

## USD Interest rate Swap – Appendix

### **1. Building Blocks of the Transaction & Factors impacting Pricing**

The execution of this transaction involves accessing markets for USD interest rate swaps. On entering into this transaction -

- a. The client is receiving the USD interest rate swaps
  - The prevailing USD interest rate swap curve is used to arrive at the USD fixed rate equivalent to the floating rate.

### **2. Sensitivity Analysis**

The transaction is sensitive to the market parameters mentioned above in the 'Building Blocks' section. It is elaborated below as to how the change in these market factors would impact the transaction -

- USD interest rate swaps: If USD interest rate swaps move higher, it will adversely impact the transaction (i.e. the Mark to Market will be impacted negatively).

### **3. Valuations and Mark to Market**

The Mark-to Market of the structure and future valuations will be impacted by changes in the variables as highlighted in the 'Building Blocks' and 'Sensitivity Analysis' sections.

The valuation of the structure can be ascertained from the Mark to Market (MTM) updates the bank is willing to provide. The mark-to-market valuation on the transaction shall be provided from time to time to the extent required by applicable regulations.

#### **Acknowledgements**

*This appendix should be read in conjunction with the transaction term sheet attached and forms an integral part of the Risk Disclosure Statement.*

#### **Additionally:**

*The Client has read this term sheet in detail and has clearly understood the risks and payoffs of this transaction as highlighted in the term sheet, the nature and extent of its exposure to risk and to loss as well as the consequences of the transaction. The Client is aware that the transaction entered into by it is subject to the applicable regulations issued by the Reserve Bank of India (RBI). These regulations are also supplemented by the guidelines issued by the Foreign Exchange Dealer's Association of India (FEDAI) (including around product permissibility), as amended from time to time. The Client's decision to enter into this hedging transaction is based on its own independent assessment and it has not relied on any advice given by HSBC. The Client confirms that they have on hand a valid underlying exposure and they are duly authorized to execute the transaction. Further the Client confirms that the above transaction is in line with its board approvals and the approved risk management policy of the Client. The Client also confirms that it follows prudent accounting and disclosure norms*