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Via email

[codefeedback@globalfx.org](mailto:codefeedback@globalfx.org)

## **Re: GFXC Request for Feedback on Amendments to the FX Global Code and Disclosure Cover Sheets**

Dear GFXC Secretariat:

CLS Bank International (“CLS”) welcomes the opportunity to respond to the request for feedback issued by the Global Foreign Exchange Committee (“GFXC”).

### **Background**

CLS operates the world’s largest multicurrency cash settlement system (the “CLS system”) and provides payment-versus-payment (“PvP”) settlement in 18 currencies directly to over 70 members, some of which provide access to the CLS system for over 35,000 third-party institutions.

As an Edge Act corporation established under Section 25A of the Federal Reserve Act, CLS is regulated and supervised by the Board and the Federal Reserve Bank of New York (“FRBNY”) (collectively, the “Federal Reserve”). Additionally, the central banks whose currencies are settled in the CLS system have established the CLS Oversight Committee, organized and administered by the Federal Reserve pursuant to the *Protocol for the Cooperative Oversight Arrangement of CLS*,<sup>1</sup> as a mechanism to carry out the central banks’ individual responsibilities to promote safety, efficiency, and stability in the local markets and payments systems in which CLS participates.

As a systemically important financial market infrastructure (“FMI”), CLS is subject to the CPMI-IOSCO *Principles for financial market infrastructures* (the “PFMI”), as applicable to payment systems. In addition, CLS was designated a systemically important financial market utility (“DFMU”) by the Financial Stability Oversight Council in July 2012 under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The FRBNY conducts day-to-day supervision of CLS, as delegated by the Board and CLS is subject to the risk management standards set forth in Regulation HH.

### **Specific Feedback on the Settlement Risk Principles**

CLS strongly supports the proposed changes to Principle 35, in particular the introduction of the risk waterfall approach. With respect to netting, CLS believes the Code could take a stronger approach and prioritize multilateral over bilateral netting, where possible. This could be achieved by amending the text as follows.

“2. Where Settlement Risk cannot be eliminated, Market Participants should reduce the size and duration of their Settlement Risk as much as practicable. The netting of FX settlement

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<sup>1</sup> [https://www.federalreserve.gov/paymentsystems/cls\\_protocol.htm](https://www.federalreserve.gov/paymentsystems/cls_protocol.htm).

obligations, (in particular the use of automated settlement netting systems), is encouraged **with a preference for multilateral over bilateral netting.**”

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We appreciate the GFXC’s consideration of the views set forth in this letter and are available to discuss any of the comments in further detail, as needed.

Sincerely,



**Dirk Bullmann**  
**Managing Director, Office of the CEO**

CC: Marc Bayle de Jessé, Chief Executive Officer  
John Hagon, Chief Operating Officer  
Gaynor Wood, General Counsel  
Dan Lennon, Head of In-Business Risk and Control  
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