

# PRODUCT DISCLOSURE STATEMENT

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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.

## Interest Rate Swap

Date : [28 March 2025]

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### STATEMENT OF DISCLAIMER

The Product Disclosure Statement in relation to this Interest Rate Swap (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?

An Interest Rate Swap (IRS) is an over-the-counter (“**OTC**”) derivative product (the “**Transaction**”) which helps the user to hedge exposure arising out of fixed or floating interest rate assets or liabilities. The user exchanges fixed rate to floating rate or vice versa, or between two different floating interest rates of the same currency, at a predefined frequency (or a predefined schedule). There is no Notional Exchange in this swap.

This Transaction is suitable for users with a specific target and view on future interest rates. The client is completely hedged against interest rate risk arising due to underlying exposures of liability or asset. The transaction typically does not have an upfront fee.

The user is relying on the creditworthiness of the market maker. On the Settlement Date, the contractual Settlement Payments shall take place between user and the market maker, provided that the market maker is solvent.

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

## Variations:

- Fixed to Floating Interest Rate Swap:
- **Receiver Swap**: User receives Fixed Rate p.a. on Notional Amount and pays Floating Rate Option + spread p.a., on Notional Amount
- **Payer Swap**: User pays Fixed Rate p.a. on Notional Amount and receives Floating Rate Option + spread p.a., on Notional Amount • Floating to Floating Interest Rate Swap (basis Swap):
- User receives ‘Floating Rate Option 1’ + Spread 1 p.a. calculated on Notional Amount and pays ‘Floating Rate Option 2’ + Spread 2 p.a., on Notional Amount
- Observation Type • **Standard**: For a given Floating Rate Option, the fixing is taken ‘n’ business days prior to the Accrual Period Start Date, as per market conventions.
- **In-arrears**: For a given Floating Rate Option, the fixing is taken ‘n’ business days prior to Accrual Period End Date.
- Compounding applicability
- Compounding is not applicable
- Compounding is applicable
- Overnight Index Swaps fall under this category

## 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>	[ ], subject to the Business Day Convention

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**Notional Amount:** ☐

**Business Day Convention:** ☐

**Business Days:** ☐

**Calculation Agent:** Party A

**Governing Law:** English

**Documentation:** 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").

## Interest Exchange

### Party A Payments

**Floating Rate Option:** ☐

**Party A pays:** ☐% (or Floating Rate Option + ☐%) p.a. on Notional Amount

**Party A Payment Date:** ☐ on every ☐ commencing on ☐ and ending on Termination Date, subject to adjustment in accordance with the Business Day Convention.

**Party A Day Count:** ☐, Adjusted / unadjusted

### Party B Payments

**Party B pays:** Floating Rate Option + ☐% (or ☐% or Floating Rate Option 2+ Spread 2) p.a. on the Notional Amount

**Party B Payment Date:** ☐ on every ☐ commencing on ☐ and ending on Termination Date, subject to adjustment in accordance with the Business Day Convention.

**Party B Day Count:** ☐, Adjusted / unadjusted

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

The Transaction helps user to hedge interest rate liabilities / assets and allows them to convert from Fixed to floating rates or vice versa to potentially reduce interest cost of liabilities or hedge against interest movement impact on fixed income assets to suit internal risk management strategy and market opportunities.

- **Exposure from Fixed rate liability:** Can be converted to floating rate liability using a Receiver Swap if user expects floating rates to remain low
- **Exposure from floating rate liability:** Can be converted to fixed liability using a Payer Swap if user is unwilling to take exposure to the movements in the underlying Floating Rate Option

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- Convert from one floating rate option to another to better align with cashflows or due to other operational requirements

## **Illustration:**

### **Example of hedging floating rate** (loan interest cost of USD SOFR-COMPOUND + 0.3% p.a.) **loan via Fixed to Floating Payer swap**

- Fixed Rate Payer is Party B, Floating Rate Payer is Party A
- Notional Amount: USD 1 million
- Expiry: 2 years
- Fixed Rate: 4% p.a., A, A/360
- Floating Rate Option: USD SOFR-COMPOUND p.a., A, A/360
- Spread: 0.3 % p.a.,

<b>Favorable Scenario</b>					
Period	USD SOFR-COMPOUND Fixing p.a.	Party B Pays p.a.	Party B Receives p.a.	Hedged Loan Rate p.a.	Unhedged Loan Rate p.a.
1	4.80%	4.00%	5.10%	4.00%	5.10%
2	5.00%	4.00%	5.30%	4.00%	5.30%
<b>Unfavorable Scenario</b>					
Period	USD SOFR-COMPOUND Fixing p.a.	Party B Pays p.a.	Party B Receives p.a.	Hedged Loan Rate p.a.	Unhedged Loan Rate p.a.
1	3.30%	4.00%	3.60%	4.00%	3.60%
2	3.20%	4.00%	3.50%	4.00%	3.50%

#### **4. What are the risks involved?**

There are significant risks associated with the swap 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 swap, the appropriate tools to analyze the swap and the suitability of the swap in each investor's particular circumstances. No counterparty should enter into the swap 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 swap.

#### **Interest Rate Risk:**

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

#### **Fixing Risk:**

If Floating Rate Fixings move, the NET payments received by Party B may decrease.

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**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.

**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:**

Payoff of an Interest Rate Swap ("IRS") transaction is depicted as an example below, where user/ Party B pays fixed rate or floating rate and receives floating rate.

	On Each Fixed Rate Payment Date	On Each Floating Rate Payment Date
Fixed - Floating Receiver Swap	Party B Receives Amount = Notional <sup>1</sup> x Fixed Rate DCF <sup>2</sup> x Fixed Rate	Party B Pays Amount = Notional x Floating Rate DCF x Floating Rate Option Fixing <sup>3</sup>
Fixed - Floating Payer Swap	Party B Pays Amount = Notional x Fixed Rate DCF x Fixed Rate	Party B Receives Amount = Notional x Floating Rate DCF x Floating Rate Option Fixing
Floating - Floating Swap	Party B Pays Amount = Notional x Floating Rate 1 DCF x Floating Rate 1 Fixing	Party B Receives Amount = Notional x Floating Rate 2 DCF x Floating Rate 2 Fixing

- 1) Fixed notional or Notional as per schedule or outstanding notional depending on the terms of the IRS
- 2) Day count fraction corresponding to the respective calculation period
- 3) Fixing observation at period start or period end, as per terms of the IRS

**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 are valuation statements 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 of 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.