



Product & Risk Disclosure – Interest Rate Collar

Interest Rate Collar

Party A – Deutsche Bank AG, Mumbai Branch; Party B – User



Product Features

- An Interest Rate Collar enables Party B to manage interest-rate risk on a floating-rate liability within a predetermined range
- The structure comprises the simultaneous purchase of an interest-rate cap and sale of an interest-rate floor on the same reference rate, notional and tenor
- The premium received from selling the floor offsets the premium payable for the cap, allowing the structure to be executed at potentially reduced/zero upfront premium

Benefits & Features

- Protects Party B against an increase in floating interest costs above the Cap Strike.
- Allows Party B to continue paying the prevailing floating rate while the reference rate remains between the Floor Strike and Cap Strike
- Can be structured with zero upfront premium where the premium received from the sold floor equals the premium payable for the purchased cap
- Can be aligned with the notional, amortization profile, payment frequency and maturity of the underlying floating-rate liability

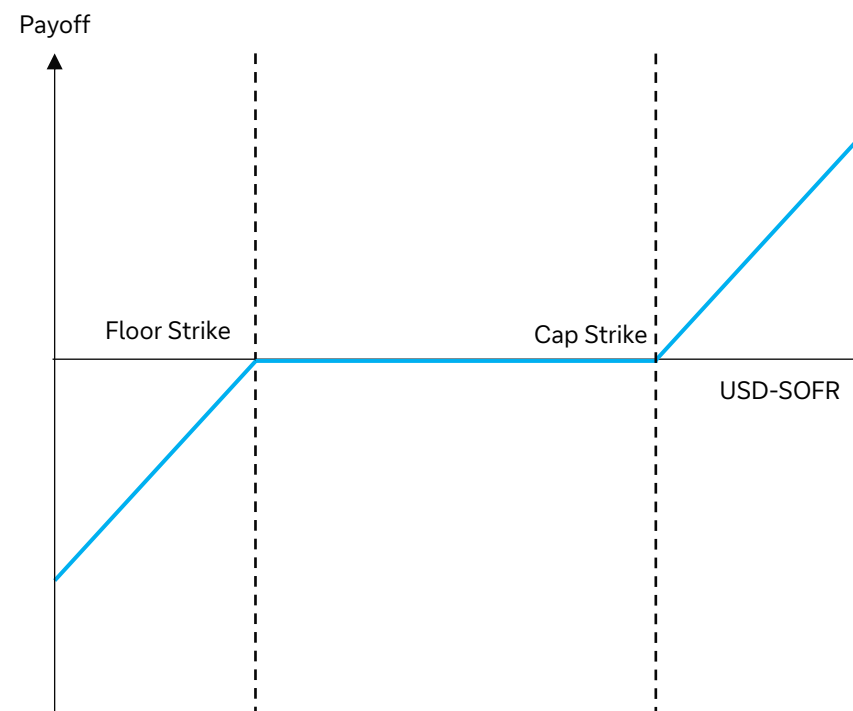
Building Blocks

- Relevant benchmark rate for the Interest Rate Collar (USD-SOFR, EURIBOR)
- Interest rate cap, comprising a series of caplets
- Interest rate floor, comprising a series of floorlets

Primary Risk Factors

- Decline in benchmark rate below the floor strike
- Bid-Ask upon unwind
- Party B remains liable for any credit margin or spread payable on the underlying

Payoff Illustration – Interest Rate Collar



Interest Rate Collar Settlement = Notional x Day-Count Convention x [max (SOFR Fixing – Cap Strike, 0) – max (Floor Strike – SOFR Fixing, 0)]

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Scenario Analysis

Scenarios below illustrate the potential quarterly settlement amounts under the Interest Rate Collar for different 3-month Term SOFR fixings, based on a USD 100 million notional, a Cap Strike of 4.70% and a Floor Strike of 3.20%.

3M Term SOFR Fixing	Interest Rate Cap Receipt	Interest Rate Floor Payment	Net Collar Payoff
1.90%	-	USD 325,000	(USD 325,000)
3.00%	-	USD 50,000	(USD 50,000)
3.20%	-	-	-
3.70%	-	-	-
4.70%	-	-	-
5.00%	USD 75,000	-	USD 75,000
6.00%	USD 325,000	-	USD 325,000

The above table illustrates possible scenarios of this Transaction and the resulting payoff. It is important for Party B to acknowledge that there is no limit to the possible scenario variations on this Transaction.

The analyses are provided to the Party B for information purposes only and Party A does not make any representation or warranty to the Party B in respect of the same. Party A shall not be liable for any errors or omissions made in calculating or disseminating the below analyses, or for any inaccuracies or flaws in the methodologies, adjustments or assumptions used in deriving the analyses

Contract terms and conditions – Option to Unwind and Early unwind date

An amount equal to Party A's total costs or loss (which shall be a positive number) or gain (which shall be a negative number) in connection with terminating all payments and contingent payments that would otherwise have been made under this transaction in the period from but excluding the relevant Optional Termination Date up to and including the originally scheduled Termination date.

Party A's total costs or loss shall include, without limitation, any loss of bargain, cost of funding, or loss or cost incurred as a result of Deutsche Bank terminating, liquidating, obtaining or re-establishing any hedge or related position.

Party A shall provide the Mark to Market value of the trade as and when desired by Party B

User has the option to unwind this trade as specified in the relevant confirmation and subject to unwind costs.

Costs and Fees

Transactions of this nature are executed at an all-inclusive price and there would not be any separate breakup and recovery of costs, fees and other charges. Breakup will however be provided as per the extant RBI guidelines. This doesn't include statutory charges/levies and same will be recovered separately as applicable.

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Market Risk

Market Risk is the risk that the value of a Transaction will be adversely affected by fluctuations in the level or volatility of or correlation or relationship between one or more market prices, rates or indices or other market factors or by illiquidity in the market for the Transaction or in a related market. In particular leveraged Transactions will entail a higher degree of risk as the losses arising from a small market movement will be multiplied and you may be required to provide substantial margin at short notice to meet your obligations. Failure to meet such obligations may result in us having to liquidate your position at a loss for which you would be liable. You should also note that while we will seek to observe “stop loss” and “stop limit” orders, market conditions may prevent us from executing any “stop loss” or “stop limit” orders which may have been previously agreed.

Credit Risk

Credit Risk is the risk that we may, under certain circumstances, fail to perform our obligations to you when due.

Funding Risk

Funding Risk is the risk that, because of mismatches or delays in the timing of cash flows due from or to you under Transactions or related hedging, trading, collateral or other transactions, you will not have adequate cash available to fund current obligations.

Liquidity Risk

Liquidity Risk is the risk that due to prevailing market conditions it may not be possible to liquidate, nor to assess a fair value of your position. In addition, you should be aware that the operation of exchange rules or any power or system failure affecting electronic trading facilities may, in certain circumstances, impair or prevent us from liquidating or executing your Transactions, thus increasing the likelihood of loss.

Operational Risk

Operational Risk is the risk of loss to you arising from inadequacies in, or failures of, your internal procedures and controls for monitoring and quantifying the risks and contractual obligations associated with Transactions.

Currency Risk

Currency Risk is the risk that the profit or loss from Transactions in foreign currencies will be affected by fluctuations in currency exchange rates where there is a need to convert from the currency denomination of the Transaction to another currency.

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