



# Product & Risk Disclosure – European Call Spread

# European Call Spread



## Product Features

- The product enables hedging foreign currency (FCY) liabilities/payables
- The product is a combination of two vanilla call options- Client buys a call a lower strike and client sells a call at a higher strike

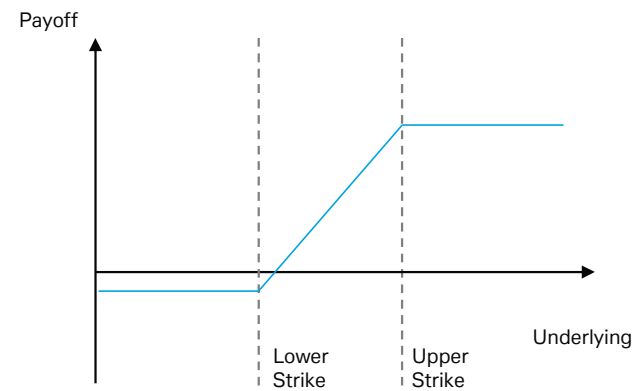
## Benefits

- Protects against FCY appreciation till sold call strike while allowing full participation in FCY depreciation below the bought call strike
- Downside limited to premium payment

## Building Blocks and Primary Risks

- FX Volatility
- FX Spot
- Interest rates in both currencies

## Payoff Illustration for USDINR



# European Call Spread



## Scenario Analysis

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Scenarios below indicate potential gain/loss in INR million on expiry at different USD/INR Spot Rates for USD 1 Million Buy Call at 75.00 and Sell Call at 80.00

Scenario	USD/INR Fix	Payoff
1	68.00	0.00
2	70.00	0.00
3	72.00	0.00
4	74.00	0.00
5	76.00	1.00
6	78.00	3.00
7	81.00	5.00
8	82.00	5.00

The above table illustrates possible scenarios of this Transaction and the resulting cash-flows. It is important for Counterparty to acknowledge that there is no limit to the possible scenario variations on this Transaction.

The analyses are provided to the Counterparty for information purposes only and Deutsche Bank does not make any representation or warranty to the Counterparty in respect of the same. Deutsche Bank shall not be liable for any errors or omissions made in calculating or disseminating the below analyses, or for any inaccuracies or flaws in the methodologies, adjustments or assumptions used in deriving the analyses

## Contract terms and conditions – Unwind Cost

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An amount equal to Deutsche Bank's total costs or loss (which shall be a positive number) or gain (which shall be a negative number) in connection with terminating all payments and contingent payments that would otherwise have been made under this transaction in the period from but excluding the relevant Optional Termination Date up to and including the originally scheduled Termination date.

Deutsche Bank's total costs or loss shall include, without limitation, any loss of bargain, cost of funding, or loss or cost incurred as a result of Deutsche Bank terminating, liquidating, obtaining or re-establishing any hedge or related position.

Party A shall provide the Mark to Market value of the trade as and when desired by Party B

# European Call Spread - Generic Risks



## Market Risk

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Market Risk is the risk that the value of a Transaction will be adversely affected by fluctuations in the level or volatility of or correlation or relationship between one or more market prices, rates or indices or other market factors or by illiquidity in the market for the Transaction or in a related market. In particular leveraged Transactions will entail a higher degree of risk as the losses arising from a small market movement will be multiplied and you may be required to provide substantial margin at short notice to meet your obligations. Failure to meet such obligations may result in us having to liquidate your position at a loss for which you would be liable. You should also note that while we will seek to observe “stop loss” and “stop limit” orders, market conditions may prevent us from executing any “stop loss” or “stop limit” orders which may have been previously agreed.

## Credit Risk

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Credit Risk is the risk that we may, under certain circumstances, fail to perform our obligations to you when due.

## Funding Risk

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Funding Risk is the risk that, as a result of mismatches or delays in the timing of cash flows due from or to you under Transactions or related hedging, trading, collateral or other transactions, you will not have adequate cash available to fund current obligations.

## Liquidity Risk

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Liquidity Risk is the risk that due to prevailing market conditions it may not be possible to liquidate, nor to assess a fair value of your position. In addition, you should be aware that the operation of exchange rules or any power or system failure affecting electronic trading facilities may, in certain circumstances, impair or prevent us from liquidating or executing your Transactions, thus increasing the likelihood of loss..

## Operational Risk

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Operational Risk is the risk of loss to you arising from inadequacies in, or failures of, your internal procedures and controls for monitoring and quantifying the risks and contractual obligations associated with Transactions.

## Currency Risk

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Currency Risk The profit or loss from Transactions in foreign currencies will be affected by fluctuations in currency exchange rates where there is a need to convert from the currency denomination of the Transaction to another currency.

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