RANGE FORWARD CONTRACT

TAKE ADVANTAGE OF FAVORABLE CURRENCY RATE MOVEMENTS

Global business exposure requires you to hedge your currency risk; however, you want the opportunity to achieve some benefit from a favorable move in the currency markets. With no upfront premium cost, a range forward contract may be the answer.

PNC delivers

PNC's team of senior foreign exchange consultants can help you take advantage of favorable currency rate movements, while still protecting you against unfavorable market moves. Through a range forward contract, you gain protection against unfavorable currency fluctuations, while allowing limited participation in favorable market movements with no upfront premium.

At PNC, we combine a wider range of financial resources with a deeper understanding of your business to help you achieve your goals. To learn more about how we can bring ideas, insight and solutions to you, please call PNC's Foreign Exchange group or visit pnc.com/international.

What is a range forward contract?

A forward contract is a contractual obligation to buy from or sell to PNC a fixed amount of foreign currency on a future maturity date at a predetermined exchange rate. Forward prices are determined by an adjustment made to spot, based on the interest rate differential between two currencies (countries), otherwise known as forward points.

Similar to a forward contract, a range forward contract provides 100% protection against unfavorable currency fluctuations, while allowing limited participation in favorable currency rate market movements.

Advantages of a participating forward contract

- Usually structured with no upfront premium
- Provides full protection (a floor) against adverse currency movements
- Allows participation in favorable currency moves up to a predetermined level (a cap)

When to use a range forward contract

- Floor is less attractive than the forward rate.
- Participation in favorable market movement is limited.

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Who can benefit from using a range forward contract?

- Importers looking to reduce the cost of foreign payables
- Exporters looking to increase the value of foreign currency receivables
- Companies that need to protect their budget at a defined rate, while benefiting from favorable currency moves
- Companies that need to accommodate different views on currency direction, yet still meet hedging requirements
- Companies that want to take advantage of positive currency fluctuations but do not want to pay a premium upfront

Examples of how a range forward contract works

Your company protects against a strengthening euro by executing a range forward contract with a 1.26 floor and 1.30 cap expiring on June 29. If at expiry the EUR spot is:

- Above 1.30, you purchase EUR at 1.30
- Below 1.26, you purchase EUR at 1.26
- In between this range, you purchase EUR at the prevailing market rate

PNC's Foreign Exchange sales and trading desks

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