Foreign Exchange Forward Contracts - Product Sheet

This document provides you with key information with regard to engaging in Foreign Exchange Forward Contracts. This Product Sheet is offered to you as required by the Banking Act direction no 4 of 2018 to assist you to understand the nature, risks, costs, and underline regulatory frame work of the product. It is imperative that you are fully aware of the product prior to engaging in any Foreign Exchange Forward Contracts with the bank.

Please read and understand the contents of the product. Any clarifications or additional information you may require, please contact the Treasury department of the National Development Bank Plc on +94112446994 or your Relationship Manager, Branch Manager or Email to Treasury@ndbbank.com

Key Product Information

Type	Derivative – Foreign Exchange Forward Contract (FX contract) / Foreign Exchange SWAPS
Purpose	The objective of this product is to provide protection/hedge against adverse movements in foreign exchange (FX) currency rates between two currencies on a future expiry date, at a pre agreed rate. **A Forward Contract is a binding contract between the client and National Development Bank Plc (NDB) to exchange a specific amount of two currencies at an agreed rate on an agreed future date.** The contract exchange rate also called **"Forward Rate"** is agreed at the time of the booking / agreeing the forward contract. The forward rate is calculated based on the spot rate plus or minus the forward swap points, which is calculated from the interest rate differential between the two underline currencies. There are two types of Forward Contracts - Fixed forward contracts:- where the drawdown is due to take place on as specific, pre agreed future date. Any drawdown prior to the pre agreed date may result in amendment to the agreed rate which results in a loss to the client. - Time Option forward contracts :- where drawdown may take place between two stipulated future dates in one or more drawdowns. Once the FX contract is agreed, both parties are bound by the contractual agreement and cannot benefit from any subsequent favorable exchange rate movements. You are obliged to use the rate regardless of where the spot rate is at maturity. 100% of the contracted amount is protected at maturity. Any non-compliance or cancellation of the contract due to unforeseen circumstances may result in significant losses to you.
Offer	This product is offered to all clients of National Development bank Plc for underlying transactions permitted by the Central Bank of Sri Lanka. All derivatives entered into by clients should be based on valid underlying transactions which include current account transactions and permitted capital transactions. ie: Trade transactions (Imports/Exports), purchase or sale of an asset denominated in a foreign currency. **The client should ensure that the aggregate value of the derivative transactions with all banks do not exceed the exposure or value of the underlying transactions at any given time.** **Prior to entering in to a Foreign Exchange Forward Contract, it is important to have the details and supporting documents of a valid underlying transaction and establish that the underlying transaction is permitted to book as per the prevailing guidelines of Central Bank of Sri Lanka.**
Term and Permitted currencies	Foreign exchange forward contracts can be booked in all major currency pairs designated by the Central Bank of Sri Lanka, including Sri Lankan Rupee (LKR) **All forward contracts can be booked for a period greater than Cash date (i.e day 1 of the contract) typically up to one year. However, this period can be extended up to 5 years depending on the client requirement, bank's risk appetite, and market liquidity. The Sri Lankan foreign exchange market is typically liquid up to one year and essentially all transactions are dealt within a period of 1 year.** **Prior to engage in foreign exchange forward contracts, clients are required to establish a limit on Forward Exchange contracts with the bank. The required margin/limits are client and underlying transaction specific.**
Documentation Requirement	- Duly signed Customer Agreement on Derivative Transactions and acceptance of Product Sheet (Declaration of

	understanding of the product) - Forward Contract application – (Non Corporate clients) - Documents establish valid underlying transaction - Establishment of a Forward Limit - Duly signed acceptance of contract
Cancellation of a contract	Cancellation of FX contracts is not encouraged. However, cancelations may be accommodated due to unforeseen circumstances/ valid reasons (i.e. cancellation of contract by overseas supplier/buyer etc.). **The bank will charge the client any exchange loss arising out of the difference in exchange rates between the contracted forward rate and the prevailing cash rate, however any gains will not be passed on to the client.**
Extension of a contract	In the event you require to extend the contract to a future date, due to unforeseen delay in meeting the contractual agreement, a new contract will be raised based on the prevailing market rates and the new forward rate is calculated based on the spot rate plus or minus the forward swap points which is calculated from the interest rate differential between the two underline currencies. **The outstanding/expired contract will be cancelled at the prevailing cash rate and any exchange gain or loss arising out of the difference in exchange rates between the contracted forward rate and the prevailing cash rate, will be charged or passed on to the client.** **In the event of a cancellation of the contract, all exchange gains credited to the account previously will be reversed and recovered.**
Risk	The global and Sri Lankan foreign exchange markets are subject to high volatility. Clients who are exposed to foreign exchange risk in their relevant business operations may consider engaging in Foreign Exchange Forward booking/cover to mitigate the risk. However, it should be noted that, once agreed, a Forward Contract is a binding contract between the client and National Development Bank Plc (NDB) to exchange a specific amount of two currencies at an agreed rate on an agreed future date. Therefore, the client is obliged to take delivery of the contract irrespective of the prevailing market rate at the time of taking delivery of the contract.
	Any cancellation of the contact may incur heavy losses to the client as the loss arising out of the difference between the contracted rate and the prevailing market rate will be debited to the client's account.
Fees/Cost	National Development Bank Plc does not charge any additional fees to establish forward exchange contracts.
Governing law / Regulatory	Sri Lankan Law and Central Bank of Sri Lanka.
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