

Forward Contract for Currency Sellers

Product Description Sheet

Customer Treasury Services UK



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

Features

A Forward Contract is an agreement to exchange currencies on an agreed date, or during an agreed period, in the future at a fixed exchange rate.

You can cancel this product anytime up to maturity. 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 has a currency exposure arising in three months time.

You want protection at a known rate should the spot rate not be in your favour in three months.

Action

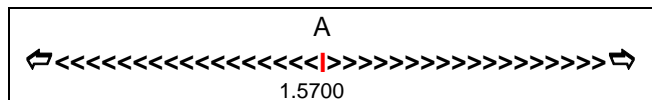
You are happy to lock into a Forward Contract at an agreed fixed rate to mature in three months time.

How does the product work?

Example: USD Seller GBP Buyer

You need to sell USD in exchange for GBP for a known obligation in three months time. The three month forward rate is trading at 1.5700.

- 1) You enter into a Forward Contract and sell USD at the fixed rate of 1.5700 to mature in three months time.



A. Fixed Forward Contract Exchange Rate

Outcome in three months time

You are committed to sell USD at a rate of 1.5700 regardless of where the spot rate is trading.



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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