FOREIGN EXCHANGE RISK MANAGEMENT
MANAGE YOUR FOREIGN CURRENCY EXPOSURE

Identifying and managing market risk and currency exchange risk is essential when conducting business in other countries. You need to determine the appropriate risk management tools to effectively mitigate global risk.

PNC DELIVERS

PNC's dedicated team of experienced foreign exchange specialists can customize a solution based on a thorough understanding of your business and in accordance with your company's hedging policy. Our solutions can help you to manage foreign exchange risk more effectively, secure pricing and costs, and potentially increase profits and reduce expenses.

PRIMARY FOREIGN EXCHANGE HEDGING TOOLS

Spot contract — This strategy involves the exchange of one currency for another for settlement in two business days (value date), except Canada, which is one business day.

Ideal for companies doing business internationally that make occasional payments or receive funds overseas in a foreign currency.

Forward contract — This is a transaction executed today in which one currency is bought or sold against another for delivery on a specified future date. Forward prices are determined by an adjustment made to spot, based on the interest rate differential between the two currencies (countries), otherwise known as forward points.

Ideal for companies with predictable future cash flows in foreign currency that want to mitigate the conversion risk associated with currency market fluctuations.

Window forward — Similar to a traditional forward, a window forward allows you to select a time frame (typically 30 days) during which the forward can settle at the contract rate.

Ideal for companies with certain future cash flows in foreign currency that are unable to pinpoint the timing. This strategy allows for flexibility in conversion timing, while still maintaining a set conversion rate.

Non-deliverable forwards — This strategy allows a company to hedge foreign currency risk where no traditional forward market exists. It is a synthetic hedge that is net settled in U.S. dollars. No delivery of foreign currency will occur under this contract. The net U.S.-dollar difference offsets the change in market pricing of the currency hedged.

Ideal for companies that need to protect exposures in countries that do not have a freely traded forward market. Examples include China, India and Brazil. This type of hedge is often used as an overlay on a U.S.-dollar–based cash flow to protect margins.

Foreign currency swap — The simultaneous buying and selling of a currency for one date against a future date enables a swap to maintain the integrity of a currency hedge, while allowing for timing adjustments.

Ideal for companies with forward contracts that need to be adjusted based on timing issues or underlying exposure changes. A swap can also be used to hedge inter-company loans with predictable pay-back schedules.

Rolling hedge — This strategy provides for rate averaging over time through a structured program executed by hedging defined percentages of exposures on a monthly or quarterly basis.

Ideal for companies with ongoing currency exposure that want to smooth out hedge costs by entering into a disciplined hedging program designed to protect them from protracted uni-directional currency movements and isolated spikes.

Call option — A call option represents the right, but not the obligation, to purchase a given amount of currency at a specified price on a specified date in the future.

Ideal for companies that are willing to pay a premium to protect their downside risk, while receiving unlimited upside potential.

Put option — A put option provides the right, but not the obligation, to sell a given amount of currency at a specified price on a specified date in the future.

Ideal for companies that are willing to pay a premium to protect their downside risk, while receiving unlimited upside potential.

Collar — A collar is the purchase of a currency call or put option while selling the opposite option (for example: buy a call/sell a put) to offset premiums (reducing the cost), creating a predetermined range of exchange rates for a specific future date.

Ideal for companies that have little or no willingness to pay a premium but are willing to accept a less attractive worst-case scenario in order to gain some upside potential.

Participating forward — Defines a worst-case scenario but allows partial participation in favorable market movement for a reduced or zero premium.

Ideal for companies that want complete downside protection, while retaining some upside potential. The percentage of the participation and the protection level can be customized to meet specific business needs.

PNC'S FOREIGN EXCHANGE SALES AND TRADING DESKS

Atlanta: 1-855-852-4700

Charlotte: 1-855-543-4026

Chicago: 1-866-245-4696

Cleveland: 1-800-622-7400

Detroit: 1-800-362-1066

Indianapolis: 1-800-622-7410

Milwaukee: 1-844-290-1442

Philadelphia: 1-888-627-8703

Pittsburgh: 1-800-723-9106

Washington, D.C.: 1-877-856-6957

READY TO HELP

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/fx**.

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