Subject: Re: Follow-up on EUR hedging discussion [C]
From: Paul Morris <[redacted]>
Date: Fri, 14 Nov 2014 12:43:15 -0500
To: Daniel Sabba <[redacted]>
Cc: [redacted]

Classification: Confidential

was there another idea he wanted us to come back on?

Paul Morris
Managing Director
Deutsche Bank Private Bank
345 Park Avenue, 27th Floor
New York, NY 10154
[redacted]

From: Daniel Sabba/db/-
dbcom

To: "jeffrey E."
<jeevacation@gmail.com>@DEUBAINT,

Cc: Paul Morris/db/dbcom@DBAMERICAS, Stewart [redacted], [redacted], Vahe [redacted]

Date: 11/13/2014 04:33
PM

Subject: Re: Follow-up on EUR hedging discussion
[C]

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Jeffrey, please see below. It would help our hedging if you executed this in the morning since the Euribor market just closed at 4pm EST, so the market for
the 5y forward is wider. If we executed this during London hours, we believe the market on this structure would be tighter.

Spot ref = 1.2472
Fwd points ref = 1030

Southern Financial buys Put, sells Call on EURUSD in a Risk Reversal

Put Strike: 1.2450
Call Strike: 1.4600
Notional: EUR 50,000,000
Expiry: Thu 14-Nov-2019 (5y)
Settlement: Mon 18-Nov-2019
ZoneCut: NY
Premium Date: Mon 17-Nov-2014
Put Premium Offer: USD 2,928,000 (mid would be USD 2,878,000)
Call Premium Bid: (USD 2,946,500) (mid would be USD 2,996,500)

Net Premium: Southern Financial Receives USD 18,500 (mid for the structure would be for SF to receive USD 118,500)

Please advise on how to proceed.

Daniel

From: "jeffrey E." <jeevacation@gmail.com>

To: [redacted],

Date: 11/13/2014 03:15 PM

Subject: Re: Follow-up on EUR hedging discussion
[C]

in the long put at 124 short call at 146 etc

On Thu, Nov 13, 2014 at 4:08 PM, Daniel Sabba <[redacted]> wrote:
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Could you please specify which structure/size in particular? Thank you,
Daniel

From: "jeffrey E." [jeevacation@gmail.com]
Sent: 11/13/2014 04:05 PM AST
To: Daniel Sabba
Subject: Re: Follow-up on EUR hedging discussion [C]

prices of puts and calls?

On Thu, Nov 13, 2014 at 2:38 PM, Daniel Sabba <[redacted]> wrote:
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Classification: Strictly Confidential

Jeffrey,

I met with the head of FX trading of our investment bank to discuss the EUR hedging question you posed. To build a multi-billion short, a solution would be to implement a combination of spot, forward and options transactions over the course of several trading days/weeks. We propose discussing an execution plan in case you would like to pursue that route. We wanted to share with you the following parameters, which are indications for a EUR 1bn short delta executed live in a typical trading day.

Indication Considerations:
- Spot ref 1.2450/1.2451 - a live execution of EUR 1bn spot could indicatively be done 20pips below screen bid at 1.2430
- 5y EURUSD forward mid 1.3530
- The indications below are for execution of one leg only, not all of them

as a package
- You mentioned this was a consideration for a client of yours - these indications assume standard ISDA/CSA terms
- The levels below would be improved if instead of transacting EUR 1bn delta, you did a smaller size. I have also included the levels for EUR 25mm delta

Indicative Transaction Terms (for EUR 1bn delta):
A. 5y EURUSD premium neutral risk reversal (long EURUSD put struck at 1.2450 / short EURUSD call struck at 1.4450). EUR 1.5bn notional per leg would lead to a net delta of EUR 1.05bn
B. Short EURUSD 1bn 5y forward. Forward points: 1034/1120
C. 1y EUR puts struck at 1.2450 (spot) offered at 3.10% - EUR 2.3bn notional would lead to a delta of EUR 967mm

Indicative Transaction Terms (for smaller size ~ EUR 25mm delta):
A. 5y EURUSD premium neutral risk reversal (long EURUSD put struck at 1.2450 / short EURUSD call struck at 1.4600)
B. Short EURUSD 1bn 5y forward. Forward points: 1040/1125
C. 1y EUR puts struck at 1.2450 (spot) offered at 2.90%

As you can see the pricing for smaller size is much better. Please advise on how you would like to proceed.

Best regards,
Daniel

(Embedded image moved to file: pic21085.gif)

Daniel Sabba
Key Client Partners
Deutsche Bank Securities Inc
[redacted]
Email [redacted]

(Embedded image moved to file: pic21307.gif)

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