

Hedging FX

Intertek

ACT Webinar, 16th April 2015



Who is Intertek?



Valued Quality. Delivered.

We are

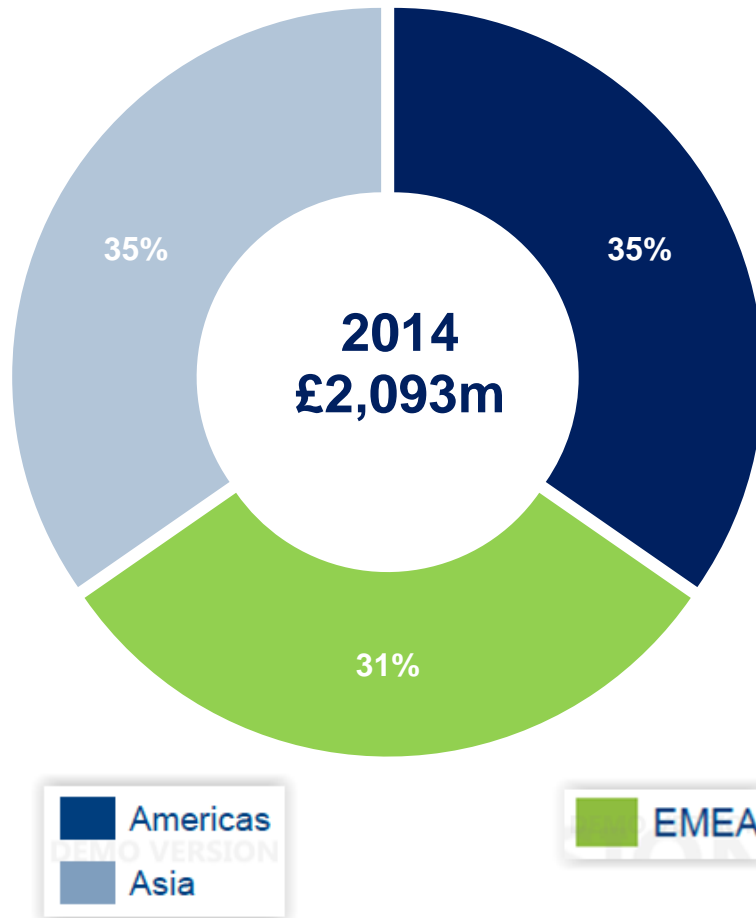
Electrical engineers
Chemists
Mechanical engineers
Medical doctors
Consultants
Biologists
Inspectors
Geologists
Advisors to Government
Auditors

Operations in 100+ countries

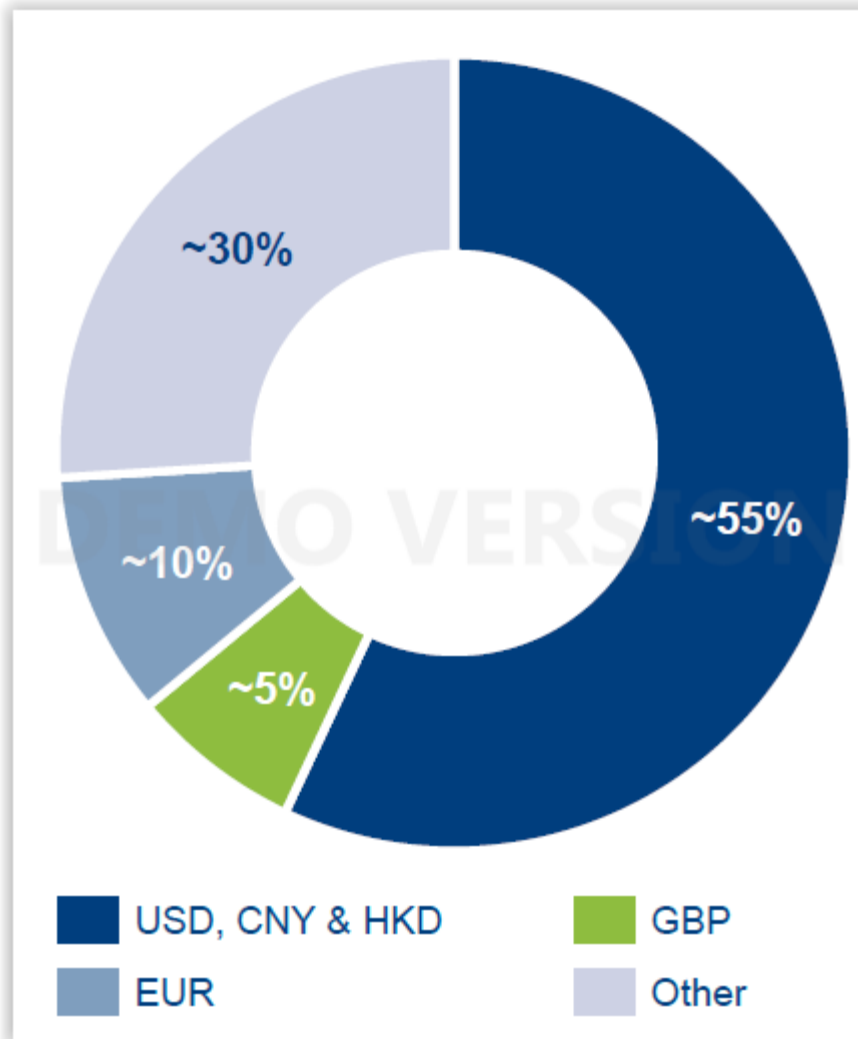
Revenue £2.1bn

FTSE 100



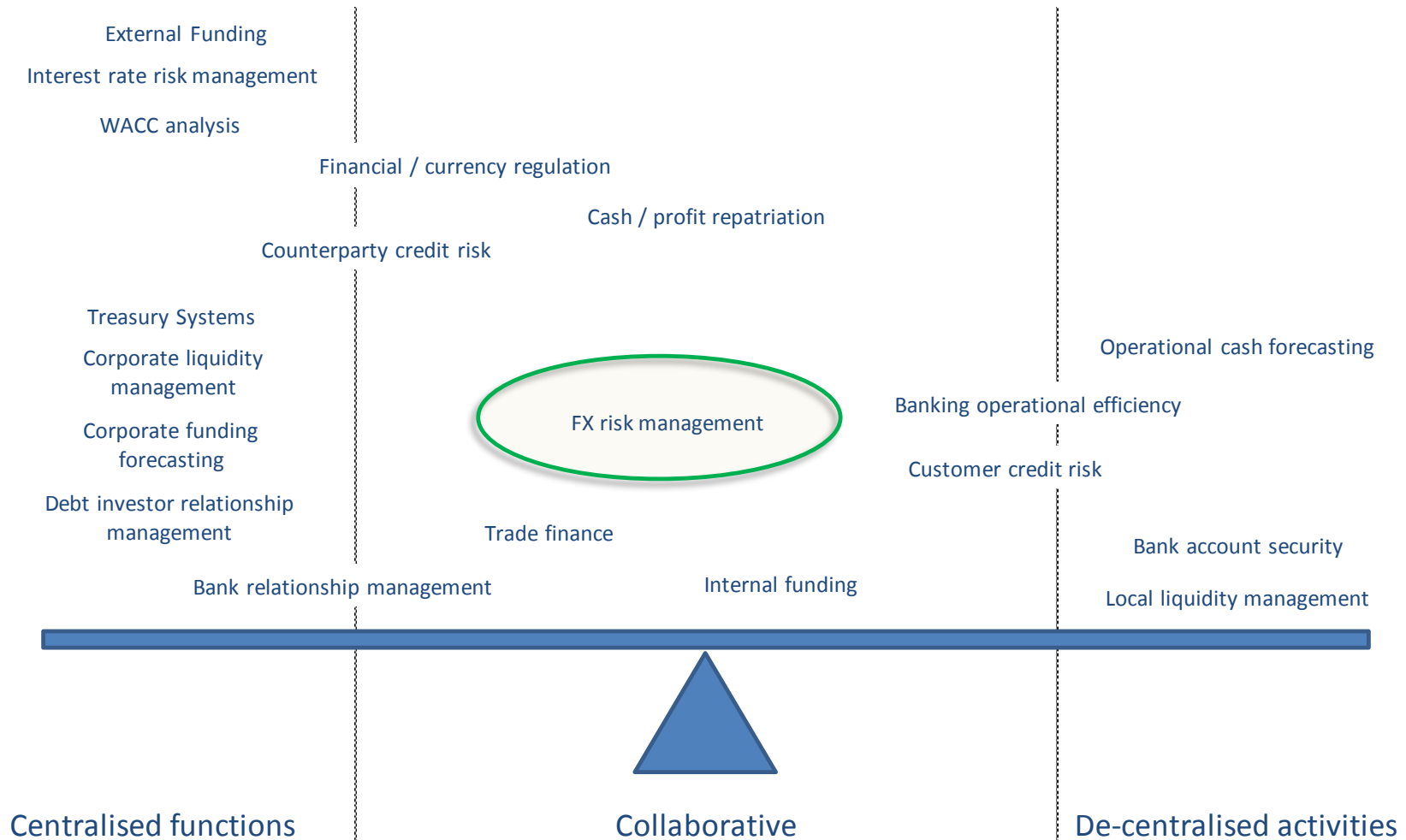


Emerging markets make up
38% of Group revenue



Group Treasury Responsibilities

There is a centralised Group Treasury function, however many activities take place within Group subsidiaries.



Safeguard the Groups financial assets from economic loss from fluctuations in foreign currencies

Protect margins on cross currency contracts and operations

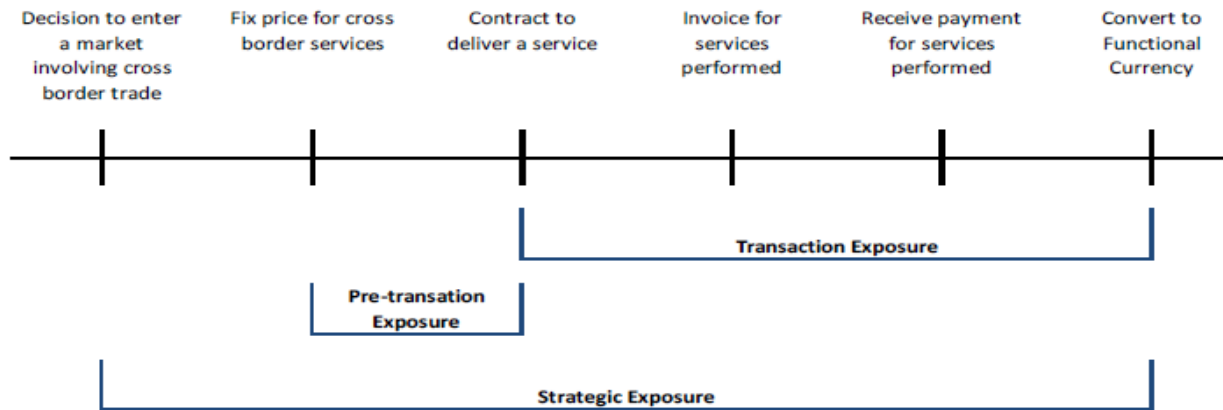
Translation risk is not hedged. This means that the Group's reported earnings on an actual currency basis are liable to fluctuation due to movements in exchange rates.

FX Risk

- Transaction
- Pre-transaction
- Translation
- Strategic

8. Foreign Exchange

Types of Currency Exposure



Mitigation of Risk

- Group Treasury assist Regional Finance Managers with understanding and identifying foreign currency exposures.
- Group Treasury design risk management and/or hedging solutions for identified risks.
- Group Treasury and Group Finance work together with regional teams to ensure correct accounting of foreign currency items.

FX Risk Management – Tools

Derivatives approved by the board:

- FX outright (forward & swaps)
- Futures
- Options (no receipt of premium)

Product innovation

FX Risk Management - Challenges

- Identification
Quality of management information
- Management
Clarity of management information
- Regulation & reporting
EMIR and other regulations

**Thank you,
Any questions?**

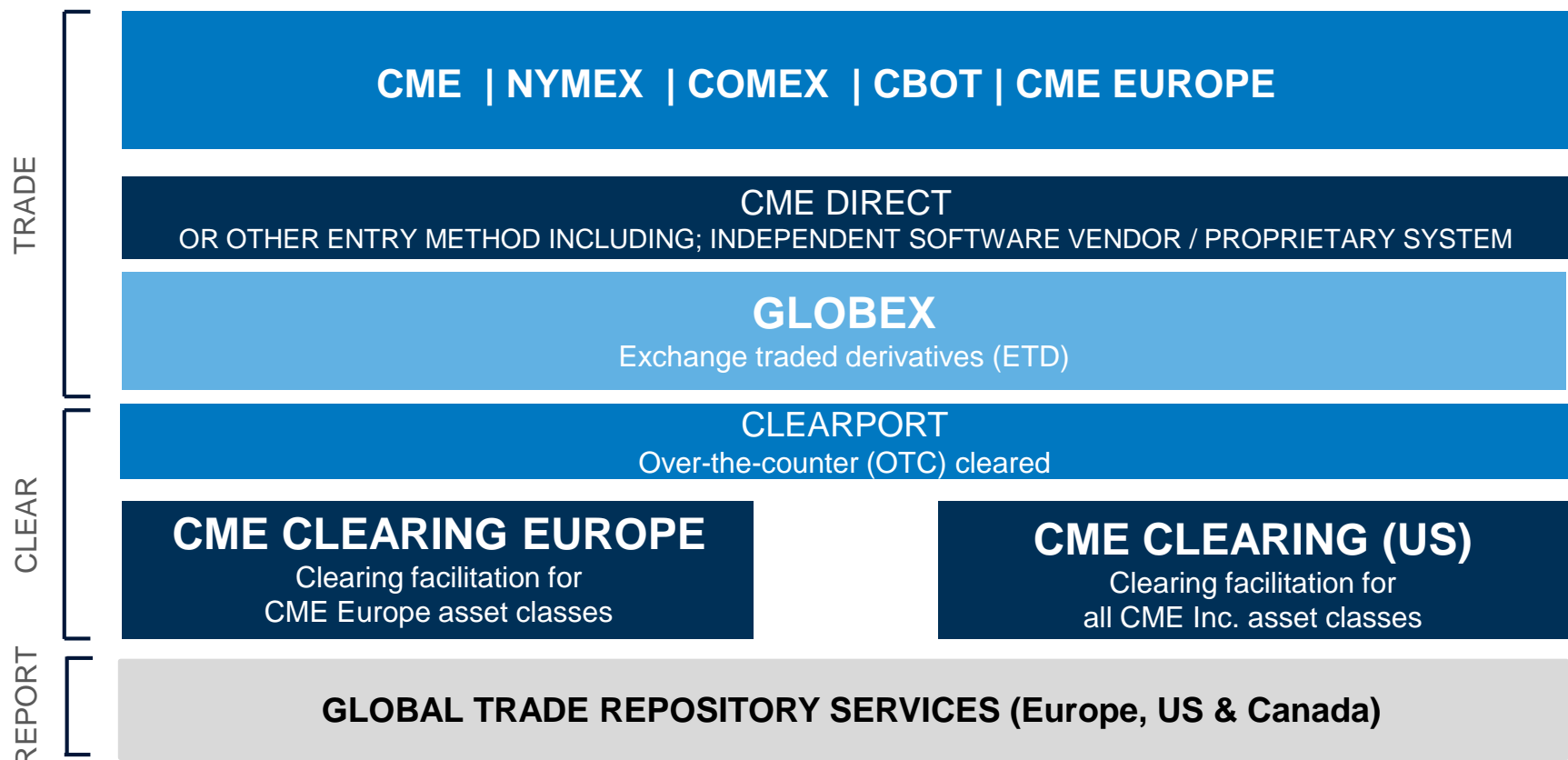
Hedging FX is changing

April 16, 2015

Sandra Ro
Executive Director
Head of FX & Metals Research & Product Development

The world's most diverse derivatives marketplace

Deep liquidity, strong record of growth and performance, most diverse products and customers.



The OTC FX landscape is changing

The reasons and results

- Electronification is leading to trading innovation and efficiencies
- Regulatory pressures (Basel III, Volker Rules, EMIR) is causing banks to rethink prime brokerage, credit lines, and certain client relationships
- FX pricing and benchmark scandals resulting in a “rethink” of FX trading and existing conventions
- FX as an asset class is increasing participation from diverse client segments (non-bank financials, pension funds, small institutions, retail)
- Increasing hedging alternatives and venue choice for clients



Hedging Alternative: Exchange Trading

The benefits and value

- Anonymous trading with pricing and transaction cost transparency
- Diverse client base, diversified liquidity pool
- Education, data, and prices publicly available
- Concentrated liquidity into select settlement dates
- Centrally cleared counterparty risk mitigation
- Full service capabilities (by certain exchanges) from trading, clearing, settlement to reporting

EUR/USD Depth of Book and USD/CNH Futures Pricing

Term	Sta...	+	Qty	Bid	Ofr	Qty
- EUR/USD						
Mar15	Open	+	89	1.1329	1.1330	34
			98	1.1328	1.1331	61
			80	1.1327	1.1332	73
			108	1.1326	1.1333	84
			142	1.1325	1.1334	64
Jun15	Open	+	21	1.1341	1.1344	21
			34	1.1340	1.1345	32
			37	1.1339	1.1346	31
			29	1.1338	1.1347	32
			65	1.1337	1.1348	26
Sep15	Open	+	9	1.1359	1.1363	11
			2	1.1358	1.1364	2
			44	1.1352	1.1370	10
			10	1.1351	1.1371	10
			2	1.1333	1.1377	34

+ Standard-Size USD/Offshore RMB (CNH) Future							
USD/CNH Future	Sep14	+	9	6.1471	6.1500	10	6.1514
USD/CNH Future	Oct14	+	10	6.1585	6.1645	10	6.1618
USD/CNH Future	Nov14	+	10	6.1745	6.1777	10	6.1782
USD/CNH Future	Dec14	+	10	6.1854	6.1902	20	6.1896
USD/CNH Future	Mar15		10	6.2177	6.2277	10	6.2233
USD/CNH Future	Jun15		10	6.2466	6.2566	10	6.2518

100 EURUSD contracts equals approx. \$14MM and 10 USDCNH contracts equals approx. \$1MM

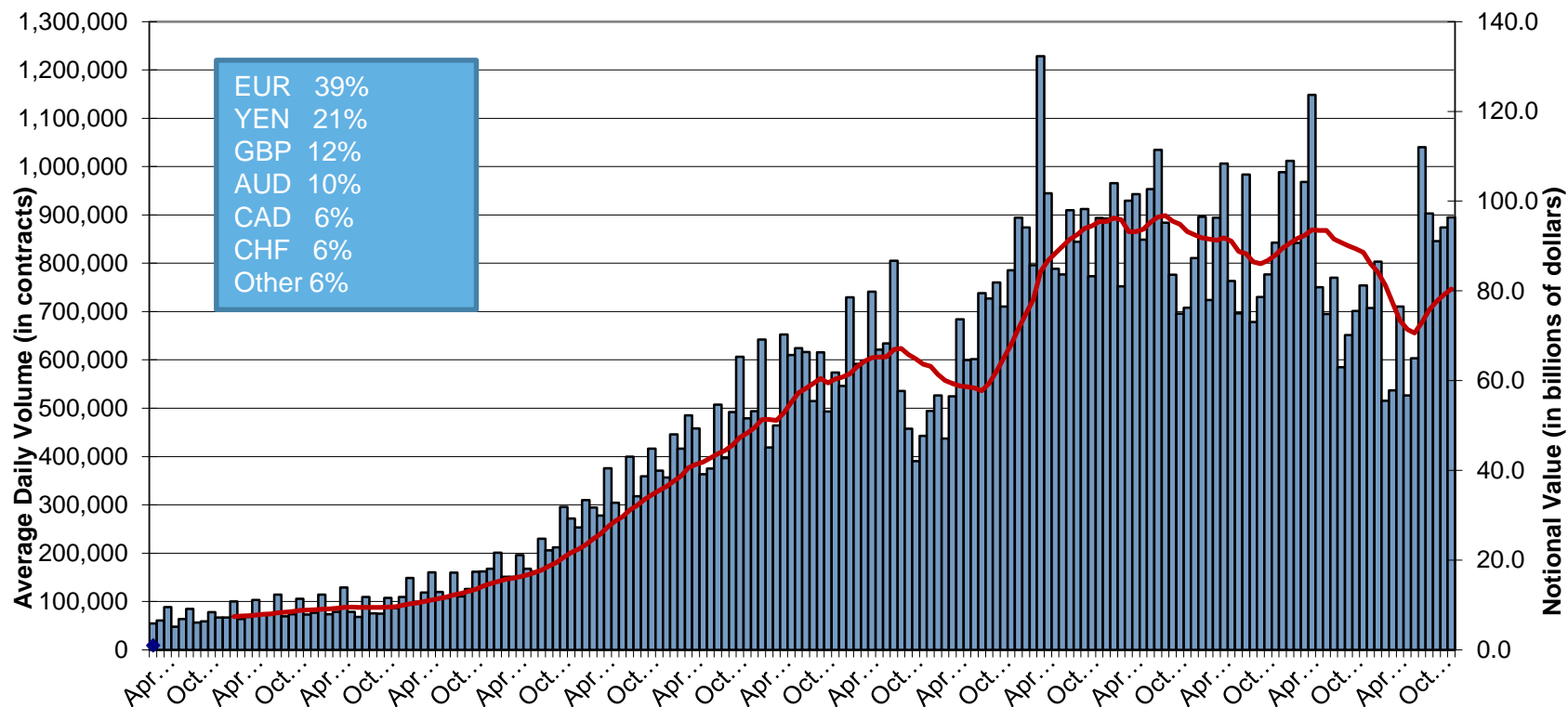
FX Transaction Costs

Competitive Regular Fee Structure

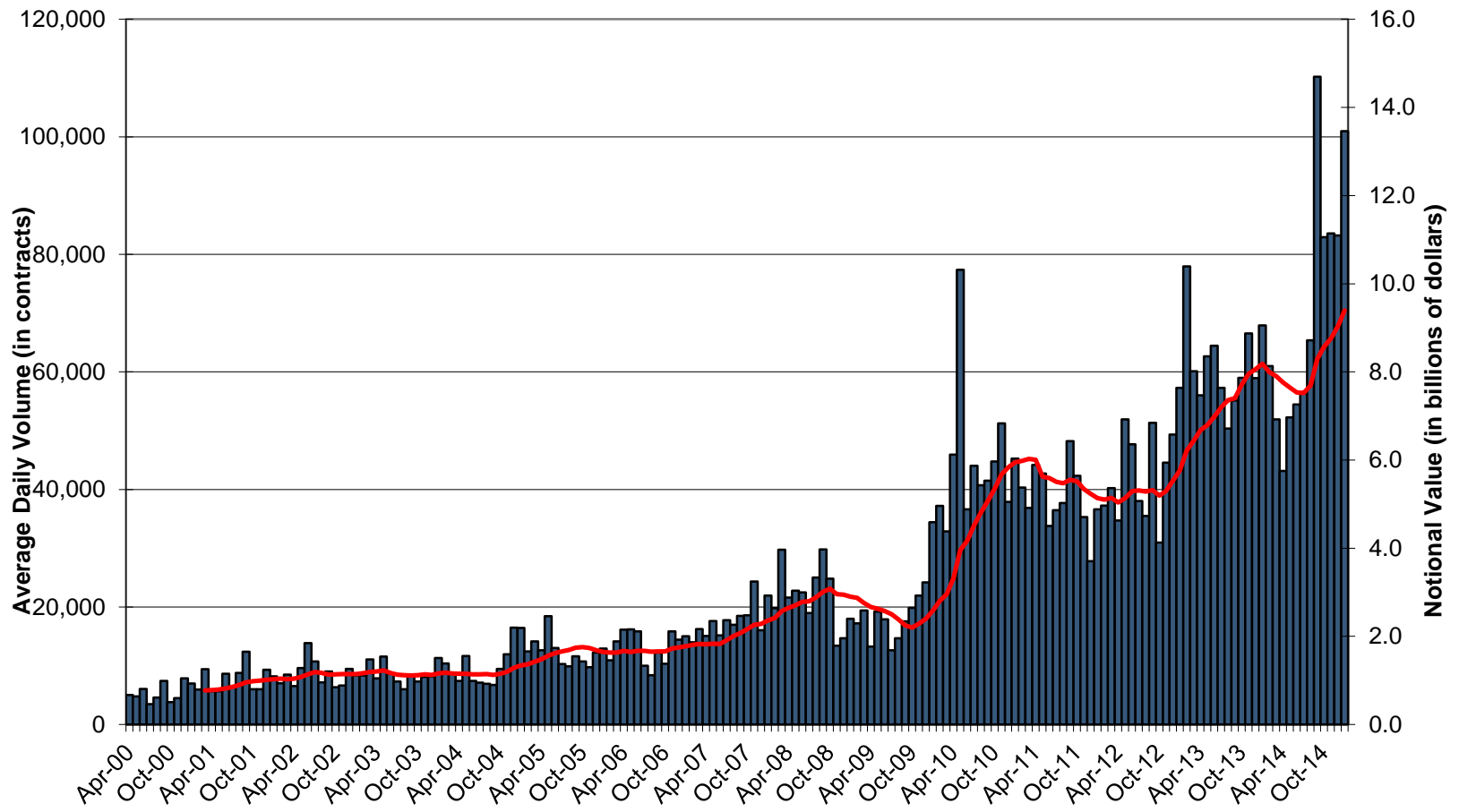
	Globex Fee	Clearing Fee	Total
FX futures	\$1.00	\$0.60	\$1.60
FX options	\$0.60	\$0.60	\$1.20
E-mini FX futures	\$0.50	\$0.35	\$.85
E-micro Forex futures	\$0.10	\$0.06	\$.16

CME GROUP OFFERS FULLY DISCLOSED, COMPETITIVE PRICING AND FLAT FEES FOR ALL AVAILABLE CURRENCIES.

CME FX Futures Average Daily Volume and Notional Value



CME FX Options Average Daily Volume and Notional Value

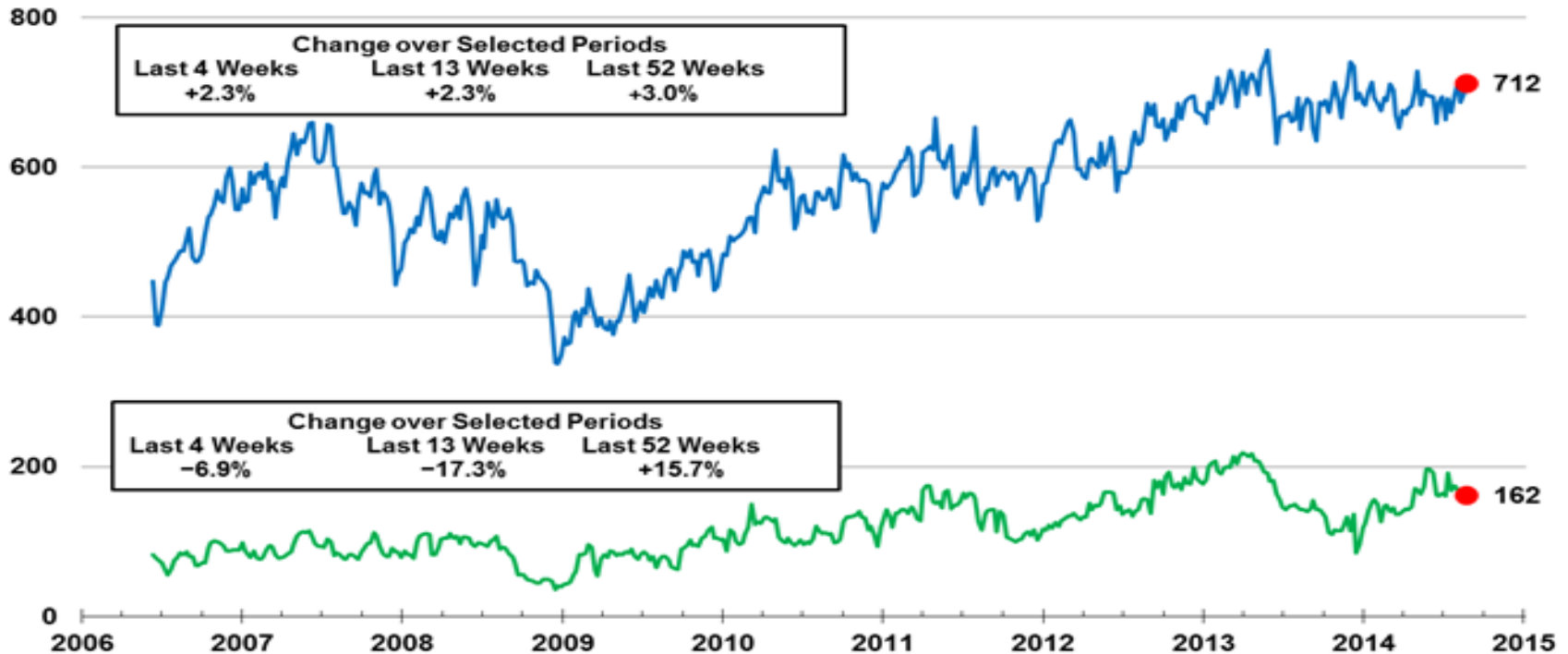


CME Group's FX User Base: Diversified & Growing

CME Group Foreign Exchange Futures Aggregate Number of Large Open Interest Holders*

Source: CFTC

— Majors — Emerging Markets



*The CFTC defines large open interest holders as having at least 400 open contracts in Major Foreign Currency futures and at least 100 open contracts in Other Foreign Currency futures.

400 contracts equals approx. \$60MM in majors and 100 contracts equals approx. \$10MM in EM

Future, Potential New Initiatives

Our respond to client demand

- Concentration on expanding product suite to increasing emerging market currencies
- Expand tenor offering to weeklies, monthlies, and potentially dailies to meet OTC hedging needs
- Increase participation down futures curve: Majors, RUB and BRL out to 7 years currently
- Participation and administration of benchmarks (Russian Ruble, Silver Price and others)
- Find solutions to FX market and client problems: hedging solutions, credit mitigation, counterparty risk mitigation, settlement
- Launch OIS-STIR Futures with same expiry as FX to allow trading of FX Forward basis and allow cross asset margining

CME Group Resources

Ready to help

CME Group FX Futures and Options:

www.cmegroup.com/trading/fx/

CME Cleared OTC Products:

www.cmegroup.com/trading/otc/

CME Clearing (USA):

www.cmegroup.com/clearing/

CME Europe Limited:

www.cmegroup.com/europe/

CME Clearing Europe:

www.cmegroup.com/europe/clearing-europe/

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Thank you



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