

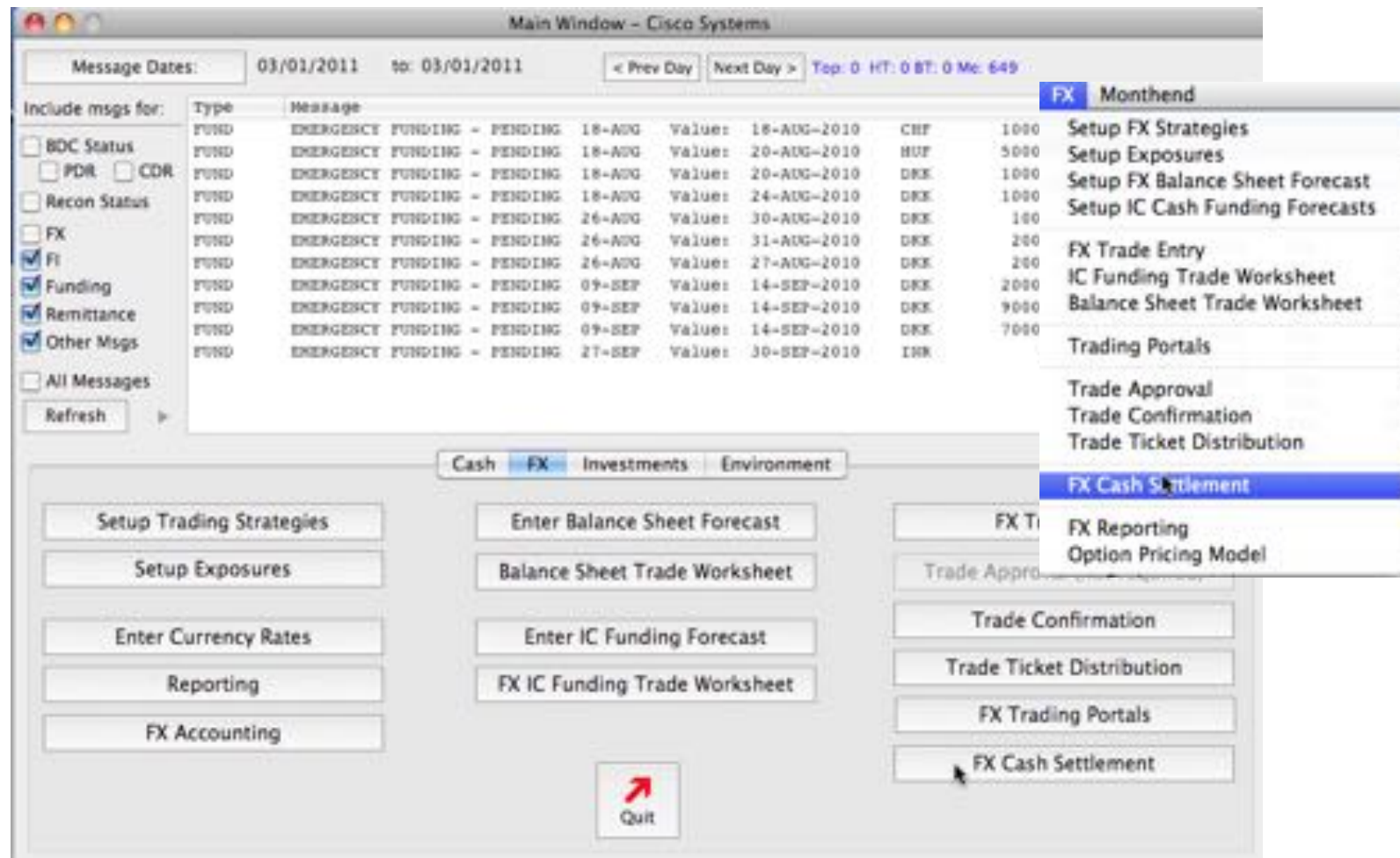
# Orbit

## Manual FX Settlement Using “FX Cash Settlements”

# 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 the FX Settlement Cash Flows
- If your settlement process is consistent and straight forward, settlement processing can be completely automated
- You may also perform settlement manually if your process is too variable for automated settlement
- The following slides describe how to perform manual FX Settlement using the “FX Cash Settlement” feature
- We assume that you have already completed FX Settlement Setup. If not, see the presentation entitled: “FX Settlement Setup”

# FX Settlement – Manual Settlement



- 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 – Manual Settlement

The screenshot shows the 'FX Settlements' application window. The 'Value Date' field is highlighted with a red circle and contains the date '08/03/2011'. The interface includes tabs for 'Comp and Roll', 'Cash Netting', 'Cash Settlement', 'Trades List', 'Trade Entry', 'Reports', 'Automated Settlement', and 'Setup'. A table with columns for 'Cur', 'Bank', 'Value Date', 'Strategy', 'ID', 'Type', 'Trade Amt C', 'Comp Amt R', and 'Roll Amt' is visible. At the bottom, there are checkboxes for 'Compensate and Roll in same bank', 'Trade through Portal', and 'Limit Comp Trade Size', along with an 'Exit' button and 'Save' and 'Refresh' buttons.

- Enter the settlement value date you wish to settle
- Enter the date value and press the enter or return key
- Orbit will query the database for all FX trades settling on the date you enter
- Go to the “Cash Netting” tab

# FX Settlement – Netting

FX Settlements

Comp and Roll **Cash Netting** Cash Settlement Trades List Trade Entry Reports Automated Settlement Setup

Value Date: 08/03/2011 Currency: Bank: Entity: Show Spot/Fwd Trade Settlements Show Option Exercise Settlements Show Option Premium Settlements Refresh

Functional Currency

Bank	Cur	Entity	Amount	TradeID	Cur
BOASF	USD	CiscoBv	15.62	34405	CAD
CITINY	USD	Cisco Inc	-1,189,576.40	34409	COP
CRED	USD	CL	-14.20	34404	EUR

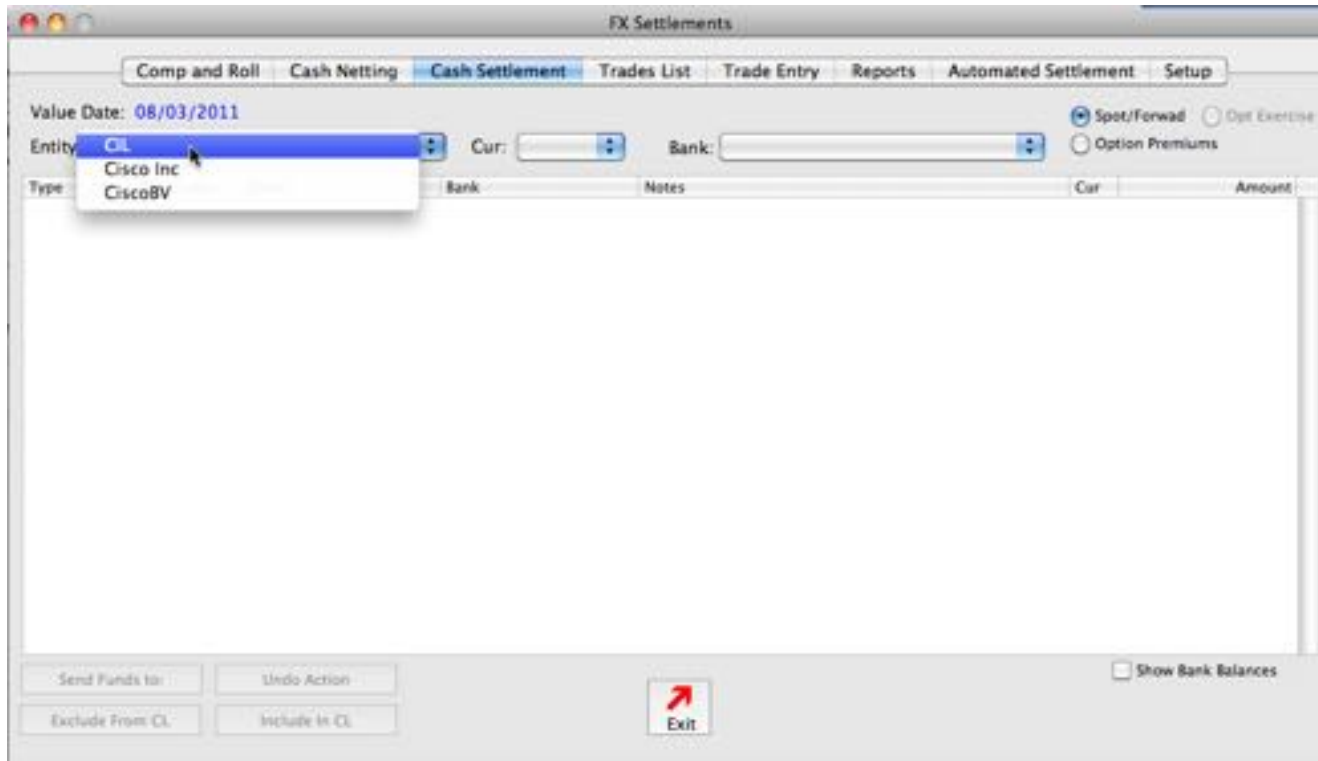
Non-Functional Currencies (trading currency)

Bank	Cur	Entity	Amount	TradeID
BOASF	CAD	CiscoBv	-15.00	34405
CITINY	COP	Cisco Inc	2,109,000,000.00	34409
CRED	EUR	CL	10.00	34404

Net All Possible Net Selected Un-Net Exit

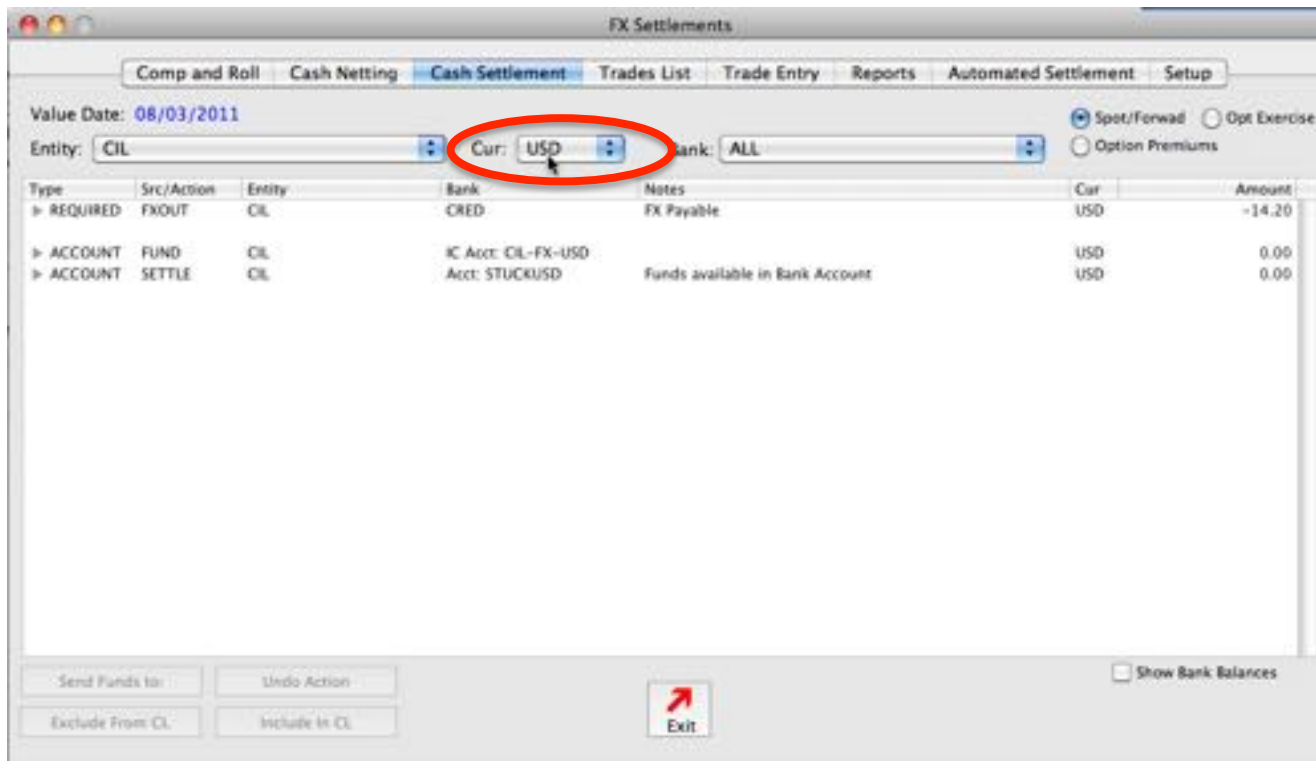
- The “Netting” tab will list all trades settling on the Value Date
- Functional Currency amounts are listed on the left. Non-Function amounts are listed on the right
- Detail is sorted by Bank, Currency and Entity
- The first step in settlement is netting. Normally you can just click the “Net All Possible” button and Orbit will net for you. If you have special requirements you may net manually by selecting the individual items you want to net and clicking the “Net Selected” button. Orbit will not let you net items that for different banks, entities or currencies
- In this example, no netting occurs. Each trade stands on it’s own
- After netting, go to the “Cash Settlement” tab

# FX Settlement – Cash Settlement Tab



- The rest of the settlement process is performed here on the “Cash Settlement” tab
- Select an entity from the drop down menu. This menu lists all of the entities with pending settlements

# FX Settlement – Cash Settlement Tab

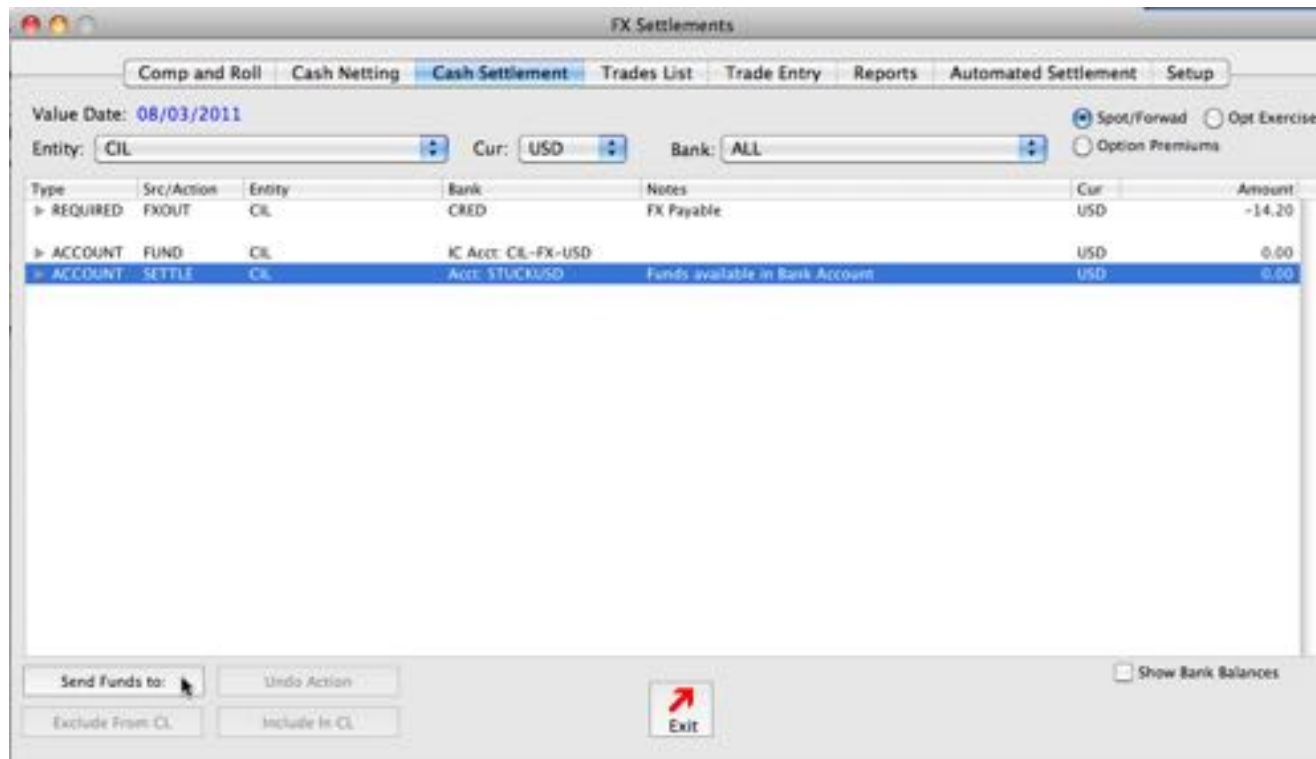


- When you select an entity, Orbit will populate the “Cur:” menu with the currencies your selected entity needs to settle
- When you select a currency, Orbit displays the settlement amounts that reflect the netting you performed on the “Cash Netting” tab
- Each line has a TYPE. There are 3 types:
  - REQUIRED
  - SOURCE
  - ACCOUNT

# FX Settlement – Cash Settlement Line Types

- REQUIRED
  - This line represents a net settlement position at the bank that requires the entity to pay. REQUIRED means the line represents a REQUIREMENT or obligation that Treasury must pay to satisfy.
- SOURCE
  - A SOURCE line represents a net settlement position at the bank where the bank must pay the entity. SOURCE means the line is a source of funds that can be used to satisfy REQUIREMENTS or have sent to a Treasury bank account
- ACCOUNT
  - An ACCOUNT line represents a Treasury bank account that can be a recipient of funds paid by the bank or the source of funds needed to pay the bank. There may be multiple ACCOUNT lines for an entity.
  - ACCOUNT lines are subdivided further into FUND and SETTLE
  - FUND accounts are bank accounts that belong to entities other than the trading entity. Treasury may direct bank to pay SOURCE lines directly to FUND accounts as a way of satisfying inter-company funding needs. You will not typically pay from FUND accounts. The norm is for FUND accounts to receive funds from SOURCE lines as Treasury directs SOURCE line banks to pay monies owed directly to the IC funding entity
  - SETTLE account lines represent trading entity bank accounts where settlement occurs.
  - A SETTLE account line may be used as the source of funding to pay to a REQUIRED line
  - A SETTLE account line may also be the recipient of cash paid from a SOURCE line
  - ACCOUNT lines are added to the worksheet through the “Setup” tab

# FX Settlement – Cash Settlement Actions



- **Settlement actions always start from a funding source.** A funding source is either an ACCOUNT line or SOURCE line. A SOURCE line is one that represents an FX Settlement where the bank will pay Treasury. A settlement action is always the act of “sending” funds from one line to another line
- To begin a settlement action, click on a source line. In this example, we want to pay the \$14.20 we owe to bank CRED. We plan to pay that from our SETTLE account so we click on the ACCOUNT SETTLE line for entity CIL
- When we do this, the “Send Funds to:” button becomes enabled and we click that button to complete the action

# FX Settlement – Cash Settlement Actions

BANK ACCOUNT: Select a Trade Requirement for CIL/USD to be settled from "Acct: STUCKUSD".

List Trade Requirements  
 List Settlement Bank Accounts  
 List IC Funding Bank Accounts

Entity	Bank	Cur	Amount
CIL	CRED	USD	-14.20

Selected Counter Party: CRED

Requirement: -14.20

Transfer Amount: 14.20 -14.20

Remaining Requirement: -14.20

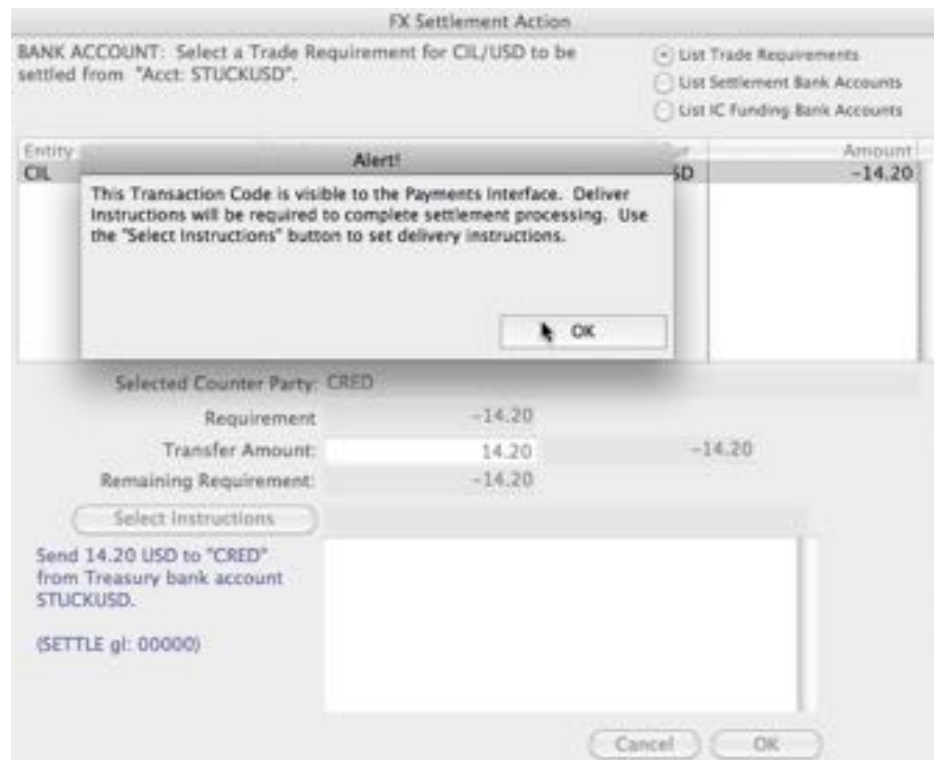
Select Instructions

Send 14.20 USD to "CRED" from Treasury bank account STUCKUSD.  
(SETTLE gl: 00000)

Cancel OK

- The “FX Settlement Action” dialog appears
- The radio button “List Trade Requirements” is selected which causes Orbit to list all of the non-zero REQUIRED lines from the cash settlement worksheet
- We click on the requirement we wish to pay
- Orbit searches the settlement setup tables for entity CIL and currency USD to ensure it has know which transaction codes to use for the Cash Ledger entry it will create to represent this settlement (a CASH OUT from bank account STUCKUSD for -\$14.20
- If Orbit cannot find a Transaction Code it will inform you and the settlement action will not be able to proceed. You will need to go to the “FX Settlements” window “Setup” tab to set the transaction codes for the entity and currency

# FX Settlement – Cash Settlement Actions



- Here is an example of another message you might see. This message refers to the transaction code Orbit will use to create a CASH OUT Cash Ledger entry
- The transaction code is flagged as being visible to the payments interface. This means that when Orbit creates the Cash Ledger entry, it will automatically add the CL item to the Payments Interface Queue for processing by the payments interface
- All Payment Interface Queue items must have delivery instructions associated with the Cash Ledger item
- In the above example. Orbit has not been able to find USD FX instructions for bank CRED
- You would need to dismiss this dialog and “Cancel” the settlement action
- Go to bank CRED and setup delivery instructions
- If a Transaction Code is not flagged as “visible to the payments interface”, then settlements does not care if instructions are available or not
- You could receive a similar message is you require TemplateID's and the bank delivery instruction is present but does not have a value entered in the “repet code” field.

# FX Settlement – Cash Settlement Actions

BANK ACCOUNT: Select a Trade Requirement for CIL/USD to be settled from "Acct: STUCKUSD".

List Trade Requirements  
 List Settlement Bank Accounts  
 List IC Funding Bank Accounts

Entity	Bank	Cur	Amount
CIL	CRED	USD	-14.20

Selected Counter Party: CRED

Requirement: -14.20

Transfer Amount: 14.20      -14.20

Remaining Requirement: -14.20

Select Instructions: DELV:CRED:FX.CIL:USD

Send 14.20 USD to "CRED" from Treasury bank account STUCKUSD.  
(SETTLE gl: 00000)

Credit Aricole  
SW/1234567

Cisco Inc  
DD/123456

Repet Code: XXXX

Cancel      OK

- Here is what the settlement action would look like after creating the delivery instruction at CRED
- To complete the action press the "OK" button

# FX Settlement – Settlement Actions

Value Date: 08/03/2011

Entity: CIL Cur: USD Bank: ALL

Spot/Forward (selected) Opt Exercise  
Option Premiums

Type	Src/Action	Entity	Bank	Notes	Cur	Amount
REQUIRED	FXOUT	CIL	CRED	FX Payable	USD	0.00
	FXOUT	CIL	CRED	FX Payable	USD	-14.20
	WIREIN	CIL	CRED	Treasury wire from: Cisco Internal/STUCKUSD	USD	14.20
ACCOUNT	FUND	CIL	IC Acct: CIL-FX-USD		USD	0.00
ACCOUNT	SETTLE	CIL	Acct: STUCKUSD	Funds available in Bank Account	USD	-14.20
	WIREIN	CIL	Acct: STUCKUSD	Funds available in Bank Account	USD	0.00
	WIREOUT	CIL	Cisco Internal	Treasury wire to: CRED	USD	-14.20

Send Funds to: Undo Action: Show Bank Balances  
Exclude From CL: Include In CL: Exit

- On the settlement worksheet, we can see the effect of the settlement action by expanding the REQUIRED and ACCOUNT SETTLE lines
- There is a WIRE IN line showing \$14.20 coming into CRED from the STUCKUSD account. The ending balance on the REQUIRED line is 0.00
- There is a WIRE OUT line showing \$14.20 leaving the STUCKUSD account, going to CRED
- Orbit has created a Cash Ledger entry for the WIRE OUT from STUCKUSD. If you double-click on the WIREOUT line, Orbit will take you to the Cash Ledger entry screen and bring up the CL item that was created (see next slide)
- You can also select “EFT Payments Interface” from the “Cash” menu on the main menu bar. This will take you to the “Electronic Funds Transfer” window where you can see the Cash Ledger item en-queued and waiting in the payments interface (see next slide)

# FX Settlement – Cash Ledger and Payments

The image shows two overlapping software windows. The larger window in the background is titled "Cash Transaction Entry" and displays a table of transactions. The smaller window in the foreground is titled "Electronic Funds Transfer (Payments) Interface" and shows a list of transactions with a status of "APPROVED".

**Cash Transaction Entry Window:**

Entity	Bank Account	Txn Code	Description	Txn Type
CIL	STUCKUSD	FX_Deliver	FX Settlements – Cash OUT	Cash Outflows – FX Settlements
		FX_PREMIN	FX Option Premium Earned	Cash Inflows – FX Option Premium Received
		FX_PREMOUT	FX Option Premium Paid	Cash Outflows – FX Option Premium Paid
		FX_Receipts	FX Settlements – Cash IN	Cash Inflows – FX Settlements

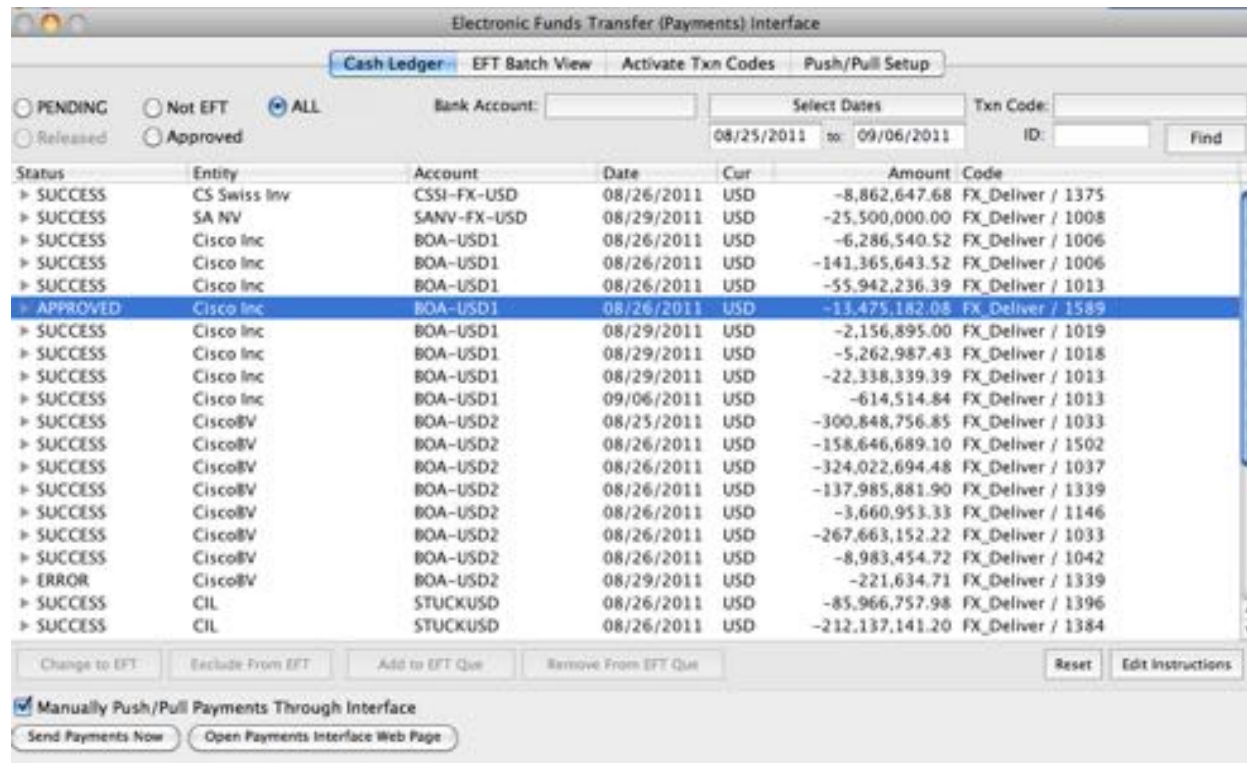
**Electronic Funds Transfer (Payments) Interface Window:**

Status	Entity	Account	Date	Cur	Amount	Code
APPROVED	CIL	STUCKUSD	08/03/2011	USD	-14.20	FX_Deliver / XXXX

Annotations in the image include an arrow pointing to the "Cash Ledger" entry in the Cash Transaction Entry window, and another arrow pointing to the "APPROVED" entry in the Payments Interface window.

- Here you see a screenshots of the Cash Transaction Entry window
- The larger window shows the Cash Ledger entry created by the settlement action
- If the Cash Ledger item Transaction Code is “visible” to the payments interface, the CL item will also appear in the “Electronic Funds Transfer Payments Interface” queue
- The smaller window (follow “Payments Interface” arrow) shows the Cash Ledger entry sitting in the Payments Interface queue with a status of APPROVED (waiting to be sent to the payments processor)

# FX Settlement – Payments Manual Push



- FX settlement Cash Ledger entries are created. If the transaction codes for those CL entries are flagged as “visible to payments interface”, payments will appear in the Payments Interface queue
- This screenshot show a payment that has been added to the Payments Interface queue. It’s status is marked as “APPROVED”, which means it is ready to be transmitted to your enterprise payments system
- To manually push this item to the payments system:
  - click the “Manually Push/Pull Payments Through Interface” checkbox
  - Select the payment you want to push and press the “Send Payments Now” button (status will change to “SENT”). This action creates a file in a special location where the payments system will go to pick up the payments
  - Press the “Open Payments Interface Web Page” button. This will open a web page that invokes the payments system function that picks up the payments interface file we created in the previous step

# FX Settlement – Settlement Actions – Cash IN

Value Date: 08/03/2011

Entity: CiscoBV Cur: USD Bank: ALL

Spot/Forward Opt Exercise  
Option Premiums

Type	Src/Action	Entity	Bank	Notes	Cur	Amount
SOURCE	FXIN	CiscoBV	BOASF	FX Receivable	USD	15.62
ACCOUNT	FUND	Bulgaria	IC Acct: BULGARIA-USD		USD	0.00
ACCOUNT	FUND	Croatia	IC Acct: CROATIA-USD		USD	0.00
ACCOUNT	FUND	Russia	IC Acct: RUSSIA-USD		USD	0.00
ACCOUNT	FUND	SA Moscow	IC Acct: SA-MOSCOW-USD		USD	0.00
ACCOUNT	FUND	SA Mexico	IC Acct: SA-MEX-USD		USD	0.00
ACCOUNT	SETTLE	CiscoBV	Acct: BOA-USD2	Funds available in Bank Account	USD	0.00

Send Funds to: Undo Action Show Bank Balances  
Exclude from CL Include in CL Exit

- Here is another settlement action where we have a trade (or trades) that is a SOURCE of funds ( BOASF owes us \$15.62 )
- The settlement actions we could perform are
  - Tell the bank to send funds to another pack where we owe
  - Tell the bank to send the funds to our Treasury concentration account
- In this example we will tell the bank to send the funds to our bank account
- We click on the SOURCE line and then click on the “Send Funds To:” button

# FX Settlement – Settlement Actions

FX Settlement Action

FX TRADE RECEIPT: Select a Destination for 15.62 USD available at "BOASF".

Entity	Bank	Cur	Amount
CiscoBV	BOASF / BOA-USD2	USD	0.00

Selected Counter Party: BOASF / BOA-USD2

Account Balance: 0.00

Transfer Amount: 15.62 0.00

New Balance: 15.62

Select Instructions: RECV: CiscoBV:FX:USD

"BOASF" will wire 15.62 USD to Treasury bank account BOASF / BOA-USD2.  
(SETTLE gl: 00000)

Bank of America, London  
SA/BOFAGB22  
Cisco Systems International BV  
DD/600833858038

Cancel OK

- The Settlement Action dialog is displayed
- We wish to tell bank BOASF to send the \$15.20 to our main settlement bank account
- Click on the “List Settlement Bank Accounts” radio button. Orbit lists the ACCOUNT SETTLE lines found on the settlement worksheet. These are Treasury bank accounts where we settle
- Select the account into which you want to receive the funds
- Click the “OK” button and Orbit completes the action by creating a CASH IN, Cash Ledger item