
Full Currency Swap

Product Disclosure Statement (“PDS”)

(This Product Disclosure Statement is to be read in conjunction with the Terms and Conditions available on this website.)

Purpose

The purpose of this document is to provide you with key information about various products offered by ICICI Bank. ICICI Bank has provided you with this PDS so that you receive adequate information about Full Currency Swaps (“FCS”), to help you understand their features, risks, benefits, an illustration of how the product works, and to assist you in making an informed decision about entering into an FCS, and also facilitate comparison with other products (please refer to the PDS for FX and IR products, to refer to key information on other FX and IR products). Please read this PDS in entirety, before deciding to enter into an FCS.

Components determining Value of Swap

Swap value would be determined by prevailing the exchange rate, interest rate, tenor and interest rate differential.

Termination

If you wish to terminate the FCS before the maturity date, the FCS will be terminated at prevailing market rates. The termination value may either be positive (gain), or negative (loss). The termination value would be a function of the prevailing exchange rate, interest rate, residual tenor, interest rate differentials for the residual tenor, and discount factors.

Currency markets are highly volatile and the prices of the underlying currencies can fluctuate rapidly and over wide ranges, and may reflect unforeseen events or changes in conditions. Thus, fluctuations in the underlying currencies will affect the benefit or cost to you, when you terminate an FCS.

The risks mentioned in this document are not exhaustive. There may be other risks that are relevant to you when entering into an FCS.

Costs and fees

Any specific transaction of this nature will be concluded at the all-inclusive price and there would not be any separate costs, fees and charges. The break-up of all-inclusive price will be provided as per the extant RBI guidelines. The statutory levies and charges will be recovered separately as applicable from time to time.

General information

Please refer to the disclaimer at the end of this document.

Please note that all products are also subject to regulatory risks (not limited to change in regulation, product discontinuation by the regulator, etc.).

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Description and Features

An FCS is a derivative contract between two parties, to exchange coupon flows (fixed/floating) and principal flows in the two different currencies, periodically.

For example:

A Corporate wishing to hedge the floating rate liability to a fixed rate, and the currency risk on coupons and principal, may enter into an FCS where it would receive floating coupon & principal in one currency, and pay a fixed rate coupon & principal in another.

Purpose

The purpose of an FCS is to hedge the interest rate and currency risk, on the coupon and principal cash flows of the underlying.

Illustration for USD/INR FCS

Parameters

1. Spot reference: <74.50>
2. Tenor: <5> years
3. Notional: USD <10> Million, INR <745> Million
4. Index: USD <6> Month LIBOR
5. Contract holder receives: USD <6> M LIBOR + <2.25>% in USD s.a. and receives USD <10> Million at maturity
6. Contract holder pays: <7.50>% in INR s.a and pays INR <745> Million at maturity

Pay off Profile/Possible Scenario(s) at Settlement:

- (a) USD <6>M LIBOR fixing above <5.25>% and/or Spot above <74.50>

For example, if USD <6>M LIBOR fixes at <6.00>% and the prevailing USD/INR spot is <75.00>, then the contract holder receives: USD <6>M LIBOR + <2.25>% or <8.25>% on outstanding USD notional for <6> months. The same may be used, to settle against the underlying exposure.

Contract holder pays: INR <7.50>% on outstanding INR notional.

In addition, at settlement, the principal amounts of USD <10> Million and INR <745> Million will be exchanged.

- (b) USD <6> M LIBOR fixing below <5.25>% and/or Spot below <74.50>

For example, if USD <6>M LIBOR fixes at <1.00>% and prevailing USD/INR spot is <74.00>, then the contract holder receives: USD <6>M LIBOR + <2.25>% or <3.25>% on outstanding USD notional for <6> months. The same may be used to settle against the underlying exposure.

Contract holder pays: INR <7.50>% on outstanding INR notional.

In addition, at settlement, the principal amounts of USD <10> Million and INR <745> Million will be exchanged.

Benefits

- The contract holder is hedged against the following risks - any movements in interest rate and movements in currency, for coupons and principal.

Predominant Risks

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- In case of favorable movement in currency and/or interest, the contract holder is already locked into a fixed interest rate/spot rate at the inception of the trade.

Other Risks

- Please refer to the section on 'Various risks associated in the transaction'

Alternates

- The client may hedge disbursements (also called initial exchange).
 - The client can choose to hedge only the spread and principal repayments, keeping the floating benchmark(s) open (including the currency risk on the same).
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Various Risks associated with the transaction

The Counterparty acknowledges that before entering into derivative transactions, it understands the underlying risk of the above mentioned transaction. The Counterparty acknowledges that derivative transactions are in general exposed to various types of risk, including but not restricted to the following:

1. **Credit risk:** the risk of loss due to Counterparty's failure to perform on an obligation to the institution. Credit risk in derivative products comes in two forms:
 - a. **Pre-settlement risk:** the risk of loss due to a Counterparty defaulting on a contract during the life of a transaction. The level of exposure varies throughout the life of the contract and the extent of losses will only be known at the time of default.
 - b. **Settlement risk:** the risk of loss due to the Counterparty's failure to perform on its obligation after an institution has performed on its obligation under a transaction on the settlement date. Settlement risk frequently arises in international transactions because of time zone differences. This risk is only present in transactions that do not involve delivery versus payment and generally exists for a very short time (less than 24 hours).
2. **Market risk:** the risk of loss due to adverse changes in the market value (the price) of an instrument or portfolio of instruments. Such exposure occurs with respect to derivative instruments when changes occur in market factors such as underlying interest rates, exchange rates, equity prices, and commodity prices or in the volatility of these factors.
 - a. **Liquidity risk:** the risk of loss due to failure of an institution to meet its funding requirements or to execute a transaction at a reasonable price. Institutions involved in derivatives activity face two types of liquidity risk: market liquidity risk and funding liquidity risk.
 - b. **Market liquidity risk:** the risk that an institution may not be able to exit or offset positions quickly, and in sufficient quantities, at a reasonable price. This inability may be due to inadequate market depth in certain product (e.g. exotic derivatives, long-dated option), market disruption, or inability of the bank to access the market (e.g. credit downgrading of the institution or of a major counterparty).
3. **Funding liquidity risk:** the potential inability of the institution to meet funding requirements, because of cash flow mismatches, at a reasonable cost. Such funding requirements may arise from cash flow mismatches in swap books, exercise of options, and the implementation of dynamic hedging strategies.
4. **Operational risk:** the risk of loss occurring as a result of inadequate systems and control, deficiencies in information systems, human error, or management failure. Derivatives

activities can pose challenging operational risk issue because of the complexity of certain products and their continual evolution.

5. **Legal risk:** the risk of loss arising from contracts which are not legally enforceable (e.g. the counterparty does not have the power or authority to enter into a particular type of derivatives transaction) or documented correctly.
6. **Regulatory risk:** Regulatory risk is the risk of loss arising from failure to comply with regulatory or legal requirements.
7. **Reputation risk:** the risk of loss arising from adverse public opinion and damage to reputation.
8. **IBOR Discontinuation:** If the Counterparty transacts in any derivatives linked to an interbank offer rate (IBOR) such as LIBOR, or any synthetic rate (such as MIFOR) that use an IBOR in its calculation, please note that there is a risk that such IBOR may be discontinued prior to the maturity of the derivatives contract. There are public consultations by different industry groups, including by ISDA for derivatives contracts, to develop contractual fallbacks that will apply in the event of an IBOR discontinuation. A contractual fallback will define the events that will trigger the benchmark fallback and the methodology that will determine the fallback rate. ISDA has consulted on technical issues related to new benchmark fallbacks for derivatives contracts that reference certain IBORs. As and when the benchmark fallbacks are finalized, market participants are expected to incorporate them into existing derivatives contracts, by way of bilateral amendment or multilateral protocol adherence, to enhance contractual robustness. Please note that application of the benchmark fallbacks may cause a change in value of existing derivatives contracts. In addition, there is no assurance that the same trigger events and fallback methodologies will be incorporated into cash products (such as bonds, loans or other non-derivative products). Accordingly, you may run basis risks if you are using derivatives contracts to hedge your obligations or investments in cash products (or another financial instrument) that adopt different triggers and fallbacks. The potential mismatches may impact the hedge effectiveness, financial reporting and value of existing derivatives contracts.

DISCLAIMER

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An offer, if any, may be made at a later date and is subject to mutually acceptable legal documentation, due diligence, internal approvals and market conditions. ICICI Bank has not taken any steps to ensure that the transaction contemplated hereunder is suitable for the Counter Party, and ICICI Bank is acting as principal and not as the Counter Party's adviser or in a fiduciary capacity, with respect to this proposed transaction, or any other transactions unless otherwise specifically agreed in writing. Accordingly, this document does not have regard to the specific investment objectives, financial situation, and the particular needs of any specific person who may view or have access to this document, and does not constitute transaction, product, legal, accounting or tax advice, or a representation that any transaction or product is suitable or appropriate to any specific person's individual circumstances, or otherwise constitute a personal recommendation to any specific person.

The information herein is not to be taken in substitution for the exercise of judgment by the Counter Party who should obtain separate transaction, product, legal, accounting, tax and financial advice. Before entering into any transaction, the Counter Party should take steps to ensure that he/she/they understand/understands the transactions contemplated hereunder and risks thereof, and has/have made an independent assessment of the appropriateness of the transactions contemplated hereunder in the light of the Counter Party's own specific objectives, risk appetite, financial situation and particular needs. In particular, the Counter Party may wish to seek advice from a licensed or exempt financial adviser, or make such independent investigations, as he/she/they consider/considers necessary or appropriate for such purposes.

ICICI Bank, its related companies, their directors and/or employees may have interests or positions in, and may effect transactions in the underlying product(s) mentioned in this document.

Transactions with respect to the products mentioned in this document can be executed only as per the regulatory guidelines of the geography of the proposed execution, and other laws and guidelines applicable to such transactions. The Counter Party should note that sensitivity

analysis and scenario analysis of products will be contained in the Confirmation provided to the Counter Party, with respect to the executed transactions.

For any further information in relation to the subject matter of this document, the Counter Party may contact its treasury relationship manager.