

WHAT YOU NEED TO KNOW

Currency Enhanced Deposit



Product Disclosure Statement

Issue date: 12 June 2008

Issued by:

Commonwealth Bank of Australia ABN 48 123 123 124
AFSL 234945

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

CommonwealthBank



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General Information

Features at a glance

Significant benefits	Provides a fixed <i>minimum interest rate</i> for a <i>term</i> and the potential to earn an additional <i>bonus interest rate</i> .
Significant risk	The <i>bonus interest rate</i> is not guaranteed.
Minimum investment amount	Australian dollars (AUD) 100,000.00.
Terms	Generally 3 <i>business days</i> to 12 months. (Longer <i>terms</i> may be available on request.)
Costs	There are no fees or charges.
Payment of interest	Interest is paid on the <i>maturity date</i> .
Maturity date	<i>Maturity date</i> , once agreed, cannot be varied.
Early termination	An amount may be payable by or to you depending on the <i>mark-to-market value</i> of the transaction upon termination. You may also be liable for any losses, costs and expenses the Bank may incur.

This is a sophisticated financial product which involves dealing in foreign exchange. The information in this Product Disclosure Statement (PDS) does not take into account your personal objectives, financial situation and needs. Before transacting in this product you should be satisfied that this product is suitable for you in view of those objectives, and your financial situation and needs, and we recommend that you consult your investment adviser or obtain other independent advice. Unless you are familiar with foreign exchange dealings and products of this type, the product may not be suitable for you.

The information in this 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 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 **Currency Enhanced Deposit (CED)**. If you decide to enter into a CED transaction, you should keep this PDS and all other documentation relating to your CED transaction for future reference.

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 Commonwealth Bank of Australia (the Bank) or contact your relationship manager.

To assist you in understanding this PDS, the definitions of some words are provided in the "Definitions" section on page 13 at the end of this PDS. When used in this PDS, these words usually appear in italics.

What is a Currency Enhanced Deposit (CED)?

A CED is a *term deposit*, denominated in Australian dollars, under which you can earn a fixed *minimum interest rate* for *terms* between 3 *business days* and 12 months (longer *terms* may be available on request). You have the potential to earn an additional *bonus interest rate* based on your view of movements in the AUD/USD *exchange rate* relative to an agreed *trigger rate*.

For example, if the AUD/USD *market spot exchange rate* is trading above or below (as the case may be) the *trigger rate* at the *calculation time*, you will earn a *bonus interest rate* in addition to the *minimum interest rate* (see "Determining CED rates" alongside).

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

Entry into a CED transaction is subject to the standard approval process employed by the Bank.

Who is it suitable for?

Situations in which CED transactions may be useful include:

- investors seeking an AUD investment offering a fixed rate of return plus the potential to earn a *bonus interest rate*; and
- investors seeking to diversify their existing investment portfolio.

Determining CED rates

CED transactions include a *minimum interest rate*, a *trigger rate* and a *bonus interest rate*.

You will specify to the Bank the *minimum interest rate*, *investment amount*, *term* and *trigger rate* you require (see "Entering and settling CED transactions" on page 9 of this PDS).

The Bank will calculate the *bonus interest rate* taking the following factors into account:

- the *minimum interest rate*;
- the *term deposit interest rate*;
- the *trigger rate*;
- the *market spot exchange rate*;
- the *investment amount*;
- the *term*;
- a *volatility factor*;
- an allowance for the Bank's costs, both fixed and variable; and
- the Bank's profit margin.

In order to have the potential to earn a *bonus interest rate* you must accept a *minimum interest rate* below the *term deposit interest rate*.

It is possible to increase the *bonus interest rate* by:

- decreasing the *minimum interest rate* further below the *term deposit interest rate*; and/or
- moving the *trigger rate* further away from the *market spot exchange rate*.

At the *calculation time*, the Bank will compare the *market spot exchange rate* to the *trigger rate* to determine whether a *bonus interest rate* will be paid.

Examples of how a CED transaction works

Example 1: You believe the AUD/USD market spot exchange rate will trade higher

You have AUD100,000.00 to invest for 12 months. You are seeking an investment that has a fixed *minimum interest rate* and the potential to earn a *bonus interest rate* based on your view that the AUD/USD *market spot exchange rate* will be trading above 0.6998 at the *calculation time*.

The *interest rate* for a *term deposit* for an *investment amount* of AUD100,000.00 and a *term* of 12 months is 5.30% per annum.

You would like a *minimum interest rate* of 4.00% per annum and a *trigger rate* at AUD/USD0.6998.

Assume the following for Example 1

<i>AUD investment amount</i>	100,000.00
<i>Term</i>	12 months (365 days)
<i>Term deposit interest rate</i>	5.30% per annum
<i>Minimum interest rate</i> (specified by you and always below the <i>Term deposit interest rate</i>)	4.00% per annum
<i>Initial exchange rate</i>	AUD/USD0.6500
<i>Trigger rate</i> (specified by you)	AUD/USD0.6998
<i>Bonus interest rate</i> (calculated by the Bank)	6.00% per annum

Possible outcomes at the calculation time**Possible interest rate achieved***

If the *market spot exchange rate* is at or below the *trigger rate*, then on the *maturity date* the Bank will pay you the *minimum interest rate*.
You will receive:

4.00%

$$\$100,000.00 \times 4.00\% \times 365/365 = \$4,000.00$$

If the *market spot exchange rate* is above the *trigger rate*, then on the *maturity date* the Bank will pay you the *minimum interest rate* of 4.00% per annum and the *bonus interest rate* of 6.00% per annum.
You will receive:

10.00%

$$\$100,000.00 \times 10.00\% \times 365/365 = \$10,000.00$$

With this CED transaction, the minimum amount of interest that you will earn is AUD4,000.00. At the same time, you have the potential to earn AUD10,000.00 if the AUD/USD *market spot exchange rate* is trading above AUD/USD0.6998 at the *calculation time*.

*Examples are for illustrative purposes only and do not reflect current market prices and outcomes.

Issues to consider

In setting your *minimum interest rate* and *trigger rate* and agreeing to the *bonus interest rate* there are various issues you need to consider. Using Example 1, these can be summarised as follows:

1. A lower *minimum interest rate* means you will receive less interest on your *investment amount*, however, it also means the resultant *bonus interest rate* may be higher and the resultant *trigger rate* may be lower.
2. A higher *minimum interest rate* means you will receive more interest on your *investment amount*, however, it also means the resultant *bonus interest rate* may be lower and the resultant *trigger rate* may be higher.
3. A higher *trigger rate* means there is less chance of it being reached, however, it also means the resultant *bonus interest rate* and/or *minimum interest rate* may be higher.
4. A lower *trigger rate* means there is more chance of it being reached, however, it also means the resultant *bonus interest rate* and/or *minimum interest rate* may be lower.

Example 2: You believe the AUD/USD market spot exchange rate will trade lower

You have AUD100,000.00 to invest for 12 months. You are seeking an investment that has a fixed *minimum interest rate* and the potential to earn a *bonus interest rate* based on your view that the AUD/USD *market spot exchange rate* will be trading below 0.6298 at the *calculation time*.

The *interest rate* for a *term deposit* with an *investment amount* of AUD100,000.00 and a *term* of 12 months is 5.30% per annum.

You would like a *minimum interest rate* of 4.00% per annum and a *trigger rate* at AUD/USD0.6298.

Assume the following for Example 2

AUD investment amount	100,000.00
Term	12 months (365 days)
Term deposit interest rate	5.30% per annum
Minimum interest rate (specified by you and always below the Term deposit interest rate)	4.00% per annum
Initial exchange rate	AUD/USD0.6500
Trigger rate (specified by you)	AUD/USD0.6298
Bonus interest rate (calculated by the Bank)	6.00% per annum

Possible outcomes at the <i>calculation time</i>	Possible <i>interest rate</i> achieved*
<p>If the <i>market spot exchange rate</i> is at or above the <i>trigger rate</i>, then on the <i>maturity date</i> the Bank will pay you the <i>minimum interest rate</i> You will receive:</p> <p>$\\$100,000.00 \times 4.00\% \times 365/365 = \\$4,000.00$</p>	4.00%
<p>If the <i>market spot exchange rate</i> is below the <i>trigger rate</i>, then on the <i>maturity date</i> the Bank will pay you the <i>minimum interest rate</i> of 4.00% per annum and the <i>bonus interest rate</i> of 6.00% per annum. You will receive:</p> <p>$\\$100,000.00 \times 10.00\% \times 365/365 = \\$10,000.00$</p>	10.00%

With this CED transaction, the minimum amount of interest that you will earn is AUD4,000.00. At the same time, you have the potential to earn AUD10,000.00 if the AUD/USD *market spot exchange rate* is trading below AUD/USD0.6298 at the *calculation time*.

*Examples are for illustrative purposes only and do not reflect current market prices and outcomes.

Issues to consider

In setting your *minimum interest rate* and *trigger rate* and agreeing to the *bonus interest rate* there are various issues you need to consider. Using Example 2, these can be summarised as follows:

1. A lower *minimum interest rate* means you will receive less interest on your *investment amount*, however, it also means the resultant *bonus interest rate* and *trigger rate* may be higher.
2. A higher *minimum interest rate* means you will receive more interest on your *investment amount*, however, it also means the resultant *bonus interest rate* and *trigger rate* may be lower.
3. A lower *trigger rate* means there is less chance of it being reached, however, it also means the resultant *bonus interest rate* and/or *minimum interest rate* may be higher.
4. A higher *trigger rate* means there is more chance of it being reached, however, it also means the resultant *bonus interest rate* and/or the *minimum interest rate* may be lower.

What are the significant benefits of a CED transaction?

Benefits include:

- provides a fixed *minimum interest rate* for a *term*;
- provides the potential to earn an additional *bonus interest rate* based on a favourable *exchange rate* outcome; and
- CED transactions can be structured to suit different *investment amounts*, *minimum interest rates*, *trigger rates* and *terms*.

What are the significant disadvantages of a CED transaction?

Disadvantages include:

- the *minimum interest rate* will always be below the *term deposit interest rate* with the same *maturity date*;
- the *bonus interest rate* is not guaranteed and is only payable if the *market spot exchange rate* is trading above or below (as the case may be) the *trigger rate* at the *calculation time*; and
- there may be a cost if a CED transaction is terminated before the *calculation date*. As a result the *minimum early termination amount* may be less than your *investment amount*. See “Terminating a CED transaction” on page 10 of this PDS.

What are the significant risks of a CED transaction?

Risks derive from factors that are beyond your control. Starting from the time at which you enter a CED transaction with the Bank, risk factors may lead to changes in financial outcomes that are unfavourable to you.

Monitoring of any risks associated with this product is your responsibility (subject to the responsibility of the Bank for its own operational processes under “Operational risk”, see page 9 of this PDS).

In most cases, common risk factors will produce uncertainty in your financial returns. In other less common cases, risks may even lead to financial losses.

Market risk

The CED guarantees that your least favourable outcome will be to receive the *minimum interest rate*.

In CED transactions, there is an opportunity risk that the benefits received under the CED are not as great as if you had entered into a *term deposit* with the same *maturity date*. The key market risk to you is that you do not receive any benefit after you enter a CED transaction with the Bank.

This will occur if the *market spot exchange rate* is not trading above or below (as the case may be) the *trigger rate* at the *calculation time*, resulting in the non-payment of the *bonus interest rate*.

Credit risk

Credit risk is common to all financial markets 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 each transaction. This risk is sometimes described as “counterparty risk”.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

You are reliant on the ability of the Bank to price and settle your CED transaction in a timely and accurate manner. The Bank in turn is dependent on the reliability of its own operational processes that include communications, computers and computer networks. Disruptions in the Bank’s processes may lead to delays in the execution and settlement of your CED transaction. Such disruptions may result in contractual outcomes that are less favourable to you.

However, once you have entered into your CED transaction, the management of risks associated with its own operational processes is the responsibility of the Bank.

The risks described here may not include all risk considerations that may be relevant to you when transacting a CED transaction. Please also refer to “What are the significant disadvantages of a CED transaction?” described on page 8. Before transacting in this product you should be satisfied that this product is suitable for you. We recommend that you consult your investment advisor or obtain other independent advice.

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 your assets. You could incur significant costs as a result of these actions.

Entering and settling CED transactions

Entering a CED transaction

Following approval by the Bank and your entering into the Terms and Conditions (being part of the CED documentation) (see “Documentation” following), you may enter into CED transactions with the Bank.

The next steps are:

1. You contact the Bank and ask for a CED transaction quote. You will specify to the Bank the *investment amount*, *term*, *minimum interest rate* and *trigger rate* you require before the Bank can offer you a CED transaction.

2. The Bank will calculate the *bonus interest rate*. If the Bank offers you a CED transaction, and if you accept the offer (which can be done verbally), a CED transaction is entered into between you and the Bank. All telephone conversations between you and the Bank will be recorded.
3. You then deposit the *investment amount* into your *deposit account* with the Bank and the Bank will send you a *confirmation letter* setting out the details of your CED transaction. You must sign and return this *confirmation letter* to the Bank.

Documentation

The CED documentation comprises the *Terms and Conditions* and a *confirmation letter*. The CED documentation sets out in full the terms and conditions of the CED transaction. Samples of the CED documentation can be obtained through your relationship manager or any branch of the Bank on request.

Settling a CED transaction

Subject to the terms and conditions of the CED documentation, on the *maturity date* the Bank will deposit your *investment amount* and *minimum interest rate*, and *bonus interest rate* if applicable, into your *nominated bank account*.

Payment of the bonus interest rate

At the *calculation time* the Bank will compare the *market spot exchange rate* to the *trigger rate* to determine whether the *bonus interest rate* will be paid on the *maturity date*.

Variations to maturity dates

Variations to the *maturity date* are not available after a CED transaction has been entered.

Terminating a CED transaction

A CED transaction may be terminated before the *maturity date* either:

- by agreement between you and the Bank; or
- as set out in the CED documentation.

If a CED transaction is terminated prior to the *maturity date*:

- the Bank will calculate: (a) the break costs to the Bank (if any) or break benefits to the Bank (if any) of the CED transaction terminating early, taking into account, amongst other things, the price fluctuations of any hedging instruments used by the Bank to structure the CED transaction; and (b) any losses, costs and expenses (including, without limitation, any reasonable legal or out of pocket expenses) which the Bank may incur as a result of early termination; and
- where there are break costs under paragraph (I) (a) above, the Bank will pay to you the *investment amount* less any break costs under paragraph (I)(a) above and less any losses, costs and expenses under paragraph (I)(b) above; or where there are break benefits under paragraph (I) (a) above, the Bank will pay to you the *investment amount* plus any break benefits under paragraph (I)(a) above less any losses, costs and expenses under paragraph (I)(b) above, provided that the amount payable by the Bank under this paragraph (II) ("the Early Termination Amount") will not be less than the *minimum early termination amount*.

What are the costs involved in CED transactions?

Fees and charges

There are no fees and charges for entering into a CED transaction.

Your CED transaction may be subject to Government taxes and duties (if any). These may vary from State to State.

Are there any tax implications you 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 a Currency Enhanced Deposit is generally taxable income. You should discuss the timing and derivation of this income with an independent tax adviser before entering into a CED transaction.

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

What if you 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;
- 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

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 or upon request from any branch of the Bank.

Definitions

“AUD”

Australian dollars.

the “Bank” ; “our” ; “us” or “we”

Commonwealth Bank of Australia
ABN 48 123 123 124.

“bonus interest rate”

An additional rate of interest above the *minimum interest rate* expressed as a percentage per annum.

“business day”

Any day on which the Bank is open for trading in Sydney.

“calculation date”

The date that is 2 *business days* prior to the *maturity date* of a CED transaction.

“calculation time”

4pm Sydney time on the *calculation date*.

“confirmation letter”

A letter confirming the details of a particular CED transaction.

“currency pair”

The two currencies that are the subject of the CED transaction for the purpose of determining the *trigger rate*.

“deal date”

The date on which you deposit the *investment amount* into your *deposit account*.

“deposit account”

Your account with the Bank into which the *investment amount* is deposited.

“exchange rate”

In relation to a *currency pair*, the value of one currency expressed in terms of the other currency. For example, in the *exchange rate* AUD/USD0.6500, one Australian dollar is equal to 65 United States cents (AUD1.0000 = USD0.6500).

“initial exchange rate”

The *exchange rate* at the time of entry into a CED transaction on the *deal date*.

“interest rate”

A rate of return expressed as a percentage per annum.

“investment amount”

The amount that you invest in a CED transaction.

“market spot exchange rate”

The expression of one currency in terms of another for exchange on the *spot settlement date* before an allowance for the Bank’s costs, both fixed and variable; and the Bank’s profit margin.

“mark-to-market value”

A valuation method where an existing CED transaction is valued against current market rates to calculate any potential profit or loss on termination.

“maturity date”

The date which is the last day of the *term* of a CED transaction.

“minimum early termination amount”

The minimum amount payable to you on early termination of a CED transaction as agreed with you on the *deal date* and set out in the *confirmation letter*.

“minimum interest rate”

The minimum rate of return expressed as a percentage per annum which will be paid on a CED transaction.

“nominated Bank account”

A Bank account nominated by you held in your name (other than your *deposit account*).

“spot settlement date”

A *settlement date* that is 2 *business days* in the future from the *trade date* for both currencies.

“term”

The period from the *deal date* to the *maturity date*.

“term deposit”

The amount that you deposit with the Bank for a fixed term.

“term deposit interest rate”

A rate of return on a *term deposit* expressed as a percentage per annum.

“terms and conditions”

The Bank’s Terms and Conditions for CED transactions.

“trigger rate”

The agreed *exchange rate* that will determine the outcome of the CED transaction at the expiration time on the *calculation date*.

“USD”

United States dollars.

“volatility factor”

The expected degree of fluctuation in *market spot exchange rate* during the *term* of a CED transaction as calculated by the Bank.

“you”

The investor in a CED transaction.





