CSAG Mumbai Branch
Product Disclosure Statement

Master Directions –Risk Management & Market Makers

Risk Management & Market Maker Directions

	Non Retail Users	Retail Users
Who?	✓ All entities regulated by a financial sector regulator subject to general or special permission of the concerned regulator ✓ Exim Bank, National Bank of Agriculture and Rural Development (NABARD), National Housing Bank (NHB) and Small Industries Development Bank of India (SIDBI) ✓ Companies with a minimum net worth of INR 500 crores ✓ Persons resident outside India other than individuals	✓ Any user who is not eligible to be classified as a non-retail user shall be classified as a retail user. ✓ Any user who is otherwise eligible to be classified as a non-retail user shall have the option to get classified as a retail user.
Eligible Products	✓ Any derivative contract, including covered options, which the Authorised Dealer can price and value independently and is approved by the board of the Authorised Dealer, provided that the potential loss from the derivative transaction to the user, in any scenario, does not exceed the loss that the user would face if he had left the position unhedged. ✓ The responsibility of adhering to this restriction would lie on the Authorised Dealer offering the product to the user.	✓ Forwards ✓ Purchase of call and put options (Only European options), ✓ Purchase of call and put spreads, swaps

Foreign Exchange Derivatives

FX Forwards

For Retail & Non-Retail Users

Spot ref: 75.90
1Y ATMF ref: 78.85

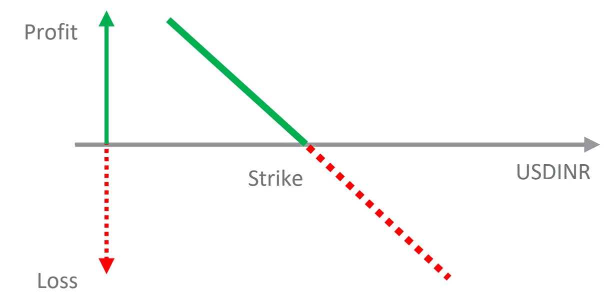
Features & Indicative Terms

- **Features**:
  - ✓ Exporter Client wants to hedge USD receivables and protect from the risk of USD depreciation / INR appreciation
  - ✓ Under the FX Forward, the exporter Client has the obligation to sell the USD against INR at the pre-agreed fixed rate
  - ✓ There is no exchange of premium under the FX forward contract
- **Tenor**: 1Y
- **USD Notional**: USD 1 Million
- **Forward Rate**: 78.80
- **Payoff Profile**
  - ✓ On Settlement Date, Client sells USD notional at Forward Rate irrespective of prevailing USDINR market price
- **Costs & Fees:**
  - ✓ There is no upfront costs and fees
  - ✓ In case there is a fee to be charged, It would be as per the transaction specific terms & conditions as agreed in termsheets and confirmations.

Benefits to Client and Risks to Client

- **Benefits to Client:** Client is fully hedged for USD depreciation / INR appreciation below the Forward Rate
- **Risks to Client:** On expiry, if USD/INR is above the Strike, the Client has an opportunity loss as the settlement shall happen at agreed Forward rate irrespective of prevailing USD/INR market price

Illustration of how Product works/ Scenario Analysis



MTM of Transaction

MTM from Client's perspective in case of Early termination / unwind shall depend upon the following market factors -

- USD/ INR Spot: The MTM will increase in favour of Client if USDINR depreciates and vice-versa
- USD/ INR Forward Premia: The MTM will increase in favour of Client if USDINR forward premia depreciates and vice-versa

Call Option

For Retail & Non-Retail Users

Spot ref: 75.90
1Y ATMF ref: 78.85
1Y ATMF Vol ref: 5.90%

Features & Indicative Terms

- **Features**: Importer Client wants to hedge USD payables and protect from the risk of USD appreciation / INR depreciation
- **Tenor**: 1Y
- **USD Notional**: USD 1 Million
- **Strike**: Spot ref
- Client buys USD Call/ INR Put at Strike
- **Upfront premium** (USD): 4.70% of Notional
- **Payoff Profile**
  - ✓ If USDINR Spot at Expiry >= Strike: Client Buys USD notional at Strike
  - ✓ If USDINR Spot at Expiry < Strike: Option expires worthless and Client Buys USD notional at prevailing market USDINR rate
- **Costs & Fees**: Option premium for the illustration above as mentioned in the Indicative Terms above. Transaction specific payoff, costs & fees will be as per the transaction specific terms & conditions as agreed in termsheets and confirmations.

Benefits to Client and Risks to Client

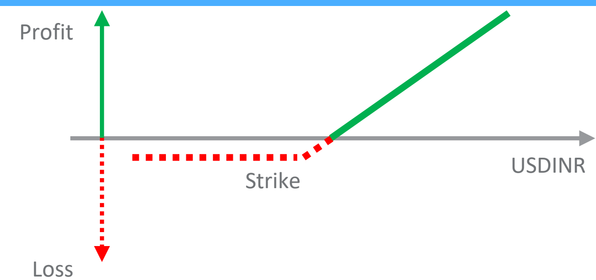
Benefits to Client

- Full protection; Full participation in favorable currency movement
- Maximum loss is premium paid
- Non-credit bearing if all premium is paid upfront

Risks to Client

- On expiry, if USD/INR is below the Strike, the option will expire out of money

Illustration of how Product works/ Scenario Analysis



MTM of Transaction

MTM from Client's perspective in case of Early termination / unwind shall depend upon the following market factors -

- USD/ INR Spot: The MTM will increase in favour of Client if USDINR appreciates and vice-versa
- USD/ INR Forward Premia: The MTM will increase in favour of Client if USDINR forward premia appreciates and vice-versa
- USD/ INR Volatility : Increase in volatility will increase the value of the options which the Client has bought or sold

Put Option

For Retail & Non-Retail Users

Spot ref: 75.90
1Y ATMF ref: 78.85
1Y ATMF Vol ref: 5.90%

Features & Indicative Terms

- **Features**: Exporter Client wants to hedge USD receivables and protect from the risk of USD depreciation / INR appreciation
- **Tenor**: 1Y
- **USD Notional**: USD 1 Million
- **Strike**: Spot ref
- Client buys USD Put / INR Call at Strike
- Upfront premium (USD): 1.05% of Notional
- **Payoff Profile**
  - ✓ If USDINR Spot at Expiry < = Strike : Client Sells USD notional at Strike
  - ✓ If USDINR Spot at Expiry > Strike: Option expires worthless and Client Sells USD notional at prevailing market USDINR rate
- **Costs & Fees**: Option premium for the illustration above as mentioned in the Indicative Terms above. Transaction specific payoff, costs & fees will be as per the transaction specific terms & conditions as agreed in termsheets and confirmations.

Benefits to Client and Risks to Client

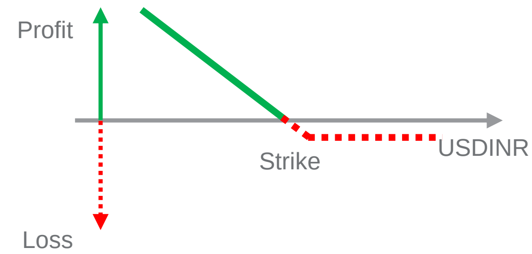
Benefits to Client

- Full protection; Full participation in favorable currency movement
- Maximum loss is premium paid
- Non-credit bearing if all premium is paid upfront

Risks to Client

- On expiry, if USD/INR is above the Strike, the option will expire out of money

Illustration of how Product works/ Scenario Analysis



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- USD/ INR Spot: The MTM will increase in favour of Client if USDINR depreciates and vice-versa
- USD/ INR Forward Premia: The MTM will increase in favour of Client if USDINR forward premia depreciates and vice-versa
- USD/ INR Volatility : Increase in volatility will increase the value of the options which the Client has bought or sold

Call Spread

For Retail & Non-Retail Users

Spot ref: 75.90
1Y ATMF ref: 78.85
1Y ATMF Vol ref: 5.90%

Features & Indicative Terms

- **Features**: Importer Client wants to hedge USD payables and protect from the risk of USD appreciation / INR depreciation. To cheapen the cost of a vanilla Call option, the importer Client is willing to sell a Call Option at higher Strike and thus effectively be hedged within the range of two Strikes

- **Tenor**: 1Y

- **USD Notional**: USD 1 Million

- Strike 1 : Spot ref
- Strike 2 : 79.00
- Client Buys USD Call / INR Put at Strike 1
- Client Sells USD Call / INR Put at Strike 2
- Upfront premium (USD): 2.50% of Notional

- **Payoff Profile**
  - ✓ If USDINR Spot at Expiry > = Strike 1 but < Strike 2: Client buys USD notional at Strike 1
  - ✓ If USDINR Spot at Expiry > Strike 2: Client buys USD notional at INR 3.10 better than prevailing USD/INR market price
  - ✓ If USDINR Spot at Expiry < Strike 1: Client buys USD notional at prevailing USD/INR market price

- **Costs & Fees**: Option premium for the illustration above as mentioned in the Indicative Terms above. Transaction specific payoff, costs & fees will be as per the transaction specific terms & conditions as agreed in termsheets and confirmations.

Benefits to Client and Risks to Client

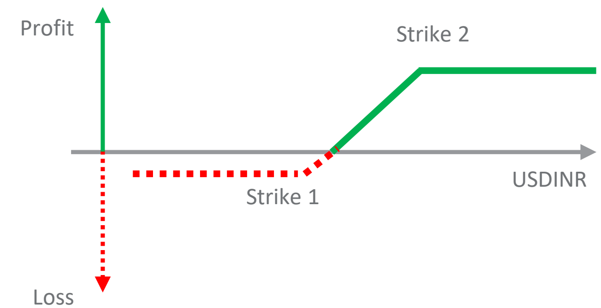
Benefits to Client:

- Full protection; Full participation in favorable currency movement
- Maximum loss is premium paid
- Non-credit bearing if all premium is paid upfront

Risks to Client

- On expiry, if USD/INR is below the Strike 1, the option will expire out of money

Illustration of how Product works/ Scenario Analysis



MTM of Transaction

MTM from Client's perspective in case of Early termination / unwind shall depend upon the following market factors -

- USD/ INR Spot: The MTM will increase in favour of Client if USDINR appreciates and vice-versa
- USD/ INR Forward Premia: The MTM will increase in favour of Client if USDINR forward premia appreciates and vice-versa
- USD/ INR Volatility : Increase in volatility will increase the value of the options which the Client has bought or sold

Put Spread

For Retail & Non-Retail Users

Spot ref: 75.90
1Y ATMF ref: 78.85
1Y ATMF Vol ref: 5.90%

Features & Indicative Terms

- **Features**: Exporter Client wants to hedge USD receivables and protect from the risk of USD depreciation / INR appreciation. To cheapen the cost of a vanilla Put option, the Exporter Client is willing to sell a Put Option at lower Strike and thus effectively be hedged within the range of two Strikes

- **Tenor**: 1Y

- USD Notional: USD 1 Million
- Strike 1 : Spot ref
- Strike 2 : 73.00
- Client Buys USD Put / INR Call at Strike 1
- Client Sells USD Put / INR Call at Strike 2
- Upfront premium (USD): 0.75% of Notional

- **Payoff Profile**
  - ✓ If USDINR Spot at Expiry < = Strike 1 but > Strike 2: Client Sells USD notional at Strike 1
  - ✓ If USDINR Spot at Expiry < = Strike 2: Client Sells USD notional at INR 2.90 better than prevailing USD/INR market price
  - ✓ If USDINR Spot at Expiry > Strike 1: Client Sells USD notional at prevailing USD/INR market price

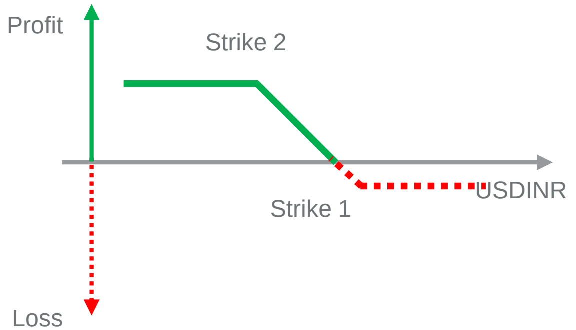
- **Costs & Fees**: Option premium for the illustration above as mentioned in the Indicative Terms above. Transaction specific payoff, costs & fees will be as per the transaction specific terms & conditions as agreed in termsheets and confirmations.

Benefits to Client and Risks to Client

Benefits to Client
- Full protection; Full participation in favorable currency movement
- Maximum loss is premium paid
- Non-credit bearing if all premium is paid upfront

Risks to Client:
- On expiry, if USD/INR is above the Strike 1, the option will expire out of money

Illustration of how Product works/ Scenario Analysis



MTM of Transaction

MTM from Client's perspective in case of Early termination / unwind shall depend upon the following market factors -
- USD/ INR Spot: The MTM will increase in favour of Client if USDINR depreciates and vice-versa
- USD/ INR Forward Premia: The MTM will increase in favour of Client if USDINR forward premia depreciates and vice-versa
- USD/ INR Volatility : Increase in volatility will increase the value of the options which the Client has bought or sold

For Non-Retail Users

Spot ref: 75.90
5Y ATMF ref: 89.60
5Y ATMF Vol ref: 4.90%

Bermudan Cancellable (PayGo) Call Option

Features & Indicative Terms

Features

- Traditionally, Clients have bought options to manage the FX risk of their foreign currency liabilities. These FX options can be vanillas, spreads, butterfly etc.
- While some clients are comfortable with upfront payment of premium in aggregate, most corporates prefer the premium to be deferred over the life of their liability to distribute the cost of such option strategies
- Note that even though the premium is deferred, the client commits for the entire stream of premium payments and has to pay all of them, irrespective of changing market conditions/liability's context
- PayGo options are designed to give clients additional right(s) to terminate the entire hedge transaction at NIL unwind cost, without paying the subsequent premium.

- **Tenor**: 5Y
- **USD Notional**: USD 10 Million
- **INR Notional**: USD Notional * Spot ref
- **Strike**: Spot ref
- **Guaranteed Premium period**: 2Y
- **Premium payment**: Quarterly
- Client buys PayGo USD Call/ INR Put at Strike
- Premium (INR): 3.60% p.a. on INR Notional, payable quarterly; first 2 years premium is guaranteed

- **Payoff Profile**
  - ✓ If USDINR Spot at Expiry >= Strike: Client Buys USD notional at Strike
  - ✓ If USDINR Spot at Expiry < Strike: Option expires worthless and Client Buys USD notional at prevailing market USDINR rate

- **Costs & Fees**: Option premium for the illustration above as mentioned in the Indicative Terms above. Transaction specific payoff, costs & fees will be as per the transaction specific terms & conditions as agreed in termsheets and confirmations.

Benefits to Client and Risks to Client

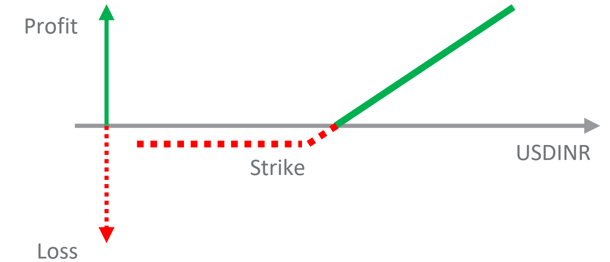
Benefits to Client:

- Full protection; Full participation in favorable currency movement
- Maximum loss is premium paid
- Right to unwind with NIL unwind cost if no desire to carry the hedge

Risks to Client:

- On expiry, if USD/INR is below the Strike, the option will expire out of money

Illustration of how Product works/ Scenario Analysis



MTM of Transaction

MTM from Client's perspective in case of Early termination / unwind shall depend upon the following market factors -

- USD/ INR Spot: The MTM will increase in favour of Client if USDINR appreciates and vice-versa
- USD/ INR Forward Premia: The MTM will increase in favour of Client if USDINR forward premia appreciates and vice-versa
- USD/ INR Volatility : Increase in volatility will increase the value of the options which the Client has bought or sold

For Non-Retail Users

Spot ref: 75.90
5Y ATMF ref: 89.60
5Y ATMF Vol ref: 4.90%

Bermudan Cancellable (PayGo) Call Spread

Features & Indicative Terms

Features

- ➢ PayGo options are designed to give clients additional right(s) to terminate the entire hedge transaction at NIL unwind cost, without paying the subsequent premium.
- ➢ Importer Client wants to hedge USD payables/ liability and protect from the risk of USD appreciation / INR depreciation. To cheapen the cost of a PayGo Call option, the importer Client is willing to sell a PayGo Call Option at higher Strike and thus effectively be hedged within the range of two Strikes

- **Tenor**: 5Y
- **USD Notional**: USD 10 Million
- **INR Notional**: USD Notional * Spot ref
- **Strike 1**: Spot ref
- **Strike 2**: 5Y ATMF ref
- **Guaranteed Premium period**: 2Y
- **Premium payment**: Quarterly

- Client Buys USD Call / INR Put at Strike 1
- Client Sells USD Call / INR Put at Strike 2
- Premium (INR): 2.65% p.a. on INR Notional, payable quarterly; first 2 years premium is guaranteed

- **Payoff Profile**
  - ✓ If USDINR Spot at Expiry > = Strike 1 but < Strike 2: Client buys USD notional at Strike 1
  - ✓ If USDINR Spot at Expiry > = Strike 2: Client buys USD notional at INR (**) better than prevailing USD/INR market price
  - ✓ If USDINR Spot at Expiry < Strike 1: Client buys USD notional at prevailing USD/INR market price

- **Costs & Fees**: Option premium for the illustration above as mentioned in the Indicative Terms above. Transaction specific payoff, costs & fees will be as per the transaction specific terms & conditions as agreed in termsheets and confirmations.

Benefits to Client and Risks to Client

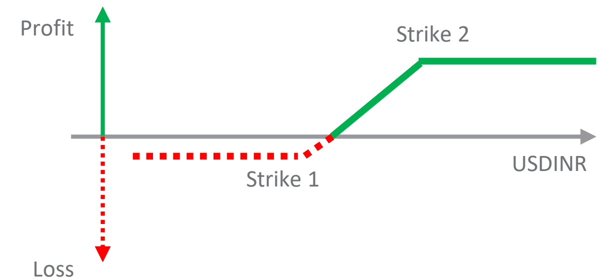
Benefits to Client

- Full protection; Full participation in favorable currency movement
- Maximum loss is premium paid
- Right to unwind with NIL unwind cost if no desire to carry the hedge

Risks to Client

- On expiry, if USD/INR is below the Strike 1, the option will expire out of money

Illustration of how Product works/ Scenario Analysis



MTM of Transaction

MTM from Client's perspective in case of Early termination / unwind shall depend upon the following market factors -

- USD/ INR Spot: The MTM will increase in favour of Client if USDINR appreciates and vice-versa
- USD/ INR Forward Premia: The MTM will increase in favour of Client if USDINR forward premia appreciates and vice-versa
- USD/ INR Volatility : Increase in volatility will increase the value of the options which the Client has bought or sold

Interest Rate Derivatives

Interest Rate Swap

For Retail & Non-Retail Users

SOFRRATE Index = 0.30%

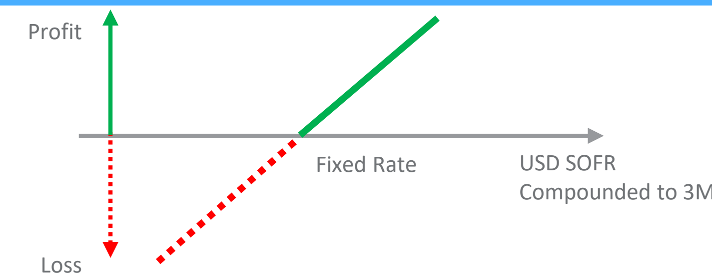
Features & Indicative Terms

- Features: Client has a USD liability / loan which is exposed to USD interest rate risk i.e. floating rate bond loan
- Client is looking to execute USD floating to fixed interest rate swap to hedge the risk of rising USD interest rates
- Tenor: 5Y
- USD Notional: USD 25 Million
- Strike: Spot ref
- Client Receives Daily Compounded USD SOFR, Quarterly, A/360 on USD Notional
- Client Pays 2.41%, Quarterly, A/360 on USD Notional
- Costs & Fees:
  - ✓ Client pays USD fixed rate coupon to hedge USD floating rate risk
  - ✓ No upfront costs and fees. Transaction specific payoff, costs & fees will be as per the transaction specific terms & conditions as agreed in termsheets and confirmations.

Benefits to Client and Risks to Client

- **Benefits to Client:**
  - ✓ Client is fully hedged for USD Interest rate risk
  - ✓ The interest rate swap ensures certainty of interest cost and cash outflow for the client
  - ✓ Non-credit bearing if all fixed coupon is paid upfront
- **Risks to Client:**
  - ✓ Client will not be able to benefit from falling USD interest rates i.e. lower daily compounded SOFR rate

Illustration of how Product works/ Scenario Analysis



MTM of Transaction

MTM from Client's perspective in case of Early termination / unwind shall depend upon the following market factors -

- US swap rates: The MTM will increase with increase in USD swap rates and vice-versa

Cross Currency Swap

For Retail & Non-Retail Users

Spot ref: 75.90

Features & Indicative Terms

- Features: Client has a USD liability with operational cash flows in INR. Client thereby is exposed to the USDINR FX risk as well as USD interest rate risk on the liability ((if the liability is a USD floating rate loan)
- Client can execute a USD/INR cross currency swap to hedge the above risks i.e. convert the USD liability to INR fixed liability

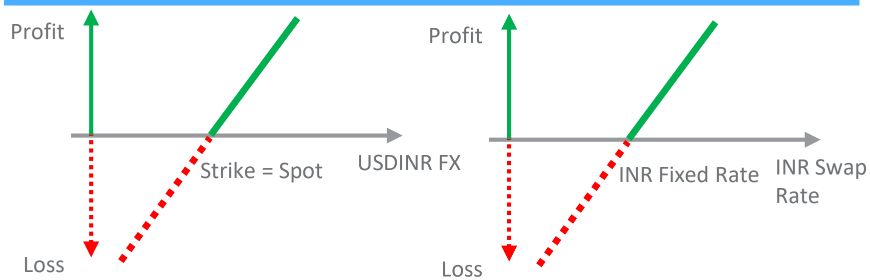
- Tenor: 5Y
- USD Notional: USD 25 Million
- INR Notional: USD Notional * Spot ref
- Principal Exchange: On Effective Date: Client pays USD Notional, receives INR Notional. On Maturity Date, Client pays INR Notional, receives USD Notional
- Coupon payments: Client receives: Daily Compounded USD SOFR, Quarterly, A/360 on USD Notional. Client Pays: INR 6.59%, Quarterly, A/365 on INR Notional

- Costs & Fees:
  - ✓ Client pays INR fixed rate coupon to hedge USD floating rate risk as per illustrative Features and T&C above
  - ✓ No upfront costs and fees. Transaction specific payoff, costs & fees will be as per the transaction specific terms & conditions as agreed in termsheets and confirmations.

Benefits to Client and Risks to Client

- **Benefits to Client:**
  - ✓ Client is fully hedged for USD Interest rate risk and USD/INR Fx risk
  - ✓ The cross currency swap ensures certainty of interest cost and cash outflow for the client
- **Risks to Client:**
  - ✓ Client will not be able to benefit from INR appreciation or falling USD interest rates i.e. lower daily compounded SOFR rate

Illustration of how Product works/ Scenario Analysis



MTM of Transaction

MTM from Client's perspective in case of Early termination / unwind shall depend upon the following market factors -

- INR swap rates: The MTM will increase with increase in INR swap rates and vice-versa
- USD/INR FX Rates: The MTM will increase with USD appreciation and vice-versa.