

# Orbit

## FX Settlement Setup and Preparation

# FX Settlement

- Orbit provides tools that make it easy to manage the FX Settlement process
- In Orbit settlement covers the following:
  - Compensation of expiring trades
  - Roll of expiring hedges
    - If you are using Orbit for FAS 133 hedge accounting, you must use the hedge roll feature so that Orbit can keep track of accounting history for a hedge that persists across multiple trades
  - Netting at bank
  - Splitting (direct one back to pay another)
- FX Settlement in Orbit results in the creation of Cash Ledger entries representing FX Settlement Cash Flows
- If your settlement process is consistent and straight forward, settlement processing can be completely automated
- If your settlement process varies and is more complex, you will likely need to perform settlement manually using the Orbit point/click UI

# FX Settlement

The screenshot shows the 'Main Window - Cisco Systems' interface. At the top, there are navigation buttons for 'Prev Day' and 'Next Day', and a status bar showing 'Top: 0 HT: 0 BT: 0 Mc: 649'. Below this is a table of messages with columns for 'Type', 'Message', and 'Value'. The table contains several rows of 'EMERGENCY FUNDING - PENDING' messages with various dates and values. On the right side, there is a menu with the 'FX' tab selected. The menu items include 'Setup FX Strategies', 'Setup Exposures', 'Setup FX Balance Sheet Forecast', 'Setup IC Cash Funding Forecasts', 'FX Trade Entry', 'IC Funding Trade Worksheet', 'Balance Sheet Trade Worksheet', 'Trading Portals', 'Trade Approval', 'Trade Confirmation', 'Trade Ticket Distribution', 'FX Cash Settlement' (highlighted), 'FX Reporting', and 'Option Pricing Model'. At the bottom, there is a central area with buttons for 'Setup Trading Strategies', 'Enter Balance Sheet Forecast', 'FX Trade Entry', 'Setup Exposures', 'Balance Sheet Trade Worksheet', 'Trade Approval (not required)', 'Enter Currency Rates', 'Enter IC Funding Forecast', 'Trade Confirmation', 'Reporting', 'FX IC Funding Trade Worksheet', 'Trade Ticket Distribution', 'FX Accounting', 'FX Trading Portals', and 'FX Cash Settlement'. A 'Quit' button with a red arrow icon is also visible.

- Go to the “FX” tab of the Main Menu Window
- Press the “FX Cash Settlement” button
- OR: select “FX Cash Settlement” from the “FX” menu

# FX Settlement



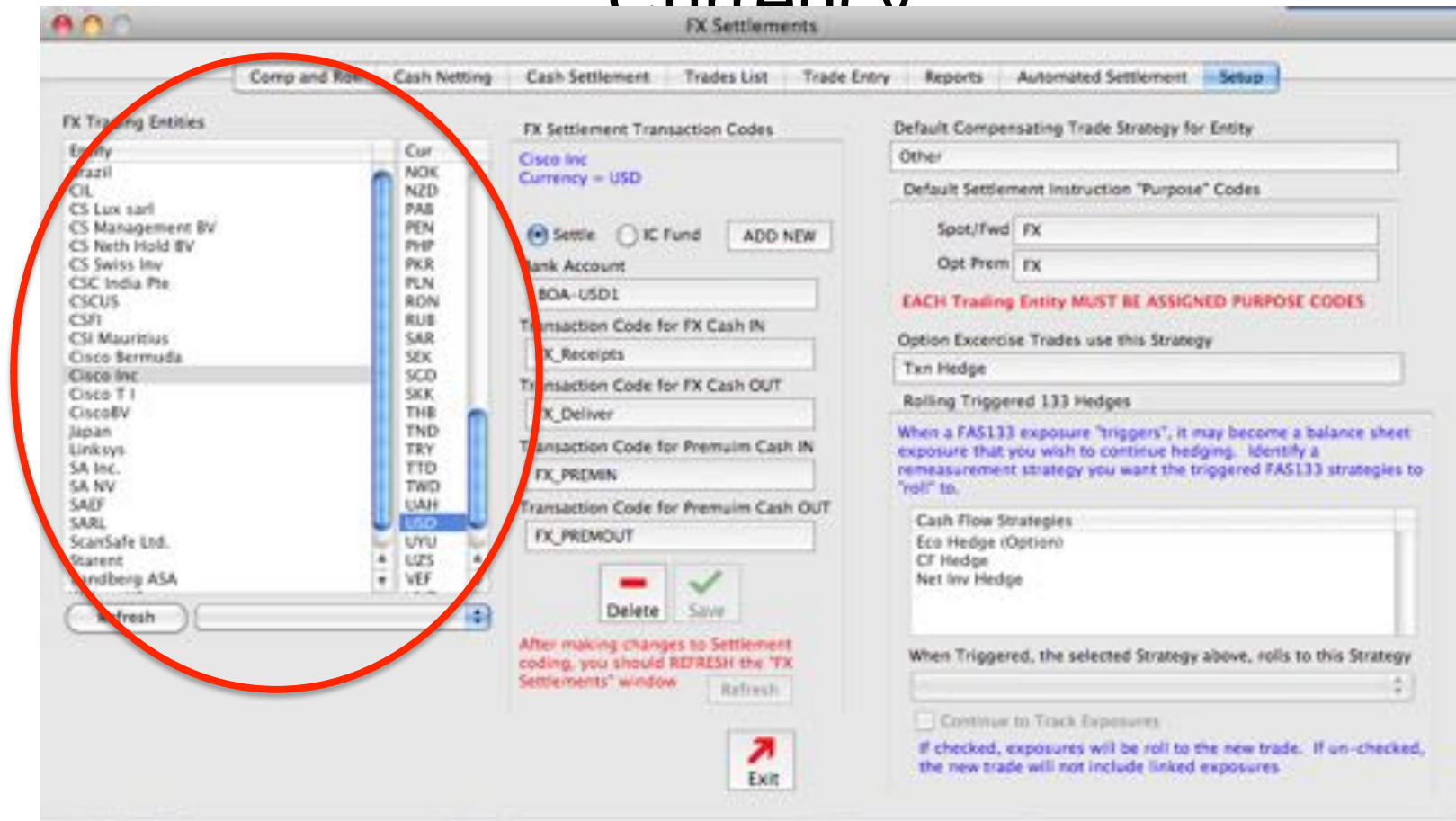
- The FX Settlements window includes 8 tabs
- “Comp and Roll”
  - Use this tab to start the settlement process and to generate compensating trades to close expiring hedges and new “forward” trades to roll hedges forward
- Cash Netting
  - Perform netting by entity, bank and currency
- Cash Settlement
  - Manually set your settlement plan for each Entity and Currency. Here you work with netted cash flows to tell Orbit how settlement will occur. This is where “splitting” occurs
- Trades List and Trade Entry
  - Standard Orbit FX Trading list and trade entry forms
- Reports
  - FX Settlement reports that will reflect the settlement planning you perform in “Cash Netting” and “Cash Settlement”
- Automated Settlement
  - This is where you setup auto-settle commands , run commands and view the status of auto-settle run events
- Setup
  - This is where you provide Orbit with the setup information needed to identify bank accounts, cash ledger transaction codes and delivery instructions used by FX Settlement.

# FX Settlement



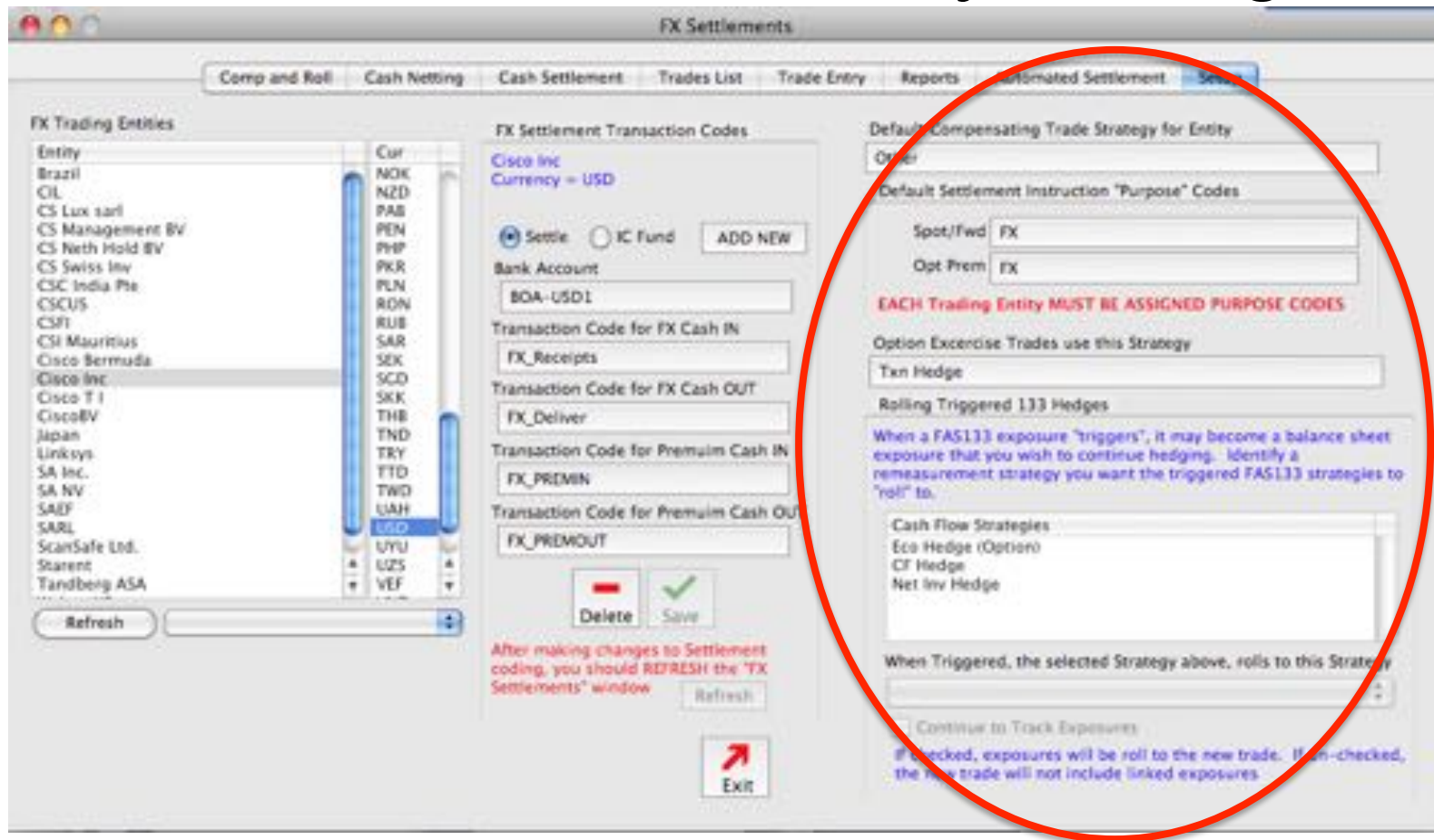
- The rest of this presentation deals primarily with Setup
- Click on the “Setup” tab to proceed to setup
- Orbit needs setup information for the following purposes
  - To create Cash Ledger entries (cash flows), Orbit needs to know the debit/credit bank account and Transaction codes for inflows and outflows for each potential settlement currency
  - For payments, Orbit needs enough information to identify the proper Delivery Instruction to attach to the cash flow
  - For generated compensating and roll trades, Orbit needs to know the default Trade Purpose/Strategy to assign
- Setup is required for each potential settlement Entity/Currency

# FX Settlement – Setup – Select Entity/ Currency



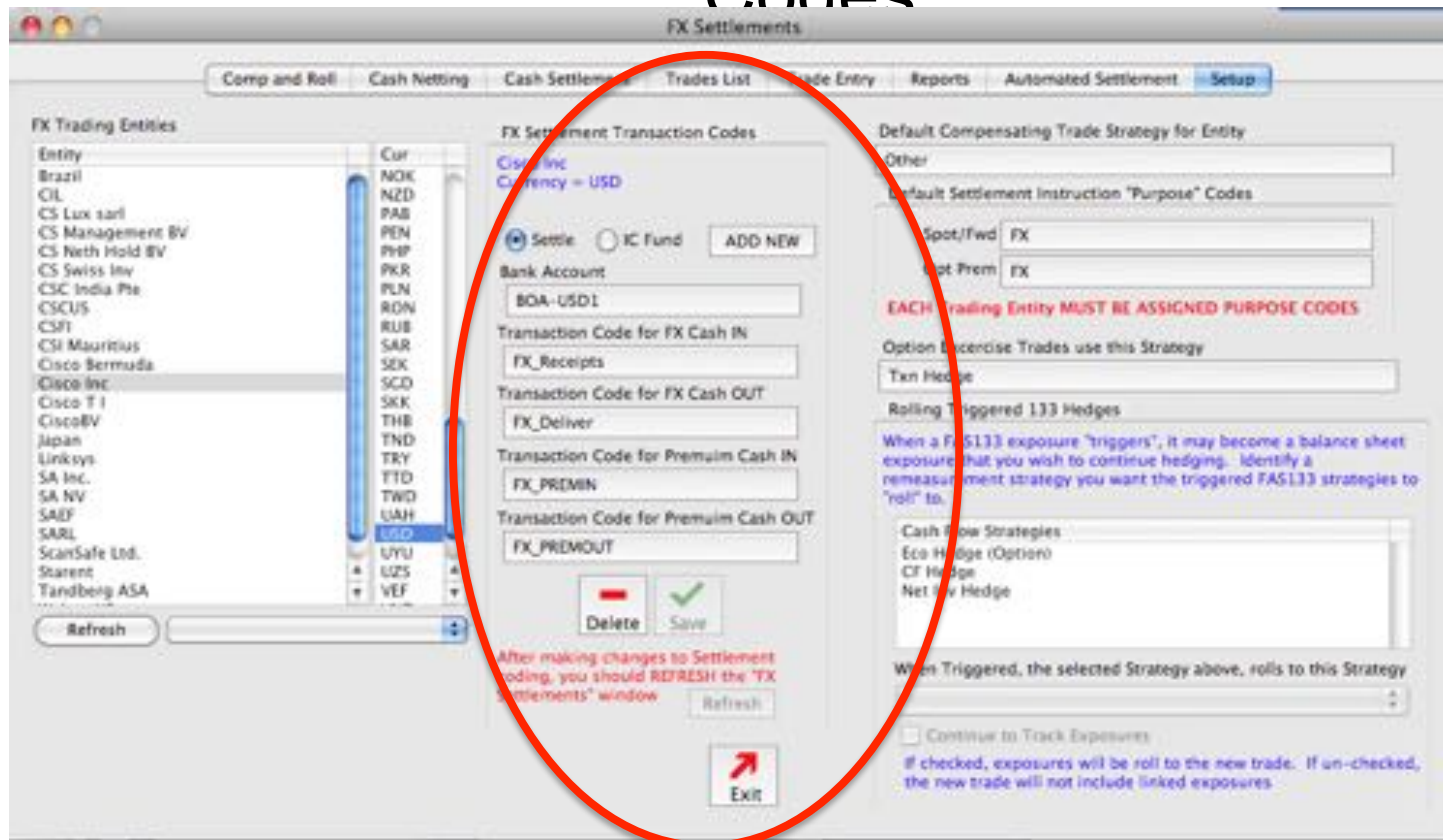
- On the “Setup” tab, select an FX Trading Entity
- Select a currency for that entity
- Provide the setup information needed for the Entity currency (see next slides)

# FX Settlement – Entity Settings



- These items are specific to the selected “Entity”. They do not depend on the currency
- We will describe these selection later

# Entity/Currency - Bank Accounts & Transaction Codes



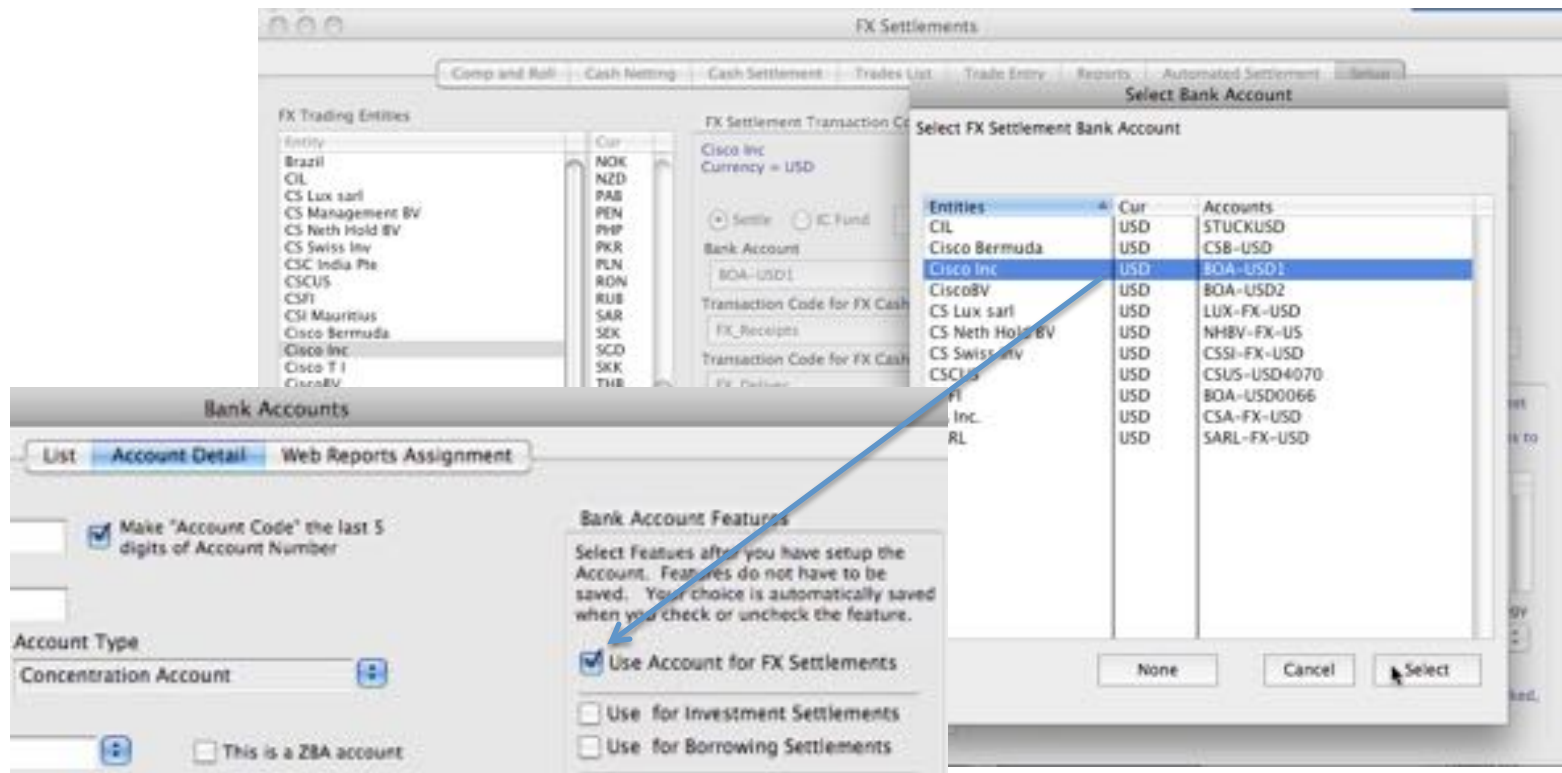
- These items are specific to a selected Entity and Currency
- For each cash delivery or receipt, Orbit needs to know the Bank Account and transaction codes to use
- 2 different categories of codes may be required: One for trade settlement and another for cases where settlement is part of inter-company funding (IC Fund radio button)
- In each category (Settle or IC Fund), you may have multiple bank accounts and associated transaction codes (use the “Add New” button to add multiple codings)

# Entity/Currency - Bank Accounts & Transaction Codes

The screenshot displays the 'FX Settlements' application window with the 'Setup' tab selected. On the left, a list of 'FX Trading Entities' includes 'Cisco Inc.' and 'USD' is selected in the currency dropdown. The central 'FX Settlement Transaction Codes' section is circled in red, showing radio buttons for 'Settle' and 'IC Fund', and an 'ADD NEW' button. Below this, there are fields for 'Bank Account' (BOA-USD1) and transaction codes for various settlement types: 'FX\_Cash IN' (FX\_Receipts), 'FX\_Cash OUT' (FX\_Deliver), 'FX\_Premium Cash IN' (FX\_PREMIN), and 'FX\_Premium Cash OUT' (FX\_PREMOUT). The right side of the window contains sections for 'Default Compensating Trade Strategy for Entity' (Other), 'Default Settlement Instruction "Purpose" Codes' (Spot/Fwd: FX, Opt Prem: FX), and 'Option Exercise Trades use this Strategy' (Txn Hedge). A red warning message states 'EACH Trading Entity MUST BE ASSIGNED PURPOSE CODES'. At the bottom, there are 'Delete' and 'Save' buttons, a 'Refresh' button, and an 'Exit' button.

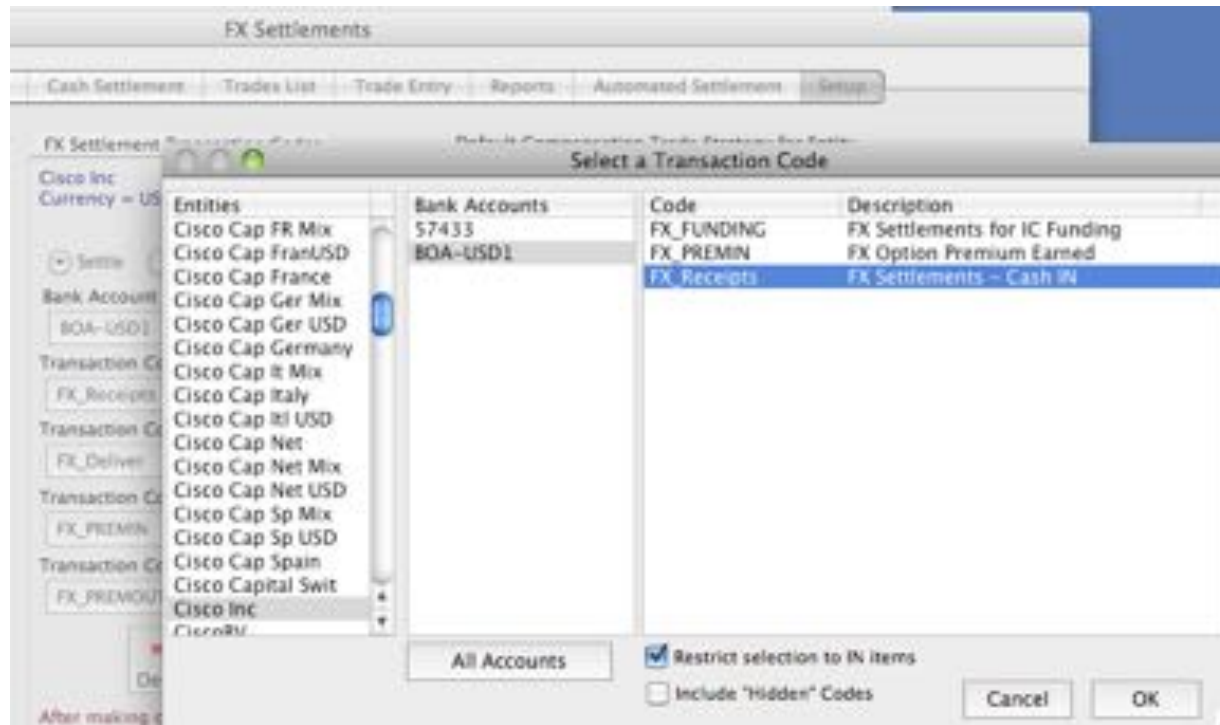
- The “Settle” and “IC Fund” radio buttons provide for entering 2 different sets of settlement directions. This allows you to specify different bank accounts and transaction codes for “normal” settlement vs. settlement that supports inter-company funding

# FX Settlement – Bank Accounts



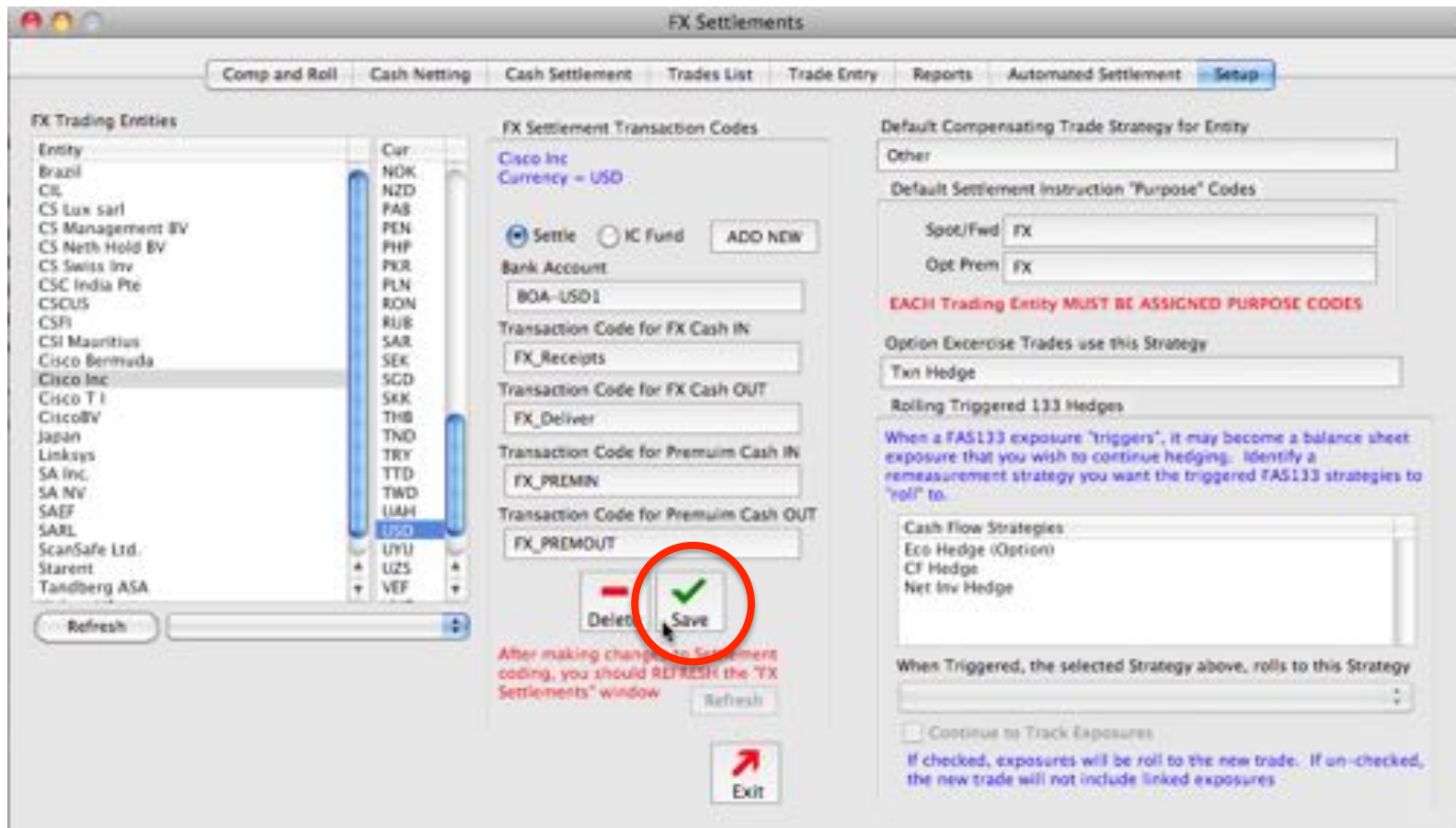
- To select a bank account, click on the “Bank Account” button – this is the control below the “Bank Account” label
- When you click the “Bank Account” button, a selection list appears showing all current “FX Settlement” bank accounts
- A bank account is an “FX Settlement” account, if its “Use Account for FX Settlement” checkbox is checked on the “Account Detail” tab of the “Bank Accounts” window ( “Cash” tab, “Setup Bank Accounts” button)
- When you select a bank account, the “Transaction Code” settings are set to blanks. Remember, Transaction Codes are specific to bank accounts
- After you have selected a bank accounts, click on each of the different Transaction Code buttons. Each button represents a different settlement cash flow that could occur for the entity/currency: Cash Received, Cash Paid, Option Premium Received and Option Premium Paid
- The next slide describes selection of Transaction Codes

# FX Settlement - Transaction Codes



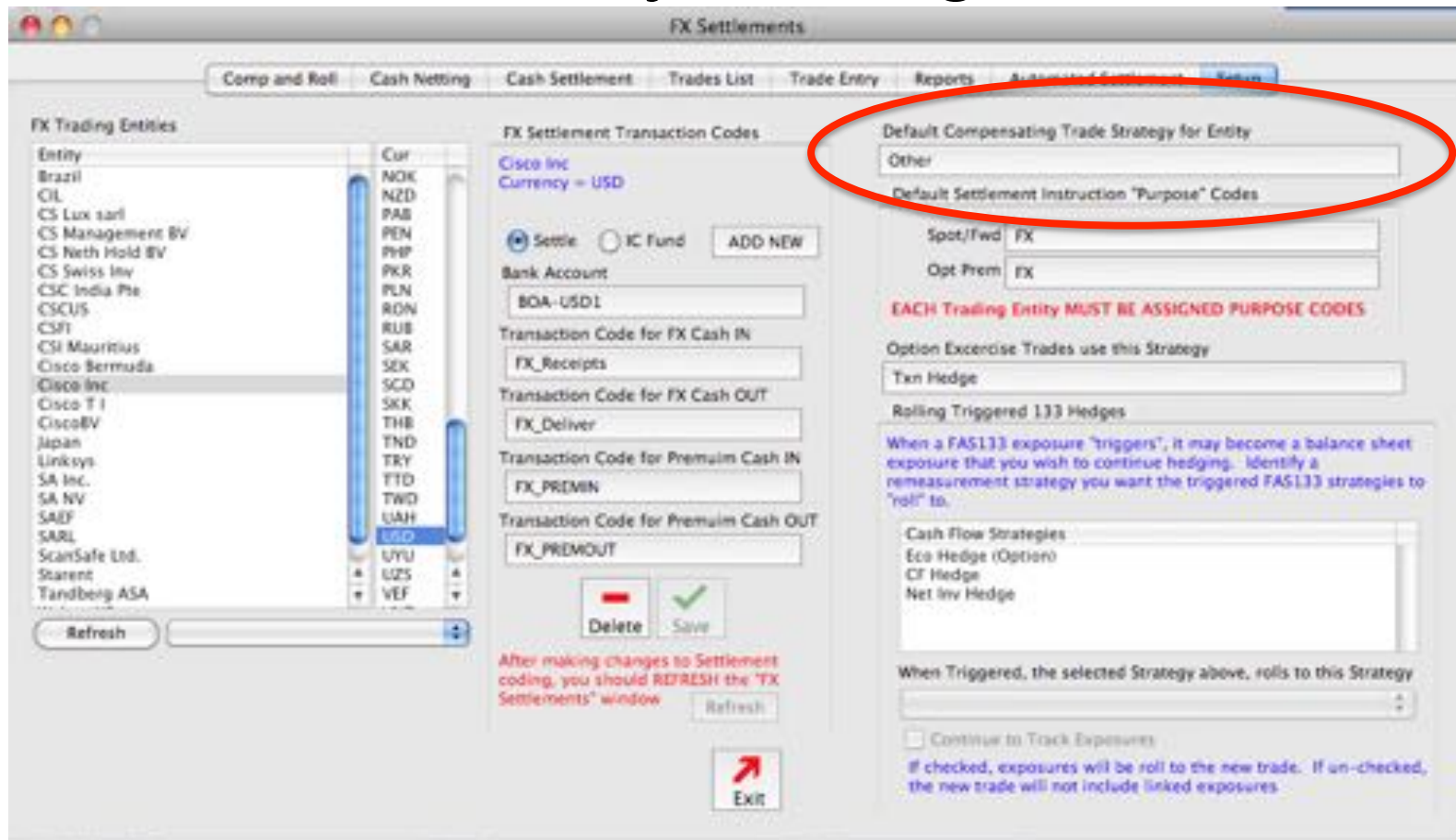
- Click the corresponding button for each of the different cash flow types ( FX Cash IN, FX Cash OUT, Premium Earned, Premium Paid)
- Select the “Transaction Code” you want to represent that type of settlement cash flow
- The codes you will see listed are those that are active for the bank account AND are also marked as “CASH IN” or “CASH OUT” (depending on the type of cash flow you are selecting for)
- The transaction code selection dialog will let you select codes for different entities, bank accounts or IN/OUT type. There are times when you might want to do this for settlement, but be sure you are careful making this selection.

# Bank Accounts & Transaction Codes



- After making your selections, be sure and click the “Save” button

# Entity Settings



- The settings on the far right of the “Setup” tab belong to the Entity selection and do not depend on the Currency selection
- Set the default trade purpose/strategy that Orbit will assign to compensating trades it might generate on the “Comp and Roll” tab

# Entity Settings

The screenshot shows the 'FX Settlements' application window with the 'Setup' tab selected. The 'Default Settlement Instruction Purpose Codes' section is highlighted with a red oval. It contains the following fields:

- Spot/Fwd: FX
- Opt Prem: FX.Prem

Below these fields, a red warning message states: "Each Settlement Instruction Entity MUST BE ASSIGNED PURPOSE CODES".

Other sections visible in the window include:

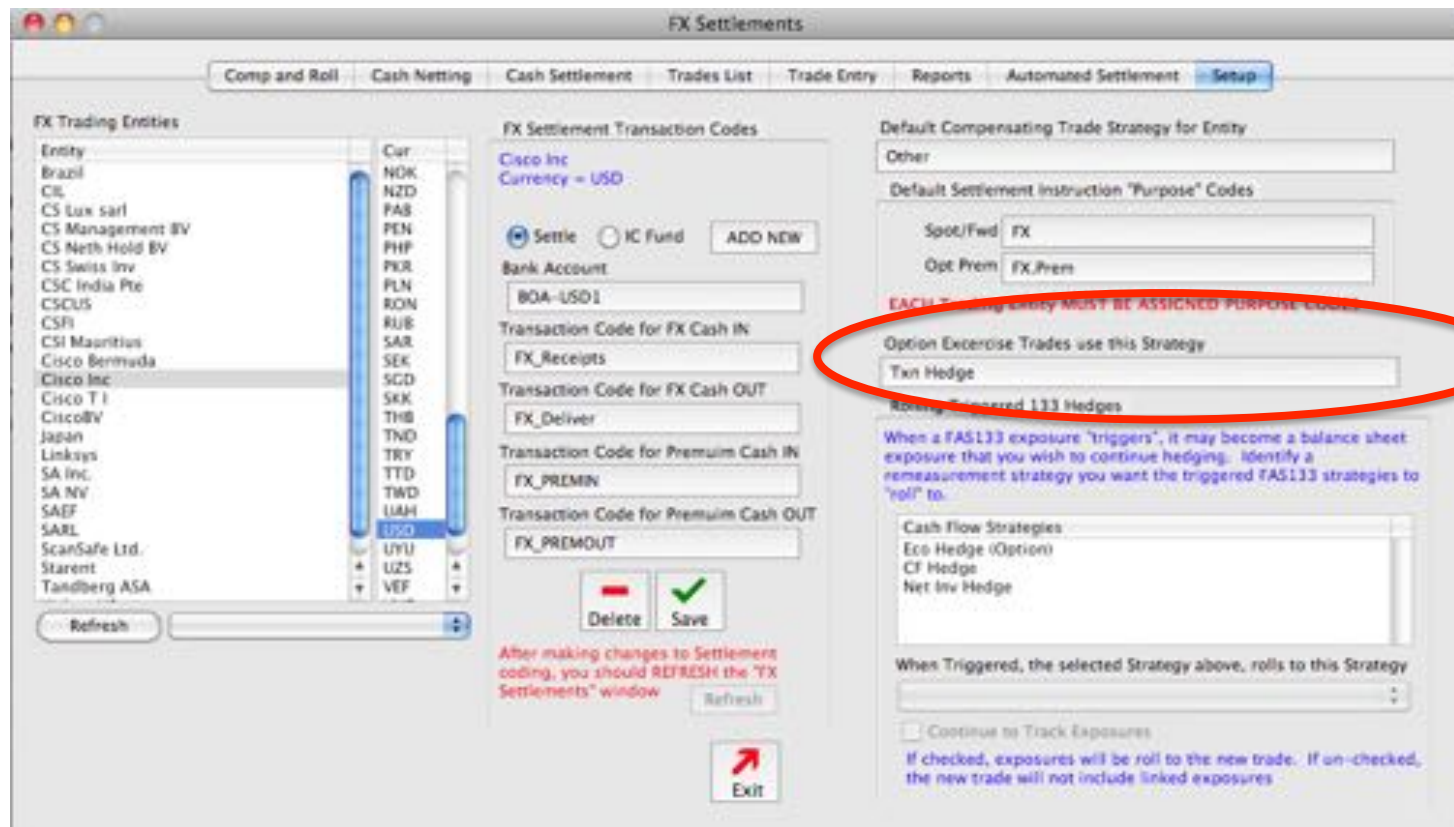
- FX Trading Entities:** A list of entities including Cisco Inc, with a 'Refresh' button below.
- FX Settlement Transaction Codes:** Fields for various transaction codes (e.g., FX\_Receipts, FX\_Deliver, FX\_PREMIN, FX\_PREMOUT) and a 'Bank Account' field (BOA-USD1).
- Default Compensating Trade Strategy for Entity:** A section for selecting a strategy, with a list of strategies including 'Eco Hedge (Option)', 'CF Hedge', and 'Net Inv Hedge'.

- Set the “Default Settlement Instruction Purpose Codes
- There is a separate setting for Spot/Fwd and Option Premium
- Orbit uses these to search for deliver instructions
- A Bank will have delivery instructions for each currency and may have different instructions for different purposes and entities
- See the next slide for a description of how Orbit searches for delivery instructions based on “purpose” codes and entities

# Delivery Instructions

- When Orbit creates a settlement Cash Flow it must provide the cash flow with delivery instructions
- If the flow is OUT, then Orbit looks for delivery instructions belonging to the bank counter party for the cash flow currency
- Assume a Spot/Forward trade for entity XXX and a trade purpose setting of “FX”. Orbit will search for the bank currency instructions using the purpose code and entity in this order:
  - “FX.XXX”
    - This form allows you to specify instructions for purpose “FX” and entity “XXX”
  - “FX”
    - This is the more general form. If there is no match of FX.XXX, Orbit will attempt to match on “FX”
- Assume an Option trade for entity XXX, a spot/fwd trade purpose setting of “FX” and an option trade purpose setting of “FX.prem”. Orbit will search for the bank currency instructions in this order:
  - “FX.prem.XXX”
  - “FX.prem”
  - “FX.XXX”
  - “FX”

# Entity Settings



- Orbit does not currently use this setting

# Entity Settings

- These settings tell Orbit what to do on the “Comp and Roll” tab when rolling a FAS 133 hedge that includes portions of the expiring hedge that have been “recognized”. The recognized pieces are no longer subject to 133 accounting treatment
- When we roll those pieces, they will go to their own hedges and Orbit will assign the trade purpose/strategy you indicate in the “When Triggered...”