

## Cross Currency Swap – INR to FCY

**This Product Disclosure Statement is in reference to RBI Circular dated 16.09.2021, Master Direction – Reserve Bank of India (Market-makers in OTC Derivatives) Directions, 2021.**

This document contains standard information about the product which may enable the user to determine if the product will meet its risk management objective and to facilitate comparison with other products.

### Features

In a cross currency swap, the user exchanges one currency cash flows (principal and coupon) for another currency cash flows (principal and coupon) as per defined schedule. In this derivative transaction, user converts the Fixed/ Floating INR liability to a Fixed/Floating FCY liability. Under this transaction, user undertakes to pay FCY principal and coupon and receive INR principal and coupon on the respective settlement dates which in turn can be used to repay INR liability. The user benefits from paying a percentage of the outstanding USD notional and in return receiving INR coupon on the outstanding INR notional. The principal exchange happens at a spot reference rate decided at the initiation of the swap.

#### Illustration:

For an underlying fixed interest rate liability in INR where USD is domestic currency.

The underlying exposure for this product is an INR liability. User undertakes this transaction to convert the principal and coupon of this fixed Interest rate INR liability to floating rate USD liability. By entering into this transaction, user would look to benefit from the coupon differential (derived from interest rate differential) between the INR and USD cash flows.

### Building Blocks:

The building blocks of this option are as below:

- a. FCYINR Spot rate
- b. Overnight FCY rate curve
- c. Overnight SOFR rate curve
- d. Modified MIFOR curve
- e. USDINR Fx swap
- f. FCYUSD cross currency basis curve
- g. Tenor of the swap

### Costs and fees, including break-up and details

The derivative cost consists of market cost which is determined through a financial model taking above building blocks as input parameters and the price is dependent on Bid/Offer spread of the FCYINR spot rate, overnight FCY rate curve, overnight SOFR rate curve, Modified MIFOR curve, USDINR Fx swap,

FCYUSD cross currency basis curve rate along with administrative costs; Capital charge and transaction handling charges

## An illustration of how the product works

User receives under the swap agreement: 5.00 % on outstanding INR notional

User pays under the swap agreement: SOFR + 250 bps on outstanding USD notional

Coupon settlement frequency: Quarterly

Tenure of swap: 2.5 yrs

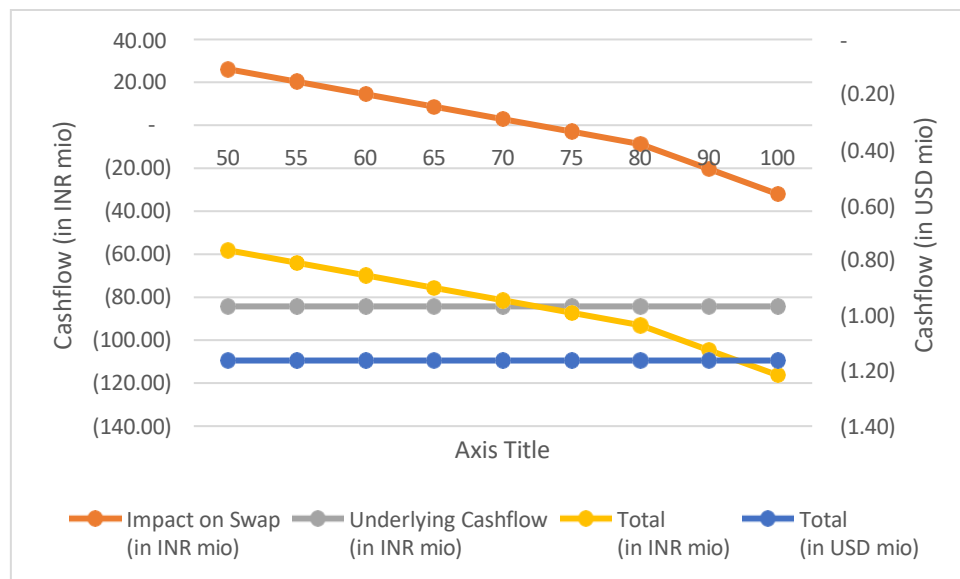
Amortization: As per schedule given below

Start Date	End Date	Applicable USD Notional	USD Amortization on End date	Applicable INR Notional	INR Amortization on End date	INR coupon
28-Dec-21	28-Mar-22	10,000,000.00	1,000,000.00	750,000,000.00	75,000,000.00	9,246,575.34
28-Mar-22	28-Jun-22	9,000,000.00	1,000,000.00	675,000,000.00	75,000,000.00	8,506,849.32
28-Jun-22	28-Sep-22	8,000,000.00	1,000,000.00	600,000,000.00	75,000,000.00	7,561,643.84
28-Sep-22	28-Dec-22	7,000,000.00	1,000,000.00	525,000,000.00	75,000,000.00	6,544,520.55
28-Dec-22	28-Mar-23	6,000,000.00	1,000,000.00	450,000,000.00	75,000,000.00	5,547,945.21
28-Mar-23	28-Jun-23	5,000,000.00	1,000,000.00	375,000,000.00	75,000,000.00	4,726,027.40
28-Jun-23	28-Sep-23	4,000,000.00	1,000,000.00	300,000,000.00	75,000,000.00	3,780,821.92
28-Sep-23	28-Dec-23	3,000,000.00	1,000,000.00	225,000,000.00	75,000,000.00	2,804,794.52
28-Dec-23	28-Mar-24	2,000,000.00	1,000,000.00	150,000,000.00	75,000,000.00	1,869,863.01
28-Mar-24	28-Jun-24	1,000,000.00	1,000,000.00	75,000,000.00	75,000,000.00	945,205.48

By entering into this product, the user receives a fixed rate of 5% p.a. in INR and mitigates currency risk and looks to benefit from floating rate benchmark. On each swap settlement date, both users exchange the cashflows as per the swap agreement.

## Pay-off profile:

Payoff for first settlement date assuming Overnight SOFR at 4%



## Impact Analysis

Impact Analysis for first settlement date assuming Overnight SOFR at 4%

[USD/INR] Level	Impact on Swap (in INR mio)	Underlying Cashflow (in INR mio)	Total (in INR mio)	Total (in USD mio)
50	26.12	(84.25)	(58.13)	(1.16)
55	20.31	(84.25)	(63.94)	(1.16)
60	14.50	(84.25)	(69.75)	(1.16)
65	8.68	(84.25)	(75.56)	(1.16)
70	2.87	(84.25)	(81.38)	(1.16)
75	(2.94)	(84.25)	(87.19)	(1.16)
80	(8.75)	(84.25)	(93.00)	(1.16)
90	(20.38)	(84.25)	(104.63)	(1.16)
100	(32.00)	(84.25)	(116.25)	(1.16)

## Benefits

This product allows user to mitigate the currency and interest rate risk on INR liability by converting to FCY liability.

## Risks

- a) Interest rate not moving as anticipated by the user
- b) The currency in which the debt is denominated depreciates
- c) Basis risk
- d) Liquidity risk

The terms and conditions applicable for booking/termination will be guided by deal term sheet/sanction letter/ISDA document