Flexible Forward Contracts

- Protect your Profit Margins
- Control your Currency Exchange Risk
- Maintain your Flexibility

What is a Flexible Forward Contract (FFC)?

A flexible forward contract is an FX contract that allows the owner to fix the buy or sell rate of a currency pair today, between two set dates and for a specific amount. In addition, and depending on his business, the owner can exchange the full amount or partial amount(s), at any time during the contract, at the pre-agreed rate.

Companies use flexible forward contracts to hedge and manage currency risk when they need to make or receive a series of payments with uncertain dates and/or amounts. A part or all of the flexible forward can thus be used, during the period defined, to make one or more FX payments or convert one or more payments received at a guaranteed FX rate.

Some cases in which a FCC can be used:

- ✔ You are an importer and want to control the cost of your purchases in foreign currency.
- ✔ You are an exporter and want to secure the price of your foreign currency sales.
- ✔ You are uncertain about settlement dates with your customer and supplier partners.
- ✔ You want a single exchange rate for several forward exchange transactions.

Flexible Forward Contracts

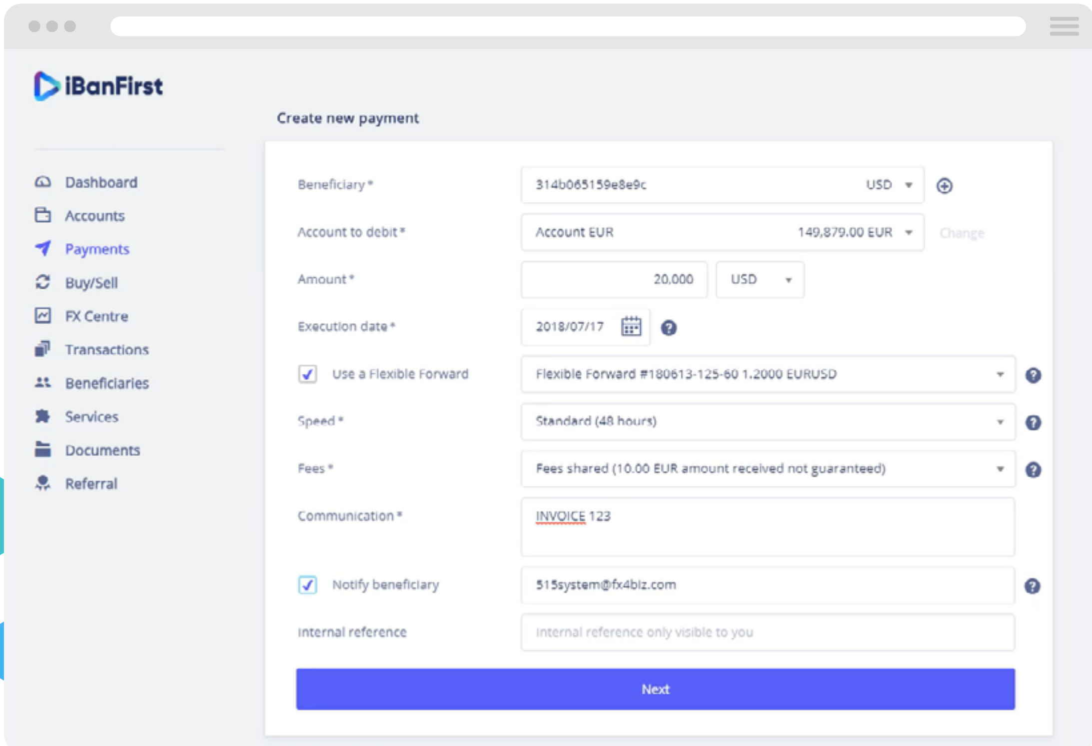
Characteristics	Rule
Buy currency	Any of the 25 currencies offered by iBanFirst, excluding EUR
Sell currency	EUR only
Nominal amount currency	Buy currency
Minimum amount	€15,000
Settlement date	From 1 to 12 months
Beginning of take-up period date	Variable depending on the currency pair; the first possible take-up date is automatically calculated and shown on the platform
Take-up period	From the beginning of the take-up period to the settlement date
Take-up minimum or maximum amount	€1,500
Take-up minimum or maximum number	None

Flexible Forward Contracts	
Feature	**Rule**
SECURITY	**Hedge your profit margins** by benefitting from **a guaranteed exchange rate** for making your future payments in foreign currencies
FLEXIBILITY	**Use your foreign currency reserve flexibility,** according to the due dates of your invoices

RISKS

- Loss of opportunity in case of depreciation of purchased currency as the guaranteed forward exchange rate is not modifiable
- The flexible FX exchange is a firm commitment, so it is not intended to cover uncertain transactions such as quotations, invitations to tender, etc.

Using a Flexible Forward Payment in an FX payment within the iBanFirst Platform



An illustrated example of how Flexible Forward Contracts work

15.01

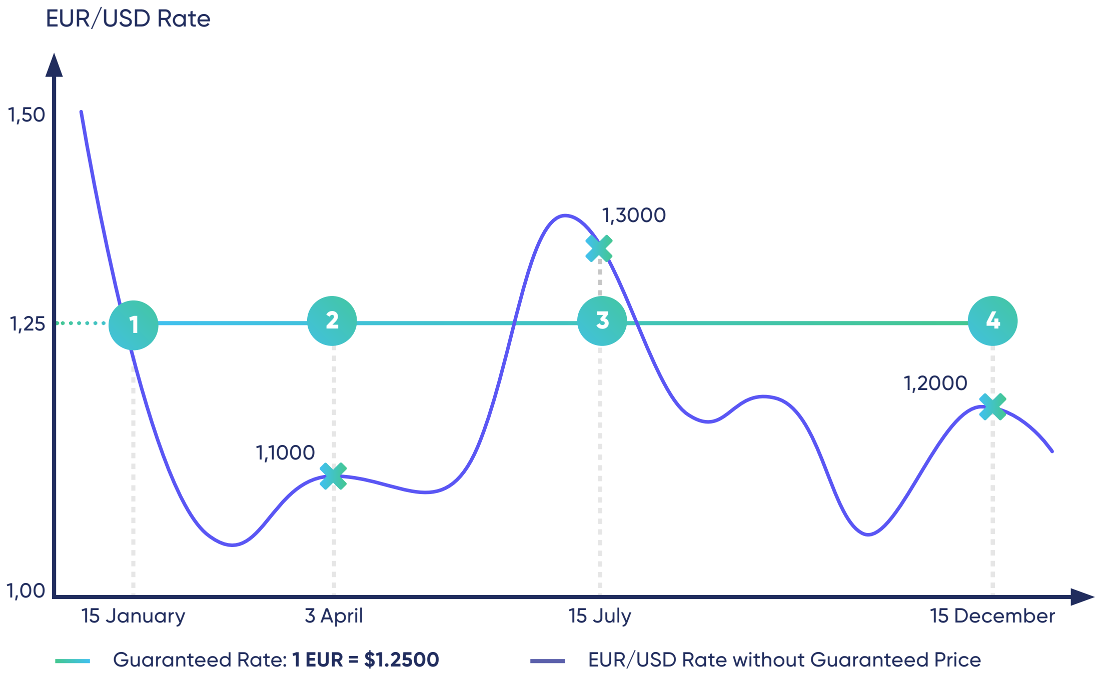
You are an Importer located in Europe and on 15th January, you, and your US based supplier, agree the total amount of goods to be bought for the current year.

You expect to buy products for a total value of $450,000. However, at this stage, you have no clear visibility as to the quantity, or when you will place your orders, so you are also uncertain of the breakdown of the payments of the invoices.

In order to avoid currency exchange risks and secure your profit margin, and as you cannot change the selling price of the goods, you would like to buy a flexi forward contract from iBanFirst and ensure that you convert EUR to USD throughout the year, using a fixed conversion rate.

You contact your iBanFirst Account Manager, and agree to buy a Flexible Forward Contract with the following features:

- Buy Currency: USD
- Sell Currency EUR
- Nominal amount: $450,000
- Settlement Date: 15th December
- Beginning of take up period date: 1st February
- Take up period: 1st February until 15th December.
- Agreed Guaranteed Rate: 1 EUR = $1.2500



Lifecycle of the Flexible Forward Contract

15.01

15th January

You buy a Flexible Forward Contract from iBanFirst: Nominal value $450,000 against EUR at the guaranteed price of 1 EUR = $1.2500, to be used by 15th December.

03.04

3rd April

You make a payment for an invoice of $260,000, at the guaranteed price of 1 EUR=$1.2500, equivalent to €208,000.

If you had used the Spot price, on the day, that is EUR 1 = $1.1000, the amount that you would have spent would have been €236,363. So, in theory, you have a positive currency impact of €28,363 by using your Flexi Forward Contract.

15.07

15th July

You make a payment for an invoice of $130,000, at the guaranteed price of 1 EUR=$1.2500, equivalent to €104,000.

If you had used the Spot price, on the day 1 EUR = $1.3000, the amount that you would have spent would have been €100,000. So, in theory, you have a negative currency impact of €4,000 by using your Flexi Forward Contract.

15.12

15th December

You make a final payment of an invoice of $60,000, at the guaranteed price of 1 EUR =$1.2500, equivalent to €48,000.

If you had used the Spot price, on the day of 1 EUR = $1.2000, the amount spent would have been €50,000. So, in theory, you have a positive currency impact of €2,000 by using your Flexi Forward Contract.

Conclusion

Throughout the year you were able to use the same conversion rate and hedge your currency risks. You knew from the 15th of January that you would need €360,000 to cover the costs of your US based supplier. Therefore, you were able to budget the total costs of your USD invoices, and set your sales with the appropriate profit margin, without worrying about the EUR/USD currency pair price fluctuations.

iBanFirst

Better Banking. Better Business.

iBanFirst Brussels (HQ)
350 Av. Louise, 1050 Brussels
hello@ibanfirst.com
+32 2808 0966
www.ibanfirst.com