Forward Contracts

Virtual Trading Desk Version 2

January 2001

Contents

What is a Forward Contract?

A Forward Contract is an agreement to settle a Foreign Exchange transaction for a fixed amount, at a fixed rate, on a future date. Forwards can be settled either by a draft or wire.

Forward Contracts are an easy way to provide a hedge against the risk of fluctuating exchange rates. They allow you to know in advance, the cost of any future exchange payments you may have to make to suppliers, or the revenue to be generated from incoming foreign payments.

NOTE: Forward Contracts are not used for speculation purposes, but are simply a method of managing exposure to risk.

Creating a Forward Contract

Creating a Forward Contract is easy, you simply enter the particulars of the payment you want to make, request a Quote to check the latest Forward Contract rate and then place your order.

➤   **To Create a Forward Contract:**

1.   On the Virtual Trading Desk welcome page, click the **Forward Contract** button. The Create Forward Contract page will appear.

2. In the **Direction** box, select **Sell** (if you are selling a currency), or **Buy** (if you are buying a currency).

3. In the **Contract Type** box, select one of the following Contract Types:

Open   Select **Open** if you want to provide for a window of time—from two days to two months—during which payments may be made from the Forward. Forwards of this type are the right choice when the exact date on which funds will be required is not known at the time of booking.

Fixed   Select **Fixed** if you want to have a specific end date on which the Forward Contract must be paid in full. Forwards of this type are the right choice when the exact date on which a future transaction will occur is known at the time of booking.

Specify whether the Forward Contract is a Buy or Sell order.

Click to select either Open or Fixed contract type.

4. In the **Contract Amount** box, enter the amount of the Forward Contract.

5. In the **Currency** box, select the currency for your Forward Contract.

6. If you selected Open as your Contract Type, you will need to do the following:

    i.   In the **Open Date (DD-MON-YYYY)** field, type the beginning date of the open period. Don't forget to include the dashes between the days, months and years.

    ii. In the **Maturity Date (DD-MON-YYYY)** field, type the end date of the open period.

    NOTE: If you selected a Fixed Contract Type, the Open Date field will not be available. The Booking Date shown is the date you booked the Forward Contract.

If you selected an Open contract type, make sure you enter the Open and Maturity Dates.


Click Save as Template to save the Forward Contract as a template.

7. Type any applicable comments in the **Comments** field.

8. Click **Save as Template** to save the Forward Contract.

    A message will appear, "Confirmation. Forward Contract is saved successfully and will be referred by a number [#number] in future."

    To find out more about Templates, see the "*Online Help*" or the *"VTD Help Reference Manual"* beginning on page 9.

9. Once you have saved the Forward Contract, the next step is to select one of the following:

■   **Quote** if you would like to find out the latest Forward Contract rate. See *"Requesting a Quote for your Forward Contract" on page 7*.

■   **Quote and Order** if you would like to order your Forward Contract. See *"Requesting a Quote and Ordering your Forward Contract" on page 8*.

Click Quote and Order to place your order.
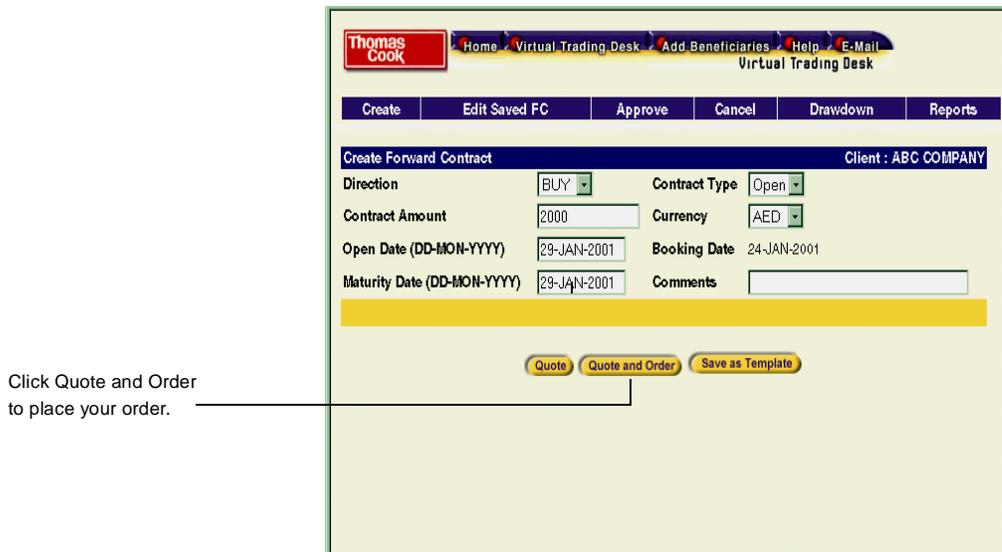
NOTE: If your organization requires you to obtain approval for your Forward Contracts before the order can be placed, select **Post for Approval** and see *"Posting your Forward Contract for Approval" on page 9.*

Requesting a Quote for your Forward Contract

Before you place your order, you can obtain the latest Forward Contract rate by selecting Quote on the Create Forward Contract page. See the example on the previous page.

Virtual Trading Desk will provide you with the latest rate and the cost of the Forward Contract in the base currency. You can request a quote as many times as you like.

➤   **To Request a Quote for your Forward Contract:**

1.   Once you have entered your Forward Contract information, click **Quote** on the Create Forward Contract page to obtain the latest exchange rate for your Forward Contract. The quote page will appear.

Quote shows the exchange rate and the cost in the base currency.

Click Quote and Order to place your order.

2.   After viewing your Quote, do one of the following:

■   Click **Quote and Order** to place your Order. See the following page.

■   Click the **Back to Create Page** button to return to the Create Forward Contract page.

Requesting a Quote and Ordering your Forward Contract

You can obtain the latest Forward Contract rate at the same time you place your order, by selecting Quote and Order on the Create Forward Contract page.

⚠ IMPORTANT: Once you click on Quote and Order, your order is placed immediately and you cannot cancel the order online. If you want to cancel the order, you must call your Thomas Cook representative immediately.

➤ **To Quote and Order your Forward Contract:**

1.   Click **Quote and Order** on the Create Forward Contract page.

Use this reference number to track individual Forward Contracts.

Shows the exchange rate and the cost in the base currency.

A message will appear, stating that your Forward Contract has been approved and will be sent to your branch administrator.

⚠ NOTE: Depending on payment and credit terms, a deposit may be required.

2.   Click the **Back to Create Page** button to return to the Create Forward Contract page.

Posting your Forward Contract for Approval

If your organization requires you to obtain approval before the Forward Contract can be placed, select Post for Approval on the Quote page to start the authorization process as shown in the example below.

Click Post for Approval.

➤ **To Post your Forward Contract for Approval:**

1. Click **Post for Approval** on the Quote page (or Create Forward page).

Use this Reference Number to track individual Forward Contracts.

A message will appear, stating that your Forward Contract has been sent for approval and you will be informed by e-mail once it is approved. See *"Approving an Order" on page 15*.

Editing a Forward Contract

There may be times when you will need to change some aspects of an approved or saved Forward Contract. To do this, you simply go to the Edit Saved FC page and make your changes.

➤ **To Edit a Saved Forward Contract:**

1.   Click the **Edit Saved FC** tab.

The Edit Forward Contract Details will appear.

Each saved Forward Contract is assigned a Web Reference Number.

Click on the Web Reference Number to edit the Forward Contract.

2.   In the **Web Reference Number** column, click on the Web Reference Number of the Forward Contract you want to edit.

The Edit Forward Contract page will appear.

Make your
changes and click
the Save button.

3. Make the necessary changes to your contract and click the **Save** button. The Edit Forward Contract (s) Details page will reappear showing all saved contracts.

■ If you want to request a Quote or place an order, click either the **Quote** or **Quote and Order** buttons. See *"Requesting a Quote for your Forward Contract" on page 7* or *"Requesting a Quote and Ordering your Forward Contract" on page 8* for instructions.

■ If you would like exit the Edit Forward Contract page without making any changes, then click the **Back** button.

Deleting a Forward Contract

There may be times when you will want to delete a Forward Contract. To do this, you simply go to the Edit Saved FC page and make your changes.
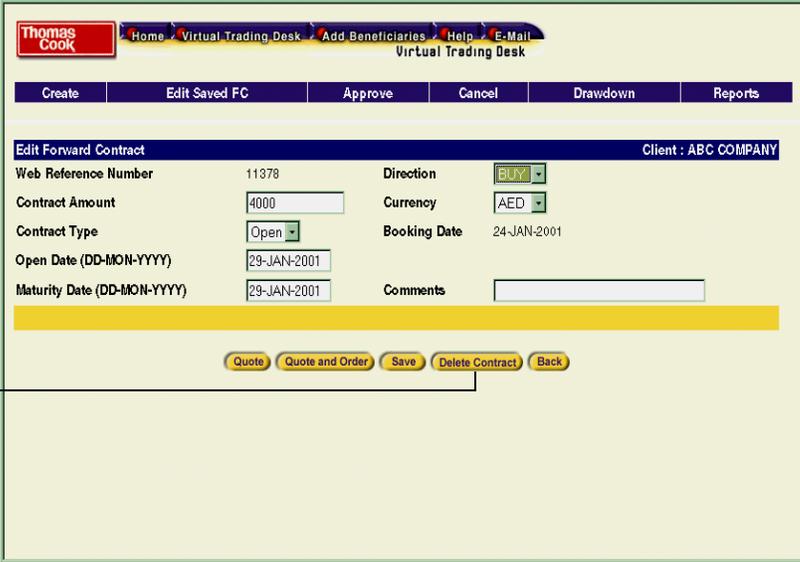
➤   **To Delete a Forward Contract:**

1.   Click the **Edit Saved FC** option.

The Edit Forward Contract Details will appear. See sample screen on page 11.

2.   In the Web Reference Number column, click on the **Web Reference Number** of the Forward Contract you want to delete.

The Edit Forward Contract page will appear.

Click to delete the Forward Contract.

3.   Click the **Delete Contract** button.

A message will appear, stating "This record is going to be deleted!"

4.   Click **OK** to delete, or **Cancel**, if you do not want to delete the contract.

Approving or Rejecting Forward Contracts

If your company has an approval process then each Forward Contract must be sent for approval before the order can be placed.

Once an order has been sent for approval, an e-mail will be sent to those individuals in your organization who have been designated as Approvers nofifying them of a pending Forward Contract order. They can then access the Approve Forward Contract Detail page, and do any of the following:

- Obtain a new quote
- Approve the order.
- Reject the order.

Accessing the Approve Page

1. Click the **Approve** option.

   The Approve Forward Contract(s) Details page will appear displaying all orders requiring approval.

Click on the Forward Contract you would like to approve or reject.

2. In the **Web Reference Number** column, click on the Order that you would like to approve.

    The Approve Forward Contracts page will appear displaying the details.

Review the order and then click Quote and Order to approve, or Reject to reject the order.

Obtaining a Quote before Approving or Rejecting

1. On the Approve Forward Contracts page, click **Quote**.

    The Quote page will appear showing the current exchange rate for the order. See *"Requesting a Quote for your Forward Contract" on page 7*.

2. After viewing your Quote, do one of the following:

    ■ Click **Quote and Order** to place your order. Then, see *"Accessing the Approve Page" on page 13* to select for approval.

    ■ Click the **Back to Create Page** button to return to the Approve Forward Contract page.

Approving an Order

1.   Review the details of the order and click **Quote and Order** to approve.

The Quote page will appear showing the current exchange rate for the order.

A message indicates the order is approved and, if applicable, to whom it has been sent for additional approval.

A message will also be displayed, stating that the order has been approved. If the order requires more than one approver, the message will indicate to whom the order has been forwarded for additional approval.

2.   Once you have finished, click **Back to Approve** page to approve another Forward Contract, or exit VTD.

Rejecting an Order

1. Click **Reject**, if you would like to reject the Forward Contract order.

    The Explorer User Prompt will appear.

2. Type the reason for the rejecting the Forward Contract Order and click **OK**.

    A message will appear, stating "By pressing OK, this Forward Contract cannot be quoted or ordered. Confirm?"

3. Click **OK** to confirm your rejection, (or **Cancel** to cancel the rejection).

    Once the order has been rejected, an e-mail with comment is sent to the person originating the order notifying them of the rejection.

Using Forward Contract Drawdowns

When you create a Forward Contract you must specify a maturity date. The maturity date is the final settlement date of the contract. If you create an open Forward Contract, you must also define an "open date" period which specifies the time period when you will begin to have access to your funds, prior to the maturity date.

Two days before your contract open period begins, you will receive an e-mail stating that you will have access to the contract funds in two days and can begin drawing down the contract amount. You can either draw all of the amount, or portions of the amount, during the open period.

Drawing Down a Forward Contract

To draw down a Forward Contract you simply enter the particulars of the drawdown payment you want to make and place your order.

➤ **To Draw Down a Forward Contract:**

1. On the Create Forward Contract page, click the **Drawdown** option. The Draw Down Forward Contract page will appear listing all Forwards that have become open.

Each saved Forward Contract is assigned a Forward Contract Reference No.

Click on the Forward Contract that has matured.

NOTE: Only those Forward Contracts whose Open Date or Maturity Date has been met will appear.

2.   Click on the Forward Contract that has matured. The Draw Down Forward Contract page will appear.

Click **Quote**, if you want to obtain a spot quote for an amount in addition to your drawdown amount.

Use the **Quote and Order** button to obtain the latest exchange rate and place your order.

If required, click **Post for Approval**. An e-mail will be sent to your approver.

If the payment you want to make exceeds the Remaining Amount, enter the additional amount you require.

Shows you at a glance the remaining amount that can be drawn on the forward contract.

Only the Beneficiaries associated with the payment currency will be alpbhatecially displayed.

NOTE: The Draw Down Forward Contract page can only be opened when one or more Forward Contracts are due.

3.   If you want to use an existing template, click **Append Template** and select a template from the list shown. The template will be added to the Draw Down Forward Contract

To find out more about Templates, see the "*Online Help*" or the *"VTD Help Reference Manual"*.

4.   In the **Product** column, select your method of payment— Wire or Draft.

The currency for the Forward Contract is already displayed.

5. In the **Drawdown amount** column, enter the amount of your payment.

🛈 NOTE 1: If you know the domestic amount of the drawdown payment, but are unsure of the Foreign Exchange (FX) amount, simply enter an asterisk(*) before the domestic amount of your payment and VTD will calculate the correct foreign payment amount.

NOTE 2: You can draw down an amount in excess of the Forward Contract remaining amount, by entering the amount in the Additional Amount column and requesting a spot quote based on current exchange rates. See *"Requesting a Spot Order in Addition to your Drawdown Payment" on page 21.*

6. In the **Beneficiary** column, accept the current Beneficiary, or select a new one from the drop-down box.

7. In the **Comment** column, enter any applicable comments, e.g. Invoice number.

8. To place your draw down payment, do one of the following:

    ■   Click **Quote and Order** to place your draw down payment. See *"Placing your Drawdown Order" on page 20.*

    ■   If your organization requires you to seek approval prior to ordering a draw down payment, click **Post for Approval.** The procedures to follow are the same as posting a spot order for approval. See *"Contact Ordering Limits"* in the *"VTD Text Guide".*

🛈 TIP: In addition to entering your drawdown amounts and beneficiaries you can also perform the following additional tasks on the Draw Down Forward Contract page.

    ■   If you want to clear the information you entered from the form, click the **Clear Form** button.

    ■   If you want to add another row to the page, click the **Add Rows** button. A new numbered row will appear at the bottom of the page.

    ■   If you want to delete a row, click the **Del** box at the end of the row you want to delete and then click **Delete Checked Items**. The row will be removed.

    ■   If you want to save the drawdown as a template, enter a name for the template and then click **Save Template**. To find out more about Templates, see the *"Online Help"* or the *"VTD Help Reference Manual".*

Placing your Drawdown Order

1. Click **Quote and Order** on the Draw Down Forward Contract page. The Quote and Order Page will appear.

The details of your draw down order payment are displayed.

A breakdown of each drawdown item (payment or spot order) will also be shown.

The additonal amount you requested is shown as a Spot Order. See *"Requesting a Spot Order in Addition to your Drawdown Payment" on page 21*.

2. To download a receipt of your order, click the **Download** button. The File Download dialog box will appear.

    ■   If you want to open and view the drawdown receipt, click **Open this file from its current location**. You can use any text file reader to view the file, e.g. Windows Notepad, Microsoft Excel, etc.

    ■   If you want to save the drawdown receipt, click **Save this file to disk**. The file will be downloaded to the directory you specified. Click **Close** to exit the Download Complete dialog box.

Requesting a Spot Order in Addition to your Drawdown Payment

There may be times when you will want to draw down an amount in excess of the amount remaining on your Forward Contract. You can do so by entering the amount on the Draw Down Forward Contract page and requesting a spot order.

➤ **To Request a Spot Order in Addition to your Drawdown Payment:**

1. On the Draw Down Forward Contract page, enter the amount in the **Additional Amount** column as shown in the example below.

Click Quote to obtain the current exchange rate.

Enter the amount of the Spot Order in the Additional Amount column.

2. Click **Quote** to view the current exchange rate and drawdown amount.

The quote page will appear showing your order.

The additional amount you ordered will be shown as a spot quote.

A breakdown of the spot order item will also be shown.

3.   Do one of the following:

■   Click **Quote & Order** if you want to place your spot order. See "*Quote and Order in the VTD Text Guide*".

■   If you require approval prior to your spot order being placed, click **Post for Approval**. See *"Contact Ordering Limits* in the *VTD Text Guide*".

■   Click **Cancel** to cancel the quote.

■   Click **Back** to return to the Draw Down Forward Contract page.

Generating Forward Contract Reports

The Forward Contract Reports provides you with an efficient way to track and monitor your outstanding Forward Contracts. There are two reports available:

Outstanding Forward Contracts: Lists all of your outstanding Forward Contracts.

Drawdown History: Provides a detailed breakdown of each of your drawdown payments.

Generating an Outstanding Forward Contracts Report

1. On the **Create Forward Contract** page, click **Reports**. The Reports page will appear.

Select Outstanding Forward Contracts as your Report type.

2. In the **Select a Report** box, select **Outstanding Forward Contracts**.

3.   In the **Sort By** box, do the following:

i.   Select how you would like the records displayed in the report by Reference Number, Contract Amount, Unutilized Amount, Contract Type, Direction, Booking Date, Open Date or Maturity Date.

ii.   Select **Ascending**, if you want your records sorted from lowest to highest, or **Descending**, if you want your records sorted from highest to lowest.

Select the sort method and the order in which the records in your report are displayed— Ascending or Descending

Use the search parameters to limit the number of records that will appear in your report. Click Select All if you want to apply all of the search parameters.

4.   In the **Search Parameters** boxes, do the following:

i.   Use the search parameters to limit the number of records that will appear in your report by Amount, Transaction Date, Maturity Date, Currency or Reference Number. Click the box beside the search parameter(s) you want to select.

NOTE: Click the Select All button if you want to apply all of the Search Parameters to your report. When you click Select All, the report will appear in a separate window. You do not need to click Generate Report.

ii.   Use the "equal to", "less than", "greater than" "less than or equal to" or "greater than or equal to" parameters to further limit the number of records that will appear in your report

For example, let's say you want to create an Outstanding Forward Contracts report that showed only those Forward Contracts in the amount of $3,000 or more.

To accomplish this you would do the following:

a.   Select the **Amount** search parameter.

b.   Select "**greater than**".

c.   Enter $3,000 in the blank field.

Only those Forward Contracts in excess of $3,000 will appear in your report.

Use the "greater than, equal to, etc. parameters to further limit the records in your report.

Use the "AND" or "OR" operators to combine one or more search parameters.

Click to create your report.

iii. Use the "AND" or "OR" operators to combine one or more search parameters. See the sample screen capture on the previous page.

- The "AND" operator indicates that the records to appear in the report must meet both search parameter conditions.

- The "OR" operator indicates that the records to appear in the report can meet either of the two search parameter conditions.

5. Click **Generate Report**. Your report will appear in a separate window as shown in the example below.

Click Back when you have finished viewing your report.

6. Once you have finished viewing your report, click the **Back** button to return to the Reports page.

Generating a Drawdown History Report

1. On the Reports page, in the **Select a Report** box, select the **Drawdown History Report**.

   The Drawdown History Report Search Parameters will appear as shown below.

Select Drawdown History Report.

Select the sort method and the order in which the records in your report are displayed—Ascending or Descending

2. In the **Sort By** box, do the following:

   i.   Select how you would like the records displayed in the report by Reference Number, Order Number or Transaction Date.

   ii. Select **Ascending**, if you want your records sorted from lowest to highest, or **Descending** if you want your records sorted from highest to lowest.

3. In the **Search Parameters** boxes, do the following:

    i. Use the search parameters to limit the number of records that will
        appear in your report by Amount or Transaction Date (From-To). Click
        the box beside the search parameter(s) you want to select.

        🔴 **NOTE:** Click the **Select All** button if you want to apply all of the Search
        Parameters to your report. When you click Select All, the report will appear in
        a separate window. You do not need to click Generate Report.

Use the search
parameters to limit the
number of records that will
appear in your report.
Click Select All if you want
to apply all of the search
parameters.

    ii. Use the "equal to", "less than", "greater than" "less than or equal to" or
         "greater than or equal to" to further limit the number of records that
         will appear in your report.

    iii. Use the "AND" or "OR" operators to combine one or more search
         parameters:

         ■ The "AND" operator indicates that the records to appear in the
            report must meet both search parameter conditions

         ■ The "OR" operator indicates that the records to appear in the
            report can meet either of the two search parameter conditions.

For example, let's say you wanted to create a Drawdown History report that showed only drawdown amounts in the amount of $3,000 or more for the period of 1 November to 15 November.

To accomplish this, you would do the following:

a.   Select the **Amount** search parameter.

b.   Select "**greater than**".

c.   Enter $3,000 in the blank field.

d.   Select the **AND** operator.

Only those drawdown amounts in excess of $3,000 that were transacted between 1 November and 15 November would be selected.

Use the "greater than, equal to, etc. parameters to further limit the records in your report.

Use the "AND" or "OR" operators to combine one or more search parameters.

Click to create your report.

4.   Click **Generate Report.** Your report will appear in a separate window as shown below.

Click to view details of the order.

5.   If you want to view the details of a specific Drawdown Order, click the applicable **Order ID**.

The Order Details page will appear as shown on the following page.

Displays your drawdown payment details.

Click to see the next or previous order in your Drawdown History.

The Order Details page will display the drawdown details for your order. If you wish, you can append this order to your current order eliminating the need to manually enter the drawdown details.