

# Terms and conditions for currency option transactions

Valid as of 03.01.2018

## 1. General provisions

- 1.1 The terms and conditions for Currency Option Transactions (hereinafter **Service Conditions**) shall serve as the Service Conditions in the meaning of the Financial Markets Client Agreement and its annexes (hereinafter **Client Agreement**) concluded between the Bank and the Client, regulating the relations between the Bank and the Client upon conducting Option Transactions, and establishing the procedures for conducting Option Transactions.
- 1.2 The Underlying and Price Currency for the Option Transactions shall only be the currency listed in the Bank's currency list.

## 2. Definitions

- 2.1 In addition to the definitions specified in the Client Agreement, the following capitalised definitions shall apply for the Service Conditions:
  - 2.1.1 **Underlying Currency** means the currency, which has been agreed upon concluding the Transaction, and which is to be changed for the Price Currency upon the corresponding Option Transaction;
  - 2.1.2 **American Option** means an Option that entitles the Purchaser of the Option to exercise the Option at any time of its duration;
  - 2.1.3 **European Option** means an Option that entitles the Purchaser of the Option to exercise the Option only on the maturity date of the Option;
  - 2.1.4 **Price Currency** means the currency, which has been agreed upon concluding the Transaction, and which is to be changed for the Underlying Currency upon the corresponding Option Transaction;
  - 2.1.5 **Put Option** means the Option Transaction pursuant to which the Client sells the Underlying Currency for Price Currency;
  - 2.1.6 **Option** means the fixed-term right (and not an obligation), which has been assigned to the Purchaser of the Option upon the payment of the Option Premium, to demand from the Seller of the Option, during the term of exercising of the Option, the fulfilment of the Option Transaction;
  - 2.1.7 **Exercising of the Option** means the demand of the Purchaser of the Option for the fulfilment of the Option Transaction by the Seller of the Option, i.e. using the right arising from the Option Transaction according to the procedure laid down in the Service Conditions;
  - 2.1.8 **Option Premium** means the fee payable by the Purchaser of the Option to the Seller of the Option for the acquisition of the Option on the basis of the corresponding Option Transaction, irrespective of whether the Purchaser of the Option uses the Option or not;
  - 2.1.9 **Option Resale** means the waiver of the Purchaser of the Option from the Option (free of charge or for a fee);
  - 2.1.10 **Option Transaction** means the transaction concluded between the Purchaser of the Option (Client) and the Purchaser of the Option (Bank) on the exchange of the Underlying and Price Currency, in which the Purchaser of the Option holds an Option and which shall be executed only upon the exercising of the Option;
  - 2.1.11 **Base Value of the Option Transaction** means the amount of the Price Currency of the corresponding Option Transaction, which is payable for the acquisition of the established amount of Underlying Currency in accordance with the agreed exercise price of the corresponding Option Transaction;
  - 2.1.12 **Call Option** means an Option Transaction pursuant to which the Client acquires Underlying Currency for Price Currency;
  - 2.1.13 **Banking Day** means a calendar day, which is not a Saturday, a Sunday, or a national or a state holiday in the Republic of Estonia and/or a day-off in the country, which currency forms the Underlying Currency of the Transaction;
  - 2.1.14 **Transaction Account** means the current account to be used for Option Transaction-related settlements;
  - 2.1.15 **Transaction Volume** means the amount of Underlying Currency of the Option Transaction;
  - 2.1.16 **Exercise Price** means the agreed exchange rate of the Underlying and Price Currency established for the corresponding Option Transaction;;
  - 2.1.17 **Value Date** means a Banking Day on which the Option Transaction-related money transfer or other operation specified in the Service Conditions is conducted.

### 3. Procedure for option transactions

- 3.1 Material conditions for Orders on Option Transactions:
  - 3.1.1 contents and type of the Option (Call Option or Put Option);
  - 3.1.2 amount and currency of the Option Premium;
  - 3.1.3 Value Date of the payment of the Option Premium;
  - 3.1.4 commencement date and maturity date of the Option;
  - 3.1.5 currency of the Underlying Currency and the transaction volume;
  - 3.1.6 Exercise Price;
  - 3.1.7 currency of the Price Currency and a Base Value of the Option Transaction;
  - 3.1.8 specification of Transaction Accounts;
  - 3.1.9 the amount and conditions of the Collateral if the Client is the Seller of the Option. At the request of the Bank, the Client shall conclude agreement on the other type of a Collateral (eg security deposit or other Collateral accepted by the Bank). Setting of such Collateral and other conditions shall be agreed in the Collateral agreement.
- 3.2 The Bank shall debit the Option Premium from the Client's Transaction Account on the Value Date of the payment of the Option Premium, i.e. on the date of the conclusion of the Option Transaction. If the Seller of the Option is the Client, the Bank shall credit the Option Premium to the Client's Transaction Account on the Value Date of the payment of the Option Premium, i.e. on the date of the conclusion of the Option Transaction
- 3.3 The Option Transaction shall be terminated upon the occurrence of the first (chronologically) of the following events:
  - 3.3.1 an execution of the Option Transaction upon the exercising of the Option;
  - 3.3.2 Option Resale;
  - 3.3.3 an expiry of the term of exercising of the Option; or
  - 3.3.4 a premature termination of the Option Transaction.
- 3.4 If the Client is the Seller of the Option and the Option is terminated, the Bank shall terminate the Option and calculate the sum payable to the Bank. The sum payable to the Bank is the option premium which the Bank should pay for an opposite transaction with the same Value Date, Exercise Price and Transaction Volume as the terminated Option on the market conditions prevailing on the date of the termination.

### 4. Exercising of the option

- 4.1 In order to exercise the Option, the Client shall submit to the Bank a corresponding application during the term of exercising of the Option. The application for the exercising of the Option may be submitted pursuant to the procedures specified in Clause 4.2 to the Client Agreement.
- 4.2 The term for exercising the Option means the period designated for submitting the Option that:
  - 4.2.1 starts on the commencement date of the Option and ends on the maturity date of the Option for American Options;
  - 4.2.2 starts and ends on the maturity date of the Option for European Option.
- 4.3 Precise times of the commencement and maturity date of exercising the Option depend on the Price Currency and these have been specified in the Transaction Confirmation.
- 4.4 If the Purchaser of the Option has not informed the other Party of the wish to exercise the Option at the maturity date of the Option by the time specified in the Transaction Order, the Option is considered to be expired. Upon exercising the Option, the Option is considered to be expired after the settlements arising from the corresponding Transaction have been executed. An Option cannot be partially exercised.
- 4.5 In case of the exercising of the Option (including automatic exercising), the Option Transaction shall be executed on the day of receiving the application for the exercising of the Option as follows:
  - 4.5.1 in case of a Call Option, the Bank shall transfer to the Client's Transaction Account the Base Value of the Option Transaction, and simultaneously debit from the Client's Transaction Account the Underlying Currency in the amount specified in the Option Transaction;
  - 4.5.2 in case of a Put Option, the Bank shall debit the Base Value of the Option Transaction from the Client's Transaction Account, and simultaneously transfer to the Client's Transaction Account the Underlying Currency in the amount specified in the Option Transaction.

### 5. Option resale

- 5.1 The Purchaser of the Option shall have the right to offer the Seller of the Option, at any time until the termination of the Option Transaction, the Option Resale.
- 5.2 In order for the Option to be resold, the Parties must reach an agreement on at least the following:
  - 5.2.1 the amount and the currency of the resale price;
  - 5.2.2 Value Date for the payment of the resale price.
- 5.3 The Bank shall transfer the resale price to the established Transaction Account or debit the resale price from the Transaction Account on the agreed Value Date.