

triReduce CLS FX

Multilateral compression is a vital tool in portfolio and capital management. Since triReduce and CLS first introduced Forward FX compression, participation has grown, reducing notional principal by more than \$8 trillion. With the latest service enhancements, participants can also choose to reduce net bilateral exposures by offsetting them with new trades, all in one combined cycle.

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

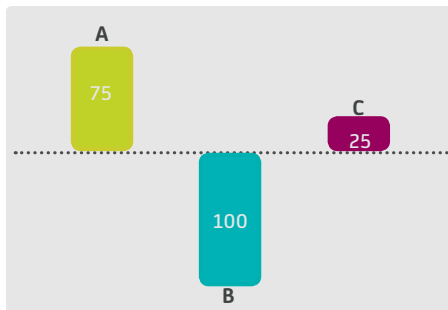
BENEFITS

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

HOW IT WORKS

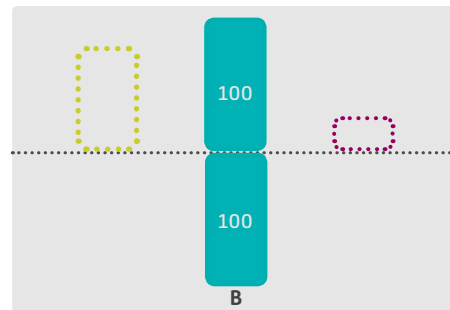
Example for Bank X in EUR/USD FX forwards position at a given end-date:

Before triReduce CLS FX:



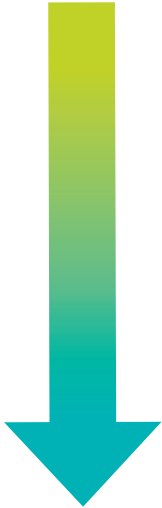
Bank X has a market risk flat position, consisting of 3 trades, one each with counterparty A, B, and C. Trades versus A and C are deemed eligible to compress but the position versus B is only eligible to offset.

After triReduce CLS FX:



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

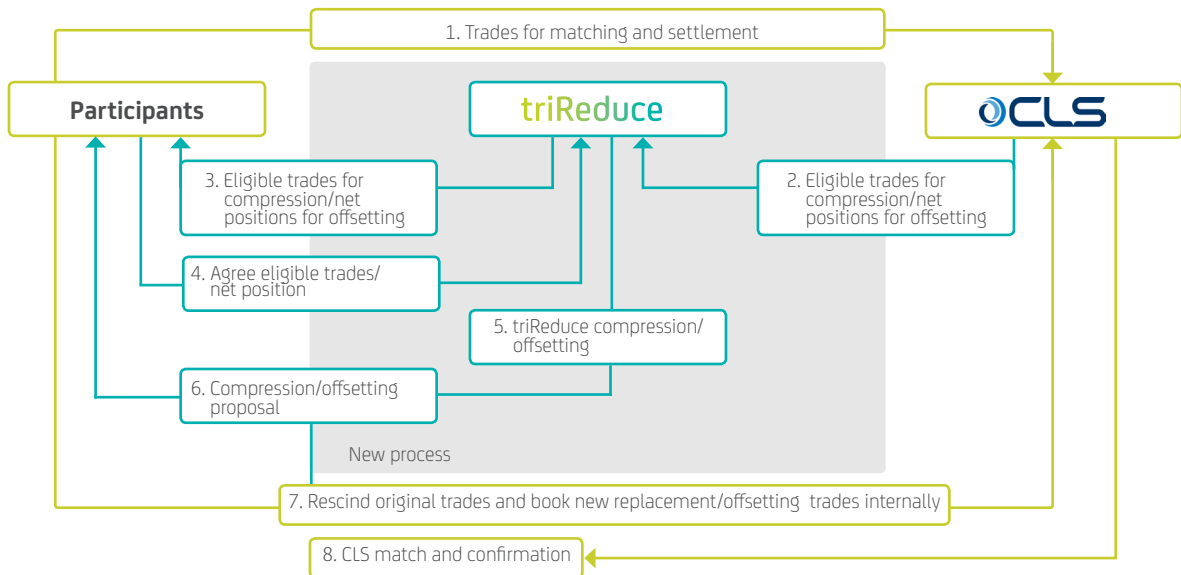


TRADE SUBMISSION AND MATCHING CLS provides all eligible forward-dated trade data for participating settlement members and third party clients to triReduce. Participants confirm the trades eligible for compression and the net positions to be offset.

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 Settlement members 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).



AWARD-WINNING INNOVATION

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 e-FX
 Awards
 2016

Best New Post Trade

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