



## **Barrier Options Disclosure**

Barrier options are options on currencies under which the right to exercise may be created or extinguished, or the terms of which may change in some other pre-defined manner, upon the occurrence of a pre-defined event or condition (a "barrier event"). A barrier event may consist, for example, of an exchange rate reaching or passing through a pre-defined price or, as another example, may require more complex conditions on the path of the relevant exchange rate.

A barrier option that becomes potentially exercisable upon the occurrence of a barrier event is known as a "knock-in option", while a barrier option that is extinguished upon the occurrence of a barrier event is known as a "knock-out option". Other examples of barrier options include "one-touch binary options" (the holder of the option receives a payment if the exchange rate reaches or surpasses a pre-defined price by its expiration date) and "no-touch binary options" (the holder of the option receives a payment if the exchange rate never reaches a pre-defined price by its expiration date) and "multi-cross options". The value of any type of barrier option may change non-linearly and abruptly, particularly as the relevant price approaches the level that triggers the barrier event.

Barrier events are defined under the terms of a Foreign Exchange Transaction, which may provide that the calculation agent or another designated party will determine whether a barrier event has occurred. Barrier events may occur unexpectedly and, subject to the terms of the Foreign Exchange Transaction and its governing documentation, based on information available to the calculation agent or other designated party (which may be PNC Bank) that is not contemporaneously (if at all) observable by you.

You should review and understand thoroughly the applicable definition of the relevant barrier event, including such factors as whether there is a requirement that an actual transaction at the same price or level as the observation that triggers such a barrier event (the "barrier price") has occurred, and whether a specified minimum size or other criteria apply to the observed triggering event. There can be no assurance that you will be able to execute any transaction at the barrier price, even if you have placed a limit order at such price with us or in an unrelated trading venue. Accordingly, any trading or hedging strategy that relies on the execution of a transaction at the barrier price (such as reliance on a stop-loss order to mitigate losses in the event that a purchased barrier option is extinguished) may not be effective.

Subject to any express agreement in the documentation governing a barrier option between us, we may, in our discretion, decide to engage in hedging activities with respect to such barrier option before the barrier event occurs, or our hedging strategy may require greater and more frequent dynamic adjustments to our hedge based on market movements. Such activities may include buying and selling, on a dynamic basis, the underlying currency in the spot market or entering into derivatives on such currency. Our hedging strategy may entail unwinding our hedge when a barrier event occurs. We may anticipate the barrier event and begin unwinding our hedge as prices approach the barrier price. Unwinding or adjusting the hedge typically consists of buying or selling a quantity of the currency underlying the barrier option, or terminating or entering into derivatives positions with market counterparties. This activity may affect the likelihood of the barrier event occurring or not occurring. In addition, currency or currency derivative transactions that we execute in other capacities may affect the probability that a barrier event will or will not occur.

Spot transactions that the calculation agent or other designated agent (which may be PNC Bank) does not observe and could not observe from sources regularly available to it in the ordinary course of its business cannot be the basis for barrier event determination. Please contact your FX sales representative should you have any questions.