

WHAT YOU NEED TO KNOW

# Flexible Forward Convertible Knock Out



## Product Disclosure Statement

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

**Commonwealth**Bank





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## 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>	You may not receive the benefits of favourable <i>exchange rate</i> movements.
<b>Minimum transaction amount</b>	Australian dollars (AUD) 50,000.00 or equivalent foreign currency.
<b>Terms</b>	3 days to 2 years. Longer terms may be available on request.
<b>Costs</b>	See “What are the costs involved in FFCKO transactions?” on page 15 of this PDS.
<b>Settlement</b>	<i>Settlement date</i> , once agreed, cannot be varied.
<b>Early termination</b>	An amount may be payable by or 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 advisor 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 Convertible Knock Out** (FFCKO). If you decide to enter a FFCKO transaction, you should keep this PDS and all other documentation relating to your FFCKO 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).

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

## What is a Flexible Forward Convertible Knock Out (FFCKO) transaction?

A FFCKO transaction is an agreement between you and the Bank to exchange one currency for another at an agreed *contract rate* on an agreed future date that is more than *2 business days* (but not more than *2 years*) after the *trade date*.

The FFCKO transaction also has a *knock out trigger rate* and a *knock in trigger rate* (see "Determining FFCKO exchange rates" on page 4 of this PDS) which will determine your potential to benefit from exchange rate movements that are favourable to you.

At the *settlement date* of a FFCKO transaction:

- the currencies must be exchanged between you and the Bank at the *contract rate*, if at the *expiration time* on the *expiration date*:
  - the *market spot exchange rate* is equal to or less favourable to you than the *contract rate*; or
  - the *knock in trigger rate* is reached and the *knock out trigger rate* is not reached during the *trigger period*.
- you will be able to exchange currencies at the *spot exchange rate*, if at the expiration time on the expiration date, it is more favourable to you than the *contract rate* provided:
  - the *knock out trigger rate* is reached during the *trigger period*; or
  - neither the *knock in trigger rate* nor *knock out trigger rate* is reached during the *trigger period*; or
  - both the *knock in* and *knock out trigger rates* are-reached during the *trigger period*.

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

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

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



## Uses of FFCKO transactions

Commercial activities for which FFCKO 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 in foreign currencies back to Australia; and
- other foreign currency payments and receipts.

## Determining FFCKO exchange-rates

FFCKO *exchange rates* include a *contract rate* and *trigger rates*.

You will specify to the Bank the *contract rate* you require, being your level of *exchange rate* protection, the transaction amount, the *settlement date* and the *trigger period* (see sections “Entering and settling FFCKO transactions” and “Trigger periods” on page 13 of this PDS).

The Bank will calculate the *trigger rates* taking the following factors into account:

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

## Example of how a FFCKO 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 FFCKO transaction you are required to set a *contract rate* that is below the 93 day *forward exchange rate*. This is 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.

You would like to set a *contract rate* at AUD/USD0.6350 to protect against any fall in the AUD/USD *market spot exchange rate* below 0.6350. During the next 93 days you believe that the AUD/USD *market spot exchange rate* may fall from its current level of 0.6500 to 0.6300 before rising above 0.6500. If the market spot exchange rate does not fall to 0.6300 you believe it will not reach 0.6850. You would like a *trigger period* for the full 93 day period.

#### Assume the following for Example 1

USD amount	100,000.00
AUD/USD <i>market spot exchange rate</i>	0.6500
AUD/USD <i>forward points</i>	0.0060
AUD/USD 93 day <i>forward exchange rate</i>	0.6440
AUD/USD <i>contract rate</i> (specified by you and always below the 93 day <i>forward exchange rate</i> if you are making a payment in a foreign currency)	0.6350
AUD/USD <i>knock in trigger rate</i> (calculated by the Bank and always above the <i>market spot exchange rate</i> if you are making a payment in a foreign currency)	0.6850
AUD/USD <i>knock out trigger rate</i> (calculated by the Bank and always below the <i>market spot exchange rate</i> )	0.6300
<i>Transaction period</i>	93 days
<i>Trigger period</i>	93 days

**Possible outcomes at the expiration time on the expiration date**

**Possible exchange rate achieved\***

Whether or not the knock in and knock out *trigger rates* are reached during the *trigger period*, 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:

$$\text{USD}100,000.00 \div 0.6350 = \text{AUD}157,480.32$$

**0.6350**

If the *knock in trigger rate* is reached and the *knock out trigger rate* is not reached during the *trigger period*, on the *settlement date* you must buy USD100,000.00 from the Bank in exchange for AUD at the *contract rate*.

You will pay:

$$\text{USD}100,000.00 \div 0.6350 = \text{AUD}157,480.32$$

**0.6350**

If the *knock out trigger rate* is reached, and whether or not the *knock in trigger rate* is reached during the *trigger period*, if the *market spot exchange rate* is higher than the *contract rate*, on the *settlement date* the applicable *exchange rate* will be based on the *market spot exchange rate*.

The result will be that you can buy USD100,000.00 from the Bank in exchange for AUD at the *spot exchange rate*. For example, if you buy USD100,000.00 from the Bank and the *spot exchange rate* is trading at 0.7000 you will pay:

$$\text{USD}100,000.00 \div 0.7000 = \text{AUD}142,857.14$$

**Higher than 0.6350**

If neither the *knock in* nor the *knock out trigger rate* is reached during the *trigger period*, if the *market spot exchange rate* is higher than the *contract rate*, on the *settlement date* the applicable *exchange rate* will be based on the *market spot exchange rate*.

The maximum amount of AUD you will pay will be based on a *market spot exchange rate* of 0.6351 being one *exchange rate point* above the *contract rate*. For example:

$$\text{USD}100,000.00 \div 0.6351 = \text{AUD}157,455.52$$

The minimum amount of AUD you can pay will be based on a *market spot exchange rate* of 0.6849 being one *exchange rate point* lower than the *knock in trigger rate* at 0.6850. For example:

$$\text{USD}100,000.00 \div 0.6849 = \text{AUD}146,006.72$$

**Higher than 0.6350  
but lower than 0.6850**

If the *knock in trigger rate* is not reached during the *trigger period* and at the *expiration time on the expiration date* the *market spot exchange rate* is higher than the *contract rate*, on the *settlement date* the applicable *exchange rate* will be based on the *market spot exchange rate*.

**Higher than 0.6350  
but lower than 0.6850**

If both the *knock in trigger rate* and the *knock out trigger rate* are reached during the *trigger period*, if the *market spot exchange rate* is higher than the *contract rate*, on the *settlement date* the applicable *exchange rate* will be based on the *market spot exchange rate*.

The result will be that you can buy USD100,000 in exchange for AUD at the *spot exchange rate*. For example, if you buy USD100,000.00 from the Bank and the *spot exchange rate* is 0.7000 you will pay:

$$\text{USD}100,000.00 \div 0.7000 = \text{AUD}142,857.10$$

**Higher than 0.6350**

With this FFCKO transaction, the maximum amount of AUD you will pay is \$157,480.32. The benefit resulting from a rise in the AUD/USD *market spot exchange rate* will depend where the *market spot exchange rate* has traded during the *trigger period* in relation to the *trigger rates*.

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

## Issues to consider

In setting your *contract rate* and *trigger period* and agreeing to the *trigger rates* 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 *trigger rates* may be lower.
2. A lower *contract rate* means your exposure to a falling AUD is increased, however, it also means the resultant *trigger rates* may be higher.
3. A lower *knock in trigger rate* means there is more chance of it being reached, however, it also means the resultant *contract rate* and/or *knock out trigger rate* may be higher.
4. A higher *knock in trigger rate* means there is less chance of it being reached, however, it also means the resultant *contract rate* and/or *knock out trigger rate* may be lower.
5. A lower *knock out trigger rate* means there is less chance of it being reached, however, it also means the resultant *contract rate* and/or *knock in trigger rate* may be higher.
6. A higher *knock out trigger rate* means there is more chance of it being reached, however, it also means the resultant *contract rate* and/or *knock in-trigger rate* may be lower.
7. A longer *trigger period* means there is more chance of the *knock in trigger rate* being reached, however, it also means the resultant *contract rate* and/or *knock in trigger rate* may be higher and there is more chance of the *knock out trigger rate* being reached.
8. A shorter *trigger period* means there is less chance of the *knock in trigger rate* being reached, however, it also means the resultant *contract rate* and/or *knock out trigger rate* may be lower and there is less chance of the *knock out trigger rate* being-reached.

## 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 time. 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 foreign 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 FFCKO transaction you are required to set-a *contract rate* that is above the 93 day *forward exchange rate*. This is 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*.

You would like to set a *contract rate* at AUD/USD0.6550 to protect against any rise in the AUD/USD *market spot exchange rate* above 0.6550. 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 0.6650 before falling below 0.6500. If the market spot exchange rate does not rise to 0.6650 you believe that it will not reach 0.6060. You would therefore like a *trigger period* for-the full 93 day period.

## Assume the following for Example 2

USD amount	100,000.00
AUD/USD <i>market spot exchange rate</i>	0.6500
AUD/USD <i>forward points</i>	0.0055
AUD/USD 93 day <i>forward exchange rate</i>	0.6445
AUD/USD <i>contract rate</i> (specified by you and always above the 93 day <i>forward foreign exchange rate</i> if you are receiving a payment in a foreign currency)	0.6550
AUD/USD <i>knock in trigger rate</i> (calculated by the Bank and always below the <i>market spot exchange rate</i> if you are receiving a payment in a foreign currency)	0.6060
AUD/USD <i>knock out trigger rate</i> (calculated by the Bank and always above the <i>market spot exchange rate</i> )	0.6650
<i>Transaction period</i>	93 days
<i>Trigger period</i>	93 days

Possible outcomes at the <i>expiration time</i> on the <i>expiration date</i>	Possible exchange rate achieved*
<p>Whether or not the knock in and knock out <i>trigger rates</i> are reached during the <i>trigger period</i>, if the <i>market spot exchange rate</i> is equal to or higher than the <i>contract rate</i>, on the <i>settlement date</i> you must sell USD100,000.00 to the Bank in exchange for AUD at the <i>contract rate</i>. You will receive:</p> <p>USD100,000.00 ÷ 0.6550 = AUD152,671.76</p>	0.6550
<p>If the <i>knock in trigger rate</i> is reached and the <i>knock out trigger rate</i> is not reached during the <i>trigger period</i>, on the <i>settlement date</i> you must sell USD100,000.00 to the Bank in exchange for AUD at the <i>contract rate</i>. You will receive:</p> <p>USD100,000.00 ÷ 0.6550 = AUD152,671.76</p>	0.6550
<p>If the <i>knock out trigger rate</i> is reached, and whether or not the <i>knock in trigger rate</i> is reached during the <i>trigger period</i>, if the <i>market spot exchange rate</i> is lower than the <i>contract rate</i>, on the <i>settlement date</i> the applicable <i>exchange rate</i> will be based on the <i>market spot exchange rate</i>.</p> <p>The result will be that you can sell USD100,000.00 in exchange for AUD at the <i>spot exchange rate</i>. For example, if you sell USD100,000.00 to the Bank and the <i>spot exchange rate</i> is 0.5900 you will receive:</p> <p>USD100,000.00 ÷ 0.5900 = AUD169,491.53</p>	Lower than 0.6550
<p>If neither the <i>knock in</i> nor the <i>knock out trigger rate</i> is reached during the <i>trigger period</i>, if the <i>market spot exchange rate</i> is lower than the <i>contract rate</i>, on the <i>settlement date</i> the applicable <i>exchange rate</i> will be based on the <i>market spot exchange rate</i>.</p> <p>The minimum amount of AUD you will receive will be based on a <i>market spot exchange rate</i> of 0.6549 being one <i>exchange rate point</i> below the <i>contract rate</i>. For example:</p> <p>USD100,000.00 ÷ 0.6549 = AUD152,695.07</p> <p>The maximum amount of AUD you can receive will be based on a <i>market spot exchange rate</i> of 0.6061 being one <i>exchange rate point</i> higher than the <i>knock in trigger rate</i> at 0.6060. For example:</p> <p>USD100,000.00 ÷ 0.6061 = AUD164,989.28</p>	Lower than 0.6550 but higher than 0.6060
<p>If the <i>knock in trigger rate</i> is not reached during the <i>trigger period</i> and at the <i>expiration time</i> on the <i>expiration date</i> the <i>market spot exchange rate</i> is lower than the <i>contract rate</i>, on the <i>settlement date</i> the applicable <i>exchange rate</i> will be based on the <i>market spot exchange rate</i>.</p>	Lower than 0.6550 but higher than 0.6060
<p>If both the knock in and the knock out <i>trigger rates</i> are reached during the <i>trigger period</i>, if the <i>market spot exchange rate</i> is lower than the <i>contract rate</i>, on the <i>settlement date</i> the applicable <i>exchange rate</i> will be based on the <i>market spot exchange rate</i>.</p> <p>The result will be that you can sell USD100,000.00 in exchange for AUD at the <i>spot exchange rate</i>. For example, if you sell USD100,000.00 to the Bank and the <i>spot exchange rate</i> is 0.5900 you will receive:</p> <p>USD100,000.00 ÷ 0.5900 = AUD169,491.53</p>	Lower than 0.6550

With this FFCKO transaction, the minimum amount of AUD you will receive is \$152,671.76. The benefit resulting from a fall in the AUD/USD *market spot exchange rate* will depend where the *market spot exchange rate* traded during the *trigger period* in relation to the *trigger rates*.

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

### Issues to consider

In setting your *contract rate* and agreeing to the *trigger rates* 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 *trigger rates* may be higher.
2. A higher *contract rate* means your exposure to a rising AUD is increased, however, it also means the resultant *trigger rates* may be lower.
3. A higher *knock in trigger rate* means there is more chance of it being reached, however, it also means the resultant *contract rate* and/or *knock out trigger rate* may be lower.
4. A lower *knock in trigger rate* means there is less chance of it being reached, however, it also means the resultant *contract rate* and/or *knock out trigger rate* may be higher.
5. A higher *knock out trigger rate* means there is less chance of it being reached, however, it also means the resultant *contract rate* and/or *knock in trigger rate* may be lower.
6. A lower *knock out trigger rate* means there is more chance of it being reached, however, it also means the resultant *contract rate* and/or *knock in trigger rate* may be higher.
7. A longer *trigger period* means there is more chance of the *knock in trigger rate* being reached, however, it also means the resultant *contract rate* and/or *knock out trigger rate* may be lower and there is more chance of the *knock out trigger rate* being reached.
8. A shorter *trigger period* means there is less chance of the *knock in trigger rate* being reached, however, it also means the resultant *contract rate* and/or *knock out trigger rate* may be higher and there is less chance of the *knock out trigger rate* being reached.

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

Benefits include:

- provides *exchange rate* protection via a *contract rate*; and
- the potential to benefit from favourable *exchange rate* movements depending on whether or not *trigger rates* are reached during the *trigger period*.

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

Disadvantages include:

- the *contract rate* will be less favourable than the *forward exchange rate*;
- if the *knock in trigger rate* is reached and the *knock out trigger rate* is not reached during the *trigger period* you must exchange at the *contract rate* even if the *spot exchange rate* is more favourable to you; and
- there may be a cost if the FFCKO is terminated before the *settlement date* (see “Terminating a FFCKO transaction” on page 14 of this PDS).

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

Risks derive from factors that are beyond your control. Starting from the time at which you enter a FFCKO 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-opposite).

### Market risk

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

In FFCKO transactions, there is an opportunity risk that the benefits received under the FFCKO may not be as great as if you had entered into a forward foreign exchange contract or if no other transaction had been entered into at all.

This will occur if you must exchange at the *contract rate* or if any of the following happen and the relevant *spot exchange rate* subsequently moves unfavourably at the *expiration date*:

- the *knock out trigger rate* is reached during the trigger period;
- neither the *knock in* nor *knock out trigger rates* are reached during the *trigger period*; and
- both the *knock in* and *knock out trigger rates* are reached during the *trigger period*.

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

However, once you have entered into the 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 FFCKO. Please also refer to the “What are the significant disadvantages of a FFCKO transaction?” on page 11 of this PDS. 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 FFCKO-transactions

### Entering into a FFCKO transaction

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

The next steps are:

1. You contact the Bank and ask for a FFCKO transaction for a *currency pair* for a specified *settlement date*. You will specify to the Bank the *contract rate*, transaction amount and *trigger period* you require before the Bank can offer you a FFCKO transaction.
2. The Bank will calculate the *trigger rates*. If the Bank offers you a FFCKO transaction quote, and if you accept the offer (which can be done verbally), a FFCKO 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 FFCKO transaction. You must sign and return this *confirmation letter* to the Bank.

### FFCKO documentation

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

### Settling a FFCKO transaction

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

## Trigger periods

There are four *trigger periods* available. The *trigger periods* for the *knock in trigger rate* and the *knock out trigger rate* must be the same.

### Continuous

The *trigger period* starts on the *trade date* and ends at the *expiration time* on the *expiration date*.

### Late start

The *trigger period* starts at a date and time after the *trade date* but ends at the *expiration time* on the *expiration date*.

### Window

The *trigger period* starts at a date and time after the *trade date* but ends at a date and time before the *expiration time* on the *expiration date*.

### Early end

The *trigger period* starts on the *trade date* but ends at a date and time before the *expiration time* on the *expiration date*.

## Trigger notice

If a *trigger rate* is reached during the *trigger period* the Bank will as soon as practicable thereafter issue to you a *trigger notice*.

A *trigger rate* is deemed to have been reached if the Bank is satisfied that a *market parcel* of the bought currency has traded against a *market parcel* of the sold currency at the *trigger rate* between two accepted *market participants* in the foreign exchange market during the *trigger period*.

## Variations to settlement dates

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

## Terminating a FFCKO transaction

A FFCKO transaction may be terminated before the *settlement date* either:

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

At termination, the Bank will calculate the *mark-to-market value* of the FFCKO 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 FFCKO transaction.

If more than one FFCKO transaction is terminated, the sum of all positive *mark-to-market values* of those FFCKO transactions and any other transactions also terminated under the *master agreement and transactions addendum* governing the FFCKO 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 FFCKO documentation, if you have more than one transaction under the FFCKO documentation (including any FFCKO 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-FFCKO transactions?

### **Fees and charges**

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

Your FFCKO transaction may also be subject to government taxes and duties (if any). These may vary-from State to State.

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

FFCKO 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 FFCKO transaction.

## 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;**
- 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.**

## 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 FFCKO transaction.

## “confirmation letter”

A letter confirming the details of a particular FFCKO transaction.

## “contract rate”

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

## “currency pair”

The two currencies that are the subject of the FFCKO transaction.

## “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).

## “exchange rate point”

The smallest unit in an *exchange rate*. For example, in the *exchange rate* AUD/USD0.6501, the *exchange rate point* is “1”.

## “expiration date”

The date at which the outcome of the FFCKO 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 FFCKO transaction.

## “knock in trigger rate”

An agreed *exchange rate*, in addition to the *knock out trigger rate*, that will determine the outcome of the FFCKO transaction at the *expiration time* on the *expiration date*.

## “knock out trigger rate”

An agreed *exchange rate*, in addition to the *knock in trigger rate*, that will determine the outcome of the FFCKO transaction at the *expiration time* on the *expiration date*.

## “market parcel”

Normally assumed to be AUD5,000,000.00 or its equivalent in another currency.

## “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 FFCKO 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 Forward Transactions Addendum.

**“parties to the agreement”**

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

**“settlement date”**

A *business day* on which the *currency pair* subject to a FFCKO 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”**

A *settlement date* that is 2 *business days* after the *trade date* for both currencies.

**“termination date”**

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

**“trade date”**

The date on which a FFCKO 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*.

**“trigger notice”**

A notice from the Bank to you advising that a *trigger rate* has been reached.

**“trigger period”**

The nominated period specified as such by the *parties to the agreement*, during which the *trigger rate* may be reached.

**“trigger rates”**

A *knock in trigger rate* and a *knock out trigger rate*.

**“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 (FFCKO)

FFCKO transactions are available in some currencies. Examples are included below.

<b>Currencies</b>	<b>Day count convention</b>
Australian Dollars (AUD)	365
United States Dollars (USD)	360
Pounds Sterling or Great British Pounds (GBP)	365
Japanese Yen (JPY)	360
New Zealand Dollars (NZD)	365
Euro (EUR)	360
Singapore Dollars (SGD)	360
Hong Kong Dollars (HKD)	360
Canadian Dollars (CAD)	360

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



