

# FOREIGN EXCHANGE OPTION

## PRODUCT DISCLOSURE STATEMENT.

Issued by Bank of Melbourne –  
A Division of Westpac Banking Corporation  
ABN 33 007 457 141 AFSL and Australian  
credit licence 233714.

**Dated: 24 November 2014**



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# Important Information

A Product Disclosure Statement (**PDS**) is an information document. Its purpose is to provide you with enough information so that you can decide if the product will meet your needs. A PDS is also a tool for comparing the features of other products you may be considering. If you have any questions about this product, please contact us on any of the numbers listed at the back of this PDS.

This PDS relates to Foreign Exchange Options (**FXOs**) issued by Bank of Melbourne (**we or us**), a division of Westpac Banking Corporation (ABN 33 007 457 141 AFSL 233714). We are the issuer of this PDS. An FXO is a sophisticated financial product requiring a good understanding of the way foreign exchange contracts and markets work. You should read and consider all sections of this PDS carefully before making a decision about the suitability of this product for you. You may also wish to obtain independent expert advice.

If you decide to enter into an FXO, you should keep a copy of this PDS and any associated documentation. You should also promptly tell us if at any time you experience any financial difficulty.

The meaning of some terms in this PDS (indicated by using a capital letter at the beginning of the term) is included in the Glossary on page 14.

The information set out in this PDS is general in nature. It has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should consider its appropriateness having regard to your objectives, financial situation and needs. By providing this PDS, Bank of Melbourne does not intend to provide financial advice or any financial recommendations.

Information relating to FXOs that is not materially adverse may change from time to time.

The information in this PDS may be updated and made available to you on our website at [www.bankofmelbourne.com.au](http://www.bankofmelbourne.com.au). We will provide you with a paper copy of any updated information posted on our website on request without charge. If there is a change to information relating to FXOs that is materially adverse, we will (depending on the nature of the change or event) notify you within three months of the change or event and will issue a replacement or supplementary PDS where required.

This PDS, and any invitation to apply for an FXO that this PDS relates to, is intended for retail clients in Australia only. Distribution of it in jurisdictions outside Australia may be restricted by law and persons who come into possession of it, who are not in Australia, should seek advice. If you are in Australia and have received it electronically, we will give you a paper copy on request, without charge. To obtain a copy, refer to the contact details listed at the back of this PDS.

# Foreign Exchange Option (FXO) Summary

<b>Issuer</b>	<b>Bank of Melbourne, a division of Westpac Banking Corporation (ABN 33 007 457 141 AFSL 233714).</b>
<b>Purpose</b>	An FXO is a foreign exchange product designed to assist you in reducing your foreign exchange risk. It may help you to manage a currency risk you are exposed to.
<b>Suitability</b>	An FXO may be suitable if you have a good understanding of foreign exchange markets and have a genuine commercial need to manage currency risk associated with a particular Currency Pair. It should not be used for trading or speculative purposes.
<b>Costs</b>	A non-refundable Premium is paid by the buyer of the FXO. It is calculated on a transaction by transaction basis and is agreed before entering into the transaction. It is generally paid up-front. See the section titled "What are the costs?" on page 7 for more information.
<b>Key Benefits</b>	<p><b>Protection</b> – An FXO provides you with protection against unfavourable exchange rate movements.</p> <p><b>Coverage</b> – FXOs are available for a wide range of currencies. Please contact us to confirm your desired currency is covered. Our contact details are set out on page 15.</p> <p><b>Participation in favourable exchange rate movements</b> – Potential to participate in favourable exchange rate movements that may occur, beyond your nominated Strike Price.</p> <p><b>Flexibility</b> – Key variables, including the Strike Price, underlying currency amounts, option style, option type, Expiration Time, Expiration Date and Settlement Date can be tailored to meet your particular needs. See the section titled "Key Benefits" on page 7 for more information.</p>
<b>Key Risks</b>	<p><b>Opportunity loss</b> – The rate achieved with an FXO may not be as favourable as the rate you could have achieved with a forward foreign exchange contract or if you had not entered into any contract at all.</p> <p><b>Variation / Early termination</b> – You can vary or terminate an FXO early but there may be a cost if you do so</p> <p><b>No cooling off period</b> – There is no cooling off period.</p> <p><b>Counterparty and operational risk</b> – Bank of Melbourne has performance obligations under an FXO. You need to form a judgment of our ability to meet those obligations.</p> <p><b>Currency restrictions</b> – Some currencies may be subject to legal and regulatory obligations.</p> <p><b>Use of agent and correspondent banks</b> – Bank of Melbourne may use agents and correspondent banks to deliver some currencies (other than Australian dollars).</p> <p>See the section titled "Key Risks" on page 7 and the section titled "Can I terminate an FXO before the Expiration Date?" on page 6 for more information.</p>
<b>Term</b>	1 week to 2 years (longer terms may be available on request)
<b>Minimum Transaction Amount</b>	The minimum transaction amount is AUD 25,000 or the foreign currency equivalent.
<b>How to Apply</b>	Visit any Bank of Melbourne branch or contact your existing Bank of Melbourne representative. Alternatively, you can contact us at the details listed at the back of this PDS.

# Foreign Exchange Option (FXO)

## What is an FXO?

An FXO is an agreement with Bank of Melbourne that provides protection against unfavourable exchange rate movements while providing you with an ability to participate in any favourable exchange rate movements that may occur. When you purchase an FXO you must pay a premium. It is generally paid on the Premium Payment Date which is normally two business days after the Trade Date. The rate at which you will exchange your currency at settlement depends on the Market Foreign Exchange Rate at the Expiration Time on the Expiration Date and the pre-agreed Strike Price.

An FXO may be useful in managing the currency risk associated with exporting or importing goods denominated in foreign currency, investing or borrowing overseas, repatriating profits, converting foreign currency denominated dividends, or settling other foreign currency contractual arrangements.

## How do FXOs work?

When you enter into an FXO, you nominate the two currencies to be exchanged. These currencies are known as the Currency Pair and must be acceptable to Bank of Melbourne.

You will also nominate which currency you are looking to buy and which currency you are looking to sell. This is done by nominating an option type. There are two types: Put options and Call options, as shown in the table below. Every option, if exercised, involves you buying one currency and selling another.

Type	Description	Example
Put	You have the right but not the obligation to sell the nominated Put Currency.	Australian Importer AUD Put / USD Call
Call	You have the right but not the obligation to buy the nominated Call Currency.	Australian Exporter AUD Call / USD Put

In addition you will nominate:

- the foreign currency amount you are looking to buy or sell;
- a Strike Price, which is your level of exchange rate protection;
- an Expiration Time;
- an Expiration Date;
- a Settlement Date; and
- the option style, which defines when you can elect to exercise your option and when the option will settle.

Depending on these variables, Bank of Melbourne will determine the Premium you need to pay.

There are two option styles: European and American. With European style, you can only exercise your option at the Expiration Time on the Expiration Date for settlement on the agreed Settlement Date. With American style, you can exercise your option at any time prior to the Expiration Time on the Expiration Date for settlement in two business days' time.

With a European style option there are two possible outcomes:

- if the Market Foreign Exchange Rate at the Expiration Time on the Expiration Date is the same as or less favourable to you than the Strike Price, you may elect to exercise your option and exchange the Currency Pair with Bank of Melbourne at the Strike Price on the Settlement Date; or
- if the Market Foreign Exchange Rate at the Expiration Time on the Expiration Date is more favourable to you than Strike Price, you will let your option lapse. You may exchange the Currency Pair with Bank of Melbourne at the Market Foreign Exchange Rate if you wish to do so.

With an American style option the above scenarios apply, except you have the ability to exercise your option at any time up to and including the Expiration Time on the Expiration Date. You may still elect to exercise if the Strike Price is more favourable to you than the Market Foreign Exchange Rate available to you at that time. Where you exercise an American style option before the Expiration Date, settlement will occur two business days after the date on which you exercise your option.

## How do we determine the Premium?

When determining the Premium of an FXO Bank of Melbourne takes several factors into account including:

- the option type;
- the option style;
- the Strike Price;
- the foreign currency amount involved;
- the Expiration Time and the Expiration Date;
- the Settlement Date;
- the Market Foreign Exchange Rates;
- market volatility;
- market interest rates of the countries of the Currency Pair; and
- the Premium Payment Date.

## When is the Premium paid?

The Premium is payable on the Premium Payment Date. Unless otherwise agreed, this will be paid two business days after the Trade Date. With Bank of Melbourne's approval the Premium can be paid on another nominated date. When the Premium is deferred it is still always payable, even in the case of an early termination. You must apply for approval to change the Premium Payment Date prior to trading. Our approval will be subject to our normal credit approval process (see "Are there any Bank of Melbourne credit requirements before dealing?" below).

## **Are there any Bank of Melbourne credit requirements before dealing?**

Before entering into an FXO, Bank of Melbourne will assess your financial position to determine whether or not your situation satisfies our normal credit requirements. Bank of Melbourne will advise you of the outcome of its review as soon as possible.

If your application is successful, you will need to sign Bank of Melbourne's standard finance documentation. This documentation sets out the terms of the credit approval and other matters relevant to your application.

## **What happens on the Settlement Date?**

Depending on the terms of your FXO, on the Settlement Date you may need to provide Bank of Melbourne with either foreign currency or Australian dollars (AUD). You can provide foreign currency either by telegraphic transfer or by transferring funds from a foreign currency account/deposit. You must provide AUD in Clear Funds. On receipt of the funds, Bank of Melbourne will deposit amounts owing to you into a Bank of Melbourne bank account (in your name), denominated in the relevant currency. Alternative arrangements can be made with Bank of Melbourne's agreement.

## **Can I terminate an FXO before the Expiration Date?**

You may ask us to terminate an FXO at any time up to the Expiration Time on the Expiration Date. We will then provide you with a termination quote. There will be a cost or gain arising as a result of termination (i.e. the termination premium you receive may be less or more than the original Premium you paid). If you accept the termination quote, we will terminate the FXO.

Our quote will incorporate the same variables used when pricing the original FXO. These will be adjusted for the prevailing conditions in respect of the remaining term of the FXO. We will also need to consider the cost of reversing or offsetting your original transaction. When doing this we take into account the current market rates that apply to any offsetting transactions.

Where termination occurs before the Premium Payment Date the termination quote will reflect the Premium due. In this case, termination may require you to make a payment to Bank of Melbourne at that time.

Unless otherwise agreed the termination premium is payable two business days after the date you accept the termination quote.

# Costs, Benefits and Risks

## What are the costs?

When you buy an FXO you must pay a non-refundable Premium. This Premium is calculated on a transaction by transaction basis and depends on the details of the FXO agreed with you at the time. Bank of Melbourne derives a financial benefit by incorporating a margin into the Premium.

Bank of Melbourne will advise you of this Premium before you enter into the transaction. If you elect to enter into the FXO this Premium is payable to Bank of Melbourne on the Premium Payment Date, generally two business days after the Trade Date. Payment can be deferred with our agreement.

## Key Benefits

### Protection

FXOs provide you with protection against unfavourable foreign exchange movements between the time you enter into an FXO and the Expiration Time on the Expiration Date. This can assist you in managing your foreign currency exposures. On the Settlement Date, you will be protected for the underlying currency amount at the Strike Price.

### Coverage

FXOs are available for a wide range of currencies. Please contact us to confirm your desired currency is covered. Our contact details are set out on page 15.

### Participation in favourable exchange rate movements

An FXO provides you with the ability to participate in favourable exchange rate movements that may occur, beyond your nominated Strike Price.

### Flexibility

FXOs are flexible. Key variables, including the Strike Price, underlying currency amounts, option style, option type, Expiration Time, Expiration Date and Settlement Date can be tailored to meet your particular needs.

## Key Risks

### Variation / Early termination

Terminations or variations to your FXO may result in a cost to you – see the section titled “Can I terminate an FXO before the Expiration Date?” on page 6 for more information.

### No cooling off period

There is no cooling off period. This means that, in most circumstances, once you enter into an FXO, you cannot terminate or vary the FXO without our consent. See “Variation / Early termination” section above.

### Opportunity loss

The effective exchange rate achieved with an FXO may not be as favourable as the rate you could have achieved with a forward foreign exchange contract or if you had not entered into any contract at all.

### Counterparty and operational risk

As is the case with most financial markets products we enter into, Bank of Melbourne has performance obligations under an FXO. If we are unable to perform our obligations under your FXO, you may be exposed to exchange rate fluctuations as if you had not entered into an FXO.

Our ability to fulfil our obligations is linked to our financial wellbeing and to the effectiveness of our internal systems, processes and procedures. The first type of risk (our financial wellbeing) is commonly referred to as **credit or counterparty risk**. The second type of risk (the effectiveness of our internal systems, processes and procedures) is commonly referred to as **operational risk**.

You must make your own assessment of our ability to meet our obligations. However, as a regulated Australian bank we are subject to prudential regulation which is intended to reduce the risk of us failing to perform our obligations.

Further information about Bank of Melbourne, including copies of our recent financial statements, is available on our website at [www.bankofmelbourne.com.au](http://www.bankofmelbourne.com.au).

### Currency restrictions

Delivery of some currencies may be governed by, or subject to certain legal and regulatory requirements and obligations. It is your responsibility to ensure that these laws and regulations are complied with and we suggest you seek and obtain your own independent expert advice in relation to such matters.

### Use of agent and correspondent banks

To deliver some currencies (other than AUD), we may use agents and correspondent banks. We will use reasonable care in the selection of such agents and correspondent banks.

If the agent or correspondent bank fails to deliver the required currency when due, we will work with the agent or correspondent bank to effect delivery. If after such action delivery cannot be made, we will promptly return your funds or make alternative arrangements with you.

To the extent allowed by law, Bank of Melbourne will not be liable for any direct or indirect losses, claims, actions or expenses incurred by you as a result of the failure by an agent or correspondent bank to deliver the required currency.

# Documentation and Confirmation

## What documentation is required?

### Master dealing agreement

You will usually need to sign a master dealing agreement if you want to enter into an FXO. This will either be an agreement with us or an industry standard master dealing agreement. The industry standard master dealing agreements that we commonly use are:

- an Australian Financial Markets Association Master Agreement for Foreign Currency Transactions. This is a simple agreement and is used only for foreign exchange transactions;
- an International Swaps and Derivatives Association Master Agreement. This is a more complicated agreement and is generally used where a person intends to enter into a variety of other derivative transactions as well as foreign exchange transactions.

We will advise you which of these you will need to sign.

Each of the above master dealing agreements governs the dealing relationship between you and us and sets out the terms and conditions that will apply to all transactions that we enter into with you that are covered by the agreement. In particular, they document the situations where those transactions can be terminated and the way the amount to be paid following termination is calculated.

You will be provided with a copy of the relevant master dealing agreement and we strongly recommend that you fully consider its terms before signing. You should obtain independent advice if you do not understand any aspect of the document.

### Documentation for certain restricted currencies

Other documentation may be required for FXOs involving certain currencies. Where possible, we will attempt to inform you of any specific requirements; however you are responsible for complying with any legal or regulatory obligations. We suggest that you seek and obtain your own independent, expert advice in relation to such matters.

### Email or facsimile authority and indemnity

If you would like to provide us with email or facsimile instructions in relation to FXOs, we may require you to complete an email or facsimile authority and indemnity. The purpose of the email or facsimile authority and indemnity is to protect us against the consequences of acting upon instructions which may not represent your genuine wishes, but which appear to us to be genuine.

### Other documentation

You may be requested to complete additional documentation before you enter into an FXO, depending on the outcome of Bank of Melbourne's assessment of your creditworthiness. We will inform you if any further documentation is required at that time.

## What about Confirmations?

The commercial terms of a particular FXO will be agreed at the time of dealing. This may occur over the phone or electronically. Once we reach an agreement, both you and Bank of Melbourne are bound by the terms of the FXO.

Shortly after entering into an FXO, Bank of Melbourne will send you a Confirmation outlining the commercial terms of the transaction. You will need to sign this Confirmation and return it to Bank of Melbourne. This Confirmation evidences the transaction entered into under your master agreement with us.

This Confirmation will include:

- the Call Currency and the Call Currency amount;
- the Put Currency and the Put Currency amount;
- the Strike Price;
- the option style;
- the option type;
- the Expiration Time and the Expiration Date;
- the Settlement Date;
- the Premium; and
- the Premium Payment Date.

It is extremely important that you check the Confirmation to make sure that it accurately records the terms of the transaction. If there is a discrepancy between your understanding and the Confirmation, you will need to raise it with your Bank of Melbourne representative as a matter of urgency.

# Examples

The examples below are illustrative only and use rates and figures selected to demonstrate how the product works. In order to assess the merits of any FXO, you would need to use the actual rates and figures quoted to you at the time. Note that the calculations below include rounding of decimal places.

## Scenario 1 - Foreign Currency Payment

You are an Australian based importer due to pay 100,000 United States dollars (USD) in six months' time for goods bought overseas. At that time, you need to convert your AUD into USD.

Assume the current Market Foreign Exchange Rate is 1.0300 and the six-month Forward Exchange Rate is 1.0150.

### If I do nothing, what exchange rate risks do I face?

If you do nothing, the amount of AUD you will need in six months' time to obtain the USD you are due to pay will depend on the Market Foreign Exchange Rate applicable at that time.

If the AUD/USD Market Foreign Exchange Rate goes up, the USD will become less valuable and as a consequence, you will need less AUD when it is time to obtain the USD. Assume in this example that the AUD/USD Market Foreign Exchange Rate rises to 1.0900, then you will pay:

AUD 91,743.12  
( = USD 100,000 / 1.0900 )

If the AUD/USD Market Foreign Exchange Rate goes down, the opposite occurs and you will need more AUD. Assume the AUD/USD Market Foreign Exchange Rate falls to 0.9700, then you will pay:

AUD 103,092.78  
( = USD 100,000 / 0.9700 )

### How will an FXO change this?

Assume that you are unsure about the direction of the AUD against the USD and wish to protect yourself against the AUD depreciating against the USD, but also have the potential to participate in any favourable movements in the AUD.

You decide to buy a European style AUD Put / USD Call option that allows you to buy USD 100,000 and to sell AUD in six months' time with a Strike Price at 1.0100. Based on these details Bank of Melbourne determines the Premium to be AUD 2,000. The Premium Payment Date is two business days after the Trade Date.

The possible outcomes on the Settlement Date are:

- a) if the Market Foreign Exchange Rate at the Expiration Time on the Expiration Date is at or below the 1.0100 Strike Price, you can exercise your option and buy USD at 1.0100. The amount of AUD you will have to pay is:

AUD 99,009.90  
( = USD 100,000 / 1.0100 )

In order to determine your effective exchange rate you need to take into account the Premium that you paid for the FXO (here, AUD 2,000). The total amount of AUD you will have paid is:

AUD 101,009.90  
( = 99,009.90 + 2,000 )

This is an effective exchange rate of 0.9900  
( = USD 100,000 / AUD 101,009.90 )

- b) if the Market Foreign Exchange Rate at the Expiration Time on the Expiration Date is above the 1.0100 Strike Price you have no obligation under the FXO and you may choose to buy USD at the Market Foreign Exchange Rate. For example, if the Market Foreign Exchange Rate is 1.0900 you will pay:

AUD 91,743.12  
( = USD 100,000 / 1.0900 )

In order to determine your effective exchange rate you need to take into account the Premium that you paid for the FXO (here, AUD 2,000). The total amount of AUD you will have paid is:

AUD 93,743.12  
( = 91,743.12 + 2,000 )

This is an effective exchange rate of 1.0667  
( = USD 100,000 / AUD 93,743.12 )

### How can I change the range of outcomes?

You can change the range of possible outcomes by changing the Strike Price, Expiration Date or option style, and therefore, the Premium. Once the Strike Price and the Expiration Date are agreed the possible outcomes on the Settlement Date can be determined.

When agreeing the details of your FXO you need to consider that:

- the Strike Price corresponds to the maximum amount of AUD you will pay to meet your USD obligation.
- a higher Strike Price will reduce your exposure to a falling AUD/USD exchange rate. However, the Premium payable will be higher.
- a lower Strike Price will increase your exposure to a falling AUD/USD exchange rate. However, the Premium payable will be lower.
- a longer term will result in a higher Premium. However, it will mean you have protection against adverse exchange rate movements and the ability to benefit from favourable exchange rate movements over a longer period of time.
- a shorter term will result in a lower Premium. However, it will mean you have protection against adverse exchange rate movements and the ability to benefit from favourable exchange rate movements over a shorter period of time.

Where there is uncertainty around the date on which you will make your USD payment, an American option may be useful. With an American option you may elect to exercise your option at any time prior to the Expiration Time on the Expiration Date, for settlement in two business days' time.

In return for this greater flexibility, the Premium for an American option will be more than the Premium for a European option with the same Strike Price, Expiration Date and Put Currency amount.

## Scenario 2 - Foreign Currency Receipt

You are an Australian based exporter due to receive 100,000 United States dollars (USD) in six months' time for goods sold overseas. At that time, you need to convert the USD you will receive into AUD.

Assume the Market Foreign Exchange Rate is 1.0300 and the six-month Forward Exchange Rate is 1.0150.

### If I do nothing, what exchange rate risks do I face?

If you do nothing, the amount of AUD you will receive in six months' time for your USD will depend on the Market Foreign Exchange Rate applicable at that time.

If the AUD/USD exchange rate goes up, the USD will become less valuable and as a consequence, you will receive less AUD when it is time to exchange the USD. Assume in this example that the AUD/USD Market Foreign Exchange Rate rises to 1.0900, then you will receive:

AUD 91,743.12  
( = USD 100,000 / 1.0900 )

If the AUD/USD Market Foreign Exchange Rate goes down, the opposite occurs and you will receive more AUD. Assume the AUD/USD Market Foreign Exchange Rate falls to 0.9700, then you will receive:

AUD 103,092.78  
( = USD 100,000 / 0.9700 )

### How will an FXO change this?

Assume that you are unsure about the direction of the AUD against the USD and wish to protect yourself against the AUD rising against the USD, but also have the potential to participate in any favourable movements in the AUD.

You decide to buy a European style AUD Call / USD Put option that allows you to sell USD 100,000 and to buy AUD in six months' time with a Strike Price of 1.0300. Based on these details Bank of Melbourne determines the Premium to be AUD 1,700. The Premium Payment Date is two business days after the Trade Date.

The possible outcomes on the Settlement Date are:

- a) if the Market Foreign Exchange Rate at the Expiration Time on the Expiration Date is at or above the 1.0300 Strike Price you may elect to exercise your option and sell your USD at 1.0300. The amount of AUD you will receive is:

AUD 97,087.38  
( = USD 100,000 / 1.0300 )

In order to determine your effective exchange rate you need to take into account the Premium that you paid for the FXO (here, AUD 1,700). The total amount of AUD you will receive is:

AUD 95,387.38  
( = 97,087.38 – 1,700 )

This is an effective exchange rate of 1.0484  
( = USD 100,000 / AUD 95,387.38 )

- b) if the Market Foreign Exchange Rate at the Expiration Time on the Expiration Date is below the 1.0300 Strike Price, you have no obligation under the FXO and may choose to sell your USD at the Market Foreign Exchange Rate. For example, if the Market Foreign Exchange Rate is 0.9700 you will receive:

AUD 103,092.78  
( = USD 100,000 / 0.97000 )

In order to determine your effective exchange rate you need to take into account the Premium that you paid for the FXO (here, AUD 1,700). The total amount of AUD you will receive is:

AUD 101,392.78  
( = 103,092.78 – 1,700 )

This is an effective exchange rate of 0.9863.  
( = USD 100,000 / AUD 101,392.78 )

### How can I change the range of outcomes?

You can change the range of possible outcomes by changing the Strike Price, Expiration Date or option style, and therefore, the Premium. Once the Strike Price and the Expiration Date are agreed the possible outcomes on the Settlement Date can be determined.

When agreeing the details of your FXO you need to consider that:

- the Strike Price corresponds to the minimum amount of AUD you will receive for your USD.
- a lower Strike Price will reduce your exposure to a rising AUD/USD exchange rate. However, the Premium payable will be higher.
- a higher Strike Price will increase your exposure to a rising AUD/USD exchange rate. However, the Premium payable will be lower.
- a longer term will result in a higher Premium. However, it will mean you have protection against adverse exchange rate movements and the ability to benefit from favourable exchange rate movements over a longer period of time.
- a shorter term will result in a lower Premium. However, it will mean you have protection against adverse exchange rate movements and the ability to benefit from favourable exchange rate movements over a shorter period of time.

Where there is uncertainty around the date on which you will receive your USD, an American option may be useful. With an American option you may elect to exercise your option at any time prior to the Expiration Time on the Expiration Date, for settlement in two business days' time.

In return for this greater flexibility, the Premium for an American option will be more than the Premium for a European option with the same Strike Price, Expiration Date and Call Currency amount.

# General Information

## What information we need from you

In order to enter into an FXO with you, we'll need some important details from you. Depending on the legal nature of your business (company, partnership etc) you will be required to provide certain documents and information to us.

Under the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (AML/CTF Laws) it is a requirement that the account holder and all signatories to the account must be identified. So if you're opening an account for the first time this applies to you. It also applies to any account holder or signatory who is not an existing customer.

The identification requirements can be met by completing the Bank of Melbourne identification procedure which involves providing identity documentation to Bank of Melbourne. For information on documents required please contact any branch or refer to our website – [www.bankofmelbourne.com.au](http://www.bankofmelbourne.com.au).

If the account holder or any of the signatories to an account are not identified in terms of the AML/CTF Laws, the account will be blocked for all withdrawals, until they are identified.

If you are an existing customer, an account signatory (or any other cardholder), identification requirements may have previously been satisfied so you don't need to provide it again, unless you are asked to do so by us.

## Code of Banking Practice

The Code of Banking Practice is a self-regulatory code adopted by us and other banks. Its purpose is to set standards of good banking practice for banks to follow when dealing with persons who are, or who may become, individual and small business customers and their guarantors.

If you are an individual or small business customer, each relevant provision of the Code applies to the product described in this PDS. The general descriptive information referred to in the Code (other than information in relation to bank cheques) is set out in this PDS. This includes information about:

- account opening procedures;
- our obligations regarding the confidentiality of your information;
- complaint handling procedures;
- the advisability of you informing us promptly when you are in financial difficulty; and
- the advisability of you reading the terms and conditions applying to an FXO.

Please let us know if you would like to discuss whether or not the Code will apply to you. Our contact details are set out on page 15.

## Financial crimes monitoring

Bank of Melbourne is bound by laws that impose regulatory and compliance obligations, including obligations in relation to the prevention of money laundering and the financing of terrorism, which are the AML/CTF Laws. In order for Bank of Melbourne to meet its regulatory and compliance obligations, we perform certain control and monitoring activities.

Upon entering into any FXO with Bank of Melbourne, you agree and provide the following undertakings and agree to indemnify Bank of Melbourne against any potential loss arising from any breach by you of such undertakings that:

- you are not and will not enter into any agreement with Bank of Melbourne under an assumed name;
- any funds used by you to enter into an agreement with Bank of Melbourne have not been derived from or related to any criminal activities;
- any payments received from Bank of Melbourne will not be used in relation to any criminal activities;
- if we ask, you will provide us with additional information we reasonably require from you for the purposes of meeting our regulatory and compliance obligations, including the obligations under AML/CTF Laws (including information about the source of funds used to settle an FXO); and
- you and your FXO with Bank of Melbourne will not initiate, engage or effect a transaction that may be in breach of Australian law or sanctions (or the law or sanctions of any other country).

You should be aware that:

- we may obtain information about you or any beneficial owner of an interest in an agreement with Bank of Melbourne from third parties if we believe this is necessary to comply with our regulatory and compliance obligations, including AML/CTF Laws;
- transactions may be delayed, blocked, frozen or refused where we have reasonable grounds to believe that they breach Australian law or sanctions or the law or sanctions of any other country;
- where transactions are delayed, blocked, frozen or refused, Bank of Melbourne and other members of the Westpac Group are not liable for any loss you suffer (including consequential loss) in connection with an FXO; and
- where legally obliged to do so, we may disclose information that we hold about you to our related bodies corporate or service providers, other banks, or relevant regulatory and/or law enforcement agencies (whether in or outside of Australia).

## Our reporting obligations under FATCA

We are required to identify certain US persons in order to meet account information reporting requirements under local and international laws.

If you or (where you are an entity) any office bearer (director of a company, partner in a partnership, trustee of a trust, chairman, secretary or treasurer of an association or co-operative) of the entity and/or any individual who holds an interest in the entity of more than 25% (a Controlling Person) are a US citizen or US tax resident, you must telephone 1300 667 156 at the time of entering into an FXO. When you contact us you will be asked to provide additional information about your US tax status and/or the US tax status of any Controlling Person which will constitute certification of US tax status for the purposes of the application to which the FXO relates.

Unless you notify us that you and/or any Controlling Person are a US citizen or US tax resident as specified above, entering into an FXO with us constitutes certification that you and/or any Controlling Person are not a US citizen or US tax resident.

If at any time after entering into an FXO information in our possession suggests that you and/or any Controlling Person may be a US citizen or US tax resident, you may be contacted to provide further information on your US tax status and/or the US tax status of any Controlling Person. Failure to respond may lead to certain reporting requirements applying to the FXO.

## Telephone conversations

The terms of an FXO are usually agreed verbally over the phone or electronically over an on-line system. Once we have reached an agreement, both you and Bank of Melbourne are bound by the terms of the FXO.

Conversations with our dealing room and settlement departments are recorded. This is standard market practice. We do this to make sure that we have complete records of the details of all transactions. Recorded conversations are retained for a limited period and are usually used where there is a dispute and for staff training and monitoring purposes.

You will need to advise our dealer if you do not wish to be recorded. However, we will not enter into any transaction over the telephone unless the conversation is recorded.

## Taxation

Taxation law is complex and its application to this product will depend on your particular circumstances. We make no claim that this product will provide a beneficial or appropriate tax outcome for you. When determining whether this product is suitable for your circumstances, you should consider the impact it will have on your own taxation position and seek professional advice on the tax implications it may have for you.

This document has been produced for use by Australian tax residents only. If you are not a resident of Australia for tax purposes and have entered into an FXO, you may be required to withhold tax on payments you make. If you are required to withhold an amount of tax on any payments you make as a non-resident, you are liable to gross up that payment such that we receive all amounts clear of any tax.

## Privacy

We collect personal information from you to process your application, provide you with your product or service, and manage your product or service. We may also use your information to comply with legislative or regulatory requirements in any jurisdiction, prevent fraud, crime or other activity that may cause harm in relation to our products or services and help us run our business. We may also use your information to tell you about products or services we think may interest you.

If you do not provide all the information we request, we may need to reject your application or we may no longer be able to provide a product or service to you.

We may disclose your personal information to other members of the Westpac Group, anyone we engage to do something on our behalf and other organisations that assist us with our business.

We may disclose your personal information to an entity which is located outside Australia. Details of the countries where the overseas recipients are likely to be located are in our privacy policy.

As a provider of financial services, we have obligations to disclose some personal information to government agencies and regulators in Australia, and in some cases offshore. We are not able to ensure that foreign government agencies or regulators will comply with Australian privacy laws, although they may have their own privacy laws. By using our products or services, you consent to these disclosures.

We are required or authorised to collect personal information from you by certain laws. Details of these laws are in our privacy policy.

Our privacy policy is available at [www.bankofmelbourne.com.au](http://www.bankofmelbourne.com.au) or by calling 13 22 66. It covers:

- how you can access the personal information we hold about you and ask for it to be corrected;
- how you may complain about a breach of the Australian Privacy Principles or a registered privacy code and how we will deal with your complaint; and
- how we collect, hold, use and disclose your personal information in more detail.
- We will update our privacy policy from time to time.

We will use your personal information to contact you or send you information about other products and services offered by Bank of Melbourne or its preferred suppliers. Please call us on 13 22 66 or visit any of our branches if you do not wish to receive marketing communications from us.

In addition to our duties under legislation, we have a general duty of confidentiality towards you, except where disclosure is made in a manner consistent with this PDS.

## Labour standards or environmental, social and ethical considerations

Bank of Melbourne does not take into account labour standards or environmental, social or ethical considerations when entering into an FXO. To learn more about Bank of Melbourne's commitment to sustainability (including our latest Stakeholder Impact Report) go to [www.bankofmelbourne.com.au](http://www.bankofmelbourne.com.au).

## **Dispute resolution**

Sometimes you may want to talk about problems you are having with us. Fixing these problems is very important to us.

We've put in place ways of dealing with your issues quickly and fairly.

### **Please talk to us first**

We aim to resolve your complaint at your first point of contact with us. Our contact details are set out on page 14.

### **What to do if you are still unhappy**

If we still haven't been able to deal with your issues to your satisfaction, there are a number of other bodies you can go to. Our external dispute resolution provider is the Financial

Ombudsman Service, our membership number is 28531 and the contact details are:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Phone: 1300 780 808  
Fax: (03) 9613 6399

Internet: [www.fos.org.au](http://www.fos.org.au)  
Email: [info@fos.org.au](mailto:info@fos.org.au)

You can also contact the Australian Securities & Investments Commission (ASIC) to make a complaint and to obtain further information about your rights. They have a freecall Infoline on 1300 300 630 or visit [www.asic.gov.au](http://www.asic.gov.au).

# Glossary

To help you to understand this PDS, the meanings of some words used in this PDS are set out below.

**American option** means an option where, if exercised, settlement takes place two business days after the exercise decision is made. An American option can be exercised at any time up to the Expiration Time on the Expiration Date.

**AUD** means Australian dollars.

**Bank of Melbourne, we or us** means Bank of Melbourne, a division of Westpac Banking Corporation (ABN 33 007 457 141, AFSL No 233714)

**Call Currency** means the currency set out as such in the Confirmation. It is the nominated currency which you have the right to buy under a Call option.

**Call option** means an option that provides the holder with the right to buy the nominated Call Currency.

**Clear Funds** means funds that are immediately available on settlement.

**Code** means the Code of Banking Practice adopted by us and other banks.

**Confirmation** means a letter confirming the terms of a particular FXO.

**Currency Pair** means the two currencies applying in respect of an FXO. The currency pair must be acceptable to Bank of Melbourne.

**European option** means an option where, if exercised, settlement takes place on the pre-agreed Settlement Date. The exercise decision is made at the Expiration Time on the Expiration Date.

**Expiration Date** means the date set out as such in the Confirmation. It is the date on which the outcome of the FXO will be determined.

**Expiration Time** means the time set out as such in the Confirmation. It is the time on the Expiration Date at which the outcome of the FXO will be determined.

**FATCA** means (a) sections 1471 to 1474 of the United States of America Internal Revenue Code of 1986 or any associated regulations or other official guidance; (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States of America and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or (c) any agreement under the implementation of paragraphs (a) or (b) above with the United States of America Internal Revenue Service, the United States of America government or any governmental or taxation authority in any other jurisdiction.

**Forward Exchange Rate** means the price of one currency in terms of another currency for delivery on a specified date in the future taking into account Bank of Melbourne's costs and its profit margin. This is the rate that Bank of Melbourne would make available to you at the relevant time.

**FXO and Foreign Exchange Option** mean the product the subject of this PDS.

**Market Foreign Exchange Rate** means the price of one currency in terms of another currency for delivery on the same day after taking into account Bank of Melbourne's costs and its profit margin. This is the rate that Bank of Melbourne would make available to you at the relevant time.

**Premium** means an amount payable on the Premium Payment Date.

**Premium Payment Date** means the date set out as such in the confirmation on which the Premium is paid by the buyer of the option. It is generally two business days after the Trade Date, subject to adjustment at Bank of Melbourne's discretion where banks are not open for business in Sydney, Australia on that date. With Bank of Melbourne's agreement it can be an alternate date that is agreed prior to determining the Premium on the Trade Date.

**Put Currency** means the currency set out as such in the Confirmation. It is the nominated currency which you have the right to sell under a Put option.

**Put option** means an option that provides the holder with the right to sell the nominated Put Currency.

**Settlement Date** means the date set out as such in the Confirmation. It is the date on which the Currency Pair will be exchanged under a European option where the option is exercised. It may also be the date where the Currency Pair is exchanged for an American option if the exercise decision is made on the Expiration Date of the FXO.

**Strike Price** means the agreed exchange rate which is used as a reference point when determining whether the option will be exercised. It is the exchange rate at which the Currency Pair will be exchanged when the option is exercised.

**Trade Date** means the date FXO is entered into.

**USD** means United States dollars.

**You, your** means the customer entering into an FXO.

# Contact Details

For more information, please contact.

- **Victoria**

Level 8, 530 Collins Street  
Melbourne VIC 3000  
Telephone (03) 9629 9995