

This product disclosure statement only highlights the key features and risks of this OTC derivative product (the “Product Disclosure Statement”). Counterparties/Users are advised to request, read and understand the Product Disclosure Statement and all other disclosure documents before deciding to transact.

## Bond Forward Rate Agreement (FRA)

Date : [03 April 2023 ]

### STATEMENT OF DISCLAIMER

The Product Disclosure Statement in relation to this Forward Rate Agreement (the “Transaction”), includes only indicative terms, conditions and risks (including all indications as to costs, returns and cash flows) associated with the Transaction and although the information set forth below is reflective of the terms, conditions and risks as of a specified date, and is based on current assumptions and market conditions under which JPMorgan believes the Transaction can be carried out, no assurance can be given by JPMorgan that the Transaction could in fact be executed and JPMorgan is not obliged to enter into the Transaction. Information herein is believed to be reliable but JPMorgan does not warrant its completeness or accuracy. This should also not be taken to indicate that JPMorgan recommends the Transaction. Opinions and estimates constitute JPMorgan’s judgment and are subject to change without notice. Examples shared are for illustrative purposes only and any past performance is not indicative of future results. Counterparty/User is advised to make an independent review and reach its own conclusion and judgment regarding whether the Transaction is appropriate and proper for it. Counterparty/User needs to consult its own advisors regarding the legal, credit, tax, accounting or any other aspects including suitability implications of the Transaction for its own particular circumstances. This Product Disclosure Statement is not intended as an offer or solicitation for the purchase or sale of any financial instrument. This Product Disclosure Statement has been prepared by JPMorgan Sales and Trading personnel and is not the product of JPMorgan’s Research Department. It is not a research report and is not intended as such. JPMorgan or a company or person connected or associated with it may be an underwriter or distributor of, or a market maker or otherwise hold a long or short position as a principal in, a security or financial instrument (or in options, futures, or other derivative instrument related thereto) connected with the Transaction described in this Product Disclosure Statement. JPMorgan is the marketing name for J.P. Morgan Chase & Co. and its subsidiaries and affiliates worldwide. Client should contact analysts at and execute transactions through a JPMorgan entity in their home jurisdiction unless governing law permits otherwise. This Product Disclosure Statement is provided on a confidential basis and may not be reproduced, redistributed or transmitted, in whole or in part, without the prior written consent of JPMorgan. Any unauthorized use is strictly prohibited.

#### 1. What are the features of this product?

This is an over-the-counter (“OTC”) derivative product (the “Transaction”). This Transaction allows the user to lock-in the future bond purchase price and equivalently lock in a forward yield

of an underlying bond of the desired maturity. The Transaction can be used to hedge the price risk on a bond.

In a Forward Rate Agreement (“FRA”), the user is contractually obligated to buy an underlying bond or bond portfolio at fixed Forward Price (and thereby at the fixed Forward Yield) on a specified future date. The Transaction is cash settled. The Transaction has zero upfront payment from the user.

The market maker, JPMorgan Chase Bank, Mumbai branch, is a financial institution licensed by Reserve Bank of India.

**Variation:**

- **Buy FRA:** User holds obligation to pay a pre agreed Forward Price at the relevant Settlement Date of the Transaction and receive market value of the underlying bond on the Settlement Date

**2. Contract terms and conditions**

<b>Party A:</b>	JPMorgan Chase Bank, Mumbai branch
<b>Party B:</b>	User
<b>Trade Date:</b>	[ ]
<b>Effective Date:</b>	[ ]
<b>Termination Date:</b>	[ ]
<b>Reference Security(ies)::</b>	Issuer: [GOVERNMENT OF INDIA] ISIN: [ ] Coupon: [ ]%, Semi Annual, ISMA-30/360 Maturity: [ ]
<b>Notional Amount:</b>	[ ]
<b>Reference Yield:</b>	[ ]
<b>Settlement:</b>	Cash
<b>Forward Purchase Price:</b>	[ ]
<b>Calculation Agent:</b>	Party A (unless stated otherwise in ISDA (as defined below))
<b>Documentation:</b>	The Transaction will governed by and subject to the ISDA Master Agreement (including the Schedule, any Credit Support Annex, individual Confirmation for this Transaction and any

amendments to the foregoing documents) executed between Party A and Party B (the “ISDA”).

**Settlement Payments:** Party B receives Notional Amount x Dirty Price of Reference Security at Settlement Date  
Party A Pays Notional Amount \* Forward Purchase Price

### 3. What are the benefits of this product for the user / Party B?

This Transaction helps the user to hedge against adverse price movement in underlying bond and lock in a bond price or yield for a future date.

#### Illustration:

##### **Example of protection via Bond FRA on Indian Govt. Bond**

- Market maker is Party A, user is Party B
- Notional Amount: INR 1 million
- Forward Purchase Price: 102.35
- Face Value of the Bond: INR 100

#### Illustration of best and worst case scenarios:

**Favorable Case:** The Dirty Price of Reference Security on Settlement Date is 105.35 (i.e. above Forward Purchase Price),

- Party B receives  $\text{INR } 1\text{mio} * 105.35\% = \text{INR } 1,053,500.00$
- Party B pays  $\text{INR } 1\text{mio} * 102.35\% = \text{INR } 1,023,500.00$
- Net profit from the Transaction to the user is  $\text{INR } 30,000.00$

**Unfavorable Case:** The Dirty Price of Reference Security on Settlement Date is 98.35% (i.e. below Forward Purchase Price),

- Party B receives  $\text{INR } 1\text{mio} * 98.35\% = \text{INR } 983,500.00$
- Party B pays  $\text{INR } 1\text{mio} * 102.35\% = \text{INR } 1,023,500.00$
- Net loss from the Transaction to the user is  $\text{INR } 40,000.00$

### 4. What are the risks involved?

There are significant risks associated with the Transaction above including, but not limited to, interest rate risk, price risk, liquidity risk, and credit risk. Counterparties should consult their own financial, legal, accounting, and tax advisors about the risk associated with this Transaction, the appropriate tools to analyze the Transaction and the suitability of the Transaction in each investor's particular circumstances. No counterparty should enter into the Transaction unless that counterparty understands and has sufficient financial resources to bear the price, market, liquidity, structure, and other usual risks associated with the entering into of the Transaction.

**Interest Rate Risk:**

If INR interest rates move from their current positions, the mark-to-market value of the transaction may be adversely affected from Party B's perspective.

**Liquidity Risk:**

This Transaction is not a readily liquid instrument. There may exist a time when there is a lack of liquidity or low trading volume in the market for the Transaction, and this potential illiquidity could significantly decrease the market value of the Transaction for Party B.

**Fixing Risk:**

If the Reference Security Price for the relevant Settlement Date is lower than the Forward Purchase Price, the payments to be received by Party B will be lower than the payments to be made by Party B

**Credit Risk:**

This Transaction carries the counterparty credit risk of Party A

**Ordinary Course of Business:**

In the ordinary course of their business, JPMorgan or any of its affiliates or subsidiaries may effect transactions for their own account or for the account of their customers. In conducting such business neither JPMorgan nor any of its affiliates or subsidiaries is obliged to take into account the circumstances of the parties to the Transaction or act in a manner which is favorable to them. Such activity may, or may not affect the value of the Transaction, but potential investors should be aware that a conflict may arise.

**Potential Conflicts of Interest:**

Potential conflicts of interest may exist in the structure and operation of the strategy and the course of the normal business activities of JPMorgan or any of its affiliates or subsidiaries or their respective directors, officers, employees, representatives, delegates or agents of their normal business activities.

**5. How does the payoff profile look like?**

**Payoff of the transaction:**

Forward Purchase Price: F

<b>On Expiration Date</b>	<b>Payoff</b>
Dirty Price of Reference Security: S	On Settlement Date <ul style="list-style-type: none"><li>• Party B receives <b>S</b></li><li>• Party B pays <b>F</b></li></ul>

**6. What are the fees and charges the user will have to pay?**

Unless stated otherwise in the termsheet or trade confirmation of the Transaction agreed with the user, the price that Party A quotes to its users is inclusive of any charges, costs etc. that Party A needs to bear in order to offer the Transaction to the user.

**7. How often valuation statements will be available for user/Party B?**

Valuation statements in relation to all Transactions executed between parties, which is updated on daily basis, will be made available to Party B on the "Optimize" application present on Party A's online platform, J.P.Morgan Markets ("Optimize Platform"). Party B will be able to view and download such valuation statements from the Optimize Platform for a specific period of time as notified by Party A, from time to time. To the extent Party B wishes to receive any particular valuation statement via email or any other mode of communication, it should reach out to its representative at Party A and make a request in writing to receive such valuation statement via email or any other mode of communication as agreed between the parties. Party A shall consider Party B's request and if reasonable and operationally practicable, it will share the particular valuation statement requested via email or any alternative mode of communication with Party B.

**8. How can the user/Party B exit from this Transaction and what are the costs involved?**

Similar to any OTC derivative transaction in case Party B wishes to terminate this Transaction, either in part or in full, prior to the scheduled termination date on any business day, Party B can request Party A to provide an early termination quote, which shall take into account the mid mark to market value of this Transaction from Party A's perspective minus applicable costs which include without limitation, unwind cost, hedging cost, cost of funding, and/or other expenses.

Early termination quote will take into account, among other factors, prevailing market rates, liquidity, price factors, Party A's hedging obligations and such other factors deemed relevant by Calculation Agent in its sole and absolute discretion.

Party B shall communicate to Party A whether they would like to proceed with the early termination/unwind and that early termination quote is accepted by Party B.

- a. If the early termination quote is greater than zero, Party B shall pay such amount to Party A.
- b. Else, Party A shall pay to counterparty the absolute value of the early termination quote.

For avoidance of doubt, upon the payment of early termination quote, this Transaction shall terminate and no further amounts payable by either parties.