CREDIT SUISSE AG, Mumbai Branch
10th Floor Ceejay House
Worli, Mumbai 400018
Regulated by the Reserve Bank of India (RBI)

Proprietary & Confidential

# PRODUCT DISCLOSURE STATEMENT

This Product Disclosure Statement ("**Statement**") has been prepared for and is sent to the Customer to provide the Customer with information about the Product and to assist the Customer with evaluation and assessment of suitability of the Product to the business requirements of the Customer.

THE STATEMENTS LIST OUT THE VARIOUS PRODUCTS OFFERED BY THE BANK TO ITS CUSTOMERS AND THE DETAILS PROVIDED IN THIS STATEMENT ARE FOR THE GENERAL UNDERSTANDING OF THE CUSTOMER. THIS STATEMENT IS NOT A RECOMMENDATION OF THE PRODUCT BY THE BANK TO THE CUSTOMER. BASED ON THE COMMERCIAL NEEDS OF THE CUSTOMER, THE SUITABILITY AND APPROPRIATENESS OF THE PRODUCT WILL BE DISCUSSED WITH THE CUSTOMER.

**Product** : **Foreign Exchange Forward Contract**

**Description of the Product** :

- Foreign Exchange FX Forward ("FX Forward") is a derivative contract that solely involves the exchange of two different currencies on a specific future date at a fixed rate agreed at the inception of the contract covering the exchange.
- For instance, Client (exporter) has USD receivables and needs to mitigate the risk of USD depreciation/ INR appreciation. A typical FX forward in USD/INR would involve the Client selling USD/ buying INR for a future settlement date and thus locking-in the future USD/INR conversion rate.
- Under the FX forward, the Client has an obligation to sell one currency against the other currency.
- There is no exchange of any upfront / periodic premium or coupon in a FX Forward.
- Thus, the purpose of the FX Forward is to hedge risk of volatile currencies at thereby lock-in the future conversion rate and settlement amounts.
- The FX forward contract can be for FCY/INR (as in JPY/INR, GBP/INR, EUR/INR etc) or FCY/FCY (as in USD/JPY, GBP/USD, USD/CHF, EUR/USD etc)
- The FX Forwards can be used to hedge contracted or anticipated exposure as permitted by the extant Reserve Bank of India guidelines.

**Benefits** : The key benefit of the FX Forward for the Client is the ability to hedge risk of volatile currencies and thereby lock-in the future conversion rate and settlement amounts.

**Terms and Conditions** : Each transaction will be governed by and subject to the ISDA Master Agreement executed between the parties.

The contractual terms and conditions for each Transaction will be as determined between the parties to the transaction under the confirmation per transaction. The terms and conditions will include the spot rate for the transaction, forward exchange premium (or discount, as applicable), costs and fees applicable per transaction.

**Risks** : In the above example, if the USD/INR Spot Rate on Settlement Date is higher than the Forward Contracted Rate, then the Client has an opportunity loss.

## WORKING OF THE PRODUCT: ILLUSTRATION

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| | | |
|---|---|---|
| **Party A** | : | **Credit Suisse AG, acting through its Mumbai Branch** |
| **Party B** | : | **[●]** |
| **Trade Date** | : | **17 December 2021** |
| **Settlement Date** | : | **21 January 2022,** subject to adjustment in accordance with the Business Day Convention. |
| **Currency Pair** | : | USD/INR |
| **Currency 1 Amount** | : | USD 10 Million |
| **Forward Contracted Rate** | : | USD 1 = INR 76.34 |
| **Currency 2 Amount** | : | INR 763.40 Million |
| **Currency 1 Seller** | : | Party B |
| **Currency 2 Seller** | : | Party A |
| **Initial exchange** | : | None |
| **Final Exchange** | : | Party B sells USD 10 Million against INR 763.40 Million at Forward Contracted Rate, irrespective of where USDINR level is. |
| **Costs & fees** | : | There is no upfront premium, costs and fees. In case a fee is chargeable, it would be as per the transaction terms in voice and confirmation. |
| **Early Termination** | : | The FX Forward Contract can be unwound cancelled anytime on or before the Settlement Date |
| **Early Delivery** | : | Client has full flexibility to utilize the FX Forward contract prior to settlement date, subject to applicable costs |

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**FEATURES/ BUILDING BLOCKS OF THE PRODUCT**

- USD/INR FX Spot
- USD/INR Forward Premium

**In case of early unwind, Mark to market (MTM) of the FX Forward Contract from Client's perspective will depend upon following market factors:**

- USD/INR Spot: The MTM will increase in favour of Client if USD depreciates/ INR appreciates and vice-versa.
- USD/INR Forward premia: The MTM will increase in favour of the Client if USD/INR forward premia decreases and vice-versa.

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**RISK DISCLOSURE**

**IMPORTANT NOTICE**

We believe that clients who engage in treasury and financial transactions with us or though us should be aware of the risks which may be associated with such transactions. This risk disclosure statement is not intended as a substitute for your actually becoming reliably and adequately informed of the risks associated with such transactions by your seeking independent advice or otherwise as regards any specific transaction contemplated, and you shall accordingly be responsible for any transaction which you ultimately choose to enter into.

THIS NOTICE DOES NOT PURPORT TO DISCLOSE TO OR ADVISE YOU OF ALL OF THE RISKS AND OTHER RELEVANT CONSIDERATIONS AND ANY SIGNIFICANT ASPECT OF ANY TRANSACTION. YOU SHOULD THEREFORE CONSULT YOUR OWN LEGAL, TAX AND FINANCIAL ADVISERS PRIOR TO ENTERING INTO ANY PARTICULAR TRANSACTION.

You should not enter into a transaction unless you fully understand the transaction including at least the following:-

(a) the nature of the transaction and the market underlying such transaction;

(b) the terms and conditions of such transaction;

(c) the extent of the financial and economic risk to which you are exposed as a result of such transaction;

(d) the income tax treatment of such transaction; and

(e) the regulatory and accounting treatment of such transaction.

Furthermore, before you enter into any transaction, you should consider, among other things, the following points:-

**1.** **Suitability**: You should determine whether a product and the transaction proposed to be entered into by you is appropriate in the light of your experience in similar transactions, your objectives in engaging in the transaction, your financial resources and other relevant circumstances. If you are not sure that the transaction is suitable for you, you should consult your own legal, tax and financial advisers before entering into the transaction.

**2.** **Market Risk**: Your gains or losses under a transaction may be linked to changes in the market(s) to which the transaction is linked and such market(s) may not perform in tandem with the local market which you may be familiar with. You may therefore be exposed to volatility in such market(s), which may be greater than the volatility of the local market you may be familiar with. Furthermore, the extent of your loss or profit in a transaction may be greater or less than the corresponding movements in the market(s).

**3.** **Credit Risk**: You are exposed to the credit risk of the counterparty with whom you are matched, or with whom you contract. In any transaction, you are exposed to our credit risk, other than the transactions where we act as broker or agent. In such cases, you will be exposed to the credit risk of the third party with whom you are contracting, which may be lower or higher than our credit risk.

4. **Economic Risk**: Because the prices and characteristics of over-the-counter transactions are individually negotiated and there is no central source for obtaining prices, there are inefficiencies in transaction pricing. We consequently cannot and do not warrant that our prices or the prices we secure for you are or will at any time be the best price available to you. We may make a profit from a transaction with you no matter what result the transaction has from your point of view.

5. **Liquidity Risk**: Execution and/or liquidation of your positions may, in certain circumstances, be difficult or impossible. These circumstances include, for example, suspension of trading, extreme market conditions, failure of telecommunications or electronic systems, and events commonly known as "force majeure". Your ability in such circumstances to make a value or risk assessment, or to make a calculation of a fair price, would also be adversely affected. Even, if you give a "stop-loss" or "stop-limit" order, these may be impossible to execute.

6. **Exchange Risk**: You may be exposed to currency fluctuation risk where you enter into a transaction involving different currencies, or in a base currency other than one in which you use in your ordinary business or hold in your accounts. Any loss incurred by you as a result of the relevant rates for the conversion of any monies from the base currency to the currency in which you keep your accounts (i) may be greater than the profits from the transaction when measured against the base currency of that transaction or (ii) may increase the amount of the loss you suffer in the transaction itself.

7. **Transaction Costs**: Your net returns from a transaction would also be affected by the transaction costs (i.e. commission, fees and other charges) charged by us.

8. **Margin/Collateral**: We may require that you provide margin or collateral to support your obligations under transactions you trade with or through us.

   Where a transaction is leveraged, you should note that a small market movement in the underlying market will have a multiplying effect on your corresponding loss, and such losses may exceed the amount of margin deposited with us. In such a situation, you would be required to top-up any such shortfall by depositing additional margin with us.

   Generally, we are entitled to liquidate your positions to meet any shortfall in margin or collateral requirements.

9. **Structured Transaction with Multiple Instruments**: Where a transaction is made up of several instruments, you should be aware that there is risk associated with each instrument evaluated separately and the risk of the transaction evaluated as a whole.

   We strongly suggest that you independently review all materials (as supplied by us from time to time to you and as supplemented with your own independent advice which you are encouraged to take) pertaining to the risks associated with any transaction.