



Bank of Melbourne

Agricultural Swap Contract

Product Disclosure Statement



Bank of Melbourne

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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 Agricultural Swap Contracts (ASCs) 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 ASC is a sophisticated financial product requiring a good understanding of the way commodity 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 ASC, 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 16.

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.

The information in this PDS may be updated and made available to you on our website at

www.bankofmelbourne.com.au

We will provide you with a paper copy of any updated information posted on our website on request without charge. Information relating to ASCs that is not materially adverse may change from time to time.

If there is a change to information relating to ASCs that is materially adverse, we will (depending on the nature of the change or event) notify you within 3 months of the change or event and issue a replacement or supplementary PDS where required.

This PDS and any invitation to apply for an ASC that this PDS relates to are 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.



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Agricultural Swap Contract (ASC) Summary

Issuer	Bank of Melbourne, a division of Westpac Banking Corporation (ABN 33 007 457 141 AFSL 233714).
Purpose	An ASC is designed to assist you in reducing your commodity price risk by allowing you to swap a floating price for a fixed price for a specified commodity. It will also help you to manage your currency risk where you elect to transact your ASC in Australian dollars (AUD).
Suitability	An ASC may be suitable if you have a good understanding of commodity markets and have a genuine commercial need to manage the price risk associated with a particular commodity. It should not be used for trading or speculative purposes.
Costs	There are no up-front out of pocket costs with an ASC. See the section titled "What are the costs?" on page 7 for more information.
Key Benefits	<p>Protection – An ASC provides you with protection against unfavourable commodity price movements.</p> <p>Coverage – ASCs are available for a wide range of commodities. Please contact us to confirm your desired commodity is covered. Our contact details are set out on page 18.</p> <p>Cashflow Certainty - An ASC allows you to fix the value of a commodity sale or purchase in a specified currency.</p> <p>Flexibility – Key variables, including the Maturity Date and the Notional Volume, can be tailored to meet your particular needs.</p> <p>See the section titled "Key Benefits" on page 7 for more information.</p>
Key Risks	<p>Opportunity loss – You will not receive the benefit of favourable commodity price movements that may occur.</p> <p>Variation / Early termination – You can vary or terminate an ASC early but there may be a cost if you do so.</p> <p>No cooling off period – There is no cooling off period.</p> <p>Counterparty and operational risk – Bank of Melbourne has performance obligations under an ASC. You need to form a judgment of our ability to meet those obligations.</p> <p>Basis Risk – You are exposed to price risk where the actual commodity price you pay (or receive) in the physical market does not match the Floating Reference Price of the ASC.</p> <p>Currency Risk – Where the ASC is not denominated in AUD you will be exposed to currency risk.</p> <p>See the section titled "Key Risks" on page 7 and the section titled "Can I terminate an ASC before the Maturity Date?" on page 6 for more information.</p>
Term	1 month to 3 years (longer terms may be available on request)
Minimum Transaction Amount	Wheat – 100 metric tonnes; Sugar – 100 metric tonnes (smaller amounts and other commodities may be available on request)
How to Apply	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.



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Agricultural Swap Contract (ASC)

What is an ASC?

An ASC is an agreement between you and Bank of Melbourne that protects you against unfavourable commodity price movements and, if denominated in AUD, against unfavourable exchange rate movements too. It effectively fixes the price you receive, or pay, for your underlying commodity. Under an ASC you exchange a floating price for a fixed price for a quantity of a specified commodity.

An ASC may be useful for producers looking to protect their revenue against declining commodity prices, consumers looking to protect their costs against increasing commodity prices and other customers with exposure to commodity price movements.

How do ASCs work?

When you enter into an ASC, you nominate the commodity and the currency that you want your contract denominated in.

You also nominate the Maturity Date on which you want settlement to occur, the Notional Volume of the commodity and the Floating Reference Price you are looking to exchange. Bank of Melbourne will then determine the Fixed Swap Price based on the details nominated by you.

The Floating Reference Price is the variable price of your underlying commodity. It will be based on an agreed Futures Contract on an agreed futures exchange. Appendix A provides examples of some of these.

Where the agreed Futures Contract is not denominated in the currency you nominated it will be converted into that currency using a Reference Exchange Rate on the Maturity Date. The source of the Reference Exchange Rate will be agreed up-front.

The Fixed Swap Price is your level of commodity price protection. It will be denominated in the currency nominated by you.

On the Maturity Date a cash settlement amount will be calculated. Depending upon the relationship between the Floating Reference Price and the Fixed Swap Price this amount will be payable by Bank of Melbourne to you or alternatively by you to Bank of Melbourne. The amount payable will be based on the Notional Volume of the contract. It will be payable on the Settlement Date agreed up-front.

Where you have entered into an ASC to manage the risk of a rise in commodity prices (that is you agree to pay the Fixed Swap Price), the two possible outcomes on the Maturity Date are:

- if the Fixed Swap Price is greater than the Floating Reference Price, then you will make a cash payment to Bank of Melbourne based on the difference between these prices; and
- if the Floating Reference Price is greater than the Fixed Swap Price, then Bank of Melbourne will make a cash payment to you based on the difference between these prices.

Where you have entered into an ASC to manage the risk of a fall in commodity prices (that is you agree to receive the Fixed Swap Price), the two possible outcomes on the Maturity Date are:

- If the Fixed Swap Price is greater than the Floating Reference Price, then Bank of Melbourne will make a cash payment to you based on the difference between these prices
- If the Floating Reference Price is greater than the Fixed Swap Price, then you will make a cash payment to Bank of Melbourne based on the difference between these prices.

How does Bank of Melbourne determine my Fixed Swap Price?

When determining the Fixed Swap Price, Bank of Melbourne takes several factors into account including:

- the commodity and the time zone you choose to trade in
- the Maturity Date set by you
- the Floating Reference Price. eg., the futures price on the agreed futures exchange
- the Forward Exchange Rate of the relevant Currency Pair required to convert the futures price into the currency nominated by you and the agreed source of the Reference Exchange Rate
- market volatility and market liquidity.

What happens on the Maturity Date?

On the Maturity Date, the Floating Reference Price will be identified and Bank of Melbourne will then calculate the cash settlement amount payable.

The **cash settlement amount** will be the net difference between the floating amount payable and the fixed amount payable and will be calculated as follows:

$$\text{floating amount payable} = \text{Notional Volume} \times \text{Floating Reference Price}$$

$$\text{fixed amount payable} = \text{Notional Volume} \times \text{Fixed Swap Price}$$

Depending on the terms of your ASC (in particular whether you are paying the fixed amount or paying the floating amount) the difference between these amounts will be payable by you to Bank of Melbourne or by Bank of Melbourne to you.



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Where you are paying Bank of Melbourne you will need to provide Bank of Melbourne with either foreign currency or 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. Where Bank of Melbourne is required to make a payment to you we 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 ASC before the Maturity Date?

You may ask us to terminate an ASC at any time prior to the Maturity Date ("Early Termination"). We will then provide you with an Early Termination quote. There will be a cost or gain arising as a result of Early Termination. If you accept the Early Termination quote, we will Early Terminate the ASC.

Our quote will incorporate the same variables used when pricing the original ASC. These will be adjusted for the prevailing conditions in respect of the remaining term of the ASC. 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.

You will be responsible for any costs incurred by Bank of Melbourne in Early Terminating the ASC, however Bank of Melbourne will also pass on to you any gain arising as a result of Early Termination.

Any payments due to you, or payable by you, shall occur within five business days of accepting the Early Termination quote.

Can I leave orders?

Bank of Melbourne may accept and execute orders on your behalf. However, we are not obliged to do so.

An order is a request that you leave with the bank to establish or terminate an ASC on your behalf once a specified price nominated by you is reached. Requests for orders can be placed on any Sydney business day between 9 a.m. and 7 p.m. Sydney time.

The minimum amount for an order is the same as that applying for any transaction with us (see "Minimum Transaction Amount" in the "ASC Summary" on page 4). All requests for orders will be subject to our normal Credit Approval process.

If the commodity price is reached, in the currency nominated by you, we will attempt to execute your order. This will be on a best endeavours basis. It may not always be possible for us to complete your order at the nominated price. This may be due to a large jump in the market price of the commodity (and where applicable the relevant exchange rate) or a lack of liquidity in the underlying market at the time the level is reached. Similarly, this may result in your order being partly completed. Unless specified at the time the order is placed orders will be partially completed if nominated levels are reached.

Orders will be in place until executed or until you advise us to cancel them.

You will be advised as soon as practical if an order is executed.

Are there any Bank of Melbourne credit requirements before dealing?

Before entering into an ASC, Bank of Melbourne will assess your financial position to determine whether or not your situation satisfies our normal credit requirements. This assessment is to determine your creditworthiness. 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.



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Costs, Benefits and Risks

What are the costs ?

There are no up-front out of pocket costs with an ASC. The price of an ASC is simply the Fixed Swap Price applicable to the ASC. This price is determined by Bank of Melbourne (see the section “How does Bank of Melbourne determine my Fixed Swap Price?” on page 5 for more information) and will be quoted to you immediately prior to your entry into the specified ASC.

While there are no direct fees associated with an ASC, Bank of Melbourne still derives a financial benefit. Bank of Melbourne obtains that benefit by incorporating a margin into the Fixed Swap Price it sets. In effect, you pay for an ASC by accepting the Fixed Swap Price quoted by Bank of Melbourne.

Key Benefits

Protection

ASCs provide you with protection against unfavourable commodity price movements between the time you deal and the Maturity Date. This can assist you in managing your commodity exposures. On the Maturity Date, you will be protected for the Notional Volume at the Fixed Swap Price (in the absence of any basis risk - see below).

Where the Fixed Swap Price is denominated in AUD an ASC will also protect you against the impact of unfavourable exchange rate movements on your commodity price in AUD terms

Coverage

ASCs are available for a wide range of commodities. They can also be denominated in a wide range of currencies to match your underlying needs. Please contact us to confirm your desired commodity is covered. Our contact details are set out on page 18.

Cashflow certainty

An ASC allows you to fix the value of a commodity sale or purchase in a specified currency or part of a commodity sale or purchase where the ASC is fixing a price component that contributes to the full price. Removing the uncertainty of commodity price fluctuations will assist you with cash flow planning/forecasting.

Flexibility

The Maturity Date and the Notional volume can be tailored to meet your particular requirements.

Cost and Administration

In contrast with a commodity Futures Contract no brokerage fees are payable with an ASC and the collateral requirements associated with Futures Contracts, including margin calls, do not apply with ASCs. Where your credit application is successful and the appropriate documentation has been signed your only obligation is the settlement of the ASC.

Key Risks

Variation / Early Termination

Terminations or variations to your ASC may result in a cost to you – see the section titled “Can I terminate an

ASC before the Maturity 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 ASC, you cannot terminate or vary the ASC without our consent. See the “Variation / Early Termination” section above.

Opportunity loss

You will forego any benefit of a favourable commodity price move between the time you enter into an ASC and the Maturity Date.

The price achieved with an ASC may not be as favourable as the price you could have achieved 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 ASC. If we are unable to perform our obligations under your ASC, you may be exposed to commodity price fluctuations as if you had not entered into an ASC.

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.

Basis Risk

An ASC will not protect you against any price risk that exists when the Floating Reference Price does not match the actual commodity price you pay or receive in the physical market. This risk is referred to as basis risk. (For example, prices paid and received in the physical market take into account “grade” and “location”. An ASC does not cover this risk.)

Currency Risk

Commodity prices are generally traded and expressed in Unites States dollars (USD) in the global market; some like Canola are generally traded in Canadian Dollars. Accordingly the commodity price component of the Floating Reference Prices is generally denominated in foreign currency.

The Floating Reference Price can be denominated in any currency through the inclusion of an appropriate Currency Reference Source which is agreed up-front.

Where the AUD is your accounting currency and the ASC is not expressed in AUD terms (i.e. the Floating Reference Price is not denominated in AUD) you will be exposed to currency risk.



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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 ASC. This will either be an agreement with us or an industry standard master dealing agreement.

We will advise you which master dealing agreement you will need to sign.

The master dealing agreement 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.

Email or facsimile authority and indemnity

If you would like to provide us with email or facsimile instructions in relation to an ASC, 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 ASC 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 ASC 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 ASC.

Shortly after entering into an ASC, 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 agreed Notional Volume on which calculations will be based
- the basis for determining the Floating Reference Price
- the Fixed Swap Price
- the Maturity Date – this is the date on which the Floating Reference Price is determined and the cash settlement amount is calculated.

The Confirmation will also specify that settlement payments will be "netted" and any cash payment from you, or cash payment to you, will be settled under advice to you through your Bank of Melbourne transactional account (or your nominated account if we have agreed to use alternative arrangements).

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.

In addition, Bank of Melbourne will send you a Settlement Advice on the Settlement Date detailing the calculations of all cash settlement flows and advising you of any payments due to you or by you under your ASC.



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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 ASC, 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 - Commodity Producer (Seller of Wheat : USD Swap)

You are a wheat producer looking for protection from falling wheat prices in December and you decide to hedge the price on 250 metric tonnes of wheat for this period. You decide to only protect the USD value of your production, choosing to manage your AUD/USD exchange rate risk separately.

If I do nothing, what commodity price risk do I face?

If you did nothing, the amount of USD you will receive in December when you sell your wheat will depend on the market price for wheat at the time as specified in your sales contract.

If the wheat price falls you will receive less USD when you sell your wheat in the physical market. Alternatively, if the wheat price rises you will receive more USD when you sell your wheat.

How will an ASC change this?

You enter into an ASC to receive a fixed price for wheat with a Notional Volume of 250 metric tonnes, a Maturity Date of 30 November and specify the Floating Reference Price to be the December Chicago Board of Trade (CBOT) Wheat Futures Contract. Based on these details Bank of Melbourne determines the Fixed Swap Price to be USD 185 per tonne.

On the Maturity Date Bank of Melbourne will calculate the floating amount payable and the fixed amount payable. Where the floating amount payable by you is greater than the fixed amount payable by Bank of Melbourne you will pay the net difference to Bank of Melbourne. Alternatively, where the opposite occurs you will receive the difference from Bank of Melbourne.

The floating amount payable will depend on the Floating Reference Price at maturity. In this example it is the close of business settlement price for the December contract for the floor session of the CBOT converted from bushels into tonnes. As the CBOT wheat Futures Contract is expressed in US cents per bushel, the futures price has to be multiplied by 0.367437 in order to express the Floating Reference Price in USD per metric tonne.

For example, if the December CBOT wheat Futures Contract on the Maturity Date is 465 US cents per bushel, the equivalent Floating Reference Price will be USD 170.86 per tonne ($= 465 \times 0.367437$).

There are two possible scenarios on the Maturity Date of 30 November. These are:

- a) if the Floating Reference Price is less than the USD 185 per tonne Fixed Swap Price Bank of Melbourne will pay you the difference in USD on the Settlement Date (2 December).

For example if the Floating Reference Price is USD 170.86 per tonne the floating amount payable by you will be:

USD 42,715.00
($= 250 \times \text{USD } 170.86$)

while, the fixed amount payable by Bank of Melbourne will be:

USD 46,250.00
($= 250 \times \text{USD } 185$)

Accordingly, the difference (USD 3,535.00) will be payable by Bank of Melbourne to you on the Settlement Date. This amount will compensate you for the lower price you will receive when you sell your physical wheat.

If you sell your wheat in the physical market at the Floating Reference Price of USD 170.86 you will receive USD 42,715.00. Adding to this the USD amount you receive from the swap settlement, your total USD revenue will be USD 46,250.00. This is equivalent to USD 185 per tonne ($46,250 / 250$) i.e. the Fixed Swap Price.

- b) if the Floating Reference Price is greater than the USD 185 per tonne Fixed Swap Price you will pay Bank of Melbourne the difference in USD on the Settlement Date (2 December).

For example if the Floating Reference Price is USD 195 per tonne the floating amount payable by you will be:

USD 48,750.00
($= 250 \times \text{USD } 195$)

while, the fixed amount payable by Bank of Melbourne will be:

USD 46,250.00
($= 250 \times \text{USD } 185$)

Accordingly, the difference (USD 2,500) will be payable by you to Bank of Melbourne on the Settlement Date. This amount will offset the higher price you receive when you sell your physical wheat. If you sell your wheat in the physical market at the Floating Reference Price of USD 195 you will receive USD 48,750.00. Subtracting from this the USD amount payable by you under the swap settlement, your total USD revenue will be USD 46,250. This is equivalent to USD 185 per tonne ($46,250 / 250$), i.e. the Fixed Swap Price.



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What is not covered with an ASC?

By entering into an ASC you have removed the uncertainty of commodity price fluctuations between now and December. Provided you can sell your physical wheat at the Floating Reference Price you have effectively fixed the sale price of your wheat at the Fixed Swap Price of the ASC.

However, you need to remember that the price you receive under the contract for the physical sale of your wheat may not be an exact reflection of the Floating Reference Price under your ASC. This could occur, for example, because the price that you receive for the physical sale of your wheat takes into account matters such as transport costs, the quality of the wheat and other factors. These fluctuations in the price that you receive are referred to as the "Basis" and are not covered by an ASC. Any slippage between the price you receive in the physical market and the Floating Reference Price effectively reduces the fixed price you actually achieve.

Scenario 2 - Commodity Producer (Seller of Sugar: AUD Swap)

You are a sugar producer looking for protection from falling sugar prices in July and you decide to hedge the price on 300 metric tonnes of sugar for this period. You decide that you also want to protect yourself against adverse exchange rate movements and hence wish to hedge your sugar price risk in Australian dollars (AUD).

If I do nothing, what commodity price risk do I face?

If you did nothing, the amount of AUD you will receive in July when you sell your sugar will depend on the market price for sugar and the AUD/USD Market Foreign Exchange Rate at the time as specified in your sales contract.

If the sugar price denominated in AUD falls you will receive less AUD when you sell your sugar in the physical market. Alternatively, if the sugar price denominated in AUD rises you will receive more AUD when you sell your sugar.

How will an ASC change this?

You enter into an ASC to receive a fixed price for sugar with a Notional Volume of 300 metric tonnes, a Maturity Date of 30 June and specify the Floating Reference Price to be the July Intercontinental Exchange (ICE) Sugar No. 11 Futures contract. Based on these details Bank of Melbourne determines the Fixed Swap Price to be AUD 460.00 per tonne and agrees to use the AUDFIX10H rate (published by WM/Reuters at or before 10 a.m. Sydney time on Reuters page "AUDFIX") to convert the USD sugar price into AUD on the Maturity Date.

On the Maturity Date Bank of Melbourne will calculate the floating amount payable and the fixed amount payable. Where the floating amount payable by you is greater than the fixed amount payable by Bank of Melbourne you will pay the net difference to Bank of Melbourne. Alternatively, where the opposite occurs you will receive the difference from Bank of Melbourne.

The floating amount payable will depend on the Floating Reference Price and the Reference Exchange Rate at maturity. In this example it is the Sugar No. 11 close of business settlement price for the July contract for the floor

session of the ICE converted from pounds into tonnes. As the ICE sugar Futures Contract is expressed in US cents per pound, the futures price has to be multiplied by 22.046 in order to express the Floating Reference Price in USD per metric tonne.

For example, if the July Sugar No. 11 Futures Contract on the Maturity Date is 13.00 US cents per pound, the equivalent Floating Reference Price will be USD 286.60 per tonne (= 13.00 x 22.046). This price in turn will then need to be converted into AUD using the AUD/USD Reference Exchange Rate. If the AUD/USD exchange rate is 0.7500 the Floating Reference Price in AUD terms will be AUD 382.13.

There are two possible scenarios on the Maturity Date of 30 June. These are:

- a) if the Floating Reference Price is less than the AUD 460.00 per tonne Fixed Swap Price Bank of Melbourne will pay you the difference in AUD on the Settlement Date (2 July)

For example if the Floating Reference Price is AUD 382.13 per tonne the floating amount payable by you will be:

AUD 114,639.00
(= 300 x AUD 382.13)

while, the fixed amount payable by Bank of Melbourne will be:

AUD 138,000.00
(= 300 x AUD 460.00)

Accordingly, the difference (AUD 23,361.00) will be payable by Bank of Melbourne to you on the Settlement Date. This amount will compensate you for the lower price you will receive when you sell your physical sugar.

If you sell your sugar in the physical market at the Floating Reference Price of AUD 382.13 you will receive AUD 114,639.00. Adding to this the AUD amount you receive from the swap settlement, your total AUD revenue will be AUD 138,000.00. This is equivalent to AUD 460.00 per tonne ((138,000.00 / 300), i.e. the Fixed Swap Price.

- b) if the Floating Reference Price is greater than the AUD 460.00 per tonne Fixed Swap Price you will pay Bank of Melbourne the difference in AUD on the Settlement Date (2 July).

For example if the Floating Reference Price is AUD 510 per tonne the floating amount payable by you will be:

AUD 153,000.00
(= 300 x AUD 510)

while, the fixed amount payable by Bank of Melbourne will be:

AUD 138,000.00
(= 300 x AUD 460.00)

Accordingly, the difference (AUD 15,000.00) will be payable by you to Bank of Melbourne on the Settlement Date. This amount will offset the higher price you receive when you sell your physical sugar. If you sell your sugar in the physical market at the



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Floating Reference Price of AUD 510 you will receive AUD 153,000.00. Subtracting from this the AUD amount payable by you under the swap settlement, your total AUD revenue will be AUD 138,000.00. This is equivalent to AUD 460.00 per tonne (138,000.00/300), i.e. the Fixed Swap Price.

What is not covered with an ASC?

By entering into an ASC you have removed the uncertainty of commodity price fluctuations between now and July. Provided you can sell your physical sugar at the Floating reference Price you have effectively fixed the sale price of your sugar at the Fixed Swap Price of the ASC.

However, you need to remember that the price you receive under the contract for the physical sale of your sugar may not be an exact reflection of the Floating Reference Price under your ASC. This could occur, for example, because the price that you receive for the physical sale of your sugar takes into account matters such as transport costs, the quality of the sugar and other factors. These fluctuations in the price that you receive are referred to as the "Basis" and are not covered by an ASC. Any slippage between the price you receive in the physical market and the Floating Reference Price effectively reduces the fixed price you actually achieve.

Scenario 3 Commodity Consumer (Purchaser of Wheat – AUD Swap)

You are a cereal manufacturer seeking protection from rising wheat prices in May and decide to hedge the price on 200 tonnes of wheat for this period. As you are also concerned about your exchange rate risk you want to hedge the AUD value of your wheat purchases at the same time.

If I do nothing, what commodity price risk do I face?

If you did nothing, the amount of AUD you will need to purchase your wheat in May will depend on the market price for wheat and the AUD/USD exchange rate at the time as specified in your purchase contract.

If the wheat price denominated in AUD rises you will need more AUD when you purchase wheat in the physical market. Alternatively, if the wheat price denominated in AUD falls you will need less AUD when you purchase wheat.

How will an ASC change this?

You enter into an ASC to pay a fixed price for wheat with a Notional Volume of 200 metric tonnes, a Maturity Date of 30 April and specify the Floating Reference Price to be the May Chicago Board of Trade (CBOT) Wheat Futures contract. Based on these details Bank of Melbourne determines the Fixed Swap Price to be AUD 255 per tonne and agrees to use the AUDFIX10H rate (published by WM/Reuters at or before 10 a.m. Sydney time on Reuters page "AUDFIX") to convert the USD wheat price into AUD on the Maturity Date.

On the Maturity Date Bank of Melbourne will calculate the floating amount payable and the fixed amount payable. Where the fixed amount payable by you is less than the floating amount payable by Bank of Melbourne we will pay you the net difference. Alternatively, where the opposite occurs you will pay the net difference to Bank of Melbourne.

The floating amount payable will depend on the Floating Reference Price and the Reference Exchange Rate at maturity. In this example it is the close of business settlement price for the May contract for the floor session of the CBOT converted from bushels into tonnes. As the CBOT wheat Futures Contract is expressed in US cents per bushel, the futures price has to be multiplied by 0.367437 in order to express the Floating Reference Price in USD per metric tonne.

For example, if the May CBOT wheat Futures Contract on the Maturity Date is 550 US cents per bushel, the equivalent Floating Reference Price will be USD 202.09 per tonne (= 550 x 0.367437). This price in turn will then need to be converted into AUD using the AUD/USD Reference Exchange Rate. If the AUD/USD exchange rate is 0.7000 the Floating Reference Price in AUD terms will be AUD 288.70.

There are two possible scenarios on the Maturity Date of 30 April. These are:

- (a) if the Floating Reference Price is greater than the AUD 255.00 per tonne Fixed Swap Price Bank of Melbourne will pay you the difference in AUD on the Settlement Date (2 May).

For example if the Floating Reference Price is AUD 288.70 per tonne the floating amount payable by Bank of Melbourne will be:

AUD 57,740.00
(= 200 x AUD 288.70)

while, the fixed amount payable by you will be:

AUD 51,000.00
(= 200 x AUD 255.00)

Accordingly, the difference (AUD 6,740.00) will be payable by Bank of Melbourne to you on the Settlement Date. This amount will compensate you for the higher price you will pay when you purchase your physical grain.

If you purchase your wheat in the physical market at the Floating Reference Price of AUD 288.70 you will pay AUD 57,740.00. Subtracting from this the AUD amount you receive under the swap settlement, your total AUD outlay will be AUD 51,000.00. This is equivalent to AUD 255.00 per tonne (51,000.00 / 200), i.e. the Fixed Swap Price.

- (b) if the Floating Reference Price is less than the AUD 255.00 per tonne Fixed Swap Price you will pay Bank of Melbourne the difference in AUD on the Settlement Date (2 May).

For example if the Floating Reference Price is AUD 225.00 per tonne the floating amount payable by Bank of Melbourne will be:

AUD 45,000.00
(= 200 x AUD 225.00)

while, the fixed amount payable by you will be:

AUD 51,000.00
(= 200 x AUD 255.00)



Bank of Melbourne

Accordingly, the difference (AUD 6,000.00) will be payable by you to Bank of Melbourne on the Settlement Date. This amount will offset the lower price you pay when you purchase your physical wheat.

If you purchase your wheat in the physical market at the Floating Reference Price of AUD 225.00 you will pay AUD 45,000.00. Adding to this the AUD amount payable under the swap, your total AUD outlay will be AUD 51,000.00. This is equivalent to AUD 255.00 per tonne (51,000.00/ 200), i.e. the Fixed Swap Price.

What is not covered with an ASC?

By entering into an ASC you have removed the uncertainty of commodity price fluctuations between now and May. Provided you can purchase your physical wheat at the Floating Reference Price you have effectively fixed the purchase price of your wheat at the Fixed Swap Price of the ASC.

However, you need to remember that the price you pay under the contract for the physical purchase of your wheat may not be an exact reflection of the Floating Reference Price under your ASC. This could occur, for example, because the price that you pay for the physical purchase of your wheat takes into account matters such as transport costs, the quality of the wheat and other factors. These fluctuations in the price that you receive are referred to as the "Basis" and are not covered by an ASC. Any slippage between the price you pay in the physical market and the Floating Reference Price effectively increases the fixed price you actually pay.



Bank of Melbourne

General Information

What information we need from you

In order to enter into an ASC 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.

If this is your first account with 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.Bank of Melbourne.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 ASC.

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 18.

Financial crimes monitoring

Bank of Melbourne is bound by laws to meet its regulatory and compliance obligations, including obligations in relation to the prevention of money laundering and the financing of terrorism under 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 ASC with Bank of Melbourne, you 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 ASC); and
- you and your ASC 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 Bank of Melbourne Group are not liable for any loss you suffer (including consequential loss) in connection with a ASC; 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).



Bank of Melbourne

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 us on 1300 667 156 at the time of entering into an ASC. 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 ASC relate.

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 ASC 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 ASC, 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 ASC.

Telephone conversations

The terms of an ASC 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 ASC.

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 a BMSC, 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 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.



Bank of Melbourne

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 ASC. To learn more about Bank of Melbourne's commitment to sustainability (including our latest Stakeholder Impact Report) go to www.Bank of Melbourne.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 18.

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 Limited

GPO Box 3
Melbourne VIC 3001
Phone 1800 367 287
Fax: (03) 9613 6399
Internet: www.fos.org.au
Email: 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.



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Glossary

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

ASC and Agricultural Swap Contract mean the product the subject of this PDS.

AUD means Australian dollars.

AUDFIX10H or **WM/Reuters Australian Fix 10:00**, means the AUD/USD spot exchange rate displayed on the Reuters screen identified by the letters "AUDFIX" under the heading "Today's 10 am reference rate" at or around 10:00 hours (Sydney time) on that date.

Bank of Melbourne, we or us means Bank of Melbourne, a division of Westpac Banking Corporation (ABN 33 007 457 141 AFSL 233714).

Basis means the difference between the price received (or paid) in the physical market (which will reflect quality, transport costs and other factors) and the Floating Reference Price.

CBOT means Chicago Board of Trade, a Futures and Options on Futures Exchange, based in Chicago IL., USA.

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 ASC.

Currency Pair means, where applicable, the two currencies applying in respect of an ASC. The currency pair will be the relevant currency pair required to convert the futures price from one currency to another nominated by you

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

Fixed Swap Price means the agreed fixed price you will pay or receive under the ASC.

Floating Reference Price means the floating ("non-fixed") component of the ASC. It is the variable price of your underlying commodity and will be based on an agreed Futures Contract on an agreed futures exchange. Where applicable it will be converted into your nominated currency using an agreed Reference Exchange Rate.

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 will use when the futures price is denominated in a different currency to the one you nominate.

Futures Contract means a legally binding agreement, made on a trading floor of a futures exchange, to buy or sell a commodity or financial instrument sometime in the future.

ICE means Intercontinental Exchange, a Futures and Options on Futures Exchange operating across North America and Europe.

Market Foreign Exchange Rate means the price of one currency in terms of another currency for a specified delivery date 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.

Maturity Date means the date on which the Floating Reference Price is set and the outcome of the ASC is determined.

Notional Volume means the agreed quantity of the underlying commodity of the ASC.

NYBOT means New York Board of Trade, a Futures and Options on Futures Exchange, based in New York NY., USA.

Reference Exchange Rate means the exchange rate source agreed up front that will be used to convert the Floating Reference Price into the currency nominated by you (for example, AUDFIX10H).

Reuters means Thomson Reuters or its successor, as identified by Bank of Melbourne acting in a commercially reasonable manner.

Settlement Advice means a letter detailing the calculation of the cash settlement amount as determined by Bank of Melbourne on the Maturity Date.

Settlement Date means the date on which the cash settlement amount is paid. The date is 2 business days after the Maturity Date or such date as shown in the Confirmation.

USD means United States dollars.

you, your means the customer entering into an ASC.



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Appendix A – Examples of Floating Reference Price Sources

Other commodities may be available on request

Commodity	Floating Reference Price Source
Wheat	Chicago Board of Trade (CBOT) Kansas City Board of Trade (KBOT) Australian stock Exchange – (ASX) - Milling Wheat, WA Wheat
Sugar	Intercontinental Exchange (ICE) - previously New York Board of Trade (NYBOT) London International Financial futures and options exchange – (LIFFE)
Canola	Intercontinental Exchange (ICE) - previously Winnipeg (WPG) Australian stock Exchange – (ASX)
Sorghum	Australian stock Exchange – (ASX)
Cotton	Australian stock Exchange – (ASX)
Cocoa	Intercontinental Exchange (ICE)
Soybeans (oil, meal, beans)	Chicago Board of Trade (CBOT)
Feed Barley	Australian stock Exchange – (ASX)
Coffee	Chicago Board of Trade (CBOT)
Corn	Chicago Board of Trade (CBOT)



Bank of Melbourne

Contact Details

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