

# Vanilla Options Product Disclosure Statement Customer Sells

Western Union Business Solutions (Australia) Pty Limited

Issue Date: 4th March 2020

# VANILLA OPTIONS PRODUCT DISCLOSURE STATEMENT CUSTOMER SELLS

Western Union Business Solutions (Australia) Pty Limited

## Table of Contents

1. Purpose
2. Important Information
  - 2.1 Copies
  - 2.2 Updates Relating to this PDS
  - 2.3 WUBS Products
  - 2.4 Financial Amounts
  - 2.5 Glossary of Terms
  - 2.6 Counterparty Credit Risk
  - 2.7 Disclaimer
3. Issuer
  - 3.1 WUBS Contact Details
  - 3.2 WUBS Services
  - 3.3 How to access WUBS Services
  - 3.4 Additional Information
4. Foreign Exchange Overview
  - 4.1 The Foreign Exchange Market
  - 4.2 Currency Limitations
5. Vanilla Options
  - 5.1 What is a Vanilla Option?
  - 5.2 Vanilla Option Variables
  - 5.3 Vanilla Option at Expiry
  - 5.4 Exercising a Vanilla Option
  - 5.5 Terminating/Closing a Vanilla Option
  - 5.6 Examples of a Vanilla Option
    - 5.6.1 If you sell a Vanilla USD Put Option / AUD Call Option
    - 5.6.2 If you sell a Vanilla USD Call Option / AUD Put Option
  - 5.7 Additional triggers if you buy a Vanilla Option
    - 5.7.1 If you sell a Vanilla USD Put Option / AUD Call Option with a Knock-In Rate
    - 5.7.2 If you sell a Vanilla USD Put Option / AUD Call Option with a Knock-Out Rate
    - 5.7.3 If you sell a Vanilla USD Call Option / AUD Put Option with a Knock-In Rate
    - 5.7.4 If you sell a Vanilla USD Call Option / AUD Put Option with a Knock-Out Rate
  - 5.8 Cost of a Vanilla Option
    - 5.8.1 Premium
    - 5.8.2 Transaction Fees
  - 5.9 Benefits of Vanilla Options
  - 5.10 Risks of Vanilla Options
6. Orders, Instructions, Confirmations and Telephone Conversations
7. Terms and Conditions and other Documentation
  - 7.1 Terms and Conditions
  - 7.2 Other Information
8. Dispute Resolution
9. Taxation
10. Privacy
11. Glossary of Terms

# 1. Purpose

This Product Disclosure Statement (PDS) is dated 4 March 2020.

This PDS contains information about selling **Vanilla Options**. Western Union Business Solutions (Australia) Pty Limited (ABN 24 150 129 749) (AFSL 404 092) (referred to in this document as 'Western Union Business Solutions', 'WUBS', 'we', 'our' and 'us') is providing you with this PDS so that you receive important information about selling **Vanilla Options** to WUBS including their benefits, risks and costs.

The purpose of this PDS is to provide you with sufficient information for you to determine whether selling a **Vanilla Option** meets your needs.

Please read this PDS carefully before entering into a transaction to sell a **Vanilla Option** to WUBS. In the event that you sell a **Vanilla Option** to us, you should keep a copy of this PDS along with any associated documentation for future reference.

The information set out in this PDS has been prepared without taking into account your objectives, financial situation or needs. Before making any decision about the **Vanilla Options** described under this PDS, you should consider whether it is appropriate, having regard to your own objectives, financial situation and needs. This PDS does not constitute financial advice or a financial recommendation.

You should read all of this PDS, the **Financial Services Guide** and the **Terms and Conditions**, before making a decision to sell a **Vanilla Option** to WUBS. We recommend that you contact us if you have any questions arising from this PDS or the **Terms and Conditions** prior to entering into any transactions with us.

Selling a **Vanilla Option** may be suitable for you if you understand and accept the risks involved in financial products involving foreign exchange and related markets. If you are not confident about your understanding of these markets, we strongly suggest you seek independent advice before making a decision about these products.

For example, consideration should be given to all the potential outcomes and strategies before selling a **Vanilla Option** described in this PDS. We encourage you to obtain independent financial advice which takes into account the particular reasons you are considering selling a **Vanilla Option** to WUBS.

Independent taxation and accounting advice should also be obtained in relation to the impact of possible foreign exchange gains and losses in light of your particular financial situation.

The distribution of this PDS and the offer, sale or purchase of a **Vanilla Option** described in this PDS may be restricted by law in certain jurisdictions. WUBS does not represent that this PDS may be lawfully distributed, or that any **Vanilla Options** may be lawfully offered or purchased, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution, offering or purchase. In particular, no action has been taken by WUBS which would permit a public offering of any **Vanilla Options** or the distribution of this PDS in any jurisdiction where action for that purpose is required. Accordingly, no **Vanilla Options** may be offered, bought or sold, directly or indirectly, and neither this PDS nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulation. Persons into whose possession this PDS or any **Vanilla Options** offered or purchased under this PDS, must inform themselves about, and observe any such restrictions.

This PDS and the **Vanilla Options** described in this PDS have not been and will not be registered under the U.S. Securities Act of 1933, as amended or any US state or other securities laws. Accordingly, the **Vanilla Options** described in this PDS may not be offered by or to any person that is in the United States or that is, or is acting for the account or benefit of, a US person.

If you have any questions or require more information, please contact WUBS on 1300 732 561 (Australia only), or +61 2 8585 7000 or by email: [clientservicesau@westernunion.com](mailto:clientservicesau@westernunion.com) or refer to our website <https://business.westernunion.com/en-au/>.

## 2. Important Information

### 2.1 Copies

Copies of this PDS are available free of charge.

You can download a copy of this PDS from <https://business.westernunion.com/en-au/compliance-legal/compliance> or request

a copy by either email at [clientservicesau@westernunion.com](mailto:clientservicesau@westernunion.com) or by phone 1300 732 561 (Australia Only).

### 2.2 Updates relating to this PDS

The information in this PDS is subject to change. WUBS will issue a supplementary or replacement PDS where new information arises that is materially adverse to the information in this PDS. Where new information arises that is not materially adverse to the information in this PDS, WUBS will post such updated information on its website at [www.business.westernunion.com.au](http://www.business.westernunion.com.au). You may request a copy of this information from your WUBS Representative or by contacting WUBS using the contact details in Section 3.1 "WUBS Contact Details" of this PDS.

If we issue a supplementary or new PDS, we will notify you by sending a written notice (which contains a link to the supplementary PDS or new PDS) to your email address as notified to us by you. We may also notify you by posting the supplementary PDS or new PDS on our website.

### 2.3 WUBS Products

A separate PDS is available for Foreign Exchange and Drafts Transactions, Vanilla Options (Customer Buys), Structured Options and Enhanced Structured Options.

Please contact us if you require either of these PDSs using contact information contained in Section 3.1 "WUBS Contact Details" of this PDS or download from our website at <https://business.westernunion.com/en-au/compliance-legal/compliance>.

### 2.4 Financial Amounts

All financial amounts expressed in this PDS are in Australian Dollars (AUD) unless otherwise stated.

### 2.5 Glossary of Terms

Words in BOLD used in this PDS, other than headings, have defined meanings. These meanings can be located in Section 11 "Glossary of Terms" of this PDS.

### 2.6 Counterparty Credit Risk

When you sell a **Vanilla Option** to WUBS, you are exposed to **Counterparty** credit risk against WUBS. That is, you have the risk that WUBS will not meet its obligations to you under the relevant **Vanilla Option**, including, for example, payment of the Premium to you. To assess our financial ability to meet our obligations to you, you can obtain a copy of our financial statements, free of charge by emailing [clientservicesau@westernunion.com](mailto:clientservicesau@westernunion.com).

### 2.7 Disclaimer

Any information that is provided in this PDS does not take account of your financial situation, objectives or needs. Because of this, before you act on it, you should consider its appropriateness having regard to your own objectives, financial situations or needs.

WUBS does not take into account labour standards or environmental, social or ethical considerations other than as required by law.

## 3. Issuer

Western Union Business Solutions (Australia) Pty Limited doing business as Western Union Business Solutions is the Issuer of the **Vanilla Options** described in this PDS. The financial product described in this PDS is an offer by WUBS to purchase a **Vanilla Option** from a Client.

This PDS was prepared by:

Western Union Business Solutions (Australia) Pty Limited ABN 24 150 129 749; AFSL Number 404092

### 3.1 WUBS Contact Details

Address: Level 12, 1 Margaret St, Sydney NSW 2000

Phone: +61 2 8585 7000 or 1300 732 561 (Australia Only).

Principal Contact: Compliance Department

Email: [clientservicesau@westernunion.com](mailto:clientservicesau@westernunion.com)

Website: <https://business.westernunion.com/en-au/>

### 3.2 WUBS Services

WUBS is one of the world's largest non-bank specialists in foreign exchange and international payments. We work with individuals and companies of all sizes, to create solutions that assist their business payments and foreign exchange process challenges to manage risk and costs.

### 3.3 How to access WUBS Services

After agreeing to our **Terms and Conditions** and after your application has been approved by us, you will have access to our **Vanilla Options** and will be able to provide us **Instructions** by:

Phone: Where you can call us and speak to a **WUBS Representative** and provide us with **Instructions** to transact your foreign exchange needs; or

Email: Where you can email us to provide your account details and **Instructions**.

### 3.4 Additional Information

Our website provides additional information that may be useful including information about foreign exchange transactions and payment solutions, a resource centre and information relating to our company history. You must note that any information in this **PDS** or on our website does not take into account your personal financial circumstances and needs.

## 4. Foreign Exchange Overview

Foreign exchange refers to the purchase of one currency and the sale of another currency at an agreed **Exchange Rate** simultaneously. Separate from the **Exchange Rate**, you will need to consider the relevant fees associated with your transaction. Our fees for **Vanilla Options** are described in Section 5.8 "Cost of a Vanilla Option" of this **PDS**.

### 4.1 The Foreign Exchange Market

**Vanilla Options** are not entered into on an authorised exchange such as a stock market. There is no official benchmark **Exchange Rate** for **Vanilla Options**. The foreign exchange market is referred to as an **Over-The-Counter (OTC)** market, which means that **Exchange Rates** when compared between providers will often vary.

**Exchange Rates** are quoted on the **Interbank Market**, which is a wholesale market for **Authorised Exchange Dealers**, with **Interbank Exchange Rates** fluctuating according to supply and demand. This market is restricted to **Authorised Exchange Dealers** and banks that constantly quote to each other at wholesale **Exchange Rates** and in minimum parcel sizes.

Factors that influence supply and demand (and therefore the **Exchange Rate** quoted to you) include:

- investment inflows/outflows;
- market sentiment or expectations;
- economic and political influences including geo-political influence; and
- import/export of goods and services.

**Exchange Rates** quoted in the media generally refer to **Interbank Exchange Rates** and will usually differ from **Exchange Rates** quoted to you.

Because **Vanilla Options** are traded **OTC** with WUBS you will not be able to sell or transfer your transaction with another provider. You will only be able to reverse or cancel your **Vanilla Option** with WUBS.

### 4.2 Currency Limitations

While WUBS endeavours to ensure that you are provided with access to the **Currency Pair** of your choice, WUBS does not guarantee that it will offer **Vanilla Options** in all **Currency Pairs**. This may arise for a number of reasons including restrictions that are imposed on WUBS or WUBS not having access to certain currencies through its **Correspondent Banks**.

## 5. Vanilla Options

### 5.1 What is a Vanilla Option?

A **Vanilla Option** is an agreement between two parties (in this case, with WUBS as "the buyer" of the **Vanilla Option** and you as the "the seller" of the **Vanilla Option**) that gives the buyer the right but not the obligation to exchange an amount of one currency for an amount of another currency at an agreed **Exchange Rate** on an agreed date in the future (**Expiry Date**). A **Vanilla Option** may be a **Put Option** (a right to sell currency) or a **Call Option** (a right to buy currency).

When you sell a **Vanilla Option** to WUBS, you will receive a **Premium** for the **Vanilla Option**. By selling a **Vanilla Option** to WUBS, you grant WUBS as the buyer, the right, but not the obligation, to buy from you an agreed amount of one currency for another currency at an agreed price (the **Strike Rate**) on the specified **Expiry Date**.

The costs of selling a **Vanilla Option** to WUBS are described further in Section 5.8 "Cost of a Vanilla Option". The benefits and risks of selling a **Vanilla Option** to WUBS are described further in Section 5.9 "Benefits of Vanilla Options" and Section 5.10 "Risks of Vanilla Options".

### 5.2 Vanilla Option Variables

When you sell a **Vanilla Option** to WUBS you nominate:

- whether it is a **Call Option** or a **Put Option**,
- the **Currency Pair**;
- the **Notional Amount**;
- the **Strike Rate**;
- any **Trigger Rates**;
- any **Windows**; and
- the **Expiry Date**.

The **Vanilla Option** type, **Currency Pair**, **Notional Amount**, **Strike Rate**, **Trigger Rates**, **Windows** and **Expiry Date** in your **Vanilla Option** must be acceptable to WUBS.

WUBS only offers "European" style **Vanilla Options**. This means that WUBS may only **Exercise** the **Vanilla Option** on the **Expiry Date**, unless otherwise agreed by WUBS in writing.

### 5.3 Vanilla Option at Expiry

At the **Expiry Date** of a **Vanilla Option** the prevailing **Spot Rate** that applies to the **Currency Pair** will either be less favourable than the **Strike Rate** or more favourable than the **Strike Rate**.

A. If the **Spot Rate** is less favourable to WUBS than the **Strike Rate**

If you have sold a **Vanilla Option** to us, WUBS will **Exercise** its **Vanilla Option** and you will be obligated to exchange currencies with WUBS at the **Strike Rate**, which will be unfavourable to you, two (2) **Business Days** after the **Expiry Date**.

B. If the **Spot Rate** is more favourable to WUBS than the **Strike Rate**

If you have sold a **Vanilla Option** to us, WUBS will let the **Vanilla Option** lapse and there is no obligation on either party. This is because the prevailing **Spot Rate** for the **Currency Pair** is a more favourable **Exchange Rate** than the **Strike Rate**.

### 5.4 Exercising a Vanilla Option

To **Exercise** a **Vanilla Option**, WUBS may inform you of its intention to **Exercise** on the **Expiry Date** by issuing you with an **Exercise Notice** by phone, fax, or electronic mail (email):

- As the seller, you will be obligated and must accept the **Exercise Notice**.
- You will be required to deliver your currency to WUBS at the **Strike Rate** two (2) **Business Days** after the **Expiry Date**.

If the **Vanilla Option** sold by you to WUBS is **In-The-Money (ITM)** (i.e. the prevailing **Exchange Rate** is less favourable than the **Strike Rate**), we will **Exercise** the option even without providing an **Exercise Notice** to you.

If a **Vanilla Option** is not **Exercised** it will lapse at the **Expiry Time**.

## 5.5 Terminating/Closing a Vanilla Option

You may ask us to close a **Vanilla Option** at any time up to the **Expiry Time** on the **Expiry Date**. **WUBS** will provide you with a quote for the cost of such cancellation. These costs may be significant. **WUBS's** quote will be based on the cost of reversing or offsetting your **Vanilla Option** at the time of your request. The same variables that are relevant to the determination of the **Premium** will be relevant to determining this cost. These are set out in Section 5.8 "Cost of a Vanilla Option" below.

If you accept the quote the **Vanilla Option** will be terminated and you may lose money as a result.

## 5.6 Examples of a Vanilla Option

The examples used for each **Vanilla Option** in this Section 5.6 are for illustrative purposes only, using rates and figures that we have selected to demonstrate how each product works. They do not reflect the specific circumstances that may arise under **Vanilla Options** entered into by you. In order to assess the merits of any particular **Vanilla Option** you should use the actual rates and figures quoted at the relevant time.

### 5.6.1 If you sell a Vanilla USD Put Option / AUD Call Option

An Australian importer needs to pay **USD 100,000** in three (3) months' time for goods it has bought overseas. The importer can buy the **USD** in three (3) months' time but cannot budget the right amount of **AUD** because the **Exchange Rate** in three (3) months' time is unknown. The current **Spot Rate** is 0.7550.

If the importer did nothing, the amount of **AUD** needed to pay for the **USD 100,000** in three (3) months' time will depend on the prevailing **Exchange Rate** at that time.

If the **AUD/USD Exchange Rate** goes up (**AUD** appreciates), less **AUD** will be required when it comes time to pay for the **USD** and the importer may be in a more favourable position.

If the **AUD/USD Exchange Rate** goes down (**AUD** depreciates), more **AUD** will be required when it comes time to pay for the **USD** and the importer may be in a less favourable position.

The importer sells a **USD Put Option** to **WUBS** with the following terms (nominating the **Strike Rate**, **Notional Amount** and **Expiry Date**):

- **Currency Pair:** AUD/USD
- **Option type:** USD Put Option / AUD Call Option
- **Strike Rate:** 0.7600
- **Notional Amount:** USD 100,000
- **Expiry Date:** Three (3) months after **Trade Date**
- **Expiry Time:** 3.00 PM Tokyo time
- **Settlement date:** Typically, the prevailing market convention is two (2) **Business Days** after the **Expiry Date**
- **Premium:** AUD 2,700 (calculated by **WUBS**, payable to the importer).

Possible outcomes on the **Expiry Date**

On the **Expiry Date**, **WUBS** will have the option to exchange **USD** for **AUD** at the agreed **Strike Rate**:

- A. If the prevailing **Spot Rate** is more favourable to **WUBS** than 0.7600 (say 0.7500), **WUBS** would allow the **USD Put Option** to lapse with no obligation on the importer.
- B. If the prevailing **Spot Rate** is less favourable to **WUBS** than 0.7600 (say 0.7700), **WUBS** will **Exercise** the **USD Put Option** and the importer will be obligated to exchange **AUD** for **USD** at the less favourable **Strike Rate** of 0.7600.

### 5.6.2 If you sell a Vanilla USD Call Option / AUD Put Option

An Australian exporter will receive **USD 100,000** in three (3) months' time for goods it has sold overseas. The exporter can sell the **USD** in three (3) months' time but does not know the amount of **AUD** it will receive because the **Exchange Rate** in three (3) months' time is unknown. The current **Spot Rate** is 0.7550.

If the exporter did nothing, the amount of **AUD** received for the

**USD 100,000** in three (3) months' time will depend on the prevailing **Exchange Rate** at the time.

If the **AUD/USD Exchange Rate** goes up (the **AUD** appreciates), less **AUD** will be received when it comes time to sell the **USD** and the exporter may be in a less favourable position.

If the **AUD/USD Exchange Rate** goes down (the **AUD** depreciates), more **AUD** will be received when it comes time to sell the **USD** and the exporter may be in a more favourable position.

The exporter sells a **USD Call Option** to **WUBS** with the following terms (nominating the **Strike Rate**, **Notional Amount** and **Expiry Date**):

- **Currency Pair:** AUD/USD
- **Option type:** USD Call Option / AUD Put Option
- **Strike Rate:** 0.7500
- **Notional Amount:** USD 100,000
- **Expiry Date:** three (3) months after **Trade Date**
- **Expiry Time:** 3.00 PM Tokyo time
- **Settlement date:** Typically, the prevailing market convention is two (2) **Business Days** after the **Expiry Date**
- **Premium:** AUD 2,700 (calculated by **WUBS**, payable to the exporter).

Possible outcomes on the **Expiry Date**

On the **Expiry Date**, **WUBS** will have the option to exchange **AUD** for **USD** at the agreed **Strike Rate**:

- A. If the prevailing **Spot Rate** is less favourable to **WUBS** than 0.7500 (say 0.7400), **WUBS** will **Exercise** the **USD Call Option** and the exporter will be obligated to exchange **USD** for **AUD** at the less favourable **Strike Rate** of 0.7500.
- B. If the prevailing **Spot Rate** is more favourable to **WUBS** than 0.7500 (say 0.7600), **WUBS** would allow the **USD Call Option** to lapse with no obligation on the exporter.

## 5.7 Additional triggers if you sell a Vanilla Option

If you sell a **Vanilla Option** to **WUBS**, you can have certain conditions attached to the **Vanilla Option** that are triggered if an agreed **Exchange Rate** trades in the spot foreign exchange market during the term of the **Vanilla Option**. We refer to these as **Trigger Rates**. A **Trigger Rate** may be either a **Knock-In Rate** or a **Knock-Out Rate**:

- A **Knock-In Rate** is an **Exchange Rate** that must be traded (at or beyond) in the spot foreign exchange market that will result in **WUBS's** right pursuant to a **Call Option** or a **Put Option** to become effective (i.e. the **Call Option** or **Put Option** is contingent on the **Knock-In Rate** being triggered).
- A **Knock-Out Rate** is an **Exchange Rate** that if traded (at or beyond) in the spot foreign exchange market that will result in **WUBS's** right pursuant to a **Call Option** or **Put Option** terminating (i.e. the **Call Option** or **Put Option** terminates if the **Knock-Out Rate** is triggered).

Where a **Trigger Rate** applies to a **Vanilla Option** it will apply for the term. However, it is possible to apply a shorter term to the **Trigger Rate**. We refer to these shorter terms as **Windows**. Typical trigger **Windows** include "last month" (where the **Trigger Rate** is only effective in the last month of the **Vanilla Option**), "last week" (where the **Trigger Rate** is only effective in the last week of the **Vanilla Option**), "last day" (where the **Trigger Rate** is only effective on the last day of the **Vanilla Option**), and "at Expiry" (where the **Trigger Rate** is only effective at the **Expiry Time** on the **Expiry Date** of the **Vanilla Option**).

You can ask **WUBS** to provide you with a **Window** at any time before you enter into a **Vanilla Option**. If a **Window** is nominated on the **Trade Date**, **Trigger Rates** will only apply during the period that the **Window** is open.

The addition of a **Knock-In Rate** or a **Knock-Out Rate** to a **Vanilla Option** results in the **Premium** to be reduced relative to a comparable **Vanilla Option** without a trigger. However, the **Vanilla Option** may not exist on the **Expiry Date** because a **Trigger Rate** has been triggered or not triggered.

#### 5.7.1 If you sell a Vanilla USD Put Option / AUD Call Option with a Knock-In Rate

The same Australian importer in paragraph 5.6.1 wishes to include a **Knock-In Rate** at 0.7900.

- **Currency Pair:** AUD/USD
- **Option type:** USD Put Option / AUD Call Option
- **Strike Rate:** 0.7600
- **Knock-In Rate:** 0.7900
- **Notional Amount:** USD 100,000
- **Expiry Date:** three (3) months after **Trade Date**
- **Expiry Time:** 3.00 PM Tokyo time
- **Settlement date:** Typically, the prevailing market convention is two (2) **Business Days** after the **Expiry Date**
- **Premium:** AUD 1,700 (calculated by WUBS, payable to the importer)

Possible outcomes

- A. If the **Knock-In Rate** (0.7900) has not been triggered prior to the **Expiry Date** (or during a **Window**), the **USD Put Option** lapses with no obligation on either party.
- B. If the **Knock-In Rate** (0.7900) has been triggered prior to the **Expiry Date** (or during a **Window**):
- (i) If the prevailing **Spot Rate** is more favourable to WUBS than 0.7600 (say 0.7500), WUBS would allow the **USD Put Option** to lapse with no obligation on the importer.
  - (ii) If the prevailing **Spot Rate** is less favourable to WUBS than 0.7600 (say, 0.7800), WUBS will **Exercise** the **USD Put Option** and the importer will be obligated to exchange **AUD** for **USD** at the less favourable **Strike Rate** of 0.7600.

#### 5.7.2 If you sell a Vanilla USD Put Option / AUD Call Option with a Knock-Out Rate

The same Australian importer in paragraph 5.6.1 wishes to include a **Knock-Out Rate** at 0.7300.

- **Currency Pair:** AUD/USD
- **Option type:** USD Put Option / AUD Call Option
- **Strike Rate:** 0.7600
- **Knock-Out Rate:** 0.7300
- **Notional Amount:** USD 100,000
- **Expiry Date:** three (3) months after **Trade Date**
- **Expiry Time:** 3.00 PM Tokyo time
- **Settlement date:** Typically, the prevailing market convention is two (2) **Business Days** after the **Expiry Date**
- **Premium:** AUD 2,300 (calculated by WUBS, payable to the importer)

Possible outcomes

- A. If the **Knock-Out Rate** (0.7300) has not been triggered prior to the **Expiry Date** (or during a **Window**):
- (i) If the prevailing **Spot Rate** is more favourable to WUBS than 0.7600 (say, 0.7500), WUBS would allow the **USD Put Option** to lapse with no obligation on the importer.
  - (ii) If the prevailing **Spot Rate** is less favourable to WUBS than 0.7600 (say, 0.7800), WUBS will **Exercise** the **USD Put Option** and the importer will be obligated to exchange **AUD** for **USD** at the less favourable **Strike Rate** of 0.7600.
- B. If the **Knock-Out Rate** (0.7300) has been triggered, the **USD Put Option** will cease to exist.

#### 5.7.3 If you sell a Vanilla USD Call Option / AUD Put Option to WUBS with a Knock-In Rate

The same Australian exporter in paragraph 5.6.2 wishes to include a **Knock-In Rate** at 0.7200:

- **Currency Pair:** AUD/USD
- **Option type:** USD Call Option / AUD Put Option
- **Strike Rate:** 0.7500
- **Knock-In Rate:** 0.7200
- **Notional Amount:** USD 100,000
- **Expiry Date:** three (3) months after **Trade Date**
- **Expiry Time:** 3.00 PM Tokyo time
- **Settlement date:** Typically, the prevailing market convention is two (2) **Business Days** after the **Expiry Date**
- **Premium:** AUD 1,700 (calculated by WUBS, payable to the exporter)

Possible outcomes

- A. If the **Knock-In Rate** (0.7200) has not been triggered prior to the **Expiry Date** (or during a **Window**), the **USD Call Option** lapses with no obligation on either party.
- B. If the **Knock-In Rate** (0.7200) has been triggered prior to the **Expiry Date** (or during a **Window**):
- (i) If the prevailing **Spot Rate** is more favourable than 0.7500 (say 0.7400), WUBS will **Exercise** the **USD Call Option** and the exporter will be obligated to exchange **USD** for **AUD** at the less favourable **Strike Rate** of 0.7500.
  - (ii) If the prevailing **Spot Rate** is less favourable than 0.7500 (say, 0.7600), WUBS would allow the **USD Call Option** to lapse with no obligation on the exporter.

#### 5.7.4 If you sell a Vanilla USD Call Option / AUD Put Option to WUBS with a Knock-Out Rate

The same Australian exporter in paragraph 5.6.2 wishes to include a **Knock-Out Rate** at 0.7800:

- **Currency Pair:** AUD/USD
- **Option type:** USD Call Option / AUD Put Option
- **Strike Rate:** 0.7500
- **Knock-Out Rate:** 0.7800
- **Notional Amount:** USD 100,000
- **Expiry Date:** three (3) months after **Trade Date**
- **Expiry Time:** 3.00 PM Tokyo time
- **Settlement date:** Typically, the prevailing market convention is two (2) **Business Days** after the **Expiry Date**
- **Premium:** AUD 2,200 (calculated by WUBS, payable to the exporter)

Possible outcomes

- A. If the **Knock-Out Rate** (0.7800) has not been triggered prior to the **Expiry Date** (or during a **Window**):
- (i) If the prevailing **Spot Rate** is less favourable to WUBS than 0.7500 (say, 0.7400), WUBS will **Exercise** the **USD Call Option** and the exporter will be obligated to exchange **USD** for **AUD** at the less favourable **Strike Rate** of 0.7500.
  - (ii) If the prevailing **Spot Rate** is more favourable to WUBS than 0.7500 (say, 0.7600), WUBS would allow the **USD Call Option** to lapse with no obligation on the exporter.
- B. If the **Knock-Out Rate** (0.7800) has been triggered the **USD Call Option** will cease to exist.

#### 5.8 Cost of a Vanilla Option

##### 5.8.1 Premium

When you sell a **Vanilla Option** to WUBS, you will be receiving from WUBS a non-refundable **Premium**, in cleared funds, payable within two (2) **Business Days** of the **Trade Date**. WUBS will pay the **Premium** in either Australian Dollars or one of the currencies

in the **Vanilla Option Currency Pair**. However, it is important to understand that if you sell a **Vanilla Option** to WUBS, your loss may be potentially unknown as the **Premium** received by you may not offset the impact of an unfavourable **Spot Rate** move. WUBS sets the **Premium** in respect of a **Vanilla Option**, by applying a **Retail Mark Up (Mark Up)** to the **Interbank Premium** it receives from its wholesale commercial relationships. When calculating **Premiums**, WUBS takes into account the following variables on a transaction-by-transaction basis:

- the **Currency Pair**;
- the **Notional Amount**;
- the **Strike Rate**: the more favourable the **Strike Rate** for WUBS, the higher the **Premium** that will be payable;
- the **Expiry Date**: the longer the time period between the **Trade Date** and **Expiry Date** the higher the **Premium** that will be payable;
- current market **Exchange Rates** of the underlying **Currency Pair**;
- the **Interest Rate Differential** of the countries whose currencies make up the **Currency Pair**;
- market **Volatility** and **Liquidity**;
- any **Trigger Rates** and **Windows**.

#### 5.8.2 Transaction Fees

You will not be charged any additional entry fees for selling a **Vanilla Option** at the **Trade Date** but other fees or charges may apply for related services such as **Wire Transfers** or **Drafts** that are made or issued in connection with the **Vanilla Option**.

Transaction fees for **Wire Transfers** or **Drafts** are in addition and are separate to the **Exchange Rate** conversion that will apply to converting one foreign currency to another when WUBS Exercises a **Vanilla Option**. These fees are payable at the time we process a **Wire Transfer** for you or issue you or your nominated beneficiary with a **Draft**.

The transaction fee we charge you will depend upon:

- The amount and type of foreign currency to be transferred (more exotic currencies usually incur higher fees);
- The number and frequency of transactions you conduct through WUBS (an existing relationship may result in reduced fees); and
- The country that the funds are sent to (some countries are more expensive than others to deal with).

In addition to the fees charged by WUBS for sending payments by **Wire Transfer** or for issuing **Drafts** for **Vanilla Options**, any **Correspondent Bank**, **Intermediary Bank** or **Beneficiary Bank(s)** which facilitates the sending or payment of **Wire Transfers/Drafts** may impose their own additional fees or charges which may be deducted from the amount paid to you or your beneficiary. For information on these fees you need to contact the relevant financial institution.

For more information in relation to the cost of **Wire Transfers/Drafts** in connection with delivery of your **Vanilla Option** that may be applicable, contact your WUBS Representative.

#### 5.9 Benefits of Vanilla Options

If you sell a **Vanilla Option** to WUBS, some benefits include:

- The **Premium** is paid to you upfront.
- The **Premium** to be received is known at the time the **Vanilla Option** is entered into.
- The **Premium** received can be used to offset a potentially unfavourable move in **Exchange Rates**.

#### 5.10 Risks of Vanilla Options

If you sell a **Vanilla Option** to WUBS, the associated risks include:

- **Market Volatility**: The foreign exchange markets in which WUBS operates are **OTC** and can change rapidly. These markets are speculative and volatile with the risk that prices will move quickly. WUBS cannot guarantee that you will not make losses, (where your **Vanilla Option** is **Out-of-The-Money (OTM)**) or that any unrealised profit or losses will

remain unchanged for the term of the **Vanilla Option**. You need to monitor your **Vanilla Options** with WUBS carefully.

- **There may be no protection**: The sale of a **Vanilla Option** to WUBS is not designed to provide protection against an unfavourable movement in the relevant currency. If the **Spot Rate** at expiry is more favourable to WUBS than the **Strike Rate**, WUBS will Exercise the **Vanilla Option** and you will be obligated to exchange currencies at an **Exchange Rate** that is unfavourable to you. The **Premium** received by you is designed to be used to potentially offset any potential unfavourable moves in the **Spot Rate** that may occur. However, the **Premium** received may not be enough to offset the total impact of the unfavourable **Spot Rate** at the **Expiry Date**.
- **Delivery of currency**: If WUBS exercises the **Vanilla Option**, you are obligated to deliver your currency to WUBS at the **Strike Rate**, which will be at an **Exchange Rate** that is unfavourable to you. Furthermore, if WUBS exercises the **Vanilla Option** and you do not have the currency you are required to deliver, you will need to purchase it at the unfavourable **Exchange Rate**, in order to meet your obligations.
- **Unknown liability**: If you have to purchase currency at an unfavourable **Exchange Rate** to meet your obligations this will result in a cost to you. This cost is potentially unknown.
- **Cancellations**: The close-out/cancellation of a **Vanilla Option** prior to maturity may result in a financial loss to you. WUBS will provide a quote for such services based on market conditions prevailing at the time of your request.
- **Cooling-off**: There is no cooling-off period. This means that once an Instruction to enter into a **Vanilla Option** has been accepted, you are unable to cancel the sale of your **Vanilla Option** without incurring a cost.

## 6. Orders, Instructions, Confirmations and Telephone Conversations

The commercial terms of a particular **Vanilla Option** will be agreed and binding from the time **Instructions** are received and accepted by us. This may occur verbally over the phone, electronically or in any other manner set out in our **Terms and Conditions**.

Shortly after selling a **Vanilla Option** to us, we may send you a **Confirmation** outlining the agreed commercial terms of the transaction. This **Confirmation** is intended to reflect the transaction that you have entered into with WUBS. It is important that you check the **Confirmation** to make sure that it accurately records the terms of the transaction. You should note however, that there is no cooling-off period with respect to **Vanilla Options** and that you will be bound once an Instruction has been accepted regardless of whether you receive, sign or acknowledge a **Confirmation**. In the event that there is a discrepancy between your understanding of the **Vanilla Option** and the **Confirmation**, it is important that you raise this with WUBS as a matter of urgency.

Conversations with our dealing room are recorded in accordance with standard market practice. We do this to ensure that we have complete records of the details of all transactions. Recorded conversations are retained for a limited time and are usually used when there is a dispute and for staff monitoring purposes. If you do not wish to be recorded you will need to inform your WUBS Representative. WUBS will not enter into any transaction over the telephone unless the conversation is recorded.

Further information about WUBS's privacy practices are set out at Section 10 "Privacy".

## 7. Terms and Conditions and other Documentation

### 7.1 Terms and Conditions

Each **Vanilla Option** you enter into will be subject to the **Terms and Conditions**. You will be required to sign these as part of our **Application for Foreign Exchange Trading** before entering into a **Vanilla Option** with us for the first time.

The **Terms and Conditions** are a master agreement and set out all of the terms of the relationship between you and WUBS that are applicable to the **Vanilla Options** described in this PDS.

The **Terms and Conditions** are important and you should read them carefully before buying or selling any **Vanilla Option**. They cover a number of important terms including how transactions are executed, our respective rights and obligations, events of default and rights of termination.

We recommend that you seek your own professional advice in order to fully understand the consequences of selling a **Vanilla Option**.

## 7.2 Other Information

In addition to our **Terms and Conditions** you will also need to provide us with a signed **Vanilla Options Declaration Form** together with such other "Know Your Customer" information (including credit related information or information relevant to AML/CTF) that **WUBS** may require, including a **Direct Debit Request** form or any other form as **WUBS** requests to enable payment of the **Premium** to you. Copies of forms referenced can be obtained by contacting your **WUBS Representative**.

## 8. Dispute Resolution

You should address any complaint relating to the **Vanilla Options** described in this **PDS** to your **WUBS Representative** in the first instance.

If your complaint is unable to be resolved the matter will be automatically escalated to the relevant business unit manager. If a resolution is not reached within a reasonable time period, the matter will be further escalated to the **WUBS Compliance Manager** who will refer the matter to **Senior Management** for resolution.

All complaints are logged at each stage of the process. **WUBS's** Complaints Handling Policy requires us to investigate and provide a resolution to you within forty-five (45) **Business Days** from you first making the complaint. **WUBS** takes complaints seriously and strives to ensure efficient and fair resolution.

If you have any enquiries about our dispute resolution process, please contact your **WUBS Representative** using the contact details in Section 3.1 "WUBS Contact Details" of this **PDS**.

If you are dissatisfied with the resolution of a complaint you have the right to refer the complaint to:

Australian Financial Complaints Authority (AFCA)

Online: [www.afca.org.au](http://www.afca.org.au)

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

Phone: 1800 931 678 (free call)

Mail: Australian Financial Complaints Authority  
GPO Box 3 Melbourne VIC 3001

AFCA operates an independent dispute resolution scheme.

## 9. Taxation

Taxation law is complex and its application will depend on a person's individual circumstances. When determining whether or not the **Vanilla Options** described in this **PDS** are suitable you should consider the impact it will have on your own taxation position and seek professional advice on the tax implications the **Vanilla Options** may have for you.

## 10. Privacy

In the course of transacting **Vanilla Options**, we will collect information about you. The information that we obtain from you or other people associated with your request is for the purpose of providing you the services you have asked for, including processing your **Vanilla Options**, compliance and legal duties, administration and to help validate your details. Certain information may be required by us in order to comply with laws and regulations, including the **AML/CTF Act** and taxation laws. If you do not provide the required information, **WUBS** may be unable to provide you with the requested services. We may disclose your personal information: (i) if we are required to do so by domestic or foreign law or legal process or (ii) to law enforcement authorities of other government officials (including those in this country, the United States or elsewhere) for purposes such as detecting, investigating, prosecuting and preventing crimes, including money laundering and related criminal activity, and the recipients may further disclose the information for these and other related purposes.

We may use your information to send you details about **WUBS** products and services. If you do not wish to receive such information, please notify us. We may also disclose information about you to third party service

providers (such as credit checking agencies), including to countries other than the country in which the information was originally collected or created, who assist us in our business operations and service provision, including the USA for the purposes described in this document.

You have a right to ask us for a copy of your information. You can also correct, erase or limit our use of information which is incomplete, inaccurate or out of date.

**WUBS** is committed to complying with all privacy laws and regulations. Further information about **WUBS's** privacy practices can be found at <https://secure.westernunion.com/docs/privacy/wubsglobal/en-au.pdf?download=false>.

If you would like further information about the way that **WUBS** handles your personal information, or you wish to exercise your rights, please contact our privacy officer:

Email: [wubsprivacy@westernunion.com](mailto:wubsprivacy@westernunion.com)

Mail: Attention Privacy Officer

Level 12, 1 Margaret Street Sydney, NSW 2000.

Call: 1300 732 561 (Australia Only) or +612 8585 7000

## 11. Glossary Of Terms

**AML/CTF** means Anti-Money Laundering and Counter-Terrorism Financing.

**AML/CTF Act** means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and related regulations.

**Application for Foreign Exchange Trading** means any application forms and identity documents that a **Customer** must complete and provide to **WUBS** before **WUBS** establishes a **Customer** trading facility, as determined by **WUBS**, and also includes the **Terms and Conditions**.

**AUD** means Australian Dollar.

**Authorised Exchange Dealers** are any type of financial institution that has received authorisation from a relevant regulatory body to act as a dealer involved with the trading of foreign currencies.

**Beneficiary Bank** means the bank identified in a payment order in which an account for the beneficiary is to be credited pursuant to the order.

**Business Day** means a day that banks are open for business in Sydney, Australia, but does not include a Saturday, Sunday or public holiday.

**Call Option** means an agreement that gives the buyer the right (but not the obligation) to buy a currency at a specified price at a specific time.

**Confirmation** means written or electronic correspondence from **WUBS** that sets out the agreed commercial details of a **Vanilla Option**.

**Correspondent Bank** means a financial institution that performs services for **WUBS** in connection with **Wire Transfers** or **Drafts** provided by **WUBS**.

**Counterparty(s)** means each party to a contract.

**Currency Pair** means the currency that is bought and the currency that is sold in a foreign exchange contract.

**Customer/Client** means the entity or person who signs **WUBS's Terms and Conditions**.

**Direct Debit Request** a type of preauthorised payment under which a **Client** authorises its bank to pay amounts to **WUBS** for **Settlement of Vanilla Option** obligations.

**Draft** is a written order to pay a specified sum issued by or through **WUBS**.

**Exchange Rate** is the value of one currency for the purpose of conversion to another.

**Exercise** means an election by the buyer of a **Vanilla Option** to buy or sell currency (as applicable) at the **Strike Rate** on the **Expiry Date**.

**Exercise Notice** means an Instruction by the buyer of a **Vanilla Option** to the seller of the **Vanilla Option** of its intent to Exercise.

**Expiry Date** means the date on which a **Vanilla Option** expires.

**Expiry Time** is the time of day on the **Expiry Date** that a **Vanilla Option** expires.

**Financial Services Guide** is a document designed to assist you in deciding whether to use any of the financial services offered by **WUBS**.



**Instructions** is a request to provide services, including any request for services made by mail, electronic mail, telephone, a standing order, or other means which request may be accepted or rejected in **WUBS's** absolute discretion and, in respect of a **Vanilla Option** offered for sale by the **Client** pursuant to this **PDS**, includes the **Client's** acceptance of the terms upon which **WUBS** is willing to purchase the **Vanilla Option**.

**Interbank Exchange Rate** means the wholesale **Spot Rate** that **WUBS** receives from the foreign exchange **Interbank Market**.

**Interbank Market** means the wholesale markets for transacting in foreign exchange restricted to **Authorised Exchange Dealers** and banks.

**Interbank Premium** means the wholesale **Premium** that **WUBS** receives from the foreign exchange **Interbank Market**.

**Interest Rate Differential** is the difference in interest rate between two currencies in a pair.

**Intermediary Bank** is any bank through which a payment must go to reach the **Beneficiary Bank**.

**In-The-Money** or (**ITM**) means where the current market price/**Exchange Rate** for the **Currency Pair** in a **Vanilla Option** is less favourable than the **Strike Rate** for the **Vanilla Option**.

**Issuer** has the meaning in section 761E of the *Corporations Act 2001* (Cth) and in this **PDS** is **WUBS**.

**Knock-In Rate** means, where you sell a **Vanilla Option** to **WUBS**, the **Exchange Rate** that must be traded at or through in the spot foreign exchange market before the **Expiry Time** for **WUBS's** right pursuant to a **Call Option** or **Put Option** to become effective.

**Knock-Out Rate** means, you sell a **Vanilla Option** to **WUBS**, the **Exchange Rate** that must be traded at or through in the spot foreign exchange market before the **Expiry Time** for **WUBS's** right pursuant to a **Call Option** or **Put Option** to terminate.

**Liquidity** is the ability to buy or sell a **Currency Pair** without a real effect on the price.

**Notional Amount** means the predetermined **AUD** or foreign currency amount to be sold pursuant to a **Vanilla Option**.

**Out-of-The-Money** or (**OTM**) means where the current market price/**Exchange Rate** for the **Currency Pair** is less favourable than the **Strike Rate**, when you sell a **Vanilla Option** to **WUBS**.

**Over-The-Counter Market** or (**OTC**) is a decentralised market, without a central physical location, where market participant's trade with one another through various communication modes.

**PDS** means Product Disclosure Statement.

**Premium** means the amount payable by **WUBS** to you, within two (2) **Business Days** of the **Trade Date**.

**Put Option** means an agreement that gives the buyer the right (but not the obligation) to sell a currency at a specified price at a specific time.

**Retail Mark Up** or (**Mark Up**) an amount added to the **Interbank Premium** to obtain the **Retail Price**.

**Retail Price** means the sum of the **Interbank Premium** and **Retail Mark Up**.

**Senior Management** means a group of high level executives, determined by **WUBS** from time to time, that actively participate in the daily supervision, planning and administrative processes.

**Settlement** is the total amount, including the cost of currency acquisition as well as any fees and charges, **Client** owes to **WUBS**.

**Spot Rate** means the **Exchange Rate** applicable to a foreign exchange transaction with a **Value Date** of up to two (2) **Business Days** from the date the transaction was entered.

**Strike Rate** is the **Exchange Rate** at which the parties have agreed to exchange the **Currency Pair** on the **Value Date** if the **Vanilla Option** is **Exercised** on the **Expiry Date**.

**Terms and Conditions** means the Western Union Business Solutions (Australia) Pty Limited "Terms and Conditions of doing business with **WUBS** Australia and **WUBS** International" as amended from time to time and located at <https://business.westernunion.com/en-au/compliance-legal/compliance>.

**Trade Date** is the day you and **WUBS** agree to a **Vanilla Option**.

**Trigger Rate** means a **Knock-In Rate** or **Knock-Out Rate**, as applicable.

**USD** means United States Dollars.

**Value Date** is the day where payment for currency is made.

**Vanilla Option** means a **Call Option** or **Put Option** that has standardised terms and no special or unusual features as described in this **PDS**.

**Vanilla Options Declaration Form** means a form to be signed by the **Client** and returned to **WUBS** which (amongst other things) acknowledges and confirms that the **Client** has received, read and understood the disclosure documents associated with the sale of a **Vanilla Option** to **WUBS**.

**Volatility** means the pace at which prices move higher or lower.

**Window** has the meaning given in Section 5.7 of this **PDS**.

**Wire Transfer** is the electronic exchange, transfer of money from one account to another, either within a single financial institution or across multiple institutions, through computer-based systems.

**WUBS** is Western Union Business Solutions (Australia) Pty Limited ABN 24 150 129 749, AFSL Number 404092.

**WUBS Compliance Manager** means a senior member of the compliance department who actively participates in the daily supervision, planning and administrative processes of the compliance function.

**WUBS Representative** means a person designated to act on behalf of **WUBS** in the provision of financial services, specifically for **Vanilla Options**.