Currenex®
Credit Monitoring Functionality Disclosure Document

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Information Classification: Limited Access

STATE STREET DIGITAL

Currenex
Credit Risk Monitoring Functionality Disclosure

In order to utilize the credit risk functionality on the Currenex electronic trading platform, an authorized user can either (1) communicate to Currenex in writing the exposure limits that it wants the trading platform to maintain for each of its counterparties and the Currenex support group will enter such information into the electronic trading platform or (2) have certain authorized users enter / modify limits directly in the electronic trading platform. Limits can be directly entered into the electronic trading platform using an administrative interface or API connection.

Credit exposure limits maintained on the electronic trading platform are expressed in United States dollars (USD). Positions in any non-USD currencies are converted to USD using one of the two following methods. If USD is one of the currencies for the applicable transaction, the Currenex system will utilize the filled rate. If neither currency for the applicable transaction is USD, the Currenex system will utilize a indicative rate; which will be sourced from either an available rate from the Currenex electronic trading platform or a rate from an external source.

For limits that are expressed as “ACCUMULATED”, the credit used will equal the sum of all currency positions of the applicable [counterparty on the Currenex electronic trading platform. For limits that are expressed as “NETTED”, the credit used will equal the maximum of (A) the sum of all the long positions (by currency) of the applicable [counterparty] in the electronic trading platform, and (B) the sum of all short positions (by currency) of the applicable counterparty in the electronic trading platform. Limits can be assigned per value date (daily settlement limits) as well as across all open value dates (open position). Limits can be assessed against all activity on a settlement relationship, or a subset of the activity based upon currency or currencies.

For trading via Currenex’s Executable Streaming Prices functionality, at the time of match within the electronic trading platform, the electronic trading platform verifies whether such match would cause any applicable credit exposure limit maintained in the electronic trading platform to be exceeded. If the match would cause any such credit exposure to be exceeded, the match will not result in a trade. The bid or offer that caused the violation may be cancelled or restricted from matching with certain counterparties in an effort to prevent additional credit failures. Subscribers are also enabled for a pre-credit check, following a credit failure, which checks credit at the time of order submission.

For Request for Quote negotiations, the applicable credit exposure limits are checked:

1.) at the time of submission of the request for quote, and
2.) each time that the requestor selects a quote for execution

When a market participant has used 80% of a credit exposure limit applicable to it, an automated email will be sent to all credit notification email addresses that are entered into the Currenex system for that credit relationship. In general Currenex staff will endeavor to obtain notification email addresses for the entity to whom the limit is applicable as well as the entity that is setting the credit exposure limit.

Additionally, in the event that a match would result in a breach of a credit exposure limit, an automated email will be sent to all credit notification email addresses that are entered into the Currenex system for that credit relationship.