Product Disclosure Statement

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INTRODUCTION

This Product Disclosure Statement (PDS) is issued by Arrivee AU Pty Ltd (ACN 665 734 921; AFS Licence No. 569 655), trading as Arrivee (ARRIVEE, we, us or our). It may also be distributed by our authorised representatives.

In this PDS, "you" and "your" refer to a person or entity entering into a transaction with us. Capitalised terms not defined in this PDS have the meanings given in the Client Agreement.

This PDS should be read together with ARRIVEE's Financial Services Guide (FSG) and Client Agreement. It contains important information to help you decide whether the financial products described in this PDS are appropriate for you. You should read these documents before acquiring a product or entering into a transaction with us.

The information in this PDS is current as at its issue date. We may update information that is not materially adverse by making the updated information available at www.arrivee.com.au. You may request a free paper or electronic copy of any updated information. If a change is materially adverse, we will issue a Supplementary PDS or replacement PDS where required by law.

This PDS has been prepared for both Retail and Wholesale clients, and comes in 3 PARTS:

PART 1: GENERAL INFORMATION FOR RETAIL AND WHOLESALE CLIENTS
PART 2: FOREIGN EXCHANGE **("FX")** CONTRACTS FOR RETAIL AND WHOLESALE CLIENTS
PART 3: FOREIGN EXCHANGE **("FX")** CONTRACTS FOR WHOLESALE CLIENTS

We may provide communications including this Product Disclosure Statement ("PDS") under the *Corporations Act 2001* (Cth) (together, Relevant Communications), in print or by making them available to you through electronic means, such as via our website, email, or another nominated electronic means - you may elect not to receive this PDS electronically at any time by contacting us using our contact details below.

OUR CONTACT DETAILS

You can contact our office at any time by any of the means listed below:

Mail	Arrivee Level 5, 37 York St Sydney 2000 NSW
Email	info@arrivee.com.au
Phone	+61 426 666 662

PART 1

GENERAL INFORMATION FOR RETAIL AND WHOLESALE CLIENTS

PART 1 – GENERAL INFORMATION FOR RETAIL AND WHOLESALE CLIENTS

You will find the following information in this PART 1:

1. PURPOSE OF THIS PDS

This PDS provides information about the Non-Cash Payment Facility (Payment Service) and FX contracts described in Part 2, which are available to retail and wholesale clients. Part 3 describes Vanilla Options available only to wholesale clients. This information is intended to help you decide whether these products are appropriate for you. If you enter into a transaction with us, you should retain this PDS, the Client Agreement, your transaction confirmations and all related documents.

1.1 No personal advice

The information contained in this PDS is general information only and does not constitute a recommendation, advice, or opinion. It does not take into account your individual objectives, financial situation, needs or circumstances.

1.2 Australian Distribution Only

This PDS, and any invitation to apply for an FX transaction that this PDS relates to, is intended for distribution in Australia only. Distribution of this PDS 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 on and observe any such restrictions. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

1.3 Use of Examples

Examples contained in this PDS are for illustrative purposes only and do not necessarily reflect current or future market prices, nor the prices that we may apply to your transaction.

1.4 Target Market Determination

ARRIVEE has made a Target Market Determination (TMD) for the products described in Part 2 that are offered to retail clients. The TMD describes the class of retail clients for whom these products are likely to be appropriate and the conditions applying to their distribution. It is available free of charge at www.arrivee.com.au or by contacting us. The Vanilla Options described in Part 3 are offered only to wholesale clients and are not covered by the retail TMD.

2. APPLICABLE LAWS

ARRIVEE holds Australian Financial Services Licence No. 569 655 and provides financial services under the Corporations Act 2001 (Cth), the Corporations Regulations 2001 (Cth) and applicable ASIC requirements. ARRIVEE is also registered with AUSTRAC and is subject to applicable anti-money laundering and counter-terrorism financing laws.

2.1 Privacy

We handle personal information in accordance with the Privacy Act 1988 (Cth), the Australian Privacy Principles and our Privacy Policy, available at www.arrivee.com.au/privacy-policy.

We collect personal information to verify your identity, assess your application, provide services, process transactions, identify beneficial owners and meet our legal obligations.

Subject to applicable law, we may disclose this information to related bodies corporate, financial institutions, service providers, overseas recipients and government authorities. We maintain safeguards against unauthorised access, use, modification or disclosure.

Our Privacy Policy explains how you may access or correct your information, make a complaint or opt out of marketing communications.

2.2 Anti-Money Laundering & Counter-Terrorism Financing (AML/CTF)

We must comply with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and applicable AML/CTF Rules. These laws require us to identify and verify you and, where relevant, beneficial owners and other persons associated with your account.

We may be unable to open or maintain your account or process a transaction if you do not provide required information or documents, or if we reasonably suspect that a transaction may be connected with illegal activity.

We may delay, block, refuse or stop a transaction where required or permitted by law. To the extent permitted by law, we are not liable for indirect or consequential loss arising from an action taken in good faith to comply with the AML/CTF laws.

3. OPENING AN ACCOUNT WITH US – TRANSACTING WITH US

To enter into an FX Transaction with ARRIVEE, you will need to firstly open an Account and will be required to complete and sign the Account Application Form, under which you agree to be bound by the Terms and Conditions (Client Agreement).

We will provide you with a link to our online application form to establish a relationship with us. If you wish to proceed, you will need to complete this Application Form online, which incorporates the Terms and Conditions, that sets out your rights and obligations. You will then be bound by the Terms and Conditions.

An Arrivee representative may assist you in entering information into the application form but there are procedures in place to ensure that you have the responsibility to check all information provided and that you complete the application process.

3.1 Client Agreement

The Client Agreement is an important legal document containing the terms and conditions which govern our relationship with you.

We recommend that you consider seeking independent legal advice before entering into the Client Agreement, as the terms and conditions detailed therein are important and affect your dealings with us.

3.2 Transaction Instructions and Confirmation

We accept order instructions in any of the following ways:

- accessing our trading platform made available on our website
- telephone (calls may be recorded);
- in writing (including email, where agreed); or

It is your responsibility to confirm that any order instructions you provide to us have been received. You must immediately notify us in writing if a transaction appears not to have been processed or is incorrect.

To the extent permitted by law, we are not liable for any indirect or consequential loss arising from a transaction that is not processed due to inaccurate, incomplete, or unconfirmed instructions, and you agree to reimburse us for reasonable costs we incur as a direct result of such an error or delay on your part. Nothing in this clause limits any right or remedy you may have under law that cannot be excluded, restricted, or modified by agreement.

3.2.1 Providing instructions by phone

When providing instructions by telephone, you will need to provide us with adequate identification information.

3.2.2 Timing of Transactions

There are many reasons why a transaction may not occur within a timeframe you require, particularly because overseas remittances rely on counterparties and third parties in foreign jurisdictions.

It is your responsibility to notify us in writing if a transaction must be completed by a specific time. This allows us to inform you whether your timeframe is achievable and provide an estimated completion time.

We provide no guarantee regarding the timing of transactions unless expressly confirmed by us in writing. To the extent permitted by law, we are not liable for indirect or consequential loss arising from a delay caused by factors outside our reasonable control, such as the actions of third parties or counterparties in other jurisdictions. Nothing in this clause limits any right or remedy you may have under law that cannot be excluded, restricted, or modified by agreement.

3.2.3 Order Confirmations

You are required to review all order confirmations we provide to ensure accuracy. Any discrepancies must be reported to us immediately. If you have questions about your confirmations, please contact your account manager.

3.2.4 Closing Out or Altering Contracts

If you wish to close out or alter a foreign exchange contract, we are under no obligation to agree to such a request.

Where we do agree to a close-out or alteration, it may be subject to payment of any expenses incurred and/or any loss arising from the exchange rate at the time of closure or alteration.

4. HOW WE HANDLE YOUR MONEY

Money received from you in connection with a product described in this PDS will be deposited into a designated client-money trust account and handled in accordance with the applicable requirements of the Corporations Act 2001 (Cth). Client money is segregated from ARRIVEE's own funds.

Subject to applicable law and the Client Agreement, money may be withdrawn from the account to settle your transaction, pay amounts owing by you, return money to you or for another purpose permitted by law.

No interest is payable to you on client money, deposits or instalments. Although client money is segregated, this does not provide complete protection against the insolvency or default of ARRIVEE, the bank holding the account or another financial-services provider.

5. TAXATION CONSIDERATIONS

Entering into an FX contract or using a Payment Service may have income tax, capital gains tax, GST and foreign-currency taxation consequences. The treatment will depend on your circumstances, tax status and the purpose of the transaction. ARRIVEE does not provide taxation advice. You should obtain independent taxation advice before entering into a transaction.

6. REMUNERATION, OTHER BENEFITS AND RELATED ENTITIES

Our employees receive remuneration and may receive performance-related bonuses.

6.1 Referral Benefits

If you were referred to ARRIVEE, we may pay the referrer a financial or non-financial benefit. Where required, we will disclose the nature of any material benefit and its amount or method of calculation before you enter into a transaction.

7. DISCLOSURE OF ANY RELEVANT CONFLICTS OF INTEREST

ARRIVEE acts as principal in each FX transaction and earns revenue through the margin included in the exchange rate quoted to you. This creates a potential conflict because the quoted rate affects the revenue ARRIVEE earns.

ARRIVEE may also pay referral benefits or have commercial arrangements with service providers, liquidity providers and other third parties. We manage conflicts under our conflicts-management arrangements and will disclose any material conflict that may influence the financial services provided to you.

8. MAKING A COMPLAINT

8.1 Internal Complaints Procedure

You may make a complaint free of charge by telephone, email or post:

Complaints Officer
Arrivee AU Pty Ltd
Level 5, 37 York Street
Sydney NSW 2000
Telephone: +61 426 666 662
Email: info@arrivee.com.au

We will acknowledge your complaint promptly, investigate it fairly and provide you with a written response, including our decision and reasons, within 30 calendar days unless a different timeframe or permitted exception applies.

If we cannot respond within the applicable timeframe, we will explain the reason for the delay and inform you of your right to complain to the Australian Financial Complaints Authority.

8.2 External Complaints Procedure

If you are dissatisfied with our response, or we do not respond within the required timeframe, you may complain to the Australian Financial Complaints Authority (AFCA). AFCA provides a free and independent dispute-resolution service.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Telephone: 1800 931 678
Email: info@afca.org.au
Website: www.afca.org.au

9. NO COOLING OFF PERIOD

There is no cooling off period regime that applies to any of the products described in this PDS. You are, therefore, bound by the terms of an FX Contract when you enter into it, despite the fact that settlement may occur at a later date.

PART 2

FOREIGN EXCHANGE CONTRACTS FOR RETAIL AND WHOLESALE CLIENTS

PART 2 – FOREIGN EXCHANGE CONTRACTS FOR RETAIL AND WHOLESALE CLIENTS

You will find the following information in this PART 2:

1. FINANCIAL PRODUCTS WE OFFER TO RETAIL AND WHOLESALE CLIENTS

- Non-Cash Payments – Payment Service
- FX SPOT (including Value **TOD**AY and Value **TOM**ORROW)
- FX FORWARD

2. FEES AND OTHER COSTS

ARRIVEE acts as principal and earns revenue by including a margin in the exchange rate quoted to you. The rate offered to you may therefore differ from the wholesale market rate or the rate ARRIVEE obtains from its liquidity provider.

The margin may vary depending on the transaction amount, currencies, settlement date, market conditions, interest-rate differences and our commercial relationship with you. The exchange rate and any separately charged fee will be disclosed before you enter into the transaction and recorded in your transaction confirmation.

We do not charge an account-establishment fee or commission. However, the following fees may apply:

a) **Transaction Fees:** ARRIVEE does not charge Transaction fees except for Transactions under AUD$1,000.00 (or foreign currency equivalent) where we may charge a fixed fee of up to AUD$50.00 depending on the Transaction. Additionally, if applicable, we may also charge up to AUD$10 as a dishonoured cheque fee, a telegraphic transfer fee up to AUD$15, and an express delivery fee up to AUD$25. If such fee is payable, it will be added to the total amount you are required to settle. We will disclose to you details of all fees and costs before you enter into a Transaction with us.

b) **Third Party Transaction Fees:** Intermediary or beneficiary banks may deduct fees from a payment. These fees are outside ARRIVEE's control and may reduce the amount received by the beneficiary. Where known, ARRIVEE will inform you of these fees before processing the payment.

c) **Other fees:** ARRIVEE may pass on reasonable third-party costs arising from payment recalls, invalid payment instructions, transaction amendments or contract extensions. Where practicable, we will disclose these costs before you incur them.

3. RISK WARNING

You must assess whether any FX Contract is suitable for you having regard to your objectives, personal circumstances, and requirements. You should not undertake FX transactions unless you have a proper understanding of the nature of FX products and the associated risks. We encourage you to obtain independent financial, legal, taxation, or other professional advice prior to entering into an FX contract to ensure that you make an informed decision.

3.1 Significant Risks of FX Contracts

Foreign exchange instruments such as FX SPOT contracts and FX FORWARD contracts comprise an important risk management tool for those who manage foreign currency exposures.

Whilst there are numerous hedging and certainty benefits for those with foreign exposures to manage in the course of their business activities, foreign exchange instruments and transactions entail a number of significant risks and are not suitable for all. You should seek prior independent advice and consider carefully whether trading in foreign exchange instruments is appropriate in terms of your experience, your financial objectives, needs and circumstances.

Some of the risks involved in trading foreign exchange instruments such as FX SPOT transactions and FX FORWARD contracts, include the following:

3.1.1 Market Risk

In certain market conditions, the prices of our products may be volatile and fluctuate rapidly over wide ranges. Price fluctuations may occur because of uncontrollable events or changes in a variety of conditions such as, but not limited to, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the prevailing sentiment and volatility in the marketplace. Given the potential levels of volatility in the financial markets, it is therefore recommended that you closely monitor your positions with ARRIVEE at all times, as we reserve the right to require an Additional Margin Deposit for FX FORWARD Contracts if you have open Transactions with us.

3.1.2 Settlement and Counterparty Risk

ARRIVEE is the counterparty to each FX contract you enter into with us. If ARRIVEE becomes insolvent or is otherwise unable to perform its obligations, you may suffer a loss.

ARRIVEE may hedge some transactions with banks, liquidity providers or other counterparties. ARRIVEE is not required to hedge every transaction. Any hedging arrangement does not remove your exposure to ARRIVEE.

A default, insolvency, operational failure or delay involving a bank, liquidity provider or other counterparty may affect ARRIVEE's ability to perform its obligations to you. ARRIVEE may change its liquidity providers or banking arrangements without prior notice.

3.1.3 Regulatory Risk

Changes in taxation and other laws, government, fiscal, monetary and regulatory policies in Australia or overseas may have a material adverse effect on your dealings in our products. ARRIVEE is regulated by ASIC and AUSTRAC.

3.1.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or external events. Disruptions in our processing may lead to delays in the execution and settlement of your transaction.

We have Professional Indemnity Insurance in place which covers the work performed by our representatives and employees.

3.1.5 Risk Associated with Payment Products

It should be noted that, due to the nature of international payments systems, the delivery of payment products may, on rare occasions, be subject to delays outside of our control. Such delays can be caused by a number of issues; some of which may include counterparties in foreign jurisdictions and/or the intervention of foreign regulators in relation to the specific transaction or the market generally. In such circumstances we will do all reasonable acts and things so as to procure the completion of the delivery of the payment product. To the extent permitted by law, we are not liable for any indirect or consequential loss you or a third party suffer as a result of such a delay, where the delay is caused by factors outside our reasonable control. Nothing in this clause limits any right or remedy you may have under law that cannot be excluded, restricted, or modified by agreement.

4. SIGNIFICANT BENEFITS OF OUR FX PRODUCTS

The benefits of using our FX Products include, but not limited to:

- **Managing exchange-rate exposure:** FX contracts may help reduce uncertainty associated with an identified foreign-currency payment or receipt. They do not eliminate all financial or operational risks.
- **Exchange-rate certainty:** A Forward Contract allows you to agree an exchange rate in advance, providing greater certainty regarding the Australian-dollar value of a future foreign-currency payment or receipt. However, you will not benefit if the market subsequently moves in your favour.
- **Currency availability:** Our products support transactions in a range of currencies, subject to availability.
- **Flexible terms:** As over-the-counter products, certain contract terms may be tailored to an identified foreign-currency exposure, subject to ARRIVEE's approval.

5. OUR PRODUCTS FOR RETAIL AND WHOLESALE CLIENTS

5.1 Payment Service – Non-Cash Payment Facility

We provide a Non-Cash Payment Facility that enables you to instruct us to convert currency and electronically transfer the resulting funds to a nominated beneficiary. The facility is not a bank account or deposit product, does not store value and does not pay interest.

5.2 FX Contracts

We buy and sell foreign currency using the following FX Contracts:

- FX SPOT (including Value **TOD**AY and Value **TOM**ORROW)
- FX FORWARD

Our FX products are designed to assist individuals and entities with foreign exchange requirements by enabling them to:

- make or receive payments in foreign currencies for goods or services,
- convert funds between currencies,
- manage exposure to foreign currency risk, and
- safeguard funds against unfavourable exchange rate movements.

They allow future currency risks to be hedged and provide greater certainty regarding foreign exchange rates and exposures.

5.2.1 FX SPOT Contract

An FX SPOT Contract is a type of foreign exchange contract that exchanges one currency for another at a specified and agreed Exchange Rate (the **Spot Rate**) generally two (2) Business Days after the Trade Date.

5.2.1.1 FX SPOT - TOD

An FX SPOT – TOD Contract exchanges one currency for another at a specified and agreed Exchange Rate for a Settlement Date the same day as the Trade Date. The Exchange Rates quoted by ARRIVEE are determined by adjusting the Spot Rate by Forward Points.

By entering into a TOD Contract you have removed the uncertainty of Exchange Rate movements for the day. In exchange for this certainty, you have lost the opportunity to take advantage of any favourable Exchange Rate movements from the time you have had your Transaction executed.

5.2.1.2 FX SPOT - TOM

An FX SPOT – TOM Contract exchanges one currency for another at a specified and agreed Exchange Rate for a Value Date on one (1) Business Day after the Trade Date. The Exchange Rates quoted by ARRIVEE are determined by adjusting the Spot Rate by Forward Points.

By entering into a Value Tomorrow Contract, you have removed the uncertainty of Exchange Rate movements over the next Business Day. In exchange for this certainty, you have lost the opportunity to take advantage of any favourable Exchange Rate movements between the Trade Date and the Settlement Date.

Table 1: FX SPOT

Benefits
• They are a simple and efficient method of facilitating payments internationally. • They can be used to provide advance payments to open account settlements.
Risks
• Whilst efficient, FX SPOT exchange rates can be volatile and unpredictable, even during a single trading day. • Utilising the SPOT market to manage future FX requirements may expose you to a high risk of unfavourable movements in foreign currency values.
Example
Currency pair: AUD/USD 1. ABC Pty Ltd must immediately pay an invoice of USD7,500. 2. ABC Pty Ltd purchases USD7,500 at an AUD/USD Spot Rate of 0.7500, requiring payment of AUD10,000. 3. ARRIVEE provides ABC Pty Ltd with a transaction confirmation containing the transaction details 4. ABC Pty Ltd transfers AUD10,000 in cleared funds to ARRIVEE. 5. ARRIVEE converts the funds and remits USD7,500 to the nominated beneficiary.

5.3. FX FORWARD Contract

An FX FORWARD Contract is a non-standardised over-the counter (OTC) FX contract between two parties to buy or to sell an asset at a specified future time at a price previously agreed upon. It enables you to buy or sell one currency against another for settlement at a future date. Many market participants need to exchange currencies at a future time other than two days in advance; in order to manage their exposures and cash flows, they want to secure the rate of exchange now. FX FORWARD contracts are generally used by importers, exporters and investors who seek a price guarantee in exchange rates for a future date in order to hedge their foreign currency cash flows.

FX FORWARD contracts offered under this PDS can be for a fixed term or a fixed delivery date and include an optional designated delivery period.

Both the current FX SPOT (market) rate and the FX FORWARD rate adjustment are used in determining the rate of exchange for an FX FORWARD contract. The forward rate adjustment is a calculation involving the applicable interest rates and SPOT prices of the currencies involved. FX FORWARD contracts reflect time and the difference in the interest rates between any two currencies.

Like FX SPOT Contracts, FX FORWARD Contracts are bilateral contracts between two parties and hence each party is responsible for assessing the credit standing and capacity of the other party.

Warning: FX Forward Contracts are offered for hedging an identifiable foreign-currency exposure and are not intended for speculation. ARRIVEE does not permit clients to use these products to speculate on market movements and is authorised to provide them for hedging purposes only.

The benefits and risks of FX FORWARD contracts are outlined in Table 2.

Table 2: FX FORWARD

Benefits
• They are a simple method of covering future currency exchange risk, eliminating the concern about unfavourable movements in exchange rates. • You can lock in a guaranteed rate of exchange, and manage your cash flows and costs accordingly (called price certainty). • You can choose to settle the whole amount of the contract on one date, or you can stagger settlement in instalments throughout the contract period.
Risks
• The principal risk with an FX FORWARD contract is that as the exchange rate and delivery date are fixed, any opportunity for future financial benefit due to favourable market movements is lost. • If the future exposure/obligation which has been hedged by the FX FORWARD contract ceases to exist prior to delivery, then the contract may need to be closed out early. This could be at a loss if the market has moved adversely from your original entry price, or it could be profitable if the market price has moved in your favour. • A Deposit or Instalment, if required, may affect your cash flow. Closures, extensions or redeliveries of an FX FORWARD contract may result in a financial loss to you.
Example
Currency pair: AUD/USD 1. XYZ Pty Ltd has an invoice due for payment in 90 days' time in foreign currency in the amount of USD10,000. 2. XYZ Pty Ltd enters into an FX FORWARD Contract with a maturity date in 90 days' time at the 90-day forward rate of 1.0325 (prevailing SPOT rate of 1.0450 adjusted by the prevailing forward margin of 0.0125 [minus 125 points]). The USD10,000 then converts to an equivalent of AUD9,685.23. 3. XYZ Pty Ltd is required to pay a 5% deposit of AUD484.26 to us upon entering into the FX FORWARD contract. 4. Before the Settlement Date, XYZ Pty Ltd pays the equivalent AUD (less any deposit already received) to us by its preferred settlement method (i.e., bank transfer or deposit). 5. Upon receipt of the total cleared AUD equivalent owed to us under the FX FORWARD Contract, we remit USD10,000 to the beneficiary in accordance with the instruction provided by XYZ Pty Ltd.

5.3.1 Deposits and Instalments

When you enter into an FX Forward Contract, ARRIVEE may hedge or otherwise manage its exposure through one or more liquidity providers. If you do not settle your transaction, ARRIVEE may incur a loss or cost. To manage this risk, we may require you to pay a Deposit.

While the amount of any Deposit is at our complete discretion, as a general guide, a Deposit may be required for among other reasons:

- we have no history of trading with you
- your credit rating is not of a high or satisfactory level as assessed by us;
- the volatility of markets warrants extra collateral from you to hold the position.

We do not pay interest on Deposits or Instalments.

5.3.2 Pre-Delivery of the FX FORWARD Contract

You may also ask for pre-delivery of a portion of the total value of the contract prior to the expiry of the contract. This might occur where your supplier has contracted to deliver goods to you at various times over the period of the FX FORWARD contract. This may result in an adjustment of the exchange rate based on the revised delivery date and the difference in interest rates between the two currencies. The remaining balances of the transaction must be completed by Settlement Date.

5.3.3 Extension of an FX FORWARD Contract

You may extend the Settlement Date of the FX FORWARD contract only if agreed to by us. We may refuse such extension/s for any reason. For example, this may be considered if there was a delay in the receipt of goods expected from your overseas supplier beyond the original delivery date. These can be transacted in either of two ways:

a. we can offset the remaining balance of the original FX FORWARD contract against a newly established FX FORWARD contract with a new extended Settlement Date. We will quote you a rate that takes into account the current SPOT exchange rate and the forward margin for the adjusted time frame. However, by offsetting the remaining balance of the original FX FORWARD contract, a profit or loss to you would result depending on the current exchange rates compared to the original FX FORWARD contract rates. this profit or loss would have to be settled at this time; or
b. we can extend the remaining balance of the FX FORWARD contract by quoting you an extension margin onto your original FX FORWARD contract exchange rate. This method factors the profit or loss of the original contract into the new FX FORWARD contract for the extended period (rather than settling this at the time of extension). This is known as a Historical Rate Rollover (HRR). When quoting an HRR rate, the pricing incorporates an interest charge on the above profit or loss in the new FX FORWARD contract. This charge is associated with the funding or borrowing of the profit or loss for the term of the extension period. In extending the FX FORWARD contract, we may require you to lodge a Deposit or an Instalment.

5.3.4 Closure of an FX FORWARD Contract

Although the terms of the contract that you enter into with us are legally binding, you may wish to close out your FX FORWARD contracts at any time up to and including the Settlement Date, based on certain factors. For example, if your underlying transaction had been cancelled and your forward foreign exchange hedge is no longer required, you may call us to close-out your contract by entering into a reversing transaction of your original FX FORWARD contract at the prevailing exchange rate. We will provide you with a quote for closing-out your FX FORWARD contract. This quote will incorporate some of the components used when pricing your original FX FORWARD contract but will be adjusted for prevailing market rates over the remaining term of the FX FORWARD contract. Depending on the market rates at the time of closing-out, this may result in either a gain or loss to you. There are no additional fees for the closing-out of an FX FORWARD contract.

PART 3

FOREIGN EXCHANGE CONTRACTS FOR WHOLESALE CLIENTS

PART 3 – FOREIGN EXCHANGE CONTRACTS FOR WHOLESALE CLIENTS

1. FX CONTRACTS WE OFFER TO WHOLESALE CLIENTS

Vanilla Option Contracts

A **Vanilla Option** is a foreign exchange Option Contract between two parties where the buyer of the Option has the right, but not the obligation, to enter into a Spot Contract at a pre-determined Exchange Rate on a pre-determined date in the future (the **Expiration Date**). You will have to pay a non-refundable fee (**Premium**) for a Vanilla Option, but you do not have to settle the Transaction if you choose not to exercise the Vanilla Option. The Premium is required to settle within T+2 market convention.

A Vanilla Option gives you the right but not the obligation to:

- Buy one currency at a pre-determined price within a pre-determined timeframe (**Call Option**); or
- Sell one currency at a pre-determined price within a pre-determined timeframe (**Put Option**).

Key Risks and Benefits

Key Risks of Using a Vanilla Option Include:

- You need to pay the Premium, which is non-refundable. It is not a zero-cost structure.
- Depending on prevailing market rates, the total cost of the Vanilla Option, including the Premium plus the ultimate Exchange Rate, might be higher than if you had not purchased a Vanilla Option.
- At the Expiration Date or upon cancellation of the Vanilla Option, movements in Exchange Rates plus the passage of time may result in the Vanilla Option having a reduced value or even no value.

Key Benefits of Using a Vanilla Option Include:

- They allow you to protect yourself from an unfavourable movement in the Exchange Rate by allowing you to simply trade at the Spot Rate if the Spot Rate is more favourable when the time comes for you to conduct the Transaction.
- They allow you to define a “worst case” Exchange Rate. They allow you to hedge your currency exposure by providing protection against unfavourable currency movements between the time that you buy a Vanilla Option and the Expiration Date. At the same time, you are also able to participate in any favourable currency movements that exist on the Expiration Date.
- The upfront financial cost is limited to the cost of the Premium and any applicable fees.