

# FOREIGN CURRENCY OPTIONS

PRODUCT DISCLOSURE STATEMENT | 06.10

# IMPORTANT INFORMATION

## ISSUER

Australia and New Zealand Banking Group Limited ABN 11 005 357 522, Australian Financial Services Licence 234 527, is the issuer of the *foreign currency options* offered in this Product Disclosure Statement (PDS) dated 1st June 2010.

References to "ANZ", "us", "our" or "we" throughout this PDS are references to Australia and New Zealand Banking Group Limited. References to "you" or "your" throughout this PDS means the person entering into a *foreign currency option*.

## PURPOSE OF THIS PDS

This PDS is an important document. Its purpose is to provide you with key information about *foreign currency options*.

ANZ is providing you with this PDS so that you receive key information about *foreign currency options* to help you understand their risks, benefits and costs, and to assist you in making an informed decision about entering into *foreign currency options*.

*Foreign currency options* are sophisticated financial products. These products may be unsuitable for you if you are unfamiliar with foreign exchange markets and the way that option products work.

Please read this PDS in full before deciding to enter into a *foreign currency option*. If you decide to enter into a *foreign currency option*, you should keep this and any other documentation relating to the *foreign currency option* for future reference.

## GENERAL INFORMATION ONLY

The information in this PDS is general information only and does not take into account your personal objectives, financial situation or needs. This PDS does not constitute advice and is not a recommendation or opinion that *foreign currency options* are appropriate for you.

Before entering into a *foreign currency option*, you should give consideration to your objectives, financial situation and needs, and be satisfied that they will be met if you enter into a *foreign currency option*. We recommend that you consult your independent professional adviser about the suitability of *foreign currency options* for you.

## AUSTRALIAN DISTRIBUTION ONLY

The *foreign currency options* to which this PDS relates are available to persons receiving the PDS (electronically or otherwise) in Australia, who are Australian residents.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and therefore, persons into whose possession those documents come should seek advice on and observe any such restrictions. Failure to comply with relevant legislation may violate these laws. 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.

## UPDATED INFORMATION

The information in this PDS is subject to change. Where new information arises that is materially adverse to the information in this PDS, ANZ will issue a new PDS or issue a supplementary PDS setting out the new information.

Where new information arises that is not materially adverse to the information in this PDS, you will be able to find the updated information on our website [anz.com](http://anz.com) or you can contact us using the details in the directory in Section 13 or call your ANZ Contact. A paper copy of the updated information is available free on request.

## EXAMPLES IN THIS PDS

The examples are for illustrative purposes only. You should note that the actual prices and rates will vary depending on the terms of the *foreign currency option* and the factors listed in Section 3.1 of this PDS.

## DEFINITIONS

To assist you in understanding this PDS, we have included definitions in Section 12. The meaning of some italicised words used in this PDS are set out in that section.

## CONTACT ANZ

If there is anything in this PDS that you do not understand or if you have any questions you can contact us using the details in the directory in Section 13 or call your ANZ contact. You can also go to our website at [anz.com](http://anz.com).

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## 1. KEY FEATURES

| TOPIC  | HIGHLIGHTS   | MORE INFORMATION |
|--|--|------------------|
| <b>WHO IS THE ISSUER?</b>                                | Australia and New Zealand Banking Group Limited ABN 11 005 357 522,<br>Australian Financial Services Licence 234 527   | Section 9        |
| <b>WHAT ARE WE OFFERING?</b>                             | A <i>foreign currency option</i> is an agreement between you and ANZ where, in exchange for the upfront payment of a <i>premium</i> you have the right, but not the obligation, to exchange one currency for another at an agreed <i>exchange rate</i> on an agreed date.<br><br>ANZ offers <i>put options</i> and <i>call options</i>   | Section 2        |
| <b>WHAT ARE THE SIGNIFICANT BENEFITS?</b>                | Entering into a <i>foreign currency option</i> provides protection against adverse currency movements with the potential to financially benefit from favourable currency movements.  | Section 4        |
| <b>WHAT ARE THE SIGNIFICANT DISADVANTAGES AND RISKS?</b> | If a <i>foreign currency option</i> is not exercised and expires on the <i>expiry date</i> the <i>premium</i> you paid is an additional cost to you.<br><br>Other risks are explained in Section 5, including market risk, correlation risk and operational risk.  | Sections 4 and 5 |
| <b>WHAT IS THE TERM?</b>                                 | 2 <i>business days</i> to 2 years. Longer <i>terms</i> may be available on request.  | Section 2        |
| <b>WHICH CURRENCIES ARE OFFERED?</b>                     | ANZ will quote most currencies. Please contact us for a full range of currencies offered.  | Section 2        |
| <b>WHAT IS THE MINIMUM CONTRACT AMOUNT?</b>              | No minimum amount.   |                  |
| <b>WHAT IS THE STYLE OF OPTIONS?</b>                     | ANZ offers European style <i>options</i> .   | Section 2        |
| <b>WHAT DO I HAVE TO PAY?</b>                            | You must pay the <i>premium</i> we agree with you.   | Section 6        |
| <b>HOW IS IT SETTLED?</b>                                | If you exercise the <i>foreign currency option</i> , on the <i>delivery date</i> you must exchange currencies with ANZ.  | Section 3.2      |
| <b>CAN I VARY THE EXPIRY DATE?</b>                       | Variation to the agreed <i>expiry date</i> is not permitted.   | Section 3.3      |
| <b>CAN I TERMINATE EARLY?</b>                            | If we agree, you can terminate early but an amount may be payable by or to you depending on the value of the <i>foreign currency option</i> on termination.  | Section 3.4      |
| <b>HOW DO I ENTER INTO A FOREIGN CURRENCY OPTION?</b>    | Entry into a <i>foreign currency option</i> is subject to ANZ's credit approval.<br><br>If you want to enter into a <i>foreign currency option</i> , you will need to tell ANZ the <i>currency pair</i> , the <i>contract amount</i> , the type of option ( <i>put option</i> or <i>call option</i> ), the <i>strike rate</i> , the <i>term</i> and the currency in which you wish to pay the <i>premium</i> .<br><br>Please contact us for a <i>foreign currency option</i> . | Section 8        |
| <b>TAX</b>   | The tax consequences of investing in a <i>foreign currency option</i> will depend upon your specific circumstances. You should seek your own independent tax advice before you enter into a <i>foreign currency option</i> .   | Section 10       |
| <b>COMPLAINTS</b>  | Complaint resolution procedures are provided.  | Section 11.2     |
| <b>NO COOLING OFF</b>                                    | There is no cooling off period once you have entered into a <i>foreign currency option</i> .   | Section 5        |

## 2. WHAT IS A FOREIGN CURRENCY OPTION?

A *foreign currency option* is an agreement between you and ANZ where, in exchange for the upfront payment of a *premium*, you have the right but not the obligation, to exercise the option to exchange one currency for another at an agreed rate (*strike rate*) on an agreed date (*delivery date*).

### PUT AND CALL OPTIONS

ANZ offers two types of *foreign currency options*, *put options* and *call options*. The table below describes the differences between *put options* and *call options*.

ANZ only offers European style options. This means that the *foreign currency option* (whether a *put option* or a *call option*) can only be exercised on the *expiry date*. You must notify ANZ by the *expiry time* on the *expiry date* that you wish to exercise your *foreign currency option*.

If you exercise your *foreign currency option* there will be physical delivery of one currency in exchange for the other currency at the *strike rate* on the *delivery date*. Please see Section 3.2 for further information on settlement of *foreign currency options*.

### ENTERING INTO AN OPTION

If you want to enter into a *foreign currency option*, you will need to tell ANZ the *currency pair*, the *contract amount*, the type of option (*put option* or *call option*), the *strike rate*, the *term* and the currency in which you want to pay the *premium*. ANZ will quote you the *premium* if it agrees to enter into a *foreign currency option* with you. Please see Section 8 for further information regarding entering into a *foreign currency option*.

### WHAT IS THE TERM?

The term of the *foreign currency option* is the time between the *trade date*, which is the date on which you enter into a *foreign currency option*, and the *expiry date*. Once you enter into a *foreign currency option* the *expiry date* cannot be varied. Please see Section 3.3 for further information.

### WHAT ARE FOREIGN CURRENCY OPTIONS USED FOR?

*Foreign currency options* are commonly used to hedge foreign exchange risk at a future date.

*Foreign currency options* are commonly used:

- > to protect foreign currency exposures against adverse *exchange rate* movements; and
- > to set a 'worst case' *exchange rate*.

| TYPE               | DESCRIPTION  | EXAMPLE  |
|--------------------|--|--|
| <b>PUT OPTION</b>  | You have the right but not the obligation to sell one currency and receive another currency at the <i>strike rate</i> , also called a vanilla put option | Importer wants to receive a foreign currency in exchange for local currency (AUD), and obtain protection against unfavourable <i>exchange rate</i> movements |
| <b>CALL OPTION</b> | You have the right but not the obligation to buy one currency with another currency at the <i>strike rate</i> , also called a vanilla call option        | Exporter wants to receive local currency (AUD) in exchange for foreign currency, and obtain protection against unfavourable <i>exchange rate</i> movements   |

### 3. HOW DOES A FOREIGN CURRENCY OPTION WORK?

#### 3.1 HOW ARE THE PREMIUM AND STRIKE RATE DETERMINED?

##### PREMIUM

In exchange for entering into a *foreign currency option*, you will pay ANZ a *premium*. ANZ determines the *premium* on a transaction by transaction basis with reference to a number of factors, including:

- > transaction type (*call option* or *put option*);
- > the nominated *strike rate*;
- > *currency pair*;
- > *expiry date*;
- > *delivery date*;
- > current *spot exchange rate*;
- > current *forward exchange rate*;
- > the *contract amount*;
- > market volatility of the underlying *currency pair*;
- > current interest rates;
- > ANZ's internal fixed and variable costs; and
- > ANZ's risk/ profit margin.

The table below summarises the impact some of the factors may have on the *premium*. The list of factors is not exhaustive.

Determination of the *premium* is a complex process. The degree of influence that each factor has in the determination of the *premium* varies from time to time, in accordance with economic conditions, such as currency and interest rate movements and volatility.

Your ANZ *contact* will provide you with a quote for the *premium* for any proposed *foreign currency option*. The *premium* is generally expressed as a dollar amount.

The *premium* must be paid in cleared funds on the *premium payment date* (generally two *business days* after the *trade date*). If the *premium* is not paid on the *premium payment date*, the *foreign currency option* will automatically terminate and you will be liable for any costs arising as a result of the termination of the *foreign currency option*.

#### 3.2 HOW ARE FOREIGN CURRENCY OPTIONS SETTLED ON THE DELIVERY DATE?

If you exercise the *foreign currency option* by the *expiry time* on the *expiry date*, the *foreign currency option* will be settled on the *delivery date*, which is usually two business days after the *expiry date*.

This means that on the *delivery date* you will make a physical delivery of one currency to us and we will make a physical delivery of another currency to you at the agreed *strike rate*. You must ensure that you have sufficient cleared funds in your nominated account (or as otherwise agreed) to settle the *foreign currency option* in this way.

It is your responsibility to inform ANZ by the *expiry time* on the *expiry date* that you wish to exercise the *foreign currency option*.

#### 3.3 CAN A FOREIGN CURRENCY OPTION BE EXTENDED?

After entering into a *foreign currency option*, you may not vary the agreed *term* or *expiry date*.

| FACTOR                                 | PUT OPTION PREMIUM<br>(PROTECTION AGAINST A FALL IN THE<br>FOREIGN EXCHANGE RATE)   | CALL OPTION PREMIUM<br>(PROTECTION AGAINST A RISE IN THE<br>FOREIGN EXCHANGE RATE)  |
|--|---|---|
| <i>Strike rate</i>                     | A higher <i>strike rate</i> results in a higher <i>premium</i> and a lower <i>strike rate</i> results in a lower <i>premium</i>                                 | A lower <i>strike rate</i> results in a higher <i>premium</i> and a higher <i>strike rate</i> results in a lower <i>premium</i> |
| Volatility of the <i>exchange rate</i> | Higher volatility results in higher <i>premium</i> , lower volatility results in lower <i>premium</i>   |   |
| <i>Expiry date</i>                     | An <i>expiry date</i> further in the future results in a higher <i>premium</i> and an <i>expiry date</i> closer in the future results in a lower <i>premium</i> |   |

### 3.4 CAN A FOREIGN CURRENCY OPTION BE TERMINATED EARLY?

You may find that you have no further use for an existing *foreign currency option*. A *foreign currency option* may be terminated at any time before the *expiry time* on the *expiry date*, either:

- > by agreement between you and ANZ; or
- > in accordance with the *master dealing agreement*.

Where the *foreign currency option* is terminated by agreement between you and ANZ, the amount payable on termination is as agreed.

Where the *foreign currency option* is terminated in accordance with the *master dealing agreement*, the amount payable is determined in accordance with those terms.

Termination of a *foreign currency option* involves ANZ notionally buying back the *foreign currency option* from you.

ANZ will notionally buy back the *foreign currency option* at a price it determines using the same methodology it uses for determining the *premium* as set out in Section 3.1 above and any costs applicable to the termination. ANZ will give you a quote for terminating the *foreign currency option*.

Depending on the current market conditions, the *foreign currency option* could be worth more or less than the original *premium*. You may lose money by terminating the *foreign currency option*.

If early termination results in you having to pay an amount to ANZ, you must ensure that you have sufficient cleared funds in your nominated account to meet the payment, or as otherwise agreed.

### 4. WHAT ARE THE SIGNIFICANT BENEFITS AND DISADVANTAGES OF A FOREIGN CURRENCY OPTION?

#### WHAT ARE THE BENEFITS OF A FOREIGN CURRENCY OPTION?

The benefits of a *foreign currency option* include:

- > ability to lock in a 'worst case' *exchange rate* (the *strike rate*) on a future date;
- > flexibility to tailor the product to suit your needs such as the *contract amount*, the *currency pair*, and the *term* to protect against adverse *exchange rate* movements;
- > the *premium* is a known cost for entering into the *foreign currency option*;
- > you can take advantage of favourable movements in the *exchange rate*; and
- > you can choose whether to exercise the *foreign currency option* or to let the *option* expire (not exercised). Unless you exercise the *foreign currency option* there is no commitment or obligation to exchange currencies.

#### WHAT ARE THE DISADVANTAGES OF A FOREIGN CURRENCY OPTION?

The disadvantages of a *foreign currency option* include:

- > you must pay the *premium* on the *premium payment date*
- > if the *foreign currency option* expires and is not exercised, it is worthless and results in the *premium* you paid being an additional cost to you and the total transaction cost being higher than if you had not purchased a *foreign currency option* as the *premium* is not refundable;
- > the *expiry date* or *term* cannot be extended; and
- > you may not recoup the full *premium* paid if the *foreign currency option* is terminated prior to the *expiry date*.

## 5. WHAT ARE THE SIGNIFICANT RISKS OF A FOREIGN CURRENCY OPTION?

Risks arise out of factors that are beyond your control. From the time of entering a *foreign currency option* with ANZ, risk factors may lead to unfavourable changes in the financial outcomes of the *foreign currency option*.

Monitoring risks associated with a *foreign currency option* is your responsibility.

Prior to entering into a *foreign currency option*, you should carefully consider the following risk factors as well as the other information either contained in this PDS or of which you are otherwise aware and consider whether a *foreign currency option* is suitable for you, given your individual objectives and circumstances. We recommend that you obtain independent advice on the suitability of a *foreign currency option* for you.

### CORRELATION RISK

Correlation risk is the risk that the value of a *foreign currency option* does not move in line with that of the underlying exposure that you are seeking to *hedge*. This may occur where you seek to mitigate an exchange risk in one currency by using another currency as a proxy.

For example, if you are concerned about the value of an investment in a European country without a freely convertible currency and ANZ is unable to deal in the currency of this country you may choose to deal in Euro as you consider it a close proxy to the currency of that country. As the Euro is not an exact proxy for that currency, and the correlation relationship between the currencies may change, you have assumed some correlation risk.

### MARKET RISK

Markets can be volatile and are subject to a host of factors, including economic conditions, government regulations, legislation, market sentiment, local and international political events and environmental and technological issues. Market risk is the risk that the value of your *foreign currency option* will change as a result of a movement in the underlying market price.

As a result of market risk you may receive no financial benefit if the *foreign currency option* has expired with no value to you. This will happen if at the *expiry time* on the *expiry date*, the current *spot exchange rate* is more favourable to you than the *strike rate* and you

let the *foreign currency option* expire. As you will have paid the *premium*, the *premium* will be an additional cost to you and the total transaction cost will be higher than if you had not purchased a *foreign currency option*.

Also, as a result of market risk, early termination of a *foreign currency option* may result in you not re-couping the *premium* paid for the *foreign currency option* you have entered into.

### CREDIT RISK

You are reliant on ANZ meeting its obligations to you under the *foreign currency option*, such as making a payment on a *delivery date*. This reliance is an exposure known as credit risk or counterparty risk.

The proceeds from the issue of *foreign currency options* are not set aside by ANZ to satisfy its obligations under a *foreign currency option* and such obligations are unsecured obligations of ANZ and will rank equally with other unsecured obligations of ANZ. Unsecured obligations of ANZ rank behind obligations that are mandatorily preferred by law including the rights of deposit holders and are subject to insolvency, banking and similar laws affecting creditor's rights. For further information on ANZ, see Section 9.

Likewise, ANZ assumes some credit risk in transacting with you in respect of payment obligations you have under the *foreign currency option*. If you have to make a payment to ANZ on the *delivery date*, you must ensure that you have sufficient cleared funds accessible to ANZ to meet your payment obligations. If you do not, you will be in breach of your obligations and ANZ may take further action to recover any payments owed and any costs involved with recovering those payments.

### OPERATIONAL RISK

Operational risk arises out of the failure or inadequacy of systems, internal processes and people. It can also arise out of external events such as acts of terrorism or natural disasters.

You are reliant on ANZ being able to price and settle your *foreign currency option* accurately and on time. ANZ, in turn, is reliant on its internal operating processes, including communications and computer networks. During the *term* of a *foreign currency option*, it is ANZ's responsibility to manage these risks. Your *foreign currency option* may be adversely

affected if ANZ's operating processes, systems or people for managing these procedures are disrupted, inadequate or fail.

## TERMINATION

If you wish to terminate your *foreign currency option* before the *expiry date*, the *foreign currency option* will be terminated at prevailing market rates. You may or may not recoup the *premium* you paid. Currency markets are highly volatile and the prices of the underlying currencies can fluctuate rapidly and over wide ranges and may reflect unforeseen events or changes in conditions. Fluctuations in the underlying currencies will affect the benefit or cost to you when you terminate a *foreign currency option*. For more information on termination of a *foreign currency option* please refer to Section 3.4. You should also refer to the *master dealing agreement* as it provides for situations where a *foreign currency option* can be terminated including for default under the contract.

## LEGAL, TAX AND REGULATORY RISKS

Legal, tax and regulatory changes could occur during the term of a *foreign currency option*, which may adversely affect a *foreign currency option*. You should seek independent tax advice before entering into a *foreign currency option*.

## CONFLICTS OF INTEREST

ANZ is a large commercial bank which deals with many people and entities. ANZ and its related bodies corporate may enter into transactions and products with various counterparties that may be in conflict with or inconsistent with *foreign currency options* and ANZ does not need to and will not consider the impact on your *foreign currency option*.

## NO COOLING OFF

No cooling off period applies for *foreign currency options*.

## OTHER RISKS

The risks listed above are not exhaustive. There may be other risks that are relevant to you when entering into a *foreign currency option*.

You should also be sure that a *foreign currency option* is suitable for you before entering into one. We recommend that you obtain independent professional advice on the suitability of *foreign currency options* to you.

## 6. COST OF A FOREIGN CURRENCY OPTION

This section describes fees and other costs that may be charged in relation to a *foreign currency option*. You should read all the information about the fees, costs and charges, as it is important you understand their impact on your *foreign currency option*.

### 6.1 PREMIUM

When you enter into a *foreign currency option* with us, you are required to pay a *premium* to ANZ for buying the *foreign currency option*. The *premium* must be paid in cleared funds on the *premium payment date* (generally the second business day after the *trade date*). If the *premium* is not paid on the *premium payment date*, the *foreign currency option* will automatically terminate and you will be liable for any costs arising as a result of the termination of the *foreign currency option*.

Please see Section 3.1 for further information on how the *premium* is determined.

### 6.2 FEES AND CHARGES

An establishment fee may be payable by you prior to you entering into a *foreign currency option*. The establishment fee, if any, will be set out in your facility letter or agreement with ANZ and you will know what it is before you enter into a *foreign currency option*.

There are no other fees payable to ANZ when you enter a *foreign currency option*.

### 6.3 ANZ FINANCIAL BENEFIT

ANZ derives a financial benefit when entering into a *foreign currency option*.

### 6.4 SETTLEMENT COSTS

You may also be required to pay additional costs on settlement or termination depending on the manner in which termination or settlement payments are effected, including telegraphic transfers and international drafts.

Information regarding the current costs of telegraphic transfers or international drafts is contained in the respective product disclosure statements for these products or other documents relating to these products. You can ask your *ANZ contact* for a free copy of the relevant product disclosure statements, or you can access them at [anz.com](http://anz.com).

Additional costs may be payable for couriers, postage and other actions relating to *foreign currency options*.

## 6.5 TAXES AND OTHER COSTS

You should consult your independent advisers with respect to legal, tax, accounting and financial implications of entering into *foreign currency options*. The costs you incur in doing so will be for your own account.

## 6.6 CHANGES TO FEES AND CHARGES

The fees and charges set out in this document may change from time to time at ANZ's discretion. If any fee changes affect existing holders of *foreign currency options*, we will advise them at least 30 days prior to any such fee changes taking effect by posting them on our website anz.com. By entering into a *foreign currency option* you agree to notification of changes as set out above.

## 7. EXAMPLES OF HOW FOREIGN CURRENCY OPTIONS WORK

The examples in this section are for illustrative purposes only. You should note that the actual prices and amounts will vary depending on the terms of the *foreign currency option* and the factors listed in Section 3.1 of this PDS. To assess the merits of a *foreign currency option* you will need to use the actual rates and figures quoted to you at the time.

### EXAMPLE 1: IMPORTER ENTERS INTO A PUT OPTION

An Australian importer knows that it needs to make a payment of USD 100,000 to an offshore supplier in three months' time. The importer needs to receive USD in exchange for AUD to make this payment.

The AUD/ USD *spot exchange rate* is 0.8850. For various reasons, the importer is concerned that the AUD/ USD *spot exchange rate* will fall and as a consequence the importer would need to pay more AUD. The importer wants to protect itself against any unfavourable *exchange rate* movements but benefit from any favourable *exchange rate* movements.

The importer contacts ANZ and tells ANZ that it wants to enter into an AUD *put option*

against the USD as a foreign exchange risk management exposure technique. The importer nominates a *strike rate* of 0.8700 and an *expiry date* of three months' time.

Based on this information, ANZ quotes the importer a *premium* (i.e. the price at which ANZ is willing to enter into the *put option* with the importer) of AUD 3,000, explaining that the *foreign currency option* will have a *strike rate* of 0.8700 and a *contract amount* of USD 100,000.

The importer accepts ANZ's quoted *premium*. At this point, the deal becomes binding on both parties. The details of the deal are as follows:

|                             |   |
|-----------------------------|---|
| <b>TRADE DATE</b>           | Today   |
| <b>TRANSACTION TYPE</b>     | <i>Foreign currency option</i>                      |
| <b>OPTION TYPE</b>          | <i>Put Option</i>                                   |
| <b>CURRENCY PAIR</b>        | AUD/ USD  |
| <b>CONTRACT AMOUNT</b>      | USD 100,000   |
| <b>SELLER</b>               | ANZ   |
| <b>BUYER</b>                | Importer  |
| <b>STRIKE RATE:</b>         | 0.8700  |
| <b>PREMIUM</b>              | AUD 3000  |
| <b>PREMIUM PAYMENT DATE</b> | 2 <i>business days</i> from <i>trade date</i>       |
| <b>EXPIRY DATE</b>          | Three months from today                             |
| <b>EXPIRY TIME</b>          | 3:00pm (AEST)                                       |
| <b>CALCULATION AGENT:</b>   | ANZ   |
| <b>DELIVERY DATE</b>        | 2 <i>business days</i> after the <i>expiry date</i> |

The *put option* gives the importer the right but not the obligation to exchange AUD into USD at the *strike rate* on the *expiry date*.

The outcome of the *put option* is determined on the *expiry date*. There are two scenarios – the AUD/ USD *spot exchange rate* has risen or the AUD/ USD *spot exchange rate* has fallen, as against the *strike rate* of the *put option*.

### OUTCOMES AT EXPIRY

#### AUD/ USD SPOT EXCHANGE RATE ABOVE 0.8700

Importer would let the *option* expire. The importer could settle at *spot exchange rate* which is more favourable to it

#### AUD/ USD SPOT EXCHANGE RATE BELOW 0.8700

Importer would exercise the *option* and exchange at the agreed *strike rate* 0.8700 on the *delivery date*

### WHAT IF THE AUD/USD SPOT EXCHANGE RATE HAS RISEN ABOVE THE STRIKE RATE?

- > Let's assume that the AUD/ USD *spot exchange rate* on the *expiry date* is 0.9050. As the *strike rate* (0.8700) is lower than the current *spot exchange rate*, and the importer has the right but not the obligation to exercise the *put option*, the importer would allow the *put option* to expire and convert AUD into the required USD 100,000 at the current *spot exchange rate* of 0.9050.
- > So, how does the *put option* affect the amount of AUD the importer had to pay?
- > Importer exchanged USD 100,000 at the *spot exchange rate* of 0.9050, paying AUD 110,497.24
- > Importer paid a *premium* on the *put option* of AUD 3,000
- > Total payment by the importer of AUD 113,497.24 (AUD 110,497.24 + AUD 3,000)
- > Effective *exchange rate* achieved is 0.8810 (USD 100,000/ AUD 113,497.24)

So, by entering into the *put option*, although the importer locked in an *exchange rate* of 0.8700 and protected itself against the AUD/ USD *spot exchange rate* falling during the *term* of the *foreign exchange option*, the importer has still been able to benefit from the appreciation of the AUD/ USD *spot exchange rate* since the *trade date*. In situations where a foreign exchange option is not exercised, the *premium* paid impacts the overall amount the importer paid. In this case the importer is AUD 3,000 worse off (the *premium* paid) for entering into the *put option* than if it had not entered into a *put option* and exchanged at the prevailing *spot exchange rate*.

### WHAT IF THE AUD/ USD SPOT EXCHANGE RATE HAD FALLEN BELOW THE STRIKE RATE?

Let's assume that the AUD/USD *spot exchange rate* on the *expiry date* is 0.8400. As the *strike rate* (0.8700) is higher than the current *spot exchange rate*, the importer by notice to ANZ by the *expiry time* on the *expiry date* exercised the *put option*.

Following the exercise of the *put option*, on the *delivery date* (which is two *business days* after the *expiry date*) the importer and ANZ will exchange currencies.

- > ANZ will pay the importer USD 100,000
- > Importer pays ANZ AUD 114,942.52 (USD 100,000/ 0.8700)
- > So how does the *put option* affect the price the importer paid for USD's?
- > The net amount the importer paid, after adjustment for the cost of the *premium*, is:
- > Net amount AUD 117,942.52 (AUD 114,942.52 + AUD 3,000)
- > Effective *exchange rate* achieved is 0.8480 (USD 100,000/ AUD 117, 942.52)

So, by entering into the *put option* and locking in a *strike rate* of 0.8700 the importer protected itself against a subsequent fall in the AUD/ USD *spot exchange rate*.

If the importer had not entered into a *put option* and converted AUD to USD at the *spot exchange rate* on the *expiry date* (0.8400), it would have paid AUD 119,047.61 (USD 100,000/ 0.8400).

In this case the importer is AUD 1,105.09 (AUD 119, 047.61 - AUD 117,942.52) better off for entering into the *put option* than if it had done nothing and not entered into a *put option*.

## EXAMPLE 2: EXPORTER ENTERS INTO A CALL OPTION

An Australian exporter knows that it will receive a payment of USD 100,000 from an offshore client in three months' time.

The AUD/ USD *spot exchange rate* is 0.8850. The exporter contacts ANZ and tells ANZ that it wants to enter into an AUD *call option* against the USD. The exporter nominates a *strike rate* of 0.8900 and an *expiry date* of three months' time.

Based on this information, ANZ quotes the exporter a *premium* (i.e. the price at which ANZ is willing to enter into the *call option* with the exporter) of AUD 2,700, explaining that the *foreign currency option* will have a *strike rate* of 0.8900.

The exporter accepts ANZ's quoted *premium*. At this point, the deal becomes binding on both parties. The details of the deal are as follows:

|                             |   |
|-----------------------------|---|
| <b>TRADE DATE</b>           | Today   |
| <b>TRANSACTION TYPE</b>     | <i>Foreign currency option</i>                      |
| <b>OPTION TYPE</b>          | <i>Call Option</i>                                  |
| <b>CURRENCY PAIR</b>        | AUD/ USD  |
| <b>CONTRACT AMOUNT</b>      | USD 100,000   |
| <b>SELLER</b>               | ANZ   |
| <b>BUYER</b>                | Exporter  |
| <b>STRIKE RATE</b>          | 0.8900  |
| <b>PREMIUM</b>              | AUD 2,700   |
| <b>PREMIUM PAYMENT DATE</b> | 2 <i>business days</i> from <i>trade date</i>       |
| <b>EXPIRY DATE</b>          | Three months' from today                            |
| <b>EXPIRY TIME</b>          | 3:00pm Sydney (AEST)                                |
| <b>CALCULATION AGENT</b>    | ANZ   |
| <b>DELIVERY DATE</b>        | 2 <i>business days</i> after the <i>expiry date</i> |

The *call option* gives the exporter the right but not the obligation to exchange USD into AUD at the *strike rate* on the *expiry date*.

The outcome of the *call option* is determined on the *expiry date*. There are two scenarios – the AUD/ USD *spot exchange rate* has risen or the AUD/ USD *spot exchange rate* has fallen, as against the *strike rate* of the *call option*.

### OUTCOMES AT EXPIRY

#### AUD/ USD SPOT EXCHANGE RATE ABOVE 0.8700

Exporter would exercise the option and exchange at the agreed *strike rate* 0.8700 on the *delivery date*

#### AUD/ USD SPOT EXCHANGE RATE BELOW 0.8700

Exporter would let the option expire. The exporter could settle at *spot exchange rate* which is more favourable to it

## WHAT IF THE AUD/ USD SPOT EXCHANGE RATE HAD RISEN ABOVE THE STRIKE RATE?

Let's assume that the AUD/USD *spot exchange rate* on the *expiry date* is 0.9300. As the *strike rate* (0.8900) is better for the exporter than the current *spot exchange rate*, the exporter notified ANZ by the *expiry time* on the *expiry date* that it exercises the *call option*.

On the *delivery date*, which is two *business days* after the *expiry date* the exporter and ANZ will exchange currencies.

- > Exporter will pay the ANZ USD 100,000
- > ANZ pays exporter AUD 112,359.55 (USD 100,000/0.8900)

So how does the *call option* affect the amount of AUD the exporter received for converting USD's?

The net amount the exporter received, after adjustment for the *premium* paid, is:

- > Net amount AUD 109,659.55 (AUD 112,359.55 - AUD 2,700)
- > Effective *exchange rate* 0.912 (USD 100,000/ AUD 109,659.55)

If the exporter had done nothing and converted USD to AUD at the *spot exchange rate* (0.9300) on the *expiry date*, it would have received AUD 107,526.88 (USD 100,000/ 0.9300).

In this case the exporter is AUD 2,132.67 (AUD 109,659.55 - AUD 107,526.88) better off for entering into the *call option* than if it had done nothing.

## WHAT IF THE AUD/USD SPOT EXCHANGE RATE HAS FALLEN BELOW THE STRIKE RATE?

Let's assume that the AUD/ USD *spot exchange rate* on the *expiry date* is 0.8500. As the *strike rate* (0.8900) is worse for the exporter than the current *spot exchange rate*, the exporter has the right but not the obligation to exercise the *call option* and the exporter would allow the *call option* to expire unexercised.

The exporter could then convert USD 100,000 to AUD at the prevailing AUD/ USD *spot exchange rate*:

- > Exporter received AUD 117,647.06 (USD 100,000/ 0.8500)
- > The net amount of AUD the exporter received for converting USD's, after adjustment for the *premium* paid, is:
- > Net amount AUD 114,947.06 (AUD 117,647.06 - AUD 2,700)
- > Effective *exchange rate* 0.8699 (USD 100,000/ AUD 114,947.06)

If the exporter had done nothing and converted USD 100,000 to AUD at the *spot exchange rate* on the *expiry date* (0.8500), it would have received AUD 117,647.06.

In this case the exporter is AUD 2,700 (AUD 114,947.06- 117,647.06), worse off for entering into the *call option* than if it had done nothing, which is the amount of the *premium* it paid.

### EXAMPLE 3: IMPORTER TERMINATES PUT OPTION

An importer holds an existing AUD/USD *put option* over USD 100,000 with an *expiry date* in one month's time at a *strike rate* of 0.8700. The importer had paid a *premium* of AUD 3,000 to acquire that *put option*. The importer is no longer required to make a payment in USD to its offshore supplier and wishes to cancel the *foreign currency option*.

To effect early termination, the importer is required to notionally sell the *put option* to ANZ. ANZ agrees to notionally buy the *put option* from the importer and based on the current AUD/USD *spot exchange rate*, the *strike rate*, the *contract amount* and other factors described in Section 3.1, ANZ quotes a *premium* of AUD 2,650. The importer accepts the *premium*.

Therefore, for terminating the *put option* there is a net cost to the importer of AUD 350 (AUD 3000 - AUD 2650).

## 8. TERMS OF FOREIGN CURRENCY OPTIONS

### 8.1 HOW DO YOU ENTER INTO A FOREIGN CURRENCY OPTION?

If you have made an assessment based on your own knowledge and independent professional advice and, as a result, are interested in entering into a *foreign currency option*, you should contact us using the details in the directory in Section 13 or call your ANZ *contact*. Before you can enter into a *foreign currency option*, ANZ will need to conduct a credit assessment to see if you satisfy ANZ's credit requirements.

The next steps are:

- > Contact us using the details in the directory in Section 13 or call your ANZ *contact* to ask for a *foreign currency option*.
- > ANZ will provide you with the *master dealing agreement* that will apply to your *foreign currency option* transaction.
- > You will need to tell ANZ the *currency pair*, the *contract amount*, the type of option (*put option* or *call option*), the currency in which you want to pay the *premium*, the *strike rate* and the *expiry date*.
- > ANZ will then quote you the *premium*. For further information on how this is derived see Section 3.1.
- > If you accept ANZ's quote of the *premium* you enter into a *foreign currency option* with ANZ.
- > ANZ will send you a *confirmation* setting out the terms and details of the *foreign currency option* you entered into including the currencies and values involved, the *premium*, the *strike rate* and the *expiry date*.
- > You need to carefully check the *confirmation* and contact your ANZ *contact* immediately if there is a discrepancy.
- > If requested by ANZ, you must sign and return the *confirmation* in a timely manner. However, failure to do so does not affect the validity of the *foreign currency option*.

If you have any queries about a *confirmation*, contact your ANZ *contact*.

## 8.2 REQUIRED DOCUMENTATION TERMS AND CONDITIONS

A *foreign currency option* transaction is subject to a *master dealing agreement*. There are two types of *master dealing agreements* that we use:

- > *standard terms and conditions*; and
- > *ISDA master*.

We will advise you whether the *standard terms and conditions* or *ISDA master* will apply as the *master dealing agreement* for your *foreign currency option*. If we agree that an *ISDA master* will apply, we will provide it to you and you will be required to sign it prior to transacting a *foreign currency option* with us.

The *master dealing agreement* governs the dealing relationship between you and us and sets out the terms and conditions that apply to any *foreign currency option* you may enter into with ANZ. If you do not have a copy of the *master dealing agreement*, please contact us using the details in the directory in Section 13 or call your *ANZ contact* and a copy will be provided to you free of charge. The *standard terms and conditions* are also available at [anz.com](http://anz.com).

The *master dealing agreement* is important. The *master dealing agreement* covers a number of important terms, including obligations, payments, events of default, the right to terminate and the calculation of a transaction on termination. The *master dealing agreement* also covers *confirmations*, calculation periods and assignment, amongst other things.

We recommend that you read the *master dealing agreement* carefully before entering into a *foreign currency option* with us and consult your own independent professional adviser regarding the legal consequences of entering into a *foreign currency option*.

### OTHER DOCUMENTATION

In addition to the *master dealing agreement* and the *confirmation*, ANZ may require you to provide other documentation as part of the process of agreeing to enter into a *foreign currency option* with you (for example, security, amendments to trust or partnership deed). For further information on this, contact your *ANZ contact*.

## 9. INFORMATION ABOUT ANZ

ANZ is a company incorporated in the Commonwealth of Australia. ANZ holds an Australian Financial Service Licence (AFSL No. 234527). ANZ is a commercial bank offering a wide range of banking services to its customers both domestically and internationally.

ANZ world headquarters is located in Melbourne. It first opened as the Bank of Australasia in Sydney in 1835 and in Melbourne from 1838.

The ordinary shares of ANZ are listed on the Australian stock exchange. Full details of the share capital and net assets of ANZ are contained in the financial statements that are available on the ANZ website [anz.com](http://anz.com).

Financial statements for ANZ are also lodged with the Australian Securities and Investment Commission. Copies of ANZ's current financial statements are available upon request.

## 10. TAXATION

Depending on your particular circumstances, in general, gains from financial instruments such as this product may be assessable either as a revenue gain or a capital gain (under the capital gains tax regime). Conversely, losses may be deductible (or give rise to a capital loss) if the relevant eligibility and availability criteria are met. If the gains are subject to the capital gains tax regime, concessions or discounts may be available to the extent that you are eligible. We do not know how you will be required to treat this product or whether it can or will be held on capital account and thus subject to the capital gains tax regime.

Taxation law is complex and changes over time, as does the way it is interpreted. The impact that taxation law may have on you will depend on your specific circumstances. This product may not provide a beneficial or appropriate tax outcome for you.

Accordingly when determining whether a *foreign currency option* is suitable for you, you should consult your own independent adviser(s) regarding the tax and accounting consequences of entering into a *foreign currency option* in light of your particular circumstances.

## 11. ADDITIONAL INFORMATION

### 11.1 CODE OF BANKING PRACTICE

If the Australian Code of Banking Practice (**Code**) applies to you and if you are an individual or if you are using our products and services in connection with a small business, we are bound by the Code when we provide our products and services to you. A copy of the Code is available at [anz.com](http://anz.com).

### 11.2 WHAT IF YOU HAVE A COMPLAINT?

If you have a complaint about any of our products or services, ANZ has established complaint resolution procedures that aim to deal with and resolve your complaint within 10 working days.

For the fastest possible resolution to your complaint:

- > call ANZ on 1800 805 154
- > talk to staff at your local ANZ branch or business centre
- > talk to your *ANZ contact* or send a letter to ANZ Customer Response Centre via:

Mail: Locked Bag 4050, South Melbourne  
VICTORIA 3205

Email: [YourFeedback@anz.com](mailto:YourFeedback@anz.com)

Fax: 1800 269 030

For more information about ANZ's complaint resolution procedures, please ask for the brochure entitled 'Resolving your complaint' at any ANZ branch or business centre, or go to [anz.com](http://anz.com).

### FINANCIAL SERVICES DISPUTE RESOLUTION SCHEMES

If you are not satisfied with the steps taken by ANZ to resolve the complaint, or with the result of ANZ's investigation, you may wish to contact the Financial Ombudsman's Service Limited (**FOS**), which is an amalgamation of the Banking and Financial Services Ombudsman, Financial Industry Complaints Service Ltd and the Insurance Ombudsman Services Limited. The FOS is an external dispute resolution scheme that provides free advice and assistance to consumers to help resolve complaints relating to financial service providers.

### FINANCIAL OMBUDSMAN'S SERVICE LIMITED

GPO Box 3 Melbourne, Victoria 3000

Telephone: 1300 780 808

Facsimile: +61 3 9613 6399

Email: [info@fos.org.au](mailto:info@fos.org.au)

Internet: [www.fos.org.au](http://www.fos.org.au)

### AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Alternatively, the Australian Securities and Investments Commission's (**ASIC**) website contains information relevant to complaining about companies and people and describes the types of complaints handled by ASIC.

To obtain further information contact the ASIC Info line:

Telephone: 1300 300 630

Fax: +61 3 5177 3999

Email: [infoline@asic.gov.au](mailto:infoline@asic.gov.au)

Internet: [www.asic.gov.au](http://www.asic.gov.au)

### 11.3 PRIVACY AND CONFIDENTIALITY

#### ANZ'S PRIVACY NOTICE AND CONSENTS – INDIVIDUALS

When you deal with ANZ, ANZ is likely to collect and use some of your *personal information*. ANZ's disclosure of *non-personal information* is subject to our general duty of confidentiality towards our customers. ANZ explains below when and how ANZ may collect and use your *personal information*. This clause applies to you if you are:

- > A personal customer of ANZ or a non-incorporated customer of ANZ (for example, a sole trader or firm) (each a "*customer*"); or
- > A representative of a *customer* (for example, a company director or officer or an authorised signatory) or some other kind of third party relevant to a *customer* (for example, an employee or guarantor) (each a "*third party*").

## COLLECTION OF YOUR PERSONAL INFORMATION BY ANZ

If you are considering acquiring, or have acquired a product or service from ANZ, we may collect your *personal information*:

- > to assist in providing information about a product or service;
- > to consider your request for a product or service;
- > to enable ANZ to provide a product or service;
- > to tell you about other products and services that may be of interest to you;
- > to assist in arrangements with other organisations (such as loyalty partners) in relation to the promotion and provision of a product or service;
- > to perform other administrative and operational tasks (including risk management, systems development and testing, credit scoring, staff training, and market or customer satisfaction research);
- > to prevent or investigate any fraud or crime (or a suspected fraud or crime); and
- > as required by relevant laws, regulations, Codes and external payment systems.

If you are a representative of a *customer* or any other type of *third party*, ANZ is collecting your *personal information*:

- > to identify you;
- > to consider the *customer's* request for a product or service (including assessing their application);
- > to enable ANZ to provide the *customer* with the relevant product or service.

## ABSENCE OF RELEVANT PERSONAL INFORMATION

If you do not provide some or all of the information requested, ANZ may be unable to:

- > provide you with a product or service; or
- > if you are a representative of a *customer* or any other type of *third party*, to verify your authority to act on the *customer's* behalf or to provide the *customer* with the relevant product or service.

## DISCLOSURES BY ANZ

Subject to ANZ's general duties of confidentiality towards their customers, ANZ may need to disclose your information to:

- > your referee(s);
- > credit reporting or debt collection agencies;
- > an organisation that is in an arrangement or alliance with ANZ for the purpose of promoting or using their respective products or services (and any agents used by that organisation in administering such an arrangement or alliance);
- > any service provider ANZ engages to carry out or assist its functions and activities;
- > regulatory bodies, government agencies, law enforcement bodies or courts;
- > other parties ANZ is authorised or required by law to disclose information to;
- > participants in the payments system (including payment organisations and merchants) and other financial institutions (such as banks);
- > any person who introduces you to ANZ;
- > your authorised agents, or your executor, administrator or your legal representative.

## PRIVACY CONSENTS

By entering into a *foreign currency option* or by acquiring or continuing to hold a product or service from ANZ, you agree that ANZ and each of its related companies (including subsidiaries) ("**ANZ companies**") may exchange with each other any information about you for the purposes of:

- > providing, managing or administering your product or service;
- > performing administrative and operational tasks (including risk management, debt recovery, exposure aggregation, systems development and testing, credit scoring, staff training and market or customer satisfaction research); and
- > complying with regulatory requirements and prudential standards.

You consent to ANZ disclosing any *personal information* collected by it in the course of your relationship with ANZ to:

- > any contractor or service provider ANZ engages to provide services connected with your relationship with ANZ; and

- > participants in the payments system (including financial institutions, merchants and payment organisations).

Any contractor, agent or service provider engaged by ANZ is contractually required to only use *personal information* for ANZ purposes and to keep the information confidential.

### PROMOTION OF OTHER PRODUCTS OR SERVICES

Until you tell ANZ otherwise, ANZ may use your *personal information* to promote its products or services or those of its related companies and alliance partners and disclose your *personal information* to its related companies and alliance partners to enable them or ANZ to market their products or services.

Where you do not want ANZ to tell you about its products or services or those of its related companies or alliance partners, you may withdraw your consent by calling 13 13 14 at any time or contacting your *ANZ contact*.

### ACCESSING YOUR PERSONAL INFORMATION HELD BY ANZ

Subject to the provisions of the Privacy Act, you may access your *personal information* at any time by asking to do so at any ANZ branch. ANZ may charge you a reasonable fee for access. If you can show that information about you is not accurate, complete and up to date, ANZ must take reasonable steps to ensure it is accurate, complete and up to date.

### COLLECTING YOUR SENSITIVE INFORMATION

ANZ will not collect sensitive information about you, such as health information, without your consent. If you give ANZ *personal information* about someone else or direct someone else to give their *personal information* to ANZ, please show them a copy of this clause so they may understand the manner in which their *personal information* may be used or disclosed by ANZ in connection with your dealings with ANZ.

### AUTHORITY TO DISCLOSE CONFIDENTIAL INFORMATION – NON INDIVIDUALS

This clause applies to you if you are an incorporated *customer* of ANZ. By entering into a *foreign currency option* or by acquiring or continuing to hold the product or service from ANZ, you agree that *ANZ companies* may exchange with each other any information about you for the purposes of:

- > providing, managing or administering your product or service;
- > performing administrative and operational tasks (including risk management, debt recovery, exposure aggregation, systems development and testing, credit scoring, staff training and market or customer satisfaction research);
- > promotion of products or services; and
- > complying with regulatory requirements and prudential standards.

You authorise ANZ to disclose any *confidential information* collected by it in the course of your relationship with ANZ to:

- > any contractor or service provider ANZ engages to provide services connected with your relationship with ANZ;
- > participants in the payments system (including financial institutions, merchants and payment organisations); and
- > to its alliance partners to promote their products or services.

Any contractor, agent or service provider engaged by ANZ is contractually required to only use the information for ANZ purposes and to keep the information confidential.

## 11.4 TELEPHONE RECORDING

Please note that telephone dealings with ANZ in respect of entering into a *foreign currency option* are normally recorded.

This is standard practice in the financial markets and accordingly a standard procedure for ANZ in entering into a *foreign currency option* with you. If it is not possible or practical that the conversation in respect of entering into a *foreign currency option* be recorded, ANZ will discuss an alternative method for recording it with you at the time.

Recorded telephone lines will be used to clarify any doubt over the content of a conversation. If a recorded telephone line is not used, alternative means will be used for clarification purposes. Your *ANZ contact* will advise you of the alternative means at the time of entering the transaction.

If you do not wish to be recorded, please advise your *ANZ contact* immediately, however we will be unable to enter into a *foreign currency option* with you.

## 11.5 ANTI-MONEY LAUNDERING

You agree that ANZ may delay, block or refuse to process any transaction without incurring

any liability if ANZ suspects that:

- (a) the transaction may breach any law in Australia or any other country;
- (b) the transaction involves any person (natural, corporate or governmental) that is itself sanctioned or is connected, directly or indirectly, to any person that is sanctioned under economic and trade sanctions imposed by the United States, the European Union or any country; or
- (c) the transaction may directly or indirectly involve the proceeds of, or be applied for the purposes of, conduct which is unlawful in Australia or any other country.

You must provide all information to ANZ which ANZ reasonably requires in order to manage money-laundering or terrorism-financing risk or to comply with any laws in Australia or any other country. You agree that ANZ may disclose any information concerning you to any law enforcement body, regulatory agency or court where required by any such law, in Australia or elsewhere.

Unless you have disclosed that you are acting in a trustee capacity or on behalf of another party, you warrant that you are acting on your own behalf in entering into the transaction.

You declare and undertake to ANZ that the processing of any transaction by ANZ in accordance with your instructions will not breach any laws or regulations in Australia or any other country.

## 11.6 ETHICAL CONSIDERATIONS

ANZ does not, and will not, take into account any particular labour standards, environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments.

## 12. DEFINITIONS

**ANZ, us, our, we** is Australia and New Zealand Banking Group Limited ABN 11 005 357 522 AFSL 234527

**ANZ companies** is ANZ and each of its related companies (including subsidiaries)

**ANZ contact** is your *ANZ relationship manager* or your *ANZ markets advisor*

**ANZ markets advisor** is an ANZ employee who is responsible for the structuring, pricing and distribution of financial products provided by ANZ's Global Markets division. *Foreign currency options* are transacted with an *ANZ markets advisor*\*

**ANZ relationship manager** is an ANZ employee who acts as an ANZ customer's prime contact point (this could be an Institutional Banking Manager, a Corporate Banking Manager, a Business Banking Manager, an International Services Manager or another Manager so designated) and who is responsible for approving, or facilitating approval, of the provision of ANZ's products to customers\*

**business day** is a day on which ANZ is open for business for *foreign currency options* in Sydney

**call option** is a *foreign currency option* where you have the right but not the obligation to buy the underlying currency with another currency at the agreed *strike rate*, also called a *vanilla call option*

**confidential information** is information acquired by ANZ from and concerning you in the course of the banker-customer relationship and does not include publicly available information

**confirmation** is a document that outlines the commercial parameters of the *foreign currency option*

**contract amount** the amount of currency (and other currency equivalent) as agreed by you and us, which is covered by the *foreign currency option* as set out in the *confirmation*

**currency pair** means the two currencies which will be exchanged on the exercise of a *foreign currency option*

**delivery date** is the date on which the exchange of currencies takes place if you exercise the option.

**exchange rate** expresses the value of one currency in terms of another currency for example, in the *exchange rate* AUD/USD0.8805, one Australian Dollar is equal to 0.8805 US Dollars (88.05 US cents)

**exercise date** is the *expiry date*

**expiry date** is the date on which your right to exercise the option expires, as stated in the *confirmation*

**expiry time** is the time of day that the *option* expires

**foreign currency option** is a contract entered into with ANZ in accordance with this PDS and includes *put options* and *call options*. For more information please refer to Section 2

**forward exchange rate** will be the *exchange rate* at the time and date the *option* is entered into. It is the *exchange rate* applicable to the *delivery date* of the *option* and where the *delivery date* is more than two *business days* after the date the *option* is quoted.

**hedge, hedging** are terms used in financial markets to describe the activity of mitigating or reducing economic exposure to price fluctuations in underlying markets such as currencies, interest rates or commodities. For example, in reducing or mitigating your economic exposure to the fluctuation of the United States Dollar (USD) by entering into a *foreign currency option*, you are engaging in the activity of hedging

**ISDA master** means the International Swaps and Derivatives Association, Inc. Master Dealing Agreement as modified by ANZ and provided to you, if applicable

**master dealing agreement** is either the *standard terms and conditions* or an *ISDA master* as advised by ANZ

**option** is a *foreign currency option*

**personal information** is information about an individual

**premium** is the price payable by you to ANZ in consideration for having the right but not the obligation to exercise the *option*

**premium payment date** is the date on which the *premium* is payable. The *premium* is usually payable two *business days* after the *trade date* (the date the *option* is entered into)

**put option** is a *foreign currency option* where you have the right but not the obligation to

sell one currency and receive another currency at the agreed *strike rate*, also called a *vanilla put option*

**spot exchange rate** is the *exchange rate* at the time and date the *option* is entered into, where the *delivery date* is two *business days* after the date the *exchange rate* is quoted

**standard terms and conditions** means the document issued by ANZ titled Terms and Conditions for Trading in Foreign Exchange and Derivative Transactions, available at [anz.com](http://anz.com)

**strike rate** is the *exchange rate* at which the parties have agreed to exchange the currencies if you exercise the *option*

**term** the period from and including the *trade date* to and including the *expiry date*

**trade date** is the date on which you enter into a *foreign currency option*

**us, our we** is ANZ

**you, your** is the customer who is a party to a *foreign currency option*

## 13. DIRECTORY

### NEW SOUTH WALES

Level 2, 20 Martin Place  
Sydney NSW 2000  
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### QUEENSLAND

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### SOUTH AUSTRALIA

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Adelaide SA 5000  
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### WESTERN AUSTRALIA

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