Early Delivery:
Importer: Buy- Sell swap
Exporter: Sell- Buy swap

④ Automatic cancellation :-

Cancellation → customer's point of view

Swap & Interest → Bank's point of view

Customer doesn't turn up on the due date.
customer's fault (crime)
penalty
↓
Swap Gain → nahi milega
Cancellation Gain → nahi milega
Interest on Net Inflow → nahi milega

Automatic Cancellation:
Importer: Sell- Buy swap
Exporter: Buy- Sell swap

Grace period = 3 days (old - 15 days)

T=0, 1st Jan — T=T, due date, 31st March — Case 1: client comes — Case 2: client comes

For what ??? Haa Bol bhai...

- I want to cancel → Automatic cancellation
- I want to execute now → Automatic cancellation & Re-booking
- I want to extend → Automatic cancellation & Re-Booking

Note: Interest will be charged from due date to cancellation date.

Sir

		Case 1	Case 2
Sir	Swap date ? →	due date 31st March	due date 31st March
	Imp Cancellation date ? →	on the date custm^r. comes	Grace Date
	Re-booking date ? →	on the date custm^r. comes	on the date custm^r. comes

Q.35	pg
CW. 13	

(1) Cancellation will take place on 20th June @ the spot TT bid rate -

spot (₹/\$) bid	63.6800
(-) exchange margin @ 0.10%	0.0637
	63.6163
r/off	63.6175

(Importer pehle buy kiya tha, cancellation pe sell krega .... ∴ ₹/\$ bid rate)

(2) Importer bought forward @ 64.4000 & later sold spot @ 63.6175

∴ Cancellation Loss = (64.4000 − 63.6175) × 200000
(cust. p.o.v.) = ₹156500

(3) Bank enters into a sell-buy swap (10th June)

sell spot @ 63.8000

buy forward @ 63.9500

∴ Swap Loss = 0.1500 i.e. 200000 × 0.1500 = ₹30000

(Isme bhi exchange margin mat lagana)

(4) Net cash outflow on 10th June

= (64.2800 − 63.8000) × 200000

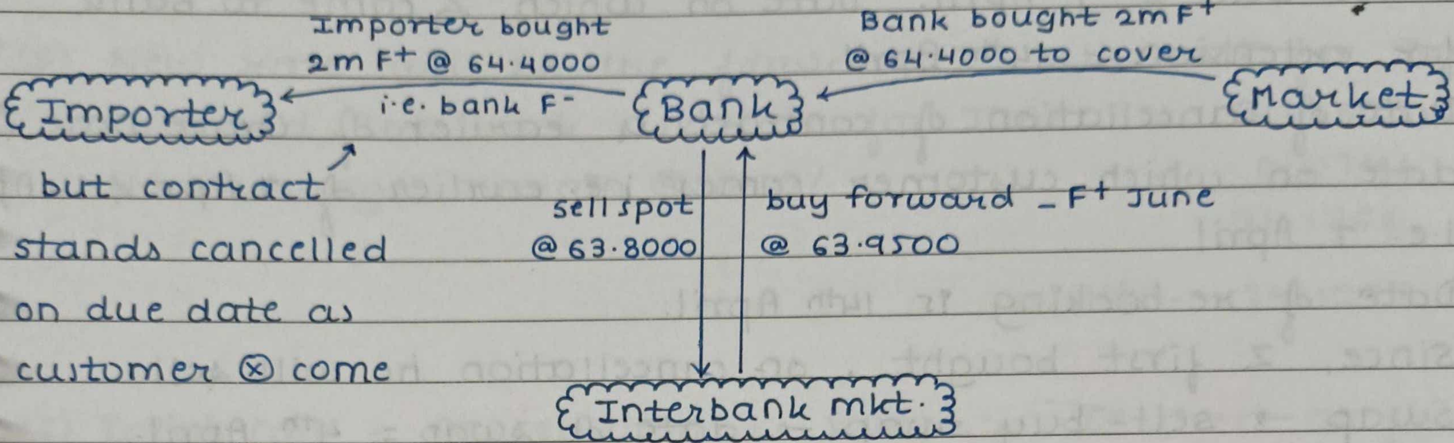
= ₹96000

Date:

Interest on outflow for 10 days

= 96000 × 12% × 10/365

= ₹316



Customer ne contract cancel kiya lekin Bank ko to market se kharidna hi pdega na due date pe....
Fir Bank, market se kharid hua interbank mkt me spot sell krega aur forward buy krega (sell-buy swap).

(5) New rate will be the forward TT buying rate for August -

Forward Interbank ask rate for august	= 64.2500
(+) Margin @ 0.10%	= 0.0643
	64.3143
r/off	64.3150

(6) Total cost:

Cancellation Loss	156500
Swap Loss	30000
Interest on outlay	316
Total cost.	₹186816

<u>Self Note</u>: Pata kaise chala ye 15 din grace period wala sum h? Agar ye 3 day grace period wala sum hota toh cancellation 13th June k rate pe hota but 13th June ka rate nhi diya h.

Part-3, Part-2

Q.36	pg
cw. 14	

Z has to remit \$100000 i.e. Z bought 3m F^t on 4 Jan @ 73.8775. Due date 4 Apr. Grace period = 3 days. Grace Date = 7 April. Date on which Z came to bank for extension = 14th April

Date of cancellation of contract is earlier of Grace Date & date on which customer comes i.e. earlier of 7 Apr & 14 Apr i.e. 7 April

Date of re-booking is 14th April.

Since, Z first bought, on cancellation he will sell

Swap → sell-buy swap → date of swap = 4th April.

(1) Cancellation will take place on 7th April @ the spot TT bid rate -

Spot (₹/\$) bid	73.1575
(-) exchange margin 0.10%	0.0732
	73.0843
r/off	73.0850

(2) Z initially bought forward @ 73.8775 & later sold spot @ 73.0850

∴ Cancellation Loss = (73.8775 − 73.0850) × 100000
= 79250

(3) Bank enters into sell-buy swap on 4th April.

sell spot @ 73.2775

buy forward @ 73.4275

Sir told icai ne Q. me mistake ki h.... Spot/March nhi Spot/April dena chahiye tha.....

∴ Swap Loss = 0.15 i.e. 100000 × 0.15 = 15000

(Exchange margin mat lagana...)

(4) Net cash outflow on 10th June

= (73.7575 − 73.2775) × 100000

= 48000

Interest on outflow for 3 days (4 Apr – 7 Apr)
= 48000 × 12% × 3/365
= 47.3 i.e. ₹47

Interest will be charged from Due Date to Date of cancellation.

(5) New rate will be the forward TT ask rate for June

Forward Interbank ask rate for June	=	74.0525
(+) exchange margin @ 0.10%	=	0.0741
		74.1266
r/off		74.1275

(6) Total cost = Cancellation Loss + Swap Loss + Interest on fund outlay
= 79250 + 15000 + 47
= 94297

Self practice : HW. Q.21], 22] pg. 09, 10

Imp

Q.21	pg
HW. 09	

2m F⁻ @ 66.8400 on \$50000 — Bank → Importer

2m F⁺ @ 66.6800 on \$50000 — Market → Bank

Importer: didn't come on due date (10/9)

Bank: sell spot @ 66.1500 ; buy sept. forward @ 66.3200

Interbank Mkt.

In each case, first the FEDAI rules of automatic cancellation shall be applied & customer shall pay following charges -

1) Exchange Difference (cancellation Loss)
2) Swap Loss
3) Interest on outlay of funds.

(1) Exchange Difference :-

(a) Cancellation Rate -

Contract will be cancelled on 20th sept at spot TT bid rate -

Spot (₹/$) bid	65.9600
(-) exchange margin @ 0.1%	0.0660
	65.8940
r/off	65.8950

(b) Amount payable on $ 50000 -

Bank sells $ 50000 @ ₹ 66.8400/$	3342000
Later buys $ 50000 @ ₹ 65.8950/$	3294750
Amount payable by customer	47250

OR

Importer initially bought $ 50000 @ 66.8400 & later sold @ 65.8950

Cancellation Loss / Amount payable on $ 50000

= (66.8400 - 65.8950) × 50000

= ₹47250

(2) Swap Loss :-

Bank enters into a sell - buy swap on 10^{th} Sept.

sell spot @ 66.1500

buy forward @ 66.3200

∴ Swap Loss = 0.1700 × $ 50000 = ₹ 8500

(3) Interest on Outlay of funds :-

Net cash outflow on 10^{th} Sept = 66.6800 - 66.1500 = 0.5300

Bank receives delivery under cover contract @ 66.6800 & sell spot @ 66.1500

i.e. 0.5300 × $ 50000 = ₹26500

Interest on outflow for 10 days

= 26500 × 12% × 10/365

= ₹87

(4) Total Cost :-

Cancellation charges	47250
Swap Loss	8500
Interest	87
	55837

(5) New Contract Rate:-

For 10th November extension, new rate will be the forward TT ask rate for November on 20th sept.

(₹/$) ask for November	66.4900
(+) Exchange Margin @ 0.1%	0.0665
	66.5565
r/off	₹ 66.5575/$

Conclusion :-

(i) Charges for cancellation = ₹55837

(ii) Charges for execution of contract :

spot buy $ 50000 on 20th sept. @ (₹65.9900/$ + 0.1% margin)

i.e. 50000×(65.9900 + 0.0660)

r/off 50000 × 65.0550	3302750
(+) Charges for cancellation of contract	55837
	3358587

(iii) Charges for extension of contract :

New forward rate	₹66.5575/$
Charges for cancellation of contract	₹55837