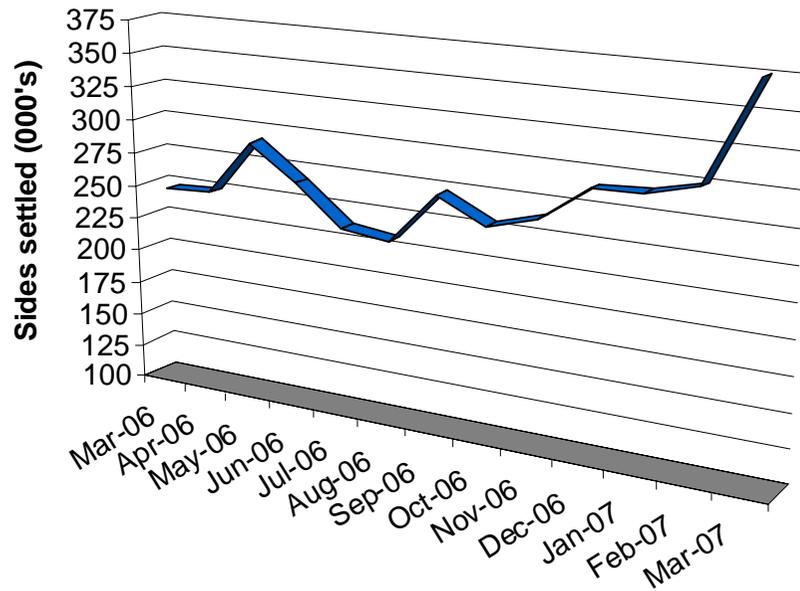
CLS growth driven by new participants, new currencies and increased usage by existing participants
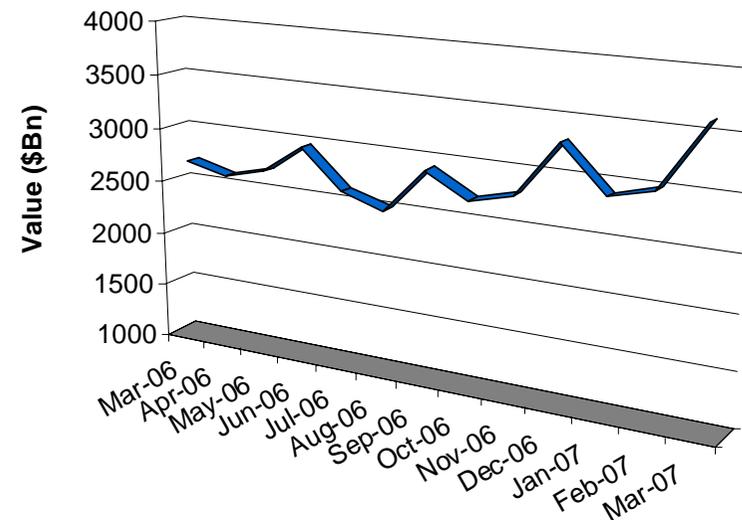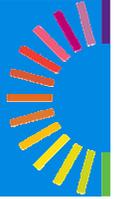
Volume

300,000 instructions daily (705,582 peak day)

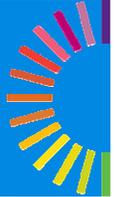**$3 trillion daily ($6.62 trillion peak day)**

Value

CLS – Resilient Infrastructure

➤ Duplicated all systems

➤ Separated by geography (*complete end 2007)*

➤ Proven contingency arrangements

  ▹ RTGS interfaces

  ▹ SWIFT connectivity

  ▹ Member contingency arrangements

  ▹ Standalone Settlement Utility – *NEW*

CLS data & command centres around the world

Command Centre

Data Centre

Tools for Failure Management

➤ Extend deadlines

➤ Act on behalf of

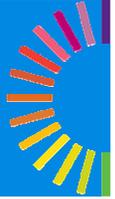➤ Address funding & liquidity

➤ Intervene in Market

1 - Extend Deadlines

➤ Allow time to resolve

   ▸ CLS System issue or

   ▸ External event

   that threatens the funding and settlement process

➤ Defer

   ▸ CLS internal deadline and/or
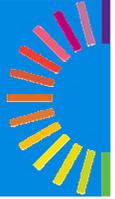
   ▸ RTGS opening hours

2 – Act On Behalf Of

▶ CLS Operations act on behalf of members to enter:

  ▹ In-Out Swap instructions

  ▹ Standard FX instructions

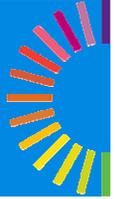▶ Force manual settlement after normal settlement window

3 - Address funding & liquidity

➤ **Ensure settlement**
  ▷ Pay-in call
  ▷ One-shot funding
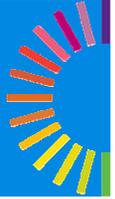 ▷ Increase Short Position Limit – *NEW, under consideration*

➤ **Ensure pay-out**
  ▷ Reduce Short Position Limits (Settlement against <u>direct</u> currency funding)
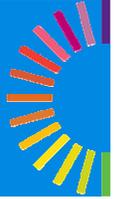 ▷ Call on Liquidity Providers

4 - Intervene in Market

➤ Suspend Member

➤ Suspend Currency

➤ Declare Short Notice Bank Holidays (Settlement Deferral).

 ▷ single or multi-currency

 ▷ only if no possibility of settling in the currency

Future extensions

➤ **Improve communication**

- ▷ Establish a Crisis Communication Protocol
  - ‣ Internal crises
  - ‣ External crises
- ▷ Will include regional FX industry groups as appropriate

➤ **Model and analyse credit-related events**

- ▷ At a Nostro
- ▷ At an RTGS

Conclusions

➤ Duplicate systems

➤ Develop a suite of failure management tools and procedures

➤ Test contingency scenarios regularly

    ▷ Internally and with customers

➤ Analyse varied scenarios

Any failure will be unique – manage it using available tools