ERRATA

Essentials of Treasury Management, 6th edition

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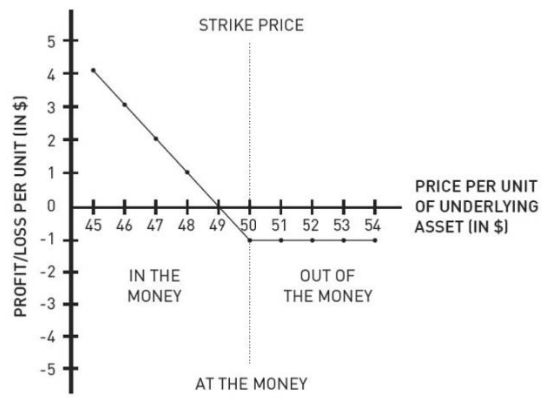
In Exhibit 17.7B – The labels “Out of the Money” and “In the Money” were reversed. The corrected version of the exhibit is below.

EXHIBIT 17.7B **PUT OPTION EFFECT**

A put option with a $50 strike price is purchased when the underlying asset is selling for $54 per unit. The premium paid is $1.



On page 568 the following paragraph was edited:

The forward rate can also be calculated using the difference in basis points between the two applicable interest rates. Forward points are added to the spot rate when the variable currency interest rate is lower than the base currency interest rate, and vice versa.

That paragraph now reads:

The forward rate can also be calculated using the difference in basis points between the two applicable interest rates. Forward points are added to the spot rate when the variable currency interest rate is higher than the base currency interest rate, and vice versa.

Page 513, d. Sovereign Risk

The first sentence was edited:

Sovereign risk is the risk of interference by a foreign government in the settlement or payment of a foreign transaction, and *political risk* refers to the economic impact that a business may face due to political changes or decisions within a country.

That sentence now reads:

Sovereign risk is the risk that a government may default on its debt, and *political risk* refers to the economic impact that businesses may face due to political changes or decisions within a country.

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Page 382, a. Commercial L/C

In the second paragraph, the following sentence was edited:

UCP 600 establishes an absolute deadline of five calendar days to review documents and pay or decline a draw.

That sentence now reads:

UCP 600 establishes an absolute deadline of five banking days to review documents and determine whether to pay or decline a draw.

Page 543, 3. Speculation Versus Arbitrage

The following sentence (in bold) was added to the third paragraph:

For example, suppose the current spot exchange rate[2] is 1.1265 US dollars per euro, the six-month forward exchange rate is 1.1221 USD per EUR, and a company has EUR 1,000,000 to invest. **Assume also that the current annualized rates for six-month deposits are as follows: the euro deposit rate is 1.2%**

and the dollar deposit rate is 1.3%. The investing company can deposit the euros for six months and earn EUR 6,000 in interest. However, the company could also convert the euros to US dollars at the current spot rate and invest the resulting $1,126,500 at 1.3% for six months, returning $1,133,822.25, or EUR 1,010,446.71, for a profit of EUR 10,446.71. By investing in a covered forward, the company increases its resulting revenue by EUR 4,446.71 (less any fees charged for the forward), or 74%. As market participants buy US dollars in the spot market and sell US dollars in the forward market, the FX rates will move toward interest rate parity.

Page 103, Value Dating

The following sentence was removed:

Value dating. Value dating is the practice of debiting or crediting a particular transaction on some date other than the processing date. ~~For example, in Canada it is standard practice to charge a payor's account for the value of a check as of the date the check was written, rather than the date it was actually processed by the bank.~~ Value dating is discussed in more detail in Chapter 7, Relationship Management and Financial Service Provider Selection.