

# Orbit IC Balance Sheet Hedging

New Forecast and Trading Model  
Hedge Cycle Example

Fiscal Period: FY2014 Q3 AUG 07/01/2014 to 07/31/2014 Trading Entity: France SAS EUR End Rates From: FY2013 Q1 JAN

Acctg Entity: France SAS EUR  
 Exposure Entity: Israel - Mfg ILS 1021

Entity: France SAS  
 Sub-Entity: Israel - Mfg  
 Trade Type: 360T  
 Comment: N/A  
 Exposure Type: [TRADE\_PURPOSE]  
 Entity Code:

ENTER AMOUNTS IN: ILS

Market Terms: EUR 0.00000000 USD Terms 0.00000000  
 ILS 0.00000000 0.00000000

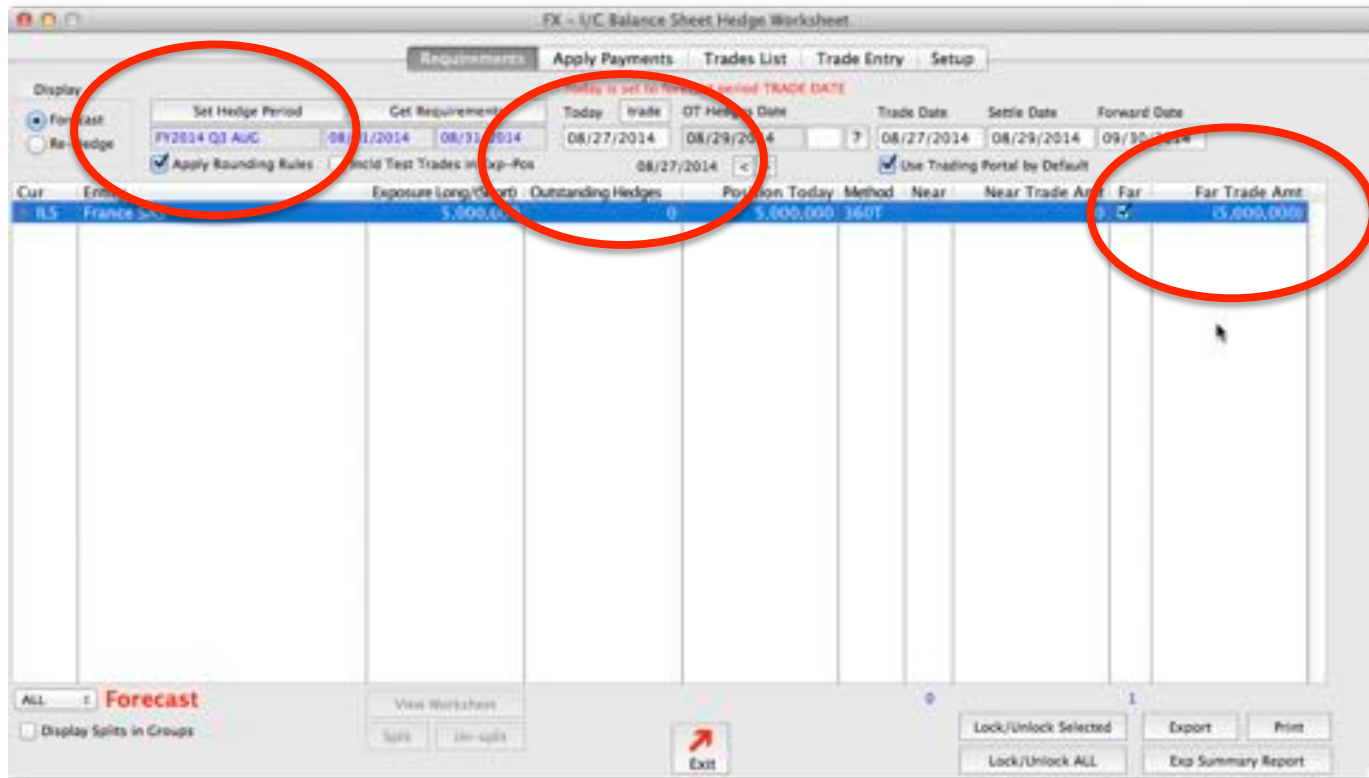
Click on blue column headings for Help

	June - 2014	Current Month: July - 2014		August - 2014
	Actuals (balances)	Actuals (flows)	Forecast (flow)	Forecast (flows)
	Prior Month-End (PME)	Month-to-Date (MTD)	Best-of-Month (BOM)	Next Month (NM)
Other Miscellaneous	0	0	0	0
<b>Sub-total Receivables</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Payables (- indicates increase in liability)</b>				
Completed Cash Payments, via Hedgehog Program (reduce liable balance)	0	0	0	0
Committed Cash Payments, via Hedgehog Program (reduce liable balance)	0	0	0	0
Cash Payments, Direct (does NOT reduce liable balance)	0	0	0	0
Automatic Offset for Cash Payments that do NOT reduce liable balance	0	0	0	0
Inter-Company Payables	0	0	0	0
Inter-Company Loan Payables	0	0	0	0
Third-Party Payables	0	0	0	0
Non-Product Transactions & Cross Charges	0	0	0	0
AQE Three-Way Netting	0	0	0	0
Transaction On Behalf / Equivalent Transaction	0	0	0	0
Royalty Payables	0	0	0	0
Inter-Company Commission	0	0	0	0
Other Miscellaneous	0	0	0	0
Other Miscellaneous	0	0	0	0
<b>Sub-total Payables</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Exposure</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>

Enter Call Detail Enter Call Detail Enter Call Detail Enter Call Detail

Scroll to End

- Our starting point is the August Hedge Period where we set the forecast that drives the September ( 9/30 ) hedge
- The August Forecast Data Entry Form is published early in August and collects actual July month-end IC Balance (column 1), August IC known and forecast activity (columns 2 and 3) and forecasts a September end-of-month IC balance (column 4)
- The IC Exposure Relationship is described as “France SAS has exposure to ILS through Israel – Mfg”
- The August exposure forecast entry form has been entered with a 5m ILS net exposure. This amount is a forecast of what we expect the September end-of-month IC balance to be
- This exposure was hedged in late August and matures the end of September (9/30)



- The Hedge Period is set to “FY2014 Q3 August”
- The IC Balance we are hedging is the forecast balance at the end of September. We call the “Hedge Period” August because that is when the forecast is developed and when the hedge is set out to the end of September
- The worksheet “today” value is set to 8/27. Note that this is the standard August Hedge Period trade Date (defined on the “Setup” tab). This is the date we trade the hedge to cover our forecasted September 30 IC Balance
  - There is no Near trade since this is the first month we are using the worksheet. Normally the Near trade would be a spot deal settling on 8/29
  - The Far trade is the forward hedge going out to 9/30
- On the worksheet, we complete the hedge by clicking the “Far” checkbox

FX - U/C Balance Sheet Hedge Worksheet

Requirements Apply Payments Trades List Trade Entry Setup

Trade Date is set to TODAY

Display: Forecast (selected) Re-Hedge

Set Hedge Period: FY2014 Q3 SEP

Get Requirements: Today Trade Changes Date

Trade Date: 09/10/2014

Settle Date: 09/26/2014

Forward Date: 10/31/2014

Apply Rounding Rules

Use Trading Portal by Default

Cur	Entity	Exposure Long/Short	Outstanding Hedges	Position Today	Method	Near	Near Trade Amt	Far	Far Trade Amt
EUR	France SAS	6,150,000	(5,000,000)	1,150,000	360T	<input type="checkbox"/>	5,000,000	<input type="checkbox"/>	6,150,000

ALL Forecast

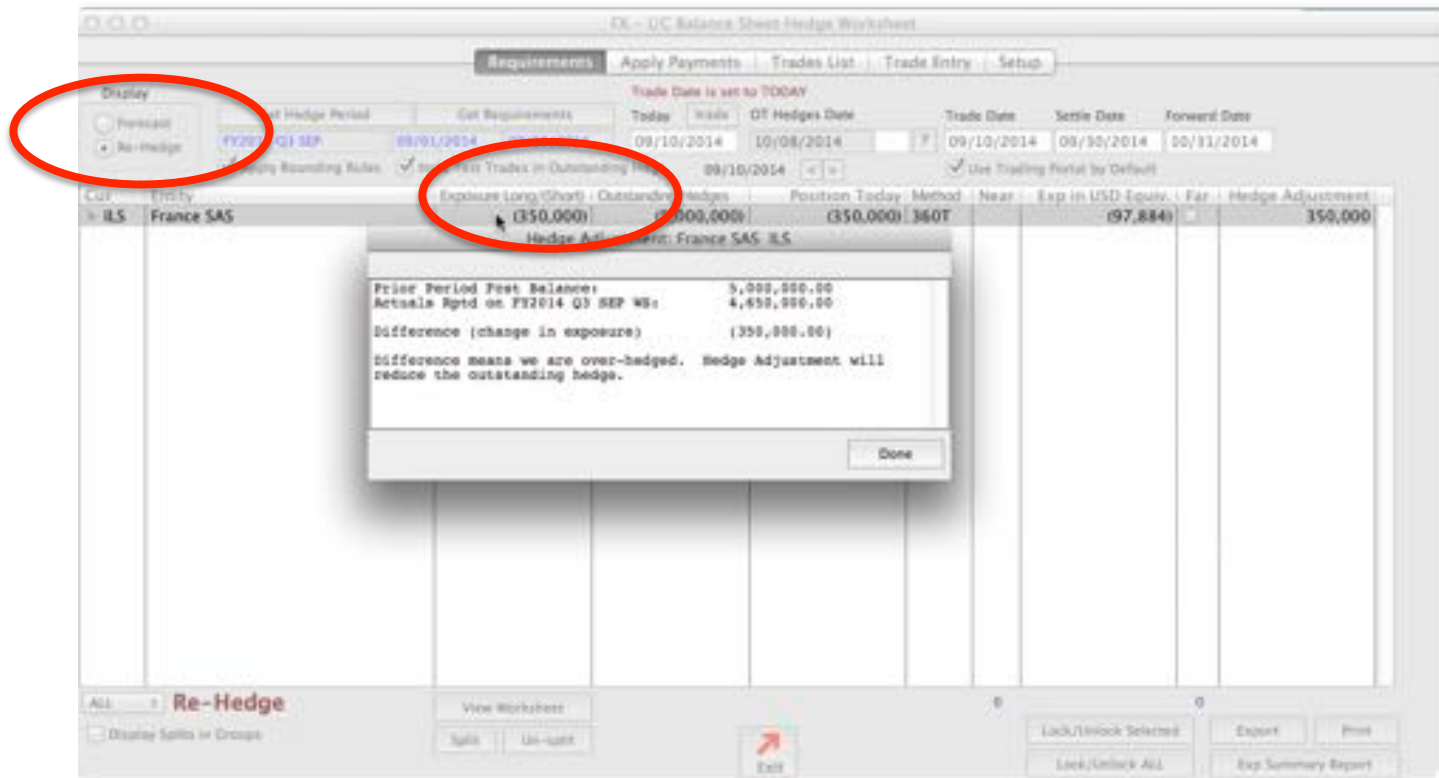
View Worksheet

Exit

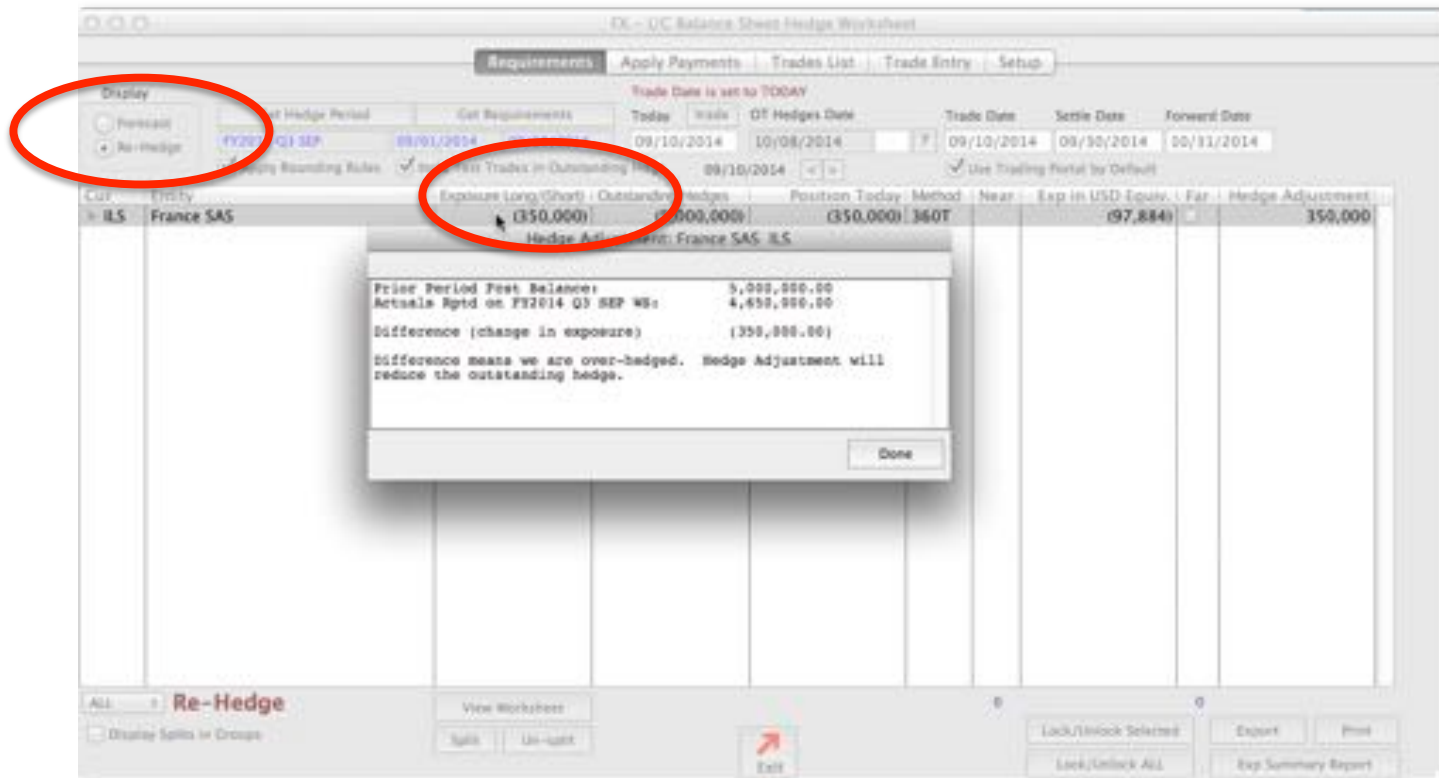
Lock/Unlock Selected Export Print

Lock/Unlock ALL Exp Summary Report

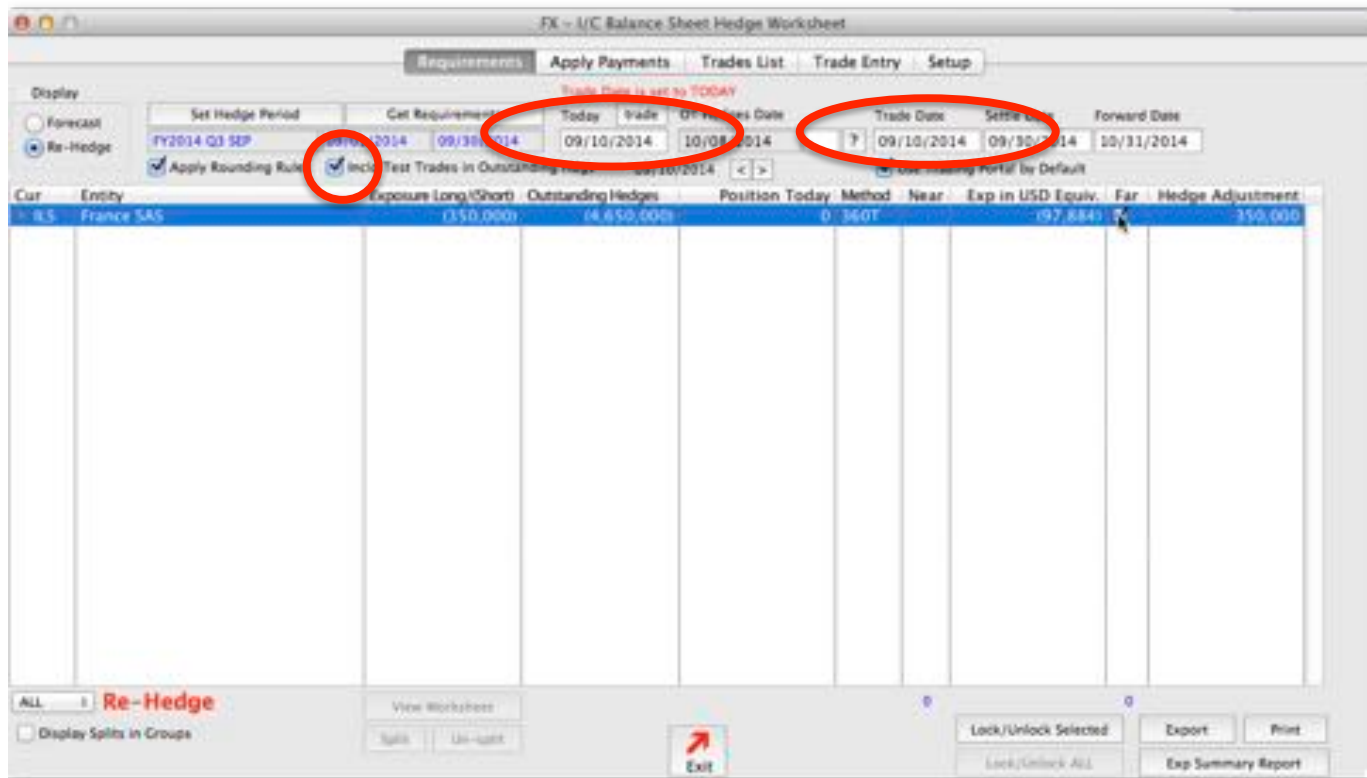
- Now “today” is 9/10. We have moved into September
- The “Hedge Period” is set to September. In this period, we forecast the expected IC Balance to the end of October
- The September forecast forms have been published. Staff responsible for data entry into those forms have entered the August end-of-month (8/31) actual IC Balances as reported in the GL. Where possible, Orbit will set the actual balances automatically from GL feeds
- “Get Requirements” shows that our forecast end of October IC Balance is 6,150,000 and our current outstanding hedges (the hedge from last month) is -5,000,000
- Orbit proposes trade amounts in the Near and Far trade columns. We will not be trading these values until 9/26



- Select “Re-Hedge” in the “Display” button group (upper left red circle)
- Orbit refreshes the worksheet to show the “Re-Hedge” view. “Today” is 9/10. Orbit sets the “Trade Date” to today for Re-Hedge actions. If you want to trade Re-Hedge on a different date, type that date into the “Trade Date” field. **WARNING - if you switch back to “Forecast” view, the “Trade Date” will be reset to the default hedge period trade date (9/26 in this example)**
- The August ending balance actuals have been entered into the September forecast data entry form
- Those actuals show a balance of 4,650,000 for August vs. a forecast balance of 5,000,000. The 5m forecast balance comes from the prior period (August) IC Balance forecast entry form
- The difference between the 2 amounts is -350,000. We originally hedged our forecast balance of 5,000,000 but find that our actual balance was 350k lower. This means that we are over-hedged out to 9/30
- The Near trade column has been repurposed and renamed to “Exp In USD Equiv”. This value is the USD equivalent of the over-hedge
- Orbit proposes a “Hedge Adjustment” trade in the Far trade column



- Select “Re-Hedge” in the “Display” button group (upper left red circle)
- Orbit refreshes the worksheet to show the “Re-Hedge” view. “Today” is 9/10. Orbit sets the “Trade Date” to today for Re-Hedge actions. If you want to trade Re-Hedge on a different date, type that date into the “Trade Date” field. **WARNING - if you switch back to “Forecast” view, the “Trade Date” will be reset to the default hedge period trade date (9/26 in this example)**
- The August ending balance actuals have already been entered into the September forecast worksheet
- The “Exposure Long/(Short)” cell computes the difference between the August forecast and actual balances. Orbit will provide a summary when you click on the “Exposure Long/(Short)” cell
- The summary shows the actual balance for August as 4,650,000 for vs. a forecast of 5,000,000. The forecast balance comes from the prior period (August) IC Balance forecast
- The difference between the 2 amounts is -350,000. We originally hedged our forecast balance but find that our actual balance was 350k lower. This means that we are over-hedged out to 9/30
- The Near trade column has been repurposed and renamed to “Exp In USD Equiv”. This value is the USD equivalent of the over-hedge
- Orbit proposes a “Hedge Adjustment” trade in the Far trade column



- Clicking the “Far” checkbox causes Orbit to generate a hedge adjustment trade
- The trade date for that trade will be the value that appears in the “Trade Date” field. When you switch to “Re-Hedge” view, Orbit automatically sets the “Trade Date” to whatever value is found in the “Today” field. If you want to trade on a different date, be sure and type the desired date into the “Trade Date” field
- The hedge adjustment trade will have a maturity date equal to the hedge period “Settle Date” ( 9/30 )
- When the trade is created, it is marked as a “Test” trade. In our example, the “Include Test Trades in Outstanding Hedge” checkbox is set, so Orbit will include the impact of TEST trades in both “Outstanding Hedges” and “Position Today” columns
- You can double-click on the “Hedge Adjustment” amount and Orbit will jump to the “Trades List” tab and show you the trade that was created

FX - I/C Balance Sheet Hedge Worksheet

Requirements Apply Payments Trades List Trade Entry Setup

Entity: [ ] Cur: [ ] Select Dates ID/Trader: [ ]  Approved  Sent to Trading Portal  
 Strategy: [ ] Type: ALL [ ] 09/01/2014 to: 09/30/2014  Manual Trades  Executed Sort By  
 Bank: [ ] Apply Dates To: Trade Dates [ ]  Portal Trades  Confirmed Trade ID: [ ]

Entity	TradeID	Bank	Type	Cur	Contract Amt	Cur	Other Amt	Trade Date	Value Date	Rate	Strategy
France SAS	66	BOFA	SF	E ILS	(5,000,000.00)	EUR	1,162,790.70	08/27/2014	09/30/2014	4.30000000	HEDGE
France SAS	76		BF	A ILS	350,000.00	EUR	0.00	09/10/2014	09/30/2014	0.00000000	REHEDGE

Trades Selected: 2 / 1

Any trades selected here will appear on the "Trade Detail" tab. Shift-click or Option-click to select multiple trades

Reports Portal Exit Export Print Clear Criteria Clear Results Find Get Worksheet Trades For Period

- The hedge adjustment trade Buys ILS Forward to 9/30. This will have the effect of reducing the existing 9/30 hedge position

FX - I/C Balance Sheet Hedge Worksheet

Requirements Apply Payments Trades List Trade Entry Setup

Display

Forecast (selected) Re-Hedge

Set Hedge Period: FY2014 Q3 SEP

Get Requirements: 09/01/2014 09/30/2014

Today: 09/10/2014

Trade: 09/30/2014

OT Hedges Date: 09/30/2014

Trade Date: 09/26/2014 (circled in red)

Trade Date: 09/30/2014

Forward Date: 10/31/2014

Apply Rounding Rules:

Incl Test Trades in Outstanding Hdgs:

09/10/2014 < >

Use Reporting Portal by Default:

Cur	Entity	Exposure Long/Short	Outstanding Hedges	Position Today	Method	Near	Near Trade Amt	Far	Far Trade Amt
US	France SAS	4,150,000	4,650,000	1,500,000	360T		4,650,000		4,150,000

ALL Forecast

Display Splits in Groups:

View Worksheet

Split Un-split

Exit

Lock/Unlock Selected

Lock/Unlock All

Export

Print

Exp Summary Report

- If you switch back to “Forecast” view, Orbit redisplay the view reflecting the September forecast
- **Note: the trade date has been switched back to the default hedge period trade date**
- The “Outstanding Hedges” column reflects the hedge adjustment (again note the adjustment trade is included even as a TEST trade because the “Incl Test Trades in Outstanding Hdgs” checkbox is set)

France SAS Exposure to: ILS (from Israel - Mfg)

Fiscal Period: FY2014 Q3 SEP 08/01/2014 to 08/31/2014 Trading Entity: France SAS EUR End Rates From: FY2014 Q3 AUG

Acctg Entity: France SAS EUR Exposure Entity: Israel - Mfg ILS 1021

ENTER AMOUNTS IN: ILS

Market Terms: EUR 1.31319900 USD Terms 1.31319900  
ILS 3.57564300 0.27966998

Entity: Sub-Entity Trade Type 360T Comment N/A Exposure Type [TRADE\_PURPOSE] Entity Code

Click on blue column headings for Help

	July - 2014	Current Month: August - 2014	September - 2014	
	Actuals (balances)	Actuals (flows)	Forecast (flow)	Forecast (flows)
	Prior Month-End (PME)	Month-to-Date (MTD)	Rest-of-Month (BOM)	Next Month (NM)
Cash Balance (+)	1,000,000	4,650,000	6,150,000	6,150,000
<b>Receivables (+ value indicates increase in asset)</b>				
Completed Cash Receipts, via Hedging Program (reduce asset balance)	0	0	0	0
Committed Cash Receipts, via Hedging Program (reduce asset balance)	0	0	0	0
Cash Receipts, Direct (does NOT reduce asset balance)	0	0	0	0
Automatic Offset for Cash Receipts that do NOT reduce asset balance	0	0	0	0
Inter-Company Receivables	3,500,000	1,000,000	0	0
Inter-Company Loan Receivables	0	0	0	0
Third-Party Receivables	250,000	500,000	0	0
Non-Product Inter-Company Transactions and Cross Charges	0	0	0	0
AOE Three-Way Netting	0	0	0	0
Transaction On Behalf / Equivalent Transaction	0	0	0	0
Royalty Receivables	0	0	0	0
Inter-Company Commission	0	0	0	0
Other Miscellaneous	0	0	0	0
Other Miscellaneous	0	0	0	0
<b>Sub-total Receivables</b>	<b>3,750,000</b>	<b>1,500,000</b>	<b>0</b>	<b>0</b>
<b>Payables (- indicates increase in liability)</b>				

- On the September forecast data entry form, France SAS includes a 4.5 million ILS receivable in their exposure balance
- On the next slides we show what happens when Israel moves to make a payment on that receivable

FX - I/C Balance Sheet Hedge Worksheet

Requirements Apply Payments Trades List Trade Entry Setup

Fiscal Period: FY2014 Q3 SEP Today: 09/15/2014 WS Settle Date: 09/30/2014 Start Date: 09/01/2014 End Date: 09/30/2014 Currency: ALL

New  Pending  Rejected  Approved  Executed

Payment Request

Payor - Will Remit Funds: Israel - Mfg Method: ILS TRADE Pay Amount: (4,000,000.00) ILS Value Date: 09/20/2014

Cash TxnCode: \_\_\_\_\_

Payee - will receive funds: France SAS EUR Rate Source: FY2014 Q3 AGC 4.69553100 Receive Amount (est): 851,873.87 EUR 1,118,679.91 USD

This Area to be Completed by Treasury

Trading Entity: France SAS

Threshold Amt: 50,000.00 USD equivalent

Value Date: 09/20/2014  No Near Trade  No En Trade

Trade Date: 09/18/2014  Pending  Rejected  Approved

Event Type: MIDMONTH

2014-10-06 19:59:26.194912 ASP Administrator

Payor	Method	Pay Amount	Cur	Due Date	Payee	Amount	Cur	Status
Israel - Mfg	TRADE	4,000,000.00	ILS	09/20/2014	France SAS	851,873.87	EUR	PENDING
France SAS	TRADE	21,296.85	EUR	09/20/2014	Israel - Mfg	100,000.00	ILS	PENDING

Refresh Exit

- Today has now moved to 9/15. Staff responsible for the “France SAS -> Israel” relationship have requested a payment be made to settle the France SAS receivable
- Treasury sees the payment request and “Approves” it (change status to Approved)
- When the Approved payment is “Submitted” by Treasury, Orbit creates a SWAP to 1) make the payment and 2) adjust the August hedge
- Orbit updates the September forecast data entry form to show the payment commitment

FX - I/C Balance Sheet Hedge Worksheet

Requirements Apply Payments **Trades List** Trade Entry Setup

Entity: [ ] Cur: [ ] Select Dates ID/Trader [ ] Approved  Sent to Trading Portal  
 Strategy: [ ] Type: ALL [ ] 09/01/2014 to 09/30/2014 Manual Trades  Executed  Sort By  
 Bank: [ ] Apply Dates To: Trade Dates [ ] Portal Trades  Confirmed  Trade ID: [ ]

Entity	TradeID	Bank	Type	Cur	Contract Amt	Cur	Other Amt	Trade Date	Value Date	Rate	Strategy
France SAS	66	BOFA	SF	E ILS	(5,000,000.00)	EUR	1,162,790.70	08/27/2014	09/30/2014	4.30000000	HEDGE
France SAS	76		BF	A ILS	350,000.00	EUR	0.00	09/10/2014	09/30/2014	0.00000000	REHEDGE
France SAS	83		SS	A ILS	(4,000,000.00)	EUR	0.00	09/18/2014	09/20/2014	0.00000000	MIDMONTH
France SAS	84		BF	A ILS	4,000,000.00	EUR	0.00	09/18/2014	09/30/2014	0.00000000	MIDMONTH

Any trades selected here will appear on the "Trade Detail" tab. Shift-click or Option-click to select multiple trades.

Trades Selected: 4 / 1

Reports Portal Exit Export Print Clear Criteria Clear Results Find Get Worksheet Trades For Period List Mid-Month Trades

- Go to the "Trades List" tab to see the new trades added to the list of trades impacting the current hedge period

FR - I/C Balance Sheet Hedge Worksheet

Requirements Apply Payments Trades List Trade Entry Setup

Display  
 Forecast  
 No hedge

Set Hedge Period: FY2014 Q3 SP  
 Get Requirements: 09/01/2014 09/30/2014  
 Today: 09/18/2014  
 OT Hedges Date: 09/08/2014  
 Trade Date: 09/26/2014  
 Settle Date: 09/30/2014  
 Forward Date: 10/31/2014

Apply Rounding Rules  
 Add Deal Trades in Outstanding Hgt  
 Use Trading Portal by Default

Cur	Entity	Exposure Long/(Short)	Outstanding Hedges	Position Today	Method	Near	Near Trade Amt	Far	Far Trade Amt
ILS	France SAS	2,150,000	(650,000)	1,500,000	360T		650,000		(2,150,000)

Outstanding Hedges: France SAS ILS

Trade ID	Type	Contract Amount	Maturity Date	Counter Party
84	SP	(5,000,000.00)	09/30/2014	BOFA
76	SP	350,000.00	09/30/2014	TEST TRADE
84	SP	4,000,000.00	09/30/2014	TEST TRADE

Future Maturities: 0.00

France SAS Exposure to: ILS (from Israel - Mfg)

Fiscal Period: FY2014 Q3 SEP 08/01/2014 to 08/31/2014  
 Trading Entity: France SAS  
 Exposure Entity: Israel - Mfg ILS 1021

ENTER AMOUNTS IN: ILS

Market Terms: EUR 1.31319900 USD Terms 1.31319900  
 ILS 3.57564300 0.27966998

	July - 2014	Current Month August - 2014	September - 2014
Cash Balance (+)	1,000,000	4,650,000	2,150,000
Receivables (+ value indicates increase in asset)			
Completed Cash Receipts, via Hedgehog Program (reduce asset balance)	0	(4,000,000)	0
Committed Cash Receipts, via Hedgehog Program (reduce asset balance)	0	0	0
Cash Receipts, Direct (does NOT reduce asset balance)	0	0	0
Automatic Offset for Cash Receipts that do NOT reduce asset balance	0	0	0
Inter-Company Receivables	3,500,000	1,000,000	0
Inter-Company Loan Receivables	0	0	0
Third-Party Receivables	250,000	500,000	0
Non-Product Inter-Company Transactions and Cross Charges	0	0	0
AQE Three-Way Netting	0	0	0

- Today is now 9/18
- The Forecast view shows the impact of the payment hedge adjustment trade
- The “Exposure Long/(Short)” column reflects the payment, which has been automatically posted to the forecast by Orbit

FX - 1/C Balance Sheet Hedge Worksheet

Requirements Apply Payments **Trades List** Trade Entry Setup

Entity: [ ] Cur: [ ] Select Dates ID/Trader: [ ] Approved:  Sent to Trading Portal:   
 Strategy: MIDMONTH Type: ALL 09/01/2014 to 09/30/2014  Manual Trades  Executed Sort By: [ ]  
 Bank: [ ] Apply Dates To: Trade Dates  Portal Trades  Confirmed Trade ID: [ ]

Entity	TradeID	Bank	Type	Cur	Contract Amt	Cur	Other Amt	Trade Date	Value Date	Rate	Strategy
France SAS	83		SS	A	14,000,000.00	EUR	0.00	09/18/2014	09/20/2014	0.00000000	MIDMONTH
France SAS	84		BF	A	4,000,000.00	EUR	0.00	09/18/2014	09/30/2014	0.00000000	MIDMONTH

- +  
Any trades selected here will appear on the "Trade Detail" tab. Shift-click or Option-click to select multiple trades

Trades Selected: 2  
 Reports Portal Exit Export Print Clear Criteria Clear Results  
 Get Worksheet Trades For Period: [ ] **List Mid-Month Trades**

- Go to the "Trades List" tab and click the "List Mid-Month Trades" button
- Orbit lists all Mid-Month trades

FX - I/C Balance Sheet Hedge Worksheet

Requirements Apply Payments Trades List Trade Entry Setup

Fiscal Period: FY2014 Q3 SEP Today: 09/20/2014 WS Settle Date: 09/30/2014 Start Date: 09/01/2014 End Date: 09/30/2014 Currency: ALL

New  Pending  Rejected  Approved  Executed

Trading Entity: France SAS

Payment Request

Payor - Will Remit Funds: Israel - Mfg Method: ILS TRADE Pay Amount: (500,000.00) ILS Value Date: 09/30/2014

Cash YnCode: [ ]

Payee - will receive funds: France SAS Rate Source: FY2014 Q3 AUG 4.69553100 Receive Amount (est): 106,484.23 EUR 139,834.98 USD

Threshold Amt: 50,000.00 USD equivalent

Value Date: 09/30/2014 Trade Date: 09/26/2014

Event Type: **MONTHEND**

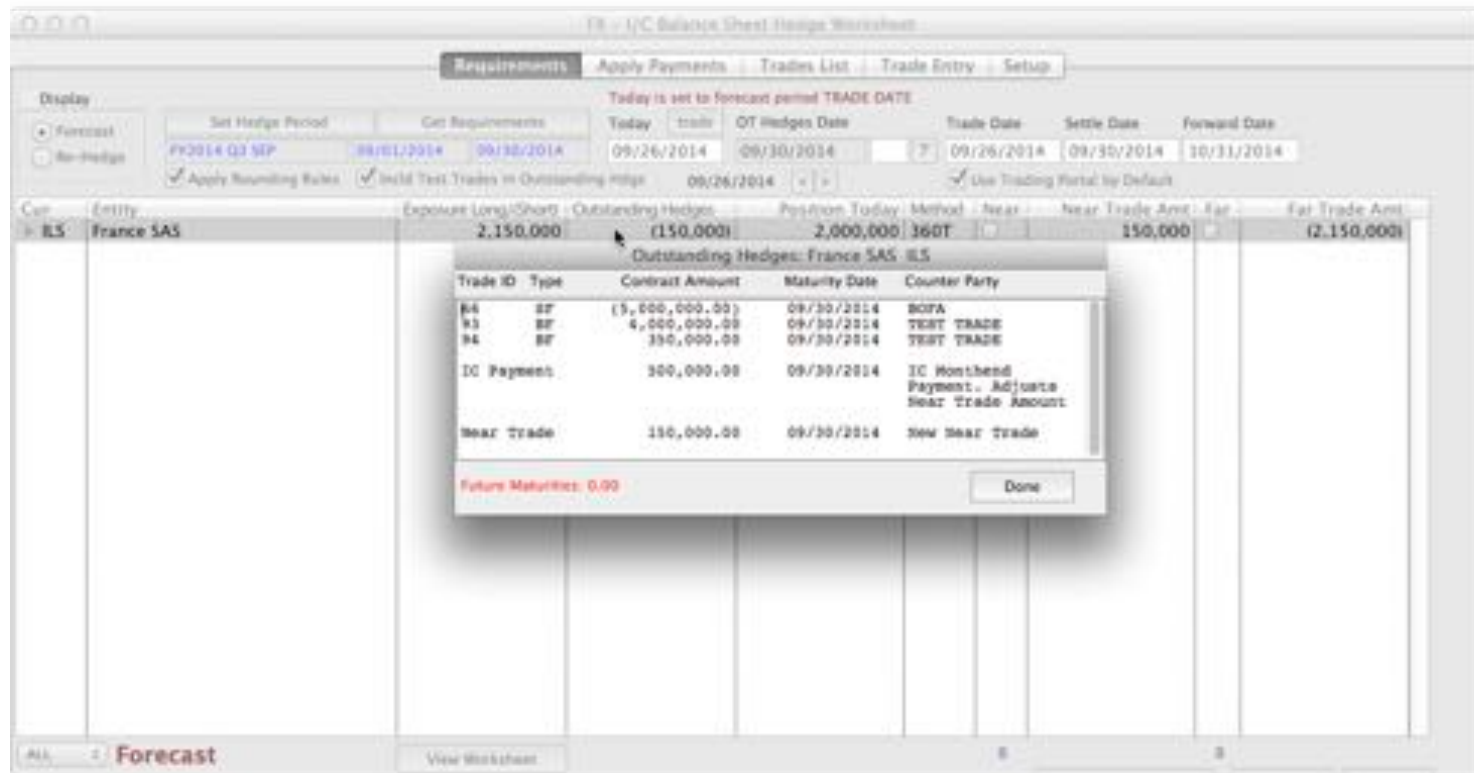
No Near Trade  No Far Trade  Pending  Rejected  Approved

Submit

PENDING 2014-09-10 15:46:21.415425 ASP Administrator

Payor	Method	Pay Amount	Cur	Due Date	Payee	Amount	Cur	Status
France SAS	TRADE	21,296.85	EUR	09/20/2014	Israel - Mfg	100,000.00	ILS	PENDING (MIDMONTH)
Israel - Mfg	TRADE	(500,000.00)	ILS	09/30/2014	France SAS	106,484.23	EUR	PENDING (MONTHEND)
Israel - Mfg	TRADE	(4,000,000.00)	ILS	09/20/2014	France SAS	851,873.87	EUR	APPROVED (MIDMONTH)

- Today now moves to 9/20
- Visit the “Apply Payments” tab and look at the “MONTHEND” payment request. Israel plans to pay 500k ILS on Israel’s receivable balance with France SAS. They have requested this payment occur on 9/30
- This is an ILS denominated receivable on France’s books. Israel will actually be paying them the EUR equivalent of 500k ILS
- The request is marked as APPROVED and submitted
- Orbit treats this specially, because the Event Type is “MONTHEND” and the Value Date is 9/30 (the August Hedge Period settlement date)
- Rather than creating a trade, Orbit will reduce the amount of the compensating, “Near” trade that closes out August Hedge Period maturing trades. The August hedge, put on by France SAS, was to SELL ILS forward to 9/30. At maturity France will need to deliver ILS to the bank. With the MONTHEND payment request, Orbit will instruct Israel to pay 500K ILS to the counter party bank. This allows Orbit to reduce the compensating trade requirement where we buy ILS spot to cover the maturing 9/30 August hedge. France receives their payment from Israel in the form of a reduced requirement to pay EUR on the close-out trade



- Today now moves to 9/26 – the end of September. We call this the September Hedge Period because forecast data entry and trading occur in September. But remember that the balance we are forecasting is the October ending I/C balance. The hedge we put on at the end of September is to cover the forecasted 10/31 balance
- On 9/26 we to close out the August 9/30 hedge and put on the new September Period Hedge (which hedges the forecast October ending I/C balance)
- When we click on the “Outstanding Hedges” cell, Orbit provides an explanation for the amount. We see that “outstanding hedges” includes a credit for the 500k ILS that Israel will pay at month-end to the counter-party bank
- We also see the “Near Trade” amount reflects this adjustment

FX - I/C Balance Sheet Hedge Worksheet

Requirements Apply Payments Trades List Trade Entry Setup

Display

Today is set to forecast period TRADE DATE

Forecast (selected) Re-hedge

Set Hedge Period: FY2014 Q3 SEP  
 Get Requirements: 09/01/2014 09/30/2014  
 Today: 09/26/2014  
 Trade: 09/30/2014  
 OT Hedges Date: ?  
 Trade Date: 09/26/2014  
 Settle Date: 09/30/2014  
 Forward Date: 10/31/2014

Apply Rounding Rules  Incl Test Trades in Outstanding Heds 09/26/2014  Use Trading Portal by Default

Cur	Entity	Exposure Long/Short	Outstanding Hedges	Position Today	Method	Near	Near Trade Amt	Far	Far Trade Amt
ILS	France SAS	2,150,000	(2,150,000)	0	360T		150,000		(2,150,000)

ALL : Forecast View Worksheet 1 1

- We have completed both the “Near” and “Far” trades. The Near (spot) trade closed out what remained of the maturing August 9/30 hedge
- The Far (forward to 10/31) trade, hedges our forecast October ending I/C balance
- The “Outstanding Hedges” column reflects the new forward out to 10/31