

WHAT YOU NEED TO KNOW

# Flexi Bill Solutions for Investors – Investment Reset



## Product Disclosure Statement

**Issue date:** 28 May 2010

**Issued by:**

Commonwealth Bank of Australia ABN 48 123 123 124  
AFSL 234945

You should read all sections of this Product Disclosure Statement before making a decision to acquire this financial product.

**Commonwealth**Bank





# Contents

GENERAL INFORMATION	2	TERMS AND CONDITIONS	14
Features at a glance	2	1. About these Terms and Conditions	14
Purpose of a Product Disclosure Statement (PDS)	3	2. Terms and Conditions	14
What is an Investment Reset?	3	3. Opening an Investment Reset	14
What is a prime bank?	3	4. Investment Reset	14
Who is an Investment Reset suitable for?	4	5. Confirmation	15
How are interest rates determined?	4	6. Payments under an Investment Reset	15
How does an Investment Reset work?	4	7. Securities to be held by the Bank	15
Terminating an Investment Reset	8	8. Early termination of an Investment Reset	16
What are the significant benefits of an Investment Reset?	10	9. Refusal of service	16
What are the significant disadvantages of an Investment Reset?	10	10. Your understanding of the risks involved	16
What are the significant risks?	10	11. Bank fees	17
How do I invest in an Investment Reset?	11	12. Government taxes	17
What are the costs involved in an Investment Reset?	11	13. Variation of Terms and Conditions	17
Are there any tax implications I should be aware of?	11	14. Change of personal details	17
What if I have a complaint?	11	15. Severability	17
Customer information and privacy	12	16. Governing law	17
		DEFINITIONS	18
		APPENDIX A – Fees and Government taxes	20
		CUSTOMER ACKNOWLEDGEMENT FORMS	

## General Information

### Features at a glance

<b>Significant benefits</b>	Security of a fixed investment return over the <i>term</i> , with the flexibility to either reset your <i>investment rate</i> or exit the <i>investment</i> without penalty on the <i>reset date</i> if you require access to your funds.
<b>Significant risks</b>	You may receive back less than the <i>initial purchase price</i> if you request the Bank to terminate your <i>investment</i> on a date other than the <i>reset date</i> and the Bank agrees to do so.
<b>Minimum face value</b>	\$100,000.00 (denominations of \$1,000.00 thereafter).
<b>Terms available</b>	Between 1 year and 5 years.
<b>Reset date</b>	An agreed date falling on a <i>rollover date</i> between 6 months and 2 years after the <i>lodgement date</i> .
<b>Interest rates</b>	Your <i>investment rate</i> will be set on the <i>deal date</i> and fixed for the <i>term</i> , with the flexibility to take up a higher <i>investment rate</i> on the agreed <i>reset date</i> if the prevailing fixed interest rate on that date is higher than your original <i>investment rate</i> . Current interest rates are available on request from your relationship manager or any branch of the Bank.
<b>Payment of earnings</b>	At each <i>rollover date</i> and on the <i>final maturity date</i> .
<b>Fees and charges</b>	A <i>reset fee</i> is payable for the “reset” capability and is payable by you in full on the <i>lodgement date</i> or by instalments at each <i>rollover date</i> . No account keeping fees are directly applicable to this product. For further information see Appendix A.
<b>Early termination</b>	On the <i>reset date</i> you can terminate your <i>investment</i> without a termination cost but any outstanding <i>reset fee</i> owing is payable at that time. If you wish to terminate your <i>investment</i> on a date other than the <i>reset date</i> , it is at the discretion of the Bank. Your <i>investment</i> must be terminated in full and a termination cost may apply in this case.

The information in this Product Disclosure Statement (PDS) is subject to change from time to time and is up to date as at the date stated on the cover. Where the new information is materially adverse information the Bank will either issue a new PDS or a supplementary PDS setting out the updated information. Where the new information is not materially adverse information we will not issue a new PDS or supplementary PDS to you, but you will be able to find the updated information on our web site [commbank.com.au](http://commbank.com.au) or you can call **13 2221**. If you ask us to, we will send you a paper copy of the information.

## Purpose of a Product Disclosure Statement (PDS)

A PDS aims to provide you with enough information to help you decide whether the product will meet your needs. It also helps you to compare the product with others you may be considering.

This PDS provides information about a product called **Flexi Bill Solutions for Investors – Investment Reset** (Investment Reset). If you decide to invest in an Investment Reset, you should keep this PDS and all other documentation relating to your Investment Reset for future reference.

This PDS consists of a General Information section and the Terms and Conditions that govern the Investment Reset. When you invest in an Investment Reset you agree to the Terms and Conditions detailed in this PDS.

If you have any questions or wish to contact us call **13 2221** between 8am and 8pm, Monday to Friday, visit our web site at **commbank.com.au**, or call into any branch of the Commonwealth Bank of Australia (the Bank).

To assist you in understanding this PDS, the definitions of some words are provided in the “Definitions” section on page 18. When used in this PDS, these words usually appear in italics.

## What is an Investment Reset?

An Investment Reset is a fixed term investment that is composed of a series of underlying *securities*, being Commonwealth Bank accepted *bills of exchange*. As the *bills of exchange* are accepted by the Commonwealth Bank of Australia (currently classified as a prime bank, refer to the section “What is a prime bank?” for more information), the Bank is obliged to pay the *face value* of the *bill* to you on the *final maturity date*, or on the agreed *reset date* should you choose to terminate your *investment*. The *tenor* of each *security* is generally for a period of 3 months.

The *investment rate* is agreed between you and the Bank on the *deal date* and remains fixed for the *term* of the *investment*.

However, on the agreed *reset date*, you have the option to:

- continue with the original *investment rate* for the remaining period to the *final maturity date*;
- reset your *investment* to the prevailing fixed interest rate as quoted by the Bank for the same *face value* for the remaining period to the *final maturity date*; or
- terminate your *investment* without penalty.

## What is a prime bank?

When you invest in an Investment Reset, the Bank will only sell you a *bill* that has been accepted by the Commonwealth Bank of Australia.

The Bank currently meets the definition of a prime bank as determined by the Australian Financial Markets Association (AFMA).

According to AFMA, to be considered a prime bank, a bank must:

- be an Australian Prudential Regulation Authority (APRA) Authorised Deposit-Taking Institution and classified by APRA as: an “Australian-owned Bank”; a “Foreign Subsidiary Bank”; or a “Branch of a Foreign Bank” that is authorised to carry on banking business pursuant to the Banking Act 1959 (as amended) or “comparable legislation in its country of origin”; and
- be rated by Standard & Poor’s as having a short term rating of A1+ and a long term rating of at least AA–.

It is also expected that its acceptances trade at the lowest benchmark yield, as determined by the market.

The lowest benchmark yield, for a given *term*, is determined with regard to the credit quality and liquidity of the underlying bank.

A listing of prime banks is accessible via the AFMA web site **www.afma.com.au** or upon request from your relationship manager or any branch of the Bank.

## Who is an Investment Reset suitable for?

Situations in which an Investment Reset may be appropriate are:

- you have \$100,000.00 or more to invest;
- you need the certainty of a fixed return on your *investment* and want to invest for a fixed term; or
- you believe fixed interest rates may rise in the period from the *deal date* to the *reset date* and want the opportunity to take advantage of any rise in interest rates should it occur; or
- you may need access to your invested funds on the *reset date* and do not want to incur a penalty for terminating your *investment* on this agreed *reset date*.

## How are interest rates determined?

On the *deal date*, you agree to an *investment rate* and a *reset date* that will apply to your Investment Reset.

The *investment rate* offered by the Bank on both the *deal date* and *reset date* is based on the prevailing market interest rate for the period until maturity, adjusted by a margin that reflects the following factors:

- an allowance for the Bank's business costs, both fixed and variable; and
- the Bank's profit margin.

The margin may vary from time to time due to changed market conditions, the relative liquidity of the *securities* market, and the timing of the transaction.

Details of current interest rates are available on request from your relationship manager or any branch of the Bank.

## How does an Investment Reset work?

### On the deal date

On the *deal date*, you agree with the Bank the details of your *investment*, such as the *face value*, the *term*, the fixed interest rate, and the *reset date*.

The *reset date* can be a date that is 6 months to 2 years after the *lodgement date* and is a *rollover date*.

You will pay a *reset fee* for the capability to reset your *investment rate* on the agreed *reset date* if the prevailing fixed interest rate on that date is higher than your original *investment rate*.

The *reset fee* is calculated based on:

- the *face value* of your *investment*;
- the prevailing market interest rates;
- interest rate movements and their volatility; and
- the *term* of your *investment*.

The reset fee is payable either in full on the *lodgement date* or by instalments on each *rollover date*.

If you choose to pay the *reset fee* by instalments on each *rollover date*:

- on the *deal date* you will be quoted a percentage per annum that will be subtracted from your *investment rate* on the *lodgement date* and each *rollover date* when determining the *purchase price* of each *security* in the series; and
- any outstanding *reset fee* will be payable if you choose to terminate your *investment* prior to the *final maturity date*.

The Bank applies the following formula to calculate the *purchase price* of each *security* in the series.

**Purchase price =**

$$\frac{\text{face value}}{1 + \left( \frac{\text{investment rate}}{\text{(less reset fee instalment)}} \times \frac{\text{tenor}}{365} \right)}$$

The *purchase price* for the first *security* in the series (i.e. *initial purchase price*) is calculated using the above formula and is payable by you on the *lodgement date*.

Shortly after the *deal date*, the Bank will send you a *confirmation* disclosing the *face value*, the *term*, the original *investment rate*, the *reset date* and the *reset fee* payable. You may also obtain this information on the *deal date* from your relationship manager or the branch of the Bank where you invested in the Investment Reset.

You should retain the *confirmation* for tax purposes, as the Bank will not send you an end of year summary of earnings.

The Bank will hold your *securities* free of charge on a *safe custody* basis.

### On each rollover date

The *purchase price* formula is applied on each *rollover date* to calculate the *purchase price* of that *security* given the *tenor* and your *investment rate*.

On each *rollover date*, you will earn an amount (income payment), which is the difference between the *face value* payable to you for the maturing *security* and the *purchase price* payable by you for the new *security*. This amount will be paid into your *nominated bank account*.

### On the reset date

The *reset date* is a date as agreed between you and the Bank on the *deal date* and is a *rollover date*.

On the *reset date* you may decide to:

- i) continue with the *investment* to the *final maturity date* at the original *investment rate* (as agreed on the *deal date*); or
- ii) reset the *investment rate* to the prevailing fixed interest rate as determined by the Bank for the remaining period given the same *face value*. This new *investment rate* will then apply for the remaining period to the *final maturity date* of your *investment*; or
- iii) terminate your *investment* at no penalty. If you elected to pay the *reset fee* by instalments, you must pay any outstanding amounts owing to the Bank on the *reset date* should you decide to terminate your *investment*.

In respect of points ii) and iii) above, the Bank will send you a letter confirming the details of your transaction shortly after the *reset date*.

If you choose to terminate your *investment* on the *reset date*, the Bank will pay the *face value* of your *investment* into your *nominated bank account*. If you elected to pay the *reset fee* by instalments, any outstanding *reset fee* payable by you will be deducted from the *face value*.

If you do not contact the Bank with your instructions by 11am (Sydney time) on the *reset date*, and we have not been able to contact you, one of the following will apply:

- if the prevailing fixed interest rate, as determined by the Bank on the *reset date*, for the same *face value* for the remaining period is higher than your original *investment rate*, your *investment rate* will be automatically reset to the higher fixed interest rate for the remaining period to the *final maturity date*; or
- if the prevailing fixed interest rate, as determined by the Bank on the *reset date*, for the same *face value* for the remaining period, is lower than or equal to your original *investment rate*, your *investment rate* will continue at the original *investment rate* for the remaining period to the *final maturity date*.

### On the final maturity date

Provided that your *investment* was not terminated on the *reset date*, on the *final maturity date* the Bank will pay to you the *face value* of the *investment*.

Prior to the *final maturity date*, you may contact the Bank with your instructions for the maturing *investment*. You may choose to invest in another Investment Reset or request the *face value* (proceeds) to be paid into your *nominated bank account* on the *final maturity date*.

If, on the *final maturity date*, the Bank has not received instructions from you then we will automatically pay the proceeds into your *nominated bank account*.

The following example illustrates the way an Investment Reset works where the *reset fee* is paid in full on the *lodgement date*.

### Example 1\*

You wish to purchase an Investment Reset with a *face value* of \$500,000.00 for a *term* of 2 years with quarterly rollovers (with quarterly income payments).

On the *deal date*, the Bank offers you a fixed interest rate of 5.15% per annum and you accept this rate as your original *investment rate*. You select a *reset date* 1 year from the *lodgement date* and the Bank quotes a *reset fee* for your Investment Reset of \$3,450.00 if paid in full on the *lodgement date* (or 0.39% per annum if paid by instalments as a deduction from your *investment rate* each quarter over the 2 year *term*). You elect to pay the *reset fee* in full on the *lodgement date*.

The *investment rate* for the first *security* is 5.15% per annum for a *tenor* of 90 days.

The *initial purchase price* is calculated as follows:

$$\frac{\$500,000.00}{1 + \left( 5.15\% \times \frac{9}{365} \right)} = \$493,730.30$$

On the *lodgement date* you pay the *reset fee* of \$3,450.00 and the *initial purchase price* of \$493,730.30 to the Bank.

When this *security* matures at the end of the first quarter (first *rollover date*), you purchase a second *security*.

The *face value* remains at \$500,000.00 and your *investment rate* is fixed at 5.15% per annum. The *purchase price* of the second *security* is \$493,730.30.

The difference between the maturing *face value* and this new *purchase price* (i.e. -\$6,269.70) will be the amount paid into your *nominated bank account*. For further information on payments under an Investment Reset, refer to Clause 6 in the Terms and Conditions of this PDS.

On the agreed *reset date*, the fixed interest rate as determined by the Bank for the remaining period to the *final maturity date*, given the same *face value*, is 6.15% per annum. Assuming that you do not wish to terminate your *investment*, on the *reset date*, you decide to “reset” your *investment rate* to the higher prevailing fixed interest rate of 6.15% per annum. Consequently, your *investment rate* for each quarter after the *reset date* will be 6.15% per annum.

The process occurs at the maturity of each *rollover date* until the *final maturity date*. On the *final maturity date*, the *face value* of \$500,000.00 is paid to you.

Table 1 shows how your *investment* might progress over the 2 year *term* using the scenario in Example 1. It shows that the *investment rate* is fixed at 5.15% per annum for the first 4 quarters until the *reset date*. On the *reset date*, because you choose to “reset” and take advantage of the higher prevailing fixed interest rate of 6.15% per annum, the last 4 *securities* in the series of *securities* will earn an *investment rate* of 6.15% per annum.

**Table 1: Investment earnings**

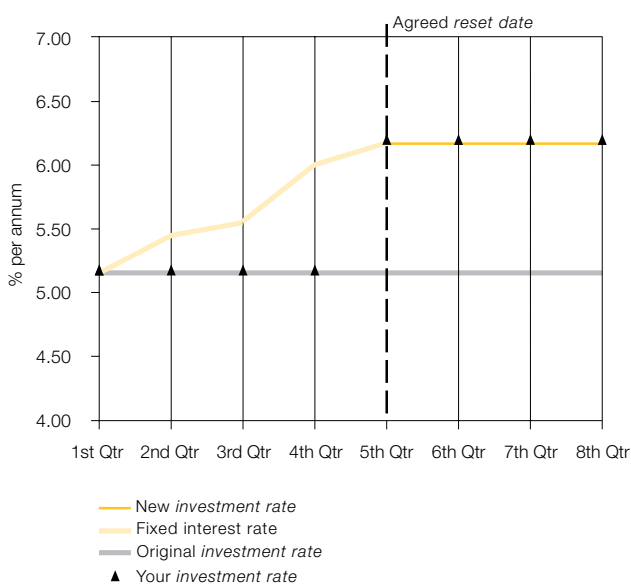
<i>Term</i>	<i>Investment rate (% per annum)</i>	<i>Purchase price of each 3 month security</i>	<i>Earnings on each 3 month security</i>
Qtr 1	5.15	\$493,730.30	\$6,269.70
Qtr 2	5.15	\$493,730.30	\$6,269.70
Qtr 3	5.15	\$493,730.30	\$6,269.70
Qtr 4	5.15	\$493,730.30	\$6,269.70
Qtr 5	6.15	\$492,531.07	\$7,468.93
Qtr 6	6.15	\$492,531.07	\$7,468.93
Qtr 7	6.15	\$492,531.07	\$7,468.93
Qtr 8	6.15	\$492,531.07	\$7,468.93
<b>Total earnings on the Investment Reset</b>			<b>\$54,954.52</b>
<b>Face value that is paid to you on the final maturity date</b>			<b>\$500,000.00</b>
<b>Reset fee paid in full by you on the lodgement date</b>			<b>(\$3,450.00)</b>

Please note that depending on your chosen *term*, the initial *security* in the series may be for a shorter *tenor* than the other *securities* in the series.

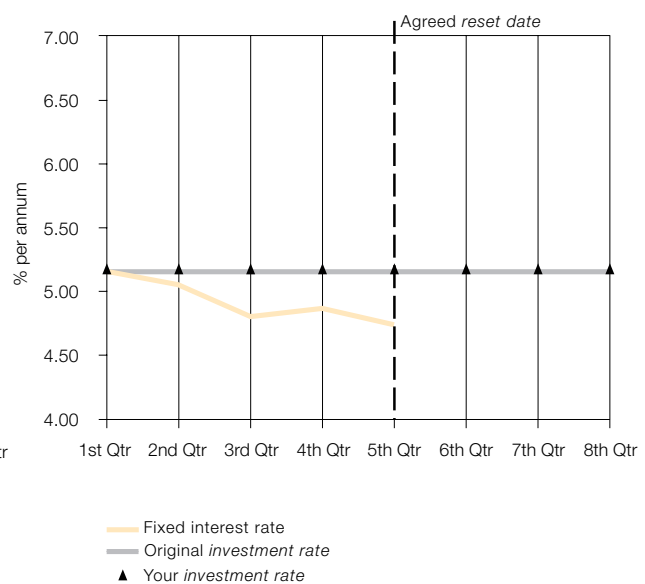
Diagram 1 below is a graphical illustration of how an Investment Reset works when fixed interest rates have risen and you choose to reset your *investment rate* to a higher *investment rate* on the *reset date*.

Diagram 2 below is a graphical illustration of how an Investment Reset works when fixed interest rates have fallen and you choose to leave your original *investment rate* unchanged on the *reset date*.

**Diagram 1: Fixed interest rates rise**



**Diagram 2: Fixed interest rates fall**



\* Examples are used for illustrative purposes only. Actual returns will depend on prevailing interest rates on the *deal date* and on the *reset date*. Quarters will vary in length from 85 days to 95 days. Example assumes 90 days in each quarter.

The following example illustrates the way the *purchase price* of each *security* in an Investment Reset is calculated where the *reset fee* is paid by instalments.

### Example 2\*

Using Example 1, if you choose to pay the *reset fee* by instalments then 0.39% per annum is deducted from the *investment rate* each quarter over the 2 year *term*.

The *investment rate* for the first *security* is 5.15% per annum for a *tenor* of 90 days.

The *purchase price*, given the *face value* of \$500,000.00, for the Investment Reset is calculated as follows:

$$\frac{\$500,000.00}{1 + \left( (5.15\% - 0.39\%) \times \frac{90}{365} \right)} = \$494,199.59$$

\* Examples are used for illustrative purposes only. Actual returns will depend on prevailing interest rates on the *deal date* and on the *reset date*. Quarters will vary in length from 85 days to 95 days. Example assumes 90 days in each quarter.

## Terminating an Investment Reset

If you wish to redeem your Investment Reset prior to the *final maturity date* (other than on the *reset date*), you may apply to the Bank for a termination. Requests for a termination are to be submitted in writing to your relationship manager or any branch of the Bank. Acceptance of your application for Early Termination of your Investment Reset on any date other than the *reset date* is at the discretion of the Bank. If you fail to comply with Clause 8 of the Terms and Conditions in this PDS, the Bank may terminate your Investment Reset without being requested by you to do so.

Terminations can only be for the full *face value* of your Investment Reset and can be requested at any time during the *term* of the *investment*. Partial terminations cannot be accommodated.

For terminations of your Investment Reset, the Bank, acting reasonably will calculate an amount payable to you, consisting of three parts:

- Repurchase price – the price at which the Bank will *repurchase* the current *security* in the series;
- Termination cost – the cost of terminating your commitment to purchase the remaining *securities* in the series (other than on the *reset date*); and
- Outstanding *reset fee* (if applicable) – any outstanding *reset fee*, which is still payable if you choose to terminate your *investment* prior to the *final maturity date*.

### a) Repurchase price

If you terminate your Investment Reset on a date other than a *rollover date* or the *reset date*, the *repurchase price* of the current *security* will be calculated using a *repurchase rate* which is determined by the Bank based on:

- prevailing market interest rates on the termination date;
- remaining period to the maturity of the current *security*;
- the cost incurred by the Bank to settle your termination; and
- the status of the Bank on the termination date (i.e. whether we are defined as a prime bank or a non-prime bank).

The *repurchase* price of the current *security* is calculated as follows:

**Repurchase price =**

$$\frac{\text{face value} + \text{original earnings payable at maturity}}{1 + \left( \frac{\text{repurchase rate}}{\% \text{ per annum}} \times \frac{\text{remaining period to maturity in days}}{365} \right)}$$

If you terminate your Investment Reset on a *rollover date*, the *repurchase* price will be equal to the *face value* of that *security*.

**b) Termination cost**

If you terminate your Investment Reset prior to purchasing the final *security* in the series (on a date other than the *reset date*), the termination cost represents the cost to the Bank of terminating your commitment to purchase the remaining *securities* in the series. The termination cost will be calculated based on:

- prevailing market interest rates on the termination date;
- the status of the Bank on the termination date (i.e. whether we are defined as a prime bank or a non-prime bank);
- future cash flow differences (arising as a result of a difference in the prevailing market interest rates on the termination date and the original *investment rate*) at each *rollover date*;
- remaining period to the *final maturity date*; and
- the costs incurred by the Bank to settle your termination.

Depending on interest rate movements, since the *deal date*, the termination cost may be a positive or a negative amount.

If you terminate your Investment Reset while investing in the last *security* in the series (i.e. the next *rollover date* will be the *final maturity date* for the *investment*) or on the *reset date*, no termination cost is applicable.

**c) Outstanding reset fee**

If you elected to pay your *reset fee* by instalments, then any outstanding *reset fee* will be deducted from your amount payable.

**Amount payable**

If the termination cost is negative, then the amount payable to you on the termination date will be the *repurchase* price less the termination cost less any outstanding *reset fee*.

If the termination cost is positive, then the amount payable to you on the termination date will be the *repurchase* price plus the termination cost less any outstanding *reset fee*.

If the termination cost is zero, then the amount payable to you on the termination date will be the *repurchase* price less any outstanding *reset fee*.

Depending on the factors mentioned above, on the termination date, the amount payable to you may be:

- equal to your *initial purchase price*; or
- less than your *initial purchase price*; or
- more than your *initial purchase price*.

The Bank will notify you verbally of the amount payable as soon as practicable after making this calculation. If you accept this amount, the Bank will then send you a letter confirming the details of your termination.

The following example illustrates how an Investment Reset termination works.

**Example 3\***

Following on from Example 1, assume you request the Bank to terminate your Investment Reset at the end of Quarter 3.

As you are terminating your Investment Reset on a *rollover date*, the *repurchase* price will be equal to the *face value* of that *security* (i.e. \$500,000.00). The Bank calculates the termination cost as being a negative amount of \$1,500.00.

The amount payable to you upon termination is \$498,500.00 being the maturing *face value* of the Quarter 3 *security* less the termination costs of \$1,500.00. As you paid the *reset fee* in full on the *lodgement date* there is no outstanding *reset fee* payable.

\* Examples are used for illustrative purposes only.

## What are the significant benefits of an Investment Reset?

Benefits include:

- you are protected against falling market interest rates during the *term* of your *investment*;
- on the agreed *reset date*, you may “reset” your *investment rate* to take advantage of any increase in prevailing fixed interest rates;
- flexibility in investment *terms* of between 1 and 5 years; and
- you may terminate your *investment* on the *reset date* with no termination cost, however, any outstanding *reset fees* will need to be paid to the Bank.

## What are the significant disadvantages of an Investment Reset?

Disadvantages include:

- you cannot benefit from increases in market interest rates until the agreed *reset date*, and you cannot participate in increases in market interest rates that occur after the *reset date* as your *investment rate* is fixed for the remaining period of the *investment*;
- you may not be able to invest the exact amount that you require as the *face value* of your *investment* must be in multiples of \$1,000.00; and
- in the event of an early termination (on a date other than the *reset date*), you may receive back less than your *initial purchase price* (refer to the “Terminating an Investment Reset” section in this PDS).

## What are the significant risks?

Interest rate markets may be volatile. Investments in these markets may involve actual losses if you request the Bank to terminate your Investment Reset prior to the *final maturity date* (on a date other than the *reset date*). Monitoring of any risks associated with this product is your responsibility.

### Market risk

Market risk is the risk that prices including interest rates will move adversely. Investment Reset returns are linked to market interest rates on the *deal date*

and the *reset date*. As the return that you receive on the Investment Reset is fixed, you forgo the opportunity to benefit from any rise in market interest rates during the *term* except on the agreed *reset date*.

You should ensure that you are able to monitor and value the relevant interest rate movements when investing in an Investment Reset. The Bank may be dealing on its own account in interest rate markets and such dealings may influence interest rates.

### Credit risk

Credit risk is common to all investment products that you may hold with the Bank. In all cases, you are reliant on the ability of the Bank to meet its obligations to you under the terms of this transaction. In an Investment Reset, the underlying *securities* are *bills of exchange* accepted by the Commonwealth Bank of Australia, and so the obligation to pay to you the *face value* at each *rollover* and on the *final maturity date* lies with the Bank.

### Legal risk

Australia, as a member state of the United Nations, is obliged to implement United Nations Security Council sanctions. Australia also may be required to implement other international sanctions and sometimes imposes unilateral sanctions. Sanctions can cover various subject matters including financial restrictions. Consequently, the Bank may be prohibited from dealing with certain persons or entities.

This means that if the Bank is aware that you are a proscribed person or entity, then the Bank may be required to suspend, cancel or refuse you services or close or terminate any account, facility, transaction, arrangement or agreement with you. We may also be required to freeze assets of yours. You could incur significant costs as a result of these actions.

### Change in prime bank status

If you choose to invest in an Investment Reset, there is a risk that the status of the Bank may change from being a prime bank to a non-prime bank during the *term* of the *investment*. This may affect you if you request an early termination of your Investment Reset.

### In the case of early termination

In the case of early termination of your Investment Reset, the amount payable to you may be less than your *initial purchase price* due to interest rate movements and the period you held your *investment* for. Additionally, any change in the Bank's prime bank status, that has taken place

since the *deal date*, could result in a higher *repurchase* rate than otherwise would have been offered to you. For more details, see the section on “Terminating an Investment Reset” in this PDS.

These are the most significant risks. However, there may be other considerations that are relevant to you should you invest in an Investment Reset. You should obtain your own independent professional advice to determine whether this product is appropriate to your particular circumstances.

## How do I invest in an Investment Reset?

To invest in an Investment Reset you must:

- contact your relationship manager or any branch of-the Bank to proceed with the *investment*; and
- complete and sign the Customer Acknowledgement forms which are attached to the back of this PDS.

Shortly after the *deal date* the Bank will send you a letter confirming the details of your *investment*. You should respond to this *confirmation* as described in Clause 5 of the Terms and Conditions of this PDS.

## What are the costs involved in an Investment Reset?

A *reset fee* is payable for an Investment Reset. You may elect to pay the *reset fee* in full on the *lodgement date* or by instalments as a deduction from your investment return at each *rollover date*. Any outstanding *reset fee* is still payable if you choose to terminate your *investment*.

The *reset fee* is calculated based on:

- the *face value* of your *investment*;
- prevailing market interest rates;
- interest rate movements and their volatility; and
- the *term* of your *investment*.

There are no account keeping fees directly applicable to this product.

Refer to Appendix A of this PDS for more information on fees and Government taxes.

## Are there any tax implications I should be aware of?

Investing and dealing with investments has tax and often social security implications. These can be complex and are invariably particular to your circumstances. Investment income in the form of earnings on an Investment Reset is generally taxable income. You should discuss the timing and derivation of this income with your independent professional tax adviser.

If you are a non-resident, the Bank is obliged by law to deduct non-resident withholding tax from the earnings on your *investment*.

All fees directly applicable to this product (refer to Appendix A) are input taxed which means that the Bank does not charge GST on these fees.

## What if I have a complaint?

Please contact your relationship manager or the manager of the department that handled the matter and explain the problem.

Our staff will review the situation and, if possible, resolve it immediately. If the matter has not been resolved to your satisfaction, please contact our Customer Relations team via:

- our web site at **[commbank.com.au/contactus/comment.asp](http://commbank.com.au/contactus/comment.asp)**;
- telephone **1800 805 605**;
- facsimile **1800 028 542**; or
- writing to:  
Customer Relations  
Commonwealth Bank  
Reply Paid 41  
Sydney NSW 2001

If after giving us the opportunity to resolve your complaint, you feel we have not resolved it satisfactorily, you may also lodge a written complaint with the Financial Ombudsman Service at:

Financial Ombudsman Service Limited  
GPO Box 3  
Melbourne VIC 3001

Phone **1300 780 808**

Fax **03 9613 6399**

Internet **[www.fos.org.au](http://www.fos.org.au)**

## Customer information and privacy

### Collection and verification of customer information

“Customer information” is information about a customer. It includes personal information.

The law requires us to identify our customers. We do this by collecting and verifying information about you. We may also collect and verify information about persons who act on your behalf. The collection and verification of information helps to protect against identity theft, money-laundering and other illegal activities.

We use your customer information to manage our relationship with you, provide you with the products and services you request and also tell you about the products and services offered by the Commonwealth Bank Group (“Group”), affiliated providers and external providers for whom we act as agent. If you have given us your electronic contact details, we may provide marketing information to you electronically.

The collection and verification of customer information may be carried out in different ways and we will advise you of the most acceptable methods of doing this. We may disclose your customer information in carrying out verification – e.g. we may refer to public records to verify information and documentation, or we may verify with an employer that the information you have given us is accurate.

Depending on whether you are an individual or an organisation, the information we collect will vary. For instance, if you are an individual, the type of information we may collect and verify includes your full name, date of birth and residential address. If you are commonly known by 2 or more different names, you must give us full details of your other name or names.

For instance, if you are a company, we may collect and verify information, including company incorporation and registration details, as well as details of the company’s officers and its major shareholders.

If you are acting as a trustee, we may ask you for, amongst other things, information on the beneficiaries of the trust and evidence of the existence of the trust.

If you are a partnership, we may require information including evidence of the fact that the partnership exists, as well as the full name of the partnership, the names of the partners and any business name owned by the partnership.

For other organisations, the kind of information we collect and verify will depend on the type of organisation you are.

In addition, during your relationship with us, we may also ask for and collect further information about you and about your dealings with us.

You must provide us with accurate and complete information. If you do not, you may be in breach of the law and also we may not be able to provide you with products and services that best suit your needs.

### Protecting customer information

We comply with the National Privacy Principles as incorporated into the *Privacy Act 1988* (Cth).

We disclose customer information to other members of the Group (including overseas members), so that the Group may have an integrated view of its customers and to facilitate the integrated treatment of its customers. It also enables other members of the Group to provide you with information on their products and services.

### Other disclosures

At common law, banks are permitted to disclose customer information in the following circumstances:-

- (a) where disclosure is compelled by law; or
- (b) where there is a duty to the public to disclose; or
- (c) where our interests require disclosure; or
- (d) where disclosure is made with your express or implied consent.

So that we can manage our relationships, customer information may be disclosed to:

- brokers and agents who refer your business to us;
- any person acting on your behalf, including your financial adviser, solicitor, settlement agent, accountant, executor, administrator, trustee, guardian or attorney;
- financial institutions who request information from us if you seek credit from them;
- if you have borrowed from the Bank to purchase property valuers and insurers (so that the Bank can obtain a valuation of your property, and confirm that it is insured);

- if you have insurance: medical practitioners (to verify or clarify, if necessary, any health information you may provide), claims investigators and reinsurers (so that any claim you make can be assessed and managed), insurance reference agencies (where the Bank is considering whether to accept a proposal of insurance from you and, if so, on what terms); and
- organisations to whom we may outsource certain functions.

In all circumstances where our contractors, agents and outsourced service providers become aware of customer information, confidentiality arrangements apply. Customer information may only be used by our agents, contractors and outsourced service providers for our purposes.

We may be required to disclose customer information by law, e.g. under Court Orders or Statutory Notices pursuant to taxation or social security laws or under laws relating to sanctions, anti-money laundering or counter terrorism financing.

We may send customer information overseas if:

- that is necessary to complete a transaction, or
- we outsource certain functions overseas.

We may also be permitted, as distinct from required, to disclose information in other circumstances. For more information, please refer to our Privacy Policy.

### **Access to your personal information**

The law allows you (subject to permitted exceptions) to access your personal information. You can do this by contacting:

Customer Relations  
Commonwealth Bank  
Reply Paid 41  
Sydney NSW 2001

We may charge you for providing access.

### **Further information**

For further information on our privacy and information handling practices, please refer to the Group's Privacy Policy, which is available at [commbank.com.au](http://commbank.com.au) or upon request from any branch of the Bank.

# Terms and Conditions

## 1. About these Terms and Conditions

These Terms and Conditions govern the Bank's Investment Reset product. They do not include terms and conditions that apply by operation of law.

You should read these Terms and Conditions carefully and keep a copy for your future reference. In addition, you should read the Bank's information booklet "The Better Banking Book", copies of which may be obtained by telephoning the Bank on **13 2221** (between 8am and 8pm, Monday to Friday), visiting our web site at **commbank.com.au** or from any branch of the Bank.

The Better Banking Book contains useful information on a range of banking matters. These include the rights and obligations that arise out of the banker and customer relationship, account opening procedures, the Bank's obligations regarding confidentiality of your information, complaint handling procedures, bank cheques, the advisability of you informing the Bank promptly when you are in financial difficulty and the advisability of you reading the terms and conditions applying to any banking service provided to you or in-which you are interested.

The Bank makes no representations about the taxation impacts of the Investment Reset. You should seek independent taxation and/or financial advice if you are unsure of the taxation implications of making an *investment*.

The relevant provisions of the Code of Banking Practice apply to an Investment Reset if an account is held by an individual, either alone or jointly with another individual, or small business customer. A copy of the Code of Banking Practice is available at **commbank.com.au** or upon request from your relationship manager or any branch of the Bank.

## 2. Terms and Conditions

Where you enter into an Investment Reset with the Bank, these Terms and Conditions apply to the Investment Reset.

## 3. Opening an Investment Reset

Opening an Investment Reset is conditional upon:

- (a) you providing the Bank with the necessary identification information it requires; and
- (b) the Bank carrying out any necessary verification check(s).

## 4. Investment Reset

- (a) You agree to purchase a series of *securities* where the *investment rate* is fixed on the *deal date* for the *term*. However, on the *reset date*, you have the opportunity to:
  - i) continue with the *investment* to the *final maturity date* at the original *investment rate* (as agreed on the *deal date*); or
  - ii) reset the *investment rate* to the prevailing fixed interest rate as determined by the Bank for the remaining period given the same *face value*. This new *investment rate* will then apply for the remaining period to the *final maturity date* of your *investment*; or
  - iii) terminate your *investment* at no penalty. If you elected to pay the *reset fee* by instalments, you must pay any outstanding amounts owing to the Bank on the *reset date* should you decide to terminate your *investment*.
- (b) In return for the opportunity to reset your *investment rate*, a *reset fee* is payable either in full on the *lodgement date* or by instalments as a deduction from your *investment* return on each *rollover date*.
- (c) On the *deal date* the following details, amongst others, will be agreed between you and the Bank:
  - *term*: between 1 year and 5 years;
  - *face value*: the minimum *face value* is \$100,000.00 (denominations of \$1,000.00 thereafter);
  - *investment rate*: the rate agreed on the *deal date* (original *investment rate*), which is subject to change on the *reset date*;
  - *reset date*: a *rollover date* between 6 months and 2 years after the *lodgement date*. This date is specified in the confirmation. If you do not contact the Bank with your instructions by 11am (Sydney time) on the *reset date*, and we have not been able to contact you, one of the following will take place on the *reset date*:

- i) if the prevailing fixed interest rate, as determined by the Bank on the *reset date*, for the same *face value* for the remaining period is higher than your original *investment rate*, your *investment rate* will be automatically reset to the higher fixed interest rate for the remaining period to the *final maturity date*; or
- ii) if the prevailing fixed interest rate, as determined by the Bank on the *reset date*, for the same *face value* for the remaining period is lower than or equal to your original *investment rate*, your *investment* will continue to *rollover* at the original *investment rate* for the remaining period to the *final maturity date*; and

– *reset fee*: the cost of the Investment Reset, payable by you either in full on the lodgement date or by instalments at each rollover date. Any outstanding *reset fee* is still payable if you choose to terminate your investment prior to the final maturity date.

- (d) The *rollover* frequency is usually quarterly (i.e. individual *securities* in the series have a *tenor* of 3 months). On request, your *rollover* frequency may be varied, however, this must be specified on the *deal date*. The *rollover* frequency must remain constant for the *term* of the *investment*. If your chosen *term* is not a multiple of the *tenor* of the underlying *securities*, the initial *security* in the series will be for a shorter *tenor* than the other *securities* in the series.

## 5. Confirmation

After you purchase an Investment Reset, the Bank will send you a *confirmation* setting out the details of your Investment Reset. Within 2 *business days* of receiving the *confirmation* you must either:

- i) if, in your opinion, there is an error in the *confirmation*, notify the Bank of the error; or
- ii) sign a copy of the *confirmation* and return it to the Bank acknowledging it is correct.

However, the transaction is valid even if these steps are not followed.

## 6. Payments under an Investment Reset

- (a) Subject to clause 9, payments under an Investment Reset are made as follows:
  - i) on the *deal date* you will agree to purchase from the Bank a series of *securities*;
  - ii) on the *lodgement date* you will pay the *initial purchase price* for the first *security* in the series of *securities*;
  - iii) on the *lodgement date*, you may elect to pay the *reset fee* in full or by instalments by way of a deduction on your investment return on each *rollover date*;
  - iv) on each *rollover date* the maturing *securities* will be discharged and replaced by new *securities*. You will purchase the new *securities* from the Bank at a price calculated in accordance with these Terms and Conditions;
  - v) payment for the new *securities* will be made by way of debit against the proceeds of the maturing *securities* and the difference between the *face value* of the maturing *securities* and the *purchase price* of the new *securities*, will be credited to the *nominated bank account*;
  - vi) on the *final maturity date*, the *face value* of the *securities* will be credited to the *nominated bank account* unless otherwise advised by you. Fees may apply, refer to Appendix A for more details.

- (b) The *rollover* of *securities* described in this Clause will usually occur without any action on your part. You authorise the Bank to take all action on your behalf to effect each *rollover*.

## 7. Securities to be held by the Bank

All *securities* purchased by you as part of an Investment Reset will be held by the Bank on a *safe custody* basis and you waive your right to require the Bank to deliver the *securities* to you. The Bank's only obligation to you is to pay to you the *face value* of a *security* on the *rollover date*, or the *final maturity date*, subject to the Bank's right on a *rollover date* to apply the amount of the *face value* of a maturing *security* to the *purchase price* of a new *security* as set out in Clause 6.

## 8. Early termination of an Investment Reset

- (a) The Bank may terminate an Investment Reset before the *final maturity date* if:
  - i) you do not pay on time any amount due under the *investment* or breach any other term of the *investment*;
  - ii) you fail to purchase any *security* on the relevant *rollover date*;
  - iii) you breach any of these Terms and Conditions;
  - iv) you become insolvent, bankrupt, in receivership, in liquidation or wound up; or
  - v) you breach the terms of any other investment.
  - vi) you or a signatory appears to be a Proscribed Person
- (b) The Bank will give consideration in its absolute discretion to any request in writing by you to terminate an *investment* prior to its *final maturity date* but the Bank is under no obligation to agree to the request, except on the agreed *reset date*.
- (c) Requests to terminate an *investment* can only be made for the full *face value*.
- (d) If an Investment Reset is terminated prior to its *final maturity date*:
  - i) you must, in addition to any other sums due hereunder, pay to the Bank any amounts required to compensate the Bank for any losses, costs (including, without limitation, termination costs) and expenses (including, without limitation, any reasonable legal or out of pocket expenses) which the Bank may reasonably incur as a result of such termination; and
  - ii) the Bank may apply the whole or any part of the moneys payable or to become payable to you under the *investment* to satisfy in whole or in part your obligations under the *investment* and these Terms and Conditions.

## 9. Refusal of service

In the event that you or a signatory appears to be a Proscribed Person, then we may, acting reasonably, immediately refuse to process or complete any transaction or dealing of yours; suspend the provision of a product or service to you; refuse to allow or to facilitate any of your assets held by us to be used or dealt with; refuse to make any asset available to you to any other proscribed person or entity; or terminate these arrangements with you. Provided we act in good faith and in compliance, or purported compliance, with any legal requirement in relation to a Proscribed Person we will be under no liability to you we do any or all of these things. Our rights under this clause are in addition to all other rights we may have.

If we exercise our rights under this clause you must pay us damages, losses, costs (including, without limitation, termination costs) and expenses (including, without limitation, any reasonable legal or out of pocket expenses) that we may reasonably incur in relation to any action taken under this clause, including, without limitation, our refusal of service under this clause.

## 10. Your understanding of the risks involved

- (a) An Investment Reset is a financial markets product and as such contains an element of risk. The level of risk varies depending on the *investment's* specific attributes (for example, its time to maturity or pricing benchmark), and how it is used (for example, as a hedge or a speculative transaction). A major risk is that which can arise from having to exit the *investment* at a loss after adverse changes in interest rates or their volatility.
- (b) The Bank enters into each *investment* by you on the understanding that:
  - i) you have made your own independent decision to enter into the *investment* and whether that *investment* is appropriate or desirable for you; and
  - ii) you have the capacity to evaluate and understand (either on your own behalf or through independent professional advice), and do understand, the *investment* and to assume (financially and otherwise) those risks.

## 11. Bank fees

A *reset fee* is payable by you either in full on the *lodgement date* or by instalments at each *rollover date*.

There are no account keeping fees directly applicable to this product.

Refer to Appendix A of this PDS for further information.

## 12. Government taxes

Your Investment Reset may also be subject to Government taxes and duties (if any). These may vary from State to State.

All fees directly applicable to this product are input taxed which means that the Bank does not charge GST on these fees.

Refer to Appendix A of this PDS for further information.

## 13. Variation of Terms and Conditions

The Bank may at any time and from time to time vary these Terms and Conditions if:

- (a) i) acting reasonably, it determines that the variation is necessary, expedient or desirable to:
    - A) correct any error, inconsistency, inadvertent omission, inaccuracy or ambiguity in these Terms and Conditions;
    - B) conform the Bank with its competitors, industry or market practice or best practice in Australia or overseas;
    - C) accommodate changes to the needs or requirements of the Bank's customers (such as new product features or services); or
    - D) address any internal requirements of the Bank, for example, occasioned by changes in technology or processing (including computer systems), and
  - ii) in the Bank's reasonable opinion, the variation in paragraph (a)(i) above does not cause detriment to you; or
- (b) acting reasonably, it determines that the variation is necessary, expedient or desirable for the Bank to comply with, adopt or implement any legal requirement, decision, recommendation, regulatory guidance or standard of any court, tribunal, ombudsman or regulator.

The Bank will notify you of the variation either in writing or by advertisement in the national media or local media not later than 30 days before the day on which the variation takes effect.

Nothing in this clause limits your obligations to pay Bank fees and Government taxes as set out in Appendix A.

The Bank will notify you of the introduction or variation of any Government tax or charge either in writing or by advertisement in the national media or local media unless the Government, a Government agency or representative body has already publicised the introduction or variation.

## 14. Change of personal details

You are required to notify the Bank promptly in writing of a change to your personal details, such as your name, address or *nominated bank account*.

## 15. Severability

If any term or condition of these Terms and Conditions is found to be void or unenforceable for unfairness or any other reason (for example, if a court or other tribunal or authority declares it so), the remaining terms and conditions will continue to apply to the extent possible as if the void or unenforceable term or condition had never existed.

## 16. Governing law

These Terms and Conditions are governed by and construed in accordance with the laws of New South Wales and the parties irrevocably and unconditionally submit to the non exclusive jurisdiction of the courts of that State and courts of appeal from them.

# Definitions

## **“the Bank”, “our”, “us” or “we”**

Commonwealth Bank of Australia  
ABN 48 123 123 124.

## **“bank accepted bill”**

A *bill of exchange* that has been issued by a drawer and that is subsequently accepted by a bank. If the *bank accepted bill* is subsequently on-sold to an investor, the accepting bank is obliged to pay the *face value* of the *bill* at maturity to that investor.

## **“bank bill”**

A *bank accepted bill*.

## **“bill of exchange” or “bill”**

A negotiable instrument regulated by the Bills of Exchange Act 1909 (Cth).

## **“business day”**

A day on which the Bank is open for the transaction of business in relation to an Investment Reset.

## **“confirmation”**

A letter from the Bank setting out the details of your Investment Reset.

## **“deal date”**

The date on which you enter into an agreement with the Bank to purchase an Investment Reset.

## **“face value”**

The amount payable to you on the maturity date of each *security* purchased by you during the *term*.

## **“final maturity date”**

The maturity date of the last *security* in a series of *securities* under an *investment*.

## **“initial purchase price”**

The amount paid by you for the first *security* in a series of *securities* on the *lodgement date*.

## **“investment”**

A transaction being an Investment Reset, under which you purchase from the Bank a series of *securities* all of which will have a *tenor* of between 25 and 185 days, depending on your *rollover* frequency.

## **“investment rate”**

The return earned by you expressed as a rate per centum per annum.

## **“lodgement date”**

The date of purchase of the first *security* in a series of *securities* under an *investment*.

## **“nominated bank account”**

A bank account nominated by you and held in the same name as the *investment*.

## **“Proscribed Person”**

A person who appears to us either (a) to be a proscribed person or entity under the Charter of the United Nations Act 1945 (Cth); (b) to be in breach of the laws of any jurisdiction relating to money laundering or counter-terrorism; (c) to appear in a list of persons with whom dealings are proscribed by the government or a regulatory authority of any jurisdiction; or (d) act on behalf, or for the benefit of, a person listed in subclauses (a) – (c).

## **“purchase price”**

The amount paid by you for a *security* in the series of *securities* on a *rollover date*.

## **“repurchase”**

Where you wish to redeem all of your Investment Reset prior to the *final maturity date* you may request the Bank to buy back from you the full *face value* of your *investment*.

## **“reset date”**

A *rollover date* between 6 months and 2 years after the *lodgement date*. This date is agreed on the *deal date* and specified in the *confirmation*.

## **“reset fee”**

The cost of the Investment Reset, payable by you either in full on the *lodgement date* or by way of instalments at each *rollover date*.

**“rollover”**

When a maturing *security* is discharged and replaced by a new *security*, other than on the *final maturity date*.

**“rollover date”**

The date of maturity of a *security* in a series (other than the *final maturity date*).

**“safe custody”**

An arrangement where the Bank agrees to hold a *security* purchased by you on your behalf.

**“security(ies)”**

A bank accepted bill(s).

**“tenor”**

The period from the date that you purchased a *security* to the maturity date of that same *security* expressed as a number of days.

**“term”**

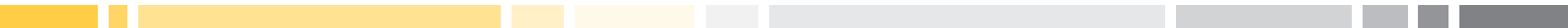
The period from the *lodgement date* to the *final maturity date*.

**“you”, “your”**

The customer who is the person or persons or entity in whose name the Investment Reset is held.

# APPENDIX A

## Fees and Government taxes



### Bank fees

There are no account keeping fees directly applicable to this product as a margin has been set to allow for the costs incurred.

Some related products and services, such as bank cheques and telegraphic transfers, will incur a separate fee. These fees will be set out in the PDS, terms and conditions or fees and charges brochures for these other products and services.

### Reset fee

The *reset fee* may either be paid in full on the *lodgement date* or by instalments at each *rollover date*. Any outstanding *reset fee* is still payable if you choose to terminate your *investment* prior to the *final maturity date*.

### Government taxes

If you are a non-resident, the Bank is obliged by law to deduct non-resident withholding tax from the earnings on your *investment*.

Your Investment Reset may also be subject to Government taxes and duties (if any). These may vary from State to State.

All fees directly applicable to this product are input taxed which means that the Bank does not charge GST on these fees.





# Customer Acknowledgement Flexi Bill Solutions for Investors – Investment Reset

**Warning**

You should not enter into an Investment Reset unless you have read and understood the Flexi Bill Solutions for Investors – Investment Reset PDS dated 28 May 2010, including the Terms and Conditions contained within this PDS.

**Acknowledgement**

I acknowledge and agree to these Terms and Conditions. I also acknowledge and consent to the use and disclosure of my personal information as detailed in the section ‘Customer information and privacy’ in this PDS. I may, however, indicate that I don’t want to receive marketing information from the Bank by ticking the box beside my signature.

I acknowledge that the name of individual persons given to the Bank are true and correct and that the law prohibits the use of false names, as well as the giving, use or production of false and misleading information or documents in connection with the provision of financial services and the making, possession or use of a false document in connection with an identification procedure.

**Individual customer** (please use block letters)

Surname

Given name(s)

Signature of customer

Date

**Company customer** (please use block letters)

Executed by (insert company name)

In the presence of

Signature of authorised person

Date

Name of authorised person

Position of authorised person within company

Signature of authorised person

Date

Name of authorised person

Position of authorised person within company

**Customer Copy – to be retained by the customer**



# Customer Acknowledgement Flexi Bill Solutions for Investors – Investment Reset

**Warning**

You should not enter into an Investment Reset unless you have read and understood the Flexi Bill Solutions for Investors – Investment Reset PDS dated 28 May 2010, including the Terms and Conditions contained within this PDS.

**Acknowledgement**

I acknowledge and agree to these Terms and Conditions. I also acknowledge and consent to the use and disclosure of my personal information as detailed in the section ‘Customer information and privacy’ in this PDS. I may, however, indicate that I don’t want to receive marketing information from the Bank by ticking the box beside my signature.

I acknowledge that the name of individual persons given to the Bank are true and correct and that the law prohibits the use of false names, as well as the giving, use or production of false and misleading information or documents in connection with the provision of financial services and the making, possession or use of a false document in connection with an identification procedure.

**Individual customer** (please use block letters)

Surname

Given name(s)

Signature of customer

Date

**Company customer** (please use block letters)

Executed by (insert company name)

In the presence of

Signature of authorised person

Date

Name of authorised person

Position of authorised person within company

Signature of authorised person

Date

Name of authorised person

Position of authorised person within company

**Bank Copy – to be retained by the Bank**



