# Barriers Options (PDS)

## Product Disclosure Statement ("PDS")

### Objective

The objective of this document is to provide you with relevant information about the various derivative products offered by RBL Bank. This document provides adequate information about Barrier Options, to help you understand their features, risks, benefits, an illustration of how the product works, and to assist you in making an informed decision about entering into Barrier Options, and for comparison purposes. Please read this PDS fully before entering into this transaction

Factors affecting the Value of Barrier Options

Option value depends on the prevailing spot rate, strike rate, forward rates, volatility, tenor, and interest rate differentials (forward premia)

### Costs

Any such transaction will be concluded at the all-inclusive price and there would not be any separate costs, fees and charges. The break-up of all-inclusive price will be provided as per the regulatory guidelines in place. Charges and other recoveries will be recovered separately as applicable from time to time.

### Description

Barrier FX options involves buying a vanilla call/put option or a combination of vanilla options with either a Knock-in or Knock-out Barrier event built into the structure. A knock-in event means an option is not on existence till the Knock-in level is reached on the underlying FX pair. A knock-out event means that an existing option ceases to exist when the knock-out level is reached on the underlying FX pair. The Barrier can be European or American. A European Barrier can be triggered only at Expiry, whereas an American Barrier can be triggered at any time between inception and expiry.

### Purpose

Barrier Options help the user in achieving a better hedge outcome in the form of favourable option strike or lower premium in exchange for introducing a Barrier event which may introduce the option (Knock-In) or terminate the option (Knock-out) at a pre-determined FX level.

### Termination

Termination of the transaction before the maturity date, will be done at the prevailing market rates. The termination value may either be positive (gain) or negative (loss). The termination value would be a function of the market factors like FX rate, Option strike rate, forward rates, interest rate curves, volatility, residual tenor, discounting curves etc as applicable. The illiquidity associated with market bid/offers will also impact the pricing and unwind values. These risks mentioned in this document are not exhaustive and are just illustrative.

### Illustration for USD/INR Buy Call option with European Knock-out

- Strike: Buy USD Call / INR Put at 87.55
- Spot reference: 85.65
- Forward: 1.90
- Tenor: 1 year
- Notional: USD 5 mn
- Upfront Premium: INR 15 ps/USD

## Possible Scenarios at Expiry

- USD/INR spot rate is below 87.55: For example, if USD/INR rate is 86, the Call Option will not be exercised. The buyer can buy USD/INR at the prevailing market rate.
- USD/INR spot rate is at higher than 87.55 but lower than 89.00, the Call option will get exercised. The buyer can buy USD/INR at 87.55
- USD/INR spot rate is at higher than 89.00, the Knockout Barrier will get exercised. The buyer will have to buy USD/INR at the prevailing market rate.

## Features

- Potential profit is limited to the difference between strike and Knockout level.
- Losses are limited to premia paid