

FORWARD SALES (EXAMPLE)

November 2017:

The Forward contract is entered with; Spot Exchange Rate: 3,9500 USD/TL

Exporter who wants to protect 100.000 USD export receivable against currency risk, purchases a forward sales contract that will put under the obligation to sell currency from 4,0500 Forward exchange rate with 3 months of maturity with Türk Eximbank.

Exporter: As of November 2017, enters into obligation to Sell Currency from 4,0500 Forward exchange rate for USD 100.000 with 3 months of maturity.*

Türk Eximbank: As of November 2017, enters into obligation to Buy Currency from 4,0500 Forward exchange rate for USD 100.000 with 3 months of maturity.

*Initial collateral of USD 20.000 and maintenance collateral will be requested from the exporter if necessary.



After 3 months:

Cash Settlement Rate: For 3.5000 USD/TL, the Cash Settlement is as follows:

The difference between the Forward exchange rate and the Cash Settlement Rate is paid to the relevant party. As the Exporter's forward sale rate is higher than the Cash Settlement Rate, Türk Eximbank is obliged to pay the difference between. Therefore $((4,0500-3,5000) * 100,000) = \text{TL } 55,000$ Cash Settlement amount is paid to the Exporter by Türk Eximbank.

Cash Settlement Rate: For 4.5000 USD/TL, the Cash Settlement is as follows:

The difference between the Forward exchange rate and the Cash Settlement rate is paid to the relevant party. As the Exporter's forward sale rate is lower than the Cash Settlement rate, Exporter is obliged to pay the difference between. Therefore $((4,5000-4,0500) * 100,000) = \text{TL } 45,000$ Cash Settlement amount is paid to Türk Eximbank by the Exporter

FORWARD PURCHASE (EXAMPLE)

November 2017:

The Forward contract is entered with; Spot Exchange Rate: 3,9500 USD/TL

Exporter who wants to protect 100.000 USD export payable against currency risk, purchases a forward purchase contract that will put under the obligation to buy currency from 4,0500 Forward exchange rate with 3 months of maturity with Türk Eximbank.

Exporter: As of November 2017, enters into obligation to Buy Currency from 4,05 Forward exchange rate for USD 100.000 with 3 months of maturity.*

Türk Eximbank: As of November 2017, enters into obligation to Sell Currency from 4,0500 Forward exchange rate for USD 100.000 with 3 months of maturity.*

* Initial collateral of USD 20.000 and maintenance collateral will be requested from the exporter if necessary.



After 3 months:

Cash Settlement Rate: For 3.5000 USD/TL, the Cash Settlement is as follows:

The difference between the Forward exchange rate and the Cash Settlement Rate is paid to the relevant party. As the Exporter's forward buying rate is higher than the Cash Settlement Rate, Exporter is obliged to pay the difference between. Therefore $((4,0500-3,5000) * 100.000) = TL 55.000$ Cash Settlement amount is paid to Türk Eximbank by the Exporter

Cash Settlement Rate: For 4.5000 USD/TL, the Cash Settlement is as follows:

The difference between the Forward exchange rate and the Cash Settlement Rate is paid to the relevant party. As the Exporter's forward buying rate is lower than the Cash Settlement Rate, Türk Eximbank is obliged to pay the difference between. Therefore $((4,5000-4,0500) * 100,000) = TL 45,000$ Cash Settlement amount is paid to the Exporter by Türk Eximbank.