

Foreign-exchange trading at LLB

LLB offers a range of options for trading in foreign exchange. Whether you want to speculate on the foreign-exchange markets or hedge your foreign-currency exposure: LLB will be the partner bank at your side, giving you access to foreign-exchange markets that is tailored to your requirements.

Why is foreign-exchange hedging important?

Foreign currencies are playing an increasingly significant role in a globalised world. This is as true for importing raw materials as it is for exporting your own products. Efficient management of foreign-exchange risks improves your planning security and your competitive edge.

If exchange rates do not move in the direction you expected, your calculations, your planning framework and the long-term success of your company could be put at risk.

The following example illustrates the issue:

You import raw materials from abroad to manufacture your product. Your calculations show that you will need to pay an invoice of more than EUR 50'000 in three months for the raw materials that are used in manufacturing your product. You can arrange to buy EUR 50'000 now for this date, which is known as "hedging". This gives you a precise exchange rate to use for your calculations.

Why is foreign-exchange hedging the right solution?

Hedging is important because it protects both your margin and your commitment to the business. Exchange rate risks involve more than just currency shocks such as the lifting of the euro exchange rate cap; they also play a part in smaller, less severe shocks. The risk of slow but steady exchange rate movements is especially acute when there are long order cycles. Foreign-exchange hedging ensures you can rely on constant margins or income over the long term.

How to go about currency risks

Dealing with currency risks is a continuous process that can be roughly divided into three stages:

1. Recognise risks

Where are currency risks hiding in your value chain?

2. Assess risks

Which are the risks or transactions that you want or need to hedge?

3. Hedge residual risks

Use suitable instruments to hedge residual risks

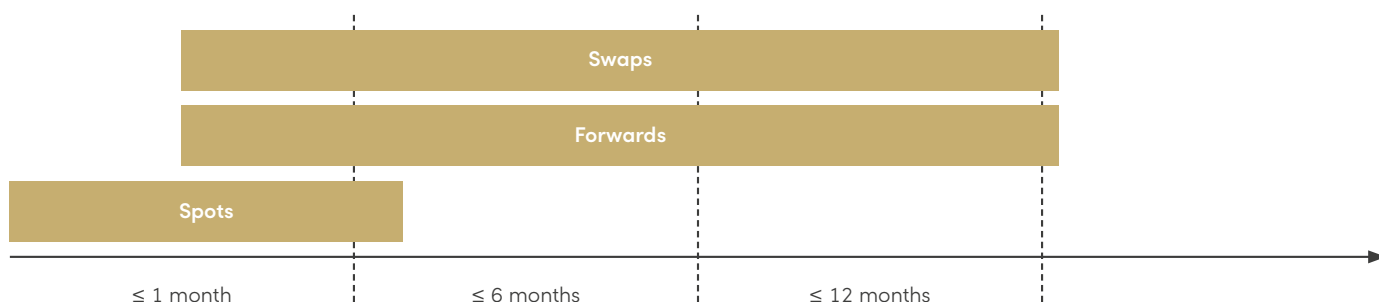


Foreign-exchange trading

You can use foreign-exchange instruments to hedge your currency risks or optimise your income.

- Spots are trades that are executed immediately, i.e. within two days.
- Forwards are financial instruments that are executed only when a future date is reached but at a value that is fixed in advance.
- Swaps are a combination of spot and forward transactions.

The following three solutions are suitable for foreign-exchange hedging:



1. Spots

Spots involve exchanging currency within two days, using the current exchange rate at the time. This way, you can ensure you always have sufficient liquidity.

Spots are the right tool for you if...

- ...you have received an invoice in a foreign currency and have to pay it immediately.
- ...you have enough liquidity.
- ...you regularly need small amounts of foreign currency that are hard to estimate in advance.
- ...you would like to exchange foreign currency that has accumulated over time.

Pros

- The interest rate level may be higher in other currencies.
- Suitable for small invoice amounts that are hard to estimate in advance.

Cons

- Your capital is tied to a foreign currency.
- You are exposed to exchange rate risk on your foreign-currency holding.

2. Forwards

Forwards involve exchanging currencies at a set date in the future, using an exchange rate that has already been fixed. This ensures that you can avoid any exchange rate fluctuations and gives your planning a solid basis.

Forwards are the right tool for you if...

- ...you need or receive a fixed amount of foreign currency at a set date in the future.
- ...you can plan your cashflow reliably.
- ...you would like to hedge your currency fluctuations but maintain your liquidity in your home currency.
- ...you wish to speculate on falling or rising exchange rates while committing only a small amount of capital.
- ...you want to fix your exchange rates over a longer period
- ...on a date of your choice (e.g. setting up a forward on a monthly basis).

Pros

- Lower liquidity requirement when the hedge is set up.
- A forward offers planning security even over a longer period

Cons

- Exchange rate fluctuations may lead to margin calls.
- Coordinating foreign-currency payments with the foreign-exchange instrument requires a certain amount of planning.

3. Swaps

Swaps are a combination of spot and forward transactions.

Exchanging the currency immediately allows you to hedge the foreign currency at the current exchange rate. The(re) purchase takes place at a set date in the future, using an exchange rate that has already been fixed.

Swaps are the right tool for you if...

- ...you need the foreign currency later than you originally planned (e.g. if there is a delay in payment or delivery).
- ...you wish to extend your existing or maturing forward.
- ...you have a foreign-currency balance that you wish to invest.
- ...you want to use a currency swap to improve your liquidity in a foreign currency, when the amount required is actually available but not in the currency you need at that time.

Pros

- Lower liquidity requirement when the hedge is set up.
- A swap offers planning security even over a longer period.

Cons

- Exchange rate fluctuations may lead to margin calls.
- Coordinating foreign-currency payments with the foreign-exchange instrument requires precise planning.

In principle, you can choose from several ways to execute your banking transactions. Whether you decide to involve your client adviser, use e-banking or our forex trading tool depends entirely on your requirements and on your trading volume.

Your benefits at a glance

	Client adviser	E-Banking	Forex trading tool
Hedging foreign-exchange risks	✓	✓	✓
Personal contact	✓	x	x
Online access	x	✓	✓
Availability	8/5	24/5	24/7
Minimum trading value in CHF	x	x	10 million



Your client adviser

Your client adviser is there to support you with your banking and foreign-exchange transactions. You can discuss all of them with your client adviser and execute the transactions directly over the phone during the Bank's opening hours.

Trading together with your client adviser is recommended if...

- ...you prefer the personal touch.
- ...you wish to hedge your foreign-currency risks.
- ...you want to trade during the Bank's opening hours.



E-banking

LLB also gives you the opportunity to trade in foreign currencies through e-banking. Whatever instrument you would like to execute – a spot, a forward or a swap – LLB will provide you with a tradable exchange rate on working days, even outside the Bank's opening hours (24/5).

Trading via e-banking is recommended if...

- ...you wish to hedge your foreign-currency risks.
- ...you have a large volume of receipts and payments in foreign currencies.
- ...you want to trade independently on the foreign-exchange markets on working days.
- ...you would like to execute banking transactions wherever and whenever you wish.



Forex trading tool

LLB's forex trading tool offers you an online solution that meets the most demanding trading requirements. You can follow price movements on the foreign-exchange markets in real time and trade at the right moment for you.

Trading via the forex trading tool is recommended if...

- ...you are a professional investor.
- ...you would like to speculate on the foreign-exchange markets.
- ...your annual trading volume exceeds CHF 10 million.
- ...you want to trade independently on the foreign-exchange markets on working days.
- ...you would like to execute banking transactions wherever and whenever you wish.
- ...you wish to monitor exchange rates in real time.

Additional information

llb.li/fx

Contact

If you have any questions, please call your client adviser or our Customer Service Center on +423 236 80 27.