Product Disclosure Statement for Foreign Exchange Option Products

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1. Purpose

This Product Disclosure Statement (PDS) is an important document containing information about Western Union Business Solutions' Foreign Exchange Structured Options products. Western Union International Bank GmbH, organizační složka is providing you with this PDS so that you receive important information about its Structured Options products including their benefits, risks and costs.

The purpose of this PDS is to provide you with sufficient information for you to determine whether a Structured Options product meets your needs and to ensure that you fully understand its features and possible outcomes.

Please read this PDS carefully before purchasing a product. In the event that you enter into a Structured Options product you should keep a copy of this PDS along with any associated documentation for future reference.

The information set out in this PDS is general in nature and has been prepared without taking into account your objectives, financial situation or needs. Before dealing in Structured Options 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.

A Structured Option may be suitable for you if you have a very good level of understanding of foreign exchange contracts and markets. **If you are not confident about your understanding of these markets, we strongly suggest you seek independent advice before making a decision about this product.**

If you have any questions or need more information, please contact Western Union International Bank GmbH, organizační složka.

2. Issuer

Western Union International Bank GmbH operating through Western Union International Bank GmbH, organizační složka is your counterparty to the financial products that are the subject of this document.

Western Union International Bank GmbH is an Austrian credit institution licensed according to Article 1 of the Austrian Banking Act and is authorised by the Financial Market Authority (FMA).

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License: licensed credit institution according to Article 1 of the Austrian Banking Act.
Registered by the Czech National Bank at the list of banks and branches of foreign banks maintained by the CNB.

Competent Supervisory Authority:
Financial Market Authority (FMA), Otto-Wagner Platz 5, A-1090 Vienna
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or in regards to providing payments services under Part 4 of the Czech Act No. 370/2017 Coll., on payment services, as amended, and conduct of business rules provided for § 15 et. seq. of the Czech Act No. 256/2004 Coll., Capital Markets Act, as amended, and other regulatory issues supervised by the Czech National Bank pursuant to Czech regulation:

Česká národní banka
Na Příkopě 28, 115 03 Praha 1, Czech Republic
http://www.cnb.cz

3. Vanilla Options

3.1 What is a Vanilla Option?

A Vanilla Option is an agreement between two parties (the **buyer** of the Vanilla Option – for this product type this will always be you, the client - and the **seller** of the Vanilla Option – which for this product type will always be Western Union International Bank GMbH operating in the Czech Republic through Western Union International Bank GmbH, organizační složka that gives the buyer the right but not the obligation to buy (a Vanilla Call Option) or sell (a Vanilla Put Option) one currency in exchange for another currency (**Currency Couple**) at an agreed exchange rate (the **Strike Rate**) on a predetermined date in the future (the **Expiry Date**).

The terms 'buyer' and 'seller' are used in the context of our Vanilla Option product to more clearly illustrate the mechanics of such product.

3.2 How does it work?

When you, the buyer, enter into a Vanilla Option you nominate the Currency Couple, Strike Rate and Expiry Date. The currencies that you wish to exchange must be acceptable to WUIB. WUIB only offers 'European' style Vanilla Options. This means that you may only exercise the Vanilla Option on the Expiry Date. WUIB will calculate a premium which is payable by the buyer of the Vanilla Option. If you are the buyer you will be required to pay the premium to WUIB within two business days of the Trade Date.

If you are the buyer of a Vanilla Option on the Expiry Date:

• If the prevailing Spot Rate (for Spot Foreign Exchange Transaction see the PDS for Foreign Exchange Products) is less favourable than the Strike Rate it will be more advantageous for you to exercise your right to exchange the Currency Couple at the strike rate. You will then be required to settle the contract within two business days of the Expiry Date.

• If the prevailing Spot Rate is more favourable than the Strike Rate it will be more advantageous for you to let the Option lapse. This is because the Spot Rate on the day will provide you with a better rate of exchange than the Strike Rate. Accordingly, you may choose to exchange currencies at the Spot Rate.

3.3 Purpose of a Vanilla Option:

Vanilla Options enable the buyer to fix a known worst case exchange rate in advance of a chosen Expiry Date without forgoing the ability to benefit should the market move in their favour.

3.4 Cost of a Vanilla Option:

In return for WUIB selling you a Vanilla Option, you pay WUIB a non-refundable premium. We calculate the premium on a transaction-by-transaction basis and will provide you with calculation of premium before you enter into a Vanilla Option. We will require you to pay the premium for your Vanilla Option before we enter into the transaction.

The Premium can be paid in either CZK or in one of the currencies in the Currency Couple. Premiums are payable within 2 business days of the Trade Date. When calculating any Premium, WUIB takes into account several factors including:

- The Strike Rate and the Expiry Date (Time to Maturity)
- The amount of the Vanilla Option
- Current market foreign exchange rates
- The interest rates of the countries whose currencies are being exchanged
- Market volatility
- The costs incurred by WUIB by entering into the transaction with you.

WUIB considers that Vanilla Options are only suitable for persons who understand and accept the risks involved in investing in financial products involving foreign exchange rates.

WUIB recommends that you obtain independent financial advice before entering into a Vanilla Option.

There are no other up-front transaction fees associated with the purchase of this type of product. All costs and charges are incorporated into the premium as set out above. On expiry, should you exercise the deal a telegraphic transfer fee may apply to the transfer of your funds.

Should you wish to cancel the option, in certain circumstances, it may be possible – at WUIB´s discretion - to sell the contract back to the market at the prevailing rate. The resulting funds will then be returned to you minus our costs which will be disclosed to you prior to transacting. You should note that you may well not receive back all of the premium that you initially paid for the option.

As this option type places no obligation on you to trade there is no requirement for payment of deposit or margin at any stage. There is only the requirement to pay the non-refundable premium at the time of entering into the contract.

3.5 Advantages of a Vanilla Option

- A Vanilla Option provides protection against adverse movements in the exchange rate during the term of the option.
- Vanilla Options can be precisely tailored to your specific requirements as you are able to choose the Strike Rate, Expiry Date and Contracted notional amount.
- Unless you exercise your Vanilla Option you are not committed to exchange currencies. Consequently you are able to participate in all favourable exchange rate movements.

3.6 Disadvantages of a Vanilla Option

- **An upfront premium is payable when you purchase your Vanilla Option. This premium is non-refundable regardless of whether the option lapses or is terminated before the Expiry Date.**
- **Depending on the market rate prevailing on the Expiry Date the total cost of the transaction (i.e. the cost of the currency you are buying plus the premium you paid) may prove to be more expensive than an equivalent forward contract or alternative hedging product might have been. This 'total cost' of hedging needs to be taken into account when deciding whether or not to enter into this type of option contract**
- **Depending on prevailing market rates, the total cost of the Vanilla Option, including the premium plus the ultimate foreign exchange cost, might be higher than if you have not purchased a Vanilla Option.**
- **At the Expiry Date or upon cancellation of the Vanilla Option, movements in market exchange rates plus the passage of time may result in the Option having a reduced value or even no value**.

3.7 Settlement of a Vanilla Option

At the Expiry Time (usually fixing in given Country or 10 AM NYT) on the Expiry Date, you will have the right, but no obligation to exchange the Contracted notional value of currency at the Protected Rate. If the option expires 'In-the-money' (i.e. the Protected Rate is more favourable to you than the prevailing Spot Rate at the Expiry Time on the Expiry Date) WUIB will automatically exercise the option on your behalf and advise you of the fact as soon as possible afterwards. Please note, that this still does not place you under any obligation to take up the trade. However, if do decide to take up the trade, you must advise us of your intentions with regards to settlement on the same day.

If you choose not to exercise your right to exchange the Contracted notional at the Protected Rate for whatever reason, the option will cease to exist at this time and no further action is required.

3.8 Examples

Example of a Vanilla Put Option used by an importer

An importer wishes to hedge EUR against CZK for a six month future settlement date and wishes to protect himself against any unfavourable exchange rate movements (fall in the EUR/CZK rate) whilst benefiting from a favourable foreign exchange rate movement (rise in the EUR/CZK rate).
The importer decides to buy a EUR/CZK Vanilla Put Option from WUIB. This gives the importer the right, but not an obligation to sell CZK and buy EUR at a set rate on the Expiry Date.
The importer provides details of the relevant Expiry Date, strike rate, and the Contracted notional amount of CZK they wish to sell or EUR they wish to buy.

Assume the following conditions:

- the current Spot Rate is 24.10 and the six month Forward rate is 23.95;
- the strike rate is 23.80. The strike rate is also known as the Worst Case rate;
- the Expiry Date is six months after the Trade date;
- the premium calculated by WUIB to be paid is equivalent to 2,5% of the Contracted notional amount. For example, if the Contracted notional CZK amount is CZK 100.000, the premium will be CZK 2.500.

At the expiry time on the Expiry Date:

If the Spot Rate is at or below the strike rate of 23.80, the importer may choose, but is not obliged, to exercise their right to exchange CZK for EUR at the agreed strike rate of 23.80 for delivery on the settlement date.

If, on the other hand, the Spot Rate is above the strike rate of 23.80 the importer is free to let the Option lapse and buy the required amount of EUR at the prevailing Spot Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

Example of a Vanilla Call Option used by an exporter

An exporter wishes to hedge EUR against CZK for a six month future settlement date and wishes to protect themselves against any unfavourable exchange rate movements (rise in the EUR/CZK) whilst benefiting from a favourable foreign exchange rate movement (fall in the EUR/CZK).
The exporter decides to buy a EUR/CZK Vanilla Call Option. This will give the exporter the right, but no obligation to buy CZK for EUR for a set rate on the Expiry Date, if the exporter wants to.
The exporter provides details of the relevant Expiry Date, strike rate, the amount of EUR.

Assume the following conditions:

- the current Spot Rate is 24.10 and six month Forward rate is 23.95;
- strike rate is 24.20; The strike rate is also known as the Worst Case rate;
- Expiry Date is six months after Trade date;
- premium calculated by WUIB to be paid is equivalent to 2.3% of the Contracted notional amount of the contract. For example, if the Contracted notional value is CZK 100.000, the premium will be CZK 2.300.

At the expiry time on the Expiry Date:

If the Spot Rate is at or above the strike rate of 24.20, the exporter may choose, but is not obliged to exercise their right to exchange EUR for CZK at the agreed strike rate of 24.20 for delivery on the settlement date.

If, on the other hand, the Spot Rate is below the strike rate of 24.20 the exporter is free to allow the Option to lapse and then sell the EUR at the prevailing Spot Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

4. What is a Structured Option?

A structured foreign exchange option is a term that describes a group of foreign exchange products that have been developed as foreign exchange risk management alternatives to Forward Exchange Contracts and Vanilla Options.

A structured option (**Structured Option**) is an agreement to exchange a specified amount of one currency for another currency at a Foreign Exchange Rate determined in accordance with the mechanisms set out in the structure at an agreed time (**Expiry Time**) on an agreed date (**Expiry Date**). The exchange of currencies generally then takes place within two (2) clear business days after the Expiry Date (**Value Date**).

The mechanism(s) for determining the applicable Foreign Exchange Rate and other conditions of a Structured Option will depend on the particular product that you enter into. WUIB offers nine (9) Structured Options and the following information describes how the Foreign Exchange Rate and conditions are determined in relation to each of these products.

4.1 How does a Structured Option work?

Also known as 'zero cost' or 'zero premium' options these structures typically involve the simultaneous purchase and sale of two or more options. You buy the protection that you require with one option and in order to pay for it, instead of paying a premium, you sell another option with an equivalent value to the other party. Whereas, with a vanilla option there will never be any obligation on you to trade, when entering into a structured option, the option you sell confers a potential right to trade on the other party which they may choose to exercise against you, if it is in their interests to do so. As a result, unlike a Vanilla Option, your ability to benefit from favourable movements will be limited to a degree and, at expiry you may be left with an obligation to trade.

For the avoidance of doubt you, the client, will always be the buyer of a Structured Option regardless of the treatment of its constituent parts. The risk from any option sale that takes place to create the given structure will be offset by the protection that you are buying. You will never be selling an option in isolation. This means that your exposure to risk is known and quantifiable from the outset. It is only WUIB that will sell any Vanilla or Structured Option. The terms 'Buying' and 'Selling' are used in the context of our Structured Options products to more clearly illustrate the mechanics a particular Structured Option product.

4.2 Knock In & Knock Out Barriers, "Window Barriers" and "At Expiry Barriers"

A number of structured products involve the use of triggers or barriers (two names for the same thing). These are set at a given rate and, should the underlying Spot Rate trade at or beyond the trigger/barrier during the observation period, will change the nature of the structured product you have bought – usually by either placing you under, or freeing you from, the potential obligation to deal at a given rate at expiry.

Typically, as the buyer of a zero cost structure you will be buying the right, but not the obligation to trade at the Protection Rate – and then selling Knock In or Knock Out option(s) in order to offset the cost. In this case – a Knock In option remains dormant unless the underlying rate trades at or beyond the barrier. If this does not happen, you will be under no obligation to deal at expiry. On the other hand, if the barrier is breached, the option you have sold comes into force and may be exercised against you – depending on the rate at expiry – meaning you may be obliged to deal at a given rate. A Knock Out option does the opposite – placing you under an obligation to trade *unless* the underlying rate trades at or beyond the barrier – in which case you will be released from that obligation.

It is possible to vary the period during which these triggers/barriers are observed, but you should be aware that the default position is for this to be the entire duration of the contract – in other words, the barrier is constantly observed. So, if your option product does not specify 'Window' or 'At Expiry', then your barrier will be live throughout the contract. However, you may instead choose to have the Knock In/ Knock Out barrier only be observed during a given period of time that is shorter than the term of the contract or alternatively only at the Expiry Time on the Expiry Date. If the Knock In/Out /barrier is only observed during a specified period during the term of the contract, (usually the final month) it is referred to as a **Window Barrier**. If the Knock in/ Knock Out barrier is only observed at the Expiry Time on the Expiry Date, it is known as an **At Expiry Barrier**.

If a shorter observation period is nominated, the Spot Rate can trade at or beyond the Knock In/Knock Out barrier rate without you being Knocked In or Knocked Out – provided that this takes place outside of the specified window period for a Window Barrier – or prior to the expiry time on the Expiry Date for an At Expiry Barrier. For example, if you nominate a window that only encompasses the "last day" of the contract, the Spot Rate would only be compared to the Knock In/Knock Out barrier rate from [•] Prague time on the day before expiry until [•] Prague time on the Expiry Date to determine whether you are Knocked In or Knocked Out. Alternatively, if you nominate an At Expiry Barrier, the Spot Rate would only be compared to the Knock In/Knock Out barrier rate at precisely [•] Prague time on the Expiry Date to determine whether you are Knocked In or Knocked Out. Please note, choosing a shorter observation period – as opposed to the default position of a constantly observed barrier – will often result in a Knock In/ Knock Out rate and / or Protection Rate that is less favourable to you than if the Knock In/Knock Out barrier were observed throughout the term of the contract.

Shorter Knock In and / or Knock Out observation periods are typically used on the following products:

Knock In
Knock In Collar
Knock In Convertible
Participating Knock In
Knock In Improver
Knock Out Reset

They may, however, be used on any product containing a Knock In or Knock Out barrier.

4.3 Our Structured Options

The examples that are used within the description of each Structured Option product below are for information purposes only and use rates and figures that we have selected to demonstrate how each product works. In order to assess the merits of any particular Structured Option you should use the actual rates and figures quoted at the relevant time.

Moreover, all of the examples have been written from the perspective of a Czech Importer. We would be happy to discuss alternatives to these examples with you.

4.3.1 Collar

General Product Information

A collar (**Collar**) is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated worst case rate known as the **Protection Rate**. It also gives you the opportunity to participate in favourable movements in the Spot Exchange Rate between the Protection Rate and a given best case rate known as the **Participation Rate**.

How a Collar Works

A Collar is structured by entering into two concurrent options. In the first you buy a Put Option from WUIB giving you the right, but no obligation to sell the Contracted notional amount to WUIB at the Protection Rate. In the second you sell a corresponding Call Option which will oblige you to exchange the Contracted notional amount with WUIB at the Participation Rate should the underlying Spot Rate exceed that level at the expiry time on the Expiry Date.

A Collar always provides you with complete protection at the Protection Rate.

Example of a Collar

A Czech importer needs to buy 100.000 EUR in 1 month. The current Spot Rate is 24.10 and the Forward Exchange Rate is 24.08.

The importer enters into a Collar with the following terms:

Protection Rate:	23.60
Participation Rate:	24.50
Expiry Date:	1 month

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is trading below the Protection Rate of 23.60 at expiry the importer will have the right, but no obligation, to exercise his Put Option to sell CZK and buy 100.000 EUR at 23.60 – his worst case rate.
- If the EUR/CZK Spot Rate is trading between the Protection Rate and the Participation Rate the importer will be free to let his option lapse and instead sell CZK and buy 100.000 EUR at the prevailing Spot Rate; alternatively the importer may choose to do nothing as there is no obligation on either party.
- If the Spot Rate is above the Participation Rate of 24.50 at expiry WUIB will exercise its Call Option and the importer will be obliged to sell CZK and buy 100.000 EUR at 24.50 – his best case rate.

For a Czech exporter, the outcomes are essentially the same, except the structure consists of buying a Call at the protection rate (above the market) and selling a Put option at the Participation Rate (below the market).

Note: The examples are indicative only and the rates and other details used are not factual.

Advantages of a Collar

- Ability to participate in favourable exchange rate movements as far as the Participation Rate.
- Protection at all times at a known worst case exchange rate

- No premium payable

Disadvantages of a Collar

- **Participation in favourable movement is capped at a the best case or Participation rate, meaning you will not be able to benefit should the Spot Rate be higher than that level at the Expiry Time on the Expiry Date.**
- **If the Spot Rate moves significantly higher than the Participation rate prior to the Expiry Date, WUIB may require you to make an advance partial prepayment/cash deposit (a Margin Call) to secure your out-of-the-money position.**
- **For more information on Margin Calls please see section 6 below and our Standard Terms and Conditions (Terms and Conditions).**

4.3.1.1 Leveraged Collar

General Product Information

A leveraged collar (**Leveraged Collar**) is a Structured Option which behaves in exactly the same way as the Collar structure above. It allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated worst case rate known as the **Protection Rate**. It also gives you the opportunity to participate in favourable movements in the Spot Exchange Rate between the Protection Rate and a given best case rate known as the **Participation Rate**. However, in order to make the Protection Rate and the Participation Rate more attractive at the outset, you agree that, should the underlying Spot Rate be more favourable than the Participation Rate at expiry, **<u>you will be obliged to deal a larger amount at the Participation Rate</u> <u>- usually twice as much as was protected at the Protection Rate.</u>**

Example of a Leveraged Collar

Using the same example as above, a Czech Importer needs to buy 100.000 EUR in 1 month. The current Spot Rate is 24.10 and the Forward Exchange Rate is 24.08.

The importer enters into a Leveraged Collar with the following terms:

Protected Amount	100.000 EUR
Leveraged Amount	200.000 EUR
Protection Rate:	23.80
Participation Rate:	25.00
Expiry Date:	1 month
Leverage:	2:1

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is trading below the Protection Rate of 23.80 at expiry the importer will have the right, but no obligation, to exercise his Put Option to sell CZK and buy the Protected Amount of 100.000 EUR at 23.80 – his worst case rate.
- If the EUR/CZK Spot Rate is trading between the Protection Rate and the Participation Rate the importer will be free to let his option lapse and instead sell CZK and buy 100.000 EUR at the prevailing Spot Rate; alternatively the importer may choose to do nothing as there is no obligation on either party.
- If the Spot Rate is above the Participation Rate of 25.00 at expiry WUIB will exercise its Call Option and the importer will

be obliged to sell CZK and buy the Leveraged Amount of **200,000 EUR** at 25.00 – his best case rate.

Again, for a Czech exporter, the outcomes are essentially the same, except the structure consists of buying a Call at the protection rate (above the market) and selling a Put option at the Participation Rate (below the market).

Additional Risks of a Leveraged Collar

- **As well as the disadvantages listed above, the leveraged collar does not offer full protection. With a non-leveraged collar if your requirement is 100.000 EUR, you hedge 100,000 EUR. With the leveraged variety, you can either hedge 50.000 EUR and potentially be obliged to deal the full 100.000 EUR meaning you've only covered half of your risk, or you can hedge 100.000 EUR but risk being obliged to deal 200.000 EUR which would exceed your exposure and leave you over-hedged.**

4.3.2 Participator

General Product Information

The Participator is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Foreign Exchange Rate (the **Protection Rate**). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate by allowing you to trade a portion of your exposure at a favourable Spot Rate should such a rate be available at expiry.

How a Participator Works

In order to buy a Participator structured option, you enter into two concurrent trades. In the first you buy a Put Option from WUIB giving you the right, but no obligation to sell the full Contracted notional amount of currency at the Protection Rate should the spot price be less favourable than that level at the expiry time on the Expiry Date. This means you have complete protection at a known worst case rate. In order to make the option structure 'zero cost' you also simultaneously sell a Call Option to WUIB which will oblige you to trade a proportion of the Contracted notional value (usually 50%) at the Protection Rate should the Spot Rate be more favourable than that level at the expiry time on the Expiry Date. In this instance you are then free to trade the remainder of the Contracted notional value at the prevailing Spot Rate; so, if you are obliged to trade 50% at the protected rate and trade the rest at spot you have benefited from 50% of the upside. This percentage is also known as the **Participation Percentage**.

Example of a Participator

A Czech Importer needs to buy 100.000 EUR in 1 month. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.08. The importer needs to outperform his budget rate at 23.30 but feels the EUR/CZK Spot Rate is likely to move in his favour and so wants to be able to benefit from this if he is proven right.

The importer enters into a Participating Option with the following terms:

Protection Rate:	23.60
Participation Percentage:	50%

Expiry Date: 1 month

The possible outcomes on expiry are as follows:

- If the Spot Rate is at or below the Protection Rate of 23.60 at expiry the importer will have the right, but no obligation to exercise the Put Option to sell CZK and buy 100.000 EUR at 23.60 – his worst case rate.
- If, however, the Spot Rate is above the Protection Rate at expiry WUIB will exercise the Call Option and the importer will be obliged to sell CZK and buy 50.000 EUR at 23.60, but is then free to trade the other 50.000 EUR at the more favourable Spot Rate. So, if the EUR/CZK rate is trading at 25.50 at expiry, the importer will trade 50.000 EUR at 23.60 and the other 50.000 EUR at 25.50 giving a net rate of 24.55

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the full Contracted notional at the Protection Rate and selling a Put Option for a proportion of the Contracted notional – giving the relevant Participation Percentage.

Note: The examples are indicative only and the rates and other details used are not factual.

Advantages of a Participator

- There is the ability to partially participate in favourable exchange rate movements. The 'upside' is effectively unlimited, although the buyer of this option will only benefit at the participation percentage.
- There is protection at all times with a known worst case exchange rate.
- No premium is payable.

Disadvantages of a Participator

- **Part of your exposure must be traded at the Protection Rate at expiry. If the Spot Rate on the Expiry Date is more advantageous than the Protection Rate you will be obliged to trade this proportion at a rate that is less advantageous to you than if you were free to trade the entirety at the prevailing spot price.**
- **If the Spot Rate significantly exceeds the Protection Rate prior to the Expiry Date WUIB may make a Margin Call to secure your out-of-the-money position. For more information on margin calls please see Section 6 below and the Terms and Conditions.**

4.3.3 Participating Collar

General Product Information

The Participating Collar is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Foreign Exchange Rate (the **Protection Rate**). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate on a portion of your exposure up to a pre-determined Participation Rate.

How a Participating Collar Works

A Participating Collar is structured by entering into three concurrent options. In the first you buy a Put Option from WUIB giving you the right, but no obligation to sell the Contracted notional amount of currency to WUIB at the Protection Rate. In the second you sell a Call Option to WUIB which will oblige you to sell a proportion of the Contracted notional value to WUIB at the Protection Rate. This Call Option will be for a percentage of the Contracted notional amount of your Put Option - usually 50% - known as the **Participation Percentage**. In the third option, you sell a second Call Option to WUIB at the Participation Rate. This third option may oblige you to trade the remainder of the contract (the Contracted notional amount multiplied by the participation percentage) at the Participation Rate if the spot price exceeds that level at the expiry time on the Expiry Date. This third option limits your ability to benefit from favourable movements beyond the Participation Rate, but in exchange for this reduced 'upside' potential, you should be able to achieve a more favourable Protection Rate or higher Participation Percentage.

Example of a Participating Collar

Using the same example as above, where a Czech importer needs to buy 100.000 EUR in 1 month. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.08. The importer's budget rate has been revised up to 23.80 so a normal Participator with a Protection Rate at 23.60 will no longer hedge his risk. He still feels the rate will move in his favour, but now believes that the potential upside is not as great. He is therefore willing to forego some of his ability to benefit should the Spot Rate climb drastically higher in exchange for a Protection Rate that matches his budget level.

The importer enters into a Participating Collar with the following terms:

Protection Rate:	23.80
Participation Rate:	24.70
Participation Percentage:	50%
Expiry Date:	1 month

The possible outcomes on expiry are as follows:

- If the Spot Rate is below the Protection Rate of 23.80 at expiry the importer will have the right, but no obligation to exercise his Put Option to sell CZK and buy 100.000 EUR at 23.80 – his worst case rate.
- If the Spot Rate is above the Protection Rate and below the Participation Rate at expiry WUIB will exercise its first Call Option and the importer will be obliged to sell CZK and buy 50.000 EUR at 23.80.The importer will then be able to buy the remaining 50.000 EUR at the more favourable Spot Rate giving him 50% participation in the upside.
- If the Spot Rate is also above the Participation Rate at expiry WUIB will exercise both the first and second Call Options. The importer will be obliged to sell CZK and buy 50.000 EUR at 24.70, and then also buy the remaining 50.000 EUR at 23.80 – giving a net rate of 24.25 to sell CZK and buy 100.000 EUR– his best case rate.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the full Contracted amount at the Protection Rate and selling two Put Options for a proportion of the Contracted Amount.

Note: The examples are indicative only and the rates and other details used are not factual.

Advantages of a Participating Collar

- This product offers the ability to partially participate in favourable exchange rate movements on the participating portion, up to the Participation Rate.
- There is protection at all times with a known 'worst case' Protection Rate.
- The Protection Rate is more favourable than the rate applicable to a comparable Participator Option.

- No premium is payable.

Disadvantages of a Participating Collar

- **The Protection Rate may be less advantageous than the rate applicable to a comparable Forward Exchange Contract.**
- **Part of your exposure must be traded at the Protection Rate on expiry. If the Spot Rate on the Expiry Date is more advantageous than the Protection Rate you will be obliged to trade this portion at a rate that is less advantageous to you.**
- **If the Spot Rate on expiry is above the Participation Rate you will be obliged to trade half at the Protection rate and half at the Participation Rate – giving a net price between those two levels that is less advantageous to you than if you were free to trade at spot.**
- **If the Spot Rate exceeds the Participation Rate by a sufficient degree prior to the Expiry Date WUIB may require you to make a Margin Call to secure your out-of-the money position. For more information on Margin Calls please see Section 6 below and the Terms and Conditions.**

4.3.4 Knock In

General Product Information

The Knock In is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Foreign Exchange Rate (the **Protection Rate**) whilst giving you the potential to take advantage of favourable currency movements to a Knock In Rate. If the Spot Rate trades at or above the Knock In Rate at any time before the Expiry Date you will be obliged to trade at the Protection Rate on the Expiry Date.

Please note – this product is sometimes also known as a Forward Extra or Forward Plus.

How a Knock In Works

A Knock In is structured by entering into two concurrent options. In the first you buy a Put Option from WUIB which will give you the right, but no obligation to sell the Contracted notional sum to WUIB at the Protection Rate. In the second you sell a Call Option to WUIB at the Protection Rate, but with a barrier at the Knock In Rate. This option remains dormant and cannot be exercised against you unless the underlying Spot Rate trades at or beyond the barrier at the Knock In Rate at any point during the life of the contract. If the market does trade at or beyond the Knock In rate, the Call option is activated and, at the expiry time on the Expiry Date, you will be obliged to sell the Contracted notional value to WUIB at the Protected Rate.

Example of a Knock In

A Czech Importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. The importer has a budget rate at 23.60 and can't afford for the rate to slip below that level. However, market opinion is that the EUR/CZK Spot Rate should recover back above 24.30 so the importer is reluctant to limit his ability to benefit should this happen.

The importer therefore enters into a Knock In Option with the following terms:

Protection Rate	23.90
Knock In Rate	24.90
Expiry Date	3 months
Knock In Rate Observed	Constantly

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is trading below the Protection Rate at 23.90, the importer will have the right, but no obligation to sell CZK and buy 100.000 EUR at 23.90 – his worst case rate.
- If the EUR/CZK Spot Rate is above 23.90 and has not traded at or beyond the Knock In Rate at 24.90 at any time during the life of the contract, the importer will be free to let his option lapse and instead trade at the prevailing Spot Rate, which could theoretically, be as high as 24.89.
- If the EUR/CZK Spot Rate has traded at or above 24.90 at any time during the life of the contract the barrier at the Knock In rate will be activated and WUIB will exercise its call option, obliging the client to sell CZK and buy 100.000 EUR at the Protection rate of 23.90 – the worst case rate.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Protection Rate and selling a Put Option for the same amount at the Protection Rate with a barrier at the Knock In Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

Advantages of a Knock In

- Ability to participate 100% in favourable exchange rate movements as far as the Knock In Rate.
- Protection at all time with a known worst case rate
- No premium payable.

Disadvantages of a Knock In

- **The Protection rate is less advantageous than the comparable Forward Exchange Rate would have been at the time of entering the contract.**
- **If the barrier at the Knock In Rate is observed during the life of the contract and the rate remains higher than the Protection Rate at the Expiry Date you will be obliged to trade at the Protection Rate which may seem much less favourable than the prevailing Spot Rate at that time.**
- **If the Knock In Rate is observed and the Spot Rate continues to exceed the Protection Rate prior to the Expiry Date WUIB may require you to make a Margin Call to secure your out-of-the money position. For more information on Margin Calls please see Section 6 below and the Terms and Conditions.**

4.3.4.1 Knock In – Window

The Knock In – Window differs from the standard Knock In by having the barrier only observed during a specified observation period or window. This is often, but not necessarily always, the month before expiry. The barrier is only live during this period so the market can exceed the barrier level outside the window period with no effect on the option. In exchange for having a reduced observation period, the protection rate and / or barrier level may be less favourable than with a standard Knock In.

4.3.4.2 Knock In – At Expiry

The Knock In – At Expiry differs from the standard Knock In by having the barrier only observed on expiry. This means that the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the protection rate and / or barrier level will be less favourable than with a standard Knock In and the Knock In - Window.

4.3.4.3 Leveraged Knock In

General Product Information

A Leveraged Knock In works in much the same way as the standard Knock In product. It provides a guaranteed worst case rate at which to deal the Protected Amount and allows participation up to a specified knock in level. However, in order to make the Protection Rate and/or the Knock In Rate more advantageous at the outset, the buyer agrees that, should the Knock In Rate be observed at any point during the life of the contract, he or she will be obliged to deal the Leveraged Amount at the Protection Rate on the Expiry Date. The Leveraged Amount is typically twice as much as the Protected Amount, but can be a lower multiple. The buyer can also specify whether they would like a Window barrier or an At Expiry barrier as with the non-leveraged variant.

Example of a Leveraged Knock In

A Czech Importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. The importer has a budget rate at 24.00 and is not willing to lock into a rate below that level meaning a standard Knock In is not attractive. Furthermore, market opinion is that the EUR/CZK Spot Rate should recover back above 24.50 so the importer is also reluctant to limit his ability to benefit should this happen by buying a forward contact at current levels.

The importer therefore enters into a Leveraged Knock In Option with the following terms:

Protected Amount	50.000 EUR
Leveraged Amount	100.000 EUR
Protection Rate	24.10
Knock In Rate	25.30
Expiry Date	3 months
Knock In Rate Observed	Constantly

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is trading below the Protection Rate at 24.10, the importer will have the right, but no obligation to sell CZK and buy the Protected Amount of 50.000 EUR at 24.10. Any remaining requirement will need to be covered in the spot market.
- If the EUR/CZK Spot Rate is above 24.10 and has not traded at or beyond the Knock In Rate at 25.30 at any time during the life of the contract, the importer will be free to let his option lapse and instead trade at the prevailing Spot Rate, which could theoretically, be as high as 25.29.
- If the EUR/CZK Spot Rate has traded at or above 25.30 at any time during the life of the contract the barrier at the Knock In rate will be activated and WUIB will exercise its call option, obliging the client to sell CZK and buy the **Leveraged Amount** of 100.000 EUR at the Protection rate of 24.10.

Additional Disadvantages of the Leveraged Knock In

- **As well as the disadvantages listed above, the leveraged knock in does not offer full protection. With a non-leveraged knock in, if your requirement is 100.000 EUR, you hedge 100.000 EUR. With the leveraged variety, you**

can either hedge 50.000 EUR and potentially be obliged to deal the full 100.000 EUR meaning you have only covered half of your risk, or you can hedge 100.000 EUR but risk being obliged to deal 200.000 EUR which would exceed your exposure and leave you over-hedged.

4.3.5 Knock In - Collar

General Product Information

The Knock In Collar is a Structured Option which allows the buyer to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated **Protection Rate** whilst retaining the potential to take advantage of favourable currency movements as far as a specified Knock In Rate. If the underlying spot price trades at or beyond the Knock In Rate at any time during the life of the contract the buyer will be knocked into a collar structure.

How a Knock In- Collar Works

A Knock In - Collar is structured by entering into two concurrent options. In the first you buy a Put Option giving you the right, but no obligation to sell the Contracted notional amount to WUIB at the Protection Rate. In the second you sell a Call Option to WUIB at the Participation Rate with a barrier at a given Knock In Rate. This option remains dormant and cannot be exercised against you unless the underlying Spot Rate trades at or beyond the Knock In Rate during the life of the contract. If the market does trade at or beyond the Knock In rate, the Call option is activated and if, at the expiry time on the Expiry Date, the Spot Rate remains more favourable than the Participation Rate you will be obliged to sell the Contracted notional value of the contract to WUIB at the Participation Rate limiting your ability to benefit from favourable moves above that level.

Example of a Knock In- Collar

A Czech Importer needs to buy 100.000 EUR in 3 months. The current SD/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. The importer's budget rate is at 23.60, but the importer expects the rate to improve slowly over the coming months. He would therefore like to be able to take advantage of that. He is, however, concerned that if the EUR/CZK continued to rise, he would not want to be knocked in to an obligation to trade at the Protection Rate.

The importer enters into a Knock In Collar with the following terms

Protection Rate	23.70
Knock In Rate	25.00
Participation Rate	24.20
Expiry Date	3 months
Knock In Rate observed	Constantly

The possible outcomes on expiry are as follows:

- Regardless of any other eventualities, if the EUR/CZK Spot Rate is trading below the Protection Rate at 23.70 the importer has the right, but no obligation to sell CZK and buy 100.000 EUR at 23.70 – his worst case rate.
- If the EUR/CZK Spot Rate is trading at or above the Protection Rate at 23.70 and has not traded at or beyond the Knock In Rate at 25.00 at any point during the life of the contract the importer will be free to let the option lapse and instead trade at the prevailing Spot Rate, which could theoretically be as high as 24.99.
- If the EUR/CZK Spot Rate has traded above 25.00 and the Knock In Rate has been observed, if the rate remains above the Participation Rate at 24.20 at Expiry, the importer will be obliged to sell CZK and buy 100.000 EUR at 24.20.
- If the Knock In Rate has been observed, but the Spot Rate subsequently falls back below the Participation Rate at 24.20, the importer will be under no obligation to trade and may buy his EUR at the prevailing spot price should he choose to do

so.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Protection Rate and selling a Put Option for the same amount at the Participation Rate with a barrier at the Knock In Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

Advantages of a Knock In- Collar

- Ability to participate in favourable exchange rate movements as far as the Knock In Rate. When the Knock In rate has been traded participation is still possible up to the Participation Rate.
- Protection at all time with a known worst case rate.
- No premium payable.

Disadvantages of a Knock In- Collar

- **The Protection Rate on this product type is typically less advantageous than the comparable Forward Exchange Contract.**
- **Participation in favourable movements is capped at the Knock In Rate and then subsequently at the Participation Rate. If the underlying Spot Rate continues to improve you will be left with an obligation to trade at a rate that may seem much less advantageous than the market rate on that day.**
- **If the Knock In Rate trades during the term and the Spot Rate continues to exceed the Participation Rate prior to the Expiry Date WUIB may make a Margin Call to secure your out-of-the money position. For more information on Margin Calls please see Section 6 below and the Terms and Conditions.**

4.3.5.1 Knock In Collar – Window

The Knock In Collar – Window differs from the standard Knock In Collar by having the barrier only observed during a specified observation period or window. This is often, but not necessarily, the month before expiry. The barrier is only observed during this period so the market can exceed the barrier level outside the window period with no effect on the option. In exchange for this reduced observation period, the protection rate, participation rate and / or barrier level may be less favourable than with a standard Knock In Collar.

4.3.5.2 Knock In Collar – At Expiry

The Knock In Collar – At Expiry differs from the standard Knock In Collar by having the barrier only observed on expiry. This means the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the protection rate, participation rate and / or barrier level may be less favourable than with a standard Knock In Collar.

4.3.5.3 Leveraged Knock In Collar

The Leveraged Knock In Collar works in the same way as a non-leveraged Knock In Option. It is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated foreign exchange rate (the **Protection Rate**). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate provided that a Knock In Rate is not observed during the term of the structure (or during any observation period/ at expiry). If the Knock In Rate is observed, you will be obliged to deal **the Leveraged Amount** at the Participation Rate on the Expiry Date if the underlying Spot Rate remains more favourable than that level. If the Spot Rate is between the Protection Rate and the Participation Rate, you will be free to deal at spot and if the Spot Rate is below the Protection Rate you are still protected, but only for the Protection Amount at that rate. Note: the leveraged amount only applies to the Participation Rate.

Example of a Leveraged Knock In Collar

A Czech Importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. The importer's budget rate is at 24.00 and he is reluctant to lock in a rate below that level as he also expects the rate to improve slowly over the coming months. He would therefore like to be able to take advantage of such a move. He is, however, concerned that if the EUR/CZK continued to rise, he would not want to be knocked in to an obligation to trade at the Protection Rate as he would ideally like to achieve a net rate over 24.40.

The importer enters into a Knock In Collar with the following terms

Protected Amount	50.000 EUR
Leveraged Amount	100.000 EUR
Protection Rate	24.00
Knock In Rate	25.30
Participation Rate	24.50
Expiry Date	3 months
Knock In Rate observed	Constantly

The possible outcomes on expiry are as follows:

- Regardless of any other eventualities, if the EUR/CZK Spot Rate is trading below the Protection Rate at 24.00 the importer has the right, but no obligation to sell CZK and buy 50.000 EUR at 24.00 – in line with his budget rate. He would need to buy any remaining requirement in the spot market.
- If the EUR/CZK Spot Rate is trading at or above the Protection Rate at 24.00 and has not traded at or beyond the Knock In Rate at 25.30 at any point during the life of the contract the importer will be free to let the option lapse and instead trade at the prevailing Spot Rate, which could theoretically be as high as 25.29.
- If the EUR/CZK Spot Rate has traded above 25.30 and the Knock In Rate has been observed, if the rate remains above the Participation Rate at 24.50, the importer will be obliged to sell CZK and buy **the leveraged amount** of 100.000 EUR at 24.50.
- If the Knock In Rate has been observed, but the Spot Rate subsequently falls back below the Participation Rate at 24.50, the importer will be under no obligation to trade and may buy his EUR at the prevailing spot price should he choose to do so. He nonetheless, retains the right to deal the Protected Amount at the Protection Rate.

Additional Disadvantages of the Leveraged Knock In Collar

- **As well as the disadvantages listed above, the leveraged knock in collar does not offer full protection. With a non-leveraged Knock In Collar, if your requirement is 100.000 EUR, you hedge 100.000 EUR. With a Leveraged Knock In Collar, you can either hedge 50.000 EUR and potentially be obliged to deal the full 100.000 EUR meaning you've only covered half of your risk, or you can hedge 100.000 EUR but risk being obliged to deal 200.000 EUR which would exceed your exposure and leave you over-hedged.**

4.3.6 Knock In Reset

General Product Information

The Knock In Reset is a Structured Option which allows the buyer to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Protection Rate whilst retaining the potential to take advantage of favourable currency movements as far as a specified Knock In Rate. If the underlying Spot Rate trades at or beyond the Knock In Rate at any time during the life of the contract, the buyer will be knocked into a fixed Reset Rate.

How a Knock In- Reset Works

A Knock In - Reset is structured by entering into three concurrent options. In the first you buy a Put Option giving you the right, but not the obligation to sell the Contracted notional amount to WUIB at the Protection Rate. In the second and third you buy a further Put option and also sell a Call Option to WUIB at the Reset Rate with a barrier at a given Knock In Rate. These options remain dormant and cannot be exercised /exercised against you unless the underlying Spot Rate trades at or beyond the Knock In Rate during the life of the contract. If and when this happens, the original Put option at the Protection Rate ceases to exist and you are left with either the right to deal if the Spot Rate is less favourable or the obligation to deal if the Spot Rate is more favourable than the Reset Rate at the expiry time on the Expiry Date. This means that, once the Knock In Rate is observed you effectively have a forward contract at the Reset Rate and are protected at that level, but with no opportunity to participate in further favourable moves.

Example of a Knock In- Reset

A Czech Importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. The importer's budget rate is at 23.50, but the importer expects the rate to improve slowly over the coming months. He would therefore like to be able to take advantage of that, He is, however, concerned that if the EUR/CZK continued to rise, he would not want to be knocked in to an obligation to trade at the Protection Rate.
The importer enters into a Knock In Reset with the following terms

Protection Rate	23.50
Knock In Rate	25.00
Reset Rate	24.05
Expiry Date	3 months
Knock In Rate observed	Constantly

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is trading below the Protection Rate at 23.50 and has not traded at or beyond the Knock In Rate at 25.00 the importer has the right, but no obligation to sell CZK and buy 100.000 EUR at 23.50 – his worst case rate.
- If the EUR/CZK Spot Rate is trading at or above the Protection Rate at 23.50 and has not traded at or beyond the Knock In Rate at 25.00 at any point during the life of the contract the importer will be free to let the option lapse and instead trade at the prevailing Spot Rate, which could theoretically be as high as 24.99.
- If the EUR/CZK Spot Rate has traded at or above 25.00, protection at 23.50 ceases to exist and the importer instead has a fixed position at the Reset Rate of 24.05. If the rate has fallen below 24.05 by the Expiry Date, the importer can buy his EUR at that level; however, if the rate is higher he will be obliged to deal at 24.05 – essentially, the importer is knocked into a forward contract at the Reset Rate.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Protection Rate and a further Call at the Reset Rate while selling a Put Option for the same amount also at the Reset Rate.

Both of the latter are subject to the barrier at the Knock In Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

Advantages of a Knock In- Reset

- Ability to participate in favourable exchange rate movements as far as the Knock In Rate. When the Knock In rate has been observed the buyer is knocked in to a rate more favourable than the original Protection Rate.
- Protection at all time with a known worst case rate.
- No premium payable.

Disadvantages of a Knock In- Reset

- **The Protection Rate on this product type is typically less advantageous than the comparable Forward Exchange Contract.**
- **Participation in favourable movements is capped at the Knock In Rate and then subsequently at the Reset Rate. If the underlying Spot Rate continues to improve the buyer will be left with an obligation to trade at a rate that may seem much less advantageous than the market rate on that day.**
- **If the Knock In Rate trades during the term and the Spot Rate continues to exceed the Reset Rate prior to the Expiry Date WUIB may make a Margin Call to secure any out-of-the money position. For more information on Margin Calls please see Section 6 below and the Terms and Conditions.**

4.3.6.1 Knock In Reset – Window

The Knock In Reset – Window differs from the standard Knock In Reset by having the barrier only observed during a specified observation period or window. This is often, but not necessarily, the month before expiry. The barrier is only live during this period so the market can exceed the barrier level outside the window period with no effect on the option. In exchange for having a reduced observation period, the protection rate, reset rate and / or barrier level may be less favourable than with a standard Knock In Reset.

4.3.6.2 Knock In Reset – At Expiry

The Knock In Reset – At Expiry differs from the standard Knock In Reset by having the barrier only observed on expiry. This means the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the protection rate, reset rate and / or barrier level may be less favourable than with a standard Knock In Reset.

4.3.6.3 Leveraged Knock In Reset

General Product Information

The Leveraged Knock In - Reset woks in exactly the same way as the non-leveraged variety. It is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated foreign exchange rate (the "**Protection Rate**"). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate provided that a Knock In Rate is not observed during the term of the structure (or during the Window period/ At Expiry). If the Knock In Rate is traded, then you must deal **the Leveraged Amount** at a Reset Rate, which would typically be more favourable than a comparable Forward Exchange Contract at the time of entering into the deal.

Example of a Leveraged Knock In - Reset

A Czech Importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. The importer's budget rate is at 24.20 meaning he is reluctant to hedge at current levels. However, he recognises the risk of the rate falling further and wants to hedge 50% of his risk at close to current forward rates. However, as he expects the rate to improve over the coming months he would like to be able to take advantage of such a move. He is, however, concerned that if the EUR/CZK continued to rise, he would not want to be knocked in to an obligation to trade at the Protection Rate, but would be ok with an obligation to deal the full requirement at his budget rate of 24.20.

The importer enters into a Leveraged Knock In - Reset with the following terms:

Protected Amount	50.000 EUR
Leveraged Amount	100.000 EUR
Protection Rate	24.00
Knock In Rate	25.30
Reset Rate	24.20
Expiry Date	3 months
Knock In Rate observed	Constantly

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is trading below the Protection Rate at 24.00 and has not traded at or beyond the Knock In Rate at 25.30 the importer has the right, but no obligation to sell CZK and buy the Protected Amount of 50.000 EUR at 24.00, Any remaining requirement will need to be covered in the spot market.
- If the EUR/CZK Spot Rate is trading at or above the Protection Rate at 24.00 and has not traded at or beyond the Knock In Rate at 25.30 at any point during the life of the contract the importer will be free to let the option lapse and instead trade at the prevailing Spot Rate, which could theoretically be as high as 25.29.
- If the EUR/CZK Spot Rate has traded at or above 25.30, protection at 24.00 ceases to exist and the importer instead has a fixed position at the Reset Rate of 24.20. If the rate has fallen below 24.20 by the Expiry Date, the importer can still buy his 50.000 EUR at that level; however, if the rate is higher he will be obliged to deal **the leveraged amount** of 100.000 EUR at 24.20 – essentially, the importer is knocked in to a forward contract at the reset rate.

Additional Disadvantages of the Leveraged Knock In Reset

- **As well as the disadvantages listed above, the leveraged knock in reset does not offer full protection. With a non-leveraged knock in reset, if your requirement is 100.000 EUR, you hedge 100.000 EUR. With the leveraged variety, you can either hedge 50.000 EUR and potentially be obliged to deal the full 100.000 EUR meaning you have only covered half of your risk, or you can hedge 100.000 EUR but risk being obliged to deal 200.000 EUR which would exceed your exposure and leave you over-hedged.**

4.3.7 Knock In - Participator

General Product Information

The Knock In - Participator is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated foreign exchange rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate on a portion of your exposure provided that a Knock In Rate is not traded during the term of the structure. As you only participate in part of the upside movement, this product will typically offer a more favourable protection rate and/or knock in barrier than a standard knock in option.

How a Knock In Participator Works

A Knock In – Participator is structured by entering into three concurrent options. In the first you buy a Put Option (an option to sell) from WUIB at the Protection Rate. In the second you sell a Call Option (an option to buy) to WUIB at the Protection Rate. The Call Option that you sell will be for a percentage of the contract amount of your Put Option (the "Participation Percentage"). In the third option you sell a Call Option with a Knock In Rate (an option that is contingent upon the Spot Rate trading at or outside the Knock In Rate prior to the Expiry Date or during the Window) to WUIB at the Protection Rate. The third option that you will sell will be equal to the contract amount less the amount of the second option.

Example of a Knock In - Participator

A Czech Importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. The importer's budget rate is at 23.50. He could deal a forward contract at current prices and hedge at better than his budget level, however, he believes that the rate is likely to improve and would like to be able to benefit on at least part of his requirement. A standard Knock In or Participator would not offer a sufficiently high protection rate and he is unwilling to pay a premium or to enter into a leveraged product.

The importer therefore enters into a Knock In - Participator with the following terms:

Protection Rate:	23.90
Knock In Rate:	25.00
Participation Percentage:	50%
Expiry Date:	3 months
Observed:	Constantly

The possible outcomes on expiry are as follows:

- If the Spot Rate is below the Protection Rate at expiry the importer will have the right, but no obligation to sell CZK and buy 100.000 EUR at 23.90 – his worst case rate.
- If the Spot Rate is trading above the Protection Rate at expiry and the Knock In Rate has not been observed, the importer will have an obligation to deal 50.000 EUR at the Protection Rate of 23.90, but can then deal the remainder at the prevailing Spot Rate. This means he has benefitted in the favourable move at the Participation Percentage. In this case, the best case outcome would be limited to just under 25.00.
- If the Knock In Rate is observed at any time during the life of the contract, the importer will be obliged to deal the full 100.000 EUR at the Protection Rate of 23.90 and will not be able to benefit from any favourable moves.

Note: The examples are indicative only and the rates and other details used are not factual.

Advantages of a Knock In - Participator

- There is the ability to partially participate in favourable exchange rate movements on the participating portion, provided the Knock In Rate has not been observed.
- There is protection at all times with a known Protection Rate.
- The Protection Rate is more favourable than the rate applicable to a comparable Participating Forward or Knock In.
- No premium is payable.

Disadvantages of a Knock In - Participator

- **The Protection Rate will be less advantageous than the rate applicable to a comparable Forward Exchange Contract.**
- **Part of your exposure must be traded at the Protection Rate on expiry, meaning you will only be able to participate in favourable movements at the Participation Percentage.**
- **If the Spot Rate trades at or above the Knock In Rate during the term and the Spot Rate is more advantageous than the Protection Rate on the Expiry Date you will be obligated to trade the full amount of the contract at a rate that may seem very unattractive compared to the prevailing Spot Rate at that time.**
- **If the Knock In Rate trades during the term and the Spot Rate continues to exceed the Protection Rate prior to the Expiry Date WUIB may require you to make a Margin Call to secure your out-of-the money position. For more information on Margin Calls please see Section 6 below and the Terms and Conditions.**

4.3.7.1 Knock In Participator – Window

The Knock In Participator – Window differs from the standard Knock In Participator by having the barrier only observed during a specified observation period or window. This is often, but not necessarily, the month before expiry. The barrier is only live during this period so the market can exceed the barrier level outside the window period with no effect on the option. In exchange for having a reduced observation period, the protection rate and / or barrier level may be less favourable than with a standard Knock In Participator.

4.3.7.2 Knock In Participator – At Expiry

The Knock In Participator – At Expiry differs from the standard Knock In Participator by having the barrier only observed on expiry. This means the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the protection rate and / or barrier level may be less favourable than with a standard Knock In Participator.

4.3.8 Knock In - Convertible

General Product Information

The Knock In – Convertible is a Structured Option which allows the buyer to protect against the risk that the Spot Rate will be less favourable than a nominated **Protection Rate** at the Expiry Date whilst retaining the ability to take advantage of favourable currency movements as far as a Knock In Rate. If the underlying Spot Rate trades at or beyond the Knock In Rate at any time during the life of the contract, the buyer will be obliged to trade at the Protection Rate on expiry unless the Knock Out Rate has been breached. If the Spot Rate trades at or beyond the Knock Out Rate (either before or after the Knock In Rate), the buyer's obligation to trade ceases to exist leaving a no obligation Vanilla Option giving the right to trade at the Protected Rate.

How a Knock In - Convertible Works

A Knock In – Convertible is structured by entering into two concurrent options. In the first you buy a Put Option from WUIB giving you the right, but no obligation to sell the Contracted notional amount to WUIB at the Protection Rate on the Expiry Date. In the second you sell a Call Option to WUIB at the Protection Rate with a Knock In Rate and a Knock Out Rate. This option remains dormant and cannot be exercised against you unless the underlying Spot Rate trades at or beyond the Knock In Rate during the life of the contract. If the market does trade at or beyond the Knock In rate, the Call option is activated along with the Knock Out Rate. If, at the expiry time on the Expiry Date, the Spot Rate remains more favourable than the Protection Rate and has not traded at the Knock Out rate, you will be obliged to sell the Contracted notional value of the contract to WUIB at the Protection Rate. However, if the Spot Rate trades at or beyond the Knock Out Rate, this obligation is cancelled and you are once again left with the right, but no obligation to trade at the Protection Rate.

Example of a Knock In - Convertible

A Czech Importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. The importer expects there to be considerable volatility in the market in the coming months and is not sure about where the EUR/CZK Spot Rate will end up. As a result, he wants to secure a worst case rate that is better than his budget level at 23.50 but also retain the ability to benefit from favourable movements, especially if the market proves as volatile as he expects.

The importer enters into a Knock-In Convertible with the following terms:

Protection Rate	23.80
Knock In Rate	24.60
Knock Out Rate	23.20
Expiry Date	3 months

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is trading below the Protection rate at 23.80, regardless of whether any barriers have been observed, the importer will have the right, but no obligation to sell CZK and buy 100.000 EUR at 23.80 – his worst case rate.
- If the EUR/CZK Spot Rate is more favourable than the Protection rate at 23.80 and has not traded at or above the Knock In rate at 24.60 at any time during the life of the contract, the importer will be free to let his option lapse and instead sell CZK and buy 100.000 EUR at the prevailing Spot Rate, which could theoretically, be as high as 24.59.
- If the EUR/CZK Spot Rate has traded at or beyond the Knock In Rate at 24.60 at any time during the life of the contract and remains above the Protection rate of 23.80 at expiry, the importer will be obliged to sell CZK and buy 100.000 EUR at the Protection rate of 23.80.
- If the EUR/CZK Spot Rate trades at or below the Knock Out rate at 23.20 at any point, all obligation either realised or potential will cease to exist. This leaves the importer with the right, but no obligation to sell CZK and buy 100.000 EUR at the Protection rate of 23.80 or at the prevailing spot rate, whichever is the more favourable. The 'upside' in this instance is then effectively unlimited.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Protection Rate and selling a Put Option for the same amount at the Protection Rate with a barrier at the Knock In Rate and a further subsequent barrier at the Knock Out Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

Advantages of a Knock In - Convertible

- Ability to participate in favourable currency movements; if the Knock Out Rate trades, participation in favourable movements is effectively unlimited.
- Protection at all time with a known worst case rate.
- No premium payable.

Disadvantages of a Knock In - Convertible

- **If the Knock Out rate is not observed during the life of the contract, Spot Rate participation in favourable moves is capped at a certain rate.**
- **If the Knock Out Rate is not observed and the Spot Rate trades at or beyond the Knock In Rate during the term and remains more advantageous than the Protection Rate on the Expiry Date you will be obliged to trade at the Protection Rate, which may seem much less favourable than the market rate on that day.**
- **If the Knock In Rate trades during the term and the Spot Rate continues to exceed the Protection Rate by a sufficient degree prior to the Expiry Date WUIB may require you to make a Margin Call to secure your out of the money position. For more information on Margin Calls please see Section 6 below and the Terms and Conditions**

4.3.9 Knock Out - Reset

General Product Information

The Knock Out - Reset is a Structured Option that gives the buyer the benefit of achieving an enhanced exchange rate compared to the equivalent Forward Exchange Rate provided that the Spot Rate remains within a specified range for the entire life of the structure. A Knock Out - Reset will always provide you with a guaranteed worst case rate allowing you to protect against the risk that the Spot Rate is less favourable on expiry of the option.

How a Knock Out Reset Works

A Knock Out - Reset is structured by entering into the following four concurrent options:

(i) You buy a Put Option from WUIB at the Enhanced Rate with a lower Knock Out barrier and a higher Knock Out barrier. This gives you the right, but no obligation sell the Contracted notional value of the option to WUIB at the Enhanced Rate on expiry, provided that the underlying Spot Rate has not traded at or beyond either Knock Out barrier at any time during the life of the contract.
(ii) You sell a Call Option to WUIB at the Enhanced Rate with the same lower Knock Out barrier and higher Knock Out barriers. This option will oblige you to sell the Contracted notional value of currency to WUIB at the Enhanced Rate should the underlying spot price exceed that level at expiry; however, as with the first option above, this ceases to exist if the Spot Rate trades at or beyond either Knock Out barrier prior to the Expiry Date.
(iii) You also buy another Put Option from WUIB, this time at the Reset Rate with a lower Knock In barrier and a higher Knock In barrier at the same levels as the Knock Out barriers above. This option will give you the right, but no obligation to sell the Contracted notional value of currency to WUIB at the Reset Rate – although this is contingent upon the Spot Rate trading at or beyond either Knock In barrier prior to the Expiry Date.
(iv) You also sell a further Call Option to WUIB at the Reset Rate with the same lower Knock In barrier and higher Knock In barrier as above. This option will oblige you to sell the Contracted notional value of currency to WUIB should the underlying Spot Rate

exceed the Reset Rate at the Expiry Time on the Expiry Date, although this is also contingent upon the Spot Rate trading at or beyond either Knock In barrier prior to the Expiry Date.

Example of a Knock Out Reset

A Czech importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. The importer wants to achieve a rate of 24.40 – which is above the current Spot Rate - but is not able to use a leveraged product to achieve this. He expects volatility to remain low in the coming weeks, but as a worst case – he needs to protect his budget rate at 23.60.

The importer enters into a Knock Out Reset with the following terms:

Enhanced Rate	24.40
Reset Rate	23.80
Knock Out (and Knock In) Rates	23.50 and 24.80
Expiry Date	3 months

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is below the Enhanced Rate of 24.40 and has not traded at or beyond either the higher or lower Knock Out Rates at any time during the term of the structure, the importer will have the right, but no obligation to sell CZK and buy 100.000 EUR at 24.40.
- If the EUR/CZK Spot Rate is at or above 24.40 and has not traded at or beyond either Knock Out Rate, the importer will be obliged to sell CZK and buy EUR at the Enhanced Rate of 24.40 and so cannot participate in any upside moves beyond that level.
- If the EUR/CZK Spot Rate has traded above either the higher or lower Knock Out Rate during the term of the structure, the importer's Put option and WUIB's Call option at 24.40 will cease to exist and will instead be replaced with an equivalent Put (for the importer) and a Call (for WUIB) at the Reset Rate of 23.80.
- The importer will therefore have the right, but no obligation, to sell CZK and buy 100.000 EUR at 23.80 if the EUR/CZK Spot Rate is below that level at expiry, or will be obliged to sell CZK and buy 100.000 EUR at 23.80 if the EUR/CZK Spot Rate is above that level at expiry. 23.80 is therefore the importer's worst case rate.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option and selling a Put at the Enhanced Rate with higher and lower Knock Out barriers and then buying a further Call and selling a further Put Option for the same Contracted notional amount at the Reset Rate that are contingent upon Knock In barriers.

Note: The examples are indicative only and the rates and other details used are not factual.

Advantages of a Knock Out Reset

- Ability to achieve an enhanced rate over the comparative Forward Exchange Rate without using leverage, provided neither Knock Out Rate is breached.
- Protection at all time with a known worst case exchange rate – the Reset Rate.
- No premium payable.

Disadvantages of a Knock Out Reset

- **If either Knock Out Rate is breached, you could be trading at a level lower than the comparative Forward Exchange Rate.**
- **There is potential to be transacting at a rate that is less advantageous than the Spot Rate on the Expiry Date.**
- **If the underlying Spot Rate is trading at a rate that is sufficiently more advantageous than the Enhanced Rate (or the Reset Rate if the Knock Out Rate barriers have been observed) during the term of the structure, WUIB may make a Margin Call to secure your out of the money position. For more information on Margin Calls please see Section 6 below and the Terms and Conditions.**

4.3.9.1 Knock Out Reset – Window

The Knock Out Reset – Window differs from the standard Knock Out Reset by having the barriers only observed during a specified observation period or window. This is often, but not necessarily, the month before expiry. The barriers are only live during this period so the market can exceed the barrier levels outside the window period with no effect on the option. In exchange for having a reduced observation period, the protection rate, reset rate and / or barrier levels may be less favourable than with a standard Knock Out Reset.

4.3.10 Knock Out - Convertible

General Product Information

The Knock Out- Convertible is a Structured Option which allows the buyer to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Foreign Exchange Rate (the **Protection Rate**). It also gives the buyer the ability to participate in favourable movements in the Spot Exchange Rate provided that a barrier at a Knock Out Rate is observed during the term of the structure.

How a Knock Out – Convertible Works

A Knock Out – Convertible is structured by entering into two concurrent options. In the first you buy a Put Option from WUIB, giving you the right, but no obligation to sell the Contracted notional value of currency to WUIB at the Protection Rate on the Expiry Date. In the second, you sell a Call Option to WUIB, also at the Protection Rate with a Knock Out barrier. This option will oblige you to sell the Contracted notional value of currency to WUIB at the Protection rate, should the underlying Spot Rate exceed that level at expiry; however, this potential obligation will cease to exist if the underlying Spot Rate trades at or beyond a barrier at the Knock Out Rate prior to the Expiry Date.

Example of a Knock Out- Convertible

A Czech Importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. He expects the market to be volatile in the short term, but believes it more likely to move in his favour by the time he needs to trade and would like to be in a position to take advantage of such a move, preferably without any limit on his ability to participate. That said, he has tight margins and can't afford to be wrong, so needs to protect a worst case rate of 23.80.

The importer enters into a Knock-Out Convertible with the following terms:

Protection Rate	23.80

Knock Out Rate	23.30
Expiry Date	3 months

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is trading at or below the Protection Rate of 23.80, the importer will have the right, but no obligation to sell CZK and buy 100.000 EUR at 23.80 – his worst case rate.
- If the EUR/CZK rate is trading above the Protection Rate of 23.80 and has not traded at or beyond the Knock Out Rate of 23.30 during the life of the contract, the importer will be obliged to sell CZK and buy 100.000 EUR at 23.80.
- If the EUR/CZK rate has traded at or below the Knock Out Rate of 23.30 during the life of the contract, all potential obligations on the importer cease to exist. This means that, if the EUR/CZK rate subsequently recovers and is trading above the Protection Rate at 23.80, the importer will be free to trade at the prevailing Spot Rate – should he choose to do so. In this instance, the potential 'upside' is unlimited. The importer will, however, always remain protected at 23.80.

Advantages of a Knock Out- Convertible

- Unlimited ability to participate in favourable exchange rate movements provided the Knock Out Rate has been observed.
- Protection at all times with a known worst case exchange rate.
- No premium payable.

Disadvantages of a Knock Out- Convertible

- **The Protection Rate will be less advantageous than the rate applicable to a comparable Forward Exchange Contract.**
- **If the Spot Rate on the Expiry Date is more advantageous than the Protection Rate and the Knock Out Rate has not been observed you will be obliged to trade at a rate that is less advantageous than the Spot Rate on the Expiry Date.**
- **If, prior to the Expiry Date the underlying Spot Rate exceeds the Protection Rate by a sufficient amount and the barrier at the Knock Out Rate has not been observed WUIB may make a Margin Call to secure your out-of-the-money position. For more information on Margin Calls please see section 6 below and the Terms and Conditions.**

4.3.10.1 Leveraged Knock Out Convertible

The leveraged Knock Out Convertible works in the same way as the non-leveraged version, in that you have a fixed rate at the outset providing protection against unfavourable movements in the Spot Rate. Should the knock out rate be observed, your obligation to deal at the Protection Rate will cease to exist, although your protection will remain. This means you then have unlimited participation in any favourable movements thereafter, The main difference is the amount that you will be obliged to deal if the knock out rate is not observed and the Spot Rate remains more favourable than your Protection Rate at expiry. In order to achieve a more favourable protection rate or a knock out rate that is more likely to be observed, you will be obliged to deal the leveraged amount at the protection rate in this instance.

Example of a Leveraged Knock Out Convertible

Once again, our Czech importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. He expects there to be volatility in the short term, with the rate more likely to move in his favour thereafter, but can't afford to be wrong and needs to protect at least 50% of his exposure at a rate not much lower than the current forward rate at 24.05. As his alternative would be to lock in a forward at this level, he accepts that he may be obliged to deal the full 100.000 EUR at 24.00 if the knock out barrier is not observed.

The importer enters into a Knock-Out Convertible with the following terms:

Protected Amount	50.000 EUR
Leveraged Amount	100.000 EUR
Protection Rate	24.00
Knock Out Rate	23.60
Expiry Date	3 months

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is trading at or below the Protection Rate of 24.00, the importer will have the right, but no obligation to sell CZK and buy the Protected Amount of 50.000 EUR at 24.00. He would need to buy the remainder in the spot market.
- If the EUR/CZK rate is trading above the Protection Rate of 24.00 and has not traded at or beyond the Knock Out Rate of 23.60 during the life of the contract, WUIB will exercise its Call Option and the importer will be obliged to sell CZK and buy 100.000 EUR at 24.00.
- If the EUR/CZK rate has traded at or below the Knock Out Rate of 23.60 during the life of the contract, WUIB's Call option will cease to exist. This means that, if the EUR/CZK rate subsequently recovers and is trading above the Protection Rate at 24.00, the importer will be free to let his option lapse and trade at the prevailing Spot Rate – should he choose to do so. In this instance, the potential 'upside' is unlimited.

Additional Disadvantages of a Leveraged Knock Out Convertible

- **As well as the disadvantages listed above, the leveraged knock out convertible does not offer full protection. With a non-leveraged knock out convertible, if your requirement is 100.000 EUR, you hedge 100.000 EUR. With the leveraged variety, you can either hedge 50.000 EUR and potentially be obliged to deal the full 100.000 EUR meaning you have only covered half of your risk, or you can hedge 100.000 EUR but risk being obliged to deal 200.000 EUR which would exceed your exposure and leave you over-hedged.**

4.3.11. Knock Out – Participator

General Product Information

The Knock Out - Participator is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated foreign exchange rate (the **Protection Rate**). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate on a portion of your exposure provided that a Knock Out Rate is observed during the term of the structure.

How a Knock Out – Participator Works

A Knock Out – Participator is constructed by entering into three concurrent options. In the first you buy a Put Option from WUIB which gives you the right, but no obligation, to sell one currency and buy another at the Protection Rate on the Expiry Date. In the second you sell a Call Option to WUIB at the Protection Rate which will oblige you to deal a portion of your requirement at the Protection Rate. The Call Option that you will sell will be for a percentage of the contract amount of your Put Option (the **Participation**

Percentage). In the third option you sell a further Call Option obliging you to deal at the Protection Rate, but this one also has a Knock Out Rate (this option ceases to exist if the Spot Rate trades at or beyond the Knock Out Rate prior to the Expiry Date) to WUIB. The contract amount for the second Call Option that you sell will be equal to the Contract amount of the first option less the contract amount of the second option.

Example of a Knock Out Participator

A Czech Importer needs to buy 100.000 EUR in 3 months. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. He expects there to be volatility in the short term, with the rate more likely to move in his favour thereafter, but can't afford to be wrong and needs to protect all of his exposure at a rate of 23.90 – not much below the forward rate. As he needs to hedge all his risk, a leveraged product would not be suitable and most other non-leveraged, zero cost structures would not be able to protect at a suitable level. As his alternative would be to lock in a forward at this level, he accepts that he may be obliged to deal the full 100.000 EUR at 23.90 if the knock out barrier is not observed.

The importer enters into a Knock-Out Participator with the following terms:

Protected Amount	100.000 EUR
Participation Percentage	50%
Protection Rate	23.90
Knock Out Rate	23.30
Expiry Date	3 months

The possible outcomes on expiry are as follows:

- If the EUR/CZK Spot Rate is trading at or below the Protection Rate of 23.90, the importer will have the right, but no obligation to sell CZK and buy the Protected Amount of 100.000 EUR at 23.90– his worst case rate.
- If the EUR/CZK rate is trading above the Protection Rate of 23.90 and has not traded at or beyond the Knock Out Rate at any point during the life of the contract, WUIB will exercise its two Call Options and the importer will be obliged to sell CZK and buy 100.000 EUR at 23.90.
- If the EUR/CZK rate has traded at or below the Knock Out Rate of 23.30 during the life of the contract, one of WUIB's Call options will cease to exist. This means that, if the EUR/CZK rate subsequently recovers and is trading above the Protection Rate at 23.90, the importer will be obliged to deal 50.000 EUR at the Protection Rate and will then be free to deal the remainder – the Participation Percentage – at the more favourable prevailing Spot Rate, meaning he has benefitted from 50% of the upside. In this instance the potential 'upside' is unlimited, albeit only at the Participation Percentage.

Advantages of a Knock Out Participator

- Ability to participate in favourable exchange rate movements on a portion of your exposure if the Knock Out Rate is observed.
- Protection at all times with a known worse case rate.
- The Protection Rate is more favourable than the rate applicable to a comparable Participator.
- No premium is payable.

Disadvantages of a Knock Out Participator

- **The Protection Rate will be less advantageous than the rate applicable to a comparable Forward Exchange Contract.**

- **If the Spot Rate on the Expiry Date is more advantageous than the Protection Rate and the Knock Out Rate has not been observed you will be obligated to trade the full contract notional sum at a rate that is less advantageous than the Spot Rate on the Expiry Day.**
- **If the Spot Rate exceeds the Protection Rate prior to the Expiry Date Western Union Business Solutions may require you to make a Margin Call to secure your out-of-the-money position. For more information on Margin Calls please see section 6 and the Terms and Conditions.**

4.3.12 Ratio

General Product Information

A Ratio is a Structured Option that gives you the ability to trade at an enhanced Foreign Exchange Rate relative to a comparative Forward Exchange Contract ('**Enhanced Rate'**). A Ratio will always provide you with a guaranteed worst case rate allowing you to protect against the risk that the Spot Rate is less favourable on expiry of the contract.

Because there is a ratio (or leveraged) component associated with this Structured Option you may be obliged to exchange an amount of currency that is greater than the Contracted notional contract amount (i.e. the contract amount multiplied by the ratio factor.)

How a Ratio Works

A Ratio is structured by entering into two concurrent options. In the first you buy a Put Option from WUIB giving you the right, but no obligation, to sell the Protected Amount of currency to WUIB at the Enhanced Rate. In the second you sell a Call Option to WUIB which will oblige you to trade a larger sum at the Enhanced Rate (known as the '**Leveraged Amount**') if the underlying spot price is at or above the Enhanced Rate at the Expiry Time on the Expiry Date. This Leveraged Amount will be equal to the Protected Amount of the Put Option multiplied by the Ratio. The maximum permitted Ratio is 2:1.

Example of a Ratio

A Czech Importer wants to hedge 100.000 EUR for delivery in 3 months., This represents around half of his total exposure. The current EUR/CZK Spot Rate is 24.10 and the Forward Exchange Rate is 24.05. The importer has a budget rate of 24.20 and is afraid that the rate will move further against him in the coming months, although he still feels CZK is undervalued and may recover at some stage. He doesn't want to fix all of his requirement at the prevailing forward rate and therefore miss his budget.

The importer therefore enters into a Ratio with the following terms:

Enhanced Rate	24.30
Contract Amount	100.000 EUR
Contingent Amount	200.000 EUR
Ratio (Bought: Sold)	1:2
Expiry Date	3 months

The possible outcomes on expiry are as follows:

- If the Spot Rate is below 24.30 the importer will have the right, but no obligation to sell CZK and buy the Protected Amount of 100.000 EUR at the enhanced rate of 24.30.
- If the Spot Rate is at or above 24.30 WUIB will exercise its Call Option and the importer will be obliged to sell CZK and purchase the **Leveraged Amount of 200,000 EUR** at the Enhanced Rate – 24.30.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Enhanced Rate and selling a Put Options for the Contingent amount, also at the Enhanced Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

Advantages of a Ratio

- Ability to achieve an enhanced rate relative to the comparative Forward Exchange Contract rate.
- Protection at all times with a known worst case exchange rate.
- No premium payable.

Disadvantages of a Ratio

- **You may be obliged to trade a multiple of the Contracted notional value at the Enhanced Rate if the Spot Rate exceeds the Enhanced Rate at the Expiry Time on the Expiry Date.**
- **You are unable to effectively hedge the entire amount of your exposure without risking being 'over-hedged'.**
- **You are unable to participate in favourable currency movements beyond the Enhanced Rate. As such you may be obliged to trade at an exchange rate that is less favourable than the current market rate at expiry.**
- **If the Spot Rate exceeds the Enhanced Rate prior to the Expiry Date by a sufficient degree, WUIB may make a Margin Call to secure your out of the money position. For more information on Margin Calls please see Section 6 below and the Terms and Conditions.**

4.3.13 Target Accrual Redemption Forward (TARF)

General Product Information

A Target Accrual Redemption Forward (TARF) allows the Buyer to hedge (buy/sell) their foreign currency requirement at an agreed Enhanced Rate that is more favourable than the prevailing forward rate for a number of fixing dates. On each fixing date, a profit figure is calculated if the agreed independent spot reference rate is less favourable than the Enhanced Rate, and compared to a specified Target Amount. This can either be a monetary figure or, more commonly, a number of 'pips' of out-performance versus the market. The TARF will continue until the total accumulated profit reaches the set Target. If this Target is exceeded on any fixing date, the Enhanced Rate or Notional Amount will be adjusted for this fixing to ensure the total profit equals the Target, but no more than this. The TARF is then considered redeemed and no further deliveries take place. Should the spot rate be more favourable than the Enhanced Rate on a fixing date, the client will be obligated to deal the maximum notional amount at the enhanced rate for that month (this can be the same as the notional when rate is less favourable than the Enhanced Rate on a non-leveraged TARF, or 2 x notional if Leveraged). Assuming the TARF has not been redeemed early, the structure will run to the final expiry date as per a normal option.

At the trade date, the following variables will be agreed between the client and WUIB:

- the Notional Value;
- the denomination of the currency being exchanged;
- the Ratio (Leverage);
- the Expiry Date;
- the Fixing frequency;
- the Enhanced Rate;

- the Target Amount

At each fixing date, the spot reference rate is compared against the Enhanced Rate. If the spot rate is less favourable than the Enhanced Rate, the difference between the two rates will be deducted from the Target Amount.

This is calculated as Monthly notional amount x enhanced rate – monthly notional amount x spot reference rate for a monetary target or Enhanced Rate +/- spot reference rate for 'pips' of outperformance.

This process will continue each expiry until the Target Amount is exhausted. At this point all remaining fixings will be cancelled. If the spot reference rate is more favourable than the Enhanced Rate on a fixing date, the buyer will transact at the enhanced rate for the agreed Notional Value or a ratio thereof if applicable – no points will be deducted from the Target Amount in this eventuality.

Example of a TARF

The examples below are for information purposes only and use rates and figures that we have selected to demonstrate how a TARF works and are not recommendations. In order to assess the merits of a particular TARF you should use the actual rates and figures quoted at the relevant time, and consider all the risks associated with the product as described in this PDS.

An exporter needs to sell EUR 600,000 over the next 6 months. The current EURCZK Spot Rate is 27.03 and the equivalent Forward Exchange Rate is 27.04. The exporter has a budget rate of 27.15 and is not willing to take out any hedge that may obligate him to settle at a rate lower than 27.15. He expects volatility of EUR/CZK to remain low and is wary about simply placing a market order to buy over 27.10 as the rate may not rise that high. He is also willing to take the risk that he may not be able to sell the full EUR 600,000 at 27.15. He would like to start to get some cover in sooner rather than later for budgeting/ planning purposes.

The exporter enters into a TARF with the following terms:

Enhanced Rate	27.15
Target Amount	CZK 150,000
Fixing /Expiry Dates	Monthly / 6 Months
Maximum Notional Value	EUR 600,000

Examples of the possible outcomes are as follows:

- On the first fixing, EUR/CZK is trading at 27.05. The exporter sells EUR 100,000 at 27.15 and his Target Amount is reduced from CZK 150,000 to CZK 140,000.

- On the second fixing EUR/CZK is trading at 27.20. The exporter sells EUR 100,000 at 27.15 and buys CZK. The Target Amount is unaffected.

- On the third fixing EUR/CZK is trading at 25.95. The exporter sells EUR 100,000 at 27.15 and buys CZK. The Target Amount is reduced by CZK 120,000, with just CZK 20,000 left.

- At fixing number four, EUR/CZK is trading at 25.80. The exporter only has CZK 20,000 left in the Target Amount. The exporter sells EUR 100,000 at 26.00, the Target Amount is fully used up, and the remaining fixings 5 and 6 are cancelled.

At this point, the exporter can either enter into a new TARF to continue to outperform the market, or he can buy a different hedge based on his objectives at that stage.

If the Target Amount had not been used up early, the exporter would continue to sell EUR for CZK at 27.15 on every of the six fixings as long as there is still a portion of the Target Amount left. If on the last fixing there is any Target Amount left, it then expires worthless.

Advantages of a TARF

- Ability to achieve an enhanced rate over the comparative Forward Exchange Rate until the Target Amount is utilized.
- Enhanced rate likely to be more favourable than other leveraged products
- A degree of protection is guaranteed according to the set Target Amount. The buyer of TARF will always receive a benefit versus the spot rate up to the value specified in the Target Amount, or will be obligated to deal at the Enhanced Rate should the spot rate be more favourable.
- Favourable mark to market profile compared to other hedge products.
- No-costs structure. No premium payable.

Disadvantages of a TARF

- The notional value traded at the Enhanced Rate may be substantially less than the full notional value of the contract.
- If insufficient cover is achieved, the buyer of TARF will need to buy or sell any remaining requirement in the spot market, which may be at a level much less advantageous than the Enhanced Rate.
- The buyer of the TARF will be obliged to buy any obligated value at the Enhanced Rate and cannot participate in any favourable moves beyond that level for that amount.
- If the underlying Spot Rate is trading at a rate that is sufficiently more advantageous than the Enhanced Rate during the term of the structure, WUIB may make a Margin Call to secure Your out of the money position.
- As this product tends to have a longer tenor (12 months +) there is a higher risk, when compared to a forward, that the Enhanced Rate will no longer seem attractive compared to the prevailing spot rate. A buyer of TARF should therefore ensure that the tenor of the deal is commensurate with business requirements over this time horizon.

4.3.13.1 Leveraged TARF

A Leveraged TARF works in much the same way as the non-leveraged version with a slight difference in the settlement amounts. If, at a fixing date, the reference Spot Rate is more favourable than the Enhanced Rate, the buyer of TARF will be obligated to deal the Leveraged Amount at the Enhanced Rate for that fixing. Once again, the Target Amount is unaffected should this happen, which means that, if the rate remains more favourable than the Enhanced Rate for a prolonged period, the Buyer will not only not be able to Participate, they will be obligated to deal a larger amount. This is typically 2x the Notional Amount, but the exact Ratio will be agreed by you and WUIB at the trade date. This is done to further improve the Enhanced Rate, or to increase the amount of outperformance in the Target Amount.

Example

An exporter needs to sell EUR 600,000 over the next 6 months. The current Spot Rate is 27.03 and the equivalent Forward Exchange Rate is 27.04. The exporter has a budget rate of 27.20 and is not willing to take out any hedge that may obligate him to settle at a rate lower than this. He expects volatility of EUR/CZK to remain low and is wary about simply placing a market order to buy over 27.20 as the rate may not rise that high. He is also willing to take the risk that he may not be able to sell the full EUR 600,000 at 27.20 as he currently does not have any cover anyway, or that he may be obligated to sell EUR 1,200,000 at the Enhanced Rate should EUR/CZK increase above 27.20. He would like to start to get some cover in sooner rather than later for budgeting/ planning purposes.

The exporter enters into a TARF with the following terms:

Enhanced Rate	27.20
Target Amount	CZK 200,000
Fixing / Expiry Dates	Monthly – 6 Months
Maximum Notional Value	EUR 1,200,000

Examples of the possible outcomes are as follows:

- On the first fixing, EUR/CZK is trading at 27.05. The exporter sells EUR 100,000 at 27.20 and his remaining Target Amount is reduced from CZK 200,000 to CZK 185,000.

- On the second fixing EUR/CZK is trading at 27.10. The exporter sells EUR 100,000 at 27.20 and his remaining Target Amount is reduced from CZK 185,000 to CZK 175,000.

- On the third fixing EUR/CZK is trading at 27.25. The exporter sells EUR 200,000 at 27.20 and his remaining Target Amount is unaffected at CZK 175,000.

- On the fourth fixing, EUR/CZK is trading at 27.02. The exporter sells EUR 100,000 at 27.20 and his remaining Target Amount is reduced by CZK 18,000 to CZK 157,000.

- On the fifth fixing EUR/CZK is trading at 26.20. The exporter sells EUR 100,000 at 27.20. The Target Amount is reduced by CZK 100,000 and remaining Target Amount is CZK 57,000.

- On the sixth and last fixing EUR/CZK is trading at 26.20. The exporter sells EUR 100,000 at 26.57 and realizes the remaining Target Amount of CZK 57,000.

When the TARF is concluded, whether by occurrence of all fixings or sooner by using up the Target Amount, the exporter can either enter into a new TARF to continue to keep the Enhanced Rate as opposed to the comparable forward, or he can buy a different hedge based on his objectives at that stage.

If the Target Amount had not been used up early, the exporter would continue to sell EUR at the Enhanced Rate and any remaining Target Amount then expires worthless.

Additional disadvantages of a Leveraged TARF

- **As well as the disadvantages listed in the section describing the non-leveraged TARFs, the Leveraged versions have a reduced likelihood of offering full protection. With a non-leveraged TARF, the required secured amount corresponds to the duty which arises in case the Spot Rate is more favourable than the Enhanced Rate, provided that the Target Amount has not been utilized. However, with a Leveraged TARF, to deal the maximum amount at the Enhanced Rate, the Spot Rate will need to be more favourable than the Enhanced Rate at every fixing.**
- **When dealing a leveraged option, the client is exposed to market volatility of rates with the amount with which the client undertook to deal at the given rate, should markets move more favourably than the Enhanced Rate. Or, the client must decrease the secured amount so as not to be over-secured on leverage, and in case the market moves against the client, the client is secured in part of the target amount. As such, the client should ensure that he/she has considered the risks of over-security or partial security associated with the leverage.**

If the rate is more favourable than the Enhanced Rate, the buyer of the Leveraged TARF will be obliged to buy the Leveraged Notional Amount at the Enhanced Rate and cannot participate in any favourable moves beyond that level for that amount.

4.4. Settlement of a Structured Option

At the Expiry Time (usually 10:00 New York time) on the Expiry Date, you will either have the right, but no obligation to exchange the Contracted notional value of currency at the Protection Rate (or other rate such as Enhanced Rate etc) or, under given circumstances, will be obliged to do so at the Protection Rate (or other rate such as the Participation rate etc. If the option expires 'In-the-money' (i.e. the rate at which you have a right to trade is more favourable to you than the prevailing Spot Rate and you are not otherwise obliged to trade) WUIB will automatically exercise the option on your behalf and advise you of the fact as soon as possible afterwards. Please note, that this still does not place you under any obligation to take up the trade. However, if do decide to take up the trade, you must advise us of your intentions with regards to settlement on the same day. If you are obliged to trade, the deal will also be automatically executed on your behalf.

If you are not under any obligation to trade and choose not to exercise your right to exchange the Contracted notional at the Protected Rate, the option will cease to exist at this time and no further action is required.

4.5. Cost of a Structured Option

Generally, WUIB, in consultation with you, sets the Protection Rate and the Knock In or Knock Our Rates associated with any Structured Option at particular levels in order to create a "Zero Premium" cost structure. Whilst these Structured Options are usually structured so that no premium is paid by the Client, WUIB will still derive a financial benefit, through the incorporation of a margin which equates to our revenue on the transaction. The cost structure of a Structured Option (i.e. size of the margin) will be determined after taking into account several factors:

- The contract amount, the term, the Protection Rate and any other rates applicable to a particular structure (Participation Rate, Knock In or Knock Out Rate etc.).
- Current market Foreign Exchange Rates and the interest rates of the countries whose currencies are being exchanged.
- Market volatility.
- Expiry date and delivery date (settlement) date.
- Expiry time.
- Best case and worst case rate.
- Costs incurred by WUIB by entering into the transaction with you (cost of credit, operating costs etc)

Where a "Zero Premium" structure is created, there is no up-front Premium payable for a Structured Option. If however, you wish to nominate an improved Protection Rate or any other rate associated with a particular Structured Option, an up-front non-refundable Premium may be payable. WUIB will calculate the amount of the Premium and advise you of the amount before you enter into the transaction.

Where applicable, Premiums must be paid in cleared funds within 2 business days of the Trade Date.

A Zero Premium structure does not mean a zero cost structure. With a "Zero Premium" structure, our revenue margin is derived from an imbalance between the premium paid for the option being bought and the premium received for the option being sold.

4.6. Benefits of Structured Options

Benefits of Structured Options include:

- Structured Options help you manage the risk inherent in currency markets by predetermining the rate and date on which you will purchase or sell a given amount of foreign currency against another currency. This can provide you with protection against negative foreign exchange movements between the time that you deal and the Value Date. This 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. Structured Options may allow a degree of participation in favourable exchange rate movements (depending on the Structured Option used).
- Structured Options can be tailored to your specific requirements; as Expiry Dates and Contracted notional amounts are chosen by you. You also have additional flexibility to participate in certain favourable exchange rate movements and may be able to achieve an enhanced exchange rate comparable to the equivalent forward rate depending on the Structured Option that you enter.

4.7. Significant Risks associated with Structured Options

WUIB considers that Structured Options are only suitable for persons who understand and accept the risks involved in transacting in financial products involving Foreign Exchange Rates. If you are unsure about any aspect of your contract with us, WUIB recommends that you obtain independent financial and legal advice before entering into a Structured Option.

The following are the significant risks associated with a Structured Option:

- Premium is not refundable under any circumstances.
- By entering into a Structured Option Contract you (the buyer) may be left with an obligation to trade on the Expiry Date at a level that may seem unfavourable when compared to the prevailing Spot Rate at that time.
- Cancellation or termination of a Structured Option may result in a significant financial loss to you.
- If you paid a premium to enter into a Structured Option Contract, the resulting loss may be greater than that premium. WUIB will provide a quote for such cancellation services based on market conditions prevailing at the time.
- There is no cooling off period (i.e. the Option Contract is binding from the moment you and us agree to its terms. You must therefore be aware that when you enter into an Option Contract with us, you are obligated to the terms of that contract from that moment).
- As counterparty to your Structured Option you are relying upon WUIB's financial ability to fulfil its obligations to you upon maturity of the contract. As a result you have counterparty risk. To aid in your assessment of this risk WUIB will provide you with a copy of its latest audited financial statements upon request. You may request a copy of our most recent financial statements by emailing us at options@westernunion.com.
- If the Mark to Market value of your option exceeds a predetermined level, given as a currency amount or a percentage of the Contracted notional value (which would be agreed with you prior to entering a contract – for example, 100.000 EUR or 10%) we may seek from you a margin deposit as an offset to bring your Option's risk exposure back to zero.
- **The Protection Rate of some of the Structured Options we sell could be less advantageous than the rate applicable to a comparable Forward Exchange Contract.**

5. Terms and Conditions and other documentation

Each Structured Option which you enter into will be subject to the Terms and Conditions. You will be required to sign the Cooperation Agreement before entering into a Structured Option.

In addition to the Terms and Conditions you will also need to provide us with your most recent audited financial statements (no more than 12 months old) together with such other "Know your Customer" information that WUIB may require. This may also include historical audited accounts if we do not already have a working relationship with you.

Upon receipt of all relevant documents, WUIB will conduct an accreditation process. Accreditation and acceptance of a customer is at WUIB' sole discretion and depends on a number of factors.

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

- Verification of a customer's identity in accordance with relevant AML/CFT laws;
- A successful credit check conducted through a third party credit agency;
- An AML/CFT 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;
- A check of a customer's principal officers and beneficial owners against relevant government issued sanction lists.

6. Credit requirements

Over the life of a Structured Option, as the Spot Rate moves, the contract may be In the Money (**ITM**) or Out of the Money (**OTM**) or At the Money (ATM). That is, if the contract had to be cancelled at any time, it would result in a gain (ITM) or a loss (OTM) or breakeven (ATM).

Advance Deposit

To manage the Market Risk when a Structured Option is entered into, where the potential for it to move OTM may occur, WUIB may initially secure the contract by taking an advance partial prepayment/cash deposit from you (which will however remain in your ownership). In order to secure claims of WUIB against the Client from the Structured Option (or other Relevant Derivative Contracts as defined in the Terms and Conditions) the receivable for repayment of the deposit amount will be pledged in WUIB favour pursuant to addendum to the Cooperation Agreement. Interest is not paid on these deposits. Alternatively, WUIB may apply this Market Risk against your Trading Limit (see below). You will be advised directly by WUIB in this regard. This deposit is usually up to 10 per cent of the value of the contract(s).

Factors that may influence the amount of the deposit are:

- the contract amount requested is considered by WUIB to be a higher Foreign Exchange risk than normally acceptable; or,
- the maturity date and/or currencies involved are considered by WUIB to represent a higher than normal credit risk in case the transaction had to be cancelled during the currency of or at maturity of the contract; or
- the credit rating is not of a high or satisfactory level as assessed WUIB; or,
- your company has only recently commenced business with limited operating experience; or,
- no history of trading with you.

Example: The deposit is calculated as follows - if you entered into a Structured Option in an amount of 500.000 CZK, you would need to make a deposit of 50,000 CZK, being 10% of the CZK equivalent of the face value of the Structured Option, at the commencement of the transaction.

Margin Calls

To manage the Market Risk when a Structured Option has already been entered into WUIB carries out a mark to market revaluation of all your outstanding Structured Options with WUIB on a regular basis.

Should the Mark to Market value of a Structured Option contract move out of the money in excess of the Advance Deposit or your Trading Limit, WUIB may secure this increased market risk through a Margin Call – i.e. request from You (and you are obliged to pay) an additional payment. In order to secure claims of WUIB against the Client from the Structured Option (or other Relevant Derivative Contracts as defined in the Terms and Conditions) also the receivable for repayment of the additional payment will be pledged in WUIB favour pursuant to addendum to the Cooperation Agreement. Margin Calls may be requested by Us (and you are again obliged to pay them) also should your financial standing or credit worthiness worsen. Margin Calls represent a pre-payment of the Structured Option by you. If a Margin Call is observed, WUIB will advise you immediately. **Payment of the Margin Call must be made within two (2) business days of WUIB' request. If you fail to pay a Margin Call, WUIB may, in its sole discretion, choose to cancel some or all of your Structured Options, Forward Exchange Contracts and/or Future Payments. In such circumstances you will be liable to WUIB for all costs associated with terminating the relevant contracts.**

It may be necessary for further Margin Deposit payments to be made by you should the mark to market valuation continue to move further Out of the Money during the term of the Option and/or Forward Contract.

The Margin Deposit is repaid to you or is set off against any amount owing to WUIB by you under any agreement, when the Option is exercised, cancelled or lapses.

Common provisions to Advance Deposits and Margin Calls

Your receivable for repayment of the Advance Payments as well as the Margin Deposits will be pledged by You in favour of Us pursuant to addendum to the Cooperation Agreement. We will sometimes vary our advance deposit and/or margin call requirements (together referred to as “margin deposits”) requirements, depending on factors, including your credit limits and credit worthiness (including your financial position). We will send you a written statement outlining any such requirements before you enter into a relevant trade with us. We may vary those written statements over time, depending on factors including prevailing market conditions and your ongoing credit worthiness.

In case you have two or more outstanding Relevant Derivative Contracts (as defined in the Terms and conditions) i.e. Option Contracts and/or Forward Exchange Contracts, each of them will be re-valued individually and each exposure of such contract will be netted with other such contracts individual exposures to establish Our overall exposure for all your outstanding Relevant Derivative Contracts (Option Contracts and Forward Exchange Contracts). Accordingly, we will require the margin deposit if the net mark to market value of all these contracts moves out of the money beyond your OTM Facility (if any).

Any margin deposit to the extent not properly applied or set off by us in accordance with the Terms and Conditions, is recoverable by you once the payment obligations of any Option Contract and/or Forward Exchange Contract have been discharged in full.

Margin deposit funds (which will however remain in Your ownership) will be regularly held on behalf of WUIB at omnibus account by a bank located in the Czech Republic. WUIB works with highest skill, care and diligence in the selection, appointment and periodic review of the institutions where the funds of clients (margin deposits) are placed and the arrangements for the holding of those funds. WUIB takes into account the expertise and market reputation of the institutions as well as any legal requirements or market practices related to the holding of clients’ funds. WUIB keeps records and accounts as necessary to distinguish any assets held by individual clients. Information on the amount of the margin deposits are also provided to clients on a daily basis through their individual WUBS online platform access or upon their request by their Contact Person (Client Manager). WUIB is in all cases (including the insolvency of any third party holder of your margin deposits) liable to you for the settlement of the margin deposit. Further information on the protection of our clients’ funds, including information on the respective deposit guarantee scheme, is contained in the FSG.

Please note that we are entitled to unilaterally offset any of your funds held by us against our due receivables against you. Further details are contained in the Terms and Conditions. Please further note that under certain circumstances (in particular should you become insolvent or dispute validity or existence of a Derivative Contract (Structured Option, Future Payment or the Forward Exchange Contract) we may terminate any Structured Option (Forward Exchange Contract or Future Payment) between you and us and effectively replace any rights and liabilities between you and us by a single settlement amount and require its payment.

Trading Limits

The Trading Limit (referred to in the Terms and Conditions as ND Facility and OTM Facilities) will allow you to agree Forward Exchange Contracts or Option Contracts within that limit without having to make an Advance Payment and/or a Margin Deposit. Trading Limit is dependent upon your credit history/rating, strength of financial statements, as well as other factors determined at WUIB’ sole discretion. WUIB may review and amend your Trading Limit at any time.

There are two methods that may be used by us in respect of Your Trading Limits:

(a) Against individual contracts

The Structured Option is regularly revalued over the term of the Structured Option.

(b) Against customer portfolios

WUIB may allocate a Trading Limit against the net position of your entire portfolio of open Option Contracts together with Forward Exchange Contracts. We revalue every contract in your portfolio, and if net exposures (ITM and OTM) are within your Trading Limit a Margin Call will not be observed. However, if through revaluation the net exposure exceeds your Trading Limit, a Margin Call is required to take your net exposure to zero.

7. Instructions, Confirmations and telephone conversations

The commercial terms of a particular Structured Option will be agreed and binding at the time of dealing. Transactions can be completed using our online platforms or via a Western Union representative. The latter will occur verbally over the phone or in written form via email as set out in the Terms and Conditions. Instructions to transact in the future, such as a market order, or restructure can also be agreed during a face to face meeting but must be documented in writing and signed by you.

Shortly after entering into a Structured Option, WUIB will send you a Confirmation outlining the commercial terms of the deal. This Confirmation is intended to reflect the transaction that you have entered into with WUIB. 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 a Structured Option and that you will be bound once your original instruction has been accepted by WUIB regardless of whether you acknowledge a Confirmation. In the event that there is a discrepancy between your understanding of the Structured Option and the Confirmation, it is important that you raise this with WUIB as a matter of urgency. The confirmation will also describe costs and charges included in the transaction. Unless stated otherwise, these are for informational purposes only and do not require additional payment.

All telephone conversations with our representatives are recorded in accordance with law. We do this to ensure that we have complete records of the details of all transactions. Taped telephone conversations are retained for a limited time set by the law 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 WUIB representative. WUIB will not, however, enter into any transaction over the telephone unless the conversation is recorded.

8. Complaints

Our primary goal is to provide superior customer service. To achieve this goal we would like to hear from you if you are dissatisfied with any products you have purchased from us or any service you have received from us. We would also like to hear from you if you would like to compliment one of our employees for providing exceptional customer service.

We have established procedures and policies to ensure that any complaint you may have is properly considered and appropriate measures are taken to address any issues. If you have a complaint, you can raise it with us by: (i) e-mail at: kontakt@westernunion.com; or (ii) telephone at 0800 10 20 30; or (iii) visiting us in person at our offices (please see Section 13 of this PDS for our office address), or (iv) writing to us at our office address.

Alternatively a copy of our complaint handling procedures is available upon request.

Under EMIR (Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories) we established the following procedure to identify and resolve certain disputes relating to the recognition of a Derivative Contract or the valuation of a Derivative Contract or collateral between You and WUIB. Details are described in our Standard Terms and Conditions, which will be agreed between You and WUIB prior to entering into any Derivative Contract.

Dispute resolution procedure in brief:
(a) WUIB or Client may identify a dispute by sending a Dispute Notice (see our Standard Terms and Conditions) to the other party;
(b) on or following delivery of a Dispute Notice, WUIB and You will consult in good faith in an attempt to resolve the dispute in a timely manner; and
(c) WUIB and You shall refer any dispute that is not resolved within five Business Days to appropriately senior members of staff.

We note that the right of both parties to approach ordinary courts is not affected.

9. Privacy

For the purpose of providing you with the service that you have requested we have to process your personal data. If you don’t provide us with the information that we request, we may be unable to provide the service to you. The information we obtain from you is for the purpose of Foreign Exchange transactions and to comply with relevant laws. We will not sell any of your information to marketing organisations.

You may contact us at any time to find out what personal information we hold about you and, if necessary, to correct any inaccurate or incomplete information. Please see contact details at 13 below.

You should also refer to the Terms and Conditions agreement in relation to our confidentiality and privacy obligations.

10. Taxation

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

11. Key Terms

Additional Partial Prepayment/Margin Call has the meaning set forth in section 6.

At Expiry when used to describe a Knock In or Knock Out barrier means that the barrier level will only be observed at the expiry time (usually [•] Prague Time) on the Expiry Date. Previous breaches of the barrier will have no effect.

Call Option means a contract that gives the buyer the right, but not the obligation to buy a specified amount of currency.

Confirmation means written or electronic advice from WUIB that sets out the commercial details of a Structured Option.

Contracted notional amount is the sum of currency that any option contract you enter into will give you the either right or obligation to buy or sell

Contingent notional amount is the sum of currency that a Structured Option contract will give you the right or obligation to buy or sell provided certain other specified conditions are met.

CZK means the lawful currency for the time being of the Czech Republic.

Currency Pair means the two currencies in a Structured Option.

Customer means the person or entity entering into a cooperation agreement with us.

EC Treaty means the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February, 1992).

EUR or € mean the lawful currency of the member states of the European Union that adopted the single currency in accordance with the EC Treaty.

Enhanced Rate means, where applicable, the exchange rate that will apply to the purchase or sale of currency when a Buyer exercises its right under a Put Option or Call Option.

Exercise means to make use of the right, which is possessed by a party, as specified in a Call Option or a Put Option, e.g. the right to buy, in which case, once exercised the seller of the option is obliged to the buyer on the terms already agreed.

Expiry Date means the date on which a Structured Option expires.

Expiry Time is the time of the day on the Expiry Date that a Structured Option lapses.

Foreign Exchange Rate means the rate at which a currency pair is exchanged.

Forward Exchange Contract means an agreement where one currency is bought or sold for another currency at an agreed Forward Exchange Rate for settlement at a specified date in the future.

Forward Exchange Rate means the Spot Rate adjusted to a future date having regard to the interest rates prevailing in the two countries in the Currency Pair and any other relevant factor.

Knock In Rate means, where applicable, the exchange rate that we agree must be traded in the spot foreign exchange market before the Expiry Time for the Buyers right pursuant to a Call Option or Put Option to become effective.

Knock Out Rate means, where applicable, an agreed exchange rate that if traded in the spot foreign exchange market before the Expiry Time the Buyers right pursuant to a Call Option or Put Option cease to exist.

Interbank Exchange Rate means the wholesale Spot Rate that WUIB receives from the foreign exchange interbank market.

Mark to Market means a valuation methodology which reflects the current value of the Cash Flows related to the transaction and provides information about market risk and appropriate hedging actions.

Market Risk means the risk of adverse movements in the value of a transaction due to movements in the Spot Rate over time.

Participation Rate means the most advantageous exchange rate that can potentially be achieved in any Structured Option that has a collar structure in place as agreed by you.

PDS means Product Disclosure Statement.

Protection Rate (also known as the Strike Rate) is the rate at which an option contract may be exercised. In the case of Structured Option contracts this will usually – but not necessarily always – be the worst case rate.

Put Option means contract that gives the buyer the right, but not the obligation to sell a specified amount of currency

Reset Rate means the exchange rate that will apply to the purchase or sale of foreign currency where an applicable knock in or knock out rate has been traded in an applicable structured option.

Settlement Risk means the risk that a counter party will be unable to fulfil its obligations on the Value Date.

Spot Exchange Rate or 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.

Strike Rate means, where applicable, the exchange rate that will apply to the purchase or sale of currency when a Buyer exercises its right under a Put Option or Call Option.

Trading Limit means the provision of credit terms to you to cover the exposure emanating from the Settlement Risk.

Value Date has the meaning set forth in section 3.

Window when used to describe a Knock In or Knock Out barrier means that the barrier in question will only be observed during a specified period during the life of the option contract - for example, only the final month, or final day. Breaches of the barrier level outside of the window period will have no effect.

WUIB, Western Union Business Solutions/'We/we, Our/our, Us/us' means Western Union International Bank GmbH (registered in Austria, company number FN256184t), Schubertring 11, 1010 Vienna, Austria, acting through Western Union International Bank GmbH, organizační složka.

'You/you, Your/your' means the Customer.

Unless otherwise specified herein, capitalised terms used, but not otherwise defined herein, shall have the same meaning assigned thereto in the Standard Terms and Conditions.

12. Updates relating to this PDS

The information in this PDS is subject to change. Western Union Business Solutions will issue a supplementary or replacement PDS where new information arises that is materially adverse to the information in this PDS. We will inform you about such changes through e-mail You may request a paper copy of this information free of charge from Your Western Union Business Solutions representative or by contacting Western Union Business Solutions on +43 (0) 800 100 436.

13. Contact details

Branch in the Czech Republic:
Western Union International Bank, GmbH, organizační složka
Václavské náměstí 62, 110 00 Praha 1, Czech Republic
Tel.: +420 800 10 20 30 or +420 251 001 113
Fax: : +420 222 211 054
E-mail: kontakt@westernunion.comWebsite: http://cz.business.westernunion.com/

Office hours (08:00 CET till 17:00 CET)

Western Union International Bank, GmbH
Schubertring 11, 1010 Vienna
Phone: +43 1 50 134 4556
Fax: +43 1 50 134 522
E-mail: WUBSaustria@westernunion.com

Information about the company
Registered office at Schubertring 11, 1010 Vienna
Registering Court: Commercial Court Vienna

Company Register Number: FN 256184 t
Commercial Court of Vienna, DVR: 2111221
Registered by the Czech National Bank at the list of banks and branches of foreign banks maintained by the CNB
Czech Company ID no.: 015 55 332
Branch registered in the Czech Commercial Register maintained by the Municipal Court in Prague under file no. A 76112

Responsible supervisory authority
1) Austrian Financial Market Authority
A-1090 Vienna, Otto-Wagner-Platz 5, Austria
http://www.fma.gv.at

or in regards to providing payments services under Part 4 of the Czech Act No. 370/2017 Coll., on payment services, as amended, and conduct of business rules provided for § 15 et. seq. of the Czech Act No. 256/2004 Coll., Capital Markets Act, as amended, and other regulatory issues supervised by the Czech National Bank pursuant to Czech regulation:

2) Česká národní banka
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