WHAT YOU NEED TO KNOW

Flexible Forward Convertible Plus

Product Disclosure Statement

Issue date: 12 March 2014

Issued by:

Commonwealth Bank of Australia ABN 48 123 123 124
AFSL 234945

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

CommonwealthBank

Contents

General Information

Features at a glance

Significant benefits	Provides protection against adverse *exchange rate* movements whilst also providing the potential to benefit from favourable *exchange rate* movements.
Significant risk	You may not receive the benefit of favourable *exchange rate* movements.
Minimum transaction amount	AUD50,000.00 or equivalent foreign currency.
Terms	3 *business days* to 2 years. (Longer terms may be available on request.)
Costs	See "What are the costs involved in FFCP transactions?" on page 11.
Settlement	*Settlement date*, once agreed, cannot be varied.
Early termination	An amount may be payable by or to you depending on the *mark-to-market value* of the transaction upon termination.

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

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

Purpose of a Product Disclosure Statement (PDS)

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

This PDS provides information about a **Flexible Forward Convertible Plus** (FFCP). If you decide to enter into a FFCP transaction, you should keep this PDS and all other documentation relating to your FFCP transaction for future reference.

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

To assist you in understanding this PDS, the definitions of some words are provided in the "Definitions" section on page 14 at the end of this PDS. When used in this PDS, these words usually appear in italics.

What is a Flexible Forward Convertible Plus (FFCP) transaction?

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

If, however, the *market spot exchange rate* does not reach the *trigger rate* (see "Determining FFCP exchange rates" on page 4 of this PDS), at any time during the *trigger period*, and at the *expiration time* the *market spot exchange rate* is more favourable to you than the *contract rate*, you and the Bank will have no further obligations to each other under the FFCP transaction. This means that you may choose to exchange currencies at a *spot exchange rate* that is more favourable to you than the *contract rate*.

At the *settlement date* of a FFCP transaction:

- if the *market spot exchange rate* has reached the *trigger rate* during the *trigger period*, the currencies must be exchanged between you and the Bank at the *reset rate*; or
- if the *market spot exchange rate* did not reach the *trigger rate* during the *trigger period*:
  - and at the *expiration time* the *market spot exchange rate* is equal to or less favourable to you than the *contract rate*, the currencies must be exchanged between you and the Bank at the *contract rate*; or
  - and at the *expiration time* the *market spot exchange rate* is more favourable to you than the *contract rate*, you may choose to exchange currencies at the more favourable *spot exchange rate*.

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

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

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

Uses of FFCP transactions

Commercial activities for which FFCP transactions may be useful include:

- importing where the invoice is quoted in foreign currencies;
- exporting where the invoice is quoted in foreign currencies;
- foreign currency borrowing;
- foreign currency investing;
- repatriation of overseas profit or interest back to Australia; and
- other foreign currency payments and receipts.

Determining FFCP exchange rates

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

You will specify to the Bank the *contract rate* you require, being your level of *exchange rate* protection, the transaction amount, the *settlement date* and the *trigger period* (see "Entering and settling FFCP transactions" and "Trigger periods" in this PDS).

The Bank will calculate the *trigger rate* and the *reset rate* by taking the following factors into account:

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

Examples of how a FFCP transaction works

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

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

The *market spot exchange rate* is AUD/USD0.6500. A fall in the AUD/USD *market spot exchange rate* would mean you would have to pay more AUD for your USD so you are seeking protection against a fall in the AUD/USD *market spot exchange rate*. You would also like the potential to benefit if the AUD/USD *market spot exchange rate* rises.

The 93 day *forward exchange rate* is AUD/USD0.6440 after allowing for a *forward points* adjustment of 0.0060 to the *market spot exchange rate*. To enter into a FFCP transaction you are required to set a *contract rate* that is below the 93 day *forward exchange rate*. This is in consideration for receiving *exchange rate* protection and the potential to benefit if the AUD/USD *market spot exchange rate* rises above the *contract rate*.

You would like to set a *contract rate* at AUD/USD0.6350 to protect against any fall in the AUD/USD *market spot exchange rate* below 0.6350. During the next 93 days you believe that the AUD/USD *market spot exchange rate* will rise from its current level of 0.6500, but will not reach 0.6830. However, if the *market spot exchange rate* does reach 0.6830 you will deal at the *reset rate* which will be higher than your *contract rate*. You would like a *trigger period* for the full 93 day period.

Assume the following for Example 1

USD amount	100,000.00
AUD/USD *market spot exchange rate*	0.6500
AUD/USD *forward points*	0.0060
AUD/USD 93 day *forward exchange rate*	0.6440
AUD/USD *contract rate* (specified by you and always below the 93 day *forward exchange rate* if you are making a payment in a foreign currency)	0.6350
AUD/USD *trigger rate* (calculated by the Bank and always above the *market spot exchange rate* if you are making a payment in a foreign currency)	0.6830
AUD/USD *reset rate* (calculated by the Bank and always above the *contract rate*)	0.6400
Transaction period	93 days
Trigger period	93 days

Possible outcomes at the *expiration time*	Possible *exchange rate* achieved*
If the *trigger rate* is not reached during the *trigger period* and the *market spot exchange rate* is equal to or lower than the *contract rate* on the *settlement date* you must buy USD100,000.00 from the Bank in exchange for AUD at the *contract rate*. You will pay: USD100,000.00 ÷ 0.6350 = AUD157,480.32	**0.6350**
If the *trigger rate* is not reached during the *trigger period* and the *market spot exchange rate* is higher than the *contract rate*, on the *settlement date* the applicable *exchange rate* will be based on the *market spot exchange rate*. The result will be that you can buy USD100,000 in exchange for AUD at the *spot exchange rate*. For example, if you buy USD100,000.00 from the Bank and the *spot exchange rate* is 0.6800 you will pay: USD100,000.00 ÷ 0.6800 = AUD147,058.82	**Higher than 0.6350 but lower than 0.6830**
If the *trigger rate* is reached during the *trigger period* on the *settlement date* you must buy USD100,000.00 from the Bank in exchange for AUD at the *reset rate*. You will pay: USD100,000.00 ÷ 0.6400 = AUD156,250.00	**0.6400**

With this FFCP transaction, the maximum amount of AUD you will pay is $157,480.32. At the same time you will be able to reduce the amount of AUD you will pay if the AUD/USD *market spot exchange rate* does not trade to 0.6830 during the *trigger period* and is trading above 0.6350 at the *expiration time*. Should the AUD/USD *market spot exchange rate* trade to 0.6830 during the *trigger period* the amount of AUD you will pay is $156,250.00.

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

Issues to consider

In setting your *contract rate* and *trigger period* and agreeing to the *trigger rate* and *reset rate* there are various issues you need to consider. Using Example 1 these can be summarised as follows:

1. A higher *contract rate* means your exposure to a falling AUD is reduced, however, it also means the resultant *trigger rate* and/or *reset rate* may be lower.
2. A lower *contract rate* means your exposure to a falling AUD is increased, however, it also means the resultant *trigger rate* and/or *reset rate* may be higher.
3. A lower *trigger rate* means there is more chance of it being reached, however, it also means the resultant *contract rate* and/or *reset rate* may be higher.
4. A higher *trigger rate* means there is less chance of it being reached, however, it also means the resultant *contract rate* and/or *reset rate* may be lower.
5. A longer *trigger period* means there is more chance of the *trigger rate* being reached, however, it also means the resultant *contract rate*, *trigger rate* and/or *reset rate* may be higher.
6. A shorter *trigger period* means there is less chance of the *trigger rate* being reached, however, it also means the resultant *contract rate*, *trigger rate* and/or *reset rate* may be lower.

Example 2: You are receiving a payment in a foreign currency

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

The *market spot exchange rate* is AUD/USD0.6500. A rise in the AUD/USD *market spot exchange rate* would mean you get fewer AUD for your USD so you are seeking protection against a rise in the AUD/USD *market spot exchange rate*. You would also like the potential to benefit if the AUD/USD *market spot exchange rate* falls.

The 93 day *forward exchange rate* is AUD/USD0.6445 after allowing for a *forward points* adjustment of 0.0055 to the *market spot exchange rate*. To enter a FFCP transaction you are required to set a *contract rate* that is above the 93 day *forward exchange rate*. This is in consideration for receiving *exchange rate* protection and the potential to benefit if the AUD/USD *market spot exchange rate* falls below the *contract rate*.

You would like to set a *contract rate* at AUD/USD0.6550 to protect against any rise in the AUD/USD *market spot exchange rate* above 0.6550. During the next 93 days you believe that the AUD/USD *market spot exchange rate* will fall from its current level of 0.6500, but will not reach 0.6060. However, if the *market spot exchange rate* does reach 0.6060 you will deal at the *reset rate* which will be lower than your *contract rate*. You would like a *trigger period* for the full 93 day period.

Assume the following for Example 2

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

Possible outcomes at the *expiration time*	**Possible *exchange rate* achieved***
If the *trigger rate* is not reached during the *trigger period* and the *market spot exchange rate* is equal to or higher than the *contract rate* on the *settlement date* you must sell USD100,000.00 to the Bank in exchange for AUD at the *contract rate*. You will receive: USD100,000.00 ÷ 0.6550 = AUD152,671.76	**0.6550**
If the *trigger rate* is not reached during the *trigger period* and the *market spot exchange rate* is lower than the *contract rate*, on the *settlement date* the applicable *exchange rate* will be based on the *market spot exchange rate*. The result will be that you can sell USD100,000.00 in exchange for AUD at the *spot exchange rate*. For example, if you sell USD100,000.00 to the Bank and the *spot exchange rate* is 0.6200 you will receive: USD100,000.00 ÷ 0.6200 = AUD161,290.32	**Lower than 0.6550 but higher than 0.6060**
If the *trigger rate* is reached during the *trigger period* on the *settlement date* you must sell USD100,000.00 to the Bank in exchange for AUD at the *reset rate*. You will receive: USD100,000.00 ÷ 0.6500 = AUD153,846.15	**0.6500**

With this FFCP transaction, the minimum amount of-AUD you will receive is $152,671.76. At the same time you will be able to increase the amount of AUD you will receive if the AUD/USD *market spot exchange rate* does not trade to 0.6060 during the *trigger period* and is trading below 0.6550 at the *expiration time*. Should the AUD/USD *market spot exchange rate* trade to 0.6060 during the *trigger period*, the maximum amount of AUD that you will receive is $153,846.15.

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

Issues to consider

In setting your *contract rate* and agreeing to the *trigger rate* and *reset rate* there are various issues you need to consider. Using Example 2 these can be-summarised as follows:

1. A lower *contract rate* means your exposure to a rising AUD is reduced, however, it also means the resultant *trigger rate* and/or *reset rate* will be higher.
2. A higher *contract rate* means your exposure to a rising AUD is increased, however, it also means the resultant *trigger rate* and/or *reset rate* will be lower.
3. A higher *trigger rate* means there is more chance of it being reached, however, it also means the resultant *contract rate* and/or *reset rate* will be lower.
4. A lower *trigger rate* means there is less chance of it being reached, however, it also means the resultant *contract rate* and/or *reset rate* will be-higher.
5. A longer *trigger period* means there is more chance of the *trigger rate* being reached, however, it also means the resultant *contract rate*, *trigger rate* and/or *reset rate* may be lower.
6. A shorter *trigger period* means there is less chance of the *trigger rate* being reached, however, it also means the resultant *contract rate*, *trigger rate* and/or *reset rate* may be higher.

What are the significant benefits of a FFCP transaction?

Benefits include:

- provides *exchange rate* protection via a *contract rate*; and
- the potential to benefit from favourable *exchange rate* movements if a *trigger rate* is not reached during the *trigger period*.

What are the significant disadvantages of a FFCP transaction?

Disadvantages include:

- the *contract rate* will be less favourable than the *forward exchange rate*;
- if the *trigger rate* is reached during the *trigger period* you must exchange the currencies under the FFCP at the *reset rate* even if the *market spot exchange rate* is more favourable to you; and
- there may be a cost if the FFCP is terminated before the *settlement date* (see “Terminating a FFCP transaction” and “What are the costs involved in FFCP transactions?” in this PDS).

What are the significant risks of a FFCP transaction?

Risks derive from factors that are beyond your control. Starting from the time at which you enter into a FFCP transaction with the Bank, risk factors may lead to changes in the financial outcomes that are unfavourable to you. Monitoring of any risks associated with this product is your responsibility (subject to the responsibility of the Bank for its own operational processes under “Operational risk”, see below).

Market risk

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

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

This will occur if you must exchange at the *contract rate* because the relevant *spot exchange rate* moves unfavourably at the *expiration time* or if you must exchange at the *reset rate* because the *trigger rate* has been reached during the *trigger period*.

Credit risk

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

Operational risk

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

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

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

The risks described here may not include all risk considerations that may be relevant to you when transacting a FFCP. Please also refer to "What are the significant disadvantages of a FFCP transaction?" on page 8 of this PDS. Before transacting in this product you should be satisfied that this product is suitable for you. We recommend that you consult your investment advisor or obtain other independent advice.

Legal risk

Australia, as a member state of the United Nations, is obliged to implement United Nations Security Council sanctions. Australia also may be required to implement other international sanctions and sometimes imposes unilateral sanctions. Sanctions can cover various subject matters including financial restrictions. Consequently, the Bank may be prohibited from dealing with certain persons or entities.

This means that if the Bank is aware that you are a proscribed person or entity, then the Bank may be required to suspend, cancel or refuse you services or close or terminate any account, facility, transaction, arrangement or agreement with you. We may also be required to freeze your assets. You could incur significant costs as a result of these actions.

Entering and settling FFCP transactions

Entering a FFCP transaction

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

The next steps are:

1. You contact the Bank and ask for a FFCP transaction for a *currency pair* for a specified *settlement date*. You will specify to the Bank the *contract rate*, transaction amount, the *settlement date* and *trigger period* you require before the Bank can offer you a FFCP transaction.
2. The Bank will calculate the *trigger rate* and *reset rate*. If the Bank offers you a FFCP transaction, and if you accept the offer (which can be done verbally), a FFCP transaction is entered into between you and the Bank. All telephone conversations between you and the Bank will be recorded.
3. The Bank will send you a *confirmation letter* setting out the details of your FFCP transaction. You must sign and return this *confirmation letter* to the Bank.

FFCP documentation

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

Settling a FFCP transaction

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

Trigger periods

There are four *trigger periods* available.

Continuous

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

Late start

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

Window

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

Early end

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

Trigger notice

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

A *trigger rate* is deemed to have been reached if the Bank is satisfied that a *market parcel* of the bought currency has traded against a *market parcel* of the sold currency at the *trigger rate* between 2 accepted market participants in the foreign exchange market during the *trigger period*.

Variations to settlement dates

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

Terminating a FFCP transaction

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

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

At termination, the Bank will calculate the *mark-to-market value* of the FFCP transaction in AUD, as at the *termination date*, using prevailing market rates chosen by the Bank in good faith. The Bank calculates the *mark-to-market value* having regard to what a person would pay the Bank, expressed as a negative number, or what the Bank would have to pay another person, expressed as a positive number, in order to take over your rights and obligations under the terminated FFCP transaction.

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

Payments netting

In accordance with the FFCP documentation, if you have more than one transaction under the FFCP documentation (including any FFCP transaction), with the same *settlement date* and for the same *currency pair*, payments and receipts may be "net settled". This means that all settlements are combined to a single net payment between you and the Bank.

What are the costs involved in FFCP transactions?

Fees and charges

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

Your FFCP transaction may be subject to Government taxes and duties (if any). These may vary from State to State.

Are there any tax implications you should be aware of?

FFCP transactions may have tax implications. These can be complex and are invariably specific to your circumstances. Therefore, you should discuss any taxation issues with an independent tax adviser before entering into a FFCP transaction.

What if you have a complaint?

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

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

- our web site at **commbank.com.au/contactus/comment.asp**;
- 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 Financial Ombudsman Service at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001

Phone **1300 780 808**

Fax **03 9613 6399**

Internet **www.fos.org.au**

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.

"cleared funds"

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

"confirmation letter"

A letter confirming the details of a particular FFCP transaction.

"contract rate"

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

"currency pair"

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

"exchange rate"

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

"expiration date"

The date at which the outcome of the FFCP transaction is determined which is 2 *business days* before the *settlement date*.

"expiration time"

Usually 3pm Sydney time on the *expiration date*.

"forward exchange rate"

The expression of the value of one currency in terms of another where the *settlement date* is more than 2 *business days* after the *trade date*. A *forward exchange rate* is the *spot exchange rate* of the currencies on the *trade date* adjusted for the *forward points*.

"forward points"

The value of the *interest rate differential* for the *currency pair* over the period from the *spot settlement date* to the *settlement date*, expressed as an adjustment to the *spot exchange rate*.

"interest rate differential"

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

"market parcel"

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

"market spot exchange rate"

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

"mark-to-market value"

A valuation method where an existing FFCP transaction is valued against current market rates to calculate any potential profit or loss on termination.

"master agreement and transactions addendum"

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

"parties to the agreement"

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

"reset rate"

The agreed *spot exchange rate* at which the *currency pair* will be exchanged on the *settlement date* if the *trigger rate* is reached.

“settlement date”

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

“spot exchange rate”

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

“spot settlement date”

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

“termination date”

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

“trade date”

The date on which a FFCP transaction is entered into by the *parties to the agreement*.

“transaction period”

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

“trigger notice”

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

“trigger period”

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

“trigger rate”

The agreed *exchange rate* that will determine the final *spot exchange rate* of the FFCP transaction at the *expiration time* on the *expiration date*.

“USD”

United States dollars.

“volatility factor”

The expected degree of fluctuation in *market spot exchange rate* during the *transaction period* as calculated by the Bank.

“you”, “your”

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

APPENDIX A
Currencies (FFCP)

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

Currencies
Australian Dollars (AUD)
United States Dollars (USD)
Pounds Sterling or Great British Pounds (GBP)
Japanese Yen (JPY)
New Zealand Dollars (NZD)
Euro (EUR)
Singapore Dollars (SGD)
Hong Kong Dollars (HKD)
Canadian Dollars (CAD)

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

Commonwealth Bank of Australia
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