ICICI Bank

Illustrative RDS (Risk Disclosure Statement)
Long Term Forward Contract
Terms & Conditions

Party A	ICICI BANK LTD
Party B (Counterparty)	**ABC**
Description of the Long Term Forward Contract:	
Transaction / Trade Date	TBD Illustratively (03/Jan/22)
Product	Long Term Forward Contract
Contract Details	Party B **sells** Foreign currency against INR to Party A

Currency pair	USD Notional	Maturity date 1	Maturity date 2	Rate of Conversion
USDINR	1,000,000	31-Oct-23	31-Oct-23	79.9500
USDINR	1,000,000	30-Nov-23	30-Nov-23	79.9500
USDINR	1,000,000	31-Dec-23	31-Dec-23	79.9500
USDINR	1,000,000	31-Jan-24	31-Jan-24	79.9500
USDINR	1,000,000	29-Feb-24	29-Feb-24	79.9500
USDINR	1,000,000	31-Mar-24	31-Mar-24	79.9500
USDINR	1,000,000	30-Apr-24	30-Apr-24	79.9500
USDINR	1,000,000	31-May-24	31-May-24	79.9500
USDINR	1,000,000	30-Jun-24	30-Jun-24	79.9500
USDINR	1,000,000	31-Jul-24	31-Jul-24	79.9500
USDINR	1,000,000	31-Aug-24	31-Aug-24	79.9500
USDINR	1,000,000	30-Sep-24	30-Sep-24	79.9500

Maturity dates	In case of deliverable contracts, Maturity date 1 and Maturity date 2 denote the delivery from and delivery to dates respectively.
Calculation Agent	ICICI Bank Ltd.
Business Day Convention	As per FEDAI Rules
Holiday Calendar	Mumbai, NewYork and other applicable international holidays
Settlement Basis	Gross value of respective currencies to be exchanged on value date in case of utilisation/delivery of contract. Net flows in INR to be exchanged in case of termination of contract.
Documentation	Based on FEDAI, ISDA and Indian Legal Requirements
Other Conditions:	1) The Financial parameters mentioned in Term Sheet are indicative 2) Swap point would be determined by prevailing exchange rate, interest rate, tenor, interest rate differential. 3) The contract shall be marked to market during the tenor of the contract. Cash flows shall be determined by prevailing exchange rate, interest rate, tenor, interest rate differential and shall be subject to PV rate or as applicable linked to prevailing benchmark rate or with spread as applicable for the respective residual tenor.
Basis	Contracted / Anticipated exposure

ANNEXURE

Risk Disclosure Statement:

1. Scenario & Sensitivity Analysis

Deal details				Scenario Analysis of Aggregate Net Profit/Loss (INR) on maturity date#				Sensitivity Analysis @	
	hidden row			-10%	-5%	5%	10%		
Final Maturity Date 2	Notional **(USD)**	Buy/Sell	Contracted Rate (R)	Exchange rate 10% lower than R	Exchange rate 5% lower than R	Exchange rate 5% higher than R	Exchange rate 10% higher than R	Movement in exchange rate (1% of R)	Party B may lose (INR)
30-Sep-24	12,000,000.00	Sell	79.95	95,940,000	47,970,000	-47,970,000	-95,940,000	0.80	8,582,668

Indicative Average USDINR Exchange Rate for all net settlements between respective Maturity date 1 and Maturity date 2

@ The sensitivity analysis shown above is for an increase in either exchange spot rate or forward points assuming a discounting rate of 5% p.a. discounted to trade date.
The Scenario analysis of net profit / loss as well as Sensitivity analysis mentioned herein is from the view point of Party B and is only indicative as per limited simulation and may not coincide completely with the actual profit/loss, it could be higher or lower depending upon various market factors.

2.Description and Rationale

In the above description, the long-term forward contract helps the Party B in hedging the risk of the underlying/anticipated foreign currency receivables against adverse movements in exchange rate.

Additional conditions: Party B may unwind the Transaction with Party A on a mutually agreed basis.
The RDS above is subject to change basis corrections in final deal details. The deal details as mentioned in the contract confirmation provided by ICICI Bank shall be final and supercede this communication.

Various risks associated in the transaction:

The Counterparty acknowledges that before entering into Derivative Contracts, 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: Credit risk is the risk of loss due to a counterparty's failure to perform on an obligation to the institution. Credit risk in derivative products comes in two forms:
a. Pre-settlement risk: Pre-settlement risk is 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: Settlement risk is 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 contract 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: Market risk is 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.

3. Liquidity risk: Liquidity risk is 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.
a. Market liquidity risk: Market liquidity risk is 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 down-grading of the institution or of a major counterparty).
b. Funding liquidity risk: Funding liquidity risk is 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: Operational risk is 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: Legal risk is 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: Reputation risk is 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.

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Other Terms:

a) The Counterparty acknowledges that it has given consideration to its objectives, financial situation and needs and has formed the opinion that dealing in Derivative Contracts is suitable for its purposes and is within its internal Risk Management Framework and policies and procedures with respect to derivative transactions.

b) The Counterparty acknowledges that under this contract Party A acts solely in the execution of Derivative deals, and not as its adviser or in a fiduciary capacity in respect of the Transaction, and that the Counterparty will use its own judgement before entering into any such Transaction and will make an independent assessment of the appropriateness of the Transaction, including the possible risks and benefits arising from this Transaction. The Counterparty shall consult its own independent financial, legal and tax advisers in order to assess the risks in relation to such Transaction.

c) The Counterparty further acknowledges that it has read and understood this term-sheet including the Risk Disclosure Statement and the various risks associated with the transaction.

Conditions Apply:

This term sheet is for indicative purposes only, and is neither meant to be, nor should it be construed as, an attempt to define all of the terms and conditions regarding a proposed derivative transaction or all risks or material considerations which may be associated therewith.

This document does not constitute an offer, or an invitation to offer, advertisement, invitation or a recommendation by Party A to the Counterparty or any other person or persons, to enter into an agreement to acquire, dispose of or subscribe for securities or any form of commitment to enter into any transaction in relation to the subject matter of the term-sheet. Party A does not make any representation or warranty as to the completeness or accuracy of the information contained in this document and accepts no liability whatsoever with respect to the use of this document or its contents.

This term sheet also does not contain or constitute any investment advice to the counterparty. Party A is acting as principal and not as the counterparty's financial adviser or in a fiduciary capacity in respect of this proposed transaction with the counterparty unless otherwise expressly agreed by Party A 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 receive this document and does not constitute investment, legal, accounting or tax advice, or a representation that any investment 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 counterparty who may obtain separate investment, legal accounting, tax or financial advice. Before entering into any transaction, the counterparty may take steps to that the counterparty understands the transaction and risks thereof and has made an independent assessment of the appropriateness of the transaction in the light of the counterparty's own specific investment objectives, financial situation and particular needs and circumstances, including the possible risks and benefits of entering into such transaction.

In particular, the counterparty may seek advice from a licensed or exempt financial adviser or make such independent investigations, as he/she/they considers/consider necessary or appropriate for such purposes. Party A, 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. 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.