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40 FOREIGN EXCHANGE TERMS

VALUE SPOT
The exchange of currencies usually 2 Business Days after Trade Date.

VALUE TODAY
The exchange of currencies on the same day as the Trade Date.

VALUE TOMORROW
The exchange of currencies 1 Business Day after the Trade Date.

FX CONFIRMATION
A document, like a receipt, confirming exact details of an FX transaction.

TRADE DATE
The date an FX transaction is entered into, also known as Contract Date.

SETTLEMENT DATE
The agreed date that currencies will be exchanged for the FX transaction.

BUSINESS DAY
A commercial business day which is not a public holiday in either currency.

CUT OFF TIME
The time a payment must be submitted and authorised by on a Business Day to be processed same day (varies by currency).

CURRENCY PAIR
The two currencies used in an FX transaction which determines the Exchange Rate (e.g. AUD/USD).

EXCHANGE RATE
The price of one currency expressed in terms of another currency.

BID PRICE
The rate at which the market is is willing to pay for one unit of currency.

OFFER PRICE
The rate at which the market is prepared to sell one unit of currency, also known as Ask Price.

SPREAD
The difference between the Bid Price and Offer Price. A wider spread often indicates a less liquid market.

INTERBANK RATE
A wholesale rate, generally available only to large financial institutions, often used as a benchmark for consumers.

BULLISH MOVE
An advancing market characterised by positive sentiment. The opposite of a bear market.

BEARISH MOVE
A declining market often associated with widespread pessimism. The opposite of a bull market.

HEDGING
Techniques used to reduce the impact of adverse currency events (e.g. Forwards and Options).

FORWARD
A Forward Exchange Contract is the exchange of currencies on a future date, at a rate agreed today.

CURRENCY SWAPS
Exchange of two currencies at start and end of the contract. Interest payments are often paid over the life of the swap.

NON-DELIVERABLE FORWARD
A Forward which, due to country restrictions, is net settled rather than physically exchanged.

AUD PUT OPTION
The right, but not the obligation, to sell AUD and buy another currency at an agreed rate, on an agreed settlement date.

AUD CALL OPTION
The right, but not the obligation, to buy AUD and sell another currency at an agreed rate, on an agreed settlement date.

STRIKE PRICE
The specified price at which the holder can exercise their option.

OPTION PREMIUM
The price of an option driven by time, volatility, face value and strike price. Typically paid upfront.

FOREIGN CURRENCY ACCOUNT
A transaction account denominated in a non-AUD currency, used for payments and receipts in that currency.

HISTORIC RATE ROLLOVER
An extension to the settlement date of an existing FX transaction without the need for cancellation and at the original exchange rate.

PRE-DELIVERY
An earlier Settlement Date for an FX Spot or Forward transaction prior to the initially agreed date.

EXTENSION
A revised Settlement Date that is after the agreed expiry date of the transaction.

CNY/CNH
CNH refers to the Chinese Yuan used in the offshore market outside Mainland China. CNY is used in the onshore Mainland China market.

SWIFT CODE
The international standard used to identify a bank in international payments, also known as BIC.

IBAN
International Bank Account Number: the standard code used in Europe (and other countries) to identify an account number.

SWIFT GPI TRACKING
The ability to track the status of an international payment in real time.

IMT/TT
International Money Transfers are a type of Telegraphic Transfer used to send funds to another country.

BANK TO CONVERT
Standard retail FX rates available on International Money Transfers.

REAL TIME RATE
Preferential FX rates available on certain International Money Transfers.

CORRESPONDENT BANK FEE
The fee charged by the intermediary bank facilitating the transaction.

DELTA
Absolute Price Risk: the sensitivity of the option price to a change in the post price.

VEGA
Volatility Risk: the rate of change in an option's value relative to a change in the volatility factor.

THETA
Time Decay: the measurement of the sensitivity to changes in time decay.

TIME OPTION
An optional settlement period that fixes the exchange rate of two currencies. The rate can be used any time before expiry.

For questions or further clarification, call our FX Desk on 1300 960 355.