THE MAVERICK TREASURER

Connecting with Foreign Exchange World

By: - Rahul Magan, Corporate Treasurer

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Founder & Chief Editor of the Magazine, "THE MAVERICK TREASURER "

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Welcome Mates!!

Welcome to the February 2016 edition of "The Maverick Treasurer". A Magazine which talks about Treasury & Foreign Exchange Risk Management, Derivatives & Currency Trading, Interest Rates Derivatives, Fixed Income Markets (Debt Markets, Money Markets, Capital Markets), Valuation of Derivatives Instruments, Central Bank Policy Actions, Hedge Accounting (US GaaP, IFRS, IAS, Indian GaaP, IND-AS), Guidance towards International Accounting Standards, Trading tips pertaining to variety of assets classes covering both Onshore and Offshore Treasury Markets which in turn would sink with Proprietary Trading Desk of " Foreign Exchange Maverick Thinkers"

Editorial Desk of " The Maverick Treasurer " would always keep looking at issues which are very sensitive in Foreign Exchange Markets and in turn would be having Financial Impact (Balance Sheet , Profit & Loss Account , Cash Flow Statements) for both Exporters and Importers.

Editorial Desk of the Magazine would always try to present unseen faces of the Foreign Exchange Markets and update Chief Executive Officers, Chief Financial Officers, Corporate Treasurers, Private Sector Bankers, Public Sector Bankers, Financial Controllers, Officers of Banks Oversight Functions, and Foreign Exchange Traders via Global presence of our Brand – "Foreign Exchange Maverick Thinkers" having presence across the Globe (Covering all Electronic Platforms)

In the Feb 2016 edition Editorial Desk would be covering important aspects of 6 International Currencies like AUD/USD, NZD/USD, GBP/USD, USD/SGD, USD/CHF, and USD/INR. Editorial Desk would be covering valuation of all 6 Currency Pairs till 1 Years period where by comparing covering Plain Vanilla Forwards Contracts vs Options Derivatives Contracts for both Exporters and Importers using Buy Put and Buy Call Contracts respectively.

*At the same time **"Financial Derivatives & Analytics "**section of the Magazine would be covering valuation of Derivatives Instruments for both Exporters as well as Importers. During Feb 2016 edition **"Financial Derivatives & Analytics** "would be targeting both Exporters and Importers covering variety of derivatives which can be a part of their hedging program.*

*" The Maverick Treasurer" also launching exclusively Treasury Club on Pan India and Asia basis titled **"Mavericks Club"** for all Chief Executive Officers, Chief Financial Officers, Corporate Treasurers, Private Sector Bankers, Public Sector Bankers, Financial Controllers, Officers of Banks Oversight Functions, and Foreign Exchange Traders across the Globe (Refer end of Magazine regarding details of Mavericks Club)*

*Valuation of **"Financial Derivatives & Analytics "**done using Modified Black Scholes Model having respective parameters using Thomson Reuters Options Pricer. Over the period of the time Editorial Desk would be covering Range Forwards (Importers), Seagull (Exporters), Seagull (Importers), Participatory Forwards, Straddle , Strangle , Call Spread, Put Spread and respective Derivatives Strategies using variety of models.*

Best,

Rahul Magan

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Circulation of the Magazine

Magazine is intended to circulate at following places across the Globe keeping following prices:-

- India – Rs 100
- Australia – AUD 10
- New Zealand – NZD 10
- Singapore SGD 10
- Canada – CAD 10
- United States – USD 10
- London – GBP 15
- European Union – Euro 15 ##
- Tokyo – JPY 1200
- Hong Kong – HKD 35

Prices would vary from Country to Country in European Union like London, Luxembourg, Frankfurt, Germany, Munich, France, Denmark, Sweden, Portugal, Italy, Ireland, Greece, Scotland and respective countries of European Union.

Future Course of "The Maverick Treasurer ":-

Magazine is also hitting biggest E-Commerce Platforms like AMAZON, Alibaba, E Bay, Flipkart, Snap deal over the time. In next 1 Years of time frame "The Maverick Treasurer "would be available on all E Commerce platforms across the Globe.

Initially Maverick Treasurer coming up with E Commerce Platform of Amazon with an initial price tag of $1.7 across the Globe. Over the period we would be joining other E – Commerce platforms across the Globe with variety of Magazines.

Digital Marketing of the Magazine:-

Digital Marketing of the Magazine would soon start on respective platforms across the Globe. In such platforms Magazine would be available in Digital format to all the readers.

Best,

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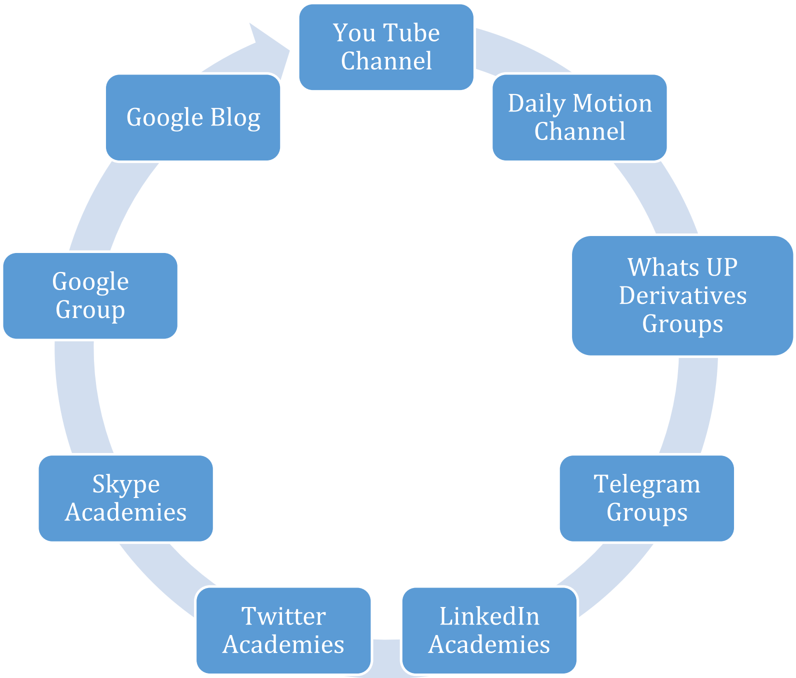
About the Brand "Foreign Exchange Maverick Thinkers "

"The Maverick Treasurer" is linked with the Brand "Foreign Exchange Maverick Thinkers "founded 5 Years ago with the purpose of educating folks across the Globe covering variety of topics in markets.

Currently the Brand is available on all Electronic Platforms like You Tube Channel, Daily Motion Channel, What's UP APP Derivatives Groups, Telegram APP Derivatives Groups , LinkedIn, LinkedIn Academies, Twitter Academies, Skype Foreign Exchange Groups, Google Groups ~"Foreign Exchange Maverick Thinkers ", Google Blog ~" Maverick Treasurers Blog "



- **You Tube Channel:-** You Tube channel - "Foreign Exchange Maverick Thinkers " covers 106 Technical videos on You Tube Channel covering *Foreign Exchange Risk Management, Treasury Risk Management, Onshore & Onshore Treasury Markets (Singapore, NY, London, Luxembourg, Frankfurt, Australia, Japan, Philippines, Dubai), Interest Rate Derivatives like Interest Rate Swaps, Credit Swaps, Total Return Swaps, Credit Default Swaps, Fixed Income Markets (Money Markets, Debt Markets, Capital Markets), International Accounting Standards (IFRS, US GaaP, International Accounting Standards, IND-AS, Indian GaaP), Corporate Finance , Strategic Finance , Fair Valuation , Business Valuation , Investment Banking* and respective topics.

  Sitting today which is 17th Mar'16 - You Tube Channel is having 106 Videos, 660 Subscribers, 80 K Reviews and 600 K minutes watched. The intent is to have 250 videos on You Tube Channel covering all aspects from Foreign Exchange till Investment Banking.

- **Daily Motion Channel: -** On the lines of You Tube Channel "Foreign Exchange Maverick Thinkers "having my own Video Channel on largest video site of the world Daily Motion where by covering all the 100 Technical videos from Foreign Exchange Risk Management till Investment Banking.

- **What's UP APP Derivatives Groups**:- Running 4 Derivatives Groups ~ " Maverick Traders " on What's UP APP having 400 members where by covering (Treasury Risk Management , Derivatives Risk Management , Currency Trading , Foreign Exchange Derivatives , Commodities Trading , Hedge Accounting)

- **Telegram Derivatives Groups:-** On the lines of What's UP APP Derivatives Groups having my own Derivatives Groups ~ "Maverick Traders " on Telegram where by covering International Traders across the Globe.

- **LinkedIn & LinkedIn Academies :-** Having LinkedIn Networking of 70 Million LinkedIn Connects across the Globe which covers Corporate Treasurers, CFO, CEO , Bankers , Corporate Finance Professionals , Finance Controllers , Board Members , Information Technology Experts , PHD's , Management Graduates+++++++++

- **Twitter Academies: -** Having Education Academies on Twitter where by sharing thoughts covering variety of topics from Foreign Exchange, Treasury till International Economies with all Global members.

- **Skype Foreign Exchange Groups: -** Having Education Academies on Skype where by covering variety of topics from Foreign Exchange, Treasury till International Economies with all Global members.

- **Google Groups ~" Foreign Exchange Maverick Thinkers ":-** Having Google Group which is further attached with Digital Library of having Foreign Author Books, Financial Modelling Excel based Models , Cash Flow Modelling Models , Risk based Models, Accounting Guides , RBI Master Circulars, CFA Books and respective others. As of now Google Group is having more than 200 members spreading across the Globe.

- **Google Blog "Maverick Treasurers Blog: -** "Foreign Exchange Maverick Thinkers" is having its own Google Blog where by the purpose is to link with members across the Globe. As of now Google Group is covering all the topics from Foreign Exchange till Business Valuation. Group is open to all the members across the Globe.

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Global Economic Review by Editorial Desk

As predicted Year 2016 turning out to be more volatile than expected. Traders across the Globe are reshuffling their Portfolios evert second day as to mitigate the impact of rising implied vols in their portfolios. Traders would enjoy this more as this would lead to big earnings in their books which is in sync with the great say that **Volatility rises so would be the earnings of Traders.**

Traders are very much concerned about VAR (Value at Risk) of their portfolio and how they would be able to take cross hedge against such VAR number as to remain profitable for longer tenors.

Well everyone talking about valuation of Direct Pairs like AUD/USD, NZD/USD, EUR/USD, GBP/USD and volatility gauges like USD/CAD and USD/CHF however Editorial Desk of the Magazine talking about huge volatility in an Asian Pair which is Korean Won (KRW). Sitting today Korean Won facing double volatility like Capital Outflows from the country and big time investments done by Korean investors in Offshore Treasury Markets (ignoring Korea)

Currency Pair	1 M Implied Vols	3 M Implied Vols	6 M Implied Vols	1 Y Implied Vols	2 Y Implied Vols	3 Y Implied Vols	5 Y Implied Vols
USD/KRW	11.8 %	12.2 %	12.6 %	13.1 %	14.3 %	15 %	16.3 %

Markets are behaving as if the Global economy is sleepwalking into a low intensity recession. No Systemically important economy is contracting however many sectors are facing the heat and some markets are delivering recession like results.

The following are the factors to be considered during 2016 by Corporate Treasurers, Traders, and Bankers Traders across the Globe:-

1. The first domino fell when Chinese Growth peaked in 2011
2. There are few signs of recessions globally by the usual aggregate measures like GDP
3. Many sectors are facing recessions like situations specially Commodities
4. Policymakers specially regulators are left with little ability to douse the fire as since Year 2008 they are trying fixing the issue rather than resolving the same.
5. There are few economies who would be able to perform better like Australia, China as former is Carry Currency and later is having $ 3.56 Trillion of Foreign Exchange Reserves with huge positive amount of Net International Investment Position (NIIP)
6. As of now volatility is above average but the way Implied is rising at faster pace that Historical Vols.

Advice from Editorial Desk: - Traders are advised to keep an absolute look at the volatility levels in their Portfolio. Sitting today crosses are turning more volatile than straight Direct and Indirect Pairs in the Foreign Exchange Markets. Central Banks left with either little or no fire power to douse the fire of Global Recession which is round the corner so be careful mates!!

All the Best,

Rahul Magan

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Rolling Valuation of a Commodity Currency – Australian Dollar (AUD)

As we understand that valuation of Commodities are at historic low specially OIL. We also understand that world financial system is dominated by five Commodities Currencies which are **Australian Dollar, New Zealand Dollar, Canadian Dollar, Russian Rubble and NOK**. Over the period of time one proxy Commodity Currency taken over which is Chinese Yuan or RMB. China is always having a deep impact on the valuation of Commodities as well as Commodities Currencies. World financial system test the same number of times.

As we read in variety of research reports regarding fall in the output by Chinese Steel giants and subsequent fall in the valuation of largest Steel Producer in the world which is Arcellor Mittal. Sitting today Market Capitalization of Arcellor Mittal stands at $ 7 Billion vs. $ 140 Billion of Market Capitalization during Year 2008. Not to tell a great fall in the valuation of Commodities where credit goes to China and great OIL war between United States as well as Russia.

Arcellor Mittal has done with Impairment of $ 4.9 Billion of Intangibles in their books for the Year 2015 on Account of low Commodities prices and extreme fall in the valuation of Commodities. Much more impairments on the way in the books of other Commodities Companies. Today OIL Companies are sitting on huge Foreign Currency debt while the ability to payback is very less as Cash Flows are getting hurt as not to mention OIL is trading at $ 40/Barrel.

Important Points to Ponder about Australian Dollar:-

1. *External factors are influencing the valuation of Australian Dollar which is depreciation in RMB alongside sell off in risky assets across the Globe.*
2. *PBOC (People Bank of China) which is Chinese Central Bank is maintaining stable Fixing rate of CNY (CNY is a NDF Currency) using FX Reserves of $ 3.57 Trillion (Highest in Asia)*
3. *Australian economy is in a better position to absorb global shocks compared to other countries in the region however at the same time Traders need to watch upon zero Forwards Premiums as regards their trading portfolios are concerned.*
4. *The main downside risks with Australian Economy is if the economy does not stabilize sufficiently for the RBA to be comfortable with its Inflation Projection, then further easing is possible and would put more downward pressure to AUD.*
5. *One of the most interesting cross of the FX world AUD/NZD has declined in recent months towards the bottom of its range (Buying or Selling)*
6. *Editorial Desk is expecting AUD/NZD to remain low for long term averages well at the same time great opportunity for Traders to create buy opportunity for AUD/NZD.*

Advice for Exporters and Importers:-

As we understand that Commodities Prices are at Historic low while at the same time we also understand that Forwards Premiums of all major G7 Currencies are falling specially all direct pairs like AUD/USD, NZD/USD, GBP/USD and EUR/USD. Editorial Desk is advising all Exporters and Importers to hedge their Exposures in their books using mix of Forwards as well as Options Contracts. Both Exporters and Importers are advised to hedge their Cash Flow, Fair Value and Net Investment Exposures using Options Contracts as Forwards Premiums are almost zero for Australian Dollar till 1 Year which is very unique in Foreign Exchange Markets as AUD is a carry Currency.

Australian Dollar – Rolling 12 Months Forwards Pricing:-

Rolling Valuation of AUD/USD ~ 17th Mar'16						
Time Period	Spot Rate (Bid)	Spot Rate (Ask)	Bid Premiums (BPS)	Ask Premiums (BPS)	Outright Rate (Bid)	Outright Rate (Ask)
1 Month	0.76	0.7608	-11	-11	0.7589	0.7597
3 Month	0.76	0.7608	-32	-32	0.7568	0.7576
6 Month	0.76	0.7608	-61	-61	0.7539	0.7547
9 Month	0.76	0.7608	-89	-88	0.7511	0.7520
12 Month	0.76	0.7608	-115	-112	0.7485	0.7496

Note:-Implied Volatilities are taken from Thomson Reuters
:-ve Premiums means appreciation while +ve means depreciation in Base Currencies
: Outright Rate is nothing sum of Spot Rate and Premiums (Negative or Positive)
:Valuation of Buy Put Options Derivatives is done at OTMF (Out of the Money Forwards)
: BPS means Basis Points. 1 AUD Basis Point is .0001 or .01%

Australian Dollar – Rolling 12 Months Options Pricing:-

Rolling Valuation of AUD/USD ~ 17th Mar'16						
Time Period	OTMF- Buy Put Strike	OTMF - Buy Call Strike	AUD Implied Vols (Bid) %	AUD Implied Vols (Ask) %	Buy Put Premiums (OTMF)	Buy Call Premiums (OTMF)
1 Month	0.7521	0.7690	12.450	12.875	$ 7,256.00	$ 6,037.00
3 Month	0.7361	0.7855	12.600	13.000	$ 9,976.00	$ 4,558.00
6 Month	0.7116	0.8110	12.750	13.200	$ 11,395.00	$ 6,343.00
9 Month	0.6866	0.8368	12.875	13.320	$ 11,749.00	$ 5,467.00
12 Month	0.6612	0.8627	13.000	13.400	$ 11,611.00	$ 4,852.00

Note:-Implied Volatilities are taken from Thomson Reuters
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: BPS means Basis Points. 1 AUD Basis Point is .0001 or .01%

Advice from Editorial Desk: - As we understand that markets are facing huge volatility and at the same time Forwards Premiums are at almost Zero for all direct pairs henceforth both Exporters and Importers are advised to hedge their exposures using mix of Forwards and Options Contracts and if required use Options Strategies as well like Seagull, Strangle, Range Forwards and respective payoffs.

Australian Dollar Spot Movement – Last 5 Years

Australian Dollar 1Y Implied Volatility Movement – Last 5 Years

Rolling Valuation a Commodity Currency – New Zealand Dollar (NZD)

As we understand that valuation of Commodities are at historic low specially OIL. We also understand that world financial system is dominated by five Commodities Currencies which are **Australian Dollar, New Zealand Dollar, Canadian Dollar, Russian Rubble and NOK**. Over the period of time one proxy Commodity Currency taken over which is Chinese Yuan or RMB. China is always having a deep impact on the valuation of Commodities as well as Commodities Currencies. World financial system test the same number of times.

Important Points to Ponder about New Zealand Dollar:-

1. *New Zealand dollar is falling and currently trading at .6794 against a dollar.*
2. *Weaker CPI print for Q4 2015 and falling Fonterra dairy process alongside dovish thoughts of RBNZ (Reserve Bank of New Zealand) not sounding well for NZD.*
3. *Editorial Desk is expecting Global and Domestic factors would continue to weight on NZD.*
4. *The RBNZ still favours a weaker currency given a direct pair and ongoing weakness in the dairy exports. Falling NZD is good for exporters having $ Receivables while not good for importers having $ payables as an exposure.*
5. *Movement in the Chinese Yuan and alongside fixing issues of CNY would continue to haunt NZD and there is a great probability that NZD would fall down to .65 levels.*
6. *Markets forces like Banks and Financial Institutions are expecting to see NZD at .59 levels till Q4 2016 however we should not forget that both Australian as well as NZD dependent upon Commodities Valuations as well as CNY shocks.*
7. *Editorial Desk is having of view of shorting of NZD vs USD using Options Structures*
8. *Forwards Premiums are almost zero in case of NZD which effectively means that Traders are getting spot neutral for both Australian and New Zealand Dollar.*

Advice for Exporters and Importers:-

Well there are lots of exporters as well as importers who are having Foreign Currency Exposures in the books. There are many Traders who are having AUD/NZD as a cross in their books henceforth they are bound to face the volatility so as the $ impact in the books.

Exporters are Importers are advised to hedge their Foreign Currency Receivables and Payables using Options Contracts as both Australian and New Zealand Dollar are getting spot neutral henceforth mix of Forwards and Options Derivatives Contracts are useful to hedge your exposures and if required then use Options Structures as well.

Editorial Desk understand that not easy for Corporate Treasurers, Traders to hedge their exposures using Forwards Contracts henceforth advising all Corporate Treasurers as well as Traders to hedge their Foreign Currency Exposures using Forwards Contracts, Options Contracts and Cost Reduction Structures. At the same time Editorial Desk also recommending to update your Risk Management Policy (RMP) whether you are Corporate, Hedge Funds, Fixed Income, and Interbank Trader to capture all movements in the volatility of NZD.

New Zealand Dollar – Rolling 12 Months Forwards Pricing:-

Rolling Valuation of NZD/USD ~ 17th Mar'16						
Time Period	Spot Rate (Bid)	Spot Rate (Ask)	Bid Premiums (BPS)	Ask Premiums (BPS)	Outright Rate (Bid)	Outright Rate (Ask)
1 Month	0.6794	0.6799	-12	-11	0.6782	0.6788
3 Month	0.6794	0.6799	-36	-32	0.6758	0.6767
6 Month	0.6794	0.6799	-67	-58	0.6727	0.6741
9 Month	0.6794	0.6799	-98	-83	0.6696	0.6716
12 Month	0.6794	0.6799	-107	-106	0.6687	0.6693

Note:-Implied Volatilities are taken from Thomson Reuters
:-ve Premiums means appreciation while +ve means depreciation in Base Currencies
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:Valuation of Buy Put Options Derivatives is done at OTMF (Out of the Money Forwards)
: BPS means Basis Points. 1 NZD Basis Point is .0001 or .01%

New Zealand Dollar – Rolling 12 Months Options Pricing:-

Rolling Valuation of NZD/USD ~ 17th Mar'16						
Time Period	OTMF- Buy Put Strike	OTMF - Buy Call Strike	NZD Implied Vols (Bid) %	NZD Implied Vols (Ask) %	Buy Put Premiums (OTMF)	Buy Call Premiums (OTMF)
1 Month	0.6719	0.6877	13.275	13.775	USD 6,985	USD 5,834
3 Month	0.6567	0.7041	13.350	14.250	USD 10,677	USD 7,495
6 Month	0.6329	0.7296	13.675	14.625	USD 11,355	USD 5,957
9 Month	0.6093	0.7570	13.760	15.125	USD 11,035	USD 4,198
12 Month	0.5848	0.7844	13.925	15.375	USD 9,716	USD 2,815

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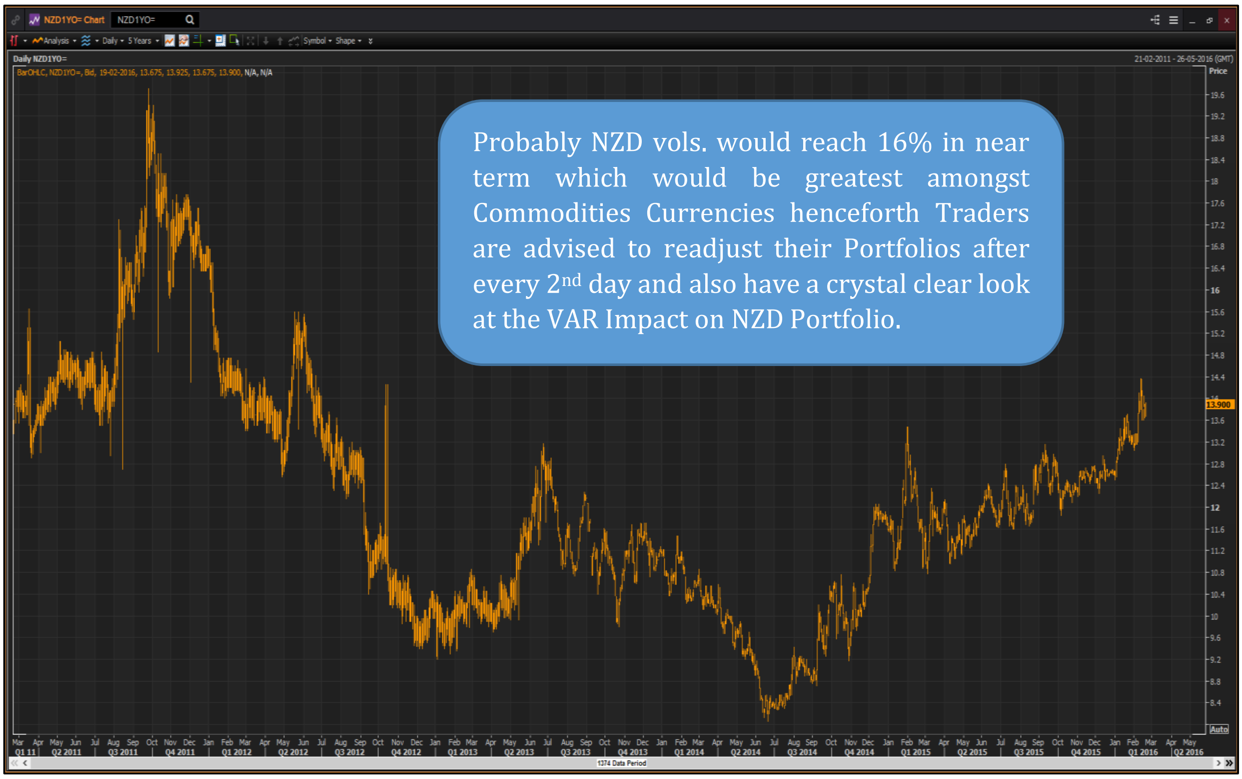
Advice from Editorial Desk: - As we understand that markets are facing huge volatility and at the same time Forwards Premiums are at almost Zero for all direct pairs henceforth both Exporters and Importers are advised to hedge their exposures using mix of Forwards and Options Contracts and if required use Options Strategies as well like Seagull, Strangle, Range Forwards and respective payoffs.

New Zealand Dollar Spot Movement – Last 5 Years

New Zealand Dollar 1Y Implied Volatility Movement – Last 5 Years



Rolling Valuation of a Risk off Currency – Swiss Franc (CHF)

Swiss Franc is amongst the most volatile currency pairs in the Foreign Exchange world. Swiss Franc is largely **known as an American Ally** which effectively means valuation of CHF would largely be dependent upon USD movement or movement in USD Index also known as USDX. In the last few weeks we saw consistent decline in USDX so as the valuation of CHF. As a Trader one should remember that **CHF is also known as Risk off Currency** which effectively means it would turn more volatile when markets are turning Risk off like now a days. Editorial Desk is certainly evaluating whether markets are facing Structural Risk Off vs Frictional Risk Off.

Important Points to Ponder about Swiss Franc:-

1. *In the last few weeks Swiss Franc registered over valuation which effectively means like all indirect Pairs are falling while Swiss Franc is at .98 levels. Traders are advised to adjust their Portfolios as Swiss Franc would see fall in the valuations.*
2. *Accommodative Monetary policy by ECB would surely have an Impact on CHF in long term however Traders need to carefully watch the same.*
3. *Jan 2016 marked the second occasion in less than 6 months when markets fall across the Globe and thanks to China but Swiss Franc valuation were intact. The reason is as China would fall USD importance to act as a safe haven Currency would rise.*
4. *The key factor for the break in the link between the CHF and broader global market developments has been the evolution of Capital Flows.*
5. *CHF is also known as Risk Off currency which effectively means would get high volatile when markets turn huge volatile ~ Structural vs Frictional Risk Off.*
6. *In a recent speech SNB vice president once again emphasized that the SNB has not been seen as typical safe haven flows into the Swiss economy in recent months.*
7. *Adaptation of Negative Interest Rates by various Central banks also matters for CHF into longer tenors.*

Advice for Exporters and Importers:-

CHF is not all about Exporters Receivables and Importers Payables but about trading positions with or without crosses by Traders across the Globe. There are many crosses of CHF which matters for the Foreign Exchange Markers **also known as Volatility Gauges** like AUD/CHF, JPY/CHF, EUR/CHF, and GBP/CHF and respective. As Traders understand that majority of the Currency pairs are getting spot neutral henceforth Traders are advised to place their Trades in a best way like they should use mix of Forwards, Options, Cost Reduction Structures and respective to hedge their exposures. Alongside Traders are advised to have a detailed look at Portfolio VAR as well.

Currencies	1M Implied Vols	3M Implied Vols	9M Implied Vols	1Y Implied Vols
EUR/CHF	6.1 %	7.5 %	7.5 %	8.6 %
GBP/CHF	13.3 %	12.5 %	14.2 %	13.3 %
USD/CHF	11.8 %	11.0 %	11.7 %	11.7 %

See Volatility levels in CHF (Risk off Currency or An American Ally)

Rolling Valuation of USD/CHF ~ 17th Mar'16						
Time Period	Spot Rate (Bid)	Spot Rate (Ask)	Bid Premiums (BPS)	Ask Premiums (BPS)	Outright Rate (Bid)	Outright Rate (Ask)
1 Month	0.9697	0.9707	-12	-12	0.9685	0.9695
3 Month	0.9697	0.9707	-38	-37	0.9659	0.9670
6 Month	0.9697	0.9707	-83	-81	0.9615	0.9627
9 Month	0.9697	0.9707	-130	-128	0.9567	0.9579
12 Month	0.9697	0.9707	-180	-178	0.9517	0.9529

Note:-Implied Volatilities are taken from Thomson Reuters
:-ve Premiums means appreciation while +ve means depreciation in Base Currencies
: Outright Rate is nothing sum of Spot Rate and Premiums (Negative or Positive)
:Valuation of Buy Put Options Derivatives is done at OTMF (Out of the Money Forwards)
: BPS means Basis Points. 1 CHF Basis Point is .0001 or .01%

Swiss Franc – Rolling 12 Months Options Pricing:-

Rolling Valuation of USD/CHF ~ 17th Mar'16						
Time Period	OTMF- Buy Put Strike	OTMF - Buy Call Strike	CHF Implied Vols (Bid) %	CHF Implied Vols (Ask) %	Buy Put Premiums (OTMF)	Buy Call Premiums (OTMF)
1 Month	0.9606	0.9802	11.200	11.800	USD 5,704	USD 4,668
3 Month	0.9438	0.9979	10.700	11.200	USD 9,167	USD 6,773
6 Month	0.9175	1.0257	10.775	11.325	USD 10,741	USD 7,060
9 Month	0.8908	1.0537	10.855	11.400	USD 10,853	USD 6,528
12 Month	0.8638	1.0816	10.925	11.425	USD 10,164	USD 6,018

Note:-Implied Volatilities are taken from Thomson Reuters
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: BPS means Basis Points. 1 CHF Basis Point is .0001 or .01%

Advice from Editorial Desk: - Traders are advised to have a detailed look at the pricing of CHF crosses before placing their trades. CHF is a highly risk off currency which moves faster than markets henceforth Traders are advised to give a detailed look at Portfolio VAR before placing positions either in CHF or CHF crosses.

Swiss Franc Spot Movement – Last 5 Years

Swiss Franc 1Y Implied Volatility Movement – Last 5 Years

Perspective on European Union Currencies – Great Britain Pound (GBP)

As we understand that UK is facing the biggest question which is whether to continue with European Union or exit?? However at the same time Growth prospects of GBP also not sounding very good. As a Trader we can certainly see the same on valuation of Currency as well as on the volatility levels of our portfolio. There was the time when GBP was trading over 1.61 levels which effectively means 1 GBP was equal to 1.61 $ however over the period of time many issues somewhat relates to Global headwinds took GBP to 1.40 levels or probably lower as the time would come.

Important Points to Ponder about Great Britain Pound:-

1. The near term impact on the Growth elsewhere in the EU seems relatively clear. Heightened uncertainty after an exit vote would weigh on sentiment and spending in UK, and add a risk premium to UK assets. As a consequence Sterling would fall which is happening and may trade at 1.35 levels as well.
2. These developments would have negative impact for EU. As per estimates 10% decline in Sterling means Euro would appreciated by 1.3% on trade weighted terms.
3. ECB (European Central Bank) first response statement is likely to be a statement that it is closely monitoring the impact of the vote on financial markets and its implications on Growth and Inflation.
4. It would not take long for ECB to intervene in stressed assets markets with variety of liquidity provisions targeting Banks and Assets purchases however at the same time ECB to look at its balance sheet as well before making any decision.
5. The medium term impact of Brexit is very uncertain. Much will depend on relationship between UK and EU. Regardless of what the final relationship looks like the intervening Month of uncertainty during the negotiations would surely have an impact on trade flows.
6. The UK overall deficit on the trade with rest of the EU is well known as it is a fact that net migration flows have tended to see significant inflow in UK economy.
7. The UK openness and history as a financial centre has contributed to an enlarged balance sheet relative to the flows however as UK exits would have an impact on the UK as a global financial centre.

Advice for Exporters and Importers: - Exporters as well as Importers are advised to hedge their Receivables as well as payables using mix of Forwards, Options and Options Structures. Traders are advised to keep Implied Vols levels in mind while placing trades in GBP or GBP crosses.

Volatility Gauges	1M Implied Vols	3M Implied Vols	9M Implied Vols	1Y Implied Vols
EUR/GBP	12.8 %	11.8%	13.2%	12.4%
GBP/AUD	13.2%	13.2%	15.3%	14.7%
GBP/JPY	19.5%	17.7%	18.7%	17.2%

See Volatility levels in GBP during talks of Brexit. Don't under estimate potential impact of Brexit on GBP.

GBP – Rolling 12 Months Forwards Pricing:-

Rolling Valuation of GBP/USD ~ 17th Mar'16						
Time Period	Spot Rate (Bid)	Spot Rate (Ask)	Bid Premiums (BPS)	Ask Premiums (BPS)	Outright Rate (Bid)	Outright Rate (Ask)
1 Month	1.4479	1.4484	1	2	1.4480	1.4486
3 Month	1.4479	1.4484	3	4	1.4482	1.4488
6 Month	1.4479	1.4484	12	13	1.4491	1.4497
9 Month	1.4479	1.4484	24	26	1.4503	1.4510
12 Month	1.4479	1.4484	39	42	1.4518	1.4526

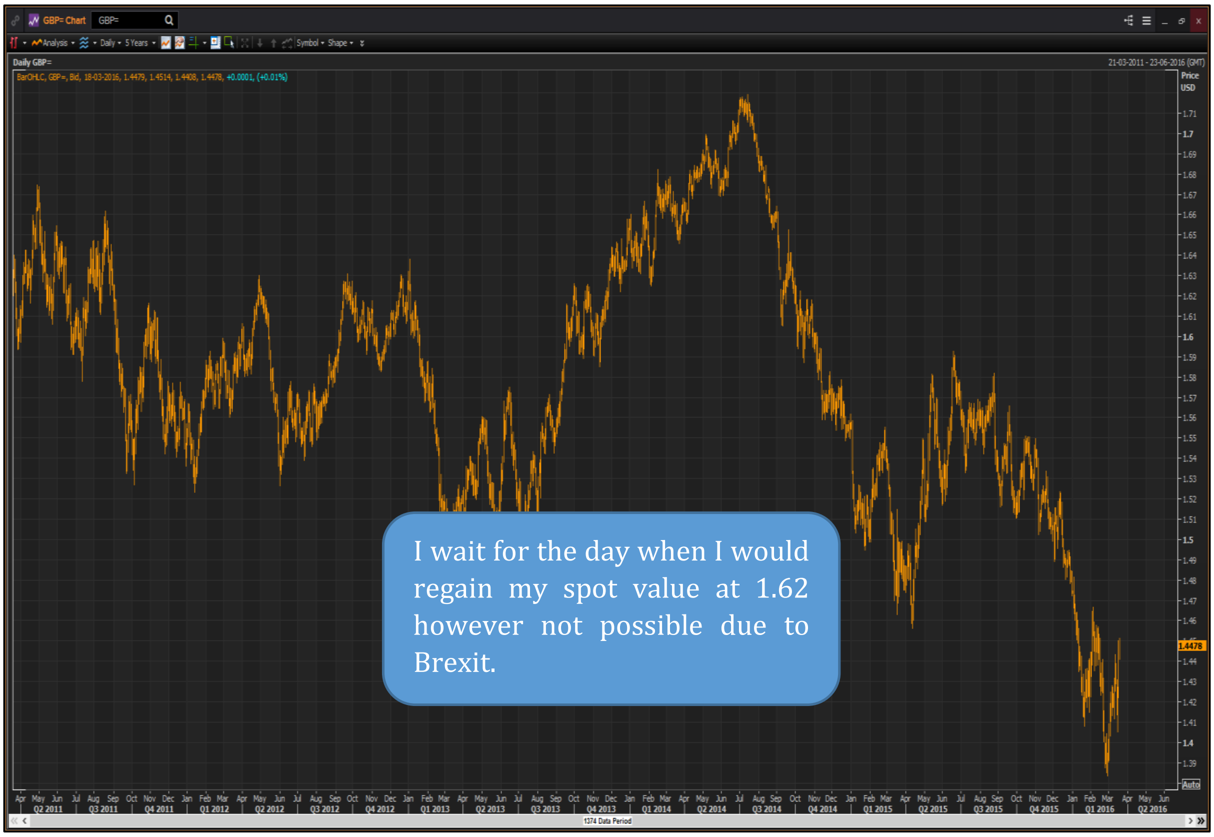
Note:-Implied Volatilities are taken from Thomson Reuters
:-ve Premiums means appreciation while +ve means depreciation in Base Currencies
: Outright Rate is nothing sum of Spot Rate and Premiums (Negative or Positive)
:Valuation of Buy Put Options Derivatives is done at OTMF (Out of the Money Forwards)
: BPS means Basis Points. 1 GBP Basis Point is .0001 or .01%

GBP – Rolling 12 Months Options Pricing:-

Rolling Valuation of GBP/USD ~ 17th Mar'16								
Time Period	OTMF- Buy Put Strike	OTMF - Buy Call Strike	GBP Implied Vols (Bid) %	GBP Implied Vols (Ask) %	Buy Put Premiums (OTMF)		Buy Call Premiums (OTMF)	
1 Month	1.44	1.46	9.44	9.94	USD	12,172	USD	10,503
3 Month	1.41	1.49	10.78	11.23	USD	17,531	USD	13,778
6 Month	1.36	1.54	12.56	13.05	USD	24,892	USD	15,130
9 Month	1.31	1.59	12.25	12.70	USD	22,907	USD	11,850
12 Month	1.27	1.63	12.05	12.45	USD	21,836	USD	10,764

Note:-Implied Volatilities are taken from Thomson Reuters
:-ve Premiums means appreciation while +ve means depreciation in Base Currencies
: Outright Rate is nothing sum of Spot Rate and Premiums (Negative or Positive)
:Valuation of Buy Put Options Derivatives is done at OTMF (Out of the Money Forwards)
: BPS means Basis Points. 1 GBP Basis Point is .0001 or .01%

GBP Spot Movement – Last 5 Years:-



GBP Implied Volatility movement – Last 5 Years:-

RMB (Chinese Yuan) – People Currency and world Problem

As we understand that Chinese Yuan is getting highly volatile and at the same time Chinese Yuan is all scheduled to get the status of Global Currency of the world. As per Editorial Desk the day is not far when the same Chinese Yuan would rule the world as Reserve Currency. Editorial Desk is not projecting any **"Participation based Reserve Currency Mechanism "**however projecting Chinese Yuan as standalone Reserve Currency of the world.

There are lots of talks happening on Chinese Yuan alongside hard lending of the Chinese Economy however Editorial Desk don't feel the same way. The following are the important factors to be considered by Traders having CNY in their Portfolio:-

1. CNH which is Offshore Chinese Yuan is moving towards liberalization
2. The People Bank of China (PBOC) further opened up the interbank bond market to Foreign Institutional Investors in Feb 2016
3. The move is aimed at accommodating rising demand of Yuan denominated assets once CNY would join SDR basket in Oct 2016
4. One of the attractions of Chinese Interbank Bind market to FII is yield. Five year onshore Govt bonds yield 1% in real terms which is much higher than SDR currencies US, UK, Japan and Germany where the yield is either zero or negative.
5. Chinese Commercial Banks are now the dominant participants in the domestic bond market, holding 60% of total outstanding bonds.'
6. Beijing has simultaneously stepped up efforts to prevent capital leaving the country. It has been reported that net outflow of capital from the cross border yuan cash pools is prohibited.
7. To reduce the extreme volatility in exchange rates, PBOC in Jan 2016 instructed Banks providing cash pooling services to limit outflow so that anytime there should not be net remittance outflow of capital in the country.
8. Beijing is trying very hard to make sure that Yuan would act as Global Currency of the world however at the same time we need to understand that this would certainly take some time but sooner or later Yuan would act as Reserve Currency.

Due to aforesaid initiatives PBOC is able to mitigate implied volatilities in the books of Traders. The following are Implied Vols of CNY covering 1 Month period.

Currencies/ Period	1 M	3 M	6 M	9 M	1 Y
USD/CNY	4.850%	5.762%	6.4%	6.7%	6.8%

There are many economies who would get impacted due to Yuan valuations like Australia, New Zealand, Canada, United States, United Kingdom and Dubai. This brings a great opportunity for Corporate Treasurers as well as Traders to rejig their portfolios having Chinese Yuan as a Currency pair.

Singapore – Offshore Treasury Centre

Singapore Dollar – Another Carry Currency

The following are important points about Singapore Dollar as a Currency or soon act as Carry Currency of the world. As we clearly understand that Singapore is amongst the most powerful Offshore Treasury Centre of the world amongst all other Asian or non-Asian Treasury Centres. Over the period we have seen consistent increase in the Singaporean Interest Rates which clearly suggest that sooner or later Singapore Dollar would soon would act as a Reserve Currency of the world.

Singapore established himself as an Offshore Treasury Centre where by beaten well established Treasury Centres like NY, London, Luxembourg, Frankfurt, Dubai, Bahrain, Philippines, Shanghai and respective Offshore Treasury Centres. Journey was not easy and won't be easy as Dubai is coming fast however excellent leadership of Monetary Authority of Singapore would matters for Singapore.

The following are the important factors which Traders to consider having Singapore Dollar as their portfolio currency. Traders are advised to have a strong watch on Singapore Dollar as it is slowly coming up as a Carry Currency. In that journey Singapore Dollar would surely face big vols.

1. Singaporean manufacturing is in recession. There are also downside risks to the main pillar of Growth which is Financial Services as we are all scheduled to face Global Recession and this time Global Recession would be much steeper probably Armageddon.
2. Inflation stuck at negative level. The most recent Jan 2016 CPI data suggest that there is a decline in Inflation by.6%. This is 15th consecutive month of negative Inflation, the longest slump since 1977 in Singapore.
3. **Singapore Central Bank Monetary Authority of Singapore (MAS)** has eased the exchange rates policy twice last year. Inflation expectation has been the key determinant in the policy.
4. Monetary Authority of Singapore is moving to make Singapore as Carry Currency where by MAS is slowly increasing the rates and trying to be in sync with other carry currencies like Australian Dollar, Japanese Yen, Indian Rupees and Euro as Interest Rates are turning negative.

As Singapore Dollar is turning out to be a Carry Currency and at the same time acting as NDF (Non-Deliverable Currency as well) henceforth both sides of Implied Volatility is going to be shown here:-

Singapore Dollar – Implied Volatility (Bid Side):-

Currency Pairs / Implied Volatilities	1 M	2 M	3 M	6 M	9 M	1 Y
USD/SGD	7.70%	7.15%	7.05%	6.925%	7.10%	7.20%

Singapore Dollar – Implied Volatility (Ask Side):-

Currency Pairs / Implied Volatilities	1 M	2 M	3 M	6 M	9 M	1 Y
USD/SGD	8.5%	7.95%	7.85%	7.725%	7.7%	7.6%

Advice: - Traders are advised to have a careful look at the Singapore Dollar Implied Vols as they may spurt in event of Risk Off environment in Global Financial Markets.

OIL Prices & Commodities Currencies – AUD, NZD, CAD, RUB, NOK

As we understand that OIL Prices are getting volatile and currently trading at $ 40/ Barrel. There is some good news for OPEC region as OIL again trading at $ 40/Barrel vs low of $ 26/ Barrel. We have saw that when OIL was at $ 26/Barrel OIL based SWF (also known as Petro SWF) took money out of Equity Markets specially Crosses, Volatility Gauges and Asian Currency Pairs.

In that regards all 5 Commodities Currencies Australian Dollar, New Zealand Dollar, Canadian Dollar, Russian Rouble and NOK were very volatile and in fact today also they are turning highly volatile as few of them are Direct Foreign Exchange Pairs and rest are Indirect Foreign Currency Pairs.

As a Trader we can clearly estimate that Vols levels in all 5 Currencies are extremely high especially Russian Rouble. Looking at the Vols Traders can very well estimate the fact that Options Derivatives are much better options than Forwards. In Options also we should be using Options Strategies like Range Forwards (Exporters), Range Forwards (Importers), Seagull, Call Spreads, Put Spreads, Digital Options, Knock in Knock out Options and respective Payoffs.

Implied Volatilities of Currencies ~ Rolling 1 Year Period

Time Period	AUD Implied Vols (Bid)	AUD Implied Vols (Ask)	NZD Implied Vols (Bid)	NZD Implied Vols (Ask)	CAD Implied Vols (Bid)	CAD Implied Vols (Ask)	RUB Implied Vols (Bid)	RUB Implied Vols (Ask)	NOK Implied Vols (Bid)	NOK Implied Vols (Ask)
1 M	11.91%	12.30	12.65	13.25	11.275	11.775	22.7500	26.2500	9.153	10.150
3 M	11.95%	12.35	13.50	14.05	11.050	11.550	22.9000	26.4000	10.350	11.350
6 M	12.05%	12.50	13.4	13.95	11.050	11.450	23.9000	26.5000	10.870	11.870
9 M	12.20%	12.60	13.5	14	10.988	11.438	24.0000	25.5000	11.130	12.130
12 M	12.24%	12.63	13.45	13.95%	10.975	11.425	24.3500	26.7500	11.160	12.160

Note :- Implied Volatilies of Currencies Pairs taken from Thomson Reuters

OIL Traders to consider following points:-

1. Assuming OIL prices remains low because of strong supply rather than weak global demand, this is a scenario which would eventually be positive for USD as a Reserve Currency of the world.

2. Inflation expectation would increase in USD and further hike in Fed rates would lead to big USD strength. Well this would end up having Carry for USD as well as Reserve Carry for few Asian Currencies like USD/INR.

3. From the consumption perspective as well low OIL prices would be good for USD as US is biggest consumer for OIL followed by China.

4. India and Korea are two countries that stand out as clear winners from lower Commodity and OIL prices given the energy dependence.

5. As per few estimates with every decline in $ 10 / barrel of OIL reduces S&P EPS by $ 1 - $ 2 across segments.

6. Longer than lower Oil is not good from Capex point of view as there are already significant cuts in the capex related OIL spending known as "Energy Capex"

7. Inflation would continue to be moderate during 2016-17 largely regardless of OIL prices, although FX Pass-through mechanism may or might not work as this would largely be dependent upon Central Bank of the country.

8. As regards debt sustainability is concerned, this would be a major issue for OIL Companies as they are sitting on $ Billions of Foreign Currency Debt. If OIL would continue to trade at $ 40 then they won't be able to serve their Cash Flows in longer tenor which would surely have an impact on their Credit Ratings and subsequent Impact on CDS running in markets.

9. China would benefit a lot if OIL process would continue to stay at low levels. China will benefit from huge Current Account Surplus as their "Terms of Trade "would improve.

10. As per Editorial Desk low Inflation led by low energy prices allow PBOC (People Bank of China) which is Chinese Central Bank to move towards Accommodating Monetary Policy.

Advice from Editorial Desk: - Corporate Treasurers, Traders, Bankers are advised to hedge their Portfolio using Options Strategy. Commodities Prices are getting highly volatile especially OIL so would be the spot of all Commodities Currencies. In that regards Traders as well as Corporate Treasurers are advised to hedge their Foreign Currency Receivables as well as Payables using Options Derivatives

Companies Act 2013 / Internal Financial Controls / COSO

Purpose of the Article: - Purpose of the article is to let you know about changes in Companies Act 2013, Internal Financial Controls (IFC), Committee of Sponsoring Organizations (COSO) and effective design of Internal Controls in an organization.

According to Companies Act 2013, the term Internal Financial Controls (IFC) has been defined as the policies and procedures adopted by the Company to ensure orderly and efficient conduct of its business and variety of aspects of business. The purpose of IFC given by Companies Act 2013 is to protect both listed as well as unlisted companies against any kinds of frauds in their books provided done by insider or an outsider.

Companies Act 2013 covers the following 6 steps in an organization:-

- Changes in Reporting Framework
- Auditors Responsibility under Section 143 of Companies Act 2013
- Increased responsibility of Board, Independent Directors , Audit Committee
- Push CSR in Companies
- More emphasis on Investors Protection, Stakeholders, Shareholders
- Ease in restructuring of the Companies

IFC requirements as per Companies Act 2013:-

Section 134: In the case of a listed company, the Directors' Responsibility states that directors, have laid down IFC to be followed by the company and that such controls are adequate and operating efficiently.

Section 177: Audit committee may call for comments of auditors about internal control systems before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company

Audit committee should act in accordance with the terms of reference specified in writing by the board, which should, inter alia, include evaluation of IFC and risk management systems

Section 143: The auditor's report should also state whether the company has adequate IFC system in place and the operating effectiveness of such controls.

Schedule IV: The independent directors should satisfy themselves on the integrity of financial information and ensure that financial controls and systems of risk management are robust and defensible.

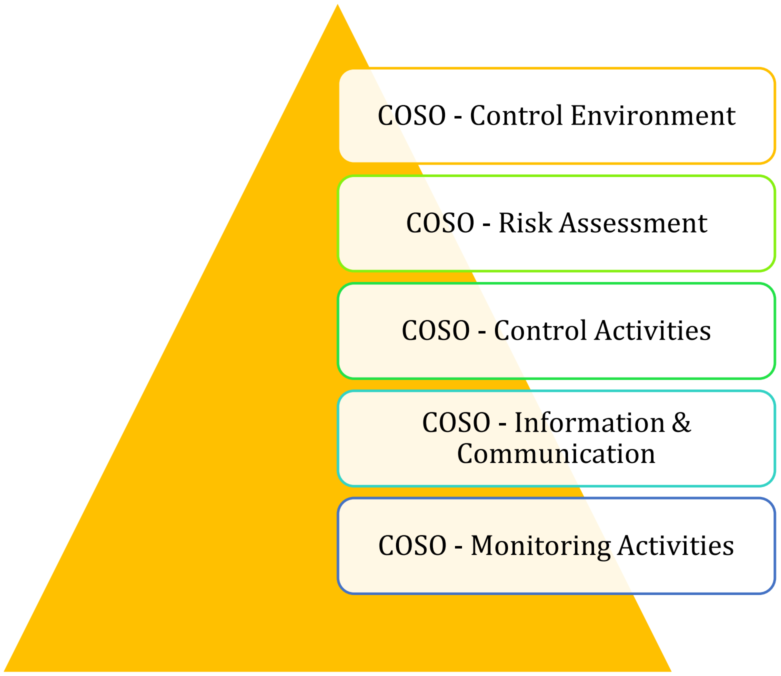
Growing role of Audit Committee post Companies Act 2013:-

Audit committees play a critical role in overseeing internal control. Although their primary focus may be on internal control over financial reporting, now, more than ever, audit committees are taking the lead in overseeing controls pertaining to compliance and operational matters. Expectations of the audit committee's role have expanded due to enhanced company and external auditor reporting requirements, along with an increased focus on compliance by regulators.

Growing Importance of COSO along with Companies Act 2013:-

The following are the 17 Principles of COSO who are also getting high importance along with Companies Act 2013, Internal Financial Controls (IFC), Audit Committee, Disclosures Committee and last but not the least Internal Controls as per Internal Audit Function.

Principles	COSO Framework
	COSO Principles – Control Environment
1	Commitment to Integrity and ethical values
2	Oversight Responsibilities
3	Establishes structures , authority and responsibility
4	Demonstrate competence to commitment
5	Enforces accountability
	COSO Principles – Risk Assessment
6	Specifies suitable objectives
7	Identifies and analysis risks
8	Assesses frauds risks
9	Identifies and analysis risks
	COSO Principles – Control Activities
10	Select and develops control activities
11	Select and develops general controls over technology
12	Develop through policies and procedures
	COSO Principles – Information & Communication
13	Uses relevant Information
14	Communicates Internally
15	Communicates Externally
	COSO Principles – Monitoring Activities
16	Conducts ongoing evaluations
17	Evaluates and communicates deficiencies



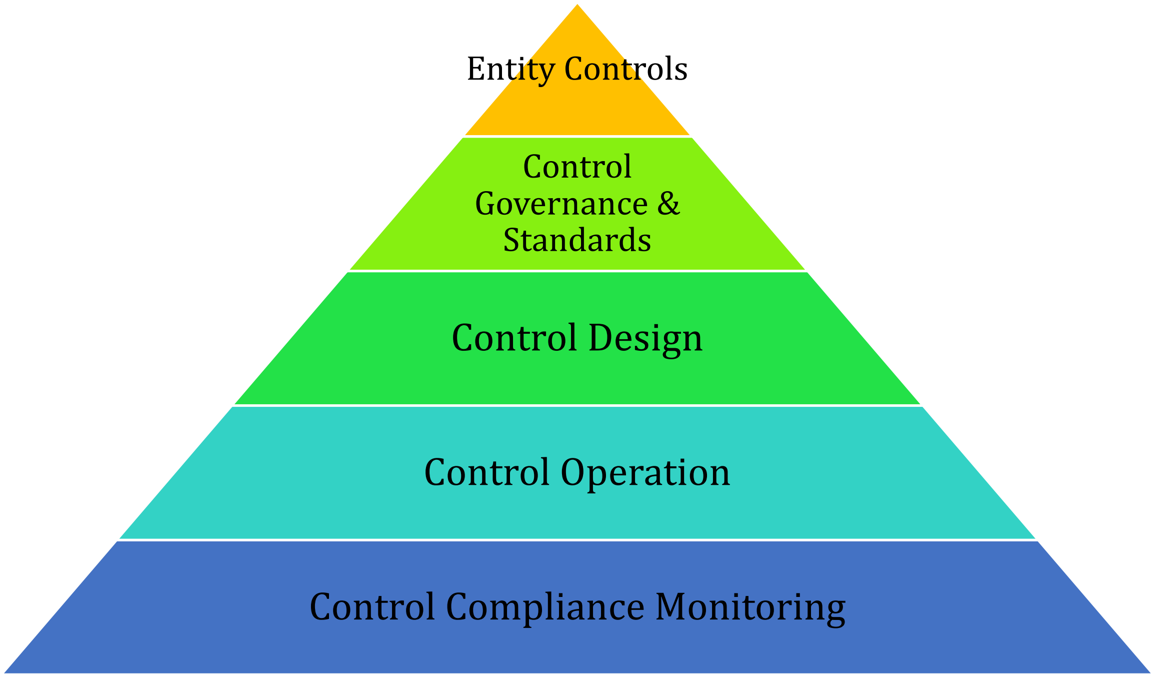
COSO and the role of the board and Audit committee:-

The 2013 COSO Framework emphasizes the role of the board of directors—and, by delegation or regulation, the role of the audit committee— in overseeing internal control, which remains an essential aspect of effective governance. In particular, the framework highlights:

• The board's role in the control environment, including providing clarity regarding expectations for integrity and ethics, conflicts of interest, adherence to codes of conduct, and other matters

• The board's assessment of the risk of management override of internal control and careful consideration of the possibility that management may override such controls

• The establishment and maintenance of open lines of communication between management and the board, and the provision of separate lines of communication, such as whistle-blower hotlines.



Important Changes in Companies Act 2013 for Listed Companies:-

- Listing agreement may be amended to bring it in line with the 2013 Act. In case of any conflict, stricter of the two is expected to apply
- Listed companies have to revisit the appointment of independent directors. The time frame during which data bank has to be prepared has not been defined
- Mandatory rotation period is a significant change and is aimed to improve objectivity of the independent director.
- The availability of qualified personnel to act as independent director could pose challenges in its implementation
- Most of the attributes listed in the code of conduct for independent directors are qualitative in nature and it may not be possible to demonstrate compliance
- Class action suit provide empowerment to minority stakeholders to come together and seek action against management, advisors and auditors of the company for mismanagement. The new risks and liabilities will definitely enforce more responsibility into the role of a director.
- Companies Act 2013 also supports limited Forensic Audits as well as establishment of SFIO (Serious Frauds Investigation Office)

Editorial Desk Advise: - As Frauds are getting rise where by you are not sure whom to trust or not. In the last several Month we saw consistent decline in the Internal Controls standards henceforth it is a great opportunity for Corporates, Banks to have Internal Control mechanism in place. Editorial Desk also advising to have Software denominated support of the Frauds & Forensics area.

Forecast of Currencies ~ Editorial Desk

Currencies	Q1'16 (EOP)	Q2'16 (EOP)	Q3'16 (EOP)	Q4'16 (EOP)
AUD/USD	.7400	.7200	.7200	.7200
NZD/USD	.6500	.5900	.5800	.5800
USD/CAD	1.3600	1.3600	1.3400	1.3200
EUR/USD	1.1000	1.0500	1.0300	1.0400
GBP/USD	1.4000	1.3800	1.3600	1.3200
USD/JPY	113.00	115.00	116.00	118.00
USD/INR	68.0000	68.6000	69.6000	69.1000

Notes: Forecasts are done using respective models created by Editorial Desk
Notes: - EOP stands End of Period

View of Editorial Desk: - we can very see the huge volatility in the currency pair during 2016. In that regards Exporters are advised to hedge their forecasted receivables using Options Contracts like Range Forwards (Exporters), Seagull (Exporters) and Buy Put Contracts.

It is always advisable to Corporate Treasurers to hedge their exposures using Seagull Contracts when exchange pairs are getting highly volatile. Seagull contracts are nothing but the sum of Buy Call + Range Forwards (Exporters) or Buy Put + Call Spread.

Risk Management Policies (RMP):-

We also need to understand that Risk Management Policy (RMP) of the Hedge Funds, Banks, Trading Desks, and Corporate Treasuries plays a very important role in the Trading strategies. As we understand that world is almost on the verge of big Neon Swan event henceforth Hedge Funds Managers, Bankers, Traders and Corporate Treasurers need to start changing their Hedging Strategies and start taking Options, Exotic Derivatives as to hedge their Receivables and Payables covering Shorter and Longer tenors.

Financial Derivatives & Analytics (FD&A)

The Financial Derivatives & Analytics helps Hedge Funds, Bankers, Traders, Corporate Treasurers, Proprietary Traders, and Quants to hedge their Portfolio covering respective positions in the markets.

Financial Derivatives & Analytics would be targeting all sorts of professionals in the Industry and over the period of time would sink with our Brand "Foreign Exchange Maverick Thinkers". A dedicated You Tube Channel "Foreign Exchange Maverick Thinkers " would launch sub You Tube Channel having detailed live videos of **"Financial Derivatives & Analytics"**

Financial Derivatives & Analytics would be covering variety of trading positions in the Magazine. To name a few:-

Assets Classes	Balance Sheet Positions	Valuation of Derivatives Instruments	Business Consulting
Equity	Contingent Considerations	Put Contracts	US GaaP
Debt		Call Contracts	IFRS
Options	Hybrid Securities	Range Forwards	Indian GaaP
Warrants		Seagull Contracts	IND-AS
Futures	Options Valuations	Call Spread	MTM Valuations
Swaps		Put Spread	
Interest Rates Derivatives	Strategic Hedging	Digital Options	Contingent Considerations
Embedded Derivatives		Ratio Back spread	Buyouts
Off Balance Sheet Exposures		Exotic Derivatives	Earn out
		Hedge Accounting	Intangibles

Valuations of Range Forwards Contracts (Exporters) ~ Range Forwards Derivatives Contracts

Today we would be discussing pricing of Cost Reduction Structures preferably Range Forwards for Exporters which is nothing but Buy Put and Sell Call.

India is one of the most conservative Foreign Exchange Markets in Asia Pacific region and henceforth Singapore is acting as World Financial Centre covering all sorts of Derivatives which India can't imagine. When it comes to Offshore Treasury Markets then Singapore is No 1 even better than other Offshore Markets like NY, LLF, Australia and Tokyo.

Pricing of USD/INR LTFX Forwards Contracts keeping spot at 66.37 levels. If today any exporter would like to price USD/INR Forwards Contracts where by Exporter is selling $ and buying INR the following are the pricing he would be getting:-

Tenor	Buy Put	Sell Call	Premiums to be pay in the books of Exporters	Traders View
1 Month	63.8998	73.2190	$ 0	Range Forwards would give you both upside and downside protection. Buy Put would give you downside protection while Sell Call would give you upside protection
3 Month	63.4840	74.2900	$ 0	
6 Month	64.3080	75.7640	$ 0	
9 Month	65.2497	77.1110	$ 0	
12 Month	66.0634	78.1580	$ 0	

Advice from Editorial Desk:-

As we understand that markets are getting highly volatile and in that regards both Exporters and Importers need to hedge their Foreign Currency Receivables and Foreign Currency Payables using Range Forwards which is one of the effective derivatives in that regards. Corporate Treasurers are advised to hedge their exposures using OTMF Buy Put and OTMF Buy Call Options Derivatives while placing their using Range Forwards Contracts.

Corporate Treasurers are most welcome to contact Editorial Desk at 91-9899242978 or email at rahulmagan8@gmail.com in case of any advice.

Valuations of Outrights vs Buy Put and Sell Call ~ Exporters, Importers

This article would let you know about pricing of Outrights Contracts for USD/INR till 12 Months period and at the same time comparing the same pricing with Options Derivatives Contracts like Buy Put and Sell Call for both Exporters as well as Importers.

As we understand that Buy Put is a contract where by Exporter is having right to sell $ at an agreed rate to Bank while Sell Call is a contracts where by Exporter is obliged to sell his receivables at an agreed rate. In Buy Put you would pay premiums while in Sell Call you would receive premiums. During Range Forwards Contracts you not supposed to receive premiums henceforth you would adjust the same in your strike using Options Moneyness.

Period	Bid Spot Rate	Ask Spot Rate	Bid Premiums	Ask Premiums	Bid Outright Rate	Ask Outright Rate	Bid Implied Vols	Ask Implied Vols	OTMF - Bid Strike	OTMF - Ask Strike	OTMF- Buy Put Pricing	OTMF- Buy Call Pricing
1 M	66.3700	66.3900	47.25	49.00	66.8400	66.8825	5.8950%	6.3160%	62.8998	73.219	$ -	$ 24.00
2 M	66.3700	66.3900	89.00	91.00	67.2575	67.3025	6.0300%	6.4510%	63.2019	73.815	$ 31.00	$ 424.00
3 M	66.3700	66.3900	125.50	127.50	67.6225	67.6675	6.1200%	6.5250%	63.4840	74.290	$ 165.00	$ 1,151.00
4 M	66.3700	66.3900	161.25	163.25	67.9800	68.0250	6.2480%	6.6646%	63.7326	74.825	$ 545.00	$ 2,142.00
5 M	66.3700	66.3900	198.25	200.25	68.3500	68.3950	6.3510%	6.7480%	64.0091	75.318	$ 1,000.00	$ 3,194.00
6 M	66.3700	66.3900	233.75	235.75	68.7050	68.7500	6.3990%	6.8010%	64.3086	75.764	$ 1,493.00	$ 4,666.00
7 M	66.3700	66.3900	274.75	276.75	69.1150	69.1600	6.4440%	6.8430%	64.6612	76.259	$ 2,213.00	$ 6,027.00
8 M	66.3700	66.3900	309.50	311.50	69.4625	69.5075	6.4640%	6.9090%	64.9724	76.711	$ 2,798.00	$ 7,292.00
9 M	66.3700	66.3900	342.50	344.50	69.7925	69.8375	6.5090%	6.9430%	65.2497	77.111	$ 3,362.00	$ 8,434.00
10 M	66.3700	66.3900	376.25	378.25	70.1300	70.1750	6.5520%	6.9270%	65.5351	77.467	$ 4,117.00	$ 9,803.00
11 M	66.3700	66.3900	408.25	410.25	70.4500	70.4950	6.5620%	6.9270%	65.8271	77.820	$ 4,681.00	$ 11,060.00
12 M	66.3700	66.3900	436.50	438.50	70.7325	70.7775	6.6010%	6.9520%	66.0634	78.158	$ 5,213.00	$ 12,366.00

Note: Bid/Ask spot rates are taken as on 18th Mar'16
Implied Volatilities are taken sitting closing date of 18th Mar'16
OTMF Buy Put is taken 1 Implied Vols away , OTMF Buy Call taken 1.5 Implied Vols away as to make it almost zero cost option

Advice from Editorial Desk: - Time has come when Corporates as well as Traders need to consider the viability of Plain Vanilla Forwards Contracts, Buy Put Options Derivatives, and Buy Call Options Derivatives in their Hedging Policy. At the same time Corporates are advised to include Short Term Forwards Contracts (STFX), Long Term Forwards Contracts (LTFX), and Cost Reduction Structures like Range Forwards in their Risk Management Policy.

Valuations of Strip of Buy Put Derivatives Contracts – USD/INR

Today we are going to discuss Strip (Series) of Buy Put Contracts of USD/INR for Exporters. As we understand that Buy Put is an Options Derivatives Contracts where by Exporter is having right to sell his $ earnings at an agreed rate (known as Moneyness of the Options Contracts) with the Bank on agreed date. Settlement of the Buy Put along with other Options Contracts to be done using Tokyo Cut (3.30 PM Tokyo or 11.30 AM IST)

While doing valuation we are taking current spot rate of 66.37005 along with 1respective premiums till 1 Year. This article is computing Buy/Put Valuations at 1M, 3M, 6M, 9M, and 12 M

Sell Side Implied Volatilities for USD/INR are as follows:-

1 Months USD/INR Implied Volatility – 5.8950%
3 Months USD/INR Implied Volatility – 6.1200%
6 Months USD/INR Implied Volatility – 6.3400%
9 Months USD/INR Implied Volatility – 6.5090 %
12 Months USD/INR Implied Volatility – 6.6010%

Pricing of USD/INR Buy Put Strip ~ 1 M till 1 Years keeping strike at respective Strikes which is Deep Out of the Money Options (D-OTMF)

1 Months Buy Put Pricing at D-OTMF Strike (62.8998) is $ 0
3 Months Buy Put Pricing at D-OTMF Strike (63.4840) is $ 165
6 Months Buy Put Pricing at D-OTMF Strike (64.3086) is $ 1493
9 Months Buy Put Pricing at D-OTMF Strike (65.2497) is $ 3362
12 Months Buy Put Pricing at D-OTMF Strike (66.0634) is $ 5213

Advice from Editorial Desk:-

As we understand that markets are getting highly volatile and in that regards both Exporters and Importers to hedge their receivables and payables. If Hedging Policy of the Corporate don't allow of having Cost Reduction Structures then Corporate Treasurers should take Buy Put Contracts where by both downside and upside is protected.

Corporate Treasurers also remembers the fact that aforesaid premiums are almost zero and in fact Hedge Accounting is allowing you to amortize such premiums in P&L.

Corporate Treasurers are most welcome to contact Editorial Desk at 91-9899242978 or email at rahulmagan8@gmail.com in case of any advice.

Valuations of Strip of Buy Call Options Derivatives ~ USD/INR

Today we are going to cover "Pricing of USD/INR Buy Call Options Derivatives Contracts ". As we understand that Buy Call is for Importers who would like to hedge their payables using Options Derivatives Contracts. Importers are having Buy Call, Range Forwards, Seagull to cover their exposures but this article would deal with Buy Call only.

While doing valuation we are taking current spot rate of 66.37005 along with 1respective premiums till 1 Year. This article is computing Buy Call Valuations at 1M, 3M, 6M, 9M, and 12 M

Buy Side Implied Volatilities for USD/INR are as follows:-

1 Month USD/INR Implied Volatility – 6.32%
3 Month USD/INR Implied Volatility – 6.5200%
6 Month USD/INR Implied Volatility – 6.800%
9 Month USD/INR Implied Volatility – 6.9430 %
12 Month USD/INR Implied Volatility – 6.950%

Pricing of USD/INR Buy Put Strip ~ 1 M till 1 Years keeping strike at respective Strikes which is Deep Out of the Money Options (D-OTMF)

1 Month Buy Call Pricing at D-OTMF Strike (73.2190) is $ 24
3 Month Buy Call Pricing at D-OTMF Strike (74.2900) is $ 1151
6 Month Buy Call Pricing at D-OTMF Strike (75.7640) is $ 4666
9 Month Buy Call Pricing at D-OTMF Strike (77.1110) is $ 8434
12 Month Buy Call Pricing at D-OTMF Strike (78.1580) is $ 12,366

These all are agreed rate however what would happen if INR would depreciate then the same Importer who booked Forward Contract is gone henceforth he is advisable to take Options Contracts which is Buy Call Options Contracts.

Sitting today the following are the premiums to be paid in case Buy Call Contracts by Importers. The amount of premiums paid can be amortized in the books till that time.

As an importer you need to understand that you are taking Buy Put contract at strike rate of OTMF which is 1.5 Implied Vol away. This would assist you to have an agreed rate in case of Options Contracts along with protection would be there in case of sudden depreciation in INR.

Advice from Editorial Desk:-

As we understand that markets are getting highly volatile and in that regards both Exporters and Importers to hedge their receivables and payables. If Hedging Policy of the Corporate don't allow of having Cost Reduction Structures then Corporate Treasurers should take Buy Call Contracts where by both downside and upside is protected.

IND-AS – Hedge Accounting as per IND-AS

As we understand that IND-AS is coming soon for Indian Corporates both Exporters as well as Importers. Well there are many Exporters as well Importers who are having variety of Derivatives Contracts in their books like Short Term Forwards Contracts (STFX), Long Term Forwards Contracts (LTFX), and Cost Reduction Structures like Range Forwards.

This article would let you know about various steps corporate need to take about Hedge Accounting in IND-AS.

- Currently, Indian accounting standards do not have a comprehensive framework for derivative instruments and hedge accounting. The current accounting for forward exchange contracts used to hedge existing balance sheet exposures is governed by AS 11 the Effects of Changes in Foreign Exchange Rates. Entities were also allowed to manage volatility in profit and loss by optionally adopting hedge accounting described in AS 30 Financial Instruments: Recognition and Measurement.

- Previously, under AS 30, non-financial items could be designated as a hedged item

- (I) in their entirety i.e. for all risks

- (ii) for foreign exchange (FX) risk

- (iii) For all risks except FX risk.

- Therefore, if an entity was hedging only a component of risk, for example the commodity component of a purchase contract, it could choose to

- (a) not apply hedge accounting for that component in isolation Month or

- (b) Designate the entire item or a proportion of it. Not applying hedge accounting or designating the entire item when this was not the intention of the economic hedge gave rise to profit or loss volatility that did not reflect the risk management objective of the hedge.

- Upon transition to the new hedge accounting model under Ind AS 109, a risk component of a non-financial item will be eligible as a hedged item, provided it is "separately identifiable and reliably measurable".

- This criteria would generally be met if the risk component is contractually specified. It is also possible that non-specified risk components meet the criteria in some cases. Allowing a closer match between the hedged risk and the hedging derivative should result in more common risk management strategies to qualify for hedge accounting and therefore, lesser volatility (i.e., ineffectiveness) in profit or loss.

- Ind AS 109 does not change how an option is designated in a hedge relationship i.e., in its entirety or just the intrinsic value. However, the new standard requires the change in the time value of an option, which can be volatile, to be recognised initially in other comprehensive income (OCI) with subsequent recognition as a basis adjustment or in profit or loss on a more predictable basis (e.g. amortised over the life of the hedge or recognised as a single amount when the hedged item affects profit or loss).

- Hedge accounting relationships would no longer have to meet the 80-125% offset criteria previously required for prospective and retrospective effectiveness testing. Instead an entity would need to demonstrate that an 'economic relationship' exists between the hedged item and hedging instrument on a prospective basis.

- This will reduce the burden of complying with the hedge accounting requirements. Under Ind AS 109, provided the economic relationship is present at the beginning of each hedged period, come the end of the period, actual hedge ineffectiveness is measured regardless of the amount. For example, if the hedge happens to be only 60% effective, then that is the effectiveness recorded (unlike previously where no hedge accounting would be applied because it falls outside the 80-125% range). This change could result in more hedging relationships qualifying for hedge accounting, especially when combined with other changes to the requirements.

Upcoming Trainings of "Foreign Exchange Maverick Thinkers"

Foreign Exchange Maverick Thinkers is launching various Trainings programs at Asia Pacific level covering the following:-

1. Treasury Workshops
2. Foreign Exchange Workshops
3. Technical Analysis Workshops (Basic Technical Analysis)
4. Technical Analysis Workshops (Advanced Technical Analysis)
5. Frauds & Forensic Accounting
6. Modelling Workshops (Financial Modelling, Cash Flow , Risk Based Modelling)
7. Basel Accord Workshops (Basel I, II , III)
8. Accounting Standards (US GaaP, IFRS, Indian GaaP, IND-AS)

Workshops are getting launched in Delhi, Mumbai, Pune, Hyderabad, Bangalore, Kolkata and Ahmedabad. At Asia Pacific level launching at Singapore, Hong Kong, Malaysia, Australia, New Zealand, Canada, London and respective countries.

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Good Luck Ladies, Gentlemen!!

Editorial Desk is already in your service..!!

You are always welcome to connect Editorial Desk at 91-9899242978, Rahulmagan8@gmail.com or Skype Connect ~ Rahul5327.

Rahul Magan Profile as Corporate Treasurer:-

As a Corporate Treasurer my role covers the following:-

- *Onshore & Offshore Treasury Risk Management*
- *Foreign Exchange Hedging*
    - *Cash Flow Hedging*
    - *Fair Value Hedging / Balance Sheet Hedging*
    - *Net Investment Hedging*
- *Foreign Exchange Risk Management*
- *Derivatives Trading, Currency Trading (Exchange Traded Markets)*
- *Fixed Income Markets (Money Markets, Debt Markets, Capital Markets)*
- *Treasury Wealth Management (All Assets Classes in Financial Markets) ##*
- *Trade Finance (Domestic , International , Digital Trade Finance)*
- *Treasury Accounting (IFRS, US GaaP, IAS (International Accounting Standards), Indian GaaP, IND-AS)*
- *Global Cash Management (Cash Flow Forecasting, Cash Reporting's)*
- *Management Reporting's (CEO Deck, CFO Deck , Investor Deck , Board Deck)*
- *Respected roles as a Corporate Treasurer*

As of today holding more than 10 Years of work experience as a Corporate Treasurer in Prominent IT (Information Technologies) Companies in India *like HCL Technologies Limited (3rd largest IT Company in India) , HCL Comnet & Systems Limited (India largest IT Infrastructure Company) and presently with EXL Service Holdings , Inc. (US Nasdaq Listed firm) which is United States based NASDAQ firm having $ 1.3 Billion Market Capitalization.*

Rahul Magan Profile as Faculty, Trainer and Mentor:-

Besides acting as a Corporate Treasurer also acting as a faculty member where by covering variety of topics for prominent forums (Institutes, Corporates, Banks, Asia Pacific Institutes, Asia Pacific Banks):-

1. Treasury Risk Management
2. Foreign Exchange Risk Management
3. Trade Finance (Domestic Trade Finance , International Trade Finance, Digital Trade Finance)
4. Frauds & Forensics – Tools based Trainings in Frauds & Forensics
5. Wealth Management (Asia Pacific Wealth Management Products)
6. Enterprise Risk Management (ERM)
7. International Accounting Standards (IFRS, US GaaP , IND-AS, Indian GaaP)
8. Business Valuation , IPR Valuation, Intangibles Valuations, Product Valuations
9. Financial Modelling, Cash Flow Modelling , Risk based Modelling

Founder of the Brand ~ "Foreign Exchange Maverick Thinkers":- Rahul also founded his own Brand "Foreign Exchange Maverick Thinkers" during College days and today the same Brand is available on all E – Platforms across the Globe like from LinkedIn till Google.

YOU Tube Channel ~ Foreign Exchange Maverick Thinkers

Our Brand " Foreign Exchange Maverick Thinkers " founded own You Tube Channel ~ " Foreign Exchange Maverick Thinkers " having more than 106 Technical Videos covering Foreign Exchange till Investment Banking.

- Foreign Exchange Risk Management
- Treasury Risk Management
- Fixing Indexes (Interest Rates Fixing , Non Interest Rates Fixings)
- Accounting Standards (IFRS, US GaaP, IND-AS, Indian - GaaP)
- Derivatives Instruments (Plain Vanilla, Exotic Derivatives)
- Fixed Income Markets
- Business Valuation
- Enterprise Risk Management (ERM)

Future Course of You Tube Channel: - In next 2 Years You Tube Channel would be adding more than 250 videos covering all aspects like Foreign Exchange Risk Management till Enterprise Risk Management (ERM). At the same time entire 200 – 250 videos would come on largest Video Channel of the world " Daily Motion ".

Would like to thanks you all 660 Subscribers to make You Tube Channel a big success where by crossed 106 videos, 80 K Videos views and 600 K minutes watched.

Best,

Rahul Magan

Founder of the Brand, "Foreign Exchange Maverick Thinkers "
Founder & Chief Editor of "The Maverick Treasurer"

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Launch of Maverick Club

Foreign Exchange Maverick Thinkers is launching "Mavericks Club "across all segments in Industry. The purpose of the Club is to sync people with practical world. Club would be charging Quarterly fees of Rs 2000 where by Club would be offering following unique facilities:-

- Update on Foreign Exchange Markets
- SMS covering tips on Foreign Exchange Markets
- Weekly email covering all important developments in Currency & Derivatives Markets
- Subscription of the Magazine "The Maverick Treasurer "along with CD of the Magazine which would cover all aspects in Video formats.
- Updates happening in Law section like Accounting Laws as well as non-Accounting Laws.
- Accounting Laws covering the following :-
    - IFRS
    - US GaaP
    - IAS (International Accounting Standard)
    - IND-AS, Indian GaaP)
    - Companies Act 2013 – Internal Financial Controls
    - Internal Risk Reporting Frameworks
    - Sarbanes Oxley Act , Unites States
    - COSO Risk Management Framework

- Quarterly Conference, workshop on agreed topics amongst all members.

Members are welcome Editorial Desk regarding membership of " Maverick Club" by writing to us at rahulmagan8@gmail.com, rahulmagan89@gmail.com , 91-9899242978 , Skype~ Rahul5327 in that regards.

Best,

Rahul Magan

Founder of the Brand, "Foreign Exchange Maverick Thinkers "
Founder & Chief Editor of "The Maverick Treasurer"

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