

A black and white photograph of a hand gently touching wheat stalks in a field. The background is a vast field of wheat stretching to the horizon under a bright sky. The hand is in the foreground, with fingers spread, touching the wheat. The overall mood is peaceful and agricultural.

Agricultural Swap Product Disclosure Statement

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You should read all sections of this Product Disclosure Statement before making a decision to acquire any financial products listed in this document.



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General Information

Features at a glance

Purpose	<p>AS transactions may be commercially useful for people seeking to manage the risk of adverse movements in commodity prices, for example producers of agricultural commodities such as wheat farmers looking to protect against falling commodity prices, or consumers of agricultural commodities such as dairy farmers requiring cattle feed looking to protect against rising commodity prices.</p> <p>AS transactions should not be used for speculation.</p>
Significant benefits	<ul style="list-style-type: none"> ▶ Provides protection against adverse <i>commodity price</i> movements <p>See “What are the significant benefits of AS transactions?” on page 10 of this PDS for more information.</p>
Significant disadvantages	<ul style="list-style-type: none"> ▶ Does not cover basis risk ▶ Does not allow <i>you</i> to benefit from favourable <i>commodity price</i> movements <p>See “What are the significant disadvantages of AS transactions?” on page 10 of this PDS for more information.</p>
Significant risks	<p>Significant risks include basis risk, operational risk, market risk, currency risk, production or consumption risk, credit risk and sanctions risk. AS transactions can result in a hedging loss.</p> <p>See “What are the significant risks of AS transactions?” on page 10 of this PDS for more information.</p>
Minimum transaction amounts	<ul style="list-style-type: none"> ▶ Grains & Oil seeds – 250 metric tonnes ▶ Cotton – 100 bales ▶ Sugar – 100 metric tonnes <p>Smaller <i>transaction amounts</i> and other commodities may be available on request.</p>
Terms	<ul style="list-style-type: none"> ▶ 3 <i>business days</i> to 3 years (5 years for sugar) <p>Other terms may be available on request.</p>
Costs	See “What are the costs involved in AS Transactions?” on page 17 of this PDS.
Settlement	<i>Cash settlement amount</i> exchanged on the <i>settlement date</i> . No <i>physical settlement</i> is permitted. The <i>settlement date</i> , once agreed, cannot be varied.
Early termination	An amount may be payable to or by <i>you</i> depending on the <i>mark-to-market value</i> of the transaction upon termination.

Important Information: Agricultural Swaps are financial products which involve dealing in agricultural derivatives. The information in this Product Disclosure Statement (PDS) does not take into account *your* personal objectives, financial situation and needs. Before entering into these products *you* should be satisfied that such products are 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 agricultural derivative dealings and products of this type, these products 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 notify *you* or 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 financial product listed in this

document will meet *your* needs. It also helps *you* to compare the product with others *you* may be considering.

This PDS provides information about Agricultural Swap (**AS**) transactions.

If *you* decide to enter into any *AS transactions*, *you* should keep this PDS and all other documentation relating to *your AS transactions* for future reference.

If you have any questions or wish to contact us, please call 13 2221 between 8am and 8pm, Monday to Friday, visit our web site at commbank.com.au, call CBA Global Markets, 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 19. When used in this PDS, these words usually appear in italics.

What is an Agricultural Swap (AS) transaction?

An AS transaction is an agreement between *you* and the *Bank* which effectively fixes the price you receive, or pay, for a nominated quantity of a commodity (the fixed price) on a future date (*payment date*).

Under the AS transaction, you agree to swap a floating price for a fixed price for a nominated quantity of the underlying commodity on a nominated payment date. AS transactions therefore allow you to achieve a fixed price, being your level of *commodity price* protection.

The floating price or **commodity reference price** in an AS transaction is based on the settlement price of an agreed *futures contract* for the underlying commodity on an agreed *futures exchange*, or an index or on the settlement price quoted in a price guide for the underlying commodity.

The *futures exchanges*, indices and price guides from which *commodity reference prices* are sourced will vary depending on the commodity underlying the AS transaction and will be agreed between you and the *Bank* on the *trade date*. Please refer to Appendix A for examples of some of the *futures exchanges* from which *commodity reference prices* could be sourced. Details of *current commodity reference prices*, including the commodities in which the *Bank* offers AS transactions, are available on request from any branch of the *Bank* or your relationship manager.

Where the *commodity reference price* is not in the same currency as the fixed price, the settlement price from the *futures contract*, index or price guide will be converted to the same currency as the fixed price using the *reference rate*. An example of a *reference rate* is the *Hedge Settlement Rate Average (HSRA) AUD/USD exchange rate* that is published on Reuters page *HSRA*.

The **fixed price** of an AS transaction is determined by the *Bank*. For more information on how the *Bank* determines the *fixed price* see page 5.

The fixed price of the underlying commodity can be denominated or expressed in *AUD*, *USD* or *CAD* or another currency as agreed between *you* and the *Bank*.

How does it work?

Under an AS transaction, a *cash settlement amount* is payable on a *payment date*, either by the *Bank* to *you* or by *you* to the *Bank*. The *cash settlement amount* is an amount based on the net difference between the fixed price and the *commodity reference price* on the *pricing date*. The *pricing date* will generally be 2 days before the *payment date*.

Depending on the *commodity reference price* on the *pricing date*, a *cash settlement amount* may be payable by *you* to the *Bank* or by the *Bank* to *you* on the *payment date* as follows:

If *you* have entered into the AS transaction to provide

protection against a rise in a *commodity price* by agreeing to pay the *fixed price* on the *pricing date*:

- ▶ if the *commodity reference price* is higher than the fixed price, the *Bank* must pay you the *cash settlement amount*;
- ▶ if the *commodity reference price* is lower than the fixed price, *you* must pay the *Bank* the *cash settlement amount*; or
- ▶ if the *commodity reference price* is equal to the fixed price, there is no further obligation between *you* and the *Bank* with respect to the *payment date* under the AS transaction.

If *you* have entered into the AS transaction to provide protection against a fall in a *commodity price* by agreeing to receive the *fixed price* and on the *pricing date*:

- ▶ if the *commodity reference price* is lower than the fixed price, the *Bank* must pay you the *cash settlement amount*;
- ▶ if the *commodity reference price* is higher than the fixed price, *you* must pay the *Bank* the *cash settlement amount*; or
- ▶ if the *commodity reference price* is equal to the fixed price, there is no further obligation between *you* and the *Bank* with respect to the *payment date* under the AS transaction.

There may be one or more *pricing dates* and *payment dates* over the *transaction period*, for example *pricing dates* and *payment dates* may occur quarterly, semi-annually or annually.

See page 6 for some worked examples of the settlement of AS transactions.

Are there credit or document requirements?

The entry into each AS transaction is subject to prior credit approval by the *Bank* and *you* entering into a *master agreement and transactions addendum*. Please see page 14 for more information.

Uses of AS transactions

AS transactions may be commercially useful for people seeking to manage the risk of adverse movements in commodity prices, for example:

- ▶ producers of agricultural commodities such as wheat farmers looking to protect against falling commodity prices;
- ▶ consumers of agricultural commodities such as dairy farmers requiring cattle feed looking to protect against rising commodity prices; and
- ▶ other clients who have exposure to agricultural *commodity price* movements.

AS Transactions should not be used for speculation.

Determining the AS fixed price

The *Bank* will calculate the fixed price of the underlying commodity under the AS transaction by taking the following factors into account:

- ▶ the *commodity reference price* from the agreed *futures exchange*, index or price guide. All prices and products are heavily influenced by domestic and international commodities markets. Some of these *futures exchanges*, from which *commodity reference prices* could be sourced are listed in Appendix A.
- ▶ the *forward exchange rate* for the currency in which the *commodity reference price* is expressed – the *forward exchange rate* is the expression of the value of one currency in terms of another when the currencies are exchanged at a future date that is more than 2 *business days* after the contract to exchange the currencies is entered into. The fixed price of the underlying commodity can be denominated or expressed in *AUD*, *USD* or *CAD* or another currency as agreed between *you* and the *Bank*;
- ▶ the *forward exchange rate* for the currency in which the *fixed price* is expressed;
- ▶ the *transaction amount*. This is the agreed quantity of the underlying commodity;
- ▶ the *pricing date*. This is the date on which the *commodity reference price* is set and the outcome of the AS transaction is determined;
- ▶ the *transaction period*. This is the period from and including the *trade date* (date on which an agreement is reached by the relevant parties) and the final *settlement date* (the *business day* on which a *cash settlement amount* will be exchanged between the *parties to the agreement*);
- ▶ an allowance for the *Bank's* costs, both fixed and variable. These costs are dependent on the liquidity of the underlying product, ability to hedge, basis risk and whether or not there is a futures contract that enables the *Bank* to hedge the risk; and
- ▶ the *Bank's* profit margin. This is dependent on the client credit rating, the *Bank's* market risk exposure and the *Bank's* appetite to manage risk.

All the above factors individually and in combination will have a positive or negative impact on the fixed price.

Examples of how an AS transaction works

The following examples set out how AS transactions work for producers (sellers) of wheat and for consumers (buyers) of wheat.

It is important to note that in these examples the financial outcomes have been determined without allowing for basis risk (refer to “What are the significant risks for an AS Transaction” on page 10 for a further discussion of basis risk). Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank's* (or any of its associates’) view on future matters.

Examples

Example 1: You are a producer (seller) of wheat

You would like to receive a fixed price in AUD for 300 metric tonnes of wheat in 1 year's time based on the *commodity reference price* on the *futures exchange* agreed between you and the *Bank*.

In this example the *commodity reference price* will be based on the closing *USD* price of the wheat *futures contract* on *CBOT* on the *pricing date*, converted to *AUD** at the *HSRA AUD/USD exchange rate* on the following *business day (HSRA date)*. The *payment date* will be 2 *business days* after the *HSRA date*.

Assuming the current *commodity reference price* for wheat is AUD309.00 per metric tonne, a fall in the *commodity price* in *AUD* terms would mean you would receive less *AUD* when you sell your wheat in the market.

You are therefore seeking protection against a fall in the *commodity price* of wheat.

The *Bank* will calculate the fixed price of the AS transaction based on certain factors including your specified *transaction amount* and specified *transaction period* (for more information please see "Determining the AS fixed price" on page 5).

Assume the following for Example 1

Commodity	CBOT Wheat
Transaction amount	300 metric tonnes
1 year AUD fixed price per metric tonne at the trade date (calculated by the Bank)	300.00
Pricing date	1 year from the trade date
HSRA date	1 business day after the pricing date
Payment date	2 business days after the HSRA date

* In this example, if you agreed with the Bank to use the *commodity reference price* based on the closing *AUD* price of the wheat futures contracts on *ASX* on the *pricing date* instead of *CBOT*, there would be no requirement to convert the *commodity reference price* to *AUD*.

Possible outcomes on the pricing date**Possible price achieved****

If the *commodity reference price* is lower than the fixed price, then on the *payment date* the *Bank* must pay you the difference between the fixed price and the *commodity reference price*.

For example, if the *commodity reference price* is AUD280.00 per metric tonne, then on the *payment date* the *Bank* will pay you the following *cash settlement amount*:

$$300 \times (\text{AUD}300.00 - \text{AUD}280.00) = \text{AUD}6,000.00$$

This *cash settlement amount* will compensate for the lower price you will receive when you sell your physical wheat.

For example, if you sell your physical wheat at AUD280.00 per metric tonne you will receive:

$$300 \times \text{AUD}280.00 = \text{AUD}84,000.00$$

This means that you have received a total of AUD90,000.00 (AUD84,000.00 + AUD6,000.00).

This equals AUD300.00 per metric tonne:

$$\text{AUD}90,000.00 \div 300 \text{ metric tonnes} = \text{AUD}300.00 \text{ per metric tonne}$$

AUD300.00 per metric tonne

If the *commodity reference price* is higher than the fixed price, then on the *payment date* you must pay the *Bank* the difference between the fixed price and the *commodity reference price*.

For example, if the *commodity reference price* is AUD320.00 per metric tonne, then on the *payment date*, you must pay the *Bank*:

$$300 \times (\text{AUD}320.00 - \text{AUD}300.00) = \text{AUD}6,000.00$$

This *cash settlement amount* will offset the amount you receive when you sell your physical wheat.

For example, if you sell your physical wheat at AUD320.00 per metric tonne you will receive:

$$300 \times \text{AUD}320.00 = \text{AUD}96,000.00$$

This means that you have received a total of AUD90,000.00 (AUD96,000.00 – AUD6,000.00).

This equals AUD300.00 per metric tonne:

$$\text{AUD}90,000.00 \div 300 \text{ metric tonnes} = \text{AUD}300.00 \text{ per metric tonne}$$

AUD300.00 per metric tonne

If the fixed price is equal to the *commodity reference price*, you and the *Bank* will have no further obligations to each other with respect to the *payment date* under the AS transaction.

AUD300.00 per metric tonne

The examples do not include “basis risk”. An explanation of Basis risk is included in the Additional Information section on page 10.

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the Bank’s (or any of its associates’) view on future matters. If you have chosen more than one pricing date for the transaction period, the same calculation method will be used to determine the cash settlement amount on each specified payment date.

Examples

Example 2: You are a consumer (buyer) of wheat

You would like to pay a fixed price in AUD for 300 metric tonnes of wheat in 1 year's time based on the *commodity reference price* on the *futures exchange* agreed between you and the *Bank*.

In this example, the *commodity reference price* will be based on the closing *USD* price of the wheat *futures contract* on *CBOT* on the *pricing date*, converted to *AUD** at the *HSRA AUD/USD exchange rate* on the following *business day (HSRA date)*. The *payment date* will be 2 *business days* after the *HSRA date*.

Assuming the current *commodity reference price* for wheat is AUD309.00 per metric tonne, a rise in the *commodity price* in *AUD* terms would mean you would pay more *AUD* when you buy your wheat in the market. You are therefore seeking protection against a rise in the *commodity price* of wheat.

The *Bank* will calculate the fixed price based on your specified *transaction amount* and specified *transaction period*.

Assume the following for Example 2

Commodity	CBOT Wheat
Transaction amount	300 metric tonnes
1 year AUD fixed price per metric tonne at the trade date (calculated by the Bank)	318.00
Pricing date	1 year from the trade date
HSRA date	1 business day after the pricing date
Payment date	2 business days after the HSRA date

The examples do not include "basis risk". An explanation of Basis risk is included in the Additional Information section on page 10.

Possible outcomes on the <i>pricing date</i>	Possible price achieved**
<p>If the <i>commodity reference price</i> is higher than the fixed price, then on the <i>payment date</i> the <i>Bank</i> must pay you the difference between the fixed price and the <i>commodity reference price</i>.</p> <p>For example, if the <i>commodity reference price</i> is AUD320.00 per metric tonne, then on the <i>payment date</i> the <i>Bank</i> will pay you:</p> <p>300 x (AUD320.00 – AUD318.00) = AUD600.00</p> <p>This <i>cash settlement amount</i> will compensate for the higher price you will pay when you buy your physical wheat.</p> <p>For example, if you buy your physical wheat at AUD320.00 per metric tonne you will pay:</p> <p>300 x AUD320.00 = AUD96,000.00</p> <p>This means that you have paid a total of AUD95,400.00 (AUD96,000.00 – AUD600.00).</p> <p>This equals AUD318.00 per metric tonne:</p> <p>AUD95,400.00 ÷ 300 metric tonnes = AUD318.00 per metric tonne</p>	AUD318.00 per metric tonne
<p>If the <i>commodity reference price</i> is lower than the fixed price, then on the <i>payment date</i> you must pay the <i>Bank</i> the difference between the fixed price and the <i>commodity reference price</i>.</p> <p>For example, if the <i>commodity reference price</i> is AUD280.00 per metric tonne, then on the <i>payment date</i>, you must pay the <i>Bank</i>:</p> <p>300 x (AUD318.00 – AUD280.00) = AUD11,400.00</p> <p>This <i>cash settlement amount</i> will offset the price you pay when you buy your physical wheat.</p> <p>For example, if you buy your physical wheat at AUD280.00 per metric tonne you will pay:</p> <p>300 x AUD280.00 = AUD84,000.00</p> <p>This means that you have paid a total of AUD95,400.00 (AUD84,000.00 + AUD11,400.00).</p> <p>This equals AUD318.00 per metric tonne:</p> <p>AUD95,400.00 ÷ 300 metric tonnes = AUD318.00 per metric tonne</p>	AUD318.00 per metric tonne
<p>If the fixed price is equal to the <i>commodity reference price</i>, you and the <i>Bank</i> will have no further obligations to each other with respect to the <i>payment date</i> under the AS transaction.</p>	AUD318.00 per metric tonne

* In this example, if you agreed with the *Bank* to use the *commodity reference price* based on the closing *AUD* price of the wheat futures contracts on *ASX* on the *pricing date* instead of *CBOT*, there would be no requirement to convert the *commodity reference price* to *AUD*.

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank's* (or any of its associates') view on future matters. If you have chosen more than one *pricing date* for the *transaction period*, the same calculation method will be used to determine the *cash settlement amount* on each specified *payment date*.

AS Transactions

Additional Information.

What are the significant benefits of AS transactions?

The benefits include:

- ▶ protection against adverse commodity price movements by providing the ability for *you* to receive or pay a fixed price for an agreed quantity of a commodity on an agreed future date;
- ▶ the ability for *you* to set the agreed *transaction amount* and the *transaction period* to match the level of commodity price protection that *you* require; and
- ▶ the ability for *you* to set the currency *you* require as agreed between *you* and the *Bank*.

What are the significant disadvantages of AS transactions?

Disadvantages include:

- ▶ an AS transaction does not cover the basis risk, which is the risk arising from entering into an AS transaction that is not identical with the risk you are seeking to hedge against (see “Basis risk” on this page);
- ▶ it does not allow *you* to benefit from future favourable commodity price movements:

If you are a producer, you will not receive a benefit from the AS transaction if the commodity reference price is more than the fixed price on the pricing date;

If you are a consumer, you will not receive a benefit from the AS transaction if the *commodity reference price* is less than the fixed price on the *pricing date*; and

- ▶ there may be a cost if the AS transaction is terminated before the *termination date* (see “Terminating an AS transaction” on page 14 of this PDS).

What are the significant risks of AS transactions?

Risks derive from factors that are beyond *your* control.

Starting from the time at which *you* enter into an AS *transaction* with the Bank, risk factors may lead to changes in the financial outcomes that are unfavourable to *you*.

Monitoring any risks associated with this product is *your* responsibility (subject to the responsibility of the Bank for its own operational processes, see “Operational risk” on page 13).

AS transactions can result in a hedging loss.

The risks described here may not include all risk considerations that may be relevant to you when entering into an AS transaction.

Before transacting in an AS transaction you should be satisfied that the product is suitable for you. We recommend that you consult your financial adviser or obtain other independent advice.

Basis risk

Basis risk is the risk arising from entering into an AS *transaction* that is not identical with the risk you are seeking to hedge against. The risk is a result of the difference between the *commodity reference price* and the *commodity price* for which *you* will buy or sell *your* physical commodity in the market. For example, an AS wheat transaction uses a *commodity reference price* sourced from a futures exchange. However, the *commodity price* which a producer will receive upon the sale of their physical wheat takes into account the grade of the wheat, transportation costs, location and other factors. As such the fluctuations in the *commodity reference price* may not match those for the *commodity price*.

Basis Risk Worked Examples

The following worked examples demonstrate the possible impact of basis risk:

Example 1 (please refer to assumptions on page 6):

Possible outcomes on the pricing date if basis changes (BASIS RISK)

If the *commodity reference price* is lower than the fixed price, then on the *payment date* the Bank must pay you the difference between the fixed price and the *commodity reference price*.

For example, if the *commodity reference price* is AUD280.00 per metric tonne, then on the *payment date* the Bank will pay you the following *cash settlement amount*:

$$300 \times (\text{AUD}300.00 - \text{AUD}280.00) = \text{AUD}6,000.00$$

However, this *cash settlement amount* will not compensate for the price you will receive when you sell your physical wheat if the *commodity price* is less than the *commodity reference price*.

For example, if you sell your physical wheat at a *commodity price* of AUD270.00 per metric tonne you will receive:

$$300 \times \text{AUD}270.00 = \text{AUD}81,000.00 \text{ when you sell your physical wheat.}$$

When the amount received from the Bank under the AS transaction is taken into account, this means that you have received a total of **AUD87,000.00 (AUD81,000.00 + AUD6,000.00)**.

While the AS transaction sought to achieve a price of AUD300 per metric tonne, because the fluctuations in the *commodity reference price* did not match the fluctuations in the *commodity price* the price achieved was AUD290.00 per metric tonne:

$$\text{AUD}87,000.00 \div 300 \text{ metric tonnes} = \text{AUD}290.00 \text{ per metric tonne}$$

Possible price achieved**

While the AS transaction sought to achieve a price of AUD300.00 per metric tonne, the actual price achieved was AUD290.00 per metric tonne (given the \$10 difference between the *commodity price* and the *commodity reference price*)

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the Bank's (or any of its associates') view on future matters.

Example 2 (please refer to assumptions on page 8):

Possible outcomes on the pricing date if basis changes (BASIS RISK)

If the *commodity reference price* is higher than the fixed price, then on the *payment date* the Bank must pay you the difference between the fixed price and the *commodity reference price*.

For example, if the *commodity reference price* is AUD320.00 per metric tonne, then on the *payment date* the Bank will pay you:

$$300 \times (\text{AUD}320.00 - \text{AUD}318.00) = \text{AUD}600.00$$

However, this *cash settlement amount* will not compensate for the price you will pay when you buy your physical wheat if the *commodity price* is higher than the *commodity reference price*.

For example, if you buy your physical wheat at a *commodity price* of AUD330.00 per metric tonne you will pay:

$$300 \times \text{AUD}330.00 = \text{AUD}99,000.00 \text{ when you buy your physical wheat.}$$

When the amount received from the Bank under the AS is taken into account, this means that you have paid a total of **AUD98,400.00 (AUD99,000.00 – AUD600.00)**.

While the AS transaction sought to achieve a price of AUD318 per metric tonne, because the fluctuations in the *commodity reference price* did not match the fluctuations in the *commodity price* the price achieved was AUD328.00 per metric tonne:

$$\text{AUD}98,400.00 \div 300 \text{ metric tonnes} = \text{AUD}328.00 \text{ per metric tonne}$$

Possible price achieved**

While the AS transaction sought to achieve a price of \$318 per metric tonne, the actual price achieved was AUD328.00 per metric tonne (given the \$10 difference between the *commodity price* and the *commodity reference price*)

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the Bank's (or any of its associates') view on future matters.

Market risk

In *AS transactions*, the key market risk to *you* is that you do not receive any benefit after *you* enter into an *AS transaction* with the *Bank*. This will occur if,

- ▶ the fixed price is equal to the *commodity reference price* on the *pricing date* or if you must pay a *cash settlement amount* to the *Bank* on a *payment date* because the *commodity reference price* is less favourable to *you* than the fixed price;

Early termination of an *AS transaction* may result in *you* paying more or receiving less than the fixed price. For more information about early termination see page 14.

Additionally, *there* is a risk that *you* will pay more or receive less than *you* would have if no *AS transaction* had been entered into at all.

Currency Risk

The *Bank* expects that *AS transactions* will be used for managing *your* total exposure in both commodity and currency terms. As shown in Example 1, the *commodity price* is managed by choosing a fixed price, and the currency is managed through the fixed price being denominated in AUD. If *you* enter into an *AS transaction* for a purpose other than the management of *your* total exposure

i.e. *you* hedge the commodity and not the currency, *you* may be directly exposed to changes in the foreign exchange market. For example, if the fixed price is denominated in USD *you* will be exposed to changes in the exchange rate between AUD and USD if *you* wish to convert any USD received from the *Bank* on the settlement date into AUD. These changes may result in losses to *you*.

Production/Consumption Risk

You bear the risk that *you* will not be able to either produce, or consume, the *transaction amount* (quantity) of the underlying commodity that *you* forecast and agreed when entering the *AS transaction*. For example, a producer impacted by drought may not be able to produce the *transaction amount* specified in the *AS transaction*.

Credit risk

Credit risk is common to all financial markets products that *you* may enter into 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 *AS transaction*. This risk is sometimes described as “counterparty risk”.

You can also view additional information about the Commonwealth *Bank*, including financial statements and annual reports, at www.commbank.com.au.

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 AS 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, settlement or determination of price of *your AS transaction*.

If for any reason the *commodity reference price* cannot be determined the relevant price will be determined by the *Bank* acting in good faith. Such disruptions may result in outcomes that are less favourable to *you*.

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

Sanctions 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 into and settling AS transactions

Following credit approval by the *Bank* and *you* entering into a master agreement and the appropriate transactions addendum (see “*AS transactions* documentation”) *you* may enter into an *AS transaction* with the Bank.

The minimum transaction amount of an *AS transaction* is 250 metric tonnes of grains and oilseeds, 100 bales of cotton, or 100 metric tonnes of sugar. The term of an *AS transaction* is from 3 business days to 3 years (5 years for sugar). Transactions for smaller transaction amounts, other commodities or longer terms may be available on request.

The next steps are:

For an AS Transaction:

1. *You* should contact the Bank and ask for an *AS transaction* for a specified amount of an agricultural commodity for a specified payment date.
2. The Bank will determine the fixed price. If the Bank offers *you* an *AS transaction*, and *you* accept the offer (which in most cases is done verbally on the telephone), an *AS transaction* will be 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* *AS transaction*. *You* must notify the Bank immediately if the confirmation differs from what was agreed. *You* must sign and return this confirmation letter to the Bank. However, even if *you* don't do this, the *AS transaction* will be binding on *you*.

AS Transaction documentation

The *AS transaction* documentation consists of a master agreement transactions addendum and a confirmation letter. These documents set out in full the terms and conditions and the particulars of an *The AS transaction* *you* have entered into.

Samples of the *The AS transaction* documentation can be obtained from the Bank on request.

Settling an AS Transaction:

Subject to the terms and conditions of the *AS* documentation, a *cash settlement amount* may be payable by or to *you* on a payment date. In the event that *you* must pay to the Bank a *cash settlement amount*, *you* must ensure that *you* have sufficient cleared funds accessible to the Bank.

Variations to the settlement date(s)

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

Terminating an AS transaction

An *AS transaction* may be terminated prior to the last settlement date either:

- ▶ by agreement between *you* and the Bank; or
- ▶ as set out in the *AS transaction* documentation.

At termination, the Bank will calculate the mark-to-market value of the transaction using prevailing market rates chosen by the Bank in good faith. If the transaction has a mark-to-market value in *your* favour then the Bank must pay *you* an amount equal to that mark-to-market value. If the transaction has a mark-to-market value in the Bank's favour then *you* must pay the Bank an amount equal to that mark-to-market value. The Bank will notify *you* as soon as practicable after making this calculation.

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

Early Termination Worked Examples

The following worked examples demonstrate the possible impact of early termination:

Example 1 (please refer to assumptions on page 6):

Possible outcomes if you terminate early (Producer)	Possible price achieved**
<p>If on the date the transaction is terminated the <i>commodity reference price</i> is lower than the fixed price, then the Bank must pay <i>you</i> the mark-to-market value.* The Bank will calculate the mark-to-market value of the transaction using the difference between the fixed price and the <i>commodity reference price</i> on the date the transaction is terminated.</p> <p>For example, if the <i>commodity reference price</i> is AUD260.00 per metric tonne, then the Bank will calculate the following mark-to-market value:</p> <p>300 x (AUD300.00 – AUD260.00) = AUD12,000.00</p> <p>*This amount can either be present valued and settled up-front (in which case an interest rate adjustment will likely apply. If an interest rate adjustment applies the interest rate reference used will be within the range of +/- 50 basis points either side of BBSY***), , or paid to <i>you</i> in full on the last settlement date.</p> <p>For example, if the above transaction was terminated 90 days early and the interest rate was 2.00%, the present value of the mark-to-market value is calculated as:</p> <p>AUD12,000 x [1/(1+(90/365 x 2.00%))] = AUD11,941</p>	Variable
<p>If on the date the transaction is terminated the <i>commodity reference price</i> is higher than the fixed price, then <i>you</i> must pay the Bank the mark-to-market value.*</p> <p>The Bank will calculate the mark-to-market value using the difference between the fixed price and the <i>commodity reference price</i> on the date the transaction is terminated.</p> <p>For example, if the <i>commodity reference price</i> is AUD380.00 per metric tonne, then the Bank will calculate the following mark-to-market value:</p> <p>300 x (AUD380.00 – AUD300.00) = AUD24,000.00</p> <p>*This amount can be present valued and settled up-front (in which case an interest rate adjustment will likely apply. If an interest rate adjustment applies the interest rate reference used will be within the range of +/- 50 basis points either side of BBSY +/- 50***),, or paid by <i>you</i> in full on the last settlement date.</p> <p>For example, if the above transaction was terminated 90 days early and the interest rate was 2.00%, the present value of the mark-to-market value is calculated as:</p> <p>AUD24,000 x [1/(1+(90/365 x 2.00%))] = AUD23,882</p>	Variable
<p>If the fixed price is equal to the <i>commodity reference price</i> on the date the transaction is terminated <i>you</i> and the Bank will have no further obligations to each other with respect to the AS transaction.</p>	Variable

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the Bank's (or any of its associates') view on future matters. .

*** If BBSY is 2.00%, the reference rate used will be in the range of 1.50% and 2.50%. The interest rate reference used from within that range will be at the discretion of the Bank.

Example 2 (please refer to assumptions on page 8):

Possible outcomes if you terminate early (Consumer)	Possible price achieved**
<p>If on the date the transaction is terminated the <i>commodity reference price</i> is higher than the fixed price, then the <i>Bank</i> must pay you the <i>mark-to-market value</i>.*</p> <p>The <i>Bank</i> will calculate the <i>mark-to-market</i> value of the transaction using the difference between the fixed price and the <i>commodity reference price</i> on the date the transaction is terminated.</p> <p>For example, if the <i>commodity reference price</i> is AUD360.00 per metric tonne, then the <i>Bank</i> will calculate the following <i>mark-to-market value</i>:</p> <p>300 x (AUD360.00 – AUD318.00) = AUD12,600.00</p> <p>*This amount can be present valued and settled up-front (in which case an interest rate adjustment will likely apply. If an interest rate adjustment applies the interest rate reference used will be within the range of +/- 50 basis points either side of BBSY +/- 50***), or paid to you in full on the last <i>settlement date</i>.</p> <p>For example, if the above transaction was terminated 90 days early and interest rate was 2.00%, the present value of the <i>mark-to-market</i> value is calculated as:</p> <p>AUD12,600 x [1/(1+(90/365 x 2.00%))] = AUD12,538</p>	Variable
<p>If on the date the transaction is terminated the commodity reference price is lower than the fixed price, then you must pay the <i>Bank</i> the <i>mark-to-market value</i>.*</p> <p>The <i>Bank</i> will calculate the <i>mark-to-market</i> value using the difference between the fixed price and the commodity reference price on the date the transaction is terminated.</p> <p>For example, if the commodity reference price is AUD210.00 per metric tonne, then the <i>Bank</i> will calculate the following <i>mark-to-market</i> value:</p> <p>300 x (AUD318.00 – AUD210.00) = AUD32,400.00</p> <p>*This amount can be present valued and settled up-front (in which case an interest rate adjustment will likely apply. If an interest rate adjustment applies the interest rate reference used will be within the range of +/- 50 basis points either side of BBSY +/- 50***), or paid by you in full on the last settlement date.</p> <p>For example, if the above transaction was terminated 90 days early and interest rate was 2.00%, the present value of the <i>mark-to-market</i> value is calculated as:</p> <p>AUD32,400 x [1/(1+(90/365 x 2.00%))] = AUD32,241</p>	Variable
<p>If the fixed price is equal to the <i>commodity reference price</i> on the date the transaction is terminated you and the <i>Bank</i> will have no further obligations to each other with respect to the AS transaction.</p>	Variable

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the Bank's (or any of its associates') view on future matters.

*** If BBSY is 2.00%, the reference rate used will be in the range of 1.50% and 2.50%. The interest rate reference used from within that range will be at the discretion of the Bank.

AS Transactions

Additional Information continued

Payments netting

In accordance with the *AS transaction* documentation, if *you* have more than one transaction under this documentation, with the same settlement date and for the same currency, the 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 an AS transaction?

There are no up-front fees and charges for entering into an AS transaction. The *Bank's* costs and profit margin in respect of the AS transaction is built into the fixed price. The factors used in determining the fixed price, including an allowance for the *Bank's* costs and profit margin, are set out on page 5.

Your AS 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?

AS transactions may have tax implications. These can be complex and are invariably specific to *your* circumstances. The outcomes may vary depending, amongst other things, on the type of entity transacting and whether *you* have made any elections in relation to foreign currency. Therefore, *you* should discuss any taxation issues with *your* independent tax adviser before entering into an *AS transaction*.

Code of Banking Practice

The relevant provisions of the Code of Banking Practice apply to *AS transactions*.

You should read the *Bank's* information booklet “The Better Banking Book”, which may be obtained by telephoning the *Bank* on 13 22 21 (between 8am and 8pm, Monday to Friday), contacting *your* relationship manager, visiting our website at www.commbank.com.au or from any branch of the *Bank*.

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

What to do if you have a complaint?

Most problems can be resolved quickly and simply by talking with us. You can talk to us by:

- ▶ Calling into one of our branches
- ▶ Phoning our Customer Complaints team on **1800 805 605** or, if you are overseas call **+61 2 9687 0756**
- ▶ Completing the online feedback form at commbank.com.au/feedback, where you can also view our complaint process, or
- ▶ Writing to us at Customer Relations, Commonwealth Bank Group, Reply Paid 41, Sydney NSW 2001

If we are unable to resolve your complaint to your satisfaction, you can refer your complaint to the Financial Ombudsman Service (FOS).

FOS offers a free, independent dispute resolution service and can be contacted by calling **1300 780 808** or in writing to GPO Box 3 Melbourne Victoria 3001. You can also visit their website www.fos.org.au

AS Transactions

Additional Information continued

Customer information and privacy

What information we collect

In this clause ‘*you*’ includes our customer and any person who holds office in an entity which is a customer. We collect information about *you* (such as *your* name, address and contact details), and information about *your* interactions with us, such as transactions on *your* account. We may also collect publicly available information about *you*.

Why we collect your information and what we use it for

We collect *your* information because we are required to identify *you* in accordance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and in order to comply with taxation laws. We also collect it to administer our customer relationships and internal processes including risk management and pricing, to meet our obligations in relation to external payment systems and under our arrangements with government agencies, and to identify and tell *you* about products and services that may interest *you* (unless *you* tell us not to). If *you* don’t want to receive marketing information *you* can tell us by calling 13 2221, or speak to *your* relationship manager.

If *you* give us *your* electronic and telephone details, *you* agree we may use this to communicate with *you* electronically, by phone or SMS, including providing updates, reminders and (unless *you* tell us not to) marketing information.

You must give us accurate and complete information; otherwise *you* may be breaking the law and we may not be able to provide *you* with the products and services that *you* require.

If *you* change *your* personal details (e.g. address, name or email address) *you* must tell us straight away.

Who we may exchange your information with

We may exchange *your* information with other members of the Group who may use *your* information for any of the purposes we can.

We may also exchange *your* information with others outside the Group, for example, *your* representatives, our service providers, other financial institutions (for example, in relation to a mistaken payment claim), enforcement and government authorities, relevant public registers and payment system operators (for example, BPAY Pty Ltd).

Sometimes it may be necessary to send *your* information overseas – for example, where we outsource functions overseas, send information to Group members overseas, where we need to complete a transaction on *your* behalf or where this is required by laws and regulations in Australia or in another country. See our Group Privacy Policy for more information.

Our Group Privacy Policy

Our Group Privacy Policy is available on our website at commbank.com.au (follow the Privacy Policy link) or upon request from any branch of the Bank and should be read in conjunction with the above. It contains further details about our information collection and handling practices including information about:

- ▶ other ways we may collect, use or exchange *your* information;
- ▶ how *you* may access and seek correction of the information; and
- ▶ how to make a complaint about a breach of *your* privacy rights, and our complaint handling procedures.

We encourage *you* to check our website regularly for any updates to the Policy.

How to contact us

For privacy-related enquiries, please contact us by:

- ▶ email at CustomerRelations@cba.com.au
- ▶ telephone 1800 805 605, or
- ▶ writing to the address in our Group Privacy Policy.

Definitions

“ASX”

Australian Securities Exchange and ASX 24 the futures market operated by it.

“AUD”

Australian dollars.

the “Bank”

Commonwealth Bank of Australia ABN 48 123 123 124.

“BBSW/BBSY”

The ASX Bank Bill Swap (BBSW) Benchmark Rates represent the midpoint of the nationally observed best bid and best offer (NBBO) for ASX Prime Bank Eligible Securities. BBSY is the BBSW rate plus 5 basis points.

“business day”

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

“CAD”

Canadian dollars.

“cash settlement amount”

For an AS: The amount payable on a *payment date* by one party to the agreement to the other based on the difference between the fixed price and the *commodity reference price* for the underlying commodity.

“CBOT”

Chicago Board of Trade.

“Cleared funds”

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

“commodity business day”

A day on which the *commodity reference price* is published or is otherwise available.

“commodity price”

The price that a producer or consumer will receive or pay in exchange for the sale or purchase of their physical commodity.

“commodity reference price”

The price that will be used to determine the outcome of *your AS transaction* on an exercise date or *pricing date*. The *commodity reference price* is determined by reference to the price of a particular futures contract on a particular futures exchange, index or price guide depending on the underlying currency of the *AS transaction*.

“confirmation letter”

A letter confirming the particulars of an *AS transaction* entered into between *you* and the Bank on a trade date.

“exchange rate”

The expression of the value of one currency in terms of another. For example, in the exchange rate AUD/USD0.8000, 1 Australian dollar is equal to 0.8000 United States dollars.

“forward exchange rate”

The expression of the value of one currency in terms of another where the currencies are exchanged at a future date that is more than 2 business days after the contract to exchange the currencies is entered into.

“futures contract”

A contract to purchase a specific asset or financial instrument at a specified time in the future at a specified price. Nearly all futures contracts are traded on a futures exchange and are standardised in terms of delivery date, amount and contract terms.

“futures exchange”

A market in which futures contracts are bought and sold, traditionally in a central, physical location, i.e. a trading floor. Increasingly though, futures exchanges are operated by dispersed traders using computer links to post prices to buy and sell the futures contracts.

“Hedge Settlement Rate Average (HSRA)”

An AUD/USD reference rate set at 9.45am each business day and published on Reuters page HSRA. The HSRA rates are compiled by the Reserve Bank of Australia by averaging the AUD/USD exchange rates of a sample of market participants in the foreign exchange market. When calculating the average the highest and lowest rates are removed from the sample prior to computation.

“HSRA date”

For *AS transactions* where the fixed price is denominated in AUD, 1 business day after a *pricing date*.

“mark-to-market value”

A valuation method where an existing *AS transactions* 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 the Combined Commodity Addendum.

“parties to the agreement”

The parties to an *AS transaction* are *you* and the Bank.

“pricing date”

The date the *commodity reference price* is determined with respect to a payment date.

“reference rate”

The benchmark exchange rate *you* agree with the Bank on the trade date to convert the *commodity reference price* to the same currency as the fixed price. An example is the HSRA.

“settlement date”

A business day on which a *cash settlement amount* will be exchanged between the parties to the agreement. For *AS transactions* where the fixed price is denominated in USD or CAD the settlement date will be 2 business days after the *pricing date*. For *AS transactions* where the fixed price is denominated in AUD the settlement date will be 3 business days after the *pricing date*.

“termination date”

The last day of the transaction period of the *AS transactions*.

“trade date”

The date on which an *AS transaction* is entered into by the parties to the agreement.

“transaction amount”

The agreed quantity of the underlying commodity.

“transaction period”

The period from and including the trade date, up to and including the final settlement date.

“USD”

United States dollars.

“you”, “your”

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

Appendix A -

Futures Exchanges/Index/Price Guide Examples

Exchanges/Index/Price Guide

Australian Securities Exchange (ASX)

Chicago Board of Trade (CBOT)

Intercontinental Exchange (ICE)

Note: From time to time the Bank may add or remove exchanges that may (or may not) be listed in the table above.

For more information call 13 1998 from 8am to 8pm
Monday to Friday or visit commbank.com.au

Commonwealth Bank of Australia
ABN 48 123 123 124

CBA4788 200317

