Leveraged Forward

Tailor-made solution to hedge your foreign currency exposure

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About Leveraged Forward

A Leveraged Forward is an over-the-counter (OTC) structured forward that is primarily used as a hedging solution. The Leveraged Forward offers the possibility to **benefit from a favorable hedge rate compared to the Outright Forward rate**. However, your foreign currency exposure is only partially hedged due to the use of leverage. You can define the degree of risk/leverage in advance.

The Leveraged Forward allows for a customized hedging solution, tailored to your risk and hedging profile. Leveraged Forwards are OTC derivative instruments and the notional amount does not need to be tied up throughout the full tenor of the trade. Nonetheless, usual margin requirements still apply. Usually, Leveraged Forwards are structured as zero premium hedging solutions.

Your Needs

- You are looking for a tailor-made hedging solution
- You want to benefit to a limited extent from a depreciation of the foreign currency you are exposed to
- You want to hedge your foreign currency exposure at a favorable rate compared to the Outright Forward rate
- You are looking for a zero premium hedging solution

Your Advantages at a Glance

- You hedge your foreign currency exposure at a **pre-defined hedge rate**
- The **hedge rate is favorable** compared to the Outright Forward rate
- You **profit to a limited extent** from a depreciation of the foreign currency you are exposed to
- **Usually, no premium** has to be paid upfront (zero cost strategy)
- You can choose from **more than 80 currency and precious metal pairs** to meet your needs

Possible Risks

- You **limit your potential profit** if the foreign currency you are exposed to depreciates more than expected
- The **hedge rate applies only to a part of the exposure** due to the use of leverage
- The structure might have a **negative market value during the lifetime** and may involve costs if you want to close the position prior to expiry date.
- "Events of Default" as described in the relevant OTC contracts (Master Agreement for OTC transactions)

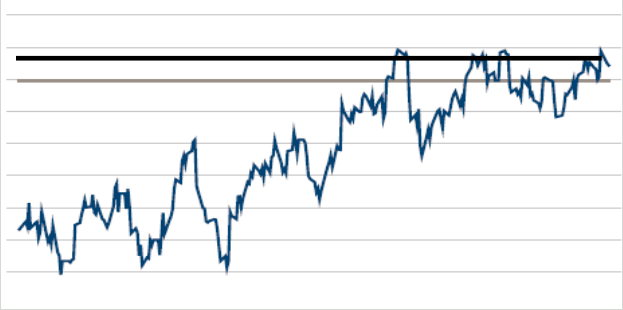
Leveraged Forward: A Tailor-made OTC Solution

A Leveraged Forward is an individually tailored hedging solution, structured to meet your needs. You can define:

- Currency or precious metal pairs
- Tenor
- Notional amount
- Strike
- Leverage factor (ratio)
- Upfront premium, usually zero cost

Leverage Forward (Example of a Buyer)

Guaranteed hedge at the Strike (**better than the Outright Forward rate**); however, the exposure is only partially hedged at the hedge rate.



— Outright Forward — Strike

How it works

At expiry, one of the following scenarios may occur:

1) Underlying trades above the Strike

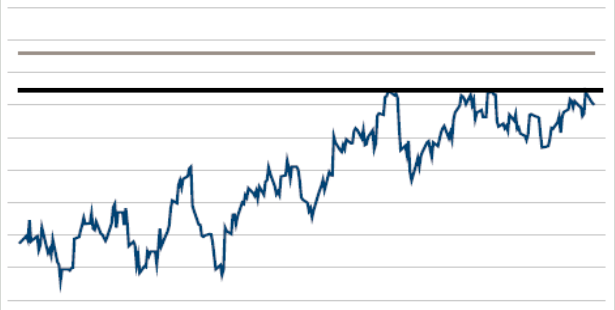
You buy the notional amount at the Strike.

2) Underlying trades at or below the Strike

You are obliged to buy the leveraged notional amount at the Strike.

Leverage Forward (Example of a Seller)

Guaranteed hedge at the Strike (**better than the Outright Forward rate**); however, the exposure is only partially hedged at the hedge rate.



— Outright Forward — Strike

How it works

At expiry, one of the following scenarios may occur:

1) Underlying trades below the Strike

You sell the notional amount at the Strike.

2) Underlying trades at or above the Strike

You are obliged to sell the leveraged notional amount at the Strike.

Contact Us

- Your advisor will be pleased to answer any questions you may have during a personal consultation.
- Call us at my Solutions Hotline +41 (0)800 808 670* or email **info.mysolutions@credit-suisse.com**
- For more information about investments visit our website at: **www.credit-suisse.com/mysolutions**

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