# Risk reversal

## Tailor-made solution to hedge your foreign currency exposure

**What you should know about the risk reversal**
The risk reversal is a common and conservative hedging instrument that offers complete protection against currency losses without requiring the payment of a premium. More specifically, it allows you to be hedged at the pre-defined rate while benefiting from a favorable market move to a certain cap level.

**Your needs**
- You are looking for a tailor-made solution to safeguard your company against unfavorable exchange rate fluctuations.
- You want to hedge your regular cash flows more easily and efficiently, but still need some flexibility.

**Your benefits at a glance**
- You are fully protected at a known worst-case rate at expiry.
- You can benefit, to a limited extent, from a favorable movement in the currency pair.
- No premium has to be paid (zero cost strategy).
- You can choose from more than 80 currency and precious metal pairs.
- Our specialists will structure the solution to perfectly meet your company's needs.

**Possible risks**
- The chance to benefit from favorable market moves is limited to the strike level.
- If you wish to close or restructure the risk reversal, costs or gains may occur according to market conditions.

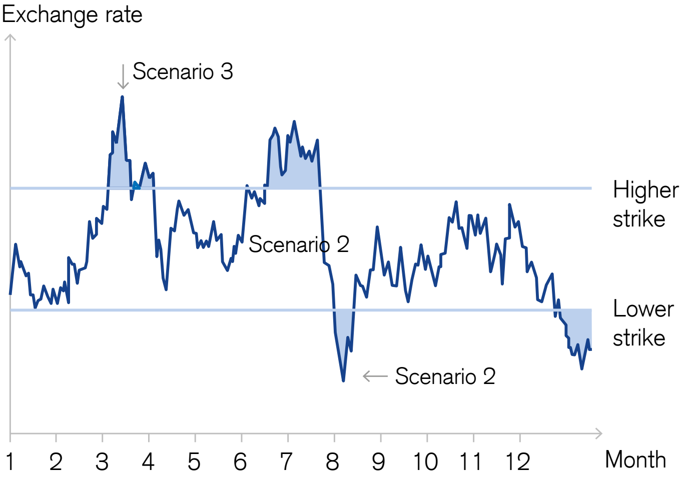
**How it works**
In order to set up a risk reversal, you will need to define the following parameters:
- Currency pair
- Periodicity/term
- Notional amount per expiry
- Lower strike and upper strike

The lower and upper strikes define a band within which you will trade. The strikes will represent either your protection rate or your cap rate depending on whether you are a seller or buyer of the currency pair.

On each expiry, the following scenarios can occur: example for a seller of a currency pair (e.g. exporting companies).

An OTC trading limit is required for this product.

## Example for a seller (export company)




For illustrative purposes only

**Scenario 1** – If the exchange rate trades below the lower strike, you will sell the notional amount at the lower strike rate and will be hedged against further depreciation.

**Scenario 2** – If the exchange rate trades at or above the lower strike and below the higher strike, no transaction takes place. You may trade at the prevailing market rate.

**Scenario 3** – If the exchange rate trades above or at the higher strike, you will sell the notional amount at the higher strike rate and will be capped at this level.

## Contact us

FX Sales Corporate & Institutional Clients
mailbox.dz@credit-suisse.com
**credit-suisse.com/fx**

| | |
|---|---|
| Zurich | +41 44 656 68 78* |
| Basel | +41 61 279 65 00* |
| Geneva | +41 22 394 81 55* |
| St. Gallen | +41 71 226 61 80* |
| Lugano | +41 91 802 64 00* |

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**CREDIT SUISSE AG**
International Trading Solutions
Uetlibergstrasse 231
CH-8070 Zurich
**credit-suisse.com**



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