Foreign Exchange

Product Disclosure Statement
For Foreign Exchange Transactions

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

Contents

1. Features at a Glance

Topic	Description	Paragraph in PDS
Costs	See "What are the costs involved in FX transactions?" at paragraph 19.	19
Early termination	An amount may be payable by you or to you depending on the *close-out amount* of the FX transaction, which will include any losses and costs the *Bank* may incur.	16
Foreign Exchange transaction	A Foreign Exchange (FX) transaction allows you to exchange one currency for another at an agreed *exchange rate* on an agreed *settlement date* or *settlement period* that is between the *trade date* and up to two years after the *trade date*.	3
Minimum transaction amount	There is no minimum transaction amount requirement, except for the order service, which requires a transaction amount of at least AUD 100,000.00 or equivalent.	15
Settlement	FX transactions must be settled on the agreed *settlement date* (which can be within a range of *settlement date*s). Variations and extensions to *settlement date*s are also available through agreement with the *Bank*.	13
Significant benefits	Entering into an FX transaction allows you to lock in an *exchange rate* for a future *settlement date* and achieve cash flow certainty.	10
Significant risks	These include the potential opportunity cost given an FX transaction does not allow you to benefit from favourable future *exchange rate* movements which occur after the time you enter into the FX transaction.	11
Term	The period from the *trade date* up to 2 years. A longer *term* may be available on request.	3

Defined terms are in italics and are set out in the "Definitions" section of this PDS.

Important Information: When you make a foreign exchange transaction that does not settle immediately, you are entering into a foreign exchange contract which is a financial product. By providing this service to you the *Bank* is providing a financial service which requires this Product Disclosure Statement ("PDS") to be provided to you. This PDS provides information about foreign exchange transactions and does not take into account your personal objectives, financial situation and needs. Before trading in any of these products, you should be satisfied that such product is suitable for you in view of those objectives, and your financial situation and needs. We also 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 has been prepared without taking into account of the objectives, financial or taxation situation or needs of any particular individual and is limited to Australian taxation implications. Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information. The *Bank* is not a registered tax (financial) adviser under the Tax Agent Services Act 2009 and you should seek advice from a registered tax agent or a registered tax (financial) adviser if you intend to rely on this information to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law.

This PDS relates to FX transactions between the *Bank* and persons who are residents of Australia. The distribution of this PDS in any jurisdiction outside of Australia may be restricted by law. This PDS does not constitute an offer or invitation in any jurisdiction in which, or to whom it would be unlawful to offer or invite a person to enter into an FX transaction.

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 front page. 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 we will not issue a new PDS or a supplementary PDS, but we will make the updated information available to you on our website commbank.com.au, or you can call 13 2221 between 6.00am and 10.00pm (Sydney time), from Monday to Friday.If you ask us to, we will send you a hard copy of the information.

We will provide you (free of charge) with information about the current standard fees and charges applicable to your product, if you ask us.

2. Purpose of a PDS

A PDS aims to provide you as a retail client with the information necessary to help you decide whether the financial products in this PDS meet your requirements. It will also help you to compare the products with other products you may be considering.

This PDS provides information about FX transactions.

If you decide to enter into an FX transaction, you should keep this PDS and all other documentation related to your FX transaction for future reference.

If you have any questions or wish to contact us, call 13 2221 between 6.00am and 10.00pm (Sydney time), from Monday to Friday. You may also visit our website at **commbank.com.au**.

To assist you in understanding this PDS, the definitions of some words have been provided in the "Definitions" section. Generally, these words have been italicised in this PDS.

3. What is FX?

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 the *trade date* and up to two years after the *trade date*.

Exchange rates may be quoted as *spot exchange rate*s, *value today* or *value tomorrow exchange rate*s, or *forward exchange rates*.

An FX transaction with a *settlement date* that is two business days after the *trade date* is referred to as a *spot* transaction in this PDS.

An FX transaction with a *settlement date* that is on the same business day as the *trade date* is referred to as a *value today* transaction in this PDS.

An FX transaction with a *settlement date* that is one business day after the *trade date* is referred to as a *value tomorrow* transaction in this PDS.

An FX transaction with a *settlement date* that is more than two business days and up to two years after the *trade date* is referred to as a *forward* transaction in this PDS. This includes par *forward* transactions (see paragraph 8.3).

When specified and agreed, a *forward* transaction will give you the opportunity to specify a *settlement period* during which exchange of the currencies can occur at the agreed *forward exchange rate*. See "Flexible settlement periods" at paragraph 9.

Details of *exchange rate*s for *spot*, *value today*, *value tomorrow*, and *forward* transactions as well as the currencies and *currency pairs* in which the *Bank* offers FX transactions and information on interest rates, are available on request through your Global Markets representative.

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

4. Uses of FX

Commercial activities for which FX may be useful include:

a. importing, where the invoice is received in a foreign currency;
b. exporting, where the invoice is issued in a foreign currency;
c. foreign currency borrowing;
d. foreign currency investing;
e. repatriation of overseas profits or interest in foreign currency; and
f. other foreign currency payments.

FX should only be used for the purposes of hedging or managing genuine business requirements and not for speculative purposes.

5. Spot transactions

5.1

A *spot transaction* is a foreign exchange transaction with a *settlement date* that is two business days after the *trade date*.

A *spot exchange rate* is determined by the *Bank* taking into account the following factors:

a. the prevailing *market spot exchange rate*;
b. *execution factors* – being the amounts to compensate the *Bank* for risk management and trade execution (refer to "*execution factors*" in the Definitions section for more detail); and
c. *service factors* – being the amounts to compensate the *Bank* for the pre and post trade services provided to a client (refer to "*service factors*" in the Definitions section for more detail).

5.2

How does a spot transaction work?

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

You need to make a payment of USD 100,000.00 to an offshore beneficiary in two 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 USD 100,000.00 and sell AUD in two business days.

You contact the *Bank* and ask for a *spot exchange rate.* The *Bank* quotes you a *spot exchange rate* of AUD/USD 0.6400. 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*:

USD 100,000.00 ÷ AUD/USD 0.6400 = AUD 156,250.00

After entering into the *spot* transaction with the *Bank*, you must buy USD 100,000.00 from the *Bank* on the *settlement date*, in exchange for AUD 156,250.00.

Non-settlement of a *spot* transaction may result in termination of that *spot* transaction.

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

6. Value today transactions

6.1

A *value today* transaction is a foreign exchange transaction with a *settlement date* that is today i.e. the *trade date*.

A *value today exchange rate* is determined by making an adjustment to the *spot exchange rate*. In this case, the *Bank* will determine the adjustment and the resulting *value today exchange rate* it quotes to you based on the following factors:

a. the *value today forward points*, which are calculated based on *interest rate differentials* between the two currencies being exchanged and expressed as a number of *forward points*. These points may be an addition to or subtraction from the *market spot exchange rate*;

b. the prevailing *market spot exchange rate*;

c. *execution factors* – being the amount to compensate the *Bank* for risk management and trade execution (refer to "*execution factors*" in the Definitions section for more detail); and

d. *service factors* – being the amounts to compensate the *Bank* for the pre- and post-trade services provided to a client (refer to "*service factors*" in the Definitions section for more detail).

6.2

How does a *value today* transaction work?

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

You need to make a payment of USD 100,000.00 to an offshore beneficiary today. You need to sell AUD and buy USD to make this payment.

You wish to enter into a *value today* transaction with the *Bank* today to fix a *value today exchange rate* where you buy USD 100,000.00 and sell AUD for settlement today.

You contact the *Bank* and ask for a *value today exchange rate*. The *Bank* quotes you a *value today exchange rate* of AUD/USD 0.6402, calculated as below.

Assume the following:

Current AUD/USD spot exchange rate 0.6400

Value today forward points + 0.0002

Value today exchange rate 0.6402

If you accept this quote (which can be done verbally), a *value today* transaction is entered into between you and the *Bank*.

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

USD 100,000.00 ÷ AUD/USD 0.6402 = AUD 156,201.19

By entering into the *value today* transaction with the *Bank*; on the *settlement date* you must buy USD 100,000.00 from the *Bank* in exchange for AUD 156,201.19.

Non-settlement of a *value today* transaction may result in termination of that *value today* transaction.

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

7. Value tomorrow transactions

7.1

A *value tomorrow* transaction is a foreign exchange transaction where the value date is the first business day after the *trade date*.

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

a. the *value tomorrow forward points*, which are calculated based on *interest rate differentials* between the two currencies being exchanged, expressed as a number of *forward points*. These points may be an addition to or subtraction from the *market spot exchange rate*;

b. the prevailing *market spot exchange rate*;

c. *execution factors* – being the amounts to compensate the *Bank* for risk management and trade execution (refer to "*execution factors*" in the Definitions section for more detail); and

d. *service factors* – being the amounts to compensate the *Bank* for the pre- and post-trade services provided to a client (refer to "*service factors*" in the Definitions section for more detail).

7.2

How does a *value tomorrow* transaction work?

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

You need to make a payment of USD 100,000.00 to an offshore beneficiary in one business day, i.e. tomorrow. 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 USD 100,000.00 and sell AUD in one business day.

You contact the *Bank* and ask for a *value tomorrow exchange rate*. The *Bank* quotes you a *value tomorrow exchange rate* of AUD/USD 0.6401, calculated as below.

Assume the following:

Current AUD/USD *spot exchange rate* 0.6400

Value tomorrow forward points + 0.0001

Value tomorrow exchange rate 0.6401

If you accept this quote (which can be done verbally), a *value tomorrow* transaction is entered into between you and the *Bank*.

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

USD 100,000.00 ÷ AUD/USD 0.6401 = AUD 156,225.59

By entering into the *value tomorrow* transaction with the *Bank*; on the *settlement date* you must buy USD 100,000.00 from the *Bank* in exchange for AUD 156,225.59.

Non-settlement of a *value tomorrow* transaction may result in termination of that *value tomorrow* transaction.

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

8. Forward transactions

8.1

A *forward* foreign exchange transaction is a foreign exchange transaction where the value date is more than two business days after the *trade date*, i.e. greater than the *spot* date. This also includes par *forward* transactions.

A *forward exchange rate* is determined by the *Bank* by making an adjustment to the *spot exchange rate*. The *Bank* will determine the adjustment and the resulting *forward exchange rate* it quotes to you based on the following factors:

a. the *forward points*, which are calculated based on *interest rate differentials* between the two currencies being exchanged, expressed as a number of *forward points*. These *forward points* may be added to or subtracted from the *market spot exchange rate*;

b. the prevailing *market spot exchange rate*;

c. *execution factors* - being the amounts to compensate the *Bank* for risk management and trade execution (refer to "*execution factors*" in the Definitions section for more detail); and

d. *service factors* – being amounts to compensate the *Bank* for the pre- and post-trade services provided to a client (refer to "*service factors*" in the Definitions section for more detail).

It is important to note that a *forward exchange rate* is not a prediction of what the *exchange rate* will be on the *forward* date.

8.2

How does a *forward* transaction work?

**** Example 4:*** You are making a payment in a foreign currency on a future date.

You need to make a payment of USD 100,000.00 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* where you buy USD 100,000.00 and sell AUD in 93 days' time.

You contact the *Bank* and ask for a *forward exchange rate*. The *Bank* quotes you a *forward exchange rate* of AUD/USD 0.6400, calculated as below.

Assume the following:

Current AUD/USD *spot exchange rate* 0.6400

Forward points -0.0010

Forward exchange rate 0.6390

If you accept this quote (which can be done verbally), a *forward* transaction is entered into between you and the *Bank*.

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

USD 100,000.00 ÷ AUD/USD 0.6390 = AUD 156,494.52

By entering into the *forward* transaction with the *Bank*; on the *settlement date* you must buy USD 100,000.00 from the *Bank* in exchange for AUD 156,494.52.

Non-settlement of a *forward* transaction may result in termination of that *forward* transaction. Please refer to 'Terminating an FX Transaction' at paragraph 16.

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

8.3

How does a par *forward* transaction work?

A par *forward* is a series of *forward* transactions in the same *currency pair* entered into at the same time and at the same agreed *exchange rate* for a series of *settlement dates*.

*** Example 5:** You need to make a series of payments in a foreign currency on a series of future dates.

You need to make three individual payments of USD 100,000.00 per month to an offshore beneficiary every month starting in a month. You need to sell AUD and buy USD to make each payment.

You also wish to keep the *forward exchange rate* consistent for each month.

In this case, you contact the *Bank* and ask for three *forward exchange rates* for each of the three dates. The *Bank* can quote you three different rates. However, say this does not meet your need to keep the *exchange rate* consistent for each month.

Assume the following:

Current AUD/USD *spot exchange rate* 0.6400

Forward points are as per table below:

Date 1	1 month	-0.0010
Date 2	2 months	-0.0020
Date 3	3 months	-0.0033

Based on the above *spot exchange rate* and *forward points*, the *Bank* can offer you the following three *forward* transactions:

Date 1	*Bank* Sells USD 100,000	0.6390	*Bank* buys AUD 156,494.52
Date 2	*Bank* Sells USD 100,000	0.6380	*Bank* buys AUD 156,739.81
Date 3	*Bank* Sells USD 100,000	0.6367	*Bank* buys AUD 157,059.84

Total USD amount you must buy over the three dates is USD 300,000.00 in exchange of total AUD 470,294.17.

Alternatively, the *Bank* can quote you one par *forward* rate for all three dates. This rate will be the weighted average rate for all three individual *forward* transactions.

The par *forward* rate in this example would be 0.6379.

The AUD equivalent for the three individual *forward* transactions at the par *forward* rate would be:

USD 300,000.00 ÷ AUD/USD 0.6379 = AUD 470,294.17

By entering into the par *forward* transaction with the *Bank*, on each *settlement date*, you must buy USD 100,000.00 at the *exchange rate* of AUD/USD 0.6379.

Once the par *forward* transaction is in place, each individual transaction within the par *forward* transaction is treated as an individual *forward* transaction.

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

9. Flexible settlement periods

A flexible *settlement period* (also referred to as "optional delivery dates") provides you with the flexibility to settle the *forward* transaction at any time during the agreed period and at the agreed *forward exchange rate*. You may require this feature if you are 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 flexible *settlement period*s between the 10th day and the 20th day of that month.

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

10. What are the significant benefits of FX transactions?

Benefits of an FX transaction include:

a. cash flow certainty, as it allows you to exchange one currency for another at an agreed rate on an agreed date;

b. *exchange rate* protection against unfavourable foreign exchange movements between the time you enter into the FX transaction and the *settlement date*; and

c. in the case of a *forward* transaction, flexible *settlement period*s provide flexibility as to the *settlement date*.

11. What are the significant risks of FX transactions?

Significant risks of an FX transaction include:

a. potential opportunity cost, given an FX transaction does not allow you to benefit from favourable future *exchange rate* movements which occur after the time you enter into the FX Transaction; and

b. there may be a cost if the FX transaction is terminated prior to the *settlement date* (see "Terminating an FX transaction" at paragraph 16).

12. What are the other risks?

Risks derive from factors that are beyond your control. Starting from the time at which you enter an FX transaction with the *Bank*, risk factors may lead to unfavourable changes in the financial outcomes for 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" below).

a. **Market risk**

Market risk is the risk that prices, including foreign *exchange rat*es or interest rates, will move against you.

The *Bank* expects that in most cases, you will use FX transactions for managing your foreign currency cash flows.

If you enter into an FX transaction for any purpose you may be in a different position compared to having not entered into the FX transaction due to changes in the relevant foreign exchange market.

When you use FX transactions to manage your foreign currency cash flows, and the relevant market *exchange rate* on the *settlement date* is different to the agreed *exchange rate*, there is a risk that you may not receive any benefit relative to not having entered into an FX transaction.

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

b. **Credit risk**

Credit risk is the risk of financial loss (or other disadvantage) associated with a counterparty not being able to meet their financial obligations under a transaction. Credit risk is common to all financial market 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 an FX transaction. This risk is sometimes described as counterparty risk. The *Bank* may require you to meet your settlement obligations before the *Bank* is required to meet its obligations in relation to an FX transaction. In this circumstance, you have counterparty risk to the *Bank*.

c. **Operational risk**

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

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, which include communications, computers and computer networks. Disruptions in the *Bank*'s processes may lead to delays in the execution and settlement of your FX transaction.

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

The *Bank* accepts responsibility only for those operational risks that are internal to the *Bank*. In particular, to deliver some currencies, the *Bank* may use agent and correspondent banks. Any delay or failure by such agent or correspondent bank to deliver the required currency may result in a delay or failure by the *Bank* in settling your FX transaction. The *Bank* cannot control and does not accept responsibility for any losses resulting from events external to the *Bank*, but will refund any payment you have made in relation to your FX transaction where the *Bank* is unable to settle your transaction due to a failure by an agent or correspondent bank.

d. Financial crime risk

The *Bank* is required to ensure that money laundering, terrorist financing and sanctions matters are detected, managed and reported. This may involve the *Bank* disclosing information held about you to relevant regulatory and/or law enforcement agencies in Australia or overseas. Other necessary activity may include the imposition of financial restrictions and/or the termination of arrangements. In certain circumstances, the *Bank* may be prohibited from dealing with or may decline to deal with, certain persons (including you), entities and transactions.

If there is any information which causes the *Bank* to be aware, or have reasonable grounds to suspect, that there are connections, however incidental, to financial crime matters, or that you are a proscribed person or entity under *sanctions law*, or any person, entity, good or service involved in a transaction is a proscribed person or entity or is subject to sanctions, or is dealing with persons, jurisdictions or services that are outside of the *Bank*'s sanctions risk appetite, or if any dealings with you are otherwise in breach of applicable sanctions laws, then the *Bank* may be required to suspend, cancel, or refuse you services, or close or terminate any account, facility, transaction (including an FX transaction), arrangement or agreement with you.

The *Bank* may also be required to freeze your assets and/or any assets involved in a transaction to which you are a party.

You could incur a significant cost as a result of these actions. Please refer to paragraph 16 of this PDS.

e. Controlled FX transactions risks

Controlled FX transactions are FX transactions in which at least one of the currencies forming the *currency pair* is subject to a control or restriction affecting the holding, trading or transfer of that currency (a currency restriction). These restrictions are typically 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).The nature of the currency restrictions that may be imposed is wide. Significantly, currency restrictions may be imposed at short notice or with no notice and may be imposed after a particular controlled FX transaction has been entered into but before it has been settled. Currencies subject to currency restrictions are typically illiquid and have the potential for high volatility.

The existence, operation or enforcement of a currency restriction may directly or indirectly affect the performance, settlement or value of a controlled FX transaction. For example:

i. You may incur costs if the controlled FX transaction has to be terminated prior to the *settlement date* as a result of the currency restriction (these costs will be the costs associated with the termination of an FX transaction – see paragraph 16 of this PDS);

ii. The *settlement date* of the controlled FX transaction or the ability to vary the *settlement date* may be impacted by the currency restriction.

Please consider the risks carefully before entering into any transaction for restricted currencies. These currencies are generally known to have a higher risk of controls or restrictions.

It is your responsibility to ensure that these controls or restrictions are complied with before entering a controlled FX transaction. For example, you may be requested to provide additional documentation before you enter an FX transaction in a controlled currency.

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 risks of an FX transaction at paragraph 11. Before transacting in this product, you should be satisfied that you have considered all the risks and that this product is suitable for you. We recommend that you consult your investment adviser or obtain other independent advice.

13. Entering and settling an FX transaction

Entering an FX transaction

After you have obtained credit approval from the *Bank* and you have entered into the relevant FX documentation described below with the *Bank,* the steps to be followed to enter into an FX transaction are:

- 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*).
- If the *Bank* offers you a *spot exchange rate*, *value today exchange rate*, *value tomorrow exchange rate* or a *forward exchange rate*, and if you accept the offer (which can be accepted verbally or via IPFX), you enter into an FX transaction with the *Bank* at that point in time.

All telephone conversations between you and the *Bank*'s FX desk will be recorded.

FX documentation

You may be required to agree to the Special Terms and Conditions prior to entering any FX transaction with the Bank.

If you are not required by the Bank to also enter into a master agreement, the Special Terms and Conditions will apply in their entirety to govern all FX transaction you enter into with the Bank.

If you are required by the Bank to also enter into a master agreement or you subsequently enter into a master agreement with the Bank, that master agreement will govern all FX transactions (including any FX transactions outstanding as at that date) and certain provisions of the Special Terms and Conditions shall no longer apply, as set out in the Special Terms and Conditions. In the event of any inconsistency between the Special Terms and Conditions and the master agreement, the master agreement shall prevail.

Once you have entered into your FX documentation and have entered into an FX transaction as described above, the Bank will send a *confirmation letter* to you that sets out the details of your FX transaction.

A copy of the Special Terms and Conditions, a sample master agreement and/or a sample *confirmation letter* can be provided to you upon request.

Other Documentation

Depending on the outcome of the *Bank*'s credit checking process, the nature of the transaction (e.g. controlled currency), or the *channel* used to enter into an FX transaction, you may be asked to provide and/or agree to and sign other documentation that relates to your FX transactions and/or your entry into them. The *Bank* will inform you if any further documentation is required.

Settling an FX transaction

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

Non-settlement of an FX transaction may result in termination of the FX transaction. Please refer to 'Terminating an FX Transaction' at paragraph 16.

14. Variations to settlement dates

If you wish to change the *settlement date* after you have entered into an FX transaction, two variations are available, subject to approval by the *Bank*:

a. **Pre-delivery**

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

**** Example 6***

You have locked in a *forward* transaction to buy USD 100,000 at the rate of 0.6400 for settlement on a date 93 days from the *trade date*. The USD are required for payment for a shipment of goods.

Today, you are advised that the shipment will arrive two weeks early, in two days' time.

You need to pre-deliver the *forward* transaction and purchase the USD 100,000 for the new delivery date.

In this case, you contact the *Bank* and ask for the *forward* transaction to be pre-delivered.

The *Bank* makes an adjustment to the *forward exchange rate* to pre-deliver the transaction for settlement in two days' time. This adjustment takes into account all of the factors set out in 'Forward transactions' (at paragraph 8) plus a funding cost or benefit.

Current *forward* transaction rate	0.6400
Adjusted *forward points**	+0.0003*
Extended *forward* transaction rate	0.6403

* Note: the adjusted *forward points* in this example are for illustrative purposes only and may be significantly different for your transaction depending on the relevant prevailing circumstances and factors at the time.

In two days' time, you will buy USD 100,000.00 at the pre-delivered rate of 0.6403. You will pay the *Bank* AUD 156,176.79.

b. **Extensions**

An extension (also known as a historical rate rollover) is where the *settlement date* of an FX transaction is adjusted from the existing *settlement date* to a later *settlement date*. For example, the *settlement date* for a *forward* transaction is changed from 20 May to 6 June.

*** Example 7**

You have locked in a *forward* transaction to buy USD 100,000.00 at the rate of 0.6400 for settlement on a date 93 days from *trade date*. The USD are required for payment for a shipment of goods.

Today, you are informed that the shipment will be delayed by 14 days.

You need to extend the *forward* transaction and purchase the USD 100,000.00 for the new delivery date.

You contact the *Bank* and ask for the *forward* transaction to be extended.

The *Bank* makes an adjustment to the *forward exchange rate* to extend the transaction for settlement 14 *business days* after the original value date (assuming the *settlement date* falls on a *business day*).

Current *forward* transaction rate	0.6400
Adjusted *forward points**	-0.0003*
Extended *forward* transaction rate	0.6397

* Note: the adjusted *forward points* in this example are for illustrative purposes only and may be significantly different for your transaction depending on the relevant prevailing circumstances and factors at the time.

The *forward* exchange transaction is for you to buy USD 100,000.00 at the extension rate of 0.6397. You will pay the *Bank* AUD 156,323.28 on the new *settlement date*.

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" at paragraph 8 plus a funding cost or benefit.

Where the adjusted *exchange rate* is agreed to by you, the *Bank* will send you a *confirmation letter* setting out the new details of your FX transaction.

An extension of an FX transaction is subject to approval by the *Bank*, the *Bank*'s historical rate rollover policy and the *Bank*'s credit policy. The *Bank* may require additional documentation as a condition of any historical rate rollover approval. Extensions will only be approved by the *Bank* where it is satisfied that the FX transaction is for the purposes of hedging or managing genuine business requirements and not for speculative purposes.

15. Order service

The *Bank* offers a service that allows you to place orders for foreign exchange transactions. Orders will be managed in accordance with the FX Order Execution and Handling Client Disclosure which is available at Foreign Exchange Order Execution and Order Handling Guidelines (commbank.com.au)

You must specify in advance the *spot exchange rate*(s) and the amount at which you are 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*.

The order service is only offered for *spot* transactions. Should you require a different *settlement date* from the *spot settlement date*, you may request that *settlement date* when placing the order. Subject to the *Bank*'s credit approval process, if your order is filled or partially filled (where the type of order can be partially filled), the *Bank* will adjust your *spot exchange rate* by the *forward points* applicable to the requested *settlement date*.

Orders for FX transactions 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 fail to cancel or amend an order, it may be filled as you originally requested, but at a later date. You may incur a cost if you cancel or amend an unwanted FX transaction after the order has been filled.

The order service is available via a FX dealer and is usually available from the opening of foreign exchange markets at 7.30am Sydney time on a Monday morning until the close of foreign exchange trading at 5.00pm New York, United States of America on a Friday afternoon (New York time).

Currencies offered under the order service may vary. Please check the available currencies and the types of orders available for this service with your foreign exchange dealer.

The minimum amount for an individual foreign exchange transaction through the order service is **AUD 100,000.00** or equivalent. Participation in the order 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 service on a best efforts 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, where the foreign exchange market becomes illiquid, where a large movement in *exchange rate*s occurs, where there is a system failure or where an order must be cancelled in accordance with legal instructions (such as where you are bankrupt or insolvent or where money laundering, terrorist financing and/or sanction laws require).

16. Terminating an FX transaction

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

i. in accordance with your FX documentation; or

ii. as otherwise agreed between you and the *Bank*.

The *Bank* will calculate the *close-out amount* in relation to the FX transaction in accordance with the FX documentation. The *close-out amount* is the Australian dollar equivalent amount of the losses or costs that are or would be incurred by the *Bank* under prevailing circumstances (expressed as a positive number) or gains that are or would be realised by the *Bank* under prevailing circumstances (expressed as a negative number) in replacing the terminated FX transaction or providing us with the economic equivalent of the material terms of the terminated FX transaction.
The *close-out amount* may also include, when it is commercially reasonable to do so, the *Bank's* costs of funding, transaction costs and any loss or gain incurred by the *Bank* in terminating, liquidating or re-establishing any hedge position related to the terminated FX transaction.

If more than one FX transaction is terminated, then the sum of all positive *close-out amounts* will be set off against the sum of all negative *close-out amounts* to produce a net amount that may be positive or negative.

The *Bank* must notify you as soon as reasonably practicable after calculating the *close-out amount*. All calculations and determinations of any amounts made by the *Bank* must be made in good faith and in a commercially reasonable manner. Upon request, the *Bank* must provide you with reasonable details about the sum payable, including applicable calculations, market data or other relevant information. If you wish to dispute the calculations or determinations, you can contact your Global Markets representative.

If as a result of the calculation the net amount is positive, you must pay the *Bank* an amount equal to this positive amount. Alternatively, if the net amount is negative, the *Bank* must pay you an amount equal to the absolute value of that negative amount. The amount you may need to pay the *Bank* in these circumstances can be substantial. You should understand the potential costs before making a decision to terminate an FX transaction or group of FX transactions early.

You may request the *Bank* to terminate an FX transaction before the *settlement* date as outlined below in Example 8. To do this, you must contact the *Bank* and ask to terminate a specific FX transaction before the *settlement date*.

If you contact the *Bank* by phone, the *Bank* will provide you a quote to terminate your specified FX transaction, which you can accept or reject. If you accept the offer you have agreed to the termination on the terms of the quote. If you reject the quote there is no change to your original FX transaction.

If you contact the *Bank* via IPFX, you will need to request the *Bank* to pre-deliver the transaction from the future value date to today's value date and then close out the transaction at the *value today exchange rate*. Example 8 below illustrates this.

** Example 8*

You have locked in a *forward* transaction to buy USD 100,000.00 at the rate of 0.6400 for settlement on a date 93 days from *trade date*.

Today, you cancel the shipment order and realise that you will no longer be required to buy USD 100,000.00 on the future date. The trade is due in 14 days.

You contact the *Bank* and ask for the *forward* transaction to be terminated.

There are two steps involved in terminating the foreign exchange contract you have in place with the *Bank*. The *Bank* will (1) *pre-deliver* the transaction to today's value date and then (2) *close out* the transaction at the *value today exchange rate*.

Step 1 – *Pre-delivery* (i.e. adjusting your FX transaction from the existing *settlement date* to an earlier *settlement date*).

The *Bank* makes an adjustment to the *forward exchange rate* to pre-deliver the transaction to today. This adjustment takes into account all of the factors set out in 'Forward transactions' (at paragraph 8) plus a funding cost or benefit.

Current *forward* transaction rate	0.6400
Adjusted *forward points**	+0.0003*
Pre-delivered *forward* transaction rate	0.6403

* Note: the adjusted *forward points* in this example are for illustrative purposes only and may be significantly different for your transaction depending on the relevant prevailing circumstances and factors at the time

Step 2 – *Close-out* (i.e. settle the transaction in the base currency by simultaneously buying USD 100,000.00 at the adjusted pre-delivery *forward* transaction rate and selling back USD 100,000.00 at the *value today exchange rate*).

The *Bank* applies the *Bank*'s *value today exchange rate* to buy USD from you regardless of the original transaction. The following transactions will occur:

Exchange rate for you to pre-deliver the *forward* transaction to today	0.6450
Current *value today exchange rate* for *Bank* to buy USD 100,000.00	0.6550

You will be required to pay AUD 2,367.00 to the *Bank*, which is calculated as:

- At the pre-delivery rate of 0.6450, you buy USD 100,000.00 and pay AUD 155,038.76 to the *Bank*;
- You sell the USD 100,000.00 to the *Bank* at the *value today exchange rate* of 0.6550 and receive AUD 152,671.76

You will pay to the *Bank* AUD 2,367.00 for settlement today being the net of the two AUD equivalent amounts (155,038.76- 152,671.76).

The termination of an FX transaction, depending on market rates, could result in the *Bank* paying you.

17. Terminating or extending an FX transaction due to lack of cleared funds

If an FX transaction does not settle on the *settlement date* due to non-receipt of cleared funds by the *Bank*, (i.e. if you do not pay the *Bank* due to a payment error or delay or the *Bank* cannot reasonably identify the receipt of *cleared funds*), the *Bank* reserves the right to terminate or extend the transaction. If the *Bank* terminates the transaction, there may be a difference between the market *exchange rate* used for the purposes of calculating the *close-out amount* and the contract *exchange rate*.

If the *Bank* extends the transaction, you are bound to settle the extended transaction (see variations to *settlement dat*es at paragraph 14). If the *Bank* terminates the transaction, you may be required to make payment to the *Bank* (see 'Terminating an FX Transaction' in paragraph 16 above).

18. 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*, payments and receipts arising from the transactions may be "net settled". This means that all settlements on the same *settlement date* and in the same currency are combined to a single net payment between you and the *Bank*.

19. What are the costs involved in FX transactions?

The *exchange rate* quoted to you includes amounts to compensate the *Bank for the execution factors* and *service factors*. For further information regarding these amounts, see paragraphs 5.1, 6.1, 7.1 and 8.1 in this PDS. Please refer to the FX Cost of Service Standard Client Summary which is available at FX Cost of Service Standard Client Summary (commbank.com.au).

You will not be charged any separate fees or charges for entering into an FX transaction. However, other fees and charges may apply depending on the *channel* used to enter into the FX transaction. For example, a *channel* may charge a settlement or processing fee. Alternatively, you may wish to pay the foreign currency which you receive under an FX transaction to an overseas beneficiary using a *channel*. The processing of the foreign currency payment may additionally be subject to fees and charges imposed by the overseas banks involved in the processing. Such fees and charges will be disclosed under the relevant documentation relating to that *channel*.

20. Are there any tax implications I should be aware of?

The tax implications of entering into FX transactions can be complex, may change over time and are invariably specific to your circumstances including, but not limited to, your tax status, any elections you have made and the purpose for which you have entered into the FX transaction. FX transactions may give rise to taxable income and/or deductions or alternatively may impact other tax calculations you may be required to prepare.

Therefore, you should discuss any taxation issues with your tax adviser before entering a *spot*, *value today*, *value tomorrow* or *forward transaction*.

You may also be liable to government charges and taxes relating to *spot*, *value today*, *value tomorrow* and *forward transactions*.

21. Notification of changes

Where there is a material change to a matter in circumstances where the Corporations Act 2001 (Cth) requires a new PDS or a supplementary PDS, we will issue a new PDS or a supplementary PDS for FX transactions.

22. Banking Code of Practice

The Banking Code of Practice (the Code) outlines the standards of practice for banks, their staff and their representatives when dealing with small businesses and individuals. A business will be a small business for the purposes of the Code where its annual turnover for the previous financial year is less than $10 million and it has fewer than 100 full-time equivalent employees and it has less than $3 million total debt outstanding. The Code does not apply to financial products and financial services that are provided to wholesale clients for the purposes of the Corporations Act 2001 (Cth) (unless you are a wholesale client only because of section 761G(7)(b) of the Corporations Act 2001 (Cth)).

If you would like more information about the Code and whether it applies to you, please contact us on 13 2221 (between 6.00am and 10.00pm (Sydney time), Monday to Friday).

23. What if I have a complaint?

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

a. Calling your your Global Markets representativer;
b. Phoning our Customer Complaints team on **1800 805 605** or, if you are overseas, call **+61 2 9687 0756**;
c. Completing the online feedback form at **commbank.com.au/feedback**, where you can also view our complaint process; or
d. Writing to us at CBA Group Customer Relations, Commonwealth Bank Group, Reply Paid 41, Sydney NSW 2001.

If you are not satisfied with the resolution and wish to proceed further, you can contact the Commonwealth Bank's Customer Advocate for an independent review of your complaint.
The Customer Advocate can be contacted via:

Telephone: 1800 832 806 (between 8.30am and 5.00pm (Sydney time), from Monday to Friday);

Email: customeradvocate@cba.com.au; or

Writing: Customer Advocate
Commonwealth Bank
Reply Paid 88915
Sydney NSW 2001

Please quote the case reference number we provide you in all correspondence.

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority, or AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers. AFCA can be contacted through the following means:

Website: www.afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678 (free call)

In writing to: Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001

You can also contact the Australian Securities & Investments Commission, or ASIC, to make a complaint and to find further information on your rights. ASIC can be contacted through the following means:

Website: www.asic.gov.au

Email: infoline@asic.gov.au

Telephone: 1300 300 630

Definitions

"AUD"	Australian dollars.
the "Bank"	Commonwealth Bank of Australia ABN 48 123 123 124.
"business day"	A day on which normal business is conducted.
"channel"	A medium or platform through which you can enter into FX transactions with the *Bank*. It includes IPFX.
"cleared funds"	Funds that are immediately available to you for settlement of an FX transaction.
"close-out amount"	The *close-out amount* is the AUD equivalent amount of the losses or costs that are or would be incurred by the *Bank* under prevailing circumstances (expressed as a positive number) or gains that are or would be realised by the *Bank* under prevailing circumstances (expressed as a negative number) in replacing the terminated FX transaction and will have regard to market *exchange rat*es compared to the contract *exchange rate*.
"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.
"execution factors"	The amounts (as an overall component of the *exchange rate* offered by the *Bank* to you) which are attributable to risk management and trade execution – which includes (but is not limited to) items such as: a. the cost of the execution via the relevant *channel*; b. the liquidity in the foreign exchange market for the type of foreign exchange transaction; c. the transaction amount; and d. the type of foreign exchange transaction
"exchange rate"	The expression of the value of one currency in terms of another. For example, in the *exchange rate* AUD/USD 0.7800, one Australian dollar is equal to 78 United States cents (AUD 1.0000 = USD 0.7800).
"forward"	An FX transaction with a *settlement date* that is more than *2 business days* after the *trade 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 *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* transaction.

"Global Markets"	Global Markets is responsible for the Bank's sales and trading activities within global financial markets. Global Markets is responsible for a range of Foreign Exchange, Fixed Income and Interest Rate products.
"Group"	Means the *Bank* and its subsidiaries.
"interest rate 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.
"IPFX"	The International Payments and Foreign Exchange Service *channel* which is accessed via CommBiz.
"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 or ISDA Master Agreement (as applicable).
"parties to the agreement"	The parties to the FX transaction are you and the *Bank*.
"proscribed person"	A person who appears to us either: a. to be a proscribed person or entity under the *Charter of the United Nations Act 1945* (Cth) or the *Autonomous Sanctions Act 2011* (Cth) or any other sanctions laws; b. to be in breach of the laws of any jurisdiction relating to money-laundering or counter-terrorism; c. to appear in a list of persons with whom dealings are proscribed by the government or a regulatory authority of any jurisdiction; or d. to act on behalf of, or for the benefit of, a person listed in sub-clauses (a) to (c).
"sanctions law"	Any sanctions, trade embargoes or similar measures imposed from time to time in Australia, the United States of America, the European Union, the United Kingdom and any other applicable jurisdiction, and their respective governmental and official institutions including the United Nations Security Council.
"service factors"	The amount (as an overall component of the *exchange rate* offered by the *Bank* to you) which is attributable to pre- and post-trade services provided by the *Bank* to you – which includes (but is not limited to) items such as: a. the complexity of the service required; b. the impact of the transaction on the *Bank*'s balance sheet and capital usage; c. processing and settlement costs; d. compliance and oversight costs required to support a regulated, professionally operated FX business; and e. costs associated with maintaining required infrastructure.
"settlement date"	*A business day* on which the *currency pair* subject to an FX transaction is exchanged, being a *business day* in the commercial centre of the country of the foreign currency or currencies being exchanged but does not include a Saturday, Sunday or public holiday.

"settlement period"	A range of *settlement date*s agreed between the *Bank* and you as being allowed for a *forward*.
"Special Terms and Conditions"	The Special Terms and Conditions relating to FX transactions for IPFX users.
"spot"	An 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 taking into account the *execution factors* and *service factors*.
"spot settlement date"	The *settlement date* for a *spot* transaction, which is *2 business days* from the *trade date*.
"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 an FX transaction is entered into by the *parties to the agreemen*t.
"USD"	United States dollars.
"value today"	An FX transaction with a *settlement date* that is on the same day as the *trade date*.
"value today exchange rate"	The expression of the value of one currency in terms of another where the *settlement date* is the same *business day* as the *trade date*.
"Value today points"	The *interest rate differential* of the *currency pair* being traded for the period from the *spot settlement date* to the *value today settlement date*.
"value today settlement date"	The *settlement date* for a *value today* transaction, which is on the same *business day* as the *trade date*.
"Value tomorrow"	An FX transaction with a *settlement date* that is 1 *business day* after 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*.
"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*.
"you", "your"	The customer who is one of the *parties to the agreement*.