

BACB



البنك التجاري العربي البريطاني

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British Arab Commercial Bank

8-10 Mansion House Place

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Foreign Exchange

With over 30 years experience, BACB is an active dealer in the Foreign Exchange market - measuring its turnover in billions of dollars each day. Our trading experts use state of the art information and dealing technology to provide liquidity to other market participants, and also to enable our clients to hedge their exposures whenever suits them.

Our pricing is highly competitive and instant - both essential elements in today's fast moving markets.

Open every working day from 0730hrs to 1700hrs UK time, the team provides instant spot and forward pricing in over 30 currencies - specialising in the major trading currencies and in the currencies of North Africa and the Middle East.

Our forward pricing enables clients to hedge expected future currency exposures and thus better manage their risks, providing an element of certainty over future values. Our forward prices are also used by many clients to hedge their cross currency cash flows.

In addition we offer Over-the-Counter (OTC) currency options in the major trading Currencies.

We also provide updates on developments to suit clients' needs, and information on previous rates to assist the client in making decisions about possible future risks.

BACB only undertakes foreign exchange trading for clients that can be classified as market counterparties in accordance with FSA rules.

Documentation is covered by IFEMA or ISDA agreement.

BACB is authorised by the Financial Services Authority (FSA).

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Forward FX – Netting by Novation

Clients who are active in FX Forwards may have occasions when they take out a forward dated contract one day, and then have a need to take out a contract the opposite way round, FOR THE SAME AMOUNT AND MATURITY DATE as some point before maturity.

Such contracts, under existing accounting, would be treated as two separate contracts, both using up FFE limits, and carrying settlement risk on both deals. The actual exposure would only be the difference between the two trades – provided BOTH counterparties agreed to novate the contracts and nett settle the prevailing profit or loss. From the banks, and the clients, perspective this reduced use of limits would enable more business to be concluded within the existing limits, and is therefore a potentially attractive product.

The profit or loss derived from this netting is due on the maturity date of the novated contracts, but can be Net Present Valued to be paid earlier if required – subject to limits.

To enable Netting by Novation the client must agree to the Novation and BACB will send a confirmation to that effect.

BACB only undertakes Forward FX trades with clients that can be classified as market counterparties, in accordance with FSA rules. Netting by Novation could potentially be applied to any such counterparty.

Novation confirmations will be sent to confirm the netting.

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Non-Deliverable Forwards (NDFs)

NDFs have evolved as a solution to the lack of tools available to hedge corporate foreign exchange risk in blocked or inaccessible currencies. They are also used as investment vehicles for counterparties wishing to take, or offset, currency exposures in non-convertible currencies thereby avoiding complications that occur during the settlement of securities in lesser-developed markets. They are quite simply outright forward contracts where delivery can never take place, and that are reversed out at, or before, the value date, at the 'market rate' prevailing at the time.

They obligate the counterparties to accept countervailing currency exposures: one party will be a buyer of the non-deliverable currency and seller of a deliverable currency; the other party will have the opposite exposure. At the same time, the parties agree to unwind the exposures at maturity with an offsetting trade. As it is impossible to deliver the non-deliverable currency, the method of determining the value of the non-deliverable currency at maturity will be agreed before the deal is commenced. This typically will be the rate quoted on a particular page on Reuters/Bloomberg at a given time, two days prior to maturity of the contract.

At maturity the value of the non-deliverable currency is determined using the rate from the agreed source, and its difference with the original contract rate is then settled in the deliverable currency used in the contract.

BACB only undertakes NDFs with clients that can be classified as market counterparties in accordance with FSA rules.

Documentation is based on IFEMA or ISDA rules (IFEMA rules apply if no master agreement is in place. ISDA rules apply if a master agreement is in place between the counterparties, or if they decide to put one in place.)

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