

WHAT YOU NEED TO KNOW

# Flexible Forward



## 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 before making a decision to acquire this financial product.

**Commonwealth**Bank





# Contents



GENERAL INFORMATION	2	Variations to settlement dates	9
Features at a glance	2	Terminating a FF transaction	9
Purpose of a Product Disclosure Statement (PDS)	3	Payments netting	9
What is a Flexible Forward (FF) transaction?	3	What are the costs involved in FF transactions?	10
Uses of FF transactions	3	Are there any tax implications you should be aware of?	10
Determining FF exchange rates and premium	4	What if you have a complaint?	10
Examples of how a FF transaction works	4	Customer information and privacy	10
What are the significant benefits of a FF transaction?	8	DEFINITIONS	12
What are the significant disadvantages of a FF transaction?	8	APPENDIX A – Currencies (FF)	14
What are the significant risks of a FF transaction?	8		
Entering and settling FF transactions	9		
Entering a FF transaction	9		
FF documentation	9		
Settling a FF transaction	9		

## General Information

### Features at a glance

<b>Significant benefits</b>	Provides protection against adverse <i>exchange rate</i> movements whilst also providing the potential to benefit from favourable <i>exchange rate</i> movements.
<b>Significant risks</b>	See “What are the significant risks of a FF transaction?” on page 8.
<b>Minimum transaction amount</b>	Australian dollars (AUD) 50,000.00 or equivalent foreign currency.
<b>Terms</b>	3 <i>business days</i> to 2 years. (Longer terms may be available on request.)
<b>Costs</b>	See “What are the costs involved in FF transactions?” on page 10.
<b>Settlement</b>	<i>Settlement date</i> , once agreed, cannot be varied.
<b>Early termination</b>	An amount may be payable to you depending on the <i>mark-to-market value</i> of the transaction upon termination.

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](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 **Flexible Forward (FF)**. If you decide to enter a FF transaction, you should keep this PDS and all other documentation relating to your FF 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**, 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 12 at the end of this PDS. When used in this PDS, these words usually appear in italics.

## What is a Flexible Forward (FF) transaction?

A FF transaction is an agreement between you and the Bank where in return for the payment of a *premium* by you to the Bank, you can exchange one currency for another at an *exchange rate* that is equal to or more favourable than an agreed *contract rate* on an agreed *settlement date*. The agreed *settlement date* must be a date that is more than 2 *business days* (but not more than 2 years) after the *trade date*.

You are required to pay the Bank a *premium* (see "Determining FF exchange rates and premium" on page 4), 2 *business days* after the *trade date*. In return for paying the *premium* you obtain protection from unfavourable *exchange rate* movements above or below the *contract rate* (as the case may be) and at the same time you are able to benefit if the *market spot exchange rate* is more favourable than the *contract rate*.

If at the *expiration time* the *market spot exchange rate* is more favourable to you than the *contract rate*, you and the Bank will have no further obligations to each other under the FF transaction. This means you may choose to exchange currencies at a *spot exchange rate* that is more favourable to you than the *contract rate*.

At the *settlement date* of a FF transaction:

- if at the *expiration time*, the *market spot exchange rate* is less favourable to you than the *contract rate*, the currencies must be exchanged between you and the Bank at the *contract rate*; or
- if at the *expiration time*, the *market spot exchange rate* is more favourable to you than the *contract rate*, you and the Bank will have no further obligations to each other under the FF transaction and you may choose to exchange currencies at the more favourable *spot exchange rate*.

The *premium* is not refundable.

FF transactions are available only in some currencies (see Appendix A).

Details of current *exchange rates*, including the currencies in which the Bank offers FF transactions, are available on request from your relationship manager or any branch of the Bank.

FF transactions are subject to the standard credit approval process employed by the Bank.

## Uses of FF transactions

Commercial activities for which FF transactions may be useful include:

- importing where the invoice is quoted in foreign currencies;
- exporting where the invoice is quoted in foreign currencies;
- foreign currency borrowing;
- foreign currency investing;
- repatriation of overseas profit or interest back to Australia; and
- other foreign currency payments and receipts.

## Determining FF exchange rates and premium

You will specify to the Bank the *contract rate*, being your level of *exchange rate* protection, the transaction amount and the *settlement date* (see “Entering and settling FF transactions” on page 9 of this PDS).

The Bank will determine the *premium* that you must pay taking the following factors into account:

- the *market spot exchange rate*;
- the *forward points*;
- the *contract rate*;
- the *transaction amount*;
- a *volatility factor*;
- the *transaction period*;
- an allowance for the Bank’s costs, both fixed and variable; and
- the Bank’s profit margin.

## Examples of how a FF transaction works

### Example 1: You are making a payment in a foreign currency

You will be making a payment of USD100,000.00 to an offshore party in 93 days. You will need to sell AUD and buy USD to make this payment.

The *market spot exchange rate* is AUD/USD0.6500. A fall in the AUD/USD *market spot exchange rate* would mean you would have to pay more AUD for your USD so you are seeking protection against a fall in the AUD/USD *market spot exchange rate*. You would also like the potential to benefit if the AUD/USD *market spot exchange rate* rises.

The 93 day *forward exchange rate* is AUD/USD0.6440 after allowing for a *forward points* adjustment of 0.0060 to the *market spot exchange rate*. To enter a FF transaction you are required to set a *contract rate*, this can be at, below or above the 93 day *forward exchange rate*. A *premium* is payable by you to the Bank in consideration for receiving *exchange rate* protection and the potential to benefit if the AUD/USD *market spot exchange rate* rises above the *contract rate*.

During the next 93 days you believe that the AUD/USD *market spot exchange rate* will rise from its current level of 0.6500. To enter a FF transaction you will specify to the Bank the *contract rate* you require. In this example you would like to set a *contract rate* at AUD/USD0.6440 to protect against any fall in the AUD/USD *market spot exchange rate* below 0.6440.

### Assume the following for Example 1

USD amount	100,000.00
AUD/USD <i>market spot exchange rate</i>	0.6500
AUD/USD <i>contract rate</i> (specified by you)	0.6440
<i>Premium</i> (determined by the Bank)	AUD3,230.00
<i>Transaction period</i>	93 days

### Possible outcomes at the *expiration time*

### Possible exchange rate achieved (excluding the *premium*)\*

---

If the *market spot exchange rate* is equal to or lower than the *contract rate*, on the *settlement date* you must buy USD100,000.00 from the Bank in exchange for AUD at the *contract rate*. You will pay:

0.6440

$$\text{USD}100,000.00 \div 0.6440 = \text{AUD}155,279.50$$

However, to ascertain your *effective exchange rate* you must take into account the *premium* of AUD3,230.00 that you paid 2 *business days* after the *trade date*.

---

If the *market spot exchange rate* is higher than the *contract rate*, you and the Bank will have no further obligations to each other under the FF transaction. The result will be that you can buy USD100,000.00 in exchange for AUD at the *spot exchange rate*. For example, if you buy USD100,000 from the Bank and the *spot exchange rate* is 0.6800 you will pay:

Higher than 0.6440

$$\text{USD}100,000.00 \div 0.6800 = \text{AUD}147,058.82$$

---

With this FF transaction, the maximum amount of AUD you will pay is \$155,279.50 (excluding the *premium*). At the same time you will be able to take advantage of any rise in the AUD/USD *market spot exchange rate* above 0.6440.

\*Examples are for illustrative purposes only and do not reflect current market prices and outcomes. The *exchange rates* achieved do not take into account the *premium* paid by you.

### Issues to consider

In setting your *contract rate* there are various issues you need to consider. Using Example 1, these can be summarised as follows:

1. A higher *contract rate* means your exposure to a falling AUD is reduced, however, it also means the resultant *premium* will be higher.
2. A lower *contract rate* means your exposure to a falling AUD is increased, however, it also means the resultant *premium* will be lower.
3. A longer *transaction period* means you have protection at the *contract rate* for a greater time, however, it also means that the resultant *premium* will be higher.
4. A shorter *transaction period* means you have protection at the *contract rate* for a shorter time, however, it also means that the resultant *premium* will be lower.

### Example 2: You are receiving a payment in a foreign currency

You will be receiving a payment of USD100,000.00 from an offshore party in 93 days. When the USD is received you would like to sell it and buy AUD.

The *market spot exchange rate* is AUD/USD0.6500. A rise in the AUD/USD *market spot exchange rate* would mean you get fewer AUD for your USD so you are seeking protection against a rise in the AUD/USD *market spot exchange rate*. You would also like the potential to benefit if the AUD/USD *market spot exchange rate* falls.

The 93 day *forward exchange rate* is AUD/USD0.6445 after allowing for a *forward points* adjustment of 0.0055 to the *market spot exchange rate*. To enter a FF transaction you are required to set a *contract rate*, this can be at, below or above the 93 day *forward exchange rate*. A *premium* is payable by you to the Bank in consideration for receiving *exchange rate* protection and the potential to benefit if the AUD/USD *market spot exchange rate* falls below the *contract rate*.

During the next 93 days you believe that the AUD/USD *market spot exchange rate* will fall from its current level of 0.6500. To enter a FF transaction you will specify to the Bank the *contract rate* you require. In this example you would like to set a *contract rate* at AUD/USD0.6445 to protect against any rise in the AUD/USD *market spot exchange rate* above 0.6445.

#### Assume the following for Example 2

USD amount	100,000.00
AUD/USD <i>market spot exchange rate</i>	0.6500
AUD/USD <i>contract rate</i> (specified by you)	0.6445
<i>Premium</i> (determined by the Bank)	AUD3,230.00
<i>Transaction period</i>	93 days

### Possible outcomes at the *expiration time*

### Possible exchange rate achieved (excluding the *premium*)\*

---

If the *market spot exchange rate* is equal to or higher than the *contract rate*, on the *settlement date* you must sell USD100,000.00 to the Bank in exchange for AUD at the *contract rate*. You will receive:

0.6445

$$\text{USD}100,000.00 \div 0.6445 = \text{AUD}155,159.04$$

However, to ascertain your *effective exchange rate* you must take into account the *premium* of AUD3,230.00 that you paid 2 *business days* after the *trade date*.

---

If the *market spot exchange rate* is lower than the *contract rate* you and the Bank will have no further obligations to each other under the FF transaction. The result will be that you can sell USD100,000.00 in exchange for AUD at the *spot exchange rate*. For example, if you sell USD100,000.00 to the Bank and the *spot exchange rate* is 0.6200 you will receive:

Lower than 0.6445

$$\text{USD}100,000.00 \div 0.6200 = \text{AUD}161,290.32$$

---

With this FF transaction, the minimum amount of AUD you will receive is \$155,159.04 (excluding the *premium*). At the same time you will be able to take advantage of any fall in the AUD/USD *market spot exchange rate* below 0.6445.

\*Examples are for illustrative purposes only and do not reflect current market prices and outcomes. The *exchange rates* achieved do not take into account the *premium* paid by you.

### Issues to consider

In setting your *contract rate* there are various issues you need to consider. Using Example 2 these can be summarised as follows:

1. A lower *contract rate* means your exposure to a rising AUD is reduced, however, it also means the resultant *premium* will be higher.
2. A higher *contract rate* means your exposure to a rising AUD is increased, however, it also means the resultant *premium* will be lower.
3. A longer *transaction period* means you have protection at the *contract rate* for a greater time, however, it also means that the resultant *premium* will be higher.
4. A shorter *transaction period* means you have protection at the *contract rate* for a shorter time, however, it also means that the resultant *premium* will be lower.

## What are the significant benefits of a FF transaction?

Benefits include:

- provides *exchange rate* protection via a *contract rate*; and
- provides the potential to benefit from favourable *exchange rate* movements.

## What are the significant disadvantages of a FF transaction?

Disadvantages include:

- the *exchange rate* achieved under the FF transaction may be less favourable than that achieved with a *forward exchange rate*; and
- you must pay a *premium* to the Bank for the FF transaction.

## What are the significant risks of a FF transaction?

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

### Market risk

The FF guarantees that your least favourable outcome will be to transact at the *contract rate*.

In FF transactions, there is an opportunity risk that the benefits received under the FF are not as great as if you had entered into a forward foreign exchange contract or if no transaction had been entered into at all. This will occur if you must exchange at the *contract rate* because the relevant *spot exchange rate* moves unfavourably at the *expiration time*.

### 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 FF 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 FF transaction. Such disruptions may result in contractual outcomes that are less favourable to you.

However, once you have entered into the FF 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 FF. Please also refer to “What are the significant disadvantages of a FF transaction?”. 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 FF transactions

### Entering a FF transaction

Following credit approval by the Bank and your entering into the *master agreement and transactions addendum* (being part of the FF documentation) (see “FF documentation” below), you may enter FF transactions with the Bank.

The next steps are:

1. You contact the Bank and ask for a FF transaction for a *currency pair* for a specified *settlement date*. You will specify to the Bank the *contract rate* you require and the transaction amount before the Bank can offer you a FF transaction.
2. The Bank will calculate the *premium*. If the Bank offers you a FF transaction, and if you accept the offer (which can be done verbally), a FF transaction is entered into between you and the Bank. All telephone conversations between you and the Bank will be recorded.
3. The Bank will send you a *confirmation letter* setting out the details of your FF transaction. You must sign and return this *confirmation letter* to the Bank.

### FF documentation

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

### Settling a FF transaction

Subject to the terms and conditions of the FF documentation, on the settlement date the currency pair is exchanged. You must ensure that you have sufficient cleared funds accessible to the Bank.

## Variations to settlement dates

Variations to the *settlement date* are not available after the FF transaction has been entered into.

## Terminating a FF transaction

A FF transaction may be terminated either:

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

At termination, the Bank will calculate the *mark-to-market value* of the FF transaction in AUD, as at the *termination date*, using prevailing market rates chosen by the Bank in good faith. The Bank calculates the *mark-to-market value* having regard to what a person would pay the Bank, expressed as a negative number, or what the Bank would have to pay another person, expressed as a positive number, in order to take over your rights and obligations under the terminated transaction.

If more than one FF transaction is terminated, the sum of all positive *mark-to-market values* of those FF transactions and any other transactions also terminated under the *master agreement and transactions addendum* governing the FF transactions will be set-off against the sum of all negative *mark-to-market values*. If, as a result of this calculation, the overall sum is positive, you must pay the Bank an amount equal to the total positive sum. Alternatively, if as a result of this calculation, the overall sum is negative then the Bank must pay you an amount equal to the total negative sum. The Bank will notify you as soon as practicable after making these calculations.

## Payments netting

In accordance with the FF documentation, if you have more than one transaction under the FF documentation (including the FF transaction), with the same *settlement date* and for the same *currency pair*, payments and receipts may be “net settled”. This means that all settlements are combined to a single net payment between you and the Bank.

## What are the costs involved in FF transactions?

### Fees and charges

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

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

### Premium

You must pay the *premium* to the Bank 2 *business days* after the *trade date* of the FF transaction (see "Determining FF exchange rates and premium" on page 4 of this PDS).

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

FF transactions may have tax implications. These can be complex and are invariably specific to your circumstances. Therefore, you should discuss any taxation issues with your independent tax adviser before entering into a FF transaction.

## 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](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 Banking and Financial Services Ombudsman at:

GPO Box 3  
Melbourne Victoria 3001

telephone **03 9613 7333**;

toll free **1300 780 808**;

facsimile **03 9613 7345**;

web site [www.bfso.org.au](http://www.bfso.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.

# Definitions

## “AUD”

Australian dollars.

## the “Bank”

Commonwealth Bank of Australia  
ABN 48 123 123 124.

## “business day”

A day in which banks are open for business in Sydney.

## “cleared funds”

Funds that are immediately available to you for settlement of your FF transaction.

## “confirmation letter”

A letter confirming the details of a particular FF transaction.

## “contract rate”

The agreed *exchange rate* at which the *currency pair* may be exchanged on the *settlement date*.

## “currency pair”

The 2 currencies that are the subject of the FF transaction.

## “effective exchange rate”

The *exchange rate* that is the *contract rate* adjusted for the *premium*.

## “exchange rate”

The expression of the value of one currency in terms of another. For example, in the *exchange rate* AUD/USD0.6500, one Australian dollar is equal to 65 United States cents (AUD1.0000 = USD0.6500).

## “expiration date”

The date at which the outcome of the FF transaction is determined which is 2 *business days* before the *settlement date*.

## “expiration time”

Usually 3pm Sydney time on the *expiration date*.

## “forward exchange rate”

The expression of the value of one currency in terms of another where the *settlement date* is more than 2 *business days* after the *trade date*. A *forward exchange rate* is the *spot exchange rate* of the currencies on the *trade date* adjusted for the *forward points*.

## “forward points”

The value of the *interest rate differential* for the *currency pair* over the period from the *spot settlement date* to the *settlement date*, expressed as an adjustment to the *spot exchange rate*.

## “interest rate differential”

The difference between the interest rates applicable to the *currency pair* for the *transaction period* of a FF 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 FF transaction is valued against current market rates to calculate any potential profit or loss on termination.

## “master agreement and transactions addendum”

The Bank’s Derivatives Master Agreement and Flexible Forwards Transactions Addendum.

## “parties to the agreement”

The parties to a FF transaction are you and the Bank.

## “premium”

An amount calculated by the Bank and payable by you to the Bank 2 *business days* after the *trade date*.

**“settlement date”**

A *business day* on which the *currency pair* subject to a FF transaction are exchanged.

**“spot exchange rate”**

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

**“spot settlement date”**

The date that is *2 business days* after any date on which the Bank fixes the *spot exchange rate*.

**“termination date”**

A date on which you or the Bank terminate the FF transaction.

**“trade date”**

The date on which a FF transaction is entered into by the *parties to the agreement*.

**“transaction period”**

The period from and including the *trade date* to and including the *settlement date*.

**“USD”**

United States dollars.

**“volatility factor”**

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

**“you”, “your”**

The customer who is one of the *parties to the agreement*.

# APPENDIX A

## Currencies (FF)



FF transactions are only available in some currencies. Examples are included below.

### Currencies

United States Dollars (USD)
Pounds Sterling or Great British Pounds (GBP)
Japanese Yen (JPY)
New Zealand Dollars (NZD)
Euro (EUR)
Singapore Dollars (SGD)
Hong Kong Dollars (HKD)
Canadian Dollars (CAD)

Details of current exchange rates, including all of the foreign currencies in which the Bank offers FF transactions, as well as information on interest rates, are available on request from your relationship manager or any branch of the Bank.









