

# Cross – Currency Interest Rate Swaps for Borrowers

## Product Description Sheet

Customer Treasury Services UK



Your view anticipates interest rate uncertainty	✓	Rate protection available with this product	✓	Cost paid as a premium	✗
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### The product – in brief

#### Features

A Cross – Currency Interest Rate Swap (CCIRS) is a product that provides the purchaser the ability to switch their interest repayments from one currency to another on a fixed or floating rate basis.

You can get a CCIRS from a bank other than the one that provided you with the original loan.

The CCIRS does not need to be based on a particular loan. You can use the CCIRS for any loans you already have.

You can reverse the CCIRS at any time. This may result in a profit or loss to you depending on the market rates at the time of reversal.

This product can be customised to suit specific amounts and dates in all major currencies.

#### Scenario

Your company has borrowed on a three month floating rate basis and will have this requirement over the next three years. You have receivables in another currency which would cover the interest requirements on this borrowing.

### How does the product work?

#### Action

You lock into a CCIRS for the three years.

#### Example: USD Fixed GBP Floating

All interest rates in this example are exclusive of your bank's normal credit margin.

Three year USD IRS offered rate is trading at 1.40%.

- 1) You do a foreign exchange swap to convert your borrowings from GBP to USD on spot date to mature in three years time.
- 2) You enter into a three year IRS where you borrow the USD at a fixed rate of 1.40% rolling quarterly.
- 3) You do not pay a premium for this product.



A. Interest rate you will borrow at over the three years

#### Outcome for each three month fixing

You pay interest on the USD borrowing at a fixed rate of 1.40%.

The bank will pay the floating rate on your underlying GBP borrowing.



## Do not use this product if:

The use of this structure is out of line with your company's treasury policy.

You do not have the underlying commitment outlined in this structure.

You do not understand the benefits/risk of this structure.

In the worst case scenario, you cannot forego rate gains and endure any potential loss embedded in this structure.

## Products to consider

Below is a range of Interest Rate products which should be considered when evaluating Interest Rate risk.

Caps/Collars/Floors (Vanilla & Knock-In)  
Cross Currency Swaps  
Fixed Loans and Deposits  
Forward Rate Agreements  
Fraptions  
Swaps (Vanilla, Bermudan & Cancellable)  
Swaptions

For further details on these products refer to the relevant product description sheet.

Note: Rates are based on indicative mid-rates at the time of production and for illustration purposes only.

## Other issues to consider

The Bank may require confirmation as to the capacity of an entity to enter into particular treasury transactions. The requirements will vary depending on the type of entity involved and its place of incorporation. For example, for entities incorporated in overseas jurisdictions, a legal opinion which confirms capacity to enter into treasury transactions may be required. For certain companies, the Bank may require that the entry into treasury transactions is included as a specific object in the memorandum of association. These requirements can be discussed with you.

**Having considered these points, your Treasury Relationship Manager at AIB Customer Treasury Services would be pleased to discuss any queries you may have and also to offer you a competitive price should you wish to proceed.**

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