

# USDINR EKI SEAGULL

## Risk Disclosure Statement

The following term sheet is subject to the terms of the final Confirmation and the ISDA Master Agreement. Capitalized terms used and not otherwise defined herein shall have the meanings given to them in the 1998 FX Definitions, each as published by the International Swap and Derivatives Association, Inc. ISDA (together, the "ISDA Definitions") or as defined in the Confirmation. In the event of any inconsistency between the ISDA Definitions and this term sheet or the Confirmation, the terms as defined in the Confirmation shall govern.

### General Terms

<b>Party A:</b>	JPMorgan Chase Bank, N.A., Mumbai Branch ("JPMorgan")
<b>Party B:</b>	[ ]
<b>Trade Date:</b>	[ ]
<b>USD INR Spot Reference:</b>	83.20
<b>Business Days for Expiration:</b>	Preceding
<b>Business Day Convention:</b>	Modified Following
<b>Business Days for Fixing:</b>	Mumbai, New York
<b>Business Days for Settlement:</b>	Mumbai, New York
<b>Calculation Agent:</b>	JPMorgan
<b>Governing Law:</b>	English
<b>Documentation:</b>	ISDA
<b>Delta of the Option:</b>	USD 5,286,427
<b>Premia Amount:</b>	INR 1,067,043
<b>Premium Payer:</b>	Party A
<b>Premium Payment Date:</b>	[ ]
<b>Dealer Name:</b>	[ ]
<b>Client Type:</b>	[ Non – Retail ]

### Forward Details:

<b>Buyer:</b>	Party B
<b>Seller:</b>	Party A
<b>Notional Amount:</b>	USD 50,000,000
<b>Strike Price 1:</b>	83.20
<b>Expiration Date:</b>	10 October 2024
<b>Expiration Time:</b>	3:00 p.m. Tokyo Time

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**Settlement Date:** 15 October 2024

**Option Details:**

**Buyer:** Party A  
**Seller:** Party B  
**Currency Option Style:** European  
**Currency Option Type:** USD Call / INR Put with Knock In  
**Call Currency and Call Notional Amount:** USD 50,000,000  
**Strike Price 2:** 84.73  
**Expiration Date:** 10 October 2024  
**Expiration Time:** 3:00 p.m. Tokyo Time  
**Settlement Date:** 15 October 2024  
**KI Barrier** 85.73

**Other Terms and Conditions:**

If, on **Expiration Date**, the **USDINR Fixing Rate** is:

- a) Less than **KI Barrier**, Party B has to buy **USD Notional Amount at Strike Price 1**
- b) Greater than or equal to **KI Barrier**, Party B has to buy **USD Notional Amount at USDINR Fixing – (Strike Price 2– Strike Price 1)**

where,

“**USDINR Fixing Rate**” means the USD INR rate at 3.00PM Tokyo time or thereabouts on the Expiration Date. The rate shall be determined by the Calculation Agent in good faith and in a commercially reasonable manner.

**Risk Disclosure:**

There are significant risks associated with this transaction including, but not limited to, foreign exchange risk, price risk, liquidity risk and credit risk. Counterparties should consult their own financial, legal, accounting, and tax advisors about the risk associated with this transaction, the appropriate tools to analyze the transaction, and the suitability of the transaction in each counterparty’s particular circumstances. No counterparty should enter into the transaction described above unless that counterparty understands and has sufficient financial resources to bear the price, foreign exchange, market, liquidity, structure, and other risks associated with the transaction.

**Foreign Exchange Risk:**

This Transaction is exposed to movements in USDINR spot rate and forward exchange rates as illustrated below.

**Interest Rate Risk:** If USD or INR interest rates move from their current positions, the market value of the transaction may be adversely affected from Party B’s perspective.

**Volatility Risk:**

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This transaction is exposed to movements in volatility. If volatility changes from its current position, there is a risk that the mark to market value of the transaction for Party B will be adversely affected.

**Liquidity Risk:**

This transaction is not a readily liquid instrument. There may exist a time when there is a lack of liquidity or low trading volume in the market for the transaction, and this potential illiquidity could significantly decrease the market value of the transaction for Party B.

**Asymmetric Payoff Risk:**

This transaction is constructed by means of a combination of foreign exchange and/ or interest rate options (both vanilla and exotic). The potential downside resulting from the transaction could be significantly higher than the potential upside. Party B should be aware of and recognize the asymmetric nature of what it may receive and/or what it may pay before entering into this transaction.

**Credit Risk:** This transaction carries the counterparty credit risk of Party A

**Ordinary Course of Business:** In the ordinary course of their business, JPMorgan or any of its affiliates or subsidiaries may effect transactions for their own account or for the account of their customers. In conducting such business neither JPMorgan nor any of its affiliates or subsidiaries is obliged to take into account the circumstances of the parties to the transaction or act in a manner which is favorable to them. Such activity may, or may not affect the value of the transaction, but potential investors should be aware that a conflict may arise.

**Potential Conflicts of Interest:** Potential conflicts of interest may exist in the structure and operation of the strategy and the course of the normal business activities of JPMorgan or any of its affiliates or subsidiaries or their respective directors, officers, employees, representatives, delegates or agents of their normal business activities.

**Underlying Exposure:**

This transaction has been entered to hedge the risk arising out of the underlying exposure (“Underlying Exposure”) details of which are as follows

**USD Imports** maturing on or after **Settlement date**

**Purpose of the Transaction:**

Party B has confirmed that this transaction has been carried out at Party B’s request and it is entering into this Transaction for the purpose of hedging its Underlying USD Exposure. Under this transaction:

- If USDINR spot rate at Expiration Date is below 85.73, Party B has to buy USD Notional Amount at 83.20
- If USDINR spot rate at Expiration Date is above 85.73, Party B has to buy USD Notional Amount at a rate which is 1.53 better than prevailing market rate

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## Scenario Analysis

The following Scenario Analysis is provided for illustrative and convenience purposes only. It should not be relied on by Party B, and JPMorgan expressly disclaims any responsibility or reliance by Party B. In case of any doubt, Party B should consult with their own professional advisers

The following Scenario analysis assumes various levels of USDINR spot rate which, in JPMorgan's view, represents low, medium and high risk scenarios on the relevant expiration dates and shows the resultant cash flow gain/loss to Party B. The scenario analysis represented here are not comprehensive.

In JP Morgan's view, the expected rate the Party B will realize on its underlying exposure if they leave the position unhedged will be the expected Forward Rate on the Trade Date

A negative number in Gain/ Loss denotes a LOSS to Party B.

USD Notional Amount	USDINR spot rate at Expiry	Overall Gain/Loss in INR ( '000, without taking premium into account)	Overall Gain (Loss) in INR on underlying exposure ('000)	Loss Limiting Condition Met?
50,000,000	81	-110,000	186,500	Yes
50,000,000	82	-60,000	136,500	Yes
50,000,000	83	-10,000	86,500	Yes
50,000,000	84.73(ATMF)	76,500	0	Yes
50,000,000	86	76,500	-63,500	Yes
50,000,000	87	76,500	-113,500	Yes
50,000,000	88	76,500	-163,500	Yes
50,000,000	89	76,500	-213,500	Yes

## Mark-to-Market (MTM) Sensitivity Analysis

The following MTM Analysis is provided for illustrative and convenience purposes only. It should not be relied on by Party B, and JPMorgan expressly disclaims any responsibility or reliance by Party B. In case of any doubt, Party B should consult with their own professional advisers.

Please note that the below MTM Analysis is only accurate as of Trade Date. Changes in the MTM due to shifts in USDINR spot rate are tabulated in the MTM analysis.

This MTM Analysis does not take into account other factors and parameters (market, trading, liquidity or otherwise) or model parameters-marks. If such parameters move in extreme fashions, they may cause the MTM to change significantly and may change in a way that adversely impacts Party B.

A negative number in Gain/ Loss denotes a LOSS to Party B.

USDINR Spot rate	MTM Impact (INR)
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79	-143,552,134.21
80	-104,053,676.71
81	-67,155,935.71
82	-33,813,501.71
83	-5,140,734.21
84	17,636,379.29
85	34,247,643.29
86	46,085,506.29

### **Level of pricing variables and impact of variables on pricing**

The following analysis is provided for information and illustrative purposes only. All information provided herein is indicative, non-exhaustive and is based on certain assumptions and current market conditions and is subject to change without notice.

It should not be relied on by Party B, and JPMorgan makes no representation or warranty regarding the accuracy or completeness of the information herein. JPMorgan expressly disclaims any responsibility or reliance by Party B. In case of any doubt, Party B must make an independent assessment of the Transaction in light of its own circumstances and determine with its own professional advisers any suitability or appropriateness implications of the Transaction.

**The market level of primary market variables used in determining the price of the transaction is as follows:**

#### **USDINR FX volatility:**

Strike	Vol
83.2	4.75%
84.73	4.75%

**USDINR forward points: 1.53**

The primary market variables used for determining the mark-to-market value along with their directional impact are listed below for information purposes only and is subject to change. Each directional impact assumes that the variable under consideration moves from its current position while all other variables are kept constant. The directional impact may no longer hold if more than one variable is allowed to move from their current positions. The primary market variables used for determining the mark-to-market value of the transaction as of Trade Date are listed below along with their directional impact on the mark-to-market value. JPMorgan accepts no responsibility or liability whatsoever to any person in respect of the information herein.

Pricing Variable	Directional Impact
USDINR Spot Rate	If USDINR spot rate moves down, MTM for Party B will get adversely impacted. If USDINR spot rate moves up, MTM for Party B will get favorably impacted.

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USDINR FX Volatility	If USDINR FX volatility moves up, MTM for Party B will get adversely impacted. If USDINR FX volatility moves down, MTM for Party B will get favorably impacted.
USDINR Forward Points	If USDINR Forward points move down, MTM for Party B will get adversely impacted. If USDINR Forward points move up, MTM for Party B will get favorably impacted.

**Periodicity of valuation statement from JPMorgan**

Valuation statements in relation to all Transactions executed between the parties will be made available to the Counterparty on the “Optimize” application present on JPMorgan’s online platform, J.P.Morgan Markets (“**Optimize Platform**”). The Counterparty will be able to view and download such valuation statements for any period at any point of time from the Optimize Platform. To the extent the Counterparty wishes to receive valuation statements via email or any other mode of communication, it should reach out to its representative at JPMorgan and make a request in writing for such alternate process to be set-up for purposes of sharing valuation statements with the Counterparty. JPMorgan shall consider Counterparty’s request and if reasonable and operationally practicable, JPMorgan may agree to share the valuation statements, within such mutually agreed periodicity, with the Counterparty via email or any alternative mode of communication.

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## Representations:

Each party represents to the other party on the date on which it enters into this Transaction that (absent a written agreement between the parties in respect of this Transaction that expressly imposes affirmative obligations to the contrary):

- (i) It is acting for its own account, and it has made its own independent decisions to enter into this Transaction and as to whether this Transaction is appropriate or proper for it based upon its own judgment and upon advice from such tax, accounting, regulatory, legal and financial advisers as it has deemed necessary, and not upon any view expressed by the other. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into this Transaction; it being understood that information and explanations related to the terms and conditions of this Transaction shall not be considered investment advice or a recommendation to enter into this Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of this Transaction;
- (ii) It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of this Transaction. It is also capable of assuming, and assumes, the risks of this Transaction;
- (iii) The other party is not acting as a fiduciary for, or an adviser to it in respect of this Transaction.
- (iv) This Transaction is subject at all times, to the applicable laws, including but not limited to the Reserve Bank of India ("RBI") and the Foreign Exchange Management Act, 1999, rules, regulations and guidelines issued thereunder, as may be amended from time to time (collectively, the "Regulations") and does not contravene any of the said Regulations.

With respect to this Transaction, Party B represents and confirms to JPMorgan as follows:

1. It has the power to enter into this Transaction and to deliver any document relating to this Transaction and to perform its obligations under this Transaction and has taken all necessary action to authorize such execution, delivery and performance.
2. All necessary governmental and other consents that are required to have been obtained by it with respect to this Transaction (or any part thereof) have been obtained and are in full force and effect and all conditions of any such consents have been (and shall continue to be) complied with.
3. Its entry into and performance of its obligations under this Transaction does not and will not result in a breach or violation of any applicable law or regulation.
4. That it is entering into this Transaction solely for the purpose of hedging its underlying exposure ("Underlying Exposure") and not for purposes of speculation, and the size and tenure of this Transaction is not in excess of Party B's Underlying Exposure.
5. This Transaction has been booked against the said Underlying Exposure and the Underlying Documents in respect of the said Underlying Exposure have been/ will be provided to JPMorgan by Party B.
6. It has familiarized itself and fully understood the above terms and conditions and accepts the risks of entering into this Transaction.

## **ACCEPTED and AGREED for and on behalf of**

### **Party B**

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[Name] [Title]

[Date]

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