Investment Product Guide-
Stock Forward Accumulator/Decumulator
FX Forward Accumulator/Decumulator

I have read the Investment Product Guide of the above product,
and I acknowledge that I understand its features and risks.

Signature: ______________
Print Name: ______________
Date: ______________
Warning:

This document covers certain structured products involving derivatives. The investment decision is yours but you should not invest in the structured product unless (i) the intermediary who solicits or recommends the structured product to you/your professional advisor has explained to you and advised you that the structured product is suitable for you having regard to your financial situation, investment experience and investment objectives; and (ii) you fully understand and are willing to assume the risks associated with it.

The contents of this document have not been reviewed by any regulatory authority in Hong Kong and/or Singapore. You are advised to exercise caution when you review the contents of this document. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document is being provided for discussion purposes only and it is NOT intended to set forth the definitive terms of any transaction. The terms of any proposed transaction described herein are consequently subject to change without notice.

The products described herein are not registered with the Monetary Authority of Singapore or authorized by the Hong Kong Securities and Futures Commission. Respective selling restrictions apply.

The Bank will provide Product Issuing Programme / Offering Memorandum / Pricing Supplement / Offering Circular / Base Prospectus.
Overview

What is a Structured Product?

- Hybrid tailor-made product that is created to meet investors’ specific needs that cannot be met from the standardized financial instruments, by combining several elements to create a single product.
- Incorporates non-standard strategies such as a combination of basic investments, leverage and/or derivatives, such as options.

Why Structured Product?

- Structured investments provide investors with exposure to a variety of asset classes while combining a defined level of principal protection, enhanced participation and/or both.
- Can be used as an alternative to a direct investment, as part of the asset allocation process to reduce risk exposure of a portfolio, or to utilize the current market trend to enhance return.
Overview

Derivatives, such as options, are commonly used in Structured Products.

What is an Option?
- A contract that provides the buyer the right, but not the obligation, to buy or sell a pre-defined amount and at a pre-determined price of a specific security within a predetermined time period.
- Conversely, the seller is obliged to buy or sell a pre-defined amount and at a pre-determined price of a specific security within a predetermined time period.

Types of Options Commonly Used in Structured Products
- Asian – With averaging. Options whose payoffs depend on the average value over a period of time.
- Quanto – Option currency different to underlying currency. Payout is in different currency to the underlying option.
- Cliquet – Payoff depends on periodic reset feature.
- Knock-in, Knock-out – Option’s existence depends on certain level being reached.
- Callable – Investment can be called by Issuer.
- Auto-Callable – Investment must be called by Issuer if certain condition being met.
- Spread – Payoff linked to relative performance of one underlying versus another.
Stock Forward Accumulator / Decumulator (SFA / SFD)

Product Features:
- Investors have the obligation to progressively buy (SFA) or sell (SFD) the underlying stock at a pre-determined level until maturity, if there is No Knock-Out event.
- Pre-determined strike price is set at a discount (SFA) / premium (SFD) to today’s spot reference price.
- Investors will continue to accumulate / decumulate, on a daily basis, the underlying stock at a pre-determined price until the share price reaches the Knock-Out level or maturity.
- Accumulated (SFA) / Decumulated (SFD) shares will be delivered / settled on a monthly basis, normally.
- 2 versions of SFA / SFD – Leveraged (2x) or Non-leveraged (1x).
- Knock-out feature is applied whereby the Accumulator/Decumulator contract will terminate (i.e. the investor will cease accumulate or decumulate any further underlying asset from the knock-out date) when the market price of the underlying asset is at or above the knock-out price (Accumulator), or underlying asset is at or below the knock-out price (Decumulator). The customer’s potential profit therefore is capped at the knock-out price.

Suitability:
- Suitable for investors who have a slightly bullish (SFA) / Bearish (SFD) view on the underlying shares and believe that buying (SFA) / selling (SFD) the underlying stock at the pre-determined strike price provides a good investment opportunity over the life of the SFA / SFD.

Worst-case scenario:
- When the share trades below (SFA) / above (SFD) the strike price, investors are obliged to buy (SFA) / sell (SFD) the underlying share at the strike price per specific schedule till maturity at a price higher (SFA) / lower (SFD) than the prevailing market price or even 2 times if it is a Leveraged version and will incur a loss which may be substantial.
- For SFA, investors could lose 100%, or 200% in case of Leverage version, of the notional should the underlying stock goes bankrupt.
Stock Forward Accumulator / Decumulator (SFA / SFD)

Risk Factors:
- Product is NOT principal protected.
- Investors may suffer substantial loss as they are bound by the accumulator contract to take up periodically (e.g. daily) the agreed amount of the underlying asset (at the strike price) when the market price falls below the strike price.
- Investors are unable to sell the unsettled but accumulated shares before the monthly settlement date.
- Investors are subject to the credit risk of the Bank.
- Liquidity risk as the Bank is not obliged to make secondary market
- Longer contract tenor will be associated with higher risks and usually higher costs of early termination
- If unwind before maturity, the unwind price is subject to a number of parameters including but not limited to the movement of stock volatility and level of the underlying stock. The exit costs and losses are usually substantial.
- The product can be called early and investors are exposed to ‘reinvestment” risk to the extend that investors cannot reinvest in a similarly attractive new investment.
- The share price of a company could move substantially in particular on corporate specific news/developments and this could pose significant risk to the customers. Stock accumulators involving exposure to a foreign currency, the exchange rate of the relevant foreign currency may go up or down.
- Decumulators is not a hedging tool for Accumulators and vice versa

Additional Risk Factors associated with Margin Trading or use of Credit Facility:
- Investors will need to maintain a relevant margin (The Bank reserves absolute discretion to raise the margin level, and will inform the investors accordingly and promptly) with the Bank during the life of the SFA/SFD. Investors may need to put up additional margin for the SFA if the price of the underlying stock drops below the Strike Price, or for the SFD if the price of the underlying stock rises above the Strike Price.
- Investors will need to pay interest cost for the margin/credit facility and to meet margin calls which require them to make top-up payment to cover the full marked-to-market losses of the remaining period of the contract. When investors fail to meet margin calls, the contracts may be closed out without investors’ consent and the investors will have to bear the consequential losses and costs which could be substantial.

Risk Level → 5 (1 to 5, with 5 being the highest).
Equity Structures

Stock Forward Accumulator / Decumulator (SFA / SFD)

Stock Forward Accumulator (SFA)

<table>
<thead>
<tr>
<th>Underlying</th>
<th>Tenor</th>
<th>Indicative Spot Price</th>
<th>Strike Level</th>
<th>Indicative Strike Price</th>
<th>Knock-Out Level</th>
<th>Indicative Knock-Out Price</th>
<th>Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock ABC</td>
<td>1Y</td>
<td>HKD 100</td>
<td>88%</td>
<td>HKD 88</td>
<td>105%</td>
<td>HKD 105</td>
<td>2x</td>
</tr>
<tr>
<td>Stock ABC</td>
<td>1Y</td>
<td>HKD 100</td>
<td>92%</td>
<td>HKD 92</td>
<td>105%</td>
<td>HKD 105</td>
<td>1x</td>
</tr>
</tbody>
</table>

Knock-Out Price
Reference Spot Price
Strike Price
Accumulator Ends

Maturity
# Equity Structures

## Stock Forward Accumulator / Decumulator (SFA / SFD)

Stock Forward Decumulator (SFD)

<table>
<thead>
<tr>
<th>Underlying</th>
<th>Tenor</th>
<th>Indicative Spot Price</th>
<th>Strike Level</th>
<th>Indicative Strike Price</th>
<th>Knock-Out Level</th>
<th>Indicative Knock-Out Price</th>
<th>Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock ABC</td>
<td>1Y</td>
<td>HKD 100</td>
<td>112%</td>
<td>HKD 112</td>
<td>95%</td>
<td>HKD 95</td>
<td>2x</td>
</tr>
<tr>
<td>Stock ABC</td>
<td>1Y</td>
<td>HKD 100</td>
<td>108%</td>
<td>HKD 108</td>
<td>95%</td>
<td>HKD 95</td>
<td>1x</td>
</tr>
</tbody>
</table>
FX Structure

FX Accumulator / Decumulator Forward

Product Features:
- Allows the investor to progressively buy / sell a currency at a much better rate than the current.
- Allows the investor to enter into FX Accumulator / Decumulator contracts for hedging purpose through careful analysis in determining the Accumulator / Decumulator is indeed a suitable instrument to serve this purpose and if so, whether the maximum exposure of the investor is appropriate for such purpose.
- The settlement depends on 3 parameters defined by the trade:
  - A fixing reference
  - A Strike rate
  - A Barrier rate (KO)
- As soon as the Barrier Rate (KO) trades, accumulation / decumulation stops, investor’s potential profit therefore is capped by the Barrier rate (KO).
- The settlement dates for the amount accrued will be pre-determined by a date schedule.
- 2 Types of accumulators:
  - Boosted (2 times) and Non Boosted.

Suitability:
- Suitable for investors who have a slightly bullish / bearish view on the underlying currency and believe that buying / selling the underlying currency at the pre-determined strike rate provides a good investment opportunity over the life of the FX Accumulator / Decumulator.

Worst-case scenario:
- When the underlying currency trades below / above the strike rate, investors are obliged to buy / sell the underlying currency at the strike rate per specific schedule till maturity at a price higher / lower than the prevailing market price or even 2 times the per fix amount if it is a boosted version and this will incur a loss which may be substantial.
FX Structure

FX Accumulator / Decumulator Forward

Risk Factors:
- Product is NOT principal protected.
- Investors may suffer substantial loss as they are bound by the Accumulator / Decumulator contract to buy / sell periodically (e.g. daily) the agreed amount of the underlying currency (at the strike rate) when the market price falls below / goes above the strike rate.
- Investors are subject to the credit risk of the Bank.
- Liquidity risk as the Bank is not obliged to make secondary market
- Longer contract tenor will be associated with higher risks and usually higher costs of early termination.
- If unwind before maturity, the unwind price is subject to a number of parameters including but not limited to the movement of FX volatility and level of the underlying currencies. The exit costs and losses are usually substantial.
- FX Accumulator / Decumulator Forward involves exposure to a foreign currency, the exchange rate of the relevant foreign currency may go up or down.
- Decumulators is not a hedging tool for Accumulators and vice versa

Additional Risk Factors associated with Margin Trading or use of Credit Facility:
- Investors will need to maintain a relevant margin (The Bank reserves absolute discretion to raise the margin level, and will inform the investors accordingly and promptly) with the Bank during the life of the FX Accumulator / Decumulator. Investors may need to put up additional margin for the FX Accumulator / Decumulator if the price of the underlying currency drops below the strike rate.
- Investors will need to pay interest cost for the margin/credit facility and to meet margin calls which require them to make top-up payment to cover the full marked-to-market losses of the remaining period of the contract. When investors fail to meet margin calls, the contracts may be closed out without investors’ consent and the investors will have to bear the consequential losses and costs which could be substantial.

Risk Level → 5 (1 to 5, with 5 being the highest).
Margin → 10% of Notional for Non-boosted & 7.5% of maximum boosted Notional for Boosted (subject to changes).
Daily Accumulation:
If fixing ≥98, daily accumulation of USD5,000
If fixing <98, daily accumulation of USD10,000

KO Event:
If KO rate is triggered, accumulation stops.

**FX Structure**

**FX Accumulator - 12 Months USDJPY Boosted KO Accumulator Forward - Scenario Analysis**

<table>
<thead>
<tr>
<th>Accumulator type</th>
<th>Spot</th>
<th>Strike</th>
<th>KO</th>
<th>Tenor</th>
<th>Daily amount</th>
<th>Fixing Page</th>
<th>No. of fixing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boosted Buy USDJPY</td>
<td>105</td>
<td>98</td>
<td>108</td>
<td>1 year</td>
<td>USD 5,000</td>
<td>ECB 37</td>
<td>250</td>
</tr>
</tbody>
</table>

**FX Structure**

**KO Event:**
If KO rate is triggered, accumulation stops.

**Daily Accumulation:**
If fixing ≥98, daily accumulation of USD5,000
If fixing <98, daily accumulation of USD10,000
Target Redemption Accumulator/Decumulator
(Boosted)

Product features
- Allows the investor to progressively buy / sell a currency at a pre-determined Strike rate.
- The settlement depends on 5 parameters defined by the trade:
  - A fixing reference
  - A Strike rate
  - A Target Redemption Level (Accumulated ITM Intrinsic value)
  - A Knock Out (KO) Event
  - Final Strike on KO Event
- The KO Event occurred once a certain amount of accumulated in-the-money intrinsic value is achieved.
- On the last fixing before KO Event, the Final Strike on KO Event will be adjusted such that the cumulative intrinsic value does not exceed the Target Redemption Level.
- The settlement dates for the amount accrued will be pre-determined by a date schedule.

Rationale
- Allows the investor who has a slightly bullish / bearish view to progressively buy / sell a currency at a much better rate than the current.
- Allows investor to accumulate / decumulate a certain amount instead of a premature KO without much accumulation / decumulation in the case of a regular accumulator / decumulator.
- Allows the investor to enter into Target Redemption Accumulator / Decumulator contracts for hedging purpose through careful analysis in determining the Target Redemption Accumulator / Decumulator is indeed a suitable instrument to serve this purpose and if so, whether the maximum exposure of the investor is appropriate for such purpose.

Suitability
- Suitable for investors who have a slightly bullish / bearish view on the underlying currency and believe that buying / selling the underlying currency at the pre-determined strike rate provides a good investment opportunity over the life of the Target Redemption Accumulator / Decumulator.
Target Redemption Accumulator/Decumulator (Boosted)

This product is a sophisticated financial instrument which may involve a significant degree of risk, including, but not necessarily limited to, Fixing Risk, Volatility Risk, Liquidity Risk and Credit Risk, in particular:

- This product is NOT principal protected.
- Investors are exposed to the unlimited downside risk of the currency pair’s fixing rate trading above the Sell Strike Rate (for decumulator) or below the Buy Strike Rate (for accumulator).
- Investors are subject to the credit risk of the Bank.
- Liquidity risk as the Bank is not obliged to make secondary market.
- Longer contract tenor will be associated with higher risks and usually higher costs of early termination.
- If unwind before maturity, the unwind price is subject to a number of parameters including but not limited to the movement of FX volatility and level of the underlying currencies. The exit costs and losses are usually substantial.
- Decumulator is not a hedging tool for Accumulator and vice versa.
- Additional risk factors associated with margin trading or use of credit facility:
  - Investors will need to maintain a relevant margin with the Bank during the tenure of this product. The amount of margin may be adjusted upwards to reflect any mark-to-market loss and the Bank’s exposure in respect of any rise or fall in the currency pair’s fixing rate against the Sell Strike Rate (for decumulator) or Buy Strike Rate (for accumulator). The Bank may ascribe a zero collateral value to any margin collateral maintained with the Bank.
  - Investors will need to pay interest cost for the margin/credit facility and to meet margin calls which require them to make top-up payment to cover the full marked-to-market losses of the remaining period of the contract. When investors fail to meet margin calls, the contracts may be closed out without investors’ consent and the investors will have to bear the consequential losses and costs which could be substantial.

Worst-case scenario
- When the currency pair trades below Buy Strike Rate (for accumulator) or above Sell Strike rate (for decumulator), investors are obliged to buy or sell the underlying currency for 2 times the per period amount for boosted version at the strike rate for every fixing date till maturity and this will incur a loss which may be substantial.

Product Risk Classification
- Risk Level 5 (1 to 5, with 5 being the highest)
# Target Redemption Accumulator (Boosted)

<table>
<thead>
<tr>
<th>Indicative Terms</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AUD Buyer</strong></td>
<td>Client</td>
</tr>
<tr>
<td><strong>Underlying</strong></td>
<td>AUD-USD (Buy AUD Sell USD)</td>
</tr>
<tr>
<td><strong>Tenor</strong></td>
<td>52 weeks</td>
</tr>
<tr>
<td><strong>Notional</strong></td>
<td>AUD 520,000 or AUD 10,000 per fixing</td>
</tr>
<tr>
<td><strong>Strike</strong></td>
<td>0.7350</td>
</tr>
<tr>
<td><strong>Target Redemption Value</strong></td>
<td>0.5000 Big Figures (equivalent of 0.5000 or 5000 points)</td>
</tr>
<tr>
<td><strong>Intrinsic Value</strong></td>
<td>In-the-money Intrinsic Value = Max [(Per Period AUDUSD Fixing Rate - Strike Rate),0]</td>
</tr>
<tr>
<td></td>
<td>Note: Intrinsic Value has to be positive, can never be less than zero.</td>
</tr>
<tr>
<td><strong>Knock-Out (KO Event)</strong></td>
<td>KO event is deemed to have occurred if the accumulated per period In-the-money Intrinsic Value (including the present period) is greater than or equal to 0.5000, such that, KO Event occurs when $\sum_{n1}^{n12}$ (Per Period In-the-money Intrinsic Value) $\geq$ 0.5000.</td>
</tr>
<tr>
<td><strong>Final Strike on KO Event</strong></td>
<td>Upon KO Event occurring, the Strike for the final fixing will be adjusted such that, Final Strike = Final Fixing $j$ – [50 big figures less Sum of In-the-money Intrinsic Value at $(j-1)$].</td>
</tr>
</tbody>
</table>
1) In-the-money Intrinsic Value = \( \text{Max} \left[ (\text{Per Period AUDUSD Fixing Rate} - \text{Strike Rate}), 0 \right] \)

Example:

<table>
<thead>
<tr>
<th>Week</th>
<th>RBA26 Fixing Rate</th>
<th>Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.7900</td>
<td>0.0550 or 5.5 big figures</td>
</tr>
<tr>
<td>2</td>
<td>0.7700</td>
<td>0.0350 or 3.5 big figures</td>
</tr>
<tr>
<td>3</td>
<td>0.7150</td>
<td>0.0000</td>
</tr>
<tr>
<td>4</td>
<td>0.7000</td>
<td>0.0000</td>
</tr>
<tr>
<td>5</td>
<td>0.8050</td>
<td>0.0700 or 7 big figure</td>
</tr>
</tbody>
</table>

Week 1: \( \text{Max}[(0.7900 - 0.7350), 0] = 0.0550 \)
Week 3: \( \text{Max}[(0.7150 - 0.7350), 0] = \text{Max} (-0.020, 0) = 0 \)

2) KO Event is deemed to have occurred if the Sum or per period In-the-money Intrinsic Value (including the present periods) is greater than or equal to 0.5000

**KO Event occurs when \( \sum_{n1}^{n30} (\text{Per Period In-the-money Intrinsic Value}) \geq 0.5000 \)**

<table>
<thead>
<tr>
<th>Week</th>
<th>RBA26 Fixing Rate</th>
<th>Weekly Intrinsic</th>
<th>Accum Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.7900</td>
<td>0.0550</td>
<td>0.0550</td>
</tr>
<tr>
<td>2</td>
<td>0.7700</td>
<td>0.0350</td>
<td>0.0900</td>
</tr>
<tr>
<td>3</td>
<td>0.7150</td>
<td>0.0000</td>
<td>0.0900</td>
</tr>
<tr>
<td>4</td>
<td>0.7000</td>
<td>0.0000</td>
<td>0.0900</td>
</tr>
<tr>
<td>5</td>
<td>0.8050</td>
<td>0.0700</td>
<td>0.1600</td>
</tr>
<tr>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>29</td>
<td>0.7900</td>
<td>0.0550</td>
<td>0.4600</td>
</tr>
<tr>
<td>30</td>
<td>0.7850</td>
<td>0.0500</td>
<td>0.5100</td>
</tr>
</tbody>
</table>

In this case, on week 30, the sum of the in-the-money Intrinsic value is 51, which is more than the pre-agreed value of 50.
Hence, a KO event has occurred.
Calculate Final Strike

3) Upon KO Event occurring, the Strike for the final fixing will be adjusted such that,

**Final Strike = Final Fixing j – [50 big figures less Sum of In-the-money Intrinsic Value at Fixing (j - i)]**

<table>
<thead>
<tr>
<th>Week</th>
<th>RBA26 Fixing Rate</th>
<th>Weekly Intrinsic</th>
<th>Accum Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.7900</td>
<td>0.0550</td>
<td>0.0550</td>
</tr>
<tr>
<td>2</td>
<td>0.7700</td>
<td>0.0350</td>
<td>0.0900</td>
</tr>
<tr>
<td>3</td>
<td>0.7150</td>
<td>0.0000</td>
<td>0.0900</td>
</tr>
<tr>
<td>4</td>
<td>0.7000</td>
<td>0.0000</td>
<td>0.0900</td>
</tr>
<tr>
<td>5</td>
<td>0.8050</td>
<td>0.0700</td>
<td>0.1600</td>
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<td>0.0550</td>
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<tr>
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<td>0.7850</td>
<td>0.0500</td>
<td>0.5100</td>
</tr>
</tbody>
</table>

In this case, on week 30, the sum of the in-the-money Intrinsic value is 51, which is more than the pre-agreed value of 50.

Hence, a KO event has occurred.

KO event took place on week 30 (j),
The Sum of in-the-money Intrinsic Value on week 29 (j-1) = 46

The Sum of in-the-money Intrinsic Value on week 30 = 51, hence, KO Event.

Final Strike on KO Event (Week 30) = 0.7850 – (0.50 – 0.46)
= 0.7450

What happens if KO Event happens at week 1, say AUDUSD fixing rate on week 1 is 1.2500?
Final Strike = AUDUSD Fixing Rate on Week 1 – 0.5000
= 1.2500 – 0.5000
= 0.7500

Client’s maximum gain is equal to the number of big figures set.
Pivot Target Redemption Accumulator (Boosted)

**Product features**
- Allows the investor to progressively buy or sell a currency at a pre-determined Buy Strike rate or Sell Strike rate, depending on the Fixing and Pivot rate.
- The settlement depends on 7 parameters defined by the trade:
  - A fixing reference
  - A Lower Strike rate
  - A Upper Strike rate
  - A Pivot rate
  - Target Redemption Value (Accumulated ITM Intrinsic value)
  - A Knock Out (KO) Event
  - Final Strike on KO Event (Target Exact)
- The KO Event occurred once a certain amount of accumulated in-the-money intrinsic value is achieved.
- On the last fixing before KO Event, the Final Strike on KO Event will be adjusted such that the cumulative intrinsic value does not exceed the Accumulated ITM Intrinsic value.
- The settlement dates for the amount accrued will be pre-determined by a date schedule.

**Rationale**
- Allows the investor to buy the currency at a level lower than the current price or sell the currency at a level higher than the current price.

**Suitability**
- Suitable for investors who expect the currency to remain within range.
Pivot Target Redemption Accumulator (Boosted)

This product is a sophisticated financial instrument which may involve a significant degree of risk, including, but not necessarily limited to, Fixing Risk, Volatility Risk, Liquidity Risk and Credit Risk, in particular:

- This product is NOT principal protected.
- Investors are exposed to the unlimited downside risk of the currency pair’s fixing rate trading above the Sell Strike Rate or below the Buy Strike Rate.
- Investors are subject to the credit risk of the Bank.
- Liquidity risk as the Bank is not obliged to make secondary market.
- Longer contract tenor will be associated with higher risks and usually higher costs of early termination.
- If unwind before maturity, the unwind price is subject to a number of parameters including but not limited to the movement of FX volatility and level of the underlying currencies. The exit costs and losses are usually substantial.
- Pivot Target Redemption is not a hedging tool for Accumulator/ Decumulator and vice versa.
- Additional risk factors associated with margin trading or use of credit facility:
  - Investors will need to maintain a relevant margin with the Bank during the tenure of this product. The amount of margin may be adjusted upwards to reflect any mark-to-market loss and the Bank’s exposure in respect of any rise or fall in the currency pair’s fixing rate against the Sell Strike Rate or Buy Strike Rate (as the case may be). The Bank may ascribe a zero collateral value to any margin collateral maintained with the Bank.
  - Investors will need to pay interest cost for the margin/credit facility and to meet margin calls which require them to make top-up payment to cover the full marked-to-market losses of the remaining period of the contract. When investors fail to meet margin calls, the contracts may be closed out without investors’ consent and the investors will have to bear the consequential losses and costs which could be substantial.

Worst-case scenario

- When the currency pair trades below Buy Strike Rate or above Sell Strike rate, investors are obliged to buy or sell the underlying currency for 2 times the per period amount for boosted version at the strike rate for every fixing date till maturity and this will incur a loss which may be substantial.

Product Risk Classification

- Risk Level 5 (1 to 5, with 5 being the highest)
Pivot Target Redemption Accumulator (Boosted)

### Indicative Terms

<table>
<thead>
<tr>
<th>Indication</th>
<th>Details</th>
</tr>
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<tbody>
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<td>AUD-USD</td>
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<td>52 weeks</td>
</tr>
<tr>
<td><strong>Notional</strong></td>
<td>AUD 520,000 or AUD 10,000 per fixing</td>
</tr>
<tr>
<td><strong>Upper Strike (Sell Strike)</strong></td>
<td>0.7950</td>
</tr>
<tr>
<td><strong>Pivot Rate</strong></td>
<td>0.7600</td>
</tr>
<tr>
<td><strong>Lower Strike (Buy Strike)</strong></td>
<td>0.7000</td>
</tr>
<tr>
<td><strong>Accumulated ITM Intrinsic Value (Target Redemption Value)</strong></td>
<td>0.5000 Big Figures (equivalent of 0.5000 or 5000 points)</td>
</tr>
</tbody>
</table>

**ITM Intrinsic Value**

- If the AUDUSD Fixing is at or above Pivot Rate,
  => In-the-money Intrinsic Value = Max [(Sell Strike – Fixing Rate),0]

- If the AUDUSD Fixing is below Pivot Rate,
  => In-the-money Intrinsic Value = Max [(Fixing Rate – Buy Strike),0]

Note: Intrinsic Value has to be positive, can never be less than zero

**Knock-Out (KO Event)**

KO event is deemed to have occurred when Accumulated ITM Intrinsic Value (including the present Fixing’s) is greater than or equal to 50 big figure or 0.5000, such that, KO Event occurs when \( \sum n1 to n52 \) (In-the-money Intrinsic Value) \( \geq 0.5000 \)

**Final Strike on KO Event**

Upon KO Event occurring, the Strike for the final fixing will be adjusted such that,
- If the Fixing is at or above Pivot Rate,
  \[ \text{Final Strike} = \text{Final Fixing } j + [50 \text{ big figures less Sum of In-the-money Intrinsic Value at (j-1) }] \]
- If the Fixing is below Pivot Rate,
  \[ \text{Final Strike} = \text{Final Fixing } j - [50 \text{ big figures less Sum of In-the-money Intrinsic Value at (j-1) }] \]
### The Structure : Pivot + Target Redemption

#### Pivot Structure

<table>
<thead>
<tr>
<th>Fixing above Sell Strike: Sell AUD 20,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>------------------------------- Sell Strike 0.7950 -------------------------------</td>
</tr>
<tr>
<td>Fixing above Pivot &amp; Below Sell Strike : Sell AUD 10,000</td>
</tr>
<tr>
<td>Pivot 0.7600</td>
</tr>
<tr>
<td>Fixing below Pivot &amp; Above Buy Strike: Buy AUD 10,000</td>
</tr>
<tr>
<td>------------------------------- Buy Strike 0.7000 -------------------------------</td>
</tr>
<tr>
<td>Fixing below Buy Strike: Buy AUD 20,000</td>
</tr>
</tbody>
</table>

#### Target Redemption Structure

50 big figure redemption
Knock Out

- The big figure will determine when the knock out will occur.
- KO once client has accumulated 50 BF of profit
## Numerical Example

### 52 Weeks Boosted Pivot Target Redemption, Weekly Fix Weekly Settle
- **Sell Strike**: 0.7950
- **Pivot**: 0.7600
- **Buy Strike**: 0.7000
- **Target Redemption**: 50 big figures (5,000 pips or 0.5000)
- **KO Event**: Accumulated Intrinsic Value ≥ 50 big figures
- **Amount**: AUD 10,000 X AUD 20,000 per week

### Week 1: Fixing Rate 0.7300
- **is below Pivot rate of 0.7600**: Action => Client buys AUDUSD
- **is above BUY Strike**: **Client buys AUD 10,000 at 0.7000**
- **Positive Intrinsic Value** = Fixing Rate – Buy Strike
  
  \[
  0.7300 - 0.7000 = 0.0300 \text{ (300 pips or 3.00 big figures)}
  \]

### Week 2: Fixing Rate 0.6800
- **is below Pivot rate of 0.7600**: Action => Client buys AUDUSD
- **is below BUY Strike**: **Client buys AUD 20,000 at 0.7000**
- **Intrinsic Value** = Fixing Rate – Buy Strike
  
  \[
  0.6800 - 0.7000 = -0.0200 \text{ (-200 pips)}
  \]

**=> Only positive value is accrued, this negative value not added in.**

---

### What is PIP and Big Figure?

- **AUDUSD = 0.7000**
- **Up 1 PIP => 0.7001**

100 PIPs = 1 Big Figure
Numerical Example

52 Weeks Boosted Pivot Target Redemption, Weekly Fix Weekly Settle

| Sell Strike | 0.7950 |
| Pivot       | 0.7600 |
| Buy Strike  | 0.7000 |
| Target Redemption | 50 big figures (5,000 pips or 0.5000) |
| KO Event    | Accumulated Intrinsic Value ≥ 50 big figures |
| Amount      | AUD 10,000 X AUD 20,000 per week |

Week 3: Fixing Rate 0.7650
- is above Pivot rate of 0.7600 : Action => Client sells AUDUSD
- is below SELL Strike : **Client sells AUD 10,000 at 0.7950**
- Positive **Intrinsic Value** = Sell Strike - Fixing Rate
  = 0.7950 – 0.7650
  = **0.0300** (300 pips or 3 big figures)

Week 4
Fixing Rate 0.8250
- is above Pivot rate of 0.7600 : Action => Client sells AUDUSD
- is above SELL Strike : **Client sells AUD 20,000 at 0.7950**
- **Intrinsic Value** = Sell Strike - Fixing Rate
  = 0.7950 – 0.8250
  = **-0.0300** (-300 pips) => Only positive value is accrued, this negative value not added in.
Numerical Example

52 Weeks Boosted Pivot Target Redemption, Weekly Fix Weekly Settle

| Sell Strike | 0.7950 |
| Pivot | 0.7600 |
| Buy Strike | 0.7000 |
| Target Redemption | 5 big figures (5,000 pips or 0.5000) |
| KO Event | Accumulated Intrinsic Value ≥ 50 big figures |
| Amount | AUD 10,000 X AUD 20,000 per week |

Let say...
- Accumulated Intrinsic Value = 48 big figures (4,800 pips or 0.4800) as of Week 14 (from Week 1 to Week 14)

Week 15:
Fixing Rate 0.7300

- Fixing is below Pivot rate of 0.7600 : Action => Client buys AUDUSD
- Positive **Intrinsic Value** = Fixing Rate – Buy Strike
  
  = 0.7300 – 0.7000
  
  = **0.0300** (300 pips or 3.00 big figures)

  Accumulated Intrinsic Value = 4,800 + 300 = 5,100 => KO Event Occurs!

- Fixing is above BUY Strike : **Client buys AUD 10,000**
- **Final Strike** = Fixing Rate of Fixing j - [0.5000 – Accumulated ITM Intrinsic Value at Fixing (j-1)].
  
  = Fixing Rate Week 15 - [0.5000 – Accumulated ITM Intrinsic Value at week 14]
  
  = 0.7300 – [0.5000 – 0.4800]
  
  = **0.7100**

So on Week 15, Client Buys AUD 10,000 at **0.7100**, Pivot Target Accumulator has Knocked Out.
Numerical Example

52 Weeks Boosted Pivot Target Redemption, Weekly Fix Weekly Settle

Sell Strike 0.7950
Pivot 0.7600
Buy Strike 0.7000
Target Redemption 50 big figures (5,000 pips or 0.5000)
KO Event Accumulated Intrinsic Value ≥ 50 big figures
Amount AUD 10,000 X AUD 20,000 per week

Let say...
Accumulated Intrinsic Value = 48 big figures (4,800 pips or 0.4800) as of Week 14

Alternative Week 15 Scenario:
Fixing Rate 0.7550

- Fixing is above Pivot rate of 0.7000: Action => Client sells AUDUSD
- Positive Intrinsic Value = Sell Strike – Fixing Rate
  = 0.7950 – 0.7550
  = 0.0400 (400 pips or 4 big figures)
  Accumulated Intrinsic Value = 4,800 + 400 = 5,200 => KO Event Occurs

- Fixing is below SELL Strike: Client Sells AUD 10,000
- Final Strike = Fixing Rate of Fixing j + [0.5000 – Accumulated ITM Intrinsic Value at Fixing (j-1)].

  = Fixing Rate Week 15 + [0.5000 – Accumulated ITM Intrinsic Value at week 14]
  = 0.7550 + [0.5000 – 0.4800]
  = 0.7750

So on Week 15, Client Sells AUD 10,000 at 0.7750, Pivot Target Accumulator has Knocked Out.
### Numerical Example

**52 Weekly Fix Weekly Settle Boosted Pivot Target Redemption**

**Target Profit:** 5,000 pips

<table>
<thead>
<tr>
<th>Week</th>
<th>Fixing</th>
<th>Buy Strike</th>
<th>Pivot</th>
<th>Sell Strike</th>
<th>Fixing Rate</th>
<th>Action</th>
<th>Profit</th>
<th>Accumulated intrinsic Value</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.7000</td>
<td>0.7600</td>
<td>0.7950</td>
<td>0.7500</td>
<td></td>
<td>Buy 1 @ 0.7000</td>
<td>500 PIPS</td>
<td>500 PIPS</td>
<td>5,000 PIPS</td>
</tr>
<tr>
<td>2</td>
<td>0.7000</td>
<td>0.7600</td>
<td>0.7950</td>
<td>0.6800</td>
<td></td>
<td>Buy 2 @ 0.7000</td>
<td>-200 PIPS</td>
<td>500 PIPS</td>
<td>5,000 PIPS</td>
</tr>
<tr>
<td>3</td>
<td>0.7000</td>
<td>0.7600</td>
<td>0.7950</td>
<td>0.7400</td>
<td></td>
<td>Buy 1 @ 0.7000</td>
<td>400 PIPS</td>
<td>900 PIPS</td>
<td>5,000 PIPS</td>
</tr>
<tr>
<td>4</td>
<td>0.7000</td>
<td>0.7600</td>
<td>0.7950</td>
<td>0.7700</td>
<td></td>
<td>Sell 1 @ 0.7950</td>
<td>250 PIPS</td>
<td>1,150 PIPS</td>
<td>5,000 PIPS</td>
</tr>
<tr>
<td>5</td>
<td>0.7000</td>
<td>0.7600</td>
<td>0.7950</td>
<td>0.8250</td>
<td></td>
<td>Sell 2 @ 0.7950</td>
<td>-300 PIPS</td>
<td>1,150 PIPS</td>
<td>5,000 PIPS</td>
</tr>
<tr>
<td>6</td>
<td>0.7000</td>
<td>0.7600</td>
<td>0.7950</td>
<td>0.8150</td>
<td></td>
<td>Sell 1 @ 0.7950</td>
<td>200 PIPS</td>
<td>1,350 PIPS</td>
<td>5,000 PIPS</td>
</tr>
<tr>
<td>14</td>
<td>0.7000</td>
<td>0.7600</td>
<td>0.7950</td>
<td>0.8250</td>
<td></td>
<td>Sell 1 @ 0.7950</td>
<td>300 PIPS</td>
<td>4,800 PIPS</td>
<td>5,000 PIPS</td>
</tr>
<tr>
<td>15</td>
<td>0.7000</td>
<td>0.7600</td>
<td>0.7950</td>
<td>0.7300</td>
<td></td>
<td>Buy 1 @ 0.7100</td>
<td>300 PIPS</td>
<td>5,100 PIPS</td>
<td>5,000 PIPS</td>
</tr>
</tbody>
</table>

5,000 pips Target reached, Structure Knocks-Out On Week 15

Client will BUY AUD 1x at the Final Strike = Fixing Rate Week 15 - [0.5000 – Accumulated ITM Intrinsic Value at week 14]  
= 0.7300 – [0.5000 – 0.4800]  
= 0.7100
Scenario Analysis

At or around 15:00 Tokyo time on each Fixing Date (JPNU Fixing).

Has the KO Event occurred?

YES

- If the respective AUDUSD Fixing Rate occurs at or above the Pivot Rate of 0.7600, Client will sell AUD 10,000 against USD at the Final Strike on KO Event Trigger.

- If the respective AUDUSD Fixing Rate occurs below the Pivot Rate of 0.7600, Client will buy AUD 10,000 against USD at the Final Strike on KO Event Trigger.

NO

- If the respective AUDUSD Fixing Rate occurs at or above the Pivot Rate of 0.7600, and:
  - If the respective AUDUSD Fixing Rate occurs at or below the Sell Strike Rate of 0.7950, Client will sell AUD 10,000 against USD at the Sell Strike Rate of 0.7950.
  - If the respective AUDUSD Fixing Rate occurs above the Sell Strike Rate of 0.7950, Client will sell AUD 20,000 against USD at the Sell Strike Rate of 0.7950.

OR

- If the respective AUDUSD Fixing Rate occurs below the Pivot Rate of 0.7600, and:
  - If the respective AUDUSD Fixing Rate occurs at or above the Buy Strike Rate of 0.7000, Client will buy AUD 10,000 against USD at the Buy Strike Rate of 0.7000.
  - If the respective AUDUSD Fixing Rate occurs below the Buy Strike Rate of 0.7000, Client will buy AUD 20,000 against USD at the Buy Strike Rate of 0.7000.
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