

Foreign exchange product guide

# Spot Contract

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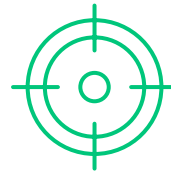
# Spot Contract

An agreement to exchange one currency for another at an agreed rate, usually for settlement within two working days from the trade date.

## Product variables

- Notional amount
- Currency pair
- Settlement date
- Spot rate

## The benefits



Provides a known rate of exchange upfront, giving certainty of cross currency cashflow



Same day delivery is available, to help ensure timely payment



Simple and easy to use

## Key risks



Should the contract no longer be required, the cost of unwind will be determined by the prevailing market rate at the time and will be payable by the client

# An application of a Spot Contract

UK-based company Acme Ltd has operational expenses in USD and needs to pay an invoice for USD 500,000.

To do so, Acme Ltd executes a Spot Contract:



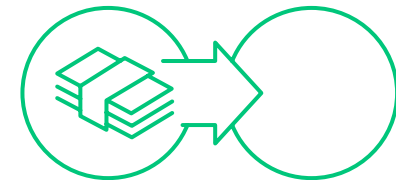
Acme Ltd sells GBP and buys USD in the market at a rate of 1.2100,



for settlement in two working days.



Upon settlement of the GBP,



the USD 500,000 is **delivered** to a **nominated bank account**.

# Glossary



**Notional amount** – The volume of the transaction (how much currency is being bought or sold).

**Settlement date** – The date on which the spot contract is settled, i.e. when the currency amount is delivered. Settlement of a spot contract usually occurs within 2 working days after the trade is executed, for some currency pairs it is the next working day.

**Currency pair** – The two currencies involved in the exchange, where the value of one currency is quoted against the other.

**Spot rate** – The rate available for immediate settlement of the currency.

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