Ratio knock-out forward (RKOF)

Tailor-made solution to enhance your exchange rate

What you should know about the ratio knock-out forward
A ratio knock-out forward (RKOF) is a structured forward that allows you to trade at a better rate than a standard forward transaction by integrating leverage and a knock-out feature. The holder of an RKOF therefore has the opportunity to buy (or sell) a currency against another in a regular sequence of transactions at a lower (or higher) level than the respective forward rate on the trade date as long as the knock-out barrier is not triggered during the lifetime of the RKOF.
Once the knock-out barrier is reached or breached during the observation period of the RKOF, the entire product will be terminated and no more transactions will occur (called the knock-out event).

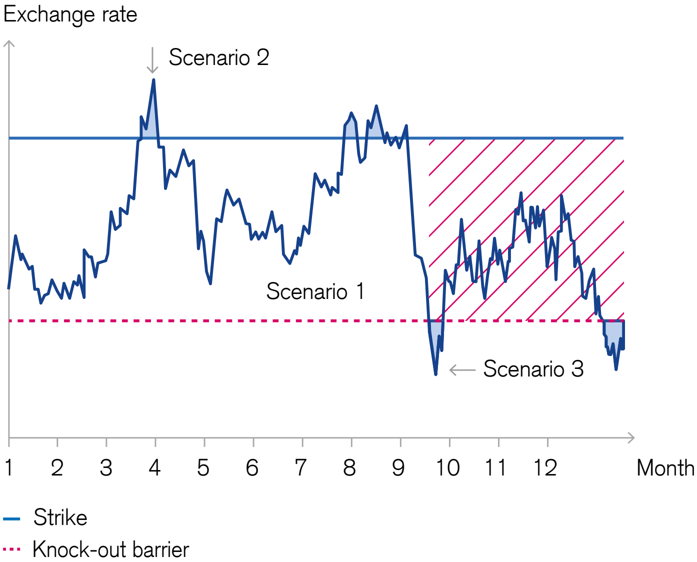
Your benefits at a glance
- You will trade at a predefined rate for each expiry.
- The RKOF has a strike that is more appealing than the prevailing forward rate (and the spot rate) at the moment of the trade execution.
- Usually, no premium has to be paid (zero cost strategy).
- You can choose from more than 80 currency and precious metal pairs.
- Our specialists will structure the solution to perfectly meet your company's needs.

Possible risks
- Knock-out (KO) risk: Once the currency pair reaches or breaches the KO barrier at any time during the observation period, the entire transaction is terminated immediately.
- The notional amount depends on the market rate at each expiry (leverage).
- If you wish to close or restructure the RKOF, costs or gains may occur according to market conditions.

How it works
In order to set up an RKOF, you will need to define the following parameters:
- Currency pair
- Periodicity/term
- Notional amount and the use of leverage
- The strike rate and the KO barrier level

An OTC trading limit is required for this product.

Example for a seller (export company)



For illustrative purposes only

On each expiry, three scenarios can occur:
Example for a seller of a currency pair (e.g. export company)

Scenario 1 – If no knock-out event occurs and the currency pair trades below the strike rate, you will sell the notional amount at the strike rate.

Scenario 2 – If no knock-out event occurs and the currency pair trades at or above the strike rate, you will trade the leveraged notional amount at the strike rate.

Scenario 3 – If the currency pair reaches or breaches the knock-out level, the RKOF will be terminated immediately and no more transactions will take place within this structure.

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