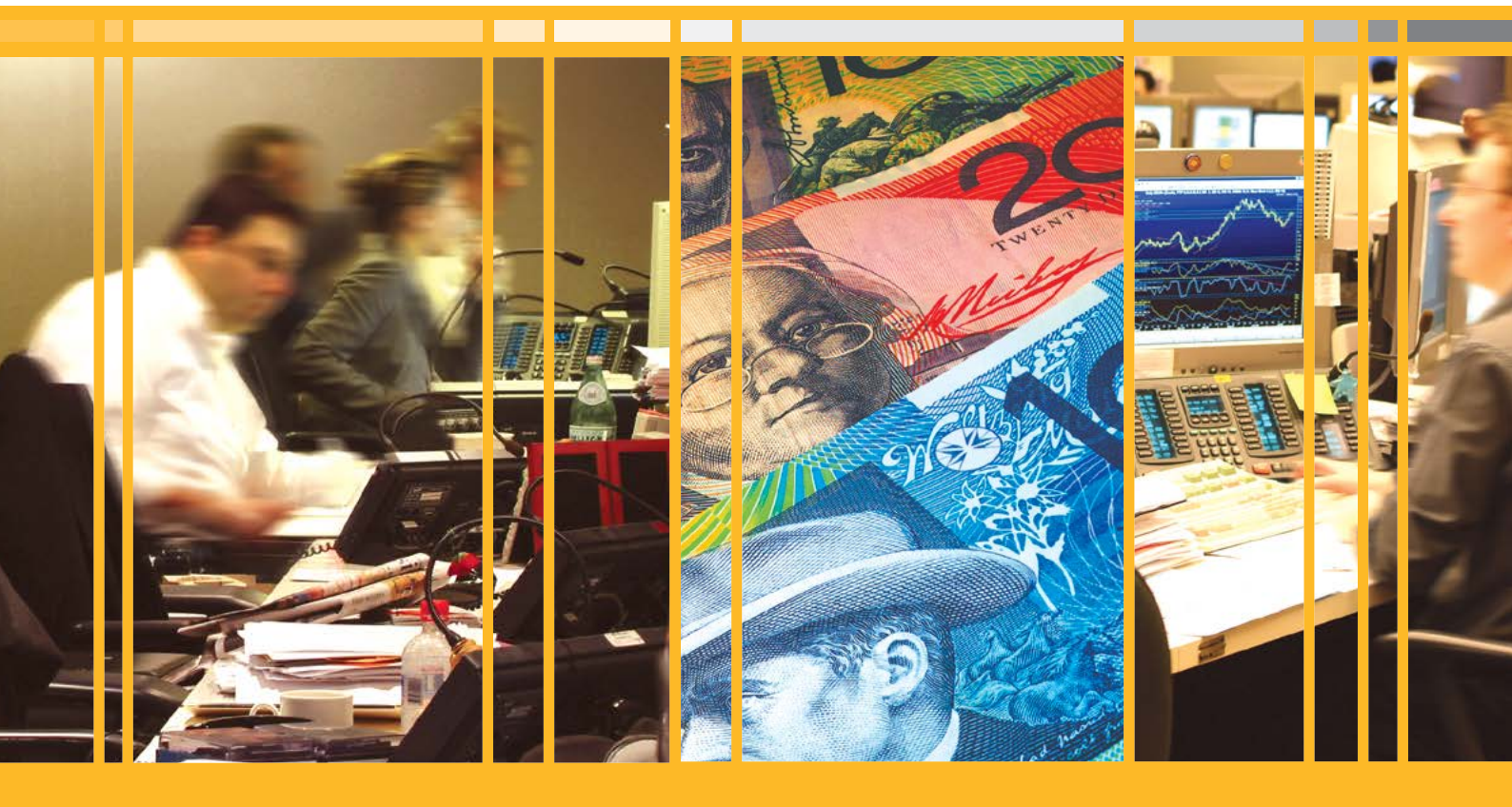


WHAT YOU NEED TO KNOW

# Flexible Forward Double No-Touch



## Product Disclosure Statement

**Issue date:** 12 March 2014

**Issued by:**

Commonwealth Bank of Australia ABN 48 123 123 124  
AFSL 234945

You should read all sections of this document 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. Additional significant benefits are outlined on page 8.
<b>Significant risk</b>	You may not receive the full benefit of favourable <i>exchange rate</i> movements. Additional significant risks are outlined on page 8.
<b>Minimum transaction amount</b>	Australian dollars (AUD) 50,000.00 or equivalent foreign currency.
<b>Terms</b>	3 <i>business days</i> to 2 years. (Longer terms may be available on request.)
<b>Costs</b>	See “What are the costs involved in FFDNT transactions?” on page 10.
<b>Settlement</b>	<i>Settlement date</i> , once agreed, cannot be varied.
<b>Early termination</b>	An amount may be payable 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 adviser or obtain other independent advice. Unless you are familiar with foreign exchange dealings and products of this type, the product may not be suitable for you.

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

## Purpose of a Product Disclosure Statement (PDS)

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

This PDS provides information about a **Flexible Forward Double No-Touch** (FFDNT). If you decide to enter into a FFDNT transaction, you should keep this PDS and all other documentation relating to your FFDNT transaction for future reference.

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

To assist you in understanding this PDS, the definitions of some words are provided in the “Definitions” section on page 12 at the end of this PDS. When used in this PDS, these words usually appear in italics.

## What is a Flexible Forward Double No-Touch (FFDNT) transaction?

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

The FFDNT transaction also has two trigger rates: the *low trigger rate* and the *high trigger rate*. If, during the *trigger period*, the *market spot exchange rate* trades between the *low trigger rate* and the *high trigger rate*, at the *expiration time* you will be able to exchange currencies at the more favourable (to you) *reset rate* instead of the *contract rate*.

At the *settlement date* of a FFDNT transaction:

- The *currency pair* must be exchanged between you and the Bank at the *contract rate*, if either the *low trigger rate* or the *high trigger rate* is reached during the *trigger period*
- The *currency pair* must be exchanged between you and the Bank at the (more favourable to you) *reset rate*, provided neither the *low trigger rate* nor the *high trigger rate* is reached during the *trigger period*

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

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

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

## Uses of FFDNT transactions

Commercial activities for which FFDNT 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
- other foreign currency payments and receipts

## Determining FFDNT exchange rates

FFDNT exchange rates include a *contract rate*, a *reset rate* and two *trigger rates*.

You will specify to the Bank the *contract rate* you require, which is your level of *exchange rate* protection, the transaction amount, the *settlement date* and the *trigger period* (see “Entering and settling FFDNT transactions” on page 9 of this PDS).

The Bank will determine the *trigger rates* and the *reset rate*, taking the following factors into account:

- the *market spot exchange rate*
- the *forward points*
- the *contract rate* (in the case of determining the *reset rate*)
- a *volatility factor*
- the *transaction period*
- the *trigger period*
- an allowance for the Bank’s costs, both fixed and variable
- the Bank’s profit margin

## Examples of how a FFDNT 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 *spot exchange rate* is AUD/USD0.6500.

A fall in the AUD/USD *market spot exchange rate* means 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* remains close to its current level during the *transaction period*.

The 93 day *forward exchange rate* is AUD/USD0.6440 after allowing for a *forward points* adjustment of 0.0060 to the *spot exchange rate*. During the next 93 days you believe that the AUD/USD market spot exchange rate will not fall to or below 0.6150 and not rise to or above 0.6600. You would like a trigger period for the full 93 day period.

To enter into a FFDNT transaction your *contract rate* will have to be below the 93 day *forward exchange rate*. This is so you can receive *exchange rate* protection and potentially benefit if the AUD/USD *market spot exchange rate* remains close to its current level during the *transaction period*.

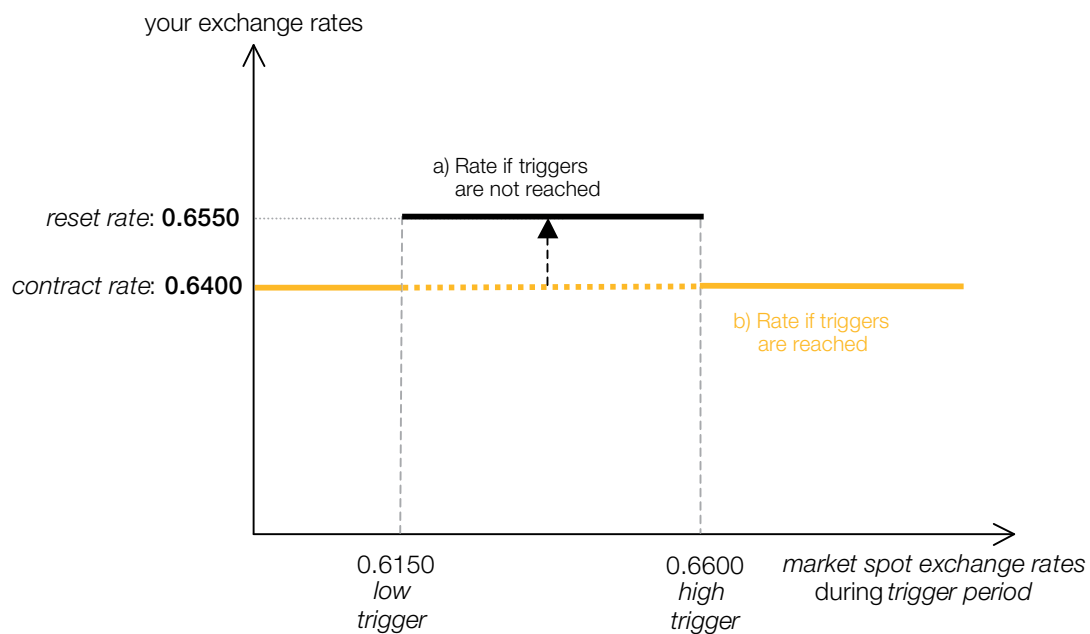
#### Assume the following for Example 1

USD amount	100,000.00
AUD/USD <i>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> (always below the 93 day <i>forward exchange rate</i> if you are making a payment in a foreign currency)	0.6400
AUD/USD <i>reset rate</i> (calculated by the Bank)	0.6550
<i>High trigger rate</i> (calculated by the Bank)	0.6600
<i>Low trigger rate</i> (calculated by the Bank)	0.6150
<i>Transaction period</i>	93 days
<i>Trigger period</i>	93 days

#### Possible outcomes at the expiration time

#### Possible exchange rate achieved\*

- |  |               |
|--|---------------|
| a. If neither the <i>low trigger rate</i> nor the <i>high trigger rate</i> is reached during the <i>trigger period</i> , on the <i>settlement date</i> your relevant <i>exchange rate</i> is the <i>reset rate</i> . You must buy USD100,000.00 from the Bank in exchange for AUD at the <i>reset rate</i> . You will pay:<br><br>USD100,000.00 ÷ 0.6550 = AUD152,671.76 | <b>0.6550</b> |
| b. If either the <i>low trigger rate</i> , the <i>high trigger rate</i> or both are reached during the <i>trigger period</i> , on the <i>settlement date</i> you must buy USD 100,000.00 from the Bank in exchange for AUD at the <i>contract rate</i> . You will pay:<br><br>USD100,000.00 ÷ 0.6400 = AUD156,250.00   | <b>0.6400</b> |



With this FFDNT transaction, the maximum amount of AUD you will pay is \$156,250.00. At the same time you will be able to reduce the amount of AUD you will pay to \$152,671.76 if the AUD/USD exchange rate trades between 0.6151 and 0.6599 during the trigger period.

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

### Issues to consider

When you set your *contract rate* and *trigger period*, and you agree 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 resulting *reset rate* will be lower
2. A lower *contract rate* means your exposure to a falling AUD is increased, however, it also means the resulting *reset rate* will be higher
3. A higher *contract rate* means your exposure to a falling AUD is reduced, however, it also means the resulting *trigger rates* will be closer together
4. A lower *contract rate* means your exposure to a falling AUD is increased, however, it also means the resulting *trigger rates* will be further apart
5. A small difference between the *low trigger rate* and the *high trigger rate* means there is more chance of them being reached, however, it also means your potential benefit from exchanging at the *reset rate* instead of the *contract rate* will increase due to a higher *reset rate*
6. A large difference between the *low trigger rate* and the *high trigger rate* means there is less chance of them being reached, however, it also means your potential benefit from exchanging at the *reset rate* instead of the *contract rate* will decrease due to a lower *reset rate*
7. A shorter *trigger period* means there is less chance of either the *low trigger rate* or the *high trigger rate* being reached, however, it also means the resultant *reset rate* may be lower
8. A longer *trigger period* means there is more chance of either the *low trigger rate* or the *high trigger rate* being reached, however, it also means the resultant *reset rate* may be higher

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

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

The *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* remains close to its current level during the *transaction period*.

The 93 day *forward exchange rate* is AUD/USD0.6445 after allowing for a *forward points* adjustment of 0.0055 to the *spot exchange rate*. During the next 93 days you believe that the AUD/USD market spot exchange rate will not fall to or below 0.6300 and not rise to or above 0.6600. You would like a trigger period for the full 93 day period. To enter into a FFDNT transaction your *contract rate* will have to be above the 93 day *forward exchange rate*. This is so you can receive *exchange rate* protection and potentially benefit if the AUD/USD *market spot exchange rate* remains close to its current level during the *transaction period*.

## Assume the following for Example 2

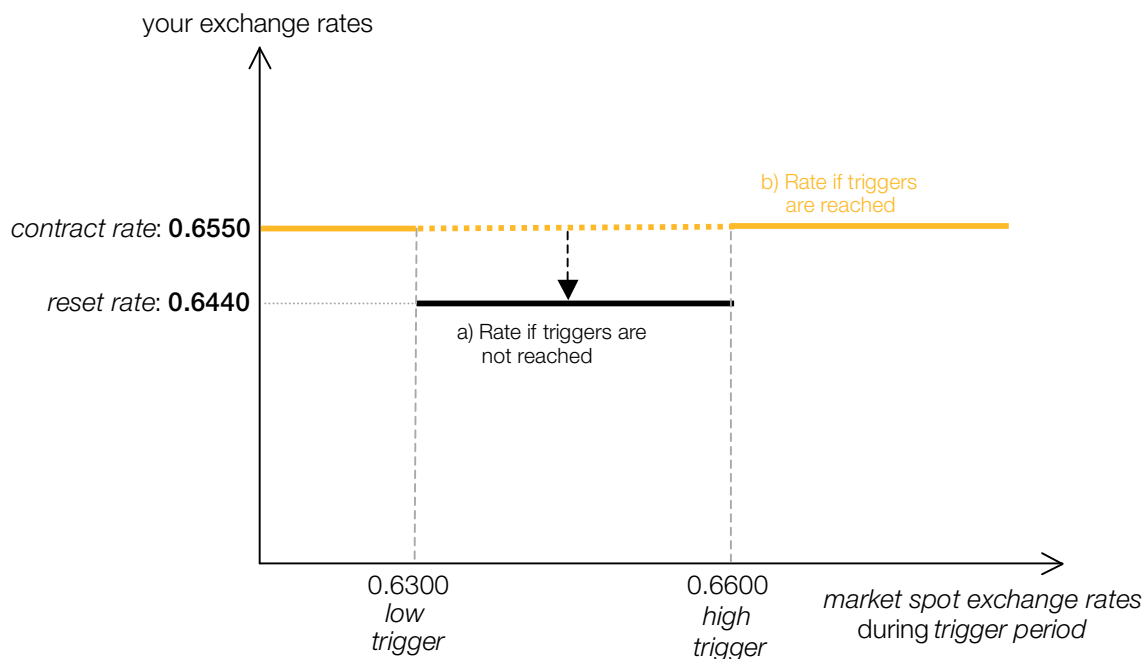
USD amount	100,000.00
AUD/USD <i>spot exchange rate</i>	0.6500
AUD/USD <i>forward points</i>	0.0055
AUD/USD 93 day <i>forward exchange rate</i>	0.6445
AUD/USD <i>contract rate</i> (always above the 93 day <i>forward exchange rate</i> if you are receiving a payment in a foreign currency)	0.6550
AUD/USD <i>reset rate</i> (calculated by the Bank)	0.6440
<i>High trigger rate</i> (calculated by the Bank)	0.6600
<i>Low trigger rate</i> (calculated by the Bank)	0.6300
<i>Transaction period</i>	93 days
<i>Trigger period</i>	93 days

### Possible outcomes at the expiration time

### Possible exchange rate achieved\*

a. If neither the <i>low trigger rate</i> nor the <i>high trigger rate</i> is reached during the <i>trigger period</i> , on the <i>settlement date</i> your relevant <i>exchange rate</i> is the <i>reset rate</i> . You must sell USD100,000.00 to the Bank in exchange for AUD at the <i>reset rate</i> . You will receive:  USD100,000.00 ÷ 0.6440 = AUD155,279.50	<b>0.6440</b>
b. If either the <i>low trigger rate</i> , the <i>high trigger rate</i> or both are reached during the <i>trigger period</i> , on the <i>settlement date</i> you must sell USD 100,000.00 to the Bank in exchange for AUD at the <i>contract rate</i> . You will receive:  USD100,000.00 ÷ 0.6550 = AUD152,671.76	<b>0.6550</b>





With this FFDNT transaction, the minimum amount of AUD you will receive is \$152,671.76. At the same time you will be able to increase the amount of AUD you will receive to \$155,279.50 if the AUD/USD exchange rate trades between 0.6301 and 0.6599 during the trigger period.

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

### Issues to consider

When you set your *contract rate* and *trigger period*, and you agree 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 resulting *reset rate* will be higher
2. A higher *contract rate* means your exposure to a rising AUD is increased, however, it also means the resulting *reset rate* will be lower
3. A lower *contract rate* means your exposure to a rising AUD is reduced, however, it also means the resulting *trigger rates* will be closer together
4. A higher *contract rate* means your exposure to a rising AUD is increased, however, it also means the resulting *trigger rates* will be further apart
5. A small difference between the *low trigger rate* and the *high trigger rate* means there is more chance of them being reached, however, it also means your potential benefit from exchanging at the *reset rate* instead of the *contract rate* will increase due to a lower *reset rate*
6. A large difference between the *low trigger rate* and the *high trigger rate* means there is less chance of them being reached, however, it also means your potential benefit from exchanging at the *reset rate* instead of the *contract rate* will decrease due to a higher *reset rate*
7. A shorter *trigger period* means there is less chance of either the *low trigger rate* or the *high trigger rate* being reached, however, it also means the resultant *reset rate* may be higher
8. A longer *trigger period* means there is more chance of either the *low trigger rate* or the *high trigger rate* being reached, however, it also means the resultant *reset rate* may be lower

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

Benefits include:

- the provision of *exchange rate* protection via a *contract rate*
- the potential to benefit from a *reset rate*, which is more favourable than the *contract rate*, if the AUD/USD *market spot exchange rate* remains close to its current level during the *transaction period*

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

Disadvantages include:

- the *contract rate* will be less favourable to you than the *forward exchange rate* applicable at the time you enter into the transaction
- the potential to benefit from favourable *exchange rate* movements is limited to exchanging at the *reset rate*, even if at expiry the *spot exchange rate* is more favourable to you
- the fact that there may be a cost if the FFDNT transaction is terminated before the *settlement date* (see “Terminating a FFDNT transaction” and “What are the costs involved in FFDNT transactions?” in this PDS).

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

Risks derive from factors that are beyond your control. Starting from the time at which you enter a FFDNT 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, see “Operational risk”).

### Market risk

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

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

This will occur if the *spot exchange rate* moves favourably at the *expiration date*, but you must exchange the transaction amount at the *contract rate* or *reset rate*, rather than exchanging the total amount at the *spot exchange rate*.

### Credit risk

Credit risk is common to all financial markets products that you may hold with the Bank. In all cases, you are reliant on the ability of the Bank to meet its obligations to you under the terms of each transaction. This risk is sometimes described as “counterparty risk”.

### Operational risk

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

You are reliant on the ability of the Bank to price and settle your FFDNT 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 FFDNT transaction. Such disruptions may result in contractual outcomes that are less favourable to you.

However, once you have entered into the FFDNT 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 FFDNT. Please also refer to “What are the significant disadvantages of a FFDNT transaction?” described on page 8. Before transacting in this product you should be satisfied that this product is suitable for you. We recommend that you consult your investment adviser 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 FFDNT transactions

### Entering a FFDNT transaction

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

The next steps are:

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

### FFDNT documentation

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

### Settling a FFDNT transaction

Subject to the terms and conditions of the FFDNT 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.

### Continuous

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

### Late start

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

### Window

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

### Early end

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

## Trigger notice

If the *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 2 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 FFDNT has been entered into.

## Terminating a FFDNT transaction

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

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

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

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

### Fees and charges

There are no fees and charges for entering into a FFDNT transaction. The factors used in determining FFDNT exchange rates, including an allowance for the Bank’s costs and profit margin, are set out in the section on ‘Determining FFDNT exchange rates’ on page 3.

Your FFDNT 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?

FFDNT transactions may have tax implications which can be complex and are invariably specific to your circumstances. They may depend on whether you are an individual or company and whether any elections in relation to foreign currency have been made. Therefore, you should discuss any taxation issues with an independent tax adviser before entering into an FFDNT transaction.

## What if you have a complaint?

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

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

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

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

Financial Ombudsman Service Limited  
GPO Box 3  
Melbourne VIC 3001

Phone **1300 780 808**

Fax **03 9613 6399**

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

## Customer information and privacy

### 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, such as the Taxation Administration Act 1953 and the Income Tax Assessment Act 1936. 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](http://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](mailto:CustomerRelations@cba.com.au)
- telephone **1800 805 605**, or
- writing to the address in our Group Privacy Policy.

# Definitions

## “AUD”

Australian dollars.

## the “Bank”

Commonwealth Bank of Australia  
ABN 48 123 123 124.

## “business day”

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

## “cleared funds”

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

## “confirmation letter”

A letter confirming the details of a particular FFDNT transaction.

## “contract rate”

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

## “currency pair”

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

## “exchange rate”

The expression of the value of one currency in terms of another. For example, in the *exchange rate* AUD/USD0.6500, 1 Australian dollar is equal to 65 United States cents (AUD1.0000 = USD0.6500).

## “expiration date”

The date at which the outcome of the FFDNT 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*.

## “high trigger rate”

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

## “interest rate differential”

The difference between the interest rates applicable to the *currency pair* for the *transaction period* of a FFDNT transaction.

## “low trigger rate”

An agreed *exchange rate*, in addition to the *high trigger rate*, that will determine the outcome of the FFDNT transaction at the *expiration time* on the *expiry 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 FFDNT transaction is valued against current market rates to calculate any potential profit or loss on termination.

## “master agreement and transactions addendum”

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

## “parties to the agreement”

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

## “reset rate”

The agreed *exchange rate* at which the *currency pair* may be exchanged on the *settlement date*, provided neither the *low trigger rate* nor the *high trigger rate* has been reached during the *trigger period*.

**“settlement date”**

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

**“spot exchange rate”**

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

**“spot settlement date”**

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

**“termination date”**

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

**“trade date”**

The date on which a FFDNT 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 one of the *trigger rates* has been reached.

**“trigger period”**

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

**“trigger rates”**

The *low trigger rate* and the *high trigger rate*.

**“USD”**

United States dollars.

**“volatility factor”**

The expected degree of fluctuation in *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 (FFDNT)



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

### Currencies

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Australian Dollars (AUD)

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United States Dollars (USD)

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Pounds Sterling or Great British Pounds (GBP)

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Japanese Yen (JPY)

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New Zealand Dollars (NZD)

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Euro (EUR)

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Singapore Dollars (SGD)

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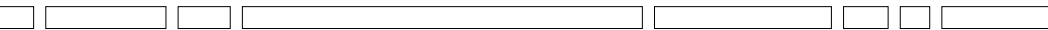
Hong Kong Dollars (HKD)

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Canadian Dollars (CAD)

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





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