Flexible forward

A flexible hedging product

What you should know about flexible forwards
A flexible forward works much like a forward contract. Clients are also given the right to access a portion of the par value at a predetermined price ahead of schedule at their own discretion. This strategy was devised for clients who want to hedge their positions against uncertain exchange rate developments but do not yet know the exact timing of their future payment flows.

Your needs
You would like to hedge against price fluctuations by setting the exchange rate today for a specific date in the future. However, you may want to access all or part of the hedged amount before the fixed term expires.

How it works
- When concluding a contract, the client and the bank agree on the total amount and term of the product.
- On the due date, the client instructs the bank to execute the transaction in part or in full before the agreed settlement date.
- Any residual amounts will be settled automatically on the final maturity date.

Your benefits at a glance
Compared to an ordinary forward transaction, a flexible forward gives you the option of accessing a portion of the total par value or the whole amount – whichever you prefer – at any time before the specified settlement date.

Possible risks
- Forward transactions may potentially result in unlimited losses.
- If the predetermined price is worse than the prevailing spot rate at the time of execution, the transaction will be carried out at a less favorable price.
- Over the term, the structure may have a negative mark-to-market value and may involve expenses if you wish to close out the position before the maturity date.
- "Events Resulting in Default" as described in the relevant OTC contracts (master agreement for OTC transactions).

Formalities requirements
- OTC Master Agreement and OTC Trading Limit
- Knowledge and Experience Form
- MiFid Certification Form
- Product Class Documentation Sheet for Financial Instrument – Risk Aspect (RAD)
- Non-US Person SWAP Transaction Representation Letter
- FMIA Counterparty Classification Form (FinfraG)

Restrictions and other requirements
- Minimum amounts: value equivalent to CHF 250,000 for single execution or value equivalent to more than CHF 1 million for a maximum of ten executions
- Maximum term: 13 months
- Only G10 currency pairs

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