

# Foreign Exchange Swap

## Product Description Sheet

Customer Treasury Services UK



Your have a Foreign Exchange Swap exposure ✓	Rate protection with this product ✓	Cost paid as a premium X
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### The product – in brief

#### Features

A Foreign Exchange Swap is an agreement to exchange currencies on an agreed date and to inversely exchange the currencies on a future date.

You can cancel this product anytime up to the first maturity date. This may result in a profit or loss to you depending on the market rates at the time.

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

#### Scenario

Your company's USD current account is currently running a debit balance. Your GBP current account is in credit to the equivalent of the USD debit amount. This position would exist for a three month period.

You want to debit your GBP account and credit your USD account with the equivalent, for this three month period

#### Action

You are happy to lock into a Foreign Exchange Swap at agreed rates and dates.

### How does the product work?

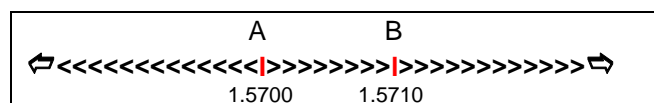
#### Example: USD/GBP

You need to buy USD in exchange for GBP value spot and sell USD in exchange for GBP in three months time.

Spot Rate is trading at 1.5710  
The Three Month Forward Rate is trading at 1.5700.

The difference between the spot and the forward rate reflects the interest rate differentials between the two currencies.

- 1) You enter into a Foreign Exchange Swap and buy USD for GBP at the fixed rate of 1.5710 spot and simultaneously sell the USD for GBP at 1.5700 for value three months forward.



- A. Three Month Forward Exchange Rate
- B. Spot Exchange Rate

#### Outcome Spot

You buy USD for GBP at a rate of 1.5710

#### Outcome in three months time

You sell USD for GBP at a rate of 1.5700 regardless of market rates



## 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 FX products which should be considered when evaluating FX risk.

- Average Rate Option
- Cylinder Option
- Foreign Exchange Option
- Foreign Exchange Swap
- Forward Contract
- Forward Extra
- Participating Forward

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 Customer Treasury Services UK 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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