

Internship Project



The activity of Global Markets Department,
HSBC

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LETTER OF TRANSMITTAL

18/09/2011

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Ma'am,

My University had provided me with the opportunity of preparing a project along with a formal presentation on the analysis of "The activity of Global Markets Department, HSBC".

My paper covers the methods of collecting information to prepare this paper, objectives and scope of the paper, the limitations that I had in my preparations and I have attempted with whatever expertise I have, to analyze activity and prepare possible recommendations and suggestions as to how it could have been improved perhaps. Under this paper I hope that you will find all the necessary information of our procedures into our findings and analyses.

I would like to express our gratitude in allowing us to undertake this responsibility in preparing this paper and we humbly request you to accept the result of our arduous efforts.

Sincerely,

Abdullah Al Mamun
08104082

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Executive summary

HSBC is world's second largest public company. They have 7500 offices in 87 countries. In Bangladesh they are doing business for a long time. They are making huge impact in our business by providing different financial services and helping business organizations by providing support in export and import activities. Each year huge amount of foreign currency is inwards and outwards in our economy for different purposes. HSBC plays a huge role in buying and selling foreign currencies from organizations and individuals. Thus, they are making the money market of our country stable. HSBC Global Markets offers different spot, forward and option products to business people for the ease of these foreign exchange transactions. Moreover, the global markets offer different money market products in order to stabilize internal money market conditions like overnight call money, SWAP etc. In this project work the activities are elaborately discussed.

The Organization:

• Introduction:

HSBC Holdings plc is a global banking and financial services company headquartered in Canary Wharf, London, United Kingdom. As of 2011 it is the world's second-largest banking and financial services group and second-largest public company according to a composite measure by *Forbes* magazine. HSBC Group is one of the largest banking and financial services organizations in the world. It has around 7500 offices with presence in 87 countries. In Bangladesh, Hong Kong and Shanghai Banking Corporation Ltd. opened its first branch in 1996. HSBC Bangladesh is a network of 13 offices, 39 ATM, 9 Customer service centers, an offshore banking unit, and offices in 7 EPZs. 1051 employees are there as of December 2010. In Bangladesh they have more than a 100,000 customer.

• History

HSBC Holdings plc was founded in London in 1991 by The Hongkong and Shanghai Banking Corporation to act as a new group holding company and to enable the acquisition of UK-based Midland Bank. The origins of the bank lie in Hong Kong and Shanghai, where branches were first opened in 1865 Today, HSBC remains the largest bank in Hong Kong, and recent expansion in mainland China, where it is now the largest international bank, has returned it to that part of its roots.

• Product/service offerings

The business areas are:

1. Personal Finance Services
2. Commercial Banking
3. Corporate and Institutional Banking
4. Global Markets
5. Shariah Compliant Banking

- **Personal banking:**

- 1. Loan**

- a. Personal Loan
- b. Home Loan
- c. Home Equity Loan (an easy loan against secured asset)
- d. Car Loan
- e. Personal Secured Credit (in order to meet emergency cash need by unlocking the long term investments)

- 2. Deposits**

- a. Smart Savers Plan
- b. Current Accounts
- c. Saving Accounts
- d. Term Deposits
- e. Monthly interest bearing time deposits
- f. Education saving plan

- **HSBC Amanah**

- 1. Amanah Personal**

- a. Amanah deposit scheme
- b. Financing

- 2. Amanah Commercial Banking**

- a. Amanah Term Investment

- b. Amanah Trade & Supply Chain
- c. Amnah Short-Term financing
- d. Amanah term financing

- **Corporate and Institutional Banking**

HSBC provides financial services to small, medium-sized and middle-market enterprises. The group has more than 3 million of such customers, including sole proprietors, partnerships, clubs and associations, incorporated businesses and publicly quoted companies. HSBC has relationship with almost all multinational in Bangladesh. Presently corporate banking department of HSBC is the largest among all the foreign banks operating in Bangladesh. HSBC has the appetite to grow further in corporate lending. Global network of HSBC is leveraging multinationals operating in different countries. They provide sizable single borrower limit to create customer financial needs. HSBC has industry wise segregated business team. The services:

1. Import Services:

- a. Documentary credit: A letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.
- b. Import Finance: Provide loans (increasing limit) to loyal customers in case of opening Letter of credit.
- c. Shipping Guarantee

2. Export Services:

- a. Pre-shipment Finance

- b. Post-shipment Finance
- c. Documentary credit Advising.

3. Corporate credit

- a. Overdraft: An extension of credit from a lending institution when an account reaches zero. An overdraft allows the individual to continue withdrawing money even if the account has no funds in it. Basically the bank allows people to borrow a set amount of money.
- b. Local Purchase
- c. Term Loans
- d. Guarantees and Bonds

4. Payment and Cash management

- a. Integrated Delivery Channels
- b. Account Management Services
- c. Integrated Payment solutions (IPS)
- d. Integrated Receivable Solutions (IRS)

- **Global Markets**

Global Banking and Markets is the investment banking arm of HSBC. It provides investment banking and financing solutions for corporate and institutional clients, including corporate banking, investment banking, trade services, payments and cash management, and leveraged acquisition finance. It provides services in credit and rates, foreign exchange, money markets and securities services, in addition to asset management services.

- 1. Operating 87 treasury in more than 60 countries and territories

2. One of the largest and most sophisticated treasury centers in country
3. Offers almost all the treasury products under regulatory
4. The most active player in the forward markets
5. Offers customize products based on client requirements

Products and capabilities:

1. Competitive spot FX rate
2. Forward in FCY BDT currency pairs
3. Forward and zero cost option structures in FCY currency pairs
4. Capable to make big ticket size dividend/royalty payment
5. Daily FX rate sheet of all major currencies
6. Regular in-house research on local and international economies and currencies.

▪ **Value added services:**

1. **HSBCnet:** Allows internet banking service
2. **E-mail advises (instant@advise):** Allows receiving advice for trade related transaction through e-mail.
3. **Trade express services:** Courier Service twice a day to mobile\e trade related documents
4. Electronic DC advising

Job responsibilities

➤ Description/nature of the job/s

- **Foreign exchange transaction input in treasury operation management information system (TOMIS):** TOMIS is software where all daily deals are inputted through which customer can get Foreign currency rate offered to them. On the basis of client relation some customer get better rate than the regular board rate. That means when the particular customer buy foreign currency from us they get at a reduced rate and when the customer sell foreign currency to us they can sell at a higher rate than the board rate.
- **Retrieve transactional reports from internal department and input the data in TOMIS:** There are many branches of HSBC in Dhaka. When a customer need to buy or sell any foreign currency, the customer service officer call us to know the customer rate (whether the customer get any better rate or existing board rate is applicable for the customer) and the T-rate (at which rate corporate sales desk sells the currency exposure to interbank desk). As example, A customer need to buy USD 10,000. That means HSBC have to sell USD at 75.00 (Assumed BC selling board rate of the day). Here 75.00 is **customer rate**. Now, Let's assume the day's T-rate was 74.50. So, corporate sales desk is selling currency at 75.00 to the customer and giving a T-rate (74.50) to the relationship officer to execute the transaction. So the total profit of corporate desk is BDT $(10,000 \times .50^*)$ 5000. Now, the corporate sales desk selling the deal to interbank desk at 74.50 and the inter-bank desk is running the position by selling it at 75.00 in the market according to risk exposure.
 $*(75.00-74.50= 0.50)$
- Collecting contacts of different business organization as a potential client and calling them for fixing appointment with top management
- **Visit those clients and propose our FX products to them:** HSBC's exchange rate is mainly preferable for exporters as their TT clean (buy)

rate is higher than other banks. That means, customer can sell their foreign currency at a higher rate and get maximum amount of BDT. Moreover, importer of Bangladesh can pay their LC payment through RMB to the Chinese exporter as HSBC is the only bank in Bangladesh who is providing RMB against taka which reduces transaction cost. HSBC also providing many derivative products to the clients to reduce market risk.

- **Updating daily market research for client disbursement purpose:**

Update daily market research which includes latest Forex news, Economic news, Commodity prices, World stock market index, Foreign exchange prices and domestic business news.

- Doing weekly research using the information from Reuters 3000 Xtra.
- Updating daily Foreign Exchange Rate sheets for settlement of daily transactions.

➤ **Specific responsibilities of the job**

Ensuring the clearing of daily deals so that customers get their required currency as soon as possible and make sure that the risk of market fluctuation doesn't put an impact of the profitability of corporate desk.

➤ **Different aspects of job performance**

- Make sure deals are given correct quotation and clearing daily deals efficiently
- Increase customer base so that monthly deal volume increases and revenue as well
- Doing market research efficiently in order to help customer to make financial decision efficiently

➤ **Critical observations and recommendations**

- Increase manpower to run the department efficiently as most of the time dealer are busy with customer call/meeting and few people available to clear daily deals. If there is a delay in clearing daily foreign exchange transaction it may hamper department's profitability as market may move unfavorably.

Project

1. Objective of the project

The objective of the report is to provide a brief idea about how the Global Markets department of HSBC, Bangladesh operates and what sort of FX products they are offering to our Bangladeshi foreign exchange market.

2. Methodology

The report has been made after a long observation of daily activity done by Global Market department of HSBC, Bangladesh. Moreover, lot of information has been taken by asking question from different aspects to the employees of the department. Help of internet and HSBC research materials has also taken.

3. Limitation

I have tried to give my level best and put greatest effort to enrich the content of the report. But yet I have faced some limitation to prepare the report. The major one was that the persons of selected banks were not very helpful in providing information regarding their strategies.

• Main body of the project report:

Chapter 1: Treasury management includes management of a bank's holdings, with the ultimate goal of maximizing the firm's liquidity and mitigating its operational, financial and reputational risk. Treasury Management includes a firm's collections, disbursements, concentration, investment and funding activities. In larger banks, it may also include trading in bonds, currencies, financial derivatives and the associated financial risk management. A Bank Treasuries may have the following departments:

- a. A Fixed Income or Money Market desk that is devoted to buying and selling interest bearing securities
- b. A Foreign exchange or "FX" desk that buys and sells currencies
- c. A Capital Markets or Equities desk that deals in shares listed on the stock market.

Treasury Management for Bank

1. Cash Management

- a. Managing cash flows
- b. Payment management (interest rate, debt, and FX)
- c. Sourcing the better price

2. Hedging foreign exchange risks

- a. FX FWD or Option or bespoke

3. Hedging Interest rate risks

- a. Vanilla IRS, Cap, Floor, Collar bespoke

4. Evaluation choices of hedging

5. Limit management

- a. Allocating proper limit authorities and mandates to relevant staff
- b. Ensuring availability of bank limits

HSBC has only Money market desk and Foreign exchange desk. They do not have any capital market desk as they are not involved with Dhaka Stock Exchange or Chittagong Stock Exchange. The functions of HSBC treasury are:

1. Manage the bank's Asset and Liabilities (ALM): In banking, **asset and liability management** means managing risks that arise due to mismatches between the assets and liabilities (debts and assets) of the bank. Banks face several risks such as the
 - a. liquidity risk,
 - b. interest rate risk,
 - c. credit risk and
 - d. Operational risk.

Asset Liability management (ALM) is a strategic management tool to manage interest rate risk and liquidity risk faced by banks. Banks manage the risks of Asset liability mismatch by matching the assets and liabilities according to the maturity pattern or the matching the duration, by hedging and by securitization.

2. Promote and sell treasury products
 - a. Manages the bank's excess/short foreign exchange: According to daily demand and supply of foreign currencies the bank gets a daily position of long or short position of fund. According to daily position they decide where to lend or from where to borrow. The corporate desk (foreign exchange desk) deals with clients and sell/buy foreign currency and the interbank desk (Money market desk) run the bank's position according to daily demand and supply through deciding where to invest or from where to borrow.
 - Manages and originate fixed income products to generate revenue: Managing fixed income product is the responsibility of interbank desk which are:
 - a. IRS (interest rate swap): An **interest rate swap** is a derivative in which one party exchanges a stream of interest payments for another party's stream of cash flows. Interest rate swaps can be used by hedgers to manage their fixed or floating assets and liabilities.
 - b. Currency Swap: A **currency swap** is a foreign-exchange agreement between two parties to exchange aspects (namely the principal and/or interest payments) of

a loan in one currency for equivalent aspects of an equal in net present value loan in another currency.

c. **Forex swap (FX Swap):** is a simultaneous purchase and sale of identical amounts of one currency for another with two different value dates (normally spot to forward).

- Design and promote new products as per customer requirement
- Build and maintain relationship with customer: Make new client according to prospect and maintain a good relationship with existing clients through arranging events like picnic, comedy shows, cricket match live show or iftar distribution on Ramadan.
- Build and maintain relationship with regulators: Build and maintain sound relationship with regulatory body like Bangladesh Bank, Board of Investment etc.
- Forecast market direction and write markets commentary for customers for their betterment.

Chapter 2: Aim of ALM

- To manage the bank's regulatory requirements
 - a. SLR is 18% of Total D/L + T/L
 - b. CRR is 27.8% of SLR (i.e. 5% of Total D/L + T/L)
 - c. Remaining 72.2% of the SLR can be maintained by:
 - i. Local currency (non-interest bearing)
 - ii. Foreign currency (non-interest bearing)
 - iii. T-Bills
 - iv. Reverse repo with Bangladesh Bank
 - v. Government approved bonds & securities
- To manage the market risks of the bank: There is constant fluctuation of currency rate in international market. So there is always market risk present for the one who runs the

position of bank. If market of a specific currency falls then the interbank trader faces the risk of his current holdings of that particular currency. Depending on market the trader make the decision whether he have to hedge or un-hedge his current position.

- To identify and manage the bank's balance sheet gaps
- To manage the bank's liquidity risk and review the liquidity contingency plan: **liquidity risk** is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit). Bank faces liquidity risk when they do not have certain reserve for the particular currency to satisfy an order/deal. On that time inter-bank desk manages the reserve by fixed income products.
- To monitor and manage various FIN ratios (liquidity ratio, A-D ratio, R WA etc)
- To help determine deposit and lending rates of the bank

Chapter 3: Limits, Basel II and Misc.

- Issuance of various market risk limits
 - Includes interest rate, FX and other product based limits of the bank
- Issuance of counterparty credit limits
 - FX limits (risk weighted)
 - Settlement limits (full or net-of)
 - Money Market limits (100%)
- Issuance of limit mandates to Head of GM, and dealers
- Manages R WA and third party assets (Nostro a/c)
- Operational risks – identify , understand and manage
- Ensuring compliance with, not only the letter but also the spirit of the law.

Chapter 4: Typical global markets products

- Spot foreign exchange
- Forward foreign exchange
- Money markets: overnight and term deposits
- Repo & reverse repo: repurchase / sell-buy transactions
- Swaps: a) currency b) interest rate & c) structured
- Option: a) plain vanilla & b) exotic
- Derivative: a) plain vanilla & b) structured
- Securities: a) T-Bills and T-Bonds b) FRNS

The FX market and spot:

- A spot FX transaction is an agreement between two parties
- To exchange a specific amount of one currency
- For a specified amount of another currency
- On the second business day
- If the FX transaction is to be settled beyond SPOT date then it is a FWD FX transaction

FX Forward:

A contract where:

Two parties agree to buy/sell a currency against another at an agreed exchange rate at an agreed future date. Forward are generally used by both Exporters and Importers to hedge against future exchange rate volatility.

FX Forward: An example:

A customer requires USD 1 mln 3 month forward

SPOT: 69.35

FWD PTS: 1.6389

FWD RATE: 70.9889 (at 'premium' more expensive)

WHY???

We buy USD spot @ 69.35

We place (lend) USD @2.00% for 3 months

We borrow BDT @ 11.50% for 3 month

9.50% Difference added to the spot price in the form of premium

This is an example of regular FX forward. There are many kinds of forward which are discussed below:

Outright Forward

- A contract where:

Two parties agree to buy/sell a currency against another at an agreed exchange rate at an agreed future date. Forward are used to hedge against future exchange rate volatility.

- Main advantages are:

- Hedge exchange risk exposure and reduce exchange losses
- Advance knowledge of transaction price helps in forecast balance sheet

- Main disadvantages are:

- Contract must be closed out at or before maturity date
- Market rate must be against forward rate at maturity of the forward

Par forward

A series forward contract at the same agreed exchange rate with different maturity date in future. Par forwards are generally used to hedge a stream of the future cash-flows

Example:

A six month USD/BDT forward contract which matures at the beginning of each month

Deal date:

Advantage:

- Hedge exchange risk exposure
- Avoid price fluctuation
- Gain advantage of significantly high premium
- Advantage knowledge of transaction price helps in forecasting balance sheet

Disadvantage:

- Spot market rate may be better than the forward rate at maturity
- Contract must be closed out at or before maturity date

Floating forward

A series outright forward contracts with fixed term done continuously after a certain interval from the previous one.

Advantage:

- hedge exchange risk exposure
- Flexibility to gain on favorable spot movement
- Gain advantage of significantly higher premium

Disadvantage:

- Spot market rate may be better than the forward rate at maturity
- Contract must be closed out at or before maturity date

Correlated forward

A fixed/option forward purchase contract linked to the spot/near leg deals in the sale side. This product is useful for the FCY hedges and suitable for clients who have buy and sell exposure at different dates.

Example: client to settle an outward remittance at value spot. Side by side, it will receive inward remittance that will be en-cashed during next 6-months. Under the correlated forward deal, client can sell HSBC US dollar forward for 6 month and buy it at spot (at HSBC board rate) and receive the advantage of forward premiums.

Indicative quotation is as follows:

For spot client purchase (HSBC Sale): 73.65 (Board rate)

For 6 month client correlation forward scale (HSBC buy): 73.52

Exchange gain from the inward remittance transaction is maximized by entering into correlated forward

Deal structure: In this case, HSBC sell USD spot at 73.65 and enter into six separate forward purchase agreement at 73.52 with the client. Each forward purchase amount will be one-sixth the spot sale amount.

Main advantages are:

- Hedge exchange risk exposure and reduce exchange losses
- Advance knowledge of transaction price helps in forecast balance sheet
- At present sell/buy preference is provided only for same date transactions. With this product, client will gain advantage of narrower spread despite having mismatched flows.

Disadvantage:

- Spot market rate may be better than the forward rate at maturity
- Contract must be closed out at or before maturity date

Range forward:

A zero combination of a call option and put options which protects against unfavorable rate movements but limits the profits which can be made from favorable price movement.

- If client is an importer then he buys a call and sell a put for the same amount and same expiry with different strike rate.
- If client is an exporter then he buys a put and sells a call for the same amount and same expiry rates.

Advantage:

- Fully hedged at cap (importer)/ floor(exporter)
- No upfront premium

Disadvantage

No hedged in between two strikes

Gain is limited to floor (importer)/Cap (exporter)

Seagull

A three-legged option strategy, often, used in forex, that can provide a hedge against the desired movement of an underlying asset. A seagull option is structured through the purchase of a call spread and the sale of a put option (or vice versa)

The option contracts must be in equal amounts and are normally priced to produce a zero premium.

Advantage:

1. Provides more flexibility than range forward

Disadvantage:

Client fully protected beyond a certain extend

FX Option:

European call

Market conditions on 05 Feb 2008

USD/BDT: 69.50

Description:

1. HSBC is selling a CALL option to Co. XYZ to buy USD against BDT
2. C. XYZ is the buyer of the call option. That means Co. XYZ possess the right to buy USD at maturity (but not an obligation).
3. Tenor 3 months

Pricing:

1. Strike price: 70.00 (in the money). Co. XYZ has to pay premium (say) of .75%
 1. Situation one: if the market is above 70.00. for example at 71 co. XYZ will exercise option and take the gain of 1 taka.
 2. Situation two: If market is below 70. for example at 68 co. XYZ will not exercise the option and buy USD at market rate.
2. Strike price can be changed according to Co. XYZ's view and desire. Premium will change accordingly. Premium or price of an option is a function of volatility, difference of strike price from spot, and interest rate of the two currencies (swap points)

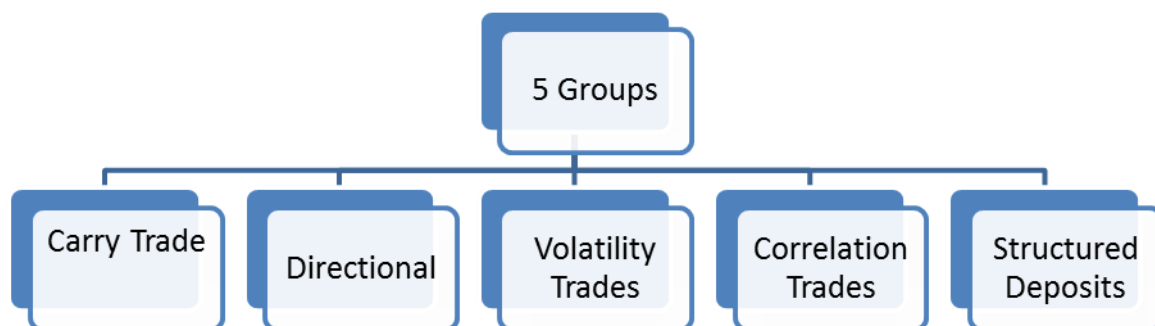
Option Products

Vanilla
<ol style="list-style-type: none">a. Callb. Putc. Straddled. Stranglee. Risk Reversalf. Call or Put Spread (Bullish /Bearish)

Exotics	
<p>Barriers-European</p> <ul style="list-style-type: none"> a. European Digital Call or Put b. European Digital with Knock Out c. European Digital with Reverse Knock Out d. European Reverse Knock Out e. European Reverse Knock In 	<p>Barrier-TransAtlantic</p> <ul style="list-style-type: none"> a. American KnockOut & European KnockIn
<p>Barrier-American</p> <ul style="list-style-type: none"> a. One Touch b. No Touch c. Double One Touch d. Double No Touch e. Instant One Touch f. Instant Double One Touch g. One Touch with Knock Out h. KnockOut i. KnockIn j. Reverse KnockOut k. Reverse KnockIn l. KnockIn KnockOut 	
<p>Window Barriers</p> <ul style="list-style-type: none"> a. Late Starting Out Window b. Late Starting In Window c. Early Starting Out Window d. Early Ending In Window 	

<p>Accrual Products</p> <ul style="list-style-type: none"> a. Accrual Forward b. Accrual Option c. Structured Accrual Forward d. Range Accrual 	<p>Asian Products</p> <ul style="list-style-type: none"> a. Average Strike Option b. Average Rate Option c. Double Average Rate Option
<p>Special Exotics</p> <ul style="list-style-type: none"> a. Forward Vol Agreement b. Volatility Swap c. Standard Basket Options d. Digital Basket Options e. Quanto Basket Options f. Best of Worse of Options g. Hybrid Option h. Trades with Forward Setting Strike i. FX snowball j. Forward Point Agreement 	<p>Other Exotics</p> <ul style="list-style-type: none"> a. Compound Option b. Option on Strategy

FX products (more option varieties)



Call and term MM

1. Money lent between banks and financial institutions for overnight is termed Call Money
 - a. Maturity next day with option to roll over the lending/borrowing at the pre-existing rate for another day.
 - b. Most liquid in our market but volatile
2. Money lent between banks and financial institution for a fixed term
 - a. Fixed maturity, but mostly 3-months
 - b. Less liquid, but rates are stable (not as volatile as call-money)
1. Money lent between banks or financial institution with T-bills (securities) as collateral
2. sell/buy and buy/sell transaction
3. Mostly the tenor is overnight, some 7 days
4. With BB, it was auction based (BB can reject the bid)
5. BB uses these two products to manage market liquidity as per monetary policy.

IRS: Interest rate SWAP:

1. SWAP floating interest rate payables with fixed or vice versa
2. Hedges customer against rising/falling int. rate environment
3. Possibilities for Bangladesh:
 - a. USD interest rates may bottom out soon
 - b. Customers would be interested to move from floating to fixed

c. BDT IRS for customers with floating BDT debt

1. BDT interest rates may rise (given high inflation)
2. Customers would be interested to move from floating to fix.

IRS - Hedging US \$ interest rate exposure

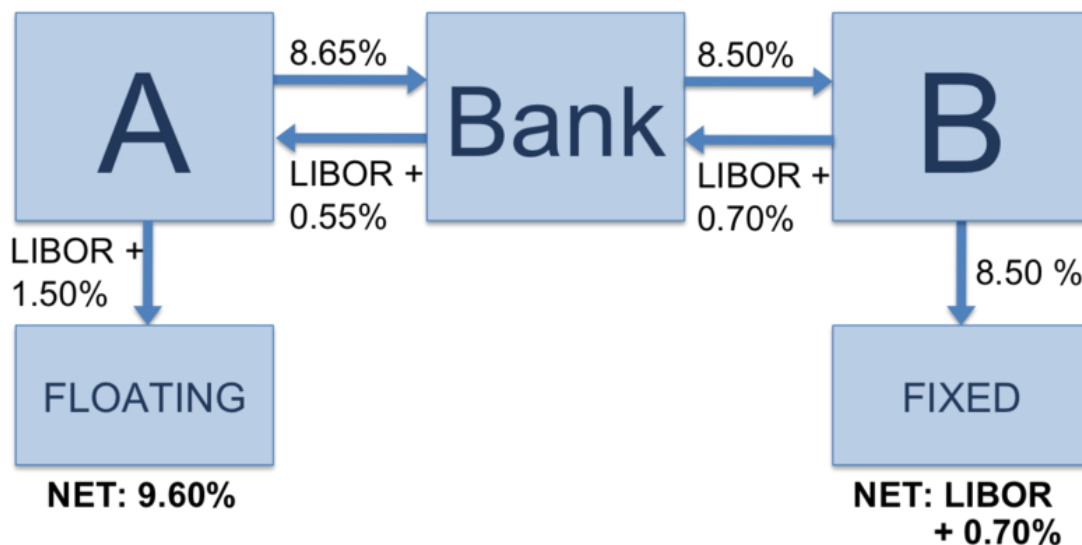
Example:

1. XYZ has borrowed 3- year USD term loan, paying Libor interest
2. Company's view is for rates to rise
3. Keen to hedge against rising interest rates

IRS - Gain from declining BDT interest rate

Example:

1. XYZ has borrowed 3-year BDT term loan at 13% fixed
2. Company's view is for interest rate to decline
3. Company is keen to take advantage of the declining interest rates.



Chapter 5: Basics of Dealings

- **Foreign exchange in Bangladesh**

SPOT: Sale or purchase of specified currency at a fixed rate for delivery after 2 working days

TOM (tomorrow): for delivery on the next working day.

TDY (Today): For delivery on the same date

FWD (Beyond Spot): For delivery beyond 2 working days

1. FWD is a contract to sell and buy a currency at a future date
2. Used for hedging against fluctuation exchange rate
3. This is also a derivative in the sense that it is derived from spot rate and interest rates

- **Direct and Indirect Quotes**

There are two types' quotes. Direct and Indirect

\$1 = CHF 1.1655/60

\$1 = JPY 98.30/35

\$1 = SGD 1.5145/55

\$1 = BDT 69.00/05

\$1 = AED 3.6700/50

These are "Direct Quotes", because these currencies are quoted per dollar. In other words, dollar is the "unit currency" [also known as BASE currency] while the other currency is the "variable currency" [also known as PRICING currency].

A few examples:

GBP 1 = USD 1.4590/95

EUR 1 = USD 1.3445/50

AUD 1 = USD 0.7010/15

NZD 1 = USD 100.67/78

These are "indirect quotes", because these currencies are not quoted per dollar. Here the dollar is the "variable currency" [BASE currency] while the other currency is the "unit currency" [PRICING currency].

A few examples:

GBP 1 = JPY 136.90/95

EUR 1 = GBP 0.8845/48

AUD 1 = BDT 48.37/44

GBP 1 = BDT 100.67/78

These are called "Cross currencies". The dollar has been calculated "out" of these rates. The "variable currency" and the "unit currency" in the cross-currency quotations is determined by convention.

- **Quoting/Dealing conventions:**

1. The entity quoting the rate or price is the "Market Maker"
2. The entity asking for the price is the "Market Taker"
3. Market Maker decides on the spread between the Bid and Ask/Offer
4. Market Taker is subjected to the spread, i.e. Market Taker has to buy at Market Maker's offer and sell at Market maker's Bid
5. Market Maker takes the risk of quoting 2-way price not knowing which side the Market Taker will 'hit'.
6. Market taker may or may not deal or hit on the rate quoted by the Market Maker.