Foreign Exchange Forward offered by DBS Bank (Hong Kong) Limited, Private Banking & Treasures Private Client

Foreign Exchange Forward Product Booklet

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- The products may not be authorized by any regulatory authorities in Singapore or Hong Kong or elsewhere.

Product Features

Foreign Exchange Forward Contract is an agreement to trade the underlying currency pair at a future date with the exchange rate fixed on the trade day.

Investors may enter into Foreign Exchange Forward Contract with the Bank to directly participate in both upward and downward price movements of the underlying currency pair. The investor will enjoy a gain if the exchange rate of the underlying currency pair performs as expected. However, the investor will suffer a loss if the exchange rate of the underlying currency pair does not perform as expected.

For Non Deliverable Forward ("NDF") Contracts, there is no delivery of the underlying currency pair at maturity. Instead, a net cash settlement will be made based on the final fixing of the underlying currency pair.

Key Product Risks (not exhaustive)

This section provides a (non-exhaustive) summary of the key risks of investing in the Product.

Investment Risk

- An investment in Foreign Exchange is an investment activity and it involves risks.

Counterparty Risk

- Investors are taking on the counterparty risk of the Bank. In the worst case scenario, where the Bank is insolvent or defaults on its payment obligations under the contract, investors can suffer partial or full loss on its notional invested amount.

Investor Suitability

- A prospective investor in the Product should be experienced with dealing in these types of products and should understand the risks associated with dealing in such products. A prospective investor should reach an investment decision only after careful consideration, with the advisers (where appropriate), of the suitability of the Product in light of their particular financial position, experience, objectives and other relevant circumstances, the terms and conditions applicable to the Product (including margin requirements, if applicable), the particular underlying currency pair to which the Product relates, any related transaction costs, and the creditworthiness of the counterparty. A prospective investor should ensure that they have the ability to withstand any potential financial loss.

Market Risk

- Investing in the Product involves market risk. Changes in the exchange rate can be unpredictable, sudden and large. Such changes may result in the price or value of the Product moving adversely to the interests of the investor and negatively impacting on the return on the Product. In extreme circumstances, the investor may lose all, or a significant proportion of, the original investment.
- The Product is a principal-at-risk investment. The amount received upon expiry or early termination (as the case may be) may be less than 100% of the amount invested.

Foreign Exchange Rate Risk

- Changes in the relevant exchange rate(s) can be unpredictable, sudden and large. Such changes may result in the price or value of the Product moving adversely against the interests of the investor and negatively impacting upon the return on, or settlement of, the Product.
- The relevant exchange rate(s) in the Product will be influenced by the complex and interrelated global and regional political, economic, financial and other factors that (directly or indirectly) can affect the currency markets on which the relevant currency(ies) is traded. Such factors include, without limitation, relative rates of inflation, interest rate levels, the balance of payments and the extent of governmental surpluses or deficits in the countries in which such currencies are circulated as legal tender.
- Foreign exchange rates can be controlled, affected or altered by intervention from governments through a variety of techniques. Such techniques may include, without limitation, fixing or allowing the exchange rate to float freely or within a prescribed range, imposition of ceiling or floor, adjustment of monetary, interest rate or export and import policy, intervention by central bank, imposition of regulatory controls or taxes or issuance of a new currency to replace an existing currency.

Liquidity Risk

- Any early termination of the foreign exchange forward contracts before maturity is subject to the sole discretion and consent of the Bank. Even if the Bank allows early termination of the contract, the investor may suffer significant costs and losses.

The Bank's Hedging Activities May Affect Exchange Rates

- The Bank and its affiliates may enter into hedging transactions in the market to enable the Bank to fulfill its obligations under the Product. These hedging transactions typically involve contracts for the purchase and/or sale of the underlying currencies and the establishment of long and/or short positions in the underlying currencies which may be constantly adjusted. The unwinding or adjustment of the positions in the underlying currencies shortly before the relevant determination dates under the Product may affect the relevant exchange rates.

Potential Conflicts of Interest

- The Bank and its affiliates play a variety of roles in connection with the Product, including acting as counterparty and hedging its obligations under the Product. The Bank and its affiliates may also enter into, adjust and unwind transactions relating to the relevant currencies, whether for its or its affiliates' proprietary accounts or for accounts under management or to facilitate transactions on behalf of other counterparties or otherwise. In carrying out these roles, the Bank's economic interests and those of its affiliates may be potentially against the investor's interests as the counterparty in the Product.

Worst case scenario

- The potential loss is, in the case of redemption of alternate currency which converted back into principal currency at the prevailing spot exchange rate can be substantially lower than the initial amount.

Past Performance

- Past performance of the underlying currency pair is not necessarily an indication to future performance. The value of the investment and the income derived from it can go down as well as up.

Renminbi ("RMB") Currency Risk (Only applicable if the Product is denominated in RMB)

- Chinese Renminbi ('RMB") may not be freely convertible through banks in Hong Kong. Due to exchange controls and/or restrictions imposed on the convertibility or utilization of RMB (if any) which in turn is affected by, amongst other things, the People's Republic of China government's control, there is no guarantee that disruption in the transferability, convertibility or liquidity of RMB will not occur. There is thus a likelihood that investor may not be able to convert the RMB received into other freely convertible currencies.

  Should an investor decide to convert the RMB amount back into his/her home currency or vice versa, the investor should bear in mind the risk of exchange rate fluctuations that may cause a loss on conversion of RMB back into such other currency or vice versa.

Margin Requirement and Related Risks

If the Product is transacted on a margined basis, the investor will deposit the margin requirement with the Bank. During the life of the Forward, the investor will be required to provide additional collateral for the Mark-to-Market loss.

Mark-to-Market Risk

- Investor bears the downside risk of the Product's price fluctuation.
- If the price of the currency pair falls, the investor will bear a mark-to-market ("MTM") loss in valuation.
- The Bank has the right to determine the daily MTM valuation at its sole discretion and investor bears the risk of daily MTM fluctuation in valuation.

Margin Requirement Risk

- The Bank reserves the right to review and revise the initial margin from time to time during the tenor of the Product, including demanding a 100% initial margin. Upon such review, the investor may be subjected to a significantly higher margin requirement than that required at the point of transacting.

Margin Calls

- An investor who transacts the Product on margin may be subjected to margin calls if the Bank deems that the collateral is insufficient to cover the total amount of the initial margin requirement and the MTM loss. This may arise as a result of various factors, including a deterioration of the market price of the Product, losses arising from closed out transactions, a higher initial margin, or a combination of them.
- Investors who plan to enter into the Product on a margin basis or with the use of credit facility should be prepared to pay interest cost for the margin or credit facility and to meet margin calls which require the investor to make top-up payment to cover the full marked-to-market losses for the remaining period of the Product. Such payment can be substantial in poor market conditions and/or when the Product has a long remaining period.
- If market conditions are poor, the investor may be required at short notice to provide additional margin notwithstanding that the investor's ability to make top-up payments may have worsened due to the significant fall in market value of other financial assets. Where the terms of any margin or credit facility arrangements permit the level of margin or interest to be raised at the discretion of the margin or credit facility provider, the investor may experience further liquidity pressure.
- Failure to meet any margin calls or interest payments may result in outstanding transactions being closed out without consent from the investor at significant losses and costs. The Bank may also realise such part or all of the collateral as the Bank deems necessary in accordance with the terms of the relevant credit facility and/or security documents to satisfy the liabilities of the investor.
- The investor should note any margin or credit facility arrangements may be reduced or terminated in accordance with the terms of such arrangements.

Delivery Risk

- An investor who transacts the Product on margin will need to provide funding for the delivery of the required currency on the settlement date, which is substantially more than the amount placed as initial margin requirement.

Investment alternatives that you may consider

Investment Alternative(s)	Vanilla Option (Buy)	Vanilla Option (Sell)
Product Descriptions	Pay premium to hold exercise right at pre-determined strike rate on pre-determined expiry.	Option writer to receive premium but bears exercise obligation at pre-determined rate on pre-determined expiry.
Payoff	Option holder may make a gain if underlying currency pair drives at correct direction at expiry.	Option seller is obligated to receive weak currency at expiry, which will result in negative payoff.
Product Liquidity	Easy to unwind on daily FX market	Easy to unwind on daily FX market
Worst Case Scenario	Premium payable will be forfeited if option does not perform	If redemption notional is converted back to principal currency at prevailing spot market. investors may suffer substantial loss

The content of this Product Booklet (including the product nature, description and risks) may not be applicable to all or any of the investment alternatives herein. So please obtain the Product Booklet(s) for the investment alternative(s) that you are interested in from your Relationship Manager and transact over that/those investment alternative(s) ***only after*** you have carefully read and fully understood the Product Booklet(s) for that/those investment alternative(s).