

# MARKET BULLETIN

REF: Y4185

|                      |   |
|----------------------|---|
| <b>Title</b>         | <b>Additional Settlement Currencies</b>   |
| <b>Purpose</b>       | <b>To inform the market of the intention to settle in two new settlement currencies</b>   |
| <b>Type</b>          | <b>Event</b>  |
| <b>From</b>          | <b>Ian Wootten, Manager, Settlement &amp; Trust Fund Operations<br/>Finance &amp; Risk Management<br/>01634 392098<br/>Ian.Wootten@Lloyds.com</b> |
| <b>Date</b>          | <b>23<sup>rd</sup> September 2008</b>   |
| <b>Deadline</b>      |   |
| <b>Related links</b> |   |

## 1 Purpose

To notify agents and brokers of the intention by Lloyd's to settle in two additional settlement currencies.

## 2 Background

Following requests from the Market, Lloyd's have been investigating the addition of further settlement currencies – New Zealand Dollar and Singapore Dollar

## 3 Settlement Implications

The additional currencies would be run in the same way as we do the Euro, Australian Dollar, Swiss Francs, South African Rand, Japanese Yen, Hong Kong Dollar, Swedish Krona, Danish Krone and Norwegian Krone. ALL syndicates would need to be able to accept currency payments either by settling directly in the currency or by mandating Lloyd's to effect the foreign exchange transaction via the Currency Conversion Service (CCS). Syndicates will be able to select settlement in currency or CCS on a currency by currency basis and will have the opportunity to migrate to actual currency settlement at a later date.

Currency dealing requirements of the CCS are carried out by the Lloyd's Treasury Department. As for existing CCS currencies, the Department will make a charge of 0.05%, by transaction value, for these services. Any CCS surplus (or deficit) arising from exchange rate variations is distributed to (or collected from) participating syndicates by varying daily bid/offer dealing spreads.

There will be no additional set-up charge for those syndicates that have chosen the currency settlement option and transaction charges will be in line with those levied for transactions in the existing settlement currencies. Xchanging may levy a set up charge to syndicates who elect to use CCS

Those syndicates who elect to settle transactions direct rather than via the CCS and all brokers who expect to transact in these currencies, will need to nominate a settlement bank account for each relevant currency, which will be debited or credited as required by the Corporation's central settlement process.

At this stage we can not advise a live date until testing is complete, however we are currently anticipating a January 2009 start date.

#### **4 Central Settlement Banking Arrangements**

The Corporation have selected Citibank to be its clearing bank for these two new settlement currencies. Participants are free to hold nominated settlement accounts at the bank of their choice, however their accounts must be able to receive and act upon SWIFT debit and credit instructions in the relevant currencies and in accordance with the central settlement 3 day settlement cycle. These debit and credit instructions will be sent by Citibank on the Corporation's behalf, and if your chosen bank does not already have one, they will need to enter into a bilateral agreement with Citibank governing these instructions prior to any settlements being automatically processed.

Banking charges incurred by the Corporation as a result of direct settlement in these new currencies will be recharged back to the syndicates as with other settlement currencies. In addition participants will probably be charged by their nominated bank for acting on the Corporation's settlement instructions, and the level of these costs will depend upon the participants' relationship and negotiating position with their bank. Where participants choose to hold their account at Citibank, debits and credits will be processed as internal transfers and as a result will be significantly cheaper.

#### **5 Next Steps**

All Agents will be receiving a letter from Xchanging asking them to indicate whether their syndicates intend to settle in currency or via CCS for each of these new currencies. The letter will advise of any charges associated with electing to use CCS

and it will also include the relevant mandates for completion if you choose to settle in currency.

All brokers will be receiving a letter from Xchanging asking them to complete the relevant mandates for the additional currencies that they wish to settle in.

On receipt of this documentation Agents and Brokers are asked to complete and return within the deadline specified.

Ian Wootten  
Manager  
Settlement & Trust Fund Operations