What you need to know
Foreign Exchange

Part 1 – Product Disclosure Statement

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This Product Disclosure Statement ("PDS") is comprised of 2 parts. Part 1 comprises the PDS and part 2 comprises the Supplementary PDS. You should read both parts of this PDS before deciding to conduct foreign exchange transactions.

Contents

General Information

Features at a glance

Significant benefits	Allows you to exchange one currency for another currency at an agreed *exchange rate* on an agreed *settlement date* or during an agreed *settlement period.*
Significant risks	*Exchange rates* and interest rates can be volatile and can move adversely.
Minimum transaction amount	There is no minimum transaction amount requirement, except for the order watch service which requires a transaction amount of at least AUD100,000.00 or equivalent.
Terms	1 day to 2 years. Longer terms may be available on request.
Costs	See "What are the costs involved in FX transactions?" on page 10.
Settlement	Transactions must be settled on the agreed *settlement date.* Variations to *settlement dates* are also available by agreement with the Bank. *Settlement periods* are available.
Early termination	An amount may be payable by or to you depending on the *mark-to-market value* of the transaction. You may also be liable for any losses and costs the Bank may incur as well as fees and charges.

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

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

Purpose of a Product Disclosure Statement (PDS)

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

This PDS provides information about **Foreign Exchange (FX).** If you decide to enter into a FX transaction, you should keep this PDS and all other documentation relating to your transaction for future reference.

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

What is Foreign Exchange?

Foreign Exchange (FX) allows you to exchange one currency for another at an agreed *exchange rate* on an agreed *settlement date* or *settlement period* that is between 1 day and 2 years after the *trade date*.

Exchange rates may be quoted as value today (not covered by a PDS), *spot exchange rates*, *value tomorrow exchange rates* or *forward exchange rates*.

A *spot exchange rate* applies to a FX transaction with a *settlement date* that is 2 *business days* after the *trade date*. This type of FX transaction is referred to as Spot in this PDS.

A *value tomorrow exchange rate* applies to a FX transaction with a *settlement date* that is 1 *business day* after the *trade date*. This type of FX transaction is referred to as Value Tomorrow in this PDS.

A *forward exchange rate* applies to a FX transaction with a *settlement date* that is more than 2 *business days* and up to 2 years after the *trade date*. This type of FX transaction is referred to as Forward in this PDS.

A Forward gives you the opportunity to specify a *settlement period* (see "Settlement periods" on page 6) during which exchange of the currencies can occur at the agreed *forward exchange rate*.

FX transactions are available for most currencies (see Appendix B).

Details of *exchange rates* for Spot, Value Tomorrow, and Forward as well as the *currency pairs*, in which the Bank offers FX transactions are available on request through your relationship manager or any branch of the Bank.

Access to FX transactions is subject to the Bank's credit approval processes.

Uses of FX

Commercial activities for which FX 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 profits or interest in foreign currencies back to Australia; and
- other foreign currency payments.

Spot transactions

The Bank determines the *spot exchange rates* it quotes to you taking the following factors into account:

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

How does a Spot transaction work?

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

You need to make a payment of USD100,000.00 to an offshore beneficiary in 2 *business days.* You need to sell AUD and buy USD to make this payment.

You wish to enter into a Spot transaction with the Bank today to fix a spot *exchange rate* where you buy USD100,000.00 and sell AUD in 2 *business days.*

You contact the Bank and ask for a *spot exchange rate.* The Bank quotes you a *spot exchange rate* of AUD/USD0.7360. If you accept this quote (which can be done verbally), a Spot transaction is entered into between you and the Bank.

The AUD equivalent is calculated by dividing the USD amount by the current AUD/USD *spot exchange rate:*

USD100,000.00 ÷ AUD/USD0.7360 = AUD135,869.57

By entering into the Spot transaction with the Bank, on the *settlement date* you must buy USD100,000.00 from the Bank in exchange for AUD135,869.57.

* Examples are used for illustrative purposes only. Actual exchange rates will depend on actual market rates on the date of calculation.

Value Tomorrow transactions

A *value tomorrow exchange rate* is determined by making an adjustment to the *spot exchange rate*, (known as *value tomorrow points*). The Bank will determine the adjustment and the resulting *value tomorrow exchange rate* it quotes to you, based on the following factors:

- the *value tomorrow forward points* (these may be an addition to or subtraction from the *market spot exchange rate*);
- the *market spot exchange rate*;
- a *volatility factor*;
- the transaction amount;
- an allowance for the Bank's costs, both fixed and variable; and
- the Bank's profit margin.

How does a Value Tomorrow transaction work?

***Example 2: You are making a payment in a foreign currency**

You need to make a payment of USD100,000.00 to an offshore beneficiary in 1 *business day*. You need to sell AUD and buy USD to make this payment.

You wish to enter into a Value Tomorrow transaction with the Bank today to fix a *value tomorrow exchange rate* where you buy USD100,000.00 and sell AUD in 1 *business day*.

Assume the following

Current AUD/USD *spot exchange rate* 0.7360
Value tomorrow forward points + 0.00005
Value tomorrow exchange rate 0.73605

If you enter into the Value Tomorrow transaction with the Bank, on the *value tomorrow settlement date* you must buy USD100,000.00 from the Bank in exchange for AUD135,860.34 (USD100,000.00 ÷ 0.73605).

* Examples are used for illustrative purposes only. Actual exchange rates will depend on actual interest rates and other market rates on the date of calculation.

Forward transactions

A *forward exchange rate* is determined by the Bank by making an adjustment to the *spot exchange rate* (known as *forward points*).

The Bank will determine the adjustment and the resulting *forward exchange rate* it quotes to you based on the following factors:

- the *forward points* (these may be an addition to or subtraction from the *market spot exchange rate*);
- the *market spot exchange rate*;
- a *volatility factor*;
- the transaction amount; and
- an allowance for the Bank's costs, both fixed and variable; and
- the Bank's profit margin.

How does a Forward transaction work?

***Example 3: You are making a payment in a foreign currency**

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

You wish to enter into a Forward transaction with the Bank today to fix a *forward exchange rate* at which you will buy USD100,000.00 and sell AUD in 93 days.

Assume the following

Current AUD/USD *spot exchange rate*	0.7360
Forward points	- 0.0052
Forward exchange rate	0.7308

If you enter into the Forward transaction with the Bank, on the *forward settlement date* you must buy USD100,000.00 from the Bank in exchange for AUD136,836.34 (USD100,000.00 ÷ 0.7308).

* Examples are used for illustrative purposes only. Actual exchange rates will depend on actual interest rates and other market rates on the date of calculation.

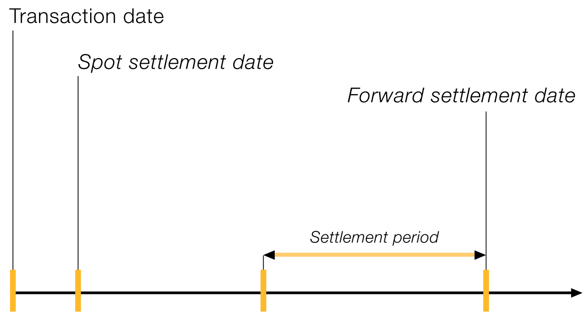
Settlement periods

A *settlement period* provides you with the flexibility to settle the Forward at any time during the agreed period, at the agreed *forward foreign exchange rate.* You may require this feature if you're uncertain of the exact *settlement date* on which you will want to exchange currencies.

For example, if you expect to make a payment in a foreign currency sometime around the 15th day of a future month, you may request a *settlement period* between the 10th day and the 20th day of that month.

The applicable *forward exchange rate* will be determined by taking into account the *settlement period* that you require.

Diagram 1: Settlement period



What are the significant benefits of FX transactions?

Benefits include:

- provides cash flow certainty;
- provides *exchange rate* protection; and
- *settlement periods* are available in the case of a Forward.

What are the significant disadvantages of FX transactions?

Disadvantages include:

- a FX transaction does not allow you to benefit from future favourable *exchange rate* movements; and
- there may be a cost if the FX transaction is terminated prior to the *settlement date* (see "Terminating a FX transaction" on page 10).

What are the significant risks?

Risks derive from factors that are beyond your control. Starting from the time at which you enter a FX 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 systems under "Operational risk" – on this page).

Market risk

The Bank expects that in most cases, FX transactions are to be used for managing your foreign currency cash flows. If you enter into a FX transaction for a purpose other than the exchange of a foreign currency cash flow, you may be directly exposed to changes in the relevant foreign exchange market. These changes may result in losses to you.

When FX transactions are used to manage your foreign currency cash flows, there is a risk that you may not receive any benefit relative to not having entered into a FX transaction. This will occur if the relevant market *exchange rate* is more favourable to you than the agreed *exchange rate* on the *settlement date.*

Early termination of a FX transaction may result in a cost to you.

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 FX. Please also refer to the significant disadvantages of a FX transaction, described in "Forward transactions" on page 5. 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.

This may be at a significant cost to you. Please refer to the relevant terms and conditions under which we may cease to deal with you.

Entering into and settling FX transactions

Entering into a FX transaction
Following credit approval by the Bank and, where required, your entering into a *master agreement* (being part of the FX documentation) with the Bank, you may enter into FX transactions.

The next steps are:

1. You contact the Bank and ask for an *exchange rate* for a *currency pair* for a specified transaction amount and *settlement date* (or a *settlement period*).

2. If the Bank offers you a *spot exchange rate*, *value tomorrow exchange rate* or *forward exchange rate*, and if you accept the offer (which can be done verbally), a FX transaction is entered 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* or a *forward exchange confirmation* setting out the details of your FX transaction. You must sign and return this *confirmation letter* or the *forward exchange confirmation,* as the case may be, to the Bank.

FX documentation
The FX documentation comprises either:

i) a *master agreement* and a *confirmation letter*; or

ii) a *forward exchange confirmation.*

The FX documentation sets out in full the terms and conditions of the FX transaction. Samples of the FX documentation can be obtained from the Bank on request.

Settling a FX transaction
Subject to the terms and conditions of the FX documentation, on the *settlement date* the *currency pair* are exchanged. You must ensure that you have sufficient *cleared funds* accessible to the Bank in order to settle the FX transaction.

Variations to settlement dates

If you need to vary the *settlement date* after you have entered into a FX transaction two variations are available subject to credit approval by the Bank, they are:

Pre-delivery
A pre-delivery is where the *settlement date* is adjusted from the existing *settlement date* to an earlier *settlement date*. For example, the *forward settlement date* is changed to 5 May from 20 May.

Extensions
An extension is where the *settlement date* is adjusted from the existing *settlement date* to a later *settlement date*. For example, the *settlement date* for a Forward transaction is changed to 20 June from 20 May.

For these variations the agreed *exchange rate* will be adjusted to reflect the new *settlement date*. The adjusted *exchange rate* takes into account the factors set out in “Forward transactions” on page 5 and a funding cost or benefit.

Where the adjusted *exchange rate* has been agreed with you, the Bank will send you a *confirmation letter* setting out the new details of your FX transaction. This must be signed and returned to the Bank.

A pre-delivery or an extension may also be arranged for a Spot transaction.

Order watch

The Bank offers an order watch service that allows you to create orders for foreign exchange where you specify in advance the *spot exchange rates* and amounts at which you will be willing to buy or sell a specified currency against another specified currency. When the *exchange rate* quoted by the Bank reaches the level of your specified *exchange rate* the Bank will attempt to fill your order at that *exchange rate*.

Orders for foreign exchange remain in place until filled or until you advise the Bank that the order is to be cancelled or amended. It is important to note that if you neglect to cancel or amend an order, it may be filled as you originally requested but at a later date, and there may be a cost to you to cancel or amend an unwanted FX transaction.

The order watch service is usually available from the opening of foreign exchange markets in New Zealand on a Monday morning (New Zealand time) to the close of foreign exchange trading in New York, United States of America on a Friday afternoon (New York time).

The order watch service is only offered for *spot exchange rates*. Should you require a different *settlement date* from the *spot settlement date* you may request that *settlement date*. If your order is filled or part filled the Bank may adjust your *spot exchange rate* obtained by the *forward points* applicable to the different *settlement date*.

In accordance with market practice, this service is offered on a reasonable endeavours basis only. In some circumstances, for example, where the foreign exchange market becomes illiquid or where a large movement in *exchange rates* occurs, or where the *exchange rate* gaps or otherwise jumps or falls to some new level, it may not be possible for the Bank to fill your order at the specified *exchange rate*.

Market terminology and conventions are as follows:

- an order to transact foreign exchange on the basis that a favourable *exchange rate* movement has occurred on an open foreign exchange contract or position is referred to as a *take profit* order. Such orders may be part filled if they are unable to be completed by the Bank on a reasonable endeavours basis. A *take profit* order will not be part filled at the specified *exchange rate* and then part filled at a more favourable *exchange rate*.
- An order to transact foreign exchange on the basis that an unfavourable *exchange rate* movement has occurred on an open foreign exchange contract or position is referred to as a *stop loss* order. Such orders may be filled at a level that is less favourable than the specified *exchange rate* if they are unable to be completed at that *exchange rate* by the Bank on a reasonable endeavours basis. A *stop loss* order will always be filled once the *stop loss* level is reached (it will not be part filled) even if it is filled at a rate that is less favourable to you.

The order watch service is offered for all of the currencies listed in Appendix B of this PDS. It may be available for other currencies on request.

The minimum amount for an individual foreign exchange trade through the order watch service is AUD100,000.00 or equivalent. Participation in the order watch service and the maximum amount of any order that you may leave will be determined by the Bank's credit assessment of you.

The Bank offers the order watch service on a reasonable endeavours basis, however, we are not obliged to accept an order. In certain circumstances the Bank reserves the right to cancel all or part of an outstanding order. These circumstances include but are not limited to:

- system failure; and
- where an order must be cancelled in accordance with legal instructions.

Terminating a FX transaction

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

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

(a) Where the FX documentation comprises a *master agreement* and a *confirmation letter*:

At termination, the Bank will calculate the *mark-to- market value* using prevailing market rates chosen by the Bank in good faith. The Bank determines 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 FX transaction.

If more than one FX transaction is terminated the sum of all positive *mark-to-market values* 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.

(b) Where the FX documentation comprises a *forward exchange confirmation*:

You will be liable for any loss, costs, fees, charges and expenses, including without limitation any break costs and interest, suffered or incurred by the Bank in consequence of the termination.

Payments netting

Where a *master agreement* is in place between you and the Bank, and if you have more than one FX transaction with the same *settlement date* and for the same *currency pair*, payments and receipts arising from the transactions 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 FX transactions?

Fees and charges
Refer to Appendix A for the "Schedule of fees and charges".

Your FX 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?

Spot, Value Tomorrow and Forward 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 tax adviser before entering a Spot, Value Tomorrow or Forward transaction.

Notification of changes

If you enter into FX transactions, that is, you become a holder of this financial product, we will notify you of material changes to the product, including changes to fees and charges.

If the change is not a change in fees and charges we will notify you no later than the day on which the change takes place.

If the change is an increase in fees and charges we will notify you 30 days before the change takes place.

Notice of any changes will be by prominent notice posted on our web site **commbank.com.au**.

Please note that by entering into FX transactions you agree to notification of changes as set out above.

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:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne Victoria 3001
Phone **1300 780 808**
Fax **03 9613 6399**
web site **www.bfso.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 (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

"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.

"CAD"
Canadian dollars.

"cleared funds"
Funds that are immediately available to you for settlement of a FX transaction.

"confirmation letter"
A letter confirming the details of a particular FX transaction.

"currency pair"
The two currencies that are the subject of the FX transaction.

"EUR"
Euros.

"exchange rate"
The expression of the value of one currency in terms of another. For example, in the *exchange rate* AUD/USD 0.7300, one Australian dollar is equal to 73 United States cents (AUD1.0000 = USD0.7300).

"Forward"
A FX transaction with a *settlement date* that is more than 2 *business days* after the *trade date*.

"forward exchange confirmation"
A letter confirming the details of a particular FX transaction where the FX transaction is not to be governed by a *master agreement*.

"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 currency pair 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 *forward settlement date*, expressed as an adjustment to the *spot exchange rate*.

"forward settlement date"
The *settlement date* for a Forward.

"GBP"
Pounds sterling or Great British pounds.

"HKD"
Hong Kong dollars.

"interest rate differential"
The difference between the interest rates applicable to the *currency pair* for the term of a *value today*, *value tomorrow* or Forward transaction.

"JPY"
Japanese yen.

"mark-to-market value"
A valuation method where an existing FX transaction is valued against current market rates to calculate any potential profit or loss on termination.

"market spot exchange rate"
The current or prevailing *spot exchange rate* in the foreign exchange market before an allowance for the Bank's costs and profit margin.

"master agreement"
The Bank's Derivatives Master Agreement and Forward Exchange Transactions Addendum.

"NZD"
New Zealand dollars.

"parties to the agreement"
The parties to the FX transaction are you and the Bank.

"settlement date"
A *business day* on which the *currency pair* subject to a FX transaction is exchanged.

"settlement period"
A range of *settlement dates* agreed between the Bank and you as being allowed for a Forward.

"SGD"
Singapore dollars.

"Spot"
A FX transaction with a *settlement date* that is 2 business days after the *trade date*.

"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 *settlement date* for a Spot transaction, which is 2 *business days* from the *trade date*.

“stop loss”
An order to transact foreign exchange on the basis that an unfavourable *exchange rate* movement has occurred.

“take profit”
An order to transact foreign exchange on the basis that a favourable *exchange rate* movement has occurred.

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

“termination date”
A date on which you or the Bank terminate the FX transaction.

“trade date”
The date on which a FX transaction is entered into by the *parties to the agreement*.

“USD”
United States dollars.

“value today”
A FX transaction with a *settlement date* that is on the same day as the *trade date*.

“Value Tomorrow”
A FX transaction with a *settlement date* that is 1 *business day* after the *trade date*.

“value tomorrow forward points”
The *interest rate differential* of the *currency pair* being traded for the period from the *spot settlement date* to the *value tomorrow settlement date*.

“value tomorrow settlement date”
The *settlement date* for a *value tomorrow* transaction, which is 1 *business day* from the *trade date*.

“value tomorrow exchange rate”
The expression of the value of one currency in terms of another where the *settlement date* is 1 business day after the *trade date*.

“volatility factor”
The degree of fluctuation in the *market spot exchange rate* and/or *forward points* at the time that the FX transaction is entered into.

“you”, “your”
The customer who is one of the *parties to the agreement*.

Appendix

A – Schedule of fees and charges

Transaction fees

Description	Fee* (AUD)	When payable
New FX transaction	$15.00 per transaction	On the *trade date*.

Extension and termination fees

Description	Fee* (AUD)	When payable
Pre-delivery	$10.00 per transaction	On the new *settlement date*.
Extension	$15.00 per transaction	On the *settlement date*.
Termination	$15.00 per transaction	On the new *settlement date*.

* Fees are charged directly to a nominated account held by you with the Bank.

All fees directly applicable to this product are input taxed which means the Bank does not charge GST on these fees.

B – Available currencies

Available currencies include:

Currencies	Day count convention
Australian dollars (AUD)	365
Canadian dollars (CAD)	360
Euros (EUR)	360
Pounds sterling or Great British pounds (GBP)	365
Hong Kong dollars (HKD)	360
Japanese yen (JPY)	360
New Zealand dollars (NZD)	365
Singapore dollars (SGD)	360
United States dollars (USD)	360

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

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

ADB3787 120314

What you need to know
Foreign Exchange

Part 2 – Supplementary Product Disclosure Statement

CAN

Issue date:
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Commonwealth Bank of Australia ABN 48 123 123 124
AFSL 234945

This Product Disclosure Statement ("PDS") is comprised of 2 parts. Part 1 comprises the PDS and part 2 comprises the Supplementary PDS. You should read both parts of this PDS before deciding to conduct foreign exchange transactions.

2

Foreign Exchange Supplementary Product Disclosure Statement – Controlled Foreign Exchange Products

Purpose of this Supplementary Product Disclosure Statement (Supplementary PDS)
This Supplementary PDS aims to provide you with information in relation to Controlled foreign exchange (**Controlled FX**) products. This information supplements the information which is set out in the Bank's product Disclosure Statement for Foreign Exchange issued on 12 June 2008 (**the PDS**). This Supplementary PDS aims to provide you with enough information to help you decide whether any Controlled FX product will meet your needs and to help you to compare such a product with others you may be considering.

You should refer to the PDS for information about FX trading and products generally. This Supplementary PDS is to be read as complementing the information in the PDS. Except where the context makes it inappropriate to do so or where a term is otherwise defined in this document, the definitions set out on pages 12 and 13 of the PDS apply to this Supplementary PDS.

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

What are Controlled FX products?
Controlled FX products are Forwards in which at least one of the currencies forming the currency pair is subject to any control or restriction affecting the holding, trading or transfer of that currency (a **currency restriction**) which is imposed by a government or governmental agency, a regulatory authority, a market, exchange or facility for trading, clearance or settlement of foreign exchange or of any financial product, a clearing or settlement bank, or an agent of any such body or person (each a **relevant authority**).

Which Controlled FX products are currently offered by the Bank?
The Controlled FX products which may be offered by the Bank are:

- Renminbi (RMB) Forward FX products
- Renminbi (RMB) Spot FX products

A list of Controlled FX products currently offered by the Bank is posted on our website **commbank.com.au**

What sort of currency restrictions can be imposed?
The extent of the currency restrictions which may be imposed by regulatory authorities is wide. The following is a non-exhaustive list of currency restrictions which may be imposed.

There may be currency restrictions as to:

- the purposes for which trading in the currency is permitted; for example, trading for a speculative purpose may be prohibited or restricted;
- the business or the trading purpose of the people who are permitted to trade; for example, certain currencies may only be traded by those engaged in commerce or in the export trade for the purpose of their business transactions;
- the identity, nationality, the licensed or approved status or the place of residence or business of any party to the transaction or any participant in the transaction, or any intermediary or clearing or settlement bank or facility;
- the permissible range of prices for the currency or how this may vary, including for example imposition of a range for the price at which transactions involving that currency may be entered into or settled, or other criteria for calculating the amounts payable on settlement;
- the place of the transaction, or of settlement or clearance of the transaction;
- the time at which, or the period during which, the transaction may be entered into or clearance or settlement of the transaction may occur.

Significantly, currency restrictions may be imposed by a regulatory authority at short notice or with no notice and may be imposed after a particular transaction in a Controlled FX product has been entered into but before it has been cleared or settled.

How do these currency restrictions affect the risks of trading Controlled FX products?
Currency restrictions may have an impact on the risk associated with transactions in Controlled FX products. For example:

- A currency restriction may impose an additional form of legal risk to that described on page 6 of the PDS. This sort of risk, that is a risk originating from a regulatory authority imposing a requirement such as a currency restriction, is sometimes referred to as "government-intervention risk".
- Currency restrictions which set or limit the permissible rate of exchange, the place of the transaction or of its clearance or settlement and currency restrictions as to the time at which, or the period during which, the transaction may be entered into or clearance or settlement of the transaction may occur can all be regarded as elements of market risk as described on page 6 of the PDS.

What other effects might these currency restrictions have?
The existence, operation or enforcement of a currency restriction may directly or indirectly affect the performance, settlement or value of a transaction in a Controlled FX product as described in the PDS. For example this may occur in one of the following ways:

- You may incur additional costs in respect of the transaction if the transaction has to be terminated prior to the settlement date as a result of a currency restriction.
- the settlement date of the transaction, or the ability of a party to the transaction to vary the settlement date may be varied by operation of the currency restriction.

The performance, settlement or value of a Controlled FX transaction may also be affected by one or more of the restrictions outlined under the heading "What sort of currency restrictions can be imposed?" above.

Are there any additional fees and charges for trading Controlled FX products?
No.

Clarification of PDS
On page 6 of the PDS under the heading "Operational Risk", first paragraph, there is a reference to "external events".

Operational Risk can result from either inadequate or failed processes, people and systems internal to the Bank or events that are external to the Bank.

As set out on page 6 of the PDS at the end of the first paragraph under the heading "What are the significant risks?" the Bank clarifies and confirms that it will only accept responsibility in respect of those Operational Risks that are internal to the Bank. The Bank cannot control and does not accept responsibility for any losses resulting from events external to the Bank.

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

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