

Description of FX Transactions

Warsaw, July 2018



Table of contents

1. Definitions	3
2. FX Spot Transaction.....	4
3. FX Forward (FX FT).....	4
4. FX Options.....	5
5. (Non)-Delivery of funds.....	6
6. General description of market risks associated with entering into the FX Forward Transactions and FX Options.....	7
7. Effective Date.....	7

The terms used in this Transaction Description of the FX Transactions (hereinafter referred to as the “**Transaction Description**”) shall have meanings ascribed to them in the Terms and Conditions “Rules for Cooperation for Financial Market Transactions,” unless otherwise defined herein.

§ 1. Definitions

1. The terms used in this Transaction Description shall have the following meanings (in the alphabetical order):
 - 1/ **Average Rate** (12)¹ – a type of the Settlement Rate, the value of which is calculated as an arithmetic mean of the values of the Reference Rate agreed on the Averaging Dates;
 - 2/ **Averaging Date** (2) – each and every day established by the Parties on which the value of the Reference Rate agreed between the Parties is determined. The rule for determining the Averaging Dates in the Averaging Period is specified in the Averaging Modes;
 - 3/ **Averaging Mode** (30) – the rule of determining the Averaging Dates in the Averaging Period; the Averaging Date for the following Averaging Modes shall be:
 - a/ Daily Averaging Mode – each Business Day in the Averaging Period;
 - b/ Weekly Averaging Mode – each Business Day falling in weekly cycles, commencing from the Averaging Period starting date, included in the Averaging Period;
 - c/ Bi-Weekly Averaging Mode – each Business Day falling in bi-weekly cycles, commencing from the Averaging Period starting date, included in the Averaging Period;
 - d/ Monthly Averaging Mode – each Business Day falling in monthly cycles, commencing from the Averaging Period starting date, included in the Averaging Period;
 - 4/ **Averaging Period** (17) – a period determined by the Parties with respect to the Asian Options, including the starting and ending dates thereof, on which the Averaging Dates are determined;
 - 5/ **Barrier Rate** (6) – a level of the FX Rate on the basis of which an occurrence of the Knock-in Event or of the Knock-out Event is determined;
 - 6/ **Barrier Reference Rate** (7) – a type of the FX Rate that is being compared with the Barrier Rate in order to ascertain whether a Knock-in Event or a Knock-out Event has occurred. In the case of a Barrier Option with the following barrier types:
 - a/ American – the Barrier Reference Rate is the Spot Rate;
 - b/ European – the Barrier Reference Rate is the Reference Rate agreed for an Option;
 - c/ Bermuda – the Barrier Reference Rate is the Spot Rate or the Reference Rate agreed on for an Option, with the proviso that the Reference Rate is set during the Barrier Observation Period,
 - 7/ **Barrier Style** (22) – a feature of the barrier agreed between the Parties as an American barrier (“American Barrier”) or European barrier (“European Barrier”) or Bermuda barrier (“Bermuda Barrier”), which determines the Event Period;
 - 8/ **Barrier Type** (27) – a feature of the barrier specifying a situation where a Knock-in Event or a Knock-out Event occurs. The Parties may agree on the following barrier types:
 - a/ **Knock-in Barrier** – conditioning an occurrence of the Knock-in Event. Depending on whether the Barrier Rate is below or above the Spot Rate as at the moment of entering into the Transaction, there is, respectively, a **Knock Down & in Barrier** or a **Knock Up & in Barrier**;
 - b/ **Knock-out Barrier** – conditioning an occurrence of the Knock-out Event. Depending on whether the Barrier Rate is below or above the Spot Rate as at the moment of entering into the Transaction, there is, respectively, a **Knock Down & out Barrier** or a **Knock Up & out Barrier**;
 - 9/ **Base Currency** (28) – a currency the unit price (Foreign Exchange Rate) of which is denominated in the Non-Base Currency.
 - 10/ **Buyer** (5) – the Party to the Transaction who purchases an Option, who in the case of a repurchase Transaction acts as the Reseller of the Option it has previously purchased;
 - 11/ **Closing Transaction** (26) – a transaction opposite to the originally agreed FX Spot or FX Forward Transaction with the same Settlement Date, consisting in a repurchase or resale of the previously sold or purchased Transaction Amount denominated in the Base Currency at the Settlement Rate;
 - 12/ **Event Period** (18) – for an Option with (18):
 - a/ the American Barrier – a period from the Date of Entering Into the Transaction (including that day, however no earlier than the moment the Transaction was entered into) until the Exercise Date (including that day, however no later than until the hour of the Option exercise) taking into account the Currency Market hours;
 - b/ the European Barrier – the Exercise Date;
 - c/ Bermuda barrier – the period from a day set by the Parties (from midnight Warsaw time on that day, but not earlier than the Transaction time) to a day set by the Parties (till midnight Warsaw time on that day, but not later than the Option exercise time), taking into account the Currency Market hours; in particular, the Parties may agree that the Barrier Observation Period will last certain day agreed by them,
 - 13/ **Exercise Date** (3) – a date on which the Buyer may exercise an Option;
 - 14/ **Forward Rate** (13) – an FX Rate agreed for a Transaction settled on the specific Settlement Date (13);
 - 15/ **FX Market** (23) – for the purposes of this Transaction Description – an interbank foreign exchange market, on which the transactions of exchange of the Base Currency for the Non-Base Currency are entered into between the banks. For the purposes of this Transaction Description, it is assumed that the foreign exchange market operates continuously from 5.00 a.m. Sydney time on Monday until 5.00 p.m. New York time on Friday every week;
 - 16/ **FX Rate** (14) – a rate the of Base Currency unit (or a specified number of units) expressed in the Non-Base Currency units;
 - 17/ **Knock-in Event** (20) – a situation where, in the Event Period, the Barrier Reference Rate is, as determined by the Bank, equal to or higher than the Barrier Rate determined for the Knock Up & in Barrier or equal to or lower than the Barrier Rate determined for the Knock Down & in Barrier;
 - 18/ **Knock-out Event** (21) – a situation where, in the Event Period, the Barrier Reference Rate is, as determined by the Bank, equal to or higher than the Barrier Rate determined for the Knock Up & out Barrier or equal to or lower than the Barrier Rate determined for the Knock Down & out Barrier;
 - 19/ **Non-Base Currency** (29) – a currency in which the price of the Base Currency unit (or specific number of units) is denominated;
 - 20/ **Order** (31) – an order for performance of the FX Spot (or a different banking operation the performance of which entails a necessity of foreign exchange), placed with the Bank by the Customer holding a current account with the Bank, indicating its date of performance and prepared in accordance with the bank account agreement entered into between the Customer and the Bank;
 - 21/ **Premium** (19) – the Option price denominated in the Non-Base Currency paid by the Buyer to the Seller (writer) of an Option;
 - 22/ **Premium Payment Date** (1) – a date, on which the Buyer is obliged to pay a Premium to the Option Seller; if the Parties fail to determine the Premium Payment Date while agreeing on the Transaction Terms, the Premium Payment Date shall fall on the second (2nd) Business Day after the date when the Transaction Terms were agreed;
 - 23/ **Reference Rate** (9) – a type of FX Rate, the value of which is determined on the second Business Day before the Settlement Date (for the FX Forward) or on the Option Exercise Date, or on the Averaging Dates for the Asian FX Option, in order to determine the Settlement Rate;
 - 24/ **Seller** (24) – a writer of an Option, i.e. the Party to the Transaction that sells an Option or that acts as a repurchaser of an Option it has previously issued in the case of a repurchase Transaction;
 - 25/ **Settlement Amount** (15) – in the case of:
 - a/ FX Forward – an amount denominated in the Non-Base Currency constituting a product of the Transaction Amount denominated in the Base Currency and the value of the absolute difference between the Forward Rate and the Settlement Rate;
 - b/ FX Option – an amount denominated in the Non-Base Currency due to the Buyer of an Option from the Seller (Writer) for the exercise of an Option upon a “net” settlement, which constitutes:

¹ Translator’s note: the number at the end of definition means its ordinal number in the Polish language version.

- i) for a Call Option – a product of the Transaction Amount denominated in the Base Currency and the difference between the Settlement Rate and the Strike Rate;
 - ii) for a Put Option – a product of the Transaction Amount denominated in the Base Currency and the difference between the Strike Rate and the Settlement Rate;
- 26/ **Settlement Date** (4) – the date on which the Transaction is settled; in the case of an Option, unless the Parties decide otherwise, the Settlement Date is a date falling two Business Days after the Option Exercise Date;
- 27/ **Settlement Rate** (10) – in the case of:
- a/ FX Spot (Foreign Exchange Spot Transaction – FX ST) – an FX Rate determined by the Bank on the basis of the current rate on the FX market as at the moment of entering into the Closing Transaction, which shall not be worse than the respective buy or sell rate from the Table of FX rates of mBank S.A. applicable as at the time of entering into the Closing Transaction;
 - b/ FX Forward (Foreign Exchange Forward Transaction – FX FT) – a Forward Rate determined for the Closing Transaction by the Bank and the Customer; in the case of a “net” settlement performed by the Customer pursuant to § 3.4.2, the Settlement Rate is determined on the basis of the Reference Rate; in the case of a “net” settlement performed by the Bank pursuant to §5, it is determined by the Bank on the basis of the current rate on the FX market as at the time of settlement, which shall not be worse than the respective buy or sell rate from the Table of FX rates of mBank S.A. applicable as at the time of the Transaction’s settlement;
 - c/ FX Option – an FX Rate determined on the basis of the Reference Rate that is the basis for exercise of an Option and for determination of the Settlement Amount for a „net” settlement; in the case of a “net” settlement performed by the Bank pursuant to §5, it is determined by the Bank on the basis of the current rate on the FX market as at the time of the settlement, which shall not be worse than the respective buy or sell rate from the Table of FX rates of mBank S.A. applicable as at the time of settlement,
- 28/ **Spot Rate** (11) – an FX Rate at which the currency buy or sell transactions are entered into on the FX market;
- 29/ **Strike Rate** (8) – an FX Rate at which the Buyer has the right to exercise an Option;
- 29¹/ **Swap Points** (21) – a value taken into account in the calculation of the Forward Rate, including the modified Forward Rate agreed on by way of a rollback or a rollover, being the difference between the Forward Rate and the current FX rate or the Forward Rate of the rolled transaction. Swap Points are calculated based on the difference between the interest rates for the Non-Base and Base Currencies applicable to the period between the transaction conclusion date and the Settlement Date;
- 30/ **Transaction** (25) – for the purposes of this Transaction Description: an FX Spot, FX Forward or FX Option Sale or FX Option Repurchase Transaction;
- 31/ **Transaction Amount** (16) – an amount denominated in the Base or Non-Base Currency the purchase or sale of which is the object of the Transaction;
2. Any other capitalised terms not listed in § 1.1 above are defined further herein.

§ 2. FX Spot Transaction

1. The FX ST is a Transaction the object of which consists in the purchase or sale of the Transaction Amount denominated in the Base Currency in exchange for the equivalent thereof denominated in the Non-Base Currency constituting a product of the Transaction Amount in the Base Currency and the FX Rate (“**FX Spot Transaction/FX ST**”). The Settlement Date shall fall within two (2) Business Days from the Date of Entering into the Transaction.
2. The Bank enters into the FX ST with the Customers at the rates from the currently applicable Table of FX rates of mBank S.A. The Bank may consent to establishing of the FX Rate of the Transaction entered into with the Customer on the preferential basis.
3. Entering into the FX Spot shall occur upon the earlier of: agreeing on the Transaction Terms between the Customer and the Bank or the Bank’s acceptance for execution of the Customer’s Order. As of the moment of entering into the Transaction the Customer may not withdraw the Order. Performance of the Order shall occur on the Settlement Date.
4. Upon entering into the FX ST, the Parties shall agree on the following Transaction Terms:
 - 1/ Base Currency and Non-Base Currency (currency pair);
 - 2/ Transaction Amount;
 - 3/ type of the Transaction performed by the Customer (purchase or sale);
 - 4/ Settlement Date; and
 - 5/ FX Rate.

§ 3. FX Forward (FX FT)

1. The FX Forward is a Derivative Transaction the object of which consists in the purchase or sale of the Transaction Amount denominated in the Base Currency on the specified Settlement Date in exchange for the equivalent thereof denominated in the Non-Base Currency constituting a product of the Transaction Amount denominated in the Base Currency and the Forward Rate (“**FX Forward/”FX FT**”). Under the FX Forward, the Customer and the Bank may enter into:
 - 1/ a single Transaction for a single Settlement Date;
 - 2/ deleted
 - 3/ a series of the FX FT in the form of a transaction package (hereinafter referred to as the “**Parforward**”), for which the same Transaction Terms are agreed, except for the Settlement Dates and the Transaction Amounts.
2. When entering into an FX FT, the Parties agree on the following Transaction Terms:
 - 1/ Base Currency and Non-Base Currency (currency pair);
 - 2/ Transaction Amount;
 - 3/ type of the Transaction performed by the Customer (purchase or sale);
 - 4/ Settlement Date;
 - 5/ Forward Rate;
 - 6/ Reference Rate; and
 - 7/ The method of calculation of the Settlement Rate on the basis of the Reference Rate.
3. If, upon entering into an FX FT, the Customer and the Bank fail to agree on any of the following:
 - 1/ the Reference Rate - then the fixing rate of the National Bank of Poland shall be the Reference Rate; however, for a Transaction where PLN is neither of the currencies, such Reference Rate shall be the rate calculated on the basis of the fixing rates of the National Bank of Poland for the Transaction currencies to PLN;
 - 2/ the method of calculation of the Settlement Rate on the basis of the Reference Rate - then the Settlement Rate shall be calculated on the basis of the following formula:
 - a/ for a Closing Transaction where the Customer repurchases the Transaction Amount denominated in the Base Currency, the Settlement Rate shall be the Reference Rate multiplied by 1.0007;
 - b/ for a Closing Transaction where the Customer resells the Transaction Amount denominated in the Base Currency, the Settlement Rate shall be the Reference Rate multiplied by 0.9993.

4. The FX FT shall be settled by way of payment by the Parties of the Transaction Amount denominated in the Base Currency in exchange for its equivalent in the Non-Base Currency converted at the Forward Rate (settlement by way of "currency delivery"). The Customer may request the Bank to perform a "net" settlement of the Transaction for the Transaction Amount, whether in whole or in part, which shall consist in payment of the Settlement Amount. To this end, the Customer shall:
 - 1/ enter into a Closing Transaction; or
 - 2/ notify the Bank by phone of his intention to perform a "net" settlement based on the Settlement Rate determined on the basis of the Reference Rate. Such notification must be made no later than until 10.00 a.m. on the second (2nd) Business Day before the Settlement Date.
5. The Customer shall have the right to enter into a Closing Transaction unless the Bank has already performed the "net" settlement pursuant to § 3.4.2 above; in such case, the Customer shall contact the Bank in order to agree on the Terms and Conditions of the Closing Transaction (including the Settlement Rate).
6. The Bank may grant its consent to an accelerated settlement of the FX FT (a "**rollback**") or a deferred settlement of the FX FT (a "**rollover**"). The accelerated or deferred settlement of the Transaction may concern the Transaction Amount in whole or in part, with the FX FT Forward Rate being modified for this part (or for the whole) of the Transaction Amount. The accelerated or deferred settlement of the FX FT is agreed within the procedure applied to entering into a Transaction, whereas the Parties agree on the following: the part or the whole of the Transaction Amount subject to the accelerated or deferred settlement, the Date of the accelerated or deferred settlement and the modified Forward Rate. As a result of agreeing on the rollback or rollover, the Parties settle the Transaction Amount in whole or in part, as agreed, on the Date of the accelerated or deferred settlement at the modified Forward Rate by way of "delivery of currency" or in the "net" mode referred to in § 3.4 above. The remaining part of the Transaction Amount, as agreed, is settled in line with the initially agreed Transaction Terms.
7. *Deleted*
8. *Deleted*
9. *Deleted*
10. The Bank may establish that (all or particular) FX FTs are executed by the Customer in order to facilitate the Customer's payments for identifiable products, services or direct investments of the Customer.
11. The Bank performs the assessment referred to in § 3.10 based on:
 - 1/ the Customer's statement, or
 - 2/ the information obtained indicating that the Customer has used the funds from the Transaction to cover payments for the products received, services performed or direct investments; if this is the case, the Bank informs the Customer about this in writing or on the confirmation of the Transaction.
12. Entering into the Transaction referred to in § 3.10 results in the Transaction not being a financial instrument (due to the exemption provided for in MiFID), and in consequence:
 - 1/ The Transaction may only be settled by way of "delivery of currency" (except in the case of the Early Termination or when the Customer fails to deliver the funds for the settlement of the FX FT),
 - 2/ it is not possible to enter into the Closing Transaction or to make an accelerated/deferred settlement of the FX FT within the procedure described in § 3.6.
13. Should the terms of the trade transaction of the Customer referred to in § 3.10 change, the Customer may modify the FX FT provided that the modified Transaction still meets the terms referred to in § 3.10. The modification of the FX FT is performed within the procedure applied to entering into the Transaction, whereas the Parties agree on the following:
 - 1/ modified Transaction Amount (if changed),
 - 2/ modified Settlement Date (if changed),
 - 3/ the amount paid due to the modification of the FX FT, its maturity date and the Party obliged to pay it, if the Transaction Amount is modified,
 - 4/ the Forward Rate if the Settlement Date is modified.

The modified Transaction is subject to restrictions referred to in § 3.12.

In the case of failure to settle the trade transaction of the Customer on the basis of which the FX FT was entered into, the Customer may modify the FX FT so that the modified Transaction Amount equals "0" and the Parties agree on the terms referred to § 3.13.3 above.

§ 4. FX Options

1. An FX Option (the "**Currency Option**"/"**FX Option**"/"**Option**") is a Derivative Transaction that vests the Option Buyer with the following rights:
 - 1/ to purchase the Transaction Amount denominated in the Base Currency from the Option Seller, on the Exercise Date in exchange for its equivalent denominated in the Non-Base Currency constituting the product of the Transaction Amount in the Base Currency and the Strike Rate ("**Call Option**").
 - 2/ to sell the Transaction Amount denominated in the Base Currency to the Option Seller on the Exercise Date in exchange for its equivalent denominated in the Non-Base Currency constituting the product of the Transaction Amount in the Base Currency and the Strike Rate ("**Put Option**").
2. The Option Buyer shall pay the Premium to the Option Seller on the Premium Payment Date. The Seller is obliged to exercise the Option and to settle it on the Settlement Date.
3. The Call Option shall be exercised if the Settlement Rate exceeds the Strike Rate. The Put Option shall be exercised if the Settlement Rate is lower than the Strike Rate.
4. The Option Settlement shall be performed by way of payment of the Transaction Amount denominated in the Base Currency by the Parties in exchange for its equivalent in the Non-Base Currency converted at the Strike Rate (settlement by way of "currency delivery"). The Customer may request the Bank to perform a "net" settlement of the FX Option or of the Barrier Option for the Transaction Amount in whole or in part. To this end, the Customer shall notify the Bank by phone of its intention to perform a "net" settlement based on the Settlement Rate, with reservation that the notification may not be made later than one (1) hour before the exercise time agreed for the Option.
5. An Asian FX Option is a special type of the FX Option, in which the Average Rate is the Settlement Rate ("**Asian Option**"). A settlement of the Asian Option is performed by way of the "net" settlement consisting in payment of the Settlement Amount by the Option Seller.
6. A Barrier FX Option ("**Barrier Option**") is a special type of the FX Option that is exercised on the following condition:
 - 1/ Knock-in Barrier Option – upon occurrence of the Knock-in Event;
 - 2/ Knock-out Barrier Option – upon non-occurrence of the Knock-out Event.
7. When entering into the Transaction of Sale of the Option, the Customer and the Bank shall agree on the following Transaction Terms:
 - 1/ Seller (Offeror) and Buyer,
 - 2/ Currency Option type (Call or Put),
 - 3/ Base and Non-Base Currencies (currency pair),
 - 4/ Transaction Amount,
 - 5/ Exercise Date,
 - 6/ Settlement Date,
 - 7/ Strike Rate,
 - 8/ Premium,
 - 9/ exercise time,
 - 10/ Reference Rate type,
 - 11/ method of calculation of the Settlement Rate on the basis of the Reference Rate,
 - 12/ Premium Payment Date,

8. In addition to the Transaction Terms stipulated in § 4.7 above, the Customer and the Bank shall additionally agree on the following when entering into the Transaction of Sale of the Barrier Option.:
 - 1/ Barrier Type (the Knock Up & In / Knock Down & In or Knock Up & Out / Knock Down & Out);
 - 2/ Barrier Rate,
 - 3/ Barrier Style (American, European or Bermuda),
 - 4/ Barrier Observation Period (only in the case of a Bermuda Barrier Option),
 - 5/ Barrier Reference Rate (only in the case of a Bermuda Barrier Option).
9. In addition to the Transaction Terms stipulated in § 4.7 above, the Customer and the Bank shall additionally agree on the following when entering into the Asian Option Sale Transaction:
 - 1/ Averaging Period,
 - 2/ Averaging Mode.
10. If, upon entering into the Transaction, the Customer and the Bank fail to agree on any of the following:
 - 1/ The Reference Rate, the Reference Rate shall be:
 - a/ where PLN is the Non-Base Currency – the fixing rate of the National Bank of Poland (the fixing rate of NBP) of the Base Currency to the Non-Base Currency;
 - b/ where EUR is the Base Currency and PLN is not the Non-Base Currency – the fixing rate set by the World Markets Company at 1 pm London time (WM Reuters 1PM fixing rate);
 - c/ in the remaining cases – the rate calculated by dividing the WM Reuters 1PM fixing rate for the Non-Base Currency by the WM Reuters 1PM fixing rate for the Base Currency (a cross rate based on the WM Reuters 1PM fixing rate);
 - 2/ the exercise time, such time shall fall on:
 - a/ subject to §4.10.2. b) below, at 11:00 a.m., Warsaw Time;
 - b/ for an Option for which it has been determined that the rates defined in §4.10 1. b) and §4.10 1.c) above are the Reference Rate, the exercise time shall fall on 13:00 London time
 - 3/ the method of calculation of the Settlement Rate on the basis of the Reference Rate, the Reference Rate shall be:
 - a/ subject to §4.10.3.b) below - the Reference Rate;
 - b/ for the Asian Options - the Average Rate;
 - 4/ The Premium Payment Date - the date shall fall on the second (2nd) Business Day after the date of agreement on the Transaction Terms.
 - 5/ Barrier Reference Rate for the Bermuda Barrier, the rate shall be:
 - a/ In the case of a Barrier Observation Period lasting one day - the Reference Rate agreed for an Option, with the proviso that the Reference Rate is set on the day being the Barrier Observation Period,
 - b/ In the case of a Barrier Observation Period lasting more than one day - the Spot Rate.
11. On any Business Day before the Exercise Date, the Customer shall have the right to enter into the following Transactions:
 - 1/ Repurchase from the Bank of the Option issued by the Customer; or
 - 2/ Repurchase, from the Customer, by the Bank of the Option it has issued thereto; (**"Option Repurchase Transaction"**).
12. The Bank may grant its consent to the performance of the Option Repurchase only with respect to a portion of the Transaction Amount resulting from the Option Sale Transaction.
13. The right referred to in § 4.12 above shall not be vested in the Customer if the Knock-out Event has occurred for a Barrier Option.
14. Upon entering into the Option Repurchase Transaction, the Parties shall agree on the Transaction Terms specified for a given type of the Option (FX Option, Barrier Option or Asian Option) pursuant to § 4.10.7 – §4.10.10 above, provided that the Reseller and Repurchaser are specified in the place of the Seller and the Buyer respectively.
15. The Repurchaser (Writer) shall pay the Reseller the agreed Premium Amount on the Premium Payment Date. For the repurchased FX Options, for which the Premium Payment Date as agreed between the Parties has not yet fallen ("deferred premium"), the deferred premium shall be paid on the originally agreed Premium Payment Date.
16. An Option repurchased by the Repurchaser (Writer) shall not be exercised with respect to the portion of the Transaction Amount of the Option Sale Transaction for which the repurchase terms have been specified.
17. The Customer and the Bank may enter into a series of Option Sale Transactions in the form of an option strategy ("**Strategy**"). Upon entering into the Strategy, in addition to agreeing on the terms referred to in § 4.10.7 – §4.10.10 above, for the Options forming parts of the Strategy, the Customer and the Bank shall also agree that those Options constitute a Strategy and determine the type of the Strategy executed by providing its trade name. The Bank shall inform the Customer of the trade name of the Strategy by phone or in marketing materials.
18. A settlement of the Strategy shall be performed by way of settling individual Options forming part of the Strategy in accordance with the principles referred to in §4.2 - §4.4 above.
19. The early termination of the Strategy shall consist in an execution of the Transactions of Repurchase of Options forming parts of the Strategy pursuant to the principles referred to in § 4.10.11 – §4.10.16 above.
20. The early closing of the Strategy may only occur if the Transactions of Repurchase with the same Exercise Date have been entered into for all the Options forming parts of the Strategy.
21. The Bank may grant its consent to a partial early termination of the Strategy, provided that such termination consists in entering into the Repurchase Transaction concerning a fractional portion of substantially the same Transaction Amount for all Options with the same Exercise Date that form parts of the Strategy (the relation between the Option Sale Amount and the Option Repurchase Amount shall be substantially equal for all the Options with the same Exercise Date that form parts of the Strategy).

§ 5. Non-delivery of funds

1. The Customer is obliged to deliver funds for settlement of the Transaction in the "currency delivery" mode until 3.00 p.m. (15:00) on the Settlement Date, subject to the provisions of Article 5 (3).
2. If the Customer fails to deliver funds for the purposes of settlement of:
 - 1/ the FX Spot or FX FT in the "currency delivery" mode, the Bank shall be authorised to perform the Closing Transaction;
 - 2/ an Option, in the "currency delivery" mode, the Bank shall be authorised to perform the "net" settlement.
3. The Parties may decide that the settlement of FX Spot, FX Forward or FX Option transactions will consist in payment of the set-off amount. In the case referred to in the previous sentence, if on a given Settlement Date more than one FX Spot, FX Forward or FX Option transaction is to be settled by way of currency delivery, the Party shall provide, for the settlement, funds in the given currency in an amount equal to the difference between the amounts due.

§ 6. General description of market risks associated with entering into the FX Forward Transactions and FX Options

When contemplating entering into a Transaction, the Customer should in particular consider the following:

- 1/ Risks associated with the FX FT, such as the FX Rate risk or the interest rate risk. The FX Rate risk is a risk of an adverse effect, from the Customer's point of view, of changes of the FX Rates' market levels on the FX FT Transaction (on both the Settlement Amount on the Settlement Date and – through the valuation of the Transaction – on the value of the Deposit required by the Bank throughout the Transaction term). The interest rate risk is a risk of an adverse effect, from the Customer's point of view, of changes of the market level of the interest rates for the currencies that are the object of the FX FT on this FX FT Transaction (on the Settlement Amount in the case of entering into the Closing Transaction, the amount paid due to the modification of the FX FT, and – through the valuation of the Transaction – on the value of the Deposit required by the Bank throughout the Transaction term). Changes of the aforementioned market risk factors may either yield the Customer unlimited profit or bring unlimited loss that may exceed funds committed by the Customer. Changes of these market risk factors depend on many macroeconomic parameters, in particular on the economic growth rate, inflation level and inflation expectations, budget deficit level, deficit on the current account and on the relation between the supply and demand y on the FX market or interest rate market. In a FX FT, depending on whether the value of the Swap Points is positive or negative, the agreed Forward Rate may be either lower or higher, respectively, than the current FX rate or Forward Rate agreed on by way of a rolled transaction. The rollback and rollover operations and the Forward Rate agreed on by way of these operations may have a negative impact on the valuation and the Settlement Amount of the Customer's open positions and, consequently, on the economic effect of the Transaction conclusion.
- 2/ The market risks associated with the FX Options, i.e. the risk of an adverse effect, from the Customer's point of view, of changes of the market risk factors on the Transaction, both on the Settlement Amount on the Settlement Date and – through the valuation of the Transaction – on the value of the Deposit required by the Bank throughout the Transaction term. The Option Buyer may potentially incur a loss limited to the amount of the Premium paid. The Option Seller may potentially incur significant losses, and the amount of the loss may several times exceed the amount of the received Premium. Moreover, in the case of certain exotic options (e.g. Barrier Options) used to hedge positions, the Customer should be aware that throughout the Option life the events, that may affect the Transaction disbursement profile, in particular, exclude the disbursement, which means loss of the entire or a part of the interest rate risk hedging that the Option was to provide, may occur. The main market risk factors for the FX Option Transactions include the FX rate risk, volatility risk and interest rate risk for the currencies that are the object of the Transaction. The FX rate risk is a risk of unfavourable - from the point of view of the executed Transaction – change of the FX rate levels. The volatility risk is a risk of unfavourable - from the point of view of the executed Transaction – change of the volatility market levels for the currency pair being the object of the Transaction. The interest rate risk is a risk of unfavourable - from the point of view of the executed Transaction – change of the market levels of the interest rates for the currencies being the object of the Transaction. Changes of these market risk factors may either yield a profit or bring a loss to the Customer that may several times exceed the funds invested by the Customer or the received Premium. Changes of these market risk factors depend on many macroeconomic parameters, including in particular the rate of economic growth, inflation level or inflation expectations, budget deficit level, deficit on the current account or relation between the supply and demand on the FX option, FX or the interest rate markets.
- 3/ When entering into a series of Transactions in the form of a strategy, the Customer should in particular consider the following:
 - a/ all the risks mentioned in § 6.2 above, associated with each Option that forms part of the strategy;
 - b/ limitations associated with early termination of a strategy (the possibility to repurchase only all of the Options with the same Exercise Date or, upon the Bank's consent, a possibility to perform a partial repurchase consisting in entering into a Transaction of repurchase of a fractional part of the Transaction Amount substantially the same for all the Options with the same Exercise Date that form parts of the strategy, i.e. so that the relation of the Option sale Transaction Amount to the Option repurchase Transaction Amount is substantially equal for all the Options with the same Exercise Date that form parts of the strategy).

§ 7. Effective Date

This Transaction Description shall become effective as of 31 July 2018.