

# Foreign Exchange and Drafts Transactions

## Product Disclosure Statement

Issued by Western Union Business Solutions (Australia) Pty Limited

25 September 2020

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# Foreign Exchange & Draft Transactions Product Disclosure Statement

Issue Date: 25 September 2020

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# 1. Purpose

This Product Disclosure Statement (PDS) is dated 25 September 2020.

This PDS contains information about **Foreign Exchange Contracts and Drafts**. 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 Foreign Exchange Contracts and Drafts including their benefits, risks and costs. Specifically, the Financial Products described in this PDS are; Spot Foreign Exchange Transactions (FET), Forward Foreign Exchange Contracts (FEC), Non Deliverable Forwards (NDF) and Drafts.

The purpose of this PDS is to provide you with sufficient information for you to determine whether a Foreign Exchange Contract or Draft meets your needs. This PDS will also allow you to compare the features of other products that you may be considering.

Please read this PDS carefully before purchasing a FET, FEC, NDF or Draft. In the event that you enter into a Financial Product with 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 Financial Products offered 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 Service Guide (FSG)** and the **WUBS Terms and Conditions** before making a decision to trade in the Financial Products offered under this PDS. 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.

A Foreign Exchange Contract may be suitable for you if you have a reasonable level of understanding of 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 of specific Foreign Exchange Contracts and strategies before entering into any of the Financial Products described in this PDS. We encourage you to obtain independent financial advice which takes into account the particular reasons you are considering entering into Foreign Exchange Contracts with 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 and sale of the Financial Products offered under this PDS may be

restricted by law in certain jurisdictions. WUBS does not represent that this PDS may be lawfully distributed, or that any Financial Products may be lawfully offered, 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 or offering. In particular, no action has been taken by WUBS which would permit a public offering of any Financial Products or distribution of this PDS in any jurisdiction where action for that purpose is required. Accordingly, no Financial Products may be offered 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 Financial Products offered under this PDS come, must inform themselves about, and observe any such restrictions.

This PDS and the Financial Products offered under 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 Financial Products offered in this PDS may not be granted to or taken up by, and the Financial Products may not be offered or sold 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, by email: [clientservicesau@westernunion.com](mailto:clientservicesau@westernunion.com) or refer to our website [www.business.westernunion.com.au](http://www.business.westernunion.com.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 our website at <http://business.westernunion.com.au/about/compliance/> or request a copy by either email at [clientservicesau@westernunion.com](mailto:clientservicesau@westernunion.com) or by phone 1300 732 561 (Australia Only).

This PDS replaces the Foreign Exchange Transactions PDS, and the Forward Exchange Contracts PDS issued by WUBS and dated 28 June 2019.

### 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 with reference to 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 posting the supplementary PDS or new PDS on our website. Alternatively, we may notify you by sending a written notice, at least five (5) days prior to the effective date of the supplementary PDS or new PDS (which contains a link to the supplementary PDS or new PDS) to your email address as notified to us by you.

### 2.3 WUBS products

A separate PDS is available for Vanilla Foreign Exchange Options and Structured Foreign Exchange Options. Please contact us if you require an Options PDS, using contact information contained in Section 3.1 "WUBS Contact Details" or download from our website at <http://business.westernunion.com.au/about/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 19 "Glossary of terms" of this PDS.

### 2.6 Counterparty credit risk

When you enter into a Financial Product from 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 Financial Product. 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.

## 3. Issuer

Western Union Business Solutions (Australia) Pty Limited doing business as Western Union Business Solutions is the **Issuer** of the Financial Products described in this PDS.

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: <http://business.westernunion.com.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 products and will be able to provide us Instructions by:
- Phone – where you can call us and speak to one of WUBS Representatives and provide us with Instructions to transact your currency needs;
- Email – where you can email us to provide your account details and Instructions; or
- Online – where we have arranged for your access to our services through our **Online Platforms (Platforms)** or **Application Programming Interfaces (APIs)** or **Secure File Transfer Protocol (SFTP)**.

#### 3.3.1 Online platforms

WUBS provides a number of Online Platforms to access our different services with varying degrees of accessibility. The Platforms provide access for Australian business hours only, Global Trading hours only (Monday morning to Saturday morning), and 7 day a week access.

For eligibility and qualification for these Platforms please contact a WUBS Representative. You should consider the risks detailed in Section 13 "Additional Risks" of this PDS prior to accessing any WUBS Online Platform.

In some instances you may incur a monthly Online Platform fee, or a monthly fee charged according to the number of transactions affected through the Online Platforms.

For more information contact your WUBS Representative using the details contained in Section 3.1 above.

### 3.3.2 Application Programming Interfaces (APIs)

WUBS API is an online facility that offers **Clients** an easy to use and accessible system to enter into transactions in FET's and to generate reports on transactions and **Confirmations**.

WUBS at its sole discretion will qualify **Clients** for access based upon a number of factors including volume of transactions, and frequency of transacting with WUBS.

For eligibility and qualification for these Platforms please contact a WUBS Representative. You should consider the risks detailed in Section 13 "Additional Risks" of this PDS prior to applying for API access.

### 3.3.3 Secure File Transfer Protocol (SFTP)

WUBS SFTP is a facility which allows for an information file to be transmitted by **Clients** at their discretion for transaction related information.

WUBS at its sole discretion will qualify **Clients** for access based upon a number of factors including, volume of transactions, and frequency of transacting with WUBS.

For eligibility and qualification for these Platforms please contact a WUBS Representative. You should consider the risks detailed in Section 13 "Additional Risks" of this PDS prior to applying for SFTP access.

## 3.4 Additional information

Our website provides additional information that may be useful including information about currency 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 transactions are described for FET in Section 5.5 "Cost of a FET", and for FEC and NDF in Section 9 "Costs of an FEC and NDF" of this PDS.

## 4.1 Determining Exchange Rates

A foreign Exchange Rate is the price of one currency (the **Base Currency**) in terms of another currency (the **Terms Currency**). The Exchange Rate is expressed as a quotation and shows how many units of the Terms Currency will equal one unit of the Base Currency. For example, the foreign Exchange Rate AUD/USD 0.9229 means one Australian Dollar is equal to 92.29 US cents. In this example the AUD is the Base Currency and

the USD is the Terms Currency. Please note the above Exchange Rate is hypothetical and used for illustration purposes only. It is not an indicator of future Exchange Rates.

## 4.2 The Foreign Exchange market

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

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 Foreign Exchange Contracts are traded OTC you will not be able to reverse your transaction, originally contracted with WUBS, with another provider. You will only be able to reverse or cancel your Foreign Exchange Contract with WUBS.

## 4.3 Currency Limitations

While WUBS endeavours to ensure that **Clients** are provided with access to the **Currency Pairs** of their choice, WUBS does not guarantee that it will offer FETs, FECs or NDFs 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 such currencies through its **Correspondent Banks**.

## 5. Foreign Exchange Transactions (FETS)

A FET is a binding agreement between you and WUBS in which one currency is sold or bought against another currency at an agreed Exchange Rate on the current date or at a specified future date. The day that you order your currency is referred to as the **Trade Date**, the day that you are required to make payment for your currency (and the day that we exchange currencies) is referred to as the **Value Date**.

### 5.1 Types of FETs

WUBS offers the following three (3) types of FETs:

- **Value Today** – refers to contracts where the Value Date and the Trade Date are the same day;
- **Value Tomorrow** – refers to contracts where the Value Date is one (1) **Business Day** after the Trade Date; and
- **Value Spot** – refers to contracts where the Value Date is two (2) Business Days after the Trade Date.

The Value Date for any Currency Pair you elect to transact in must be Business Days in both countries. For example, if you transact in Australian Dollars against US Dollars (AUD/USD) for Value Spot, and it is a holiday in the USA on that date, then the next Business Day will be applied to the Value Date.

### 5.2 FET Variables

When you provide Instructions to WUBS for a FET there are a number of variables that need to be agreed between WUBS and you being:

- the denomination and amount of the currency being bought or sold;
- the denomination of the currency being exchanged;
- the Exchange Rate; and
- the time frame of the FET (Value Today, Value Tomorrow or Value Spot).

WUBS also offers foreign exchange products that are settled beyond two (2) Business Days. These are referred to as forward Foreign Exchange Contracts (FEC) as outlined in Section 6 “Forward Exchange Contracts” of this PDS.

### 5.3 How does a FET work?

When you enter into a FET with WUBS, you nominate the amount of currency to be bought or sold, the two currencies to be exchanged and the type of FET (Value Today, Value Tomorrow or Value Spot). The currencies that you wish to exchange must be acceptable to WUBS.

WUBS will determine the Exchange Rate applicable to the FET based on the currencies and the Value Date that you have nominated.

The Exchange Rate that WUBS provides you for

Value Today and Value Tomorrow transactions are determined by WUBS adjusting its **Spot Rate**. This adjustment can be either an addition or subtraction and reflects the costs or benefits associated with the **Interest Rate Differential** between the currencies that are being exchanged.

On the Value Date you are required to deliver the currency that you are exchanging in accordance with the Exchange Rate determined by WUBS and agreed by you at the Trade Date. Upon receipt of the currency you are selling, WUBS will pay you or your nominated beneficiary the amount of currency that you have purchased.

WUBS can deliver payment to you or your nominated beneficiary either by initiating a **Wire Transfer** to a bank account or through the physical delivery of a Draft (please refer to Section 12 “Settlement and Delivery of an FET and FEC” of this PDS for more information on payment methods) in accordance with your Instructions to us.

### 5.4 Example of a FET

The examples are for illustrative purposes only and use rates and figures that we have selected to demonstrate how an FET works. In order to assess the merits of any particular FET you should use the actual rates and figures quoted at the relevant time.

#### 5.4.1 Using a FET to cover future payments

An importer is buying goods from the United States and is scheduled to make a payment of USD 50,000 in two (2) Business Days' time. The Exchange Rate today for value two (2) Business Days (Value Spot) is AUD/USD 0.9229.

If the importer enters into a Value Spot transaction with WUBS today, then the importer will be required to pay AUD 54,177.05 in two (2) Business Days' time (USD 50,000/0.9229). In two (2) Business Days' time, after WUBS receives AUD 54,177.05 from the importer, WUBS will pay USD 50,000 by Wire Transfer or Draft to the beneficiary, as instructed by the importer.

#### 5.4.2 Not using a FET to cover payments

The same importer as in 5.4.1 decides not to enter into a Value Spot transaction.

If in two (2) Business Days' time, the Exchange Rate moves lower to AUD/USD 0.8729, the importer will be required to pay AUD 57,280.33 (USD 50,000/0.8729). The importer did not take the opportunity to protect against unfavourable Exchange Rate movements and has to pay AUD 3,103.28 more than if the importer had chosen to enter into a Value Spot transaction as described in 5.4.1 above.

Conversely, if in two (2) Business Days' time, the Exchange Rate moves higher to AUD/



USD 0.9729, the importer will be required to pay AUD 51,392.74 (USD 50,000/0.9729). The importer did not take the opportunity to protect against unfavourable Exchange Rate movements and has as a result saved money by paying AUD 2,784.31 less than if the importer had chosen to enter into a Value Spot transaction as described in 5.4.1 above.

## 5.5 Cost of a FET

When you enter into an FET you agree to make a physical payment of one currency to WUBS in exchange for the physical receipt of another currency. The amount that you pay to us is determined by the Exchange Rate that we agree on the Trade Date.

### 5.5.1 Exchange Rates

WUBS sets the Exchange Rate it offers to you by applying a **Retail Mark Up (Mark Up)** to the Interbank Exchange Rate that it receives from its wholesale commercial relationships. WUBS determines the Mark Up by taking account of a number of factors, including:

- the size of the transaction (measured in currency amount) where the smaller the transaction size the larger the Mark Up;
- the **Currency Pair** where the less **Liquidity** in the pair the greater the Mark Up;
- market **Volatility** where high Volatility will result in an increased Mark Up;
- the **Time Zone** you choose to trade in, so that trading on public holidays or weekends may see increased Mark Ups;
- the frequency with which you trade with WUBS, where the more frequently you transact the Mark Up is reduced; and
- the country to which the funds are being sent, where in some instances we incur higher fees when transferring certain currencies. These higher fees will be reflected in fees charged to you for your Draft or Wire Transfers.

### 5.5.2 Settlement

You will not be charged any additional entry fees for an FET but other transaction fees or charges may apply for related services such as Wire Transfers or Drafts that are made in connection with the FETs as described in Sections 12.1 "Wire Transfers" of this PDS.

In addition to the fees charged by WUBS for sending payments by Wire Transfer or for issuing Drafts for FETs, any Correspondent, **Intermediary** or **Beneficiary Bank(s)** which facilitates the sending or payment of a

Wire Transfer/Draft 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 further information in relation to the cost of Wire Transfers and Drafts in connection with an FET contact your WUBS Representative.

## 5.6 Benefits of a FET

By entering into an FET with WUBS you will obtain certainty as to the Exchange Rate we are offering you (which is locked in at the Trade Date). This will provide you with protection from any unfavourable movement in the Exchange Rate that occurs after the Trade Date.

## 5.7 Risks of a FET

The following are the risks associated with FETs:

- Once the agreed Exchange Rate has been set on the Trade Date, you will not be able to take advantage of favourable Exchange Rate movements that occur after the Trade Date and prior to the Value Date. By protecting against potential unfavourable Exchange Rate movements, you are not able to take advantage of favourable Exchange Rate movements.
- Delays in Wire Transfers and Drafts, whilst rare, can occur. These can be caused for a variety of technical and administrative reasons outside the control of WUBS.
- If you choose to cancel or amend the FET after the Trade Date you will be required to pay any fees, costs, or losses incurred by WUBS associated with the cancellation or amendment. The extent of these fees, costs or losses depend on the contract and market conditions when you give us Instructions to cancel or amend the FET.

Other general risks associated with the financial services we provide are outlined in Section 13 "Additional Risks" of this PDS.

## 6. Forward Exchange Contracts (FECs)

A FEC is a binding agreement between you and WUBS in which one currency is sold or bought against another currency at an agreed Exchange Rate on an agreed date beyond two (2) Business Days in the future.

WUBS considers that FECs are only suitable for businesses that understand and accept the risks involved in dealing in Financial Products involving foreign Exchange Rates. WUBS recommends that you obtain independent financial and legal advice before entering into an FEC.

## 6.1 Purpose of a FEC

A FEC enables you to fix Exchange Rates to Hedge your currency exposure by providing protection against unfavourable Exchange Rate movements between the day you and WUBS agree to a FEC (the "Trade Date") and the day when payment for currency is made (the "Value Date"). A FEC may also assist you in managing your cash flow by negating the uncertainty associated with Exchange Rate fluctuations for the certainty of a specified cash flow.

## 6.2 Types of FEC

FECs are available in three forms:

- 6.2.1 Fixed FEC is where you purchase a fixed amount of currency, at a fixed Forward Exchange Rate on a fixed Value Date in the future. Unlike an Open Date FEC, as the buyer you are unable to deliver on the contract before the specified Value Date unless meeting the requirements of Sections 6.8.2, 6.8.3, 6.8.4 or 6.8.5 of this PDS.
- 6.2.2 Open Date FEC (also known as a "Window Forward") is where you have the flexibility to deliver any portion of the contract value at any point during the agreed Window period without any change in the Forward Exchange Rate to reflect Forward Point costs or benefits.
- 6.2.3 Future Payments is a type of Open Date FEC, in which the contract is paired with a payment instruction to a Payee for the delivery of the currency you have purchased. With this type of FEC you have the flexibility to deliver any portion of the contract at any time prior to or on the Value Date without any change in the Forward Exchange Rate to reflect Forward Points cost or benefits.

## 6.3 FEC Variables

When you provide Instructions to WUBS for a FEC there are a number of variables that need to be agreed between WUBS and you being:

- the denomination and amount of the currency being bought or sold;
- the denomination of the currency being exchanged;
- the date in the future you want the contract to mature (Value Date);
- for an Open Date FEC, the Window period; and
- the Exchange Rate.

## 6.4 Determining Exchange Rates

In determining the Exchange Rate applicable to a FEC, WUBS applies Forward Points to its Spot Rate. WUBS takes into account a number of factors in determining Forward Points although in general terms Forward Points reflect:

- the differing interest rates prevailing in the two currencies involved in the FEC.
- market Volatility.
- transaction size and WUBS' ability to offset the transaction in the Interbank Market.

## 6.5 The Forward Points

The Forward Points can be either a positive or a negative number. Forward Points are added to the Spot Rate to obtain a **Forward Exchange Rate**.

For example, an importer needs to sell AUD in three (3) months' time in exchange for USD and Australian interest rates are higher than US interest rates. The pricing principle assumes that WUBS buys USD now at the Spot Rate, paying for the USD with AUD. WUBS will pass on the cost of the higher rate of interest that it pays on the AUD. The adjustment, which would be a negative number or a subtraction from the Spot Rate, means that the Forward Exchange Rate would be less favourable than a Spot Rate. The reverse would apply if Australian interest rates were lower than US interest rates.

- 6.5.1 Open Date FECs and Future Payments have a different application of the Forward Points due to the added flexibility to deliver the contract during the Window for an Open Date FEC or any portion of the contract value at any point including on the Value Date, for a Future Payment.

For example:

WUBS has to pay for USD with AUD at the Trade Date and if Australian interest rates are higher than US interest rates, WUBS will pass on the cost of the higher rate of interest that it pays on the AUD. This cost will be reflected in the Forward Exchange Rate you agree to on the Trade Date of your Open Date FEC or Future Payment contract.

WUBS has to pay for USD with AUD at the Trade Date and if Australian interest rates are lower than US interest rates, WUBS will not reflect this benefit from the lower rate of interest that it pays on the AUD in the Forward Exchange Rate agreed with you on the Trade Date for your Open Date FEC or Future Payment contract.

## 6.6 How does a FEC work?

When you enter into a FEC with WUBS you nominate the amount of currency to be bought or sold, the two currencies to be exchanged and the date that you wish to exchange the currencies.

The currencies that you wish to exchange must be acceptable to WUBS. For a list of available currencies please contact your WUBS Representative.

WUBS will determine the Exchange Rate applicable to the FEC based on the currencies and the Value Date that you have nominated as well as

determinants outlined in Sections 6.3 and 6.4 above.

On the Value Date you are required to deliver the currency that you are exchanging in accordance with the Exchange Rate determined by WUBS and agreed by you at the Trade Date. Upon receipt of the currency that you are selling in cleared funds, WUBS will pay you or your nominated beneficiary the amount of currency that you have purchased.

This Section 6 does not apply to Non Deliverable Forwards (NDF). A description of how a NDF works is set out in Section 7 "Non-Deliverable Forward" of this PDS.

## 6.7 Example of a Fixed FEC

The following examples are for illustrative purposes only and use rates and figures that we have selected to demonstrate how a FEC works. In order to assess the merits of any particular FEC you should use the actual rates and figures quoted at the relevant time.

### 6.7.1 Using a FEC to cover payments

An importer is buying goods from the United States and is scheduled to make a payment of USD 100,000 in three (3) months' time. The Exchange Rate today is AUD/USD 0.9229.

The importer can eliminate its exposure to the Exchange Rate depreciating by entering into a FEC. This will allow an Exchange Rate to be fixed for the purchase of USD 100,000 in three (3) months' time. This guaranteed future Exchange Rate is called the Forward Exchange Rate.

The three (3) month Forward Points are -USD 0.0130 which when applied to the current Exchange Rate, results in a three (3) month Forward Exchange Rate of 0.9099 (0.9229 less 0.0130).

In three (3) months' time the importer will buy from WUBS the USD 100,000 at the Forward Exchange Rate of 0.9099 and will pay AUD 109,902.19 (USD 100,000/0.9099).

The importer will be in a more favourable position if the Exchange Rate on the Value Date is less than the Forward Exchange Rate of 0.9099. If in three (3) months' time the Exchange Rate moves lower to AUD/USD 0.8729, the importer would have been required to pay AUD 114,560.66 (USD 100,000/0.8729) had it not entered into the FEC, costing the importer an additional AUD 4,658.47. In this scenario the importer has saved that amount by entering into the FEC.

However, if the Exchange Rate on the Value Date is greater than the Forward Exchange Rate of 0.9099, the importer would be in a less favourable position. If in three (3) months' time, the Exchange Rate moves higher to AUD/ USD 0.9729, the importer

would have only paid AUD 102,785.49 (USD 100,000/0.9729) had it not entered into the FEC. In this scenario the importer is paying an additional AUD 7,116.70 by entering into the FEC.

### 6.7.2 Not using a FEC to cover payments

The same importer as in 6.6.1 decides not to enter into a FEC. The amount of AUD the importer will need to pay in three (3) months' time will depend on the prevailing Exchange Rate quoted at that time.

If in three (3) months' time, the Exchange Rate moves lower to AUD/USD 0.8729, the importer will be required to pay AUD 114,560.66 (USD 100,000/0.8729). The importer did not take the opportunity to protect against unfavourable Exchange Rate movements and has to pay AUD 4,658.47 more than if the importer had chosen to enter into a FEC as described in 6.6.1 above.

Conversely, if in three (3) months' time, the Exchange Rate moves higher to AUD/USD 0.9729, the importer will be required to pay AUD 102,785.49 (USD 100,000/0.9729).

The importer did not take the opportunity to protect against unfavourable Exchange Rate movements and has as a result saved money by paying AUD 7,116.70 less than if the importer had chosen to enter into a FEC as described in 6.6.1 above.

## 6.8 Components and Special Features of a FEC

### 6.8.1 The Term of a FEC

The term of a FEC can range between three (3) days to one (1) year depending on your needs and your credit terms with WUBS. A term longer than one (1) year may be considered by WUBS on a case-by-case basis.

WUBS, at its sole discretion will determine whether it will offer you a facility to be able to transact in FEC including the maximum time frame (Trade Date to Value Date). Generally we will take into account a number of factors including but not limited to:

- current financial position;
- period of incorporation if applicable;
- a credit check through third party agencies;
- credit history; and
- previous history as a Client of WUBS (if applicable).

### 6.8.2 Rollover

At any time up to the Value Date you may ask WUBS to extend the Value Date of your FEC. WUBS refers to this as a Rollover. All Rollovers are subject to prior approval by

WUBS and may be declined at our sole discretion. We will only approve Rollovers where there is an underlying business purpose and will also consider:

- the extent to which your FEC is “**In-The-Money**” (ITM);
- the extent to which your FEC is “**Out-of-The-Money**” (OTM); or
- the Rollover period you are requesting.

For Rollovers where the FEC is deeply OTM, WUBS may require you to close the FEC, settle any liabilities owing to WUBS, and enter into a new FEC equivalent to your request for the Rollover at market Exchange Rates.

If WUBS agrees to extend your Value Date, the Exchange Rate of your FEC will be altered. The new Exchange Rate will reflect a number of factors including:

- your existing Forward Exchange Rate from the last Trade Date of the FEC;
- the Spot Rate at the time the Rollover is contemplated;
- in relation to an Open Date FEC or Future Payment section 6.5.1 of this PDS; and
- market interest rates of the currencies involved in the Rollover consistent with the new Value Date.

It will also reflect any funding implications where your FEC is either ITM or OTM. This is determined by WUBS comparing the value of your FEC with the prevailing market Spot Rate. If you are an importer and the value of your FEC is greater than the prevailing market rate you will have an ITM position (and will thereby be extending credit to us); if the value of your FEC is less than the prevailing market rate you will have an OTM position (and WUBS will thereby be extending credit to you). The opposite ITM and OTM scenario applies if you are an exporter.

If WUBS agrees to a Rollover we will send you a Confirmation detailing the amendment as agreed by you and WUBS.

#### 6.8.3 Pre-Delivery of a Fixed FEC and an Open Date FEC

After entering into a FEC you may wish to bring the agreed Value Date closer to Value Spot. This is called a **Pre-Delivery**.

If WUBS agrees to the Pre-Delivery we may carry out an Exchange Rate adjustment to the original Forward Exchange Rate to reflect this earlier delivery or Value Date. You should note that while in normal trading

conditions an adjustment for Pre-Deliveries or Rollovers may be somewhat marginal for a Fixed FEC, in times of extreme Volatility in the foreign exchange market that the adjustment may be significant. There will be no Exchange Rate adjustment for an Open Date FEC.

It should be also be noted that there is a contract to effect full delivery of the FEC no later than the Value Date and any agreement to effect a Pre-Delivery is at WUBS' sole discretion.

Pre-Delivery is not applicable to Future Payments.

#### 6.8.4 Partial Pre-Delivery of a Fixed FEC and an Open Date FEC

You may also wish to bring the agreed Value Date closer to Value Spot on a portion of the **Notional Amount** of your FEC. If WUBS agrees to this, we may carry out an Exchange Rate adjustment to the original Forward Exchange Rate on that portion of the amount that you wish to pre-deliver. There will be no Exchange Rate adjustment for an Open Date FEC. The balance of the remaining Notional Amount, after the partial Pre-Delivery of the FEC, shall remain due at the original Exchange Rate on the original Value Date.

Partial Pre-delivery is not applicable to Future Payments.

#### 6.8.5 Close-out/Cancellation of a FEC

WUBS may agree to close a FEC, or a portion of the Notional Amount of your FEC, in the event that you no longer require the currency that you have agreed to purchase on the Value Date. WUBS's decision to agree to a close-out is at all times discretionary and in each case will be subject to payment by you of any costs that we incur in terminating and unwinding your FEC including any OTM position in relation to your FEC.

#### 6.8.6 Termination of a FEC

Once entered a FEC may only be terminated by WUBS in limited circumstances, which are set out in full in our Terms and Conditions.

These circumstances include:

- Failure to pay an **Initial Margin** or **Margin Call**;
- If you are insolvent, appoint a receiver or administrator to your business or cease to carry on your business;
- If you dispute the validity of a Forward Exchange Contract; or
- For any other reason set out in the Terms and Conditions. Where WUBS

terminates a FEC for any of these reasons you will be liable for any losses and expenses that WUBS incurs as a result.

## 7. Non-Deliverable Forward (NDF)

A Non-Deliverable Forward (NDF) is a type of FEC that is net-cash settled on the Value Date. This means that there is no exchange of currencies at Settlement; instead a single dollar amount will be payable by either you to WUBS, or WUBS to you. This amount is calculated by reference to the difference in value of the predetermined AUD or foreign currency amount to be bought or sold (the "Notional Amount") at the agreed Exchange Rate and the value of the Notional Amount that you have agreed to buy or sell at the prevailing Spot Rate. NDF's are typically used for currencies that are subject to exchange control restrictions in their particular domestic market that limit access to the currency. Your WUBS Representative can provide you currencies offered as a NDF for example, Malaysian Ringgit (MYR), Korean Won (KRW), Philippine Peso (PHP), and Chinese Renminbi (CNY). We may however agree to enter into an NDF for a freely tradable currency.

When you enter into a NDF you nominate the Notional Amount of the non-deliverable currency that you wish to purchase or sell, the **Reference Currency** and the Value Date. WUBS will then determine the **NDF Contract Rate** and the **Fixing Date** (which will usually be two (2) Business Days before the Value Date).

The two possible outcomes on the Value Date are:

- If the NDF Contract Rate is more favourable to you than the Spot Rate on the Fixing Date WUBS will pay you the difference in the Reference Currency.
- If the NDF Contract Rate is less favourable to you than the Spot Rate on the Fixing Date you will be obligated to pay WUBS the difference in the Reference Currency.

Whether the NDF Contract Rate is more or less favourable will depend on whether you are buying or selling the Notional Amount of the non-deliverable currency and what the prevailing Spot Rate is on the Fixing Date.

### 7.1 Example of a NDF

The following examples are for illustrative purposes only and use rates and figures that we have selected to demonstrate how a NDF works. In order to assess the merits of any particular NDF you should use the actual rates and figures quoted at the relevant time.

#### 7.1.1 Using a NDF to cover future receivables

An Australian company is exporting goods to China. The company invoices its Chinese customer in Chinese Renminbi (CNY) but the customer pays in AUD. The latest invoice requires the customer to pay the AUD equivalent of CNY 650,000 in three (3)

months' time. The Exchange Rate today is AUD/CNY 5.8138.

The exporter can eliminate its exposure to the AUD appreciating by entering into a NDF with a Value Date in three (3) months' time.

Assume that the prevailing Forward Points for three (3) months' time is (0.0410) and WUBS offers an NDF Contract Rate of 5.7728 (5.8138 less 0.0410). The exporter can then enter into a NDF for a Notional Amount of CNY 650,000 with a Value Date of three (3) months and a Fixing Date two (2) Business Days prior to the Value Date at the AUD/CNY Exchange Rate of 5.7728.

The possible outcomes on the Value Date are as follows:

- **AUD/CNY rises at Fixing Date**

If the AUD/CNY Exchange Rate has appreciated above the NDF Contract Rate (5.7728) WUBS will pay the cash difference in AUD (the Reference Currency in this example) to the exporter on the Value Date.

For example if the Spot Rate on the Fixing Date is 6.3138 the fixing amount will be AUD 102,949.09 (CNY 650,000/6.3138), the contract Settlement amount will be AUD 112,597.00 (CNY 650,000/5.7728) and the difference of AUD 9,647.91 will be payable to the exporter by WUBS.

This cash Settlement amount will compensate the exporter for the lower amount of AUD that it will receive from the Chinese customer as a result of the higher AUD/CNY Exchange Rate.

- **AUD/CNY falls at Fixing Date**

If the AUD/CNY Exchange Rate has depreciated below the NDF Contract Rate (5.7728) the exporter will be obligated to pay the cash difference in AUD to WUBS.

For example if the Spot Rate on the Fixing Date is 5.3138 the fixing amount will be AUD 122,323.00 (CNY 650,000/5.3138), the contract Settlement amount will be AUD 112,597.00 (CNY 650,000/5.7728) and the difference of AUD 9,726 will be payable to WUBS by the exporter.

This cash Settlement amount will reduce the benefit that the exporter would have received from the lower AUD/CNY Exchange Rate. The Chinese customer is required to pay AUD 122,323.00 and the exporter would have retained that amount.

Under the NDF contract, the exporter must pay the benefit (being the AUD 9,726) to WUBS. The total of AUD 112,597.00 retained by the exporter is equivalent to the contracted NDF Exchange Rate of 5.7728.

#### 7.1.2 Not using a NDF to cover future receivables

Assume that the same exporter decides not to enter into a NDF. The amount of AUD that the exporter receives in three (3) months' time will depend on the prevailing AUD/CNY Exchange Rate in three (3) months.

- If the AUD goes up (appreciates) the CNY will be less valuable and the exporter will receive less AUD. For instance if the AUD/ CNY Exchange Rate rises to 6.3138 the exporter will receive AUD 102,949.09 from the Chinese customer;
- If the AUD goes down (depreciates) the CNY will be more valuable and the exporter will receive more AUD. For instance if the AUD/CNY Exchange Rate falls to 5.3138 the exporter will receive AUD 122,323.00 from the Chinese customer.

#### 7.2 Settlement of a NDF

NDFs are non-deliverable, which means there is no physical exchange of currencies between you and us. Settlement occurs through a single payment either from us to you or from you to us in the Reference Currency as described above.

## 8. Credit requirements

At any time during the term of a FEC or NDF, WUBS may require you to make a payment as security for your payment obligations on the Value Date.

When you open a FEC or NDF with WUBS, you immediately create a liability to us (at the Trade Date not the Value Date), which can increase with adverse market movements. Over the life of a FEC or NDF, as the Spot Rate moves, the **Marked to Market** value of the contract may be ITM or OTM or **At-the-Money (ATM)**. That is, if the contract had to be cancelled at any time, it would result in a gain (if ITM), a loss (if OTM) or breakeven (if ATM). To manage this **Market Risk** WUBS may initially secure the contract by requiring you to pay an amount of money, which shall be determined by WUBS at its sole discretion and deposited with WUBS as security in connection with a FEC or NDF. We call this an Initial Margin. During the term of the contract WUBS may also require you to make additional payments to further secure your FECs, NDFs and any Option's Contracts you hold with us. We call these payments Margin Call. Alternatively WUBS may apply a Credit Limit against the Market Risk or a combination of a Credit Limit, Initial Margin and/or Margin Call.

All Initial Margin and Margin Call payments will be applied to satisfy your payment obligation on the Value Date.

### 8.1 Initial Margins

An Initial Margin is an amount of money that is payable to WUBS, calculated as a percentage of the Notional Amount of your FEC or NDF. If you are required to pay an Initial Margin we will notify you at the time you enter into an FEC or NDF.

An Initial Margin is taken to secure WUBS potential risk exposure resulting from adverse currency movements that negatively impact the value of the funds you have agreed to purchase from us. An Initial Margin is a prepayment by you of your payment obligations on the Value Date and will be applied to the Settlement of your FEC or NDF. An Initial Margin is not a deposit and WUBS does not pay interest on an Initial Margin.

WUBS may determine the Initial Margin percentage at its discretion. Factors that influence this include:

- your credit standing, as assessed by WUBS;
- Currency Pair and amount you are transacting (more exotic currencies or those currencies that are not commonly exchanged may require a larger Initial Margin);
- the Value Date of your FEC or NDF ( the longer the Value Date from the Trade Date the higher the Initial Margin);
- foreign exchange market Volatility (Currency Pairs that are exhibiting high Volatility or lack of Liquidity may require a higher Initial Margin);
- external economic conditions (in times of economic downturn WUBS may require a higher Initial Margin); and
- the frequency with which you transact with WUBS (where your credit history with WUBS dictates the Initial Margin required).

### 8.2 Margin Calls

We will monitor the Marked to Market value of all of your foreign exchange positions with us on an ongoing basis. Should your FEC and/or NDF contract(s) (and any **Options Contracts** you may hold with us) move OTM in excess of the Initial Margin or your Credit Limit, or a combination of both, WUBS may secure the resulting increased risk through a Margin Call.

A Margin Call is an amount of money that you are required to pay to WUBS to reduce its risk exposure to a level acceptable to WUBS. If a Margin Call is required, WUBS will advise you immediately. In the absence of default by you of your payment obligations to WUBS all Margin Call amounts will be applied at the Value Date to the Settlement of your FEC or NDF (or Options Contracts if applicable). A Margin Call is not a deposit and WUBS does not pay interest on a Margin Call.

**Payment of a Margin Call must be made within two (2) Business Days of WUBS' request. If you fail to pay**

a Margin Call, WUBS may at its discretion, choose to close some or all of your FEC's and/or NDF's (or any Options Contracts if applicable) by applying the prevailing market foreign Exchange Rate. In such circumstances you will be liable to WUBS for all costs associated with terminating the relevant contracts.

### 8.3 Credit Limits

WUBS may choose to waive the requirement of an Initial Margin (or subsequent Margin Call), by allocating a Credit Limit. A Credit Limit is dependent upon your credit history/ rating, strength of financial statements, as well as other factors determined at WUBS' sole discretion. WUBS may review and amend your Credit Limit at any time.

WUBS may apply a Credit Limit against each individual FEC or NDF contract that you enter into or against your entire portfolio of FECs, NDFs and Options Contracts (where applicable). Please refer to the WUBS Terms and Conditions for further information on Credit Limits.

### 8.4 Client Money

All Initial Margin and Margin Call funds are held by us as Client Money in accordance with the Australian Client Money Rules.

Consistent with the Australian Client Money Rules, Client Money will be held separately from our money, in one or more separate trust account(s) maintained by us with an Australian **Authorised Deposit-taking Institution (ADI)**, however, we may withdraw, deduct or apply Initial Margin and Margin Call funds in connection with margining, guaranteeing, securing, transferring or settling dealings in Foreign Exchange Contracts by us including dealings on behalf of other Clients. We may also withdraw or deduct Initial Margin and Margin Call funds where money is due and owing to us (for instance on Settlement or in the event that you default on any of your obligations to us and we close out your FEC's and/or NDF's and incur a cost in doing so) or for any other reason authorised by the Australian Client Money Rules. This means that WUBS may make payments out of the **Segregated Account** in the following circumstances:

- paying WUBS money to which it is entitled. Once money withdrawn to pay WUBS is paid to WUBS, that money is WUBS's own money (and is not held for you);
- making a payment to, or in accordance with, the written direction or Instruction of a person entitled to the money;
- making a payment that is otherwise authorised by law or pursuant to the operating rules of licensed market; and
- as otherwise permitted under the WUBS Terms and Conditions or any other agreement put in place between WUBS and you.

Refer to the WUBS Terms and Conditions for further information on how we deal with Client Money.

### 8.5 Client Money Risk

WUBS practice of placing Client Money in a Segregated Account will not provide you with absolute protection in all circumstances.

## 9. Cost of a FEC and NDF

Because WUBS does not typically pay interest to you for amounts that we hold as Initial Margin or Margin Call there will be an interest cost to you if you are required to pay an Initial Margin or a Margin Call. That cost will be equivalent to the interest that you would have otherwise earned if you had held those amounts in your own bank account.

When you enter into a Foreign Exchange Contract you agree to make a physical payment of one currency to WUBS in exchange for the physical receipt of another currency (for a FEC) or for an amount to be settled to or from you (for an NDF). The amount that you pay to us is determined by the Exchange Rate that we agree at the Trade Date.

The Exchange Rate we agree will take into consideration the factors described in Section 5.5.1 "Exchange Rates" of this PDS.

You will not be charged any additional entry fees for a FEC or NDF at the Trade Date but other fees or charges may apply for related services such as Wire Transfers or Drafts that are made in connection with the FEC. Information on fees for Wire Transfers and Drafts are outlined in Section 12.1 "Wire Transfers" of this PDS.

In addition to the fees charged by WUBS for sending payments by Wire Transfer or for issuing Drafts for FECs, any Correspondent, Intermediary or Beneficiary Bank(s) which facilitates the sending or payment of a Wire Transfers/Drafts may impose their own additional fees or charges which may be deducted from the amount paid to you or your beneficiary.

In some instances you may incur a monthly Online Platform fee, or a monthly fee charged according to the number of transactions affected through the Online Platforms that we provide to you.

For further information in relation to the cost of Wire Transfers/Drafts in connection with delivery of your FEC or Online Platform fees that may be applicable, contact your WUBS Representative.

## 10. Benefits of a FEC and NDF

The significant benefits of entering into a FEC or NDF with WUBS are:

- FECs and NDFs help you manage the risk inherent in currency markets by predetermining the Exchange Rate and Value Date on which you will purchase or sell a given amount of foreign currency against another currency. This can provide you

with protection against adverse foreign exchange movements between the time that you deal (Trade Date) and the Value Date. They will also assist you in managing your cash flow by negating the uncertainty associated with Exchange Rate fluctuations impacting a specified cash flow.

- FECs and NDFs are flexible - Value Dates and Notional Amounts can be tailored to meet your requirements.
- NDFs can provide you with protection against foreign Exchange Rate movements for currencies that cannot otherwise be bought and sold freely.

## 11. Risks of a FEC and NDF

WUBS considers that FECs and NDFs are only suitable for persons who understand and accept the risks involved in dealing in Financial Products involving foreign Exchange Rates. WUBS recommends that you obtain independent financial and legal advice before entering into an FEC or NDF.

The following are risks associated with an FEC and NDF:

- **Opportunity Loss.** Once the Forward Exchange Rate has been set, you will not be able to take advantage of preferential Exchange Rate movements that occur after the Trade Date and prior to the Value Date. By protecting against potential unfavourable Exchange Rate movements, you are not able to take advantage of favourable Exchange Rate movements and will be required to trade at an Exchange Rate that is less favourable to you than the prevailing Exchange Rate on the Value Date.
- **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. When this occurs the value of your FEC or NDF contracts with WUBS may be significantly less than when you entered into the contract. WUBS cannot guarantee that you will not make losses, (where your FECs or NDFs with us are OTM) or that any unrealised profit or losses will remain unchanged for the term of the FEC or NDF. You need to monitor your FECs and NDFs with WUBS carefully providing WUBS with Instructions before unacceptable losses occur.
- **Amendments/Cancellations.** Rollovers, Pre-Deliveries or close-out/cancellation of a FEC or NDF may result in a financial loss to you. WUBS will provide a quote for such services based on market conditions prevailing at the time and your request as detailed Section 6.7 "Components and Special Features of a FEC" of this PDS.
- **Cooling-off.** There is no cooling-off period. This means that once your Instruction to enter into a Foreign Exchange Contract has been accepted by WUBS you are unable to cancel your Foreign Exchange Contract without incurring a cost.

- **Default Risk.** If you fail to pay an Initial Margin or a Margin Call in accordance with the Terms and Conditions or fail to provide Settlement on the Value Date we may terminate your Forward Exchange Contract. In the event that we do you will be liable for all costs that we incur including the payment of any OTM position that exists with respect to your Forward Exchange Contract.

Other general risks associated with the financial services we provide are outlined in Section 13 "Additional Risks" of this PDS.

## 12. Settlement and delivery of a FET and FEC

On the Value Date of your FEC or FET you are required to deliver the currency that you are exchanging to us in accordance with the agreed Exchange Rate. Upon receipt of cleared funds from you or your customer we will pay your nominated beneficiary or you the currency that you have agreed to purchase.

WUBS can settle the physical delivery of your FET or FEC by initiating a Wire Transfer, providing you (or your nominated beneficiary) with a Draft/Cheque (Drafts) or by making payment into a Holding Balance (if this facility is available to you). Funds that are paid into a Holding Balance may only remain there for ninety (90) days, after which time you need to elect to make payment to yourself or a beneficiary by a Wire Transfer or Draft.

### 12.1 Wire Transfers

A Wire Transfers are also known as Telegraphic Transfers or Electronic Funds Transfer (EFT). A Wire Transfer can be made within Australia or outside of Australia.

WUBS has relationships with a worldwide network of Correspondent Banks to enable transmission of your payment Instructions by Wire Transfer to Beneficiary Bank accounts throughout the world.

#### 12.1.1 Example of Wire Transfer

You enter into a Foreign Exchange Contract to buy USD 100,000 against AUD from WUBS. However you wish to send five (5) payments of USD 20,000 to five (5) different beneficiaries overseas. Assume that the transaction fee per Wire Transfer payment is AUD 15.

You would pay the sum of:

- the AUD equivalent of the converted USD 100,000 amount as agreed in your Foreign Exchange Contract at Trade Date; plus
- AUD 75 (that is, AUD 15 x 5), being the transaction fees applicable to sending the five (5) Wire Transfers.

#### 12.1.2 Benefits of a Wire Transfer

- Wire Transfers provide the security of fully traceable transactions;



- by using a Wire Transfer, the beneficiary generally receives funds more quickly than if funds were transferred by bank Draft, money order or similar **Monetary Instrument** or by cash; and
- Wire Transfer are more secure than cash transactions because they represent electronic instructions that are sent directly to the nominated Beneficiary's Bank for credit to the Beneficiary's Bank account.

#### 12.1.3 Risks of a Wire Transfer

- a beneficiary of a Wire Transfer may be charged a fee by their own bank for receiving a Wire Transfer;
- once executed there are no guarantees that Wire Transfers can be recalled. If you ask us to recall a Wire Transfer additional fees may apply regardless of whether the recall is successful;
- the sender is subject to fees if information (i.e. beneficiary name, account number) provided is incorrect or incomplete; and
- delays in Wire Transfers whilst rare can occur. These can be caused for a variety of technical and administrative reasons outside the control of WUBS.

#### 12.1.4 Recalling a Wire Transfer

You may ask us to attempt a recall of a Wire Transfer by contacting your WUBS Representative. Once we act on your Instructions there is no guarantee that a recall will be successful.

Depending upon the circumstances relating to the recall you may be liable for additional fees including:

- investigation fees;
- Beneficiary and Correspondent Bank charges; and
- Exchange Rate costs.

#### 12.1.5 Costs and Fees

You will be charged a transaction fee for using our Wire Transfer service. The transaction fee we charge for each Wire Transfer varies from transaction to transaction and from Customer to Customer. This fee is separate to the Exchange Rate conversion that will apply to converting one foreign currency to another. 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 Wire Transfer 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).

For more information contact your WUBS Representative using details contained in Section 3.1 "WUBS Contact Details" of this PDS.

## 12.2 Foreign Drafts/Cheques (Draft)

### 12.2.1 Product Information

A Draft is a cheque made out to your nominated **Payee** in a specified currency. A Draft is similar to a personal cheque which can be used to make payments. A WUBS Draft allows you to make a payment in a foreign currency.

### 12.2.2 Product Features

WUBS Drafts are international currency cheques issued either by WUBS, a WUBS affiliated group company or a Correspondent Bank to a specified Payee.

Payment against a Draft is made following presentation of the Draft by the Payee's bank and a **Period of Clearance**. This is known as payment on a **Collection Basis** and means that there is a delay between the date the Payee physically receives the Draft and the date the Payee receives value for the Draft. The Period of Clearance may vary by country but would not ordinarily be any less than one (1) day.

Drafts are available in a wide range of foreign currencies. For the range of currencies available please ask your WUBS Representative.

### 12.2.3 Lost or Stolen Drafts

In the event your Draft is lost or stolen you must immediately notify your WUBS Representative. Upon notification and verification by us that your Draft has not been presented for payment we will issue a **Stop Payment** on the Draft and will either issue you with a new Draft or pay to you the **Face Value** of the Draft. There is a fee associated with stopping and re-issuing a new Draft. These are set out in Section 12.2.6 "Fees and Charges" of this PDS.

### 12.2.4 Benefits of Drafts

Some of the benefits associated with WUBS Drafts are:

- Drafts may be enclosed with letters or invoices and forwarded direct to the Payee;

- in the event that the Draft is lost or stolen, and after a Stop Payment has been confirmed by us, we will refund the money or issue a new Draft to you;
- a Draft provides an economical method of transferring funds to a specific company or persons overseas;
- a Draft provides security of payment as it is a **Non-Negotiable Instrument** and can only be credited to the Payees bank account unless the Payee has endorsed the Draft; and
- Drafts may be purchased in a variety of foreign currencies. The currencies available are subject to change.

#### 12.2.5 Risks of Drafts

The risks associated with a Draft are:

- if you notify us of a lost or stolen Draft after it has been presented for payment, we will be unable to Stop Payment on the Draft and will not reissue the Draft or refund any amount to you;
- when you purchase a Draft in a foreign currency the Exchange Rate is set at the time of purchase. This means that the Payee of the Draft will not obtain any benefit if there is a favourable movement in the Exchange Rate between the time when you purchase a Draft and the time when the Draft is presented for payment by the Payee;
- the Period of Clearance between the date of purchase and the date the Payee receives value for the Draft may represent an opportunity cost to you and/or the Payee; and
- as Counterparty to your Drafts you are relying upon WUBS to be able to perform its obligations to you by delivering funds to your nominated Payee. As a result you have Counterparty risk; you are relying on WUBS' financial ability to fulfil its obligations to you. Counterparty risk is described further in Section 13 below.

#### 12.2.6 Fees and Charges

Fees and charges may apply and may vary from time to time. To understand the fees and charges that may be applicable to you, please request an up-to-date price list from your WUBS Representative prior to purchasing a WUBS Draft.

Fees and costs for Drafts vary and are subject to the same considerations outlined in Sections 12.1.5 "Costs and Fees" of this PDS.

## 13. Additional risks

The following additional risks apply when you enter a Foreign Exchange Contract, or execute a Wire Transfer or Draft with us:

- **Issuer Risk.** When you enter into a Financial Product(s) you are relying on WUBS's financial ability as Issuer to be able to perform its obligation to you. As a result you are exposed to the risk that WUBS becomes insolvent and is unable to meet its obligations to you under the Financials Product(s). 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).
- **Counterparty Risk.** There is also a risk that the **Hedging Counterparties** with whom WUBS contracts to mitigate its exposure when acting as principal to the FETs, FECs or NDFs (by taking related offsetting or mitigating positions) may not be able to meet their contractual obligations to WUBS. This means that WUBS could be exposed to the insolvency of its Hedging Counterparties and to defaults by Hedging Counterparties. If a Hedging Counterparty is insolvent or defaults on its obligations to WUBS, then this could give rise to a risk that WUBS defaults on its obligations to you.
- **Operational Risk.** Operational risk arises through your reliance on WUBS systems and processes to price, settle and deliver your transactions efficiently and accurately. In the event of a breakdown of our systems or processes you may incur loss as a result of delays in the execution and Settlement of your transactions. You are also exposed to operational risk through WUBS reliance on its Hedging Counterparties systems and processes to price, settle and deliver transactions efficiently and accurately. In the event of a breakdown of our Hedging Counterparties systems or processes you may also incur loss as a result of delays in the execution and Settlement of your transactions.
- **Conflicts of Interest.** WUBS enters into transactions with a number of different Clients and Hedging Counterparties that may be in conflict with your interests under the Financial Product you have entered into with us. WUBS is not required to prioritise your interests when dealing in Financial Products with you.

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

### 14.1 Instructions, Confirmations and Telephone Conversations

The commercial terms of a particular FET, FEC, and NDF will be agreed and binding from the time your 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 entering into an FET, FEC or NDF, we will 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 Foreign Exchange Contracts and that you will be bound once your original Instruction has been accepted by WUBS regardless of whether you sign or acknowledge a Confirmation. In the event that there is a discrepancy between your understanding of the Foreign Exchange Contract 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.

#### 14.2 Standing Orders

WUBS may allow you to place an order for an FET or FEC that only becomes binding on you when a certain Exchange Rate is reached in the relevant foreign exchange market (the **Client Price**). We refer to this as a **Standing Order**. A Standing Order is not available if you are using our online systems.

Provided that your nominated Client Price has not been reached you will be able to amend or cancel a Standing Order at any time by providing us with a further Instruction.

If the Client Price is reached, then you will be bound to settle the transaction in accordance with our Terms and Conditions, and as detailed in Section 5 "Foreign Exchange Transactions" for a FET and Section 6 "Forward Exchange Contracts" for a FEC of this PDS.

You will not be able to cancel or amend an order after the Client Price level has been reached if we have completed your order, regardless of whether we have notified you by Confirmation of the completion of your order.

As the foreign exchange market is an OTC market, an external published Exchange Rate that corresponds with your Client Price level is no guarantee that an order will be completed.

Published Exchange Rates are typically related to the wholesale or Interbank Market and do not reflect the Client Price or **Retail Price**.

The foreign exchange market can exhibit Volatility and we may not be able to complete all orders at a specific level due to a number of factors including but not limited to:

- market Volatility;
- market Liquidity;
- the size of your order; and or
- incorrect price data feeds.

WUBS will use best endeavours, in good faith, to complete all orders at your nominated Client Price.

## 15. Terms and Conditions and other documentation

### 15.1 Terms and Conditions

Each Foreign Exchange Contract you enter into will be subject to the Terms and Conditions. You will be required to sign these before entering into a Foreign Exchange Contract 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 Financial Products described in this PDS.

The Terms and Conditions are important and you should read them carefully before entering into any Financial Products. 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 entering into a Financial Product.

### 15.2 Other information

In addition to our Terms and Conditions you will also need to provide us with the following signed documentation together with such other "Know Your Customer" information (including credit related information) that WUBS may require:

- **Direct Debit Request form**; and
- Online Platforms configuration form.

A copy of these forms can be obtained by contacting your WUBS Representative.

The main checks that are relevant to the accreditation of a Customer are:

- verification of a Customer's identity in accordance with relevant **AML/CTF** laws;
- a successful credit check conducted through a third party credit agency;
- an **AML/CTF** risk assessment considering relevant factors such as the nature of a

Customer's business and the country where the Customer will make or receive payments; and

- a check of a Customer's principal officers and beneficial owners against relevant government issued sanction lists.

After your application has been accepted you may apply for a Foreign Exchange Contract in accordance with the Terms and Conditions.

## 16. Dispute resolution

You should address any complaint relating to the Financial Products 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 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.

## 17. Taxation

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

## 18. Privacy

In the course of providing foreign exchange services 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 processing your foreign exchange transactions, providing you with the services you have asked for, including processing your Foreign Exchange Transactions, 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, including without limitation your name, Customer ID number, address and bank account 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.

You have a right to ask us to see and get a copy of your information, for which we may charge a small fee. You can also correct, erase or limit our use of the 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 [www.business.westernunion.com.au/about/compliance](http://www.business.westernunion.com.au/about/compliance).

If you would like further information about the way that WUBS manages the handling of personal information, please contact our privacy officer:

Email: [privacy.anz@westernunion.com](mailto:privacy.anz@westernunion.com)

Mail: Attention Privacy Officer  
Level 12, 1 Margaret Street Sydney,  
NSW, 2000.

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

## 19. 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 and related regulations.

**Application Programming Interface** or **(API)** is WUBS operating system for information on transactions and Confirmations.

**At-The-Money** or **(ATM)** where the entry price of a Foreign Exchange Contract is at the current market price level.

**AUD** means Australian Dollar.

**Australian Client Money Rules** means all laws and regulations applicable to Client Money including but not limited to Part 7.8 of the Corporations Act and the Corporations Regulations that specify the manner in which financial services licensees are to deal with Client Money.

**Authorised Deposit-taking Institution** or **(ADI)** means a corporation which is authorised under the Banking Act 1959 to take deposits from customers.

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

**Base Currency** has the meaning set forth in Section 4.1 "Determining Exchange Rates" of this PDS.

**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.

**Client Money** means money paid to which Subdivision A in Division 2 of Part 7.8 of the Corporations Act 2001 (Cth) applies pursuant to section 981A of the Corporations Act.

**Client's Price** is the price nominated by the Client to transact in foreign exchange markets.

**Collection Basis** means the Draft has been cleared for payment into our nominated account.

**Confirmation** means written or electronic correspondence from WUBS that sets out the agreed commercial details of a Foreign Exchange Contract.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Corporations Regulations** means the Corporations Regulations 2001 (Cth).

**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.

**Credit Limit** means a Client facility provided by WUBS, at its sole discretion, for transacting in Foreign Exchange Contracts without the need for providing Initial Margin at the Trade Date.

**Currency Pair** means the currency that is bought and the currency that is sold in a Foreign Exchange Contract.

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

**Direct Debit Request** a type of preauthorized payment under which a Client authorizes its bank to pay amounts to WUBS for Settlement of Foreign Exchange Contract(s) 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.

**Face Value** means in respect of a Draft, the amount and currency specified by the Issuer or WUBS Representative on that Draft as payable to the holder on presentation for payment.

**FEC** is a legally binding agreement between you and WUBS to exchange one currency for another currency at an agreed Exchange Rate on a Value Date more than two (2) Business Days after the Trade Date.

**FET** is a legally binding agreement between you and WUBS to exchange one currency for another currency at an agreed Exchange Rate on a Value Date less than two (2) Business Days after the Trade Date.

**Financial Products** in this PDS are FETs, FECs, NDFs, and Drafts.

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

**Fixing Date** means the date specified by WUBS for determining the Spot Rate applicable to the Settlement of a NDF.

**Foreign Exchange Contract** is a legally binding agreement between a Client and WUBS to affect a FET, a FEC or an NDF in accordance with any Instruction.

**Forward Exchange Contract** means a FEC or NDF.

**Forward Exchange Rate** is the Exchange Rate at which WUBS agrees to exchange one currency for another at a future date when it enters into a Forward Exchange Contract.

**Forward Points** are the points added to or subtracted from the current Exchange Rate to calculate a Forward Exchange Rate.

**Hedge** means activity initiated in order to mitigate or reduce currency exposure to adverse unfavourable price or currency movements, by taking a related offsetting or mitigating position, such as an FET, FEC or NDF.

**Hedging Counterparties** the counterparties with whom WUBS contracts to mitigate its exposure when acting as principal to the Foreign Exchange Contracts by taking related offsetting or mitigating positions.

**Holding Balance** is money held by WUBS International as nominee for Client pending receipt by WUBS International

(or WUBS as its agent) of an Instruction from the Client, including Payee designation.

**Initial Margin** means an amount of money which shall be determined by WUBS in its sole discretion and deposited with WUBS as security in connection with a Forward Exchange Contract.

**Instructions** is a request by a Client for WUBS to provide services, including any request for services made by mail, electronic mail, telephone, or other means which request may be accepted or rejected in WUBS' absolute discretion.

**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.

**Interest Rate Differential** is the difference in interest rates prevailing in the currency that is bought and the currency that is sold.

**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 Foreign Exchange Contract is less favourable than the contractual price/Exchange Rate for the Foreign Exchange Contract.

**Issuer** has the meaning of s 761E of the Corporations Act and in this PDS is WUBS.

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

**Margin Call** is an additional payment required by WUBS as security in connection with a Forward Exchange Contract.

**Marked to Market** refers to the market value of a Forward Exchange Contract prior to the Value Date.

**Market Risk** means the risk of adverse movements in the value of a transaction due to movements in Exchange Rates over time.

**Monetary Instruments** refers to coins and currency of a foreign country.

**NDF/Non-Deliverable Forward** means a contract for the sale or purchase of foreign currency that is settled by the parties netting the value of the contract against the Spot Rate in a specified Reference Currency on a specified date that is more than two (2) Business Days after the Trade Date.

**NDF Contract Rate** means the rate agreed between WUBS and the Client at Trade Date to be compared to the Reference Currency Spot Rate for Settlement at a specified date.

**Non-Negotiable Instrument** means a Draft that has not been endorsed is not able to be bought, sold, exchanged, or transferred to another person or entity.

**Notional Amount** means the predetermined AUD or foreign currency amount to be bought or sold pursuant to a Foreign Exchange Contract.

**Online Platforms** or (Platforms) means WUBS' proprietary

online system(s) for booking prices in Foreign Exchange Contracts and for making international payments.

**Open Date FEC** is a type of deliverable FEC where delivery of purchased currency and Settlement can occur during the agreed delivery Window.

**Options Contract** means a foreign exchange contract described in WUBS Structured Options or Vanilla Options Product Disclosure Statements.

**Out-of-The-Money** or (OTM) means when the current market price/Exchange Rate of the Currency Pair in a Foreign Exchange Contract is more favourable than the contractual price/Exchange Rate of the Foreign Exchange Contract.

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

**Payee** means the person to whom money is to be, or has been, paid.

**PDS** means Product Disclosure Statement.

**Period of Clearance** is the difference between the date a Draft is purchased and the date the Payee obtains benefit.

**Pre-Delivery** is where after entering into an Forward Exchange Contract the agreed Value Date is brought closer to the Spot Rate Value Date.

**Reference Currency** means the nominated Settlement currency for a NDF.

**Retail Mark Up** or **Mark Up** an amount added to the Interbank Exchange Rate to obtain the Retail Price.

**Retail Price** is the sum of the Interbank Exchange Rate and Retail Mark Up.

**Rollover** is the process of extending the Value Date of an open Forward Exchange Contract.

**Secure File Transfer Protocol** or (SFTP) is WUBS system for access to files, file transfer, and file management for Customer's transactions.

**Segregated Account** is a bank account maintained by WUBS to keep Client Money separate from WUBS money.

**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 for Settlement on a Value Date of up to two (2) Business Days from the date the transaction was entered.

**Standing Order** has the meaning set forth in Section 14.2 "Standing Order" of this PDS.

**Stop Payment** means an acknowledgement by WUBS that we will not pay the Face Value of a particular Draft on presentation.

**Telegraphic Transfer** is an electronic way of transferring

funds overseas.

**Terms and Conditions** means the Western Union Business Solutions (Australia) Pty Limited Terms and Conditions as amended from time to time and located at <http://business.westernunion.com.au/about/compliance/>.

**Terms Currency** has the meaning set forth in Section 4.1 "Determining Exchange Rates" of this PDS.

**Time Zone** is any one of the world's 24 divisions that has its own time.

**Trade Date** is the day you and WUBS agree to a Foreign Exchange Contract.

**USD** means United States Dollars.

**Value Date** is the date on which the FEC becomes due for delivery and Settlement. The Value Date will always be the last date of the Window, if any.

**Value Spot** where the Value Date is two (2) Business Days after the Trade Date.

**Value Today** where the Trade Date and Value Date are the same day.

**Value Tomorrow** where the Value Date is one (1) Business Day after the Trade Date.

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

**Window** means an agreed period of time between the Trade Date and Value Date, where delivery of purchased currency and Settlement can occur without any adjustment to the Forward Exchange Rate for an Open Date FEC.

**Wire Transfer** is an electronic way of transferring funds overseas.

**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 International** means Custom House Financial (UK) Limited or such other WUBS affiliated company as WUBS may notify.

**WUBS Representative** means a person designated to act on behalf of WUBS in the provision of financial services specifically Foreign Exchange Contracts.

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