

Non-deliverable forwards (NDFs)



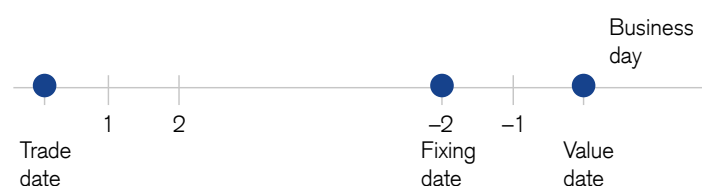
Hedging solution for non-convertible currencies

What you should know about non-deliverable forwards

An NDF is an efficient way to hedge a foreign exchange (FX) exposure against non-convertible currencies such as the Argentinian peso, Taiwanese dollar, Korean won, etc. It is conceptually similar to a forward transaction with the difference that there is no settlement in the non-convertible currency. Instead, the whole transaction is settled in the convertible currency such as USD, EUR, or CHF.

As for a forward transaction, an NDF is fixed for an agreed amount (of the non-convertible currency), on a specific due date, and at a defined forward rate. At maturity, the forward rate is compared against the reference rate of that day. This might be the daily rate fixed by the central bank in question, or an average rate published by several banks. The difference between the pre-agreed forward rate and the fixing rate is settled in the convertible currency on your account on the due date. Therefore, you will either pay or receive the difference.

Non-deliverable forward contract



How they work

NDFs are particularly suitable for clients who operate in countries with a non-convertible currency. They make it possible to hedge the exchange rate risk.

As with a forward transaction, the costs of an NDF correspond to the interest differential between the two currencies. Non-convertible currencies often have high interest rates. For this reason, hedging in these countries may be more expensive than in countries with lower interest rates.

An OTC trading limit is required for this product.

Possible risk

Depending on the fixing rate at the expiry of the NDF, a loss may occur in the convertible currency.

What currencies are suitable for NDFs?

NDFs may be concluded in the currencies of the following countries (list not necessarily exhaustive):

- Argentina (ARS)
- Brazil (BRL)
- Chile (CLP)
- China (CNY)
- Colombia (COP)
- Egypt (EGP)
- Indonesia (IDR)
- India (INR)
- Kazakhstan (KZT)
- Kenya (KES)
- Korea (South) (KRW)
- Malaysia (MYR)
- Nigeria (NGN)
- Peru (PEN)
- Philippines (PHP)
- Taiwan (TWD)
- Vietnam (VND)

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