# Target redemption forward (TARF)

## Tailor-made solution to enhance your currency rate

**What you should know about the target redemption forward**
A target redemption forward (TARF) is a structured forward contract that allows you to trade at a better rate than a standard forward contract by integrating leverage and a profit cap level.

The holder of a TARF 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 maximum profit level set at the beginning has not been reached. Once the profit cap level has been reached, the entire product will be terminated and no more transactions will occur.

There are two ways of defining the profit cap level: number of observations or cumulated profit.

**Number of observations (target)**
The profit cap level is defined by the number of observations where the strike is better than the market rate at each expiry. Once the maximum number of observations has been reached, also called the target, the product is terminated.

**Cumulated profit**
On each expiry date, if the strike rate is better than the market rate, the profit will be calculated and cumulated until the profit cap is reached.

**Your benefits at a glance**
- You will trade at a predefined rate for each expiry.
- The TARF offers a strike rate 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).
- Our specialists will structure the solution to meet your company's needs.

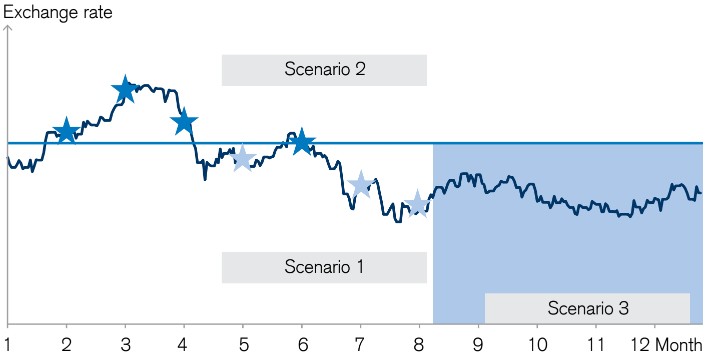
**Possible risks**
- Once the profit cap level has been reached, the product is immediately considered redeemed.
- The notional amount depends on the market rate at each expiry (leverage).
- If you wish to close or restructure the TARF, costs or gains may occur according to market conditions.

An OTC trading limit is required for this product.

**How it works**
In order to set up a TARF, you will need to define the following parameters:
- Currency pair
- Periodicity/duration
- Notional amount and the use of leverage
- The strike rate and the profit cap level

## Example for a seller (exporting companies)

Profit cap: Number of observations (max. 3)




★ Observation above the strike — Strike rate
★ Observation below the strike

On each expiry, 3 scenarios can occur:
Example for a seller of a currency pair (e.g. exporting companies)

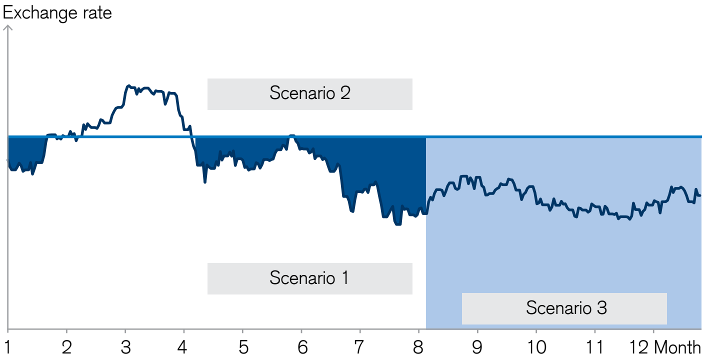
**Scenario 1**
If the profit cap level has not been reached and the currency pair trades below the strike, you will sell the notional amount at the strike rate and the profit cap will be reduced accordingly.

**Scenario 2**
If the profit cap level has not been reached and the currency pair trades above the strike, you will sell the leveraged notional amount at the strike rate.

**Scenario 3**
If the profit cap level has been reached, the TARF will be terminated immediately and no more transactions will take place within this structure.

## Example for a seller (exporting companies)

Profit cap: Cumulated profit




Cumulated profit — Strike rate

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