



Currency Swap

Selling or buying one currency in exchange for another and subsequently repurchasing or reselling it after a certain period of time at an exchange rate agreed upon. A Currency Swap helps you overcome the lack of liquidity of one currency against another currency.

Currency Swap

I would like some crowns that I lack. Although I have a sufficient amount of foreign currency in my account, I will need it to pay the invoice next month.

Client

In what foreign currency do you have a surplus?

Dealer

I have 100,000 euros in my account, but now would like roughly the same amount in Czech crowns.

Client

In this case, we can arrange a Currency Swap that will resolve your current situation, which is a lack of one currency and a surplus of another currency. Now we are going to agree on the exchange rate for which you will exchange your money. Send euros to Citfin today and Citfin will send you crowns in return. At the same time, we will arrange a rate for the opposite, mirror exchange at the time when you need to pay the invoice to your business partner.

Dealer

In that case, it works. Let's do it.

Client

Conclusion of Currency Swap Contracts

Conclusion date of Currency Swap	30 April
Settlement date of Currency Swap	30 May
Exchange rate	EURCZK 25.80
Currency Swap value in EUR	EUR 100,000
Currency Swap value in CZK	CZK 2,580,000

Swap No. 1 as of 30 April the client sells EUR and buys CZK at EURCZK 25.80

The client sends	EUR 100,000 to Citfin
Citfin sends the client	CZK 2,580,000

Swap No. 2 as of 30 May the client sells CZK and buys EUR at EURCZK 25.82

The client sends	CZK 2,582,000 to Citfin
Citfin sends the client	EUR 100,000

The difference between the current rate of EURCZK 25.80 and the future rate of EURCZK 25.82 is determined by forward points, which are an integral part of the calculation of the future trade rate, taking into account the difference in the value of EUR on 30 April and on 30 May.

The client will agree on both swaps and all four settlements with a Citfin dealer already on the conclusion date of the Currency Swap, i.e., on 30 April. Settlement No. 1 will be executed on 30 April and Settlement

No. 2 on 30 May. As a result, this means that the client arranges the swap today, including settlement, and secures the rate today at which the mirror swap will take place in the future, again including settlement.



1 month



Conclusion date
of Currency Swap

Swap No. 1

Settlement date
of Currency Swap

Swap No. 2

Calculation of the deposit

Citfin requires a 5% deposit on financial futures, which is sent by the client when these types of trades are arranged. In the event that the exchange rate moves significantly against the open position during the term of the financial future and its coverage by a deposit falls below 2.5%, Citfin may ask the client to replenish the deposit back to 5%.

Client trades EUR for CZK

Date of the Financial Future Contract	30 April
Exchange rate	EURCZK 25.80
Future value in EUR	EUR 100,000
Future value in CZK	CZK 2,580,000
The paid deposit (5%)	CZK 129,000

CZK weakens during the duration of the Financial Future

Current date	15 May
Current rate EURCZK	EURCZK 26.50
Current deposit	CZK 129,000 (2,580,000 * 0.05)
Original Future value	CZK 2,580,000 (EUR 100,000 * EURCZK 25.80)
Current Future value	CZK 2,650,000 (EUR 100,000 * EURCZK 26.50)
Potential loss	CZK 70,000 (CZK 2,650,000 – CZK 2,580,000)

Current coverage of the Future in CZK

CZK 59,000

(CZK 129,000 deposit – CZK 70,000 potential loss)

Current coverage of the Future in %

2.29%

(CZK 59,000 current coverage / CZK 2,580,000 original value * 100)

How much of the deposit do you need to have with Citfin

CZK 199,000

(CZK 129,000 deposit 5% + CZK 70,000 potential loss)

Deposit to be replenished

CZK 70,000

(CZK 199,000 deposit required – CZK 129,000 current deposit)

In the event that the koruna subsequently returns to stronger levels and the client realizes a potential profit, Citfin will return the replenished deposit to the client.



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