FORWARD CONTRACT
MITIGATE FOREIGN EXCHANGE RISK

Conducting business globally may leave you exposed to currency risk. A common example is the commitment to make or receive a foreign currency payment on a future date. One of the simplest methods of mitigating foreign exchange risk is a forward contract.

PNC DELIVERS

PNC's team of experienced foreign exchange specialists can help you to effectively hedge foreign exchange risk through a forward contract, offering protection with no upfront premium cost.

WHAT IS A FORWARD CONTRACT?

A forward contract is a contractual obligation to buy from or sell to PNC a fixed amount of foreign currency on a future maturity date at a predetermined exchange rate. Forward rates are determined by an adjustment made to spot, based on the interest rate differential between two currencies (countries), otherwise known as forward points.

OVERVIEW OF A FORWARD CONTRACT

- Mitigate currency risk, as foreign exchange rates are determined upfront.
- Establish contracts to match your organization's cash flows.
- Set up delivery dates to match your cash flows.
- Execute a contract in any freely convertible currency.

CONSIDERATIONS FOR USING A FORWARD CONTRACT

- You have no ability to participate in favorable rate movements.
- Forward contracts are firm obligations so they should only be used in situations where there is a firm or definitive commitment or exposure.

WHO CAN BENEFIT FROM USING A FORWARD CONTRACT?

- Importers that purchase goods or services overseas and pay in a foreign currency.
- Exporters that sell merchandise outside the United States and are paid in a foreign currency.
- Organizations that receive foreign-denominated dividends or royalties.
- Businesses that invest in foreign securities or make capital infusion payments and/or are involved in a foreign acquisition where the exchange of payment will not be in U.S. dollars.

VARIATIONS OF FORWARD CONTRACTS

Forward contracts can be customized in a variety of ways. All forward contracts protect against adverse currency fluctuation by locking in an exchange rate. However, customized product structures provide for flexibility in timing and hedging opportunities.

- **Window forward** — Allows you to select a time frame (typically 30 days) during which you can draw down and make payment from an existing contract at the pre-agreed-upon exchange rate.
- **Non-deliverable forward** — Allows you to hedge foreign currency risk where no traditional forward market exists. It is a synthetic type of hedge that is net settled in U.S. dollars. No delivery of foreign currency will occur under this type of forward contract.

PNC'S FOREIGN EXCHANGE SALES AND TRADING DESKS

Atlanta: 1-855-852-4700

Boston: 1-888-627-8703

Charlotte: 1-855-543-4026

Chicago: 1-866-245-4696

Cleveland: 1-800-622-7400

Dallas: 1-855-852-4700

Denver: 1-844-763-0006

Detroit: 1-800-362-1066

Houston: 1-713-345-1580

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 wide range of financial resources with a deep 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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