

Credit Default Swap

Customization Upgrade Guide
Release 5.9
Area: Derivatives

Latest version of this document

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Version history

Version / Date	Section	Description of the change
5.9v0 / 19 August 2024		This is a new document for release 5.9.

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1 Introduction

This document is for customization specialists. It describes the changes you might want to make to your existing customization when you upgrade to Avaloq Core release 5.9. It is for customization specialists.

Prerequisite knowledge

You are familiar with Avaloq Core and are an Avaloq Certified Professional.

In particular, you should understand the concepts in the following documents:

- Credit Default Swap – Customization Guide (doc ID: 2058)
- Settlement Plan Rules – Customization Guide (doc ID: 2602)

1.1 Bookings when settlement is physical delivery

When a credit event occurs, in a physical settlement, the sellers receive an actual underlying from the buyer of the CDS (credit default swap).

Before Avaloq Core release 5.9, even though the underlying is captured in the order, there was no booking of the underlying, and it was expected that this underlying would be settled outside of the CDS business type.

In Avaloq Core release 5.9, after a credit event is added, bookings are now made for the **stex_asset** and **stex_gross** booking kinds, and settlement is supported.

Sequence no./Position	Booking Kind	Qty. 1	Book Val Net Ref	Book Val Net Pos
15 HDS Interim CHF	Nostro Clearing (164)	21.39-	21.39- CHF	21.39- CHF
Interest income from credit derivatives (31906)	CDS Premium (262)	21.39		
-13 411.00.75.00/CHF/Interest income from credit derivatives	CDS Settlement (132)	10,000.00		
-3 411.00.75.00/CHF/Interest income from credit derivatives	CDS Settlement (132)	10,000.00		
-6 411.00.75.00/CHF/Interest income from credit derivatives	CDS Settlement (132)	10,000.00		
Interest expenses on credit derivatives (31907)	CDS Settlement (132)	10,000.00-		
-7 311.30.85.00/CHF/Interest expenses on credit derivatives	CDS Settlement (132)	10,000.00-		
-5 311.30.85.00/CHF/Interest expenses on credit derivatives	CDS Settlement (132)	10,000.00-		
10 HSI / 10 HSI OTC Trading - Money Market Nostro (110034)				
3 HSI CDS - CHF CDS Reference Asset for UBS Subordinate Debt 20.03.2024 - 20.01.2025 (100000412364)	stex_asset (20)	10,000.00	0.00 CHF	0.00 CHF
10 HSI 4 % EIDENOSSENSCHAFT 98-2028 (860037) CHF 0900	stex_asset (20)	10,000.00	10,000.00 CHF	10,000.00 CHF
12 HSI Interim CHF	stex_gross (39)	10,000.00-	10,000.00- CHF	10,000.00- CHF
14 HSI Interim CHF	CDS Premium (262)	21.39	21.39 CHF	21.39 CHF
15 HSI / 15 HSI OTC Trading - Money Market Nostro (110034)				
1 RS.01 CDS - CHF CDS Reference Asset for UBS Subordinate Debt 20.03.2024 - 20.01.2025 (100000412364)	stex_asset (20)	10,000.00-	0.00 CHF	0.00 CHF
3 1001557.1331/CHF/7%	net_sacc (43)	9,978.61-	9,978.61 CHF	9,978.61- CHF
4 RS.01 net pos CHF	net (30)	9,978.61-	9,978.61- CHF	9,978.61- CHF
5 RS.01 net pos CHF	CDS Settlement (132)	10,000.00	10,000.00 CHF	10,000.00 CHF
6 RS.01 net pos CHF	CDS Settlement (132)	10,000.00	10,000.00 CHF	10,000.00 CHF
7 RS.01 net pos CHF	CDS Settlement (132)	10,000.00	10,000.00 CHF	10,000.00 CHF
8 RS.01 net pos CHF	CDS Settlement (132)	10,000.00	10,000.00 CHF	10,000.00 CHF
9 RS.01 4 % EIDENOSSENSCHAFT 98-2028 (860037) CHF 0900	stex_asset (20)	10,000.00-	10,000.00- CHF	10,000.00- CHF
11 RS.01 net pos CHF	stex_gross (39)	10,000.00-	10,000.00 CHF	10,000.00 CHF
12 RS.01 net pos CHF	CDS Premium (262)	21.39-	21.39- CHF	21.39- CHF

1.2 Settlement plan supported for physical delivery settlement type

Previously, there was no support for a settlement order and message generation for physical settlement after a credit event.

From Avaloq Core release 5.9, the following settlement plans are supported for physical settlement after a credit event:

- SWIFT – MT540 RFP
- SWIFT – MT541 RVP
- SWIFT – MT542 DFP
- SWIFT – MT543 DVP

New settlement plan rules were also added, so a settlement order and message can now be generated.

If your customization includes sources of type BIN or BUSINESS TYPE CONFIG based on MDB_SETTLE_PLAN_RULE, check those sources and add the values for the following parameters:

- META_TYP
- SETTLE_PLAN
- CONT_CLASS_IN
- CONT_CLASS_OUT
- POS_TYPE_IN
- POS_TYPE_OUT

For example, here are the new parameter values for a BIN source based on MDB_SETTLE_PLAN_RULE:

Parameter	Value
META_TYP	<ul style="list-style-type: none">• cds
SETTLE_PLAN	<ul style="list-style-type: none">• SWIFT.O541H• SWIFT.O543H

The following sections show the settlement instructions and the generated settlement orders after a credit event, starting from Avaloq Core release 5.9.

1.2.1 SWIFT– MT540 RFP

Settlement plan

Settlement plan

Settlement instructions

Settle Instr.

Settlement instructions bookings

Settlement instructions destination parties

Settlement instructions source parties

Generated order and message:

Settlement » Messages

Order Number: 100000412372 Status: Hold Inserted by: Generate Settlement Orders Business Unit: Avaloq Modelbank

Order Information

Settlement plan: SWIFT - MT541 RVP (Hold)

Order Type: Receive free of payment

Trade Date: 05-JUN-2024

Value Date: 10-JUN-2024

Perf Date: 05-JUN-2024

Instructed Value Date: 10-JUN-2024

SSI Autom. Recalc: ✓

Delivery Status: Released

Related Order: 100000412371

Medium: Medium

Ordered By:

Trigger

Business Partner: Strässler Ronald

Container: RS 01 / Strässler Ronald 01

Position: RS 01 CDS - CHF CDS Reference Asset for UBS Subordinate Debt 20.03.2024 - 20.06.2024 (100000412376)

Asset: 4 % EDOENOSSENSCHAFT 98-2028 (868037)

Market:

Order Type: Register Credit Event

Quantity

Quantity: 10,000

Amount:

Currency:

Settlement instructions bookings

Type	Dir	BookKind	FE	Quantity	Container	Position	Counter quantity	Counter container	Counter position	Quantity 2	Counter quantity2
SEC	IN	DEL		10,000	RS 01 / Strässler Ronald 01	RS 01 4 % EDOENOSSENSCHAFT 98-2028 (868037) CHF 0900	10,000	0900 / CCC SIX SIS AG	4 % EDOENOSSENSCHAFT 98-2028 (868037)	10,000	10,000

Settlement instructions destination parties

Counterparty	Business Partner	Name	Container	Custody account
Strässler Ronald	Strässler Ronald	RS 01 / Strässler Ronald 01		

Settlement instructions source parties

Counterparty	Business Partner	Name	Container	Custody account	Money Account	RCV	Swift Key	Clearing Key	Institute	Bank Info	Beneficiary information
Strässler Ronald	Strässler Ronald	RS 01 / Strässler Ronald 01									
SIX SIS AG	SIX SIS AG	SIX SIS AG Parking Account Zurich	0900 / CCC SIX SIS AG				PTSBCHIM	CH999599	PSET CH Switzerland		

1.2.2 SWIFT – MT541 RVP

Settlement Instructions

Settlement plan: SWIFT - MT541 RVP (Hold)

Order Type: Receive against payment

Trade Date: 05-JUN-2024

Value Date: 10-JUN-2024

SSI Autom. Recalc: ✓

Triggerring Asset: 4 % EDOENOSSENSCHAFT 98-2028 (868037)

Triggerring Market Place: Generate Settlement

Yes

Settle Insts:

Order Type: Receive against payment

Trade Date: 05-JUN-2024

Value Date: 10-JUN-2024

SSI Autom. Recalc: ✓

Settlement instructions bookings

Type	Dir	BookKind	FE	Quantity	Container	Position	Counter quantity	Counter container	Counter position	Quantity 2	Counter quantity2
SEC	IN	DEL		10,000	RS 01 / Strässler Ronald 01	RS 01 4 % EDOENOSSENSCHAFT 98-2028 (868037) CHF 0900	10,000	0900 / CCC SIX SIS AG	4 % EDOENOSSENSCHAFT 98-2028 (868037)	10,000	10,000
CASH	OUT	DELCUR		9,978.61	RS 01 / Strässler Ronald 01	RS 01 CDS - CHF CDS Reference Asset for UBS Subordinate Debt 20.03.2024 - 20.01.2025 (100000412364)	9,978.61	SNB SECOM / CCC SNB Schweizerische Nationalbank	-SNB SECOM/CH/SECOM Clearing Account recon_cash	9,978.61	9,978.61

Settlement instructions destination parties

Counterparty	Business Partner	Name	Container	Custody account	Money Account	RCV	Swift Key	Clearing Key	Institute	Bank Info	Beneficiary information
Strässler Ronald	Strässler Ronald	RS 01 / Strässler Ronald 01									

Settlement instructions source parties

Counterparty	Business Partner	Name	Container	Custody account	Money Account	RCV	Swift Key	Clearing Key	Institute	Bank Info	Beneficiary information
Strässler Ronald	Strässler Ronald	RS 01 / Strässler Ronald 01									
SIX SIS AG	SIX SIS AG	SIX SIS AG Parking Account Zurich	0900 / CCC SIX SIS AG				PTSBCHIM	CH999599	PSET CH Switzerland		

Generated order and message:

Settlement » Messages

Order Number: 100000412369 Status: Hold Inserted by: Generate Settlement Orders Business Unit: Avaloq Modelbank

Order Information

Settlement plan: SWIFT - MT541 RVP (Hold)

Order Type: Receive against payment

Trade Date: 05-JUN-2024

Value Date: 10-JUN-2024

Perf Date: 05-JUN-2024

Instructed Value Date: 10-JUN-2024

SSI Autom. Recalc: ✓

Delivery Status: Released

Related Order: 100000412365

Medium: Medium

Ordered By:

Trigger

Business Partner: Strässler Ronald

Container: RS 01 / Strässler Ronald 01

Position: RS 01 CDS - CHF CDS Reference Asset for UBS Subordinate Debt 20.03.2024 - 20.01.2025 (100000412364)

Asset: 4 % EDOENOSSENSCHAFT 98-2028 (868037)

Market:

Order Type: Register Credit Event

Quantity

Quantity: 10,000

Amount: 9,978.61

Currency: CHF

Settlement instructions bookings

Type	Dir	BookKind	FE	Quantity	Container	Position	Counter quantity	Counter container	Counter position	Quantity 2	Counter quantity2
SEC	IN	DEL		10,000	RS 01 / Strässler Ronald 01	RS 01 4 % EDOENOSSENSCHAFT 98-2028 (868037) CHF 0900	10,000	0900 / CCC SIX SIS AG	4 % EDOENOSSENSCHAFT 98-2028 (868037)	10,000	10,000
CASH	OUT	DELCUR		9,978.61	RS 01 / Strässler Ronald 01	RS 01 CDS - CHF CDS Reference Asset for UBS Subordinate Debt 20.03.2024 - 20.01.2025 (100000412364)	9,978.61	SNB SECOM / CCC SNB Schweizerische Nationalbank	-SNB SECOM/CH/SECOM Clearing Account recon_cash	9,978.61	9,978.61

Settlement instructions destination parties

Counterparty	Business Partner	Name	Container	Custody account	Money Account
Strässler Ronald	Strässler Ronald	RS 01 / Strässler Ronald 01			

Settlement instructions source parties

Counterparty	Business Partner	Name	Container	Custody account	Money Account	RCV	Swift Key	Clearing Key	Institute	Bank Info	Beneficiary information
Strässler Ronald	Strässler Ronald	RS 01 / Strässler Ronald 01									
SIX SIS AG	SIX SIS AG	SIX SIS AG Parking Account Zurich	0900 / CCC SIX SIS AG				PTSBCHIM	CH999599	PSET CH Switzerland		

Messages

Name	Ext msg status	Network	Direction	Business Partner	Clearing Nr.	Time	Status	Is historized
SWI541		SECOM	o	SIX SIS AG	INSECHZZ	11-JUL-2024 10:28:20	holding	

Proceed Do

Settlement > Messages

Order Number100000412368StatusHoldInserted byGenerate Settlement OrdersBusiness UnitAvaloq Modelbank

Order Information

Settlement planSWIFT - MT543 DVP (Hold)

Order TypeDelivery against payment

Trade Date05-JUN-2024

Perf Date05-JUN-2024

Value Date10-JUN-2024

Instructed Value Date10-JUN-2024

SSI Autom. Recalc.

Delivery StatusReleased

Related Order100000412367

Medium

Ordered By

Trigger

Business PartnerSträssler Ronald

ContainerRS 01 / Strässler Ronald 01

PositionRS 01 CDS - CHF CDS Reference Asset for UBS Subordinate Debt 20 03 2024 - 20 06 2024 (100000412368)

Asset4 % EDOENOSSENSCHAFT 98-2028 (868037)

Market

Order TypeRegister Credit Event

Quantity

Quantity10,000

Amount9,978.61

CurrencyCHF

Settlement instructions bookings

Type	Dir	Book Kind	FE	Quantity	Container	Position	Counter quantity	Counter container	Counter position	Quantity 2	Cost
SEC	OUT	DEL		10,000	RS 01 / Strässler Ronald 01	RS 01 4 % EDOENOSSENSCHAFT 98-2028 (868037) CHF 0900	10,000	9900 / CCC SIX SIS AG	9900 4 % EDOENOSSENSCHAFT 98-2028 (868037)	10,000	
CASH	IN	DEL	CUR	9,978.61	RS 01 / Strässler Ronald 01	RS 01 CDS - CHF CDS Reference Asset for UBS Subordinate Debt 20 03 2024 - 20 06 2024 (100000412368)	9,978.61	SNB SECOM / CCC SNB Schweizerische Nationalbank	SNB SECOM/CH/SECOM Clearing Account recon_cash	9,978.61	

Settlement instructions destination parties

Counterparty	Business Partner	Name	Container	Custody account
	Strässler Ronald		RS 01 / Strässler Ronald 01	

Settlement instructions source parties

Counterparty	Business Partner	Name	Container	Custody account	Money Account	RCV	Swift Key	Clearing Key	Institute	Bank Info	Beneficiary information
	Strässler Ronald		RS 01 / Strässler Ronald 01								
	Avaloq Modelbank						PTSBCHMM	CH999599	PSET CH Switzerland		
SIX SIS AG	SIX SIS AG	SIX SIS AG Parking Account Zurich	0900 / CCC SIX SIS AG				INSECHZZ				

Messages

Name	Extl msg status	Network	Direction	Business Partner	Clearing No.	Time	Status	Is historized
SWI 543		SECOM	o	SIX SIS AG	INSECHZZ	11-JUL-2024 10:28:14	holding	

OKCancel

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