Product Information

This document provides you with product information about non-deliverable Foreign Exchange Forward. It is not marketing material. The information is required by law to help you understand the nature and the risks of investing in a non-deliverable Foreign Exchange Forward. You are advised to read it so you can make an informed decision about whether to invest.

Non-Deliverable Foreign Exchange Forward

Provider: Bank of China Paris Branch

Caution: You are about to purchase a product that is not simple and may be difficult to understand.

Definition and Objectives

Definition

A Non-Deliverable Forward (NDF) is a cash-settled, short-term foreign exchange forward contract in a thinly traded or nonconvertible foreign currency against a freely traded currency, where the profit or loss at the settlement date is calculated by taking the difference between the agreed upon Contracted NDF rate and the spot rate at the time of settlement, for an agreed upon Notional amount of funds. The gain or loss is then settled in the freely traded currency.

Objectives

The objective of this product is to provide a tailor-made solution where the client may hedge a FX exposure against non-convertible currencies. It assists the clients in reducing foreign exchange risk in situations when physical delivery of the underlying currencies is not required and/or in markets where physical delivery is not possible. Also, it may help the clients to manage foreign exchange risk where there is a genuine commercial need to do so.

Intended investor

A Non-deliverable Forward is offered to investors who understand the forces that impact in the currencies exchange rate. Hence, it is available for professional client and eligible counterparty who operate in countries with a non-convertible currency. The investment objective of the intended client is to hedge the exchange rate risk. The investor should have an investment horizon aligned with the Non-deliverable Forward and should be able to bear the risk associated with market fluctuations.

The Non-deliverable Forward has a maturity date. Neither the provider nor the client is entitled to terminate the product agreement unilaterally (except specific conditions in the FX Transaction Application).

Risk and reward profile

Significant risk(s) for the Non-deliverable Forward are:

Liquidity risk: A Non-deliverable Forward is a type of product that is intended to be held until maturity. Investors are not entitled to early redemption of invested principal or accrued interest before maturity. Accordingly, it may not be possible for investors to modify, terminate or transfer their rights and obligations, or their exposure to the risks associated with a particular transaction, prior to its scheduled termination date.

Exchange Rate Risk: is the risk of loss arising from exchange rate fluctuations.

Credit Risk: it shall be low, as BOC has a good rating level from external credit ratings. However, the products, as the bank's direct, unsubordinated and unsecured obligation, rely on the Bank's credibility and solvency. If the Bank becomes insolvent or subject to other similar events, investors may experience significant risk and delay in recovering their investment.

Performance Scenarios

Non-Deliverable Forwards are not products focused on capital gains. The performance depends on the fixing rate at the maturity of the NDF.

Example: A client Exporter enters into a USDCNY NDF contract by selling CNY 10,000,000 against USD at the rate of 6.1. One month later, there are 2 possible scenarios:

Scenario	Results
Favorable scenario The USDCNY Fixing rate is 6.30.	The bank will pay the client the difference in the rate based on the covered sum, that is 10000000/6.1 – 10000000/6.3 = 52042.67 USD
Unfavorable scenario The USDCNY Fixing rate is 5.9.	The client will pay the bank the difference in the rate based on the covered sum, that is 10000000/5.9 – 10000000/6.1 = 55570.99 USD

Charges

There would be an 'all-in' price, which might include bid or offer spread. Bank of China Paris Branch will not charge any other fee for building or distributing the Non-Deliverable Forward as a provider.

Recommended Holding period

Recommended holding period depends on the maturity of the Non-Deliverable Forward and matches with the time horizon and liquidity constraints of the investor.

The Investor may request the early termination of this agreement. Such request must be made in writing to the provider, setting out the reasons for the early termination. Acceptance of the early termination request is at the sole discretion of the provider and subject to any costs or penalties that may arise to the investor or the provider due to the early termination, such costs to be borne by the investor.

Complaints

A complaint can be addressed to the Bank by post, email, fax or telephone to Legal & Compliance department of the Bank:

Attention: Legal & Compliance department

23/25 Avenue de Grande Armée, 75116 Paris, France

Tel : +(33) 149 706 253

Fax : +(33) 149 701 375

Email : compliance.fr@bank-of-china.com

Complainant should clearly indicate his/her personal and contact details as well as description of the object of the complaint.

Other relevant information

Depending on your tax regime, returns may be subject to taxation. We advise you to consult your relationship manager for more information on taxation.

Additional information is available in the provider website (www.bankofchina.com/fr/) or by contacting your relationship manager.