

Currency Par Forward with a window

This represents a series of forward exchange transactions with different settlement dates, but of the same currency pair and at a single exchange rate, whereby, for each of the forward transactions arranged the client can choose a settlement interval in the form of a window of between 2 and 60 days.

When should Currency Par Forward with a window be utilised:

The client already knows that in cca. a month s/he will need to pay the invoice in the amount of EUR 100,000, in cca. two months the second invoice in the amount of EUR 60,000 and in cca. three month the third invoice in the amount of EUR 10,000. Because s/he seeks to avoid any exchange fluctuations in the future, s/he secures the current rate by means of the future settlement of all of these three invoices and, at the same time, for each of the forward transactions, s/he determines the "window" within which the trade shall be settled at the same rate.

The "window" may be between 2 and 60 days and the client himself/herself can determine its length.

a) Arrangement of a Currency Par Forward with a window – e.g. the client is purchasing EUR and selling CZK

The date of the arrangement of the Currency Par Forward with a window 1.9.2014

The number of forward transactions implemented within the Currency Par Forward with a window 3

Forward	FWD value	Exchange rate	FWD value	The length of the window	Date of the settlement
Forward No. 1	EUR 100,000	27.50 CZK per EUR	CZK 2,750,000	10 days	21.9.2014-1.10.2014
Forward No. 2	EUR 60,000	27.50 CZK per EUR	CZK 1,650,000	30 days	1.10.2014-1.11.2014
Forward No. 3	EUR 10,000	27.50 CZK per EUR	CZK 275,000	50 days	10.10.2014-1.12.2014

The total value of the Currency Par Forward with a window (in CZK) CZK 4,675,000

The amount of the deposit of 5% as of 1.9.2014 CZK 233,750 (CZK 4,675,000 x 0.05)

b) Settlement of a Currency Par Forward with a window as of the date of the settlement

Forward	FWD value	Exchange rate	FWD value	The length of the window	Date of the settlement
Forward No. 1	EUR 100,000	27.50 CZK per EUR	CZK 2,750,000	10 days	21.9.2014-1.10.2014

The date of the settlement of the Currency Par Forward with a window 1.10.2014

(The current exchange rate: 28.00 CZK per EUR)

The amount of the deposit of 5% as of 1.9.2014 CZK 137,500 (CZK 2,750,000 x 0.05)

The client transfers to Citfin CZK 2,612,500

(i.e. CZK 2,750,000 as the value of the Currency Par Forward with a window - the deposit of CZK 137,500)

Citfin transfers to the client EUR 100,000

c) Settlement of the Currency Par Forward with a window within the agreed settlement interval

A Currency Swap enables the client to settle the Currency Par Forward with a window within a window.

Forward	FWD value	Exchange rate	FWD value	The length of the window	Date of the settlement
Forward No. 1	EUR 100,000	27.50 CZK per EUR	CZK 2,750,000	10 days	21.9.2014-1.10.2014

The date of the settlement of the Currency Par Forward with a window within a window: 23.9.2014

The client wishes to settle the forward transaction on 23.9.2014

(The current exchange rate: 28.00 CZK per EUR)

The amount of the deposit of 5% as of 1.9.2014 CZK 137,500 (CZK 2,750,000 x 0.05)

A SWAP within the agreed settlement interval

Exchange No. 1 the client is selling EUR 100,000; exchange rate EUR/CZK 27.50 as of 1.10.2014

Exchange No. 2 the client is purchasing EUR 100,000; exchange rate EUR/CZK 27.50 as of 23.9.2014

The client transfers to Citfin CZK 2,612,500

Citfin transfers to the client EUR 100,000

d) Settlement of the Currency Par Forward with a window prior to the agreed settlement interval

A Currency Swap enables the client to settle the Currency Par Forward with a window even prior to the agreed "window".

Forward	FWD value	Exchange rate	FWD value	The length of the window	Date of the settlement
Forward No. 2	EUR 60,000	27.50 CZK per EUR	CZK 1,650,000	30 days	1.10.2014-1.11.2014

The value of the deposit of 5% as of 1.9.2014 CZK 82,500 (CZK 1,650,000 x 0.05)

The client wishes to settle the forward transaction on 15.9.2014

(The current exchange rate: 28.00 CZK per EUR)

A SWAP prior to the agreed window

Exchange No. 1 the client is selling EUR 60,000; exchange rate EUR/CZK 27.50 as of 1.11.2014

Exchange No. 2 the client is purchasing EUR 60,000; exchange rate EUR/CZK 27.505 as of 15.9.2014

The difference between the originally secured rate of CZK 27.50 per EUR and the currently traded rate of CZK 27.505 per EUR is defined in terms of PIP points, which constitute an integral feature of the calculation of the forward exchange rate, by taking into account the time value of EUR as of 1.11.2014 and as of 15.9.2014.

The difference between the current and the original value of the transaction = 1,650,300 – 1,650,000 = CZK 300

The client transfers to Citfin CZK 1,567,800

(EUR 60,000 at an exchange rate of CZK 27.50 per EUR = CZK 1,650,000, i.e. the original value of the Currency Par Forward with a window - the deposit of CZK 82,500 + CZK 300 of the difference between the current and the original exchange rates = CZK 1,567,800)

Citfin transfers to the client

EUR 100,000

e) Settlement of the Currency Par Forward with a window using a SWAP

If the settlement date of the Currency Par Forward with a window occurs and the client does not wish to or is unable to settle this forward transaction on the due date of 1.12.2014, s/he arranges a SWAP, whereby the client "shifts" the liability arising from the Currency Par Forward with a window to a future date.

Forward	FWD value	Exchange rate	FWD value	The length of the window	Date of the settlement
Forward No. 3	EUR 10,000	27.50 CZK per EUR	CZK 275,000	50 days	10.10.2014-1.12.2014

SWAP

The current exchange rate CZK 28.00 per EUR

Exchange No. 1 the client is selling EUR 10,000; exchange rate EUR/CZK 28.00 as of 1.12.2014

Exchange No. 2 the client is purchasing EUR 10,000; exchange rate EUR/CZK 28.03 as of 1.1.2015

The difference between the originally secured rate of CZK 27.50 per EUR and the current swap rate of CZK 28.00 per EUR is an exchange difference, by means of which the client is able to increase the rate and that, at the same time, also represents a deposit.

The difference between the current rate of CZK 28.00 per EUR and the future rate of CZK 28.03 per EUR is defined in terms of PIP points, which constitute an integral feature of the calculation of the forward exchange rate, by taking into account the time value of EUR as of 1.12.2014 and as of 1.1.2015.

The original value of the forward = $27.50 \times 10,000 = \text{CZK } 275,000$

The current value of the forward = $28.00 \times 10,000 = \text{CZK } 280,000$

The difference between these values = $280,000 - 275,000 = \text{CZK } 5,000$

The original deposit implemented by the client = CZK 13,750

The current value of the deposit following the SWAP = CZK 18,750

The balance of the deposit = CZK 5,000

Calculation of the Deposit

Citfin requires a 5% deposit on forward transactions, which the client transfers upon the completion of the arranging of these transactions. In the event that the exchange rate were to fluctuate significantly within the duration of the forward transaction to the detriment of an open position and should its securing by the deposit fall below 2.5%, Citfin may ask the client to replenish the deposit to a level of 5%.

The client is purchasing EUR using CZK

The date of the forward transaction	1.9.2014
The exchange rate	CZK 27.50 per EUR
The value of the forward transaction (in EUR)	EUR 100,000
The value of the forward transaction (in CZK)	CZK 2,750,000
The amount of the deposit (5%)	CZK 137,500
The date of the settlement of the forward transaction	1.10.2014

CZK strengthens over the duration of the forward transaction

The current date	15.9.2014
The current exchange rate	CZK 26.80 per EUR
The current deposit	CZK 137,500 ($2,750,000 \times 0.05$)
The original value of the forward transaction	CZK 2,750,000 (EUR 100,000 \times EUR/CZK 27.50)
The current value of the forward transaction	CZK 2,680,000 (EUR 100,000 \times EUR/CZK 26.80)
Potential profit/loss	CZK -70,000 (CZK 2,750,000 - CZK 2,680,000)

Current securing of the forward transaction in CZK **CZK 67,500**
(the deposit of CZK 137,500 - CZK 70,000 for potential loss)

Current securing of the forward transaction in % **2.45%**
(current securing of CZK 67,500/CZK 2,750,000 of the original value \times 100)

How much should the deposit at Citfin amount to **CZK 207,500**
(a 5% deposit of CZK 137,500 + CZK 70,000 for potential loss)

It is necessary to replenish the deposit in the amount of **CZK 70,000**
(the requisite amount of the deposit of CZK 207,500 - CZK 137,500 of the current deposit)

In the event that the crown should subsequently return to a weaker level, Citfin will return the replenished amount of the deposit to the client.