avaloq
An NEC Company

Credit Default Swap

Customization Upgrade Guide
Release 5.9
Area: Derivatives

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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:

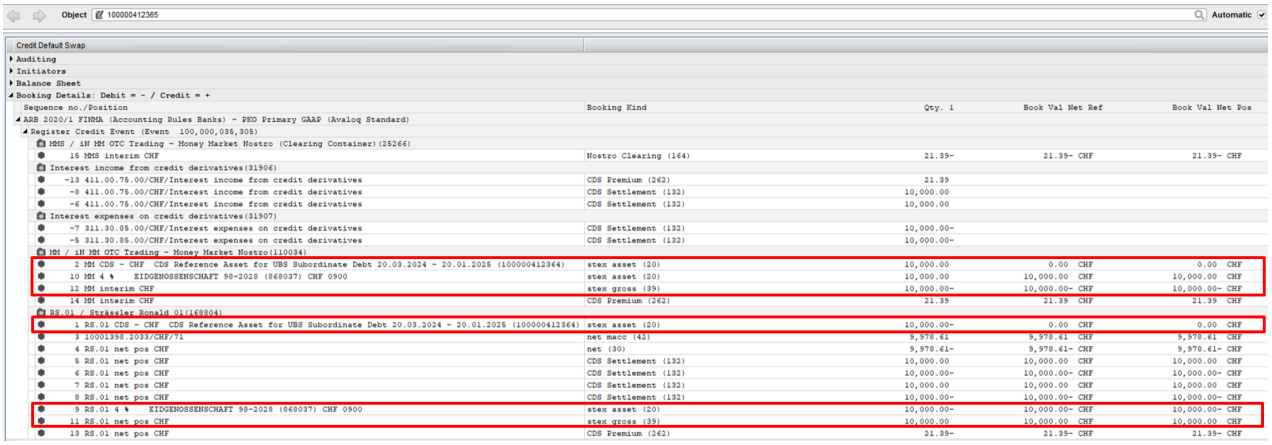
- Credit Default Swap – Customization Guide (doc ID: 2058)
- Settlement Plan Rules – Customization Guide (doc ID: 2602)

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.



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:

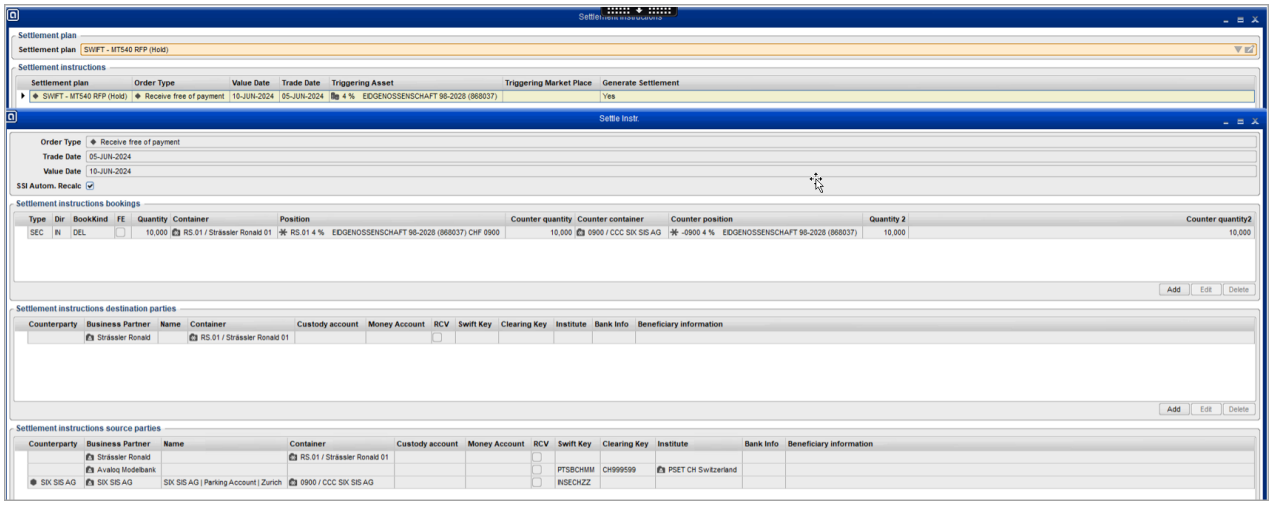
- META_TYP
- SETTLE_PLAN
- CONT_CLASS_IN
- CONT_CLASS_OUT
- POS_TYPE_IN
- POS_TYPE_OUT

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

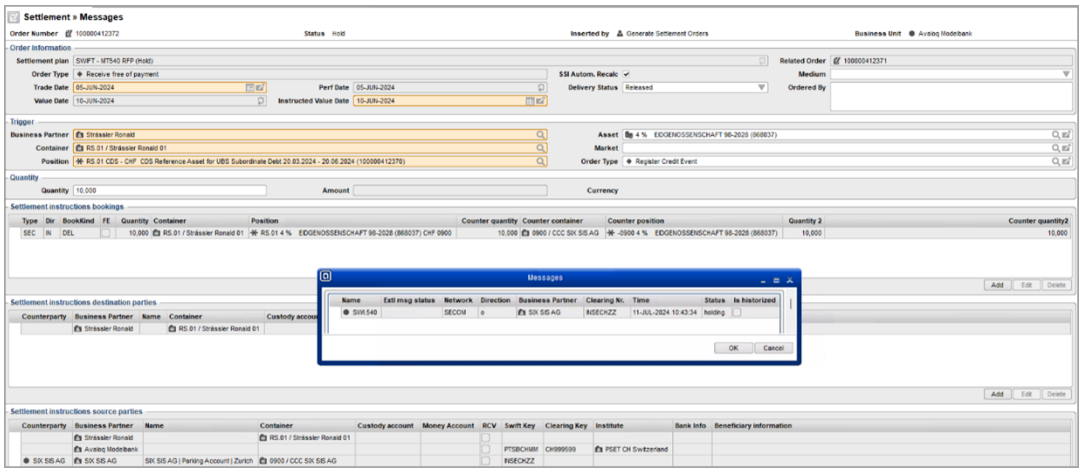
Parameter	Value
META_TYP	• cds
SETTLE_PLAN	• SWIFT.O541H • SWIFT.O543H

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

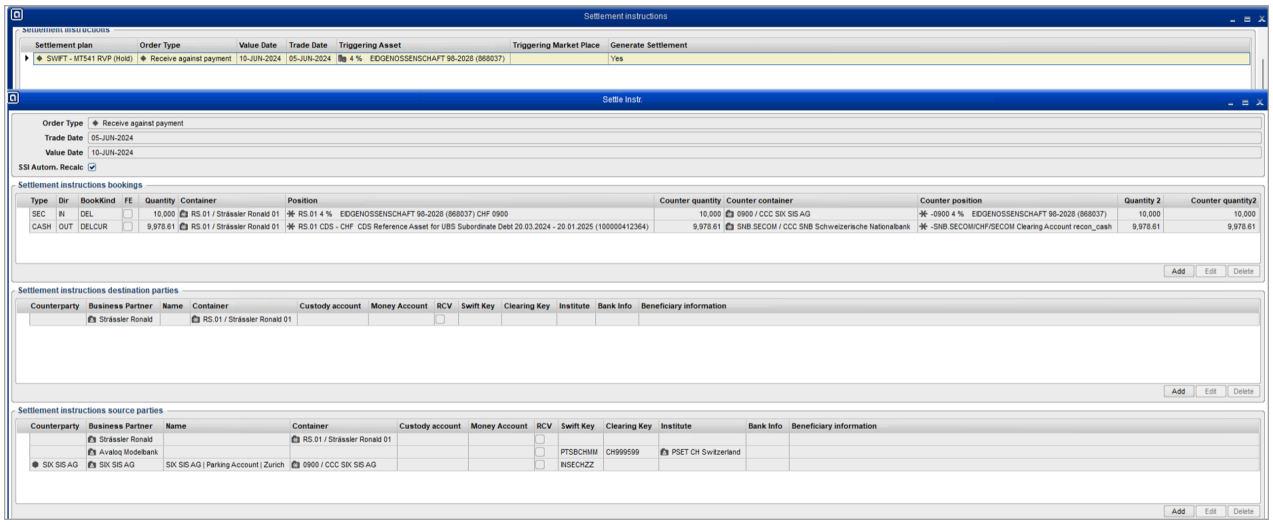
1.2.1 SWIFT– MT540 RFP



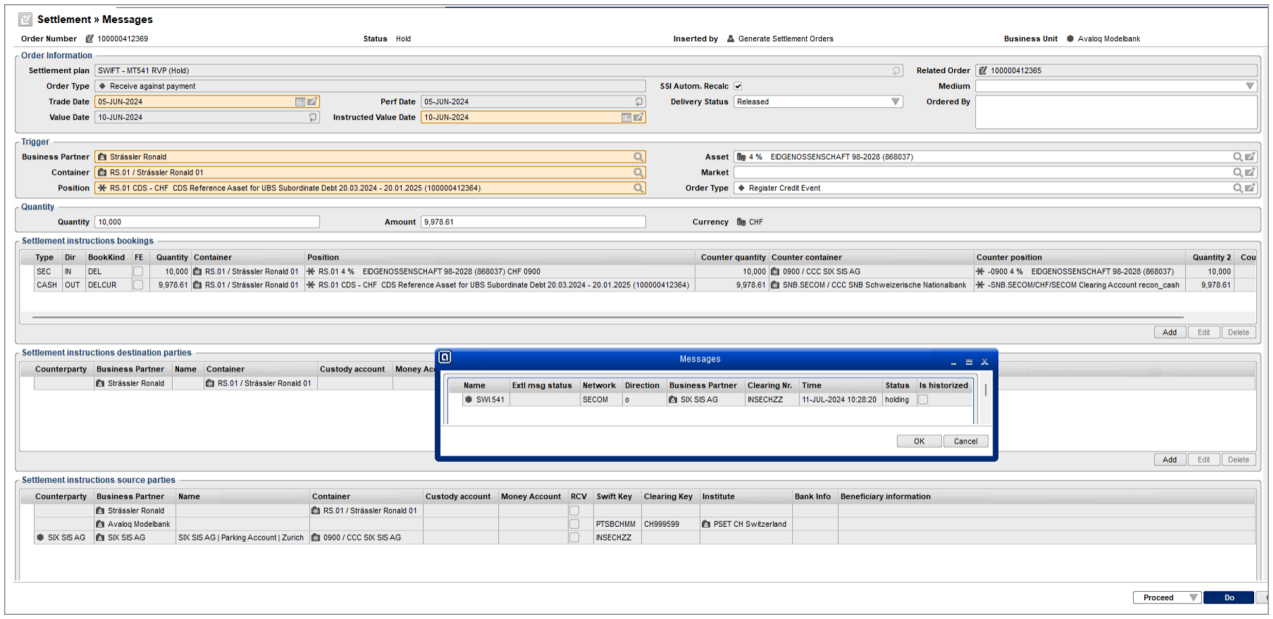
Generated order and message:



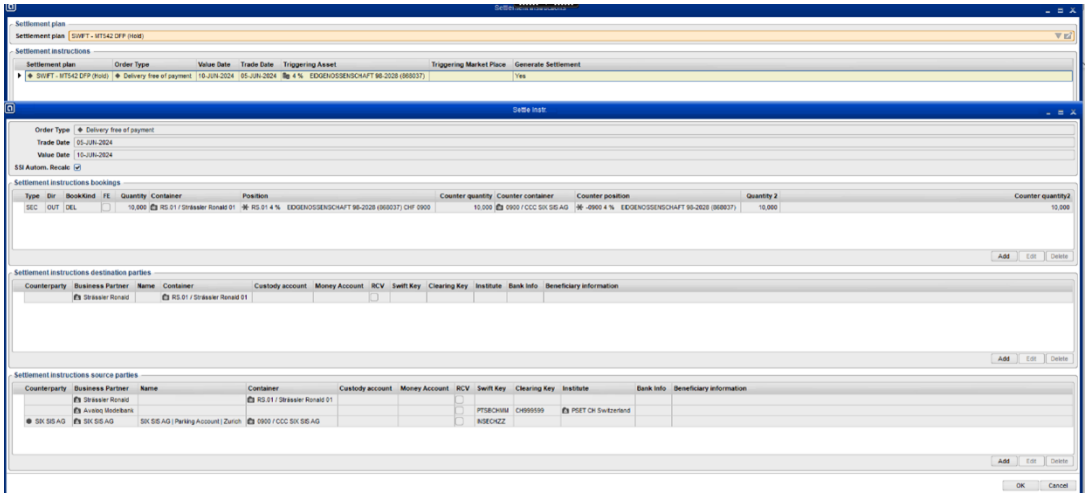
1.2.2 SWIFT – MT541 RVP



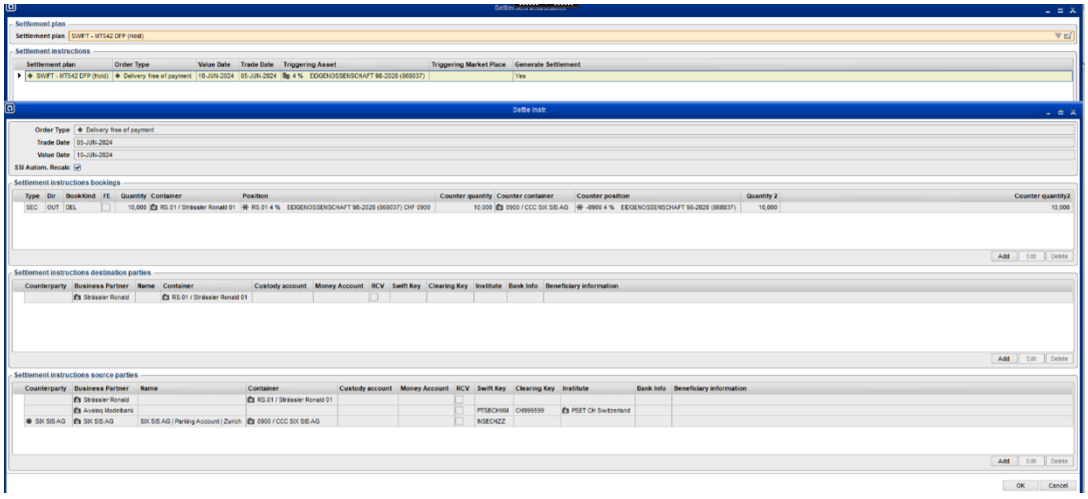
Generated order and message:



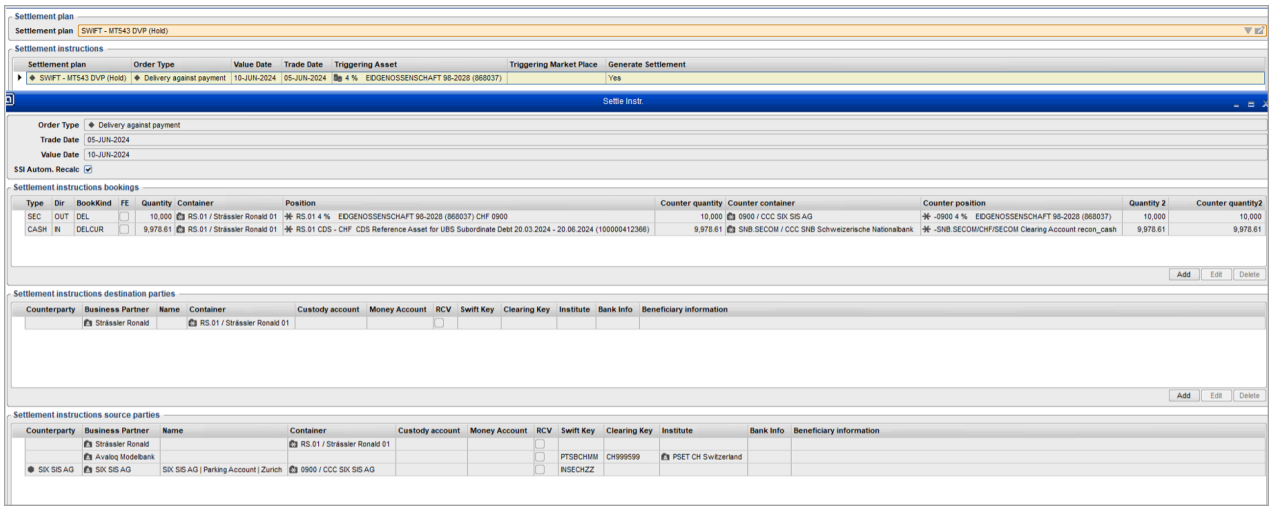
1.2.3 SWIFT – MT542 DFP



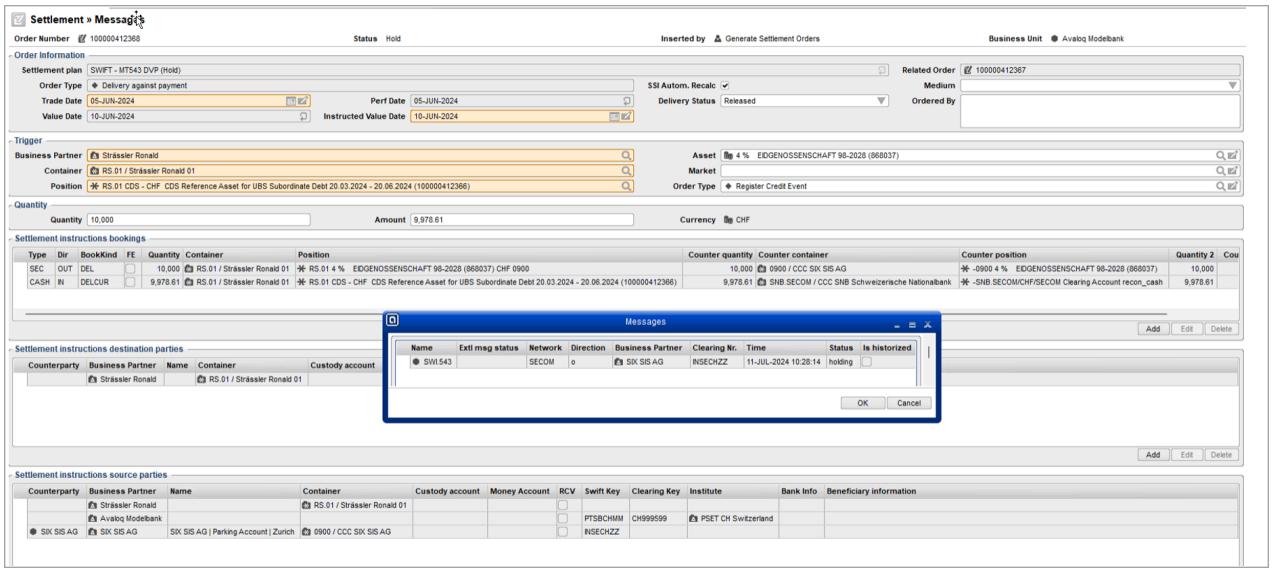
Generated order and message:



1.2.4 SWIFT – MT543 DVP



Generated order and message:


Settlement » Messages
Order Number 100000412368
Status Hold
Inserted by Generate Settlement Orders
Business Unit Avaloq Modelbank
Order Information
Settlement plan SWIFT - MT543 DVP (Hold)
Order Type Delivery 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 100000412367
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 (100000412366)
Asset 4 % EIDGENOSSENSCHAFT 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
SEC OUT DEL 10,000 RS.01 / Strässler Ronald 01 RS.01 4 % EIDGENOSSENSCHAFT 98-2028 (868037) CHF 0900 10,000 0900 / CCC SIX SIS AG -0900 4 % EIDGENOSSENSCHAFT 98-2028 (868037) 10,000
CASH IN DELCUR 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 (100000412366) 9,978.61 SNB.SECOM / CCC SNB Schweizerische Nationalbank -SNB.SECOM/CHF/SECOM Clearing Account recon_cash 9,978.61
Add Edit Delete
Messages
Name Extl msg status Network Direction Business Partner Clearing Nr. Time Status Is historized
SWI.543 SECOM o SIX SIS AG INSECHZZ 11-JUL-2024 10:28:14 holding
OK Cancel
Settlement instructions destination parties
Counterparty Business Partner Name Container Custody account
Strässler Ronald RS.01 / Strässler Ronald 01
Add Edit Delete
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