

Knock Outs

ebury

● Knock Outs

What is a Knock Out

Product Description

When a Knock Out feature is incorporated, all the functionalities of the standalone product, such as Forward Extra, remain unchanged. The Knock Out feature introduces a termination condition, which means the protection will cease to exist if the prevailing Exchange Rate trades at or less favourable than the Knock Out Rate at Expiry.

If this termination condition is met and you are 'Knocked Out', the protection will no longer be in effect, leaving you unhedged and any requirement must be purchased at at the prevailing Spot Rate.

● Knock Out Forward

Knock Out Forward

Hedging import related payables

Product Description

The Knock Out Forward allows you the potential to set an Enhanced Rate for your currency exposure on a predetermined future date by accepting limited downside protection.

In addition to setting the Enhanced Rate, you also set a Knock Out Rate. If at Expiry, the Exchange Rate is less favourable than the Knock Out Rate, the Knock Out Forward ceases to exist and any currency requirement can be purchased at the prevailing Spot Rate. As a result, this is considered a higher risk product than a Fixed Forward.

Possible Scenarios:

Scenario 1: If the Exchange Rate at Expiry is at or less favourable than the Knock Out Rate, your protection is removed and any currency requirement can be purchased at the prevailing Spot Rate.

Scenario 2: If the Exchange Rate at Expiry is less favourable than the Enhanced Rate and is more favourable than the the Knock Out Rate, you have the right to transact the Notional Amount at the Enhanced Rate.

Scenario 3: If the Exchange Rate at Expiry is at or more favourable than the Enhanced Rate, you are obligated to transact the Notional Amount at the Enhanced Rate.

Advantages

- The Enhanced Rate that is more favourable than the prevailing Fixed Forward rate.
- The client has protection if the rate moves against them and remains more favourable than the Knock Out Rate.

Disadvantages

- If the Exchange Rate at Expiry is at or more favourable than the Enhanced Rate, the client is obligated to transact the Notional Amount at the Enhanced Rate, which would be less favourable than the prevailing Spot Rate.
- If at Expiry, the Exchange Rate is trading at or less favourable than the the Knock Out Rate. The Knock Out Forward will cease to exist and the client will be left without protection and exposed to the prevailing Spot Rate.
- If the Exchange Rate moves unfavourably Ebury may make a Margin Call to cover the out-the-money position.

● Knock Out Forward

Example

A client imports office supplies from China and anticipates a requirement to purchase USD 1 million in six months time. The company uses a calculation rate of 1.1000 for the current fiscal year.

The client has a strong view that downside risk will be limited and the Exchange Rate will not depreciate below 1.0600. They would also like to transact at their budgeted rate of 1.1150, which is above the comparable fixed forward rate of 1.1000.

In consultation with the client, the following Knock Out Forward Is established.

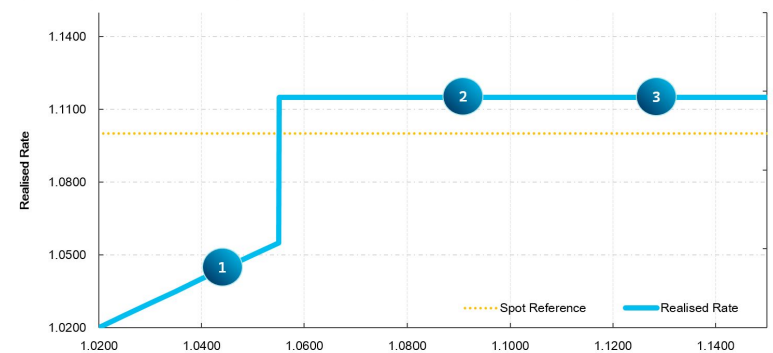
Spot reference	= 1.1000
Expiry	= 6 months
Notional Amount	= \$1,000,000
Enhanced Rate	= 1.1150
Knock Out Rate	= 1.0550

Example Scenarios

Scenario 1: The EUR/USD Exchange Rate is trading at 1.0450 at Expiry and is at or below the Knock Out Rate. Therefore, the client's protection ceases to exist and the client has the right to transact at the prevailing Spot Rate of 1.0450.

Scenario 2: The EUR/USD Exchange Rate is trading at 1.0900 at Expiry, which is below the Enhanced Rate and above the Knock Out Rate. Therefore, the client has the right to transact and buy 1,000,000 USD at the Enhanced Rate of 1.1150 .

Scenario 3: The EUR/USD Exchange Rate is trading at 1.1250 at Expiry and is at or above the Enhanced Rate. Therefore, the client is obligated to transact and buy 1,000,000 USD at the Enhanced Rate of 1.1150 .



● Leveraged Knock Out Forward

Leveraged Knock Out Forward

Hedging import related payables

Product Description

The Leveraged Knock Out Forward allows you the potential to set an Enhanced Rate for your currency exposure on a predetermined future date by accepting limited downside protection.

If the Exchange Rate at Expiry is less favourable than the Enhanced Rate but remains more favourable than the Knock Out Rate, the Leveraged Knock Out Forward will provide you the right to transact the Notional Amount at the Enhanced Rate.

Conversely, if the Exchange Rate at Expiry is at or more favourable than the Enhanced Rate the Leveraged Knock Out Forward obligates you to transact the Leveraged Notional Amount at the Enhanced Rate.

If at Expiry, the Exchange Rate is at or less favourable than the Knock Out Rate, the Leveraged Knock Out Forward ceases to exist and any currency requirement can be purchased at the prevailing Spot Rate. As a result, this is considered a higher risk product than a Leveraged Forward.

Possible Scenarios:

Scenario 1: If the Exchange Rate at Expiry is at or less favourable than the Knock Out Rate, your protection is removed and any currency requirement can be purchased at the prevailing Spot Rate.

Scenario 2: If the Exchange Rate at Expiry is less favourable than the Enhanced Rate and is more favourable than the Knock Out Rate, you have the right to transact the Notional Amount at the Enhanced Rate.

Scenario 3: If the Exchange Rate at Expiry is at or more favourable than the Enhanced Rate, you are obligated to transact the Leveraged Notional Amount at the Enhanced Rate.

Advantages

- Enhanced Rate that is more favourable than the prevailing Knock Out Forward Rate.
- The client has protection if the rate moves against them and remains more favourable than the Knock Out Rate.

Disadvantages

- If at Expiry, the Exchange Rate is at or less favourable than the Knock Out Rate, the Leveraged Knock Out Forward will cease to exist and the client will be left without protection and exposed to the prevailing Spot Rate.
- If the Exchange Rate at Expiry is at or more favourable than the Enhanced Rate, the client is obligated to transact the Leveraged Notional Amount at the Enhanced Rate, which would be less favourable than the prevailing Spot Rate.
- If the Exchange Rate moves unfavourably Ebury may make a Margin Call to cover the out-the-money position.

● Leveraged Knock Out Forward

Example

A client imports office supplies from China and anticipates a requirement to purchase USD 2 million in six months time. The company uses a calculation rate of 1.1000 for the current fiscal year.

The client has a strong view that downside risk will be limited and the exchange rate will not depreciate below 1.0400. They would also like to transact above their budgeted rate of 1.1150 for a percentage of their Exposure.

In consultation with the client, the following Leveraged Knock Out Forward is established.

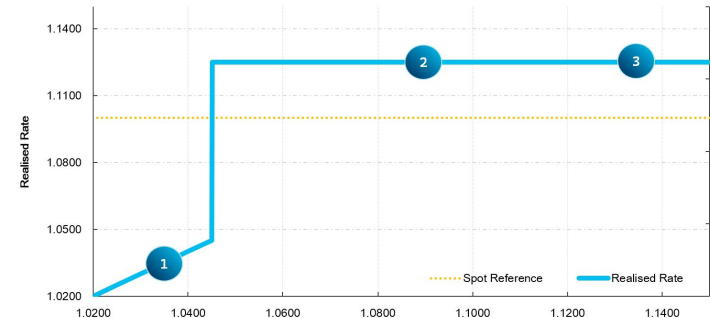
Spot reference	= 1.1000
Expiry	= 6 months
Notional Amount	= \$1,000,000
Leveraged Notional Amount	= \$2,000,000
Enhanced Rate	= 1.1250
Knock Out Rate	= 1.0450

Example Scenarios

Scenario 1: The EUR/USD Exchange Rate is trading at 1.0350 at Expiry and is at or below the Knock Out Rate at Expiry. Therefore, the client's protection ceases to exist and the client has right to transact at the prevailing Spot Rate of 1.0350.

Scenario 2: The EUR/USD Exchange Rate is trading at 1.0900 at Expiry and is below the Enhanced Rate and above the Knock Out Rate at Expiry. Therefore, the client has the right to transact and buy 1,000,000 USD at the Enhanced Rate of 1.1250 .

Scenario 3: The EUR/USD Exchange Rate is trading at 1.1350 at Expiry and is at or above the Enhanced Rate at Expiry. Therefore, the client is obligated to transact and buy 2,000,000 USD at the Enhanced Rate of 1.1250.



Knock Out Forward Extra

Hedging import related payables

Product Description

The Knock Out Forward Extra allows you the potential to set an Enhanced Rate and participate in further favourable Exchange Rate movement for your currency exposure on a predetermined future date.

In addition to setting the Enhanced Rate, you also set a Barrier Rate and a Knock Out Rate. If the Exchange Rate is at or more favourable than the Barrier Rate at any point during the Observation Period and the Exchange Rate is more favourable than the Enhanced Rate at Expiry, the Knock Out Forward Extra obligates you to transact the Notional Amount at the Enhanced Rate. Conversely, if the Exchange Rate fails to reach or exceed the Barrier Rate during the Observation Period and is more favourable than the Enhanced Rate, you have no obligation to transact and may transact at the prevailing Spot Rate.

If the Exchange Rate at Expiry is at or less favourable than the Enhanced Rate but remains more favourable than the Knock Out Rate, the Knock Out Forward Extra will provide you the right to transact the Notional Amount at the Enhanced Rate.

If at Expiry, the Exchange Rate is at or less favourable than the Knock Out Rate, the Knock Out Forward Extra ceases to exist and any currency requirement can be purchased at the prevailing Spot Rate. As a result, this is considered a higher risk product than a Forward Extra.

**Barrier Observation period can be Constantly Observed, Windowed or At Expiry*

Advantages

- Enhanced Rate and / or Barrier Rate will be more favourable than the comparable Forward Extra.
- The client has protection if the rate moves against them and remains more favourable than the Knock Out Rate.
- The client can benefit from favourable currency movement up to but not including the Barrier Rate.

Possible Scenarios:

Scenario 1: If the Exchange Rate at Expiry is at or less favourable than the Knock Out Rate, your protection is removed and any currency requirement can be purchased at the prevailing Spot Rate.

Scenario 2: If the Exchange Rate at Expiry is less favourable than the Enhanced Rate and is not trading at or less favourably than the the Knock Out Rate, you have the right to transact the Notional Amount at the Enhanced Rate.

Scenario 3: If the Exchange Rate at Expiry is more favourable than the Enhanced Rate and has not traded at or more favourably than the Barrier Rate during the Observation Period, you have the right to transact at the prevailing Spot Rate.

Scenario 4: If the Exchange Rate at Expiry is more favourable than the Enhanced Rate and has traded at or more favourably than the Barrier Rate during the Observation Period, you are obligated to transact the Notional Amount at the Enhanced Rate.

Following scenarios are only applicable if the Knock Out Forward Extra has a Window or Constantly Observed Observation Period)

Scenario 4(A): If the Exchange Rate is more favourable than the Enhanced Rate at Expiry and has traded at or more favourably than the Barrier Rate during the Observation Period, you are obligated to transact the Notional Amount at the Enhanced Rate.

Scenario 4(B): If the Exchange Rate is less favourable than the Enhanced Rate but more favourable than the Knock Out Rate at Expiry and has traded at or more favourably than the Barrier Rate during the Observation Period, you have the right to transact the Notional Amount at the Enhanced Rate

Scenario 4(C): If the Exchange Rate is less favourable than the Enhanced Rate and the Knock Out Rate at Expiry and has traded at or more favourably than the Barrier Rate during the Observation Period, your protection is removed and any currency requirement can be purchased at the prevailing Spot Rate.

Disadvantages

- If at Expiry, the Exchange Rate is trading at or less favourably than the the Knock Out Rate. The Knock Out Forward Extra will cease to exist and the client will be left without protection and exposed to the prevailing Spot Rate.
- If the Exchange Rate trades at or more favourably than the Barrier Rate at any time during the Observation Period, the client may be obligated to transact at the Enhanced Rate for the Notional Amount At Expiry.
- If the Exchange Rate moves unfavourably Ebury may make a Margin Call to cover the out-the-money position.

● Knock Out Forward Extra

Example

A client imports office supplies from China and anticipates a requirement to purchase USD 1 million in six months time. The company uses a calculation rate of 1.1000 for the current fiscal year.

The client has a strong view that downside risk will be limited and the exchange rate will not depreciate below 1.0400. They would also like to transact at their budgeted rate of 1.0900 and maintain the potential to participate in favourable exchange movement.

In consultation with the client, the following Knock Out Forward Extra is established.

Spot reference	= 1.1000
Expiry	= 6 months
Notional Amount	= \$1,000,000
Enhanced Rate	= 1.0900
Barrier Rate	= 1.1400
Knock Out Rate	= 1.0350
Barrier Observation Period	= At Expiry

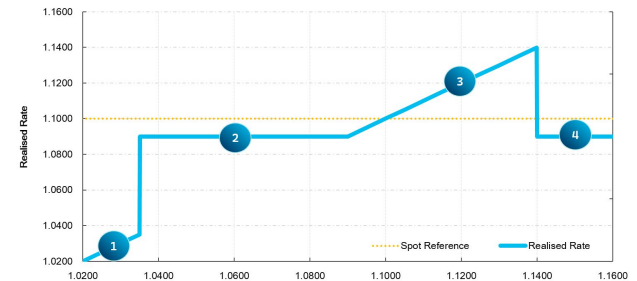
Example Scenarios

Scenario 1: The EUR/USD Exchange Rate is trading at Expiry at 1.0300 and is at or below the Knock Out Rate. Therefore, the client's protection ceases to exist and the client has the right to transact at the prevailing Spot Rate of 1.0300.

Scenario 2: The EUR/USD Exchange Rate is trading at 1.0600 at Expiry and is below the Enhanced Rate and above the Knock Out Rate. The client has the right to transact and buy 1,000,000 USD at the Enhanced Rate of 1.0900.

Scenario 3: The EUR/USD Exchange Rate is trading at 1.1200 at Expiry and has not traded at or above the Barrier Rate during the Observation Period. The client has the right to transact at the prevailing Spot Rate of 1.1200.

Scenario 4: The EUR/USD Exchange Rate is trading at 1.1500 at Expiry and has traded at or above the Barrier Rate during the Observation Period. The client is obligated to transact and buy 1,000,000 USD at the Enhanced Rate of 1.0900.



Leveraged Knock Out Forward Extra

Hedging import related payables

Product Description

The Leveraged Knock Out Forward Extra allows you the potential to set an Enhanced Rate and participate in further favourable Exchange Rate movement for your currency exposure on a predetermined future date.

In addition to setting the Enhanced Rate, you also set a Barrier Rate and a Knock Out Rate. If the Exchange Rate reaches or exceeds the Barrier Rate at any point during the Observation Period and the Exchange Rate is more favourable than the Enhanced Rate at Expiry, the Leveraged Knock Out Forward Extra obligates you to transact the Leveraged Notional Amount at the Enhanced Rate. Conversely, if the Exchange Rate fails to reach or exceed the Barrier Rate during the Observation Period and is more favourable than the Enhanced Rate, you have no obligation to transact and may transact at the prevailing Spot Rate.

If the Exchange Rate is at or less favourable than the Enhanced Rate but remains more favourable than the Knock Out Rate, the Leveraged Knock Out Forward Extra will provide you the right to transact the Notional Amount at the Enhanced Rate.

If at Expiry, the Exchange Rate is at or less favourable than the Knock Out Rate, the Leveraged Knock Out Forward Extra ceases to exist and any currency requirement can be purchased at the prevailing Spot Rate. As a result, this is considered a higher risk product than a Leveraged Forward Extra.

**Barrier Observation period can be Constantly Observed, Windowed or At Expiry*

Advantages

- Enhanced Rate and or Barrier Rate will be more favourable than the Leveraged Forward Extra and the Knock Out Forward Extra.
- The client has protection if the rate moves against them and remains more favourable than the Knock Out Rate.
- The client can benefit from favourable currency movement up to but not including the Barrier Rate.

Possible Scenarios:

Scenario 1: If the Exchange Rate at Expiry is less favourable than the Knock Out Rate, your protection is removed and any currency requirement can be purchased at the prevailing Spot Rate.

Scenario 2: If the Exchange Rate at Expiry is less favourable than the Enhanced Rate and is not trading at or less favourably than the the Knock Out Rate, you have the right to transact the Notional Amount at the Enhanced Rate.

Scenario 3: If the Exchange Rate at Expiry is more favourable than the Enhanced Rate and has not traded at or more favourably than the Barrier Rate during the Observation Period, you have the right to transact at the prevailing Spot Rate.

Scenario 4: If the Exchange Rate at Expiry is more favourable than the Enhanced Rate and has traded at or more favourably than the Barrier Rate during the Observation Period, you are obligated to transact the Leveraged Notional Amount at the Enhanced Rate.

Following scenarios are only applicable if the Leveraged Knock Out Forward Extra has a Window or Constantly Observed Observation Period)

Scenario 4(A): If the Exchange Rate is more favourable than the Enhanced Rate at Expiry and has traded at or more favourably than the Barrier Rate during the Observation Period, you are obligated to transact the Leveraged Notional Amount at the Enhanced Rate.

Scenario 4(B): If the Exchange Rate is less favourable than the Enhanced Rate but more favourable than the Knock Out Rate at Expiry and has traded at or more favourably than the Barrier Rate during the Observation Period, you have the right to transact the Notional Amount at the Enhanced Rate

Scenario 4(C): If the Exchange Rate is less favourable than the Enhanced Rate and the Knock Out Rate at Expiry and has traded at or more favourably than the Barrier Rate during the Observation Period, your protection is removed and any currency requirement can be purchased at the prevailing Spot Rate.

Disadvantages

- If at Expiry, the Exchange Rate is trading at or less favourably than the the Knock Out Rate. The Leveraged Knock Out Forward Extra will cease to exist and the client will be left without protection and exposed to the prevailing Spot Rate.
- If the Exchange Rate trades at or more favourably than the Barrier Rate at any time during the Observation Period, the client may be obligated to transact at the Enhanced Rate for the Leveraged Notional Amount At Expiry.
- If the Exchange Rate moves unfavourably Ebury may make a Margin Call to cover the out-the-money position.

● Leveraged Knock Out Forward Extra

Example

A client imports office supplies from China and anticipates a requirement to purchase USD 2 million in six months time. The company uses a calculation rate of 1.1000 for the current fiscal year.

The client has a strong view that downside risk will be limited and the exchange rate will not depreciate below 1.0350. They would also like to transact at their budget rate of 1.1050 for a percentage of their exposure and maintain the potential to participate in favourable exchange movement.

In consultation with the client, the following Leveraged Knock Out Forward Extra is established.

Spot reference	= 1.1000
Expiry	= 6 months
Notional Amount	= \$1,000,000
Leveraged Notional Amount	= \$2,000,000
Enhanced Rate	= 1.1050
Barrier Rate	= 1.1600
Knock Out Rate	= 1.0300
Barrier Observation Period	= at Expiry

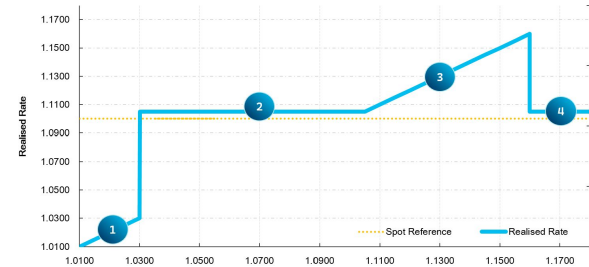
Example Scenarios

Scenario 1: The EUR/USD Exchange Rate is trading at 1.0200 at Expiry and is at or below the Knock Out Rate. Therefore, the client's protection ceases to exist and The client has the right to transact at the prevailing Spot Rate of 1.0200.

Scenario 2: The EUR/USD Exchange Rate is trading at 1.0700 at Expiry and has not traded at or below the Knock Out Rate of 1.0350. The client has the right to buy 1,000,000 USD at the Enhanced Rate of 1.1050.

Scenario 3: The EUR/USD Exchange Rate is trading at 1.1300 at Expiry and has not traded at or above the Barrier Rate during the Observation Period. The client has the right to transact at the prevailing Spot Rate of 1.1300.

Scenario 4: The EUR/USD Exchange Rate is trading at 1.1700 at Expiry and has traded at or above the Barrier Rate during the Observation Period. The client is obligated to buy 2,000,000 USD at the Enhanced Rate of 1.1050.



● Knock Out Range Forward

Knock Out Range Forward

Hedging import related payables

Product Description

The Knock Out Range Forward allows you the potential to set an Enhanced Rate and participate in further favourable Exchange Rate movement for your currency exposure on a predetermined future date.

In addition to setting the Enhanced Rate, you also determine a Capped Rate and a Knock Out Rate. Should the Exchange Rate at Expiry be trading at or more favourably than the Capped Rate, the Knock Out Range Forward obligates you to transact the Notional Amount at the Capped Rate. Conversely, if the Exchange Rate fails to reach or exceed the Capped Rate and is more favourable than the Enhanced Rate, you have no obligation to transact and may transact at the prevailing Spot Rate.

If at Expiry the Exchange Rate is less favourable than the Enhanced Rate but remains more favourable than the Knock Out Rate, the Knock Out Range Forward will provide you the right to transact the Notional Amount at the Enhanced Rate.

If at Expiry, the Exchange Rate is at or less favourable than the Knock Out Rate, the Knock Out Range Forward ceases to exist and any currency requirement can be purchased at the prevailing Spot Rate. As a result, this is considered a higher risk product than a Range Forward.

Possible Scenarios:

Scenario 1: If the Exchange Rate at Expiry is at or less favourable than the Knock Out Rate, your protection is removed and any currency requirement can be purchased at the prevailing Spot Rate.

Scenario 2: If the Exchange Rate at Expiry is less favourable than the Enhanced Rate and is not trading at or less favourably than the the Knock Out Rate, **you have the right to transact the Notional Amount at the Enhanced Rate.**

Scenario 3: If the Exchange Rate at Expiry is more favourable than the Enhanced Rate but less favourable than the Capped Rate, you have the right to transact at the prevailing Spot Rate.

Scenario 4: If the Exchange Rate at Expiry is more favourable than the Capped Rate, you are obligated to transact the Notional Amount at the Capped Rate.

Advantages

- Enhanced Rate and or Capped Rate will be more favourable than the Range Forward.
- The client has protection if the rate moves against them and remains more favourable than the Knock Out Rate.
- The client can benefit from favourable currency movement up to the Capped Rate.

Disadvantages

- If at Expiry, the Exchange Rate is trading at or less favourably than the the Knock Out Rate. The Knock Out Range Forward will cease to exist and the client will be left without protection and exposed to the prevailing Spot Rate.
- If the Exchange Rate is trading at or more favourably than the Capped Rate at Expiry, the client is obligated to transact at the Capped Rate for the Notional Amount.
- If the Exchange Rate moves unfavourably Ebury may make a Margin Call to cover the out-the-money position.

● Knock Out Range Forward

Example

A client imports office supplies from China and anticipates a requirement to purchase USD 1 million in six months time. The company uses a calculation rate of 1.1000 for the current fiscal year.

The client has a strong view that downside risk will be limited and the exchange rate will not depreciate below 1.0300. They would also like to transact at their budgeted rate of 1.0850 and maintain the potential to participate in favourable exchange movement.

In consultation with the client, the following Knock Out Range Forward is established.

Spot reference	= 1.1000
Expiry	= 6 months
Notional Amount	= \$1,000,000
Enhanced Rate	= 1.0850
Capped Rate	= 1.1300
Knock Out Rate	= 1.0350

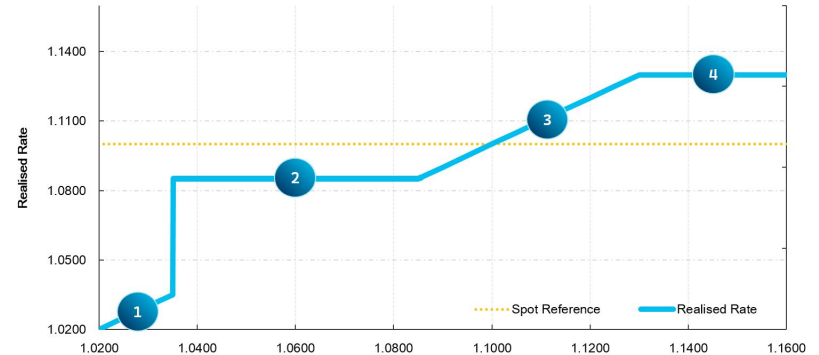
Example Scenarios

Scenario 1: The EUR/USD Exchange Rate is trading at 1.0250 at Expiry and is below the Knock Out Rate. Therefore, the client's protection ceases to exist and the client has the right to transact at the prevailing Spot Rate of 1.0250.

Scenario 2: The EUR/USD Exchange Rate is trading at 1.0600 at Expiry and is not trading at or below the Knock Out Rate of 1.0350. The client has the right to transact and buy 1,000,000 USD at the Enhanced Rate of 1.0850.

Scenario 3: The EUR/USD Exchange Rate is at 1.1100 at Expiry and is not trading at or above the Capped Rate. The client has the right to transact at the prevailing Spot Rate of 1.1100.

Scenario 4: The EUR/USD Exchange Rate is at 1.1450 at Expiry, therefore, is trading above the Capped Rate. The client is obligated to transact and buy 1,000,000 USD at the Capped Rate of 1.1300.



● Leveraged Knock Out Range Forward

Leveraged Knock Out Range Forward

Hedging import related payables

Product Description

The Leveraged Knock Out Range Forward allows you the potential to set an Enhanced Rate and participate in further favourable Exchange Rate movement for your currency exposure on a predetermined future date.

In addition to setting the Enhanced Rate, you also determine a Capped Rate and a Knock Out Rate. Should the Exchange Rate reach or exceed the Capped Rate at Expiry, the Leveraged Knock Out Range Forward obligates you to transact the Leveraged Notional Amount at the Capped Rate. Conversely, if the Exchange Rate fails to reach or exceed the Capped Rate and is more favourable than the Enhanced Rate, you have no obligation to transact and may transact at the prevailing Spot Rate.

If at Expiry the Exchange Rate is less favourable than the Enhanced Rate but remains more favourable than the Knock Out Rate, the Leveraged Knock Out Range Forward will deliver the Notional Amount at the Enhanced Rate.

If at Expiry, the Exchange Rate is less favourable than the Knock Out Rate, the Leveraged Knock Out Range Forward ceases to exist and any currency requirement can be purchased at the prevailing Spot Rate. As a result, this is considered a higher risk product than a Leveraged Range Forward.

Possible Scenarios:

Scenario 1: If the Exchange Rate at Expiry is less favourable than the Knock Out Rate, your protection is removed and any currency requirement can be purchased at the prevailing Spot Rate.

Scenario 2: If the Exchange Rate at Expiry is less favourable than the Enhanced Rate and is not trading at or less favourably than the the Knock Out Rate, you have the right to transact the Notional Amount at the Enhanced Rate.

Scenario 3: If the Exchange Rate at Expiry is more favourable than the Enhanced Rate but less favourable than the Capped Rate, you have the right to transact at the prevailing Spot Rate.

Scenario 4: If the Exchange Rate at Expiry is more favourable than the Capped Rate, you are obligated to transact the Leveraged Notional Amount at the Capped Rate.

Advantages

- Enhanced Rate and or Capped Rate will be more favourable than the Leveraged Range Forward and Knock Out Range Forward.
- The client has protection if the rate moves against them and remains more favourable than the Knock Out Rate.
- The client can benefit from favourable currency movement up to the Capped Rate.

Disadvantages

- If at Expiry, the Exchange Rate is trading at or less favourably than the the Knock Out Rate. The Leveraged Knock Out Forward Extra will cease to exist and the client will be left without protection and exposed to the prevailing Spot Rate.
- If the Exchange Rate is trading at or more favourably than the Capped Rate at Expiry, the client is obligated to transact at the Capped Rate for the Leveraged Notional Amount.
- If the Exchange Rate moves unfavourably Ebury may make a Margin Call to cover the out-the-money position.

● Leveraged Knock Out Range Forward

Example

A client imports office supplies from China and anticipates a requirement to purchase USD 2 million in six months time. The company uses a calculation rate of 1.1000 for the current fiscal year.

The client has a strong view that downside risk will be limited and the exchange rate will not depreciate below 1.0200. They would also like to transact at their budget rate of 1.0950 for a percentage of their exposure and maintain the potential to participate in favourable exchange movement.

In consultation with the client, the following Leveraged Knock Out Range Forward is established.

Spot reference	= 1.1000
Expiry	= 6 months
Notional Amount	= \$1,000,000
Leveraged Notional Amount	= \$2,000,000
Enhanced Rate	= 1.0950
Capped Rate	= 1.1400
Knock Out Rate	= 1.0250

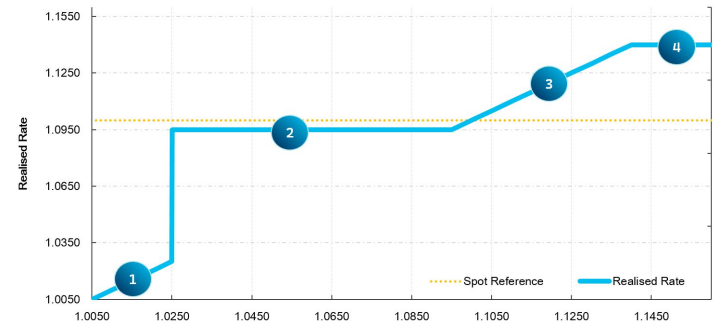
Example Scenarios

Scenario 1: The EUR/USD Exchange Rate is trading at 1.0150 at Expiry and is at or below the Knock Out Rate. Therefore, the client's protection ceases to exist and the client has the right to transact at the prevailing Spot Rate of 1.0150.

Scenario 2: The EUR/USD Exchange Rate is trading at 1.0500 at Expiry and is not trading below the Knock Out Rate of 1.0250. The client has the right to transact and buy 1,000,000 USD at the Enhanced Rate of 1.1100.

Scenario 3: The EUR/USD Exchange Rate is at 1.1200 at Expiry and is not trading at or above the Capped Rate. The client has the right to transact at the prevailing Spot Rate of 1.1200.

Scenario 4: The EUR/USD Exchange Rate is at 1.1500 at Expiry, therefore, is trading at or above the Capped Rate. The client is obligated to transact and buy 2,000,000 USD at the Capped Rate of 1.1400.



- Additional Glossary

Knock Out Rate - This refers to the foreign exchange rate that has been mutually agreed upon between you and Ebury. If, at Expiry, the Exchange Rate reaches the Knock Out Rate, it will impact the Exchange Rate that you can transact at Expiry.

Observation Period - means a predetermined period during which Ebury and you will monitor the Knock In Rate for the relevant FX Option Product