

# Product Disclosure Statement Update

## Flexible Forwards

16 February 2018

This statement (**Statement**) is dated 16 February 2018 and supplements the Flexible Forwards Product Disclosure Statement dated 6 July 2011 (**PDS**). This Statement is to be read together with the PDS and any other SPDSs issued for the product the subject of the PDS.

Australia and New Zealand Banking Group Limited ABN 11 005 357 522, Australian Financial Services Licence 234 527, is the issuer of this Statement.

The purpose of this Statement is to update the Financial Ombudsman's Service telephone number, and privacy and disclosure related sections in the PDS.

### A. New Financial Ombudsman's Service Telephone Number

Replace the Financial Ombudsman's Service Limited's telephone number in Section 11.2 (What if you have a complaint?) with: 1800 367 287.

### B. Replace Section 11.3 (Privacy and confidentiality) of the PDS with the below:

## 11.3 PRIVACY AND DISCLOSURE OF INFORMATION

### 11.3.1 General

This clause 11.3 (Privacy and Disclosure of Information) applies to you if you are:

- > an individual customer of ANZ ("customer"); or
- > a representative of a *customer* or an incorporated customer (for example, a company director, officer, employee, authorised representative or signatory) or some other kind of third party individual relevant to that customer (for example, an agent, guarantor or advisor) (each a "third party").

Sub-clauses 11.3.3 (Disclosure of information) and 11.3.4 (Information about others) also apply to you if you are an incorporated customer of ANZ.

### 11.3.2 Privacy

When you deal with ANZ, ANZ is likely to collect, use and disclose some of your *personal information*. ANZ explains below when and how ANZ may collect, use and disclose your *personal information*.

#### Collection and use of your personal information by ANZ

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

- > to provide you with information about a product or service;
- > to consider and process your request for a product or service;
- > to provide a product or service to you;
- > to tell you about other products or services;
- > to assist in arrangements with other organizations in relation to the promotion and provision of a product or service;
- > to manage products and services and

perform administrative and operational tasks;

- > to consider any concerns or complaints raised by you against ANZ and/or to manage any legal action involving ANZ;
- > to identify, prevent or investigate any actual or suspected fraud, unlawful activity or misconduct;
- > to identify you or establish your tax status under any Australian or foreign legislation, regulation or treaty or pursuant to an agreement with any tax authority; and
- > as required by relevant laws, regulations, codes of practice and external payment systems.

#### Absence of relevant personal information

If you do not provide some or all of the *personal information* requested, ANZ may be unable to provide you or a customer with a product or service.

#### ANZ's Privacy Policy

ANZ's Privacy Policy (available at [anz.com/privacy](http://anz.com/privacy)) contains information about:

- > any laws that require or authorise ANZ to collect certain *personal information* and why those laws require ANZ to such *personal information*;
- > the circumstances in which ANZ may collect *personal information* from other sources (including from a third party); and
- > how an individual may:
  - access their *personal information* and seek correction of their *personal information*;
  - instruct ANZ that the individual does not want to receive information about other products and services; and
  - raise concerns that ANZ may have breached the *Privacy Act 1988 (Cth)* or related code, and how ANZ will deal with these matters.

### 11.3.3 Disclosure of information

By entering into a *flexible forward* or by acquiring or continuing to hold the product or service from ANZ, or if otherwise providing information to ANZ, you agree that ANZ may disclose your information (including *personal information* and information relating to a *flexible forward* or any associated transactions, products or services) to:

- > any related entity of ANZ which may use the information to: (a) carry out ANZ's functions and activities; (b) promote its own transactions, products and services, unless you advise otherwise; (c) assess your application for transactions, products or services; (d) manage your transaction, product or service; (e) perform administrative and operational tasks (including debt recovery); or (f) comply with laws, regulatory requirements and prudential standards;
- > an organisation that is in an arrangement with ANZ to jointly offer products or services and/or has an alliance with ANZ to share information for marketing purposes (and any of its outsourced service providers or agents);
- > any agent, contractor or service provider ANZ engages to carry out or assist its functions and activities;
- > an organisation that assists ANZ to identify, prevent or investigate fraud, unlawful activity or misconduct;
- > regulatory bodies, government agencies, law enforcement bodies and courts;
- > participants in the payments system (including payment organisations and merchants) and other financial institutions;
- > other credit providers;
- > insurers (including mortgage insurers) and reinsurers;

- > any person who introduces you to ANZ;
- > your referees(s), employer or representative (including any authorised agent, executor, administrator or trustee in bankruptcy, legal representative or anyone else acting for you in connection with your product or service);
- > joint account holders;
- > any provider of a guarantee, security or other credit support for your obligations to ANZ;
- > other parties ANZ is authorised or required by law or court/tribunal order to disclose information to;
- > any professional advisors of ANZ who are under a duty of confidentiality to keep such information confidential; and
- > any credit reporting bodies (for more information about credit reporting in relation to personal information, including the name and contact details of credit reporting bodies and the circumstances in which ANZ may disclose *personal information* to them, refer to [anz.com/privacy](http://anz.com/privacy)).

In making the disclosures described above, ANZ may disclose information to recipients (including service providers and related entities of ANZ) (a) located outside Australia and/or (b) not established in or not carrying on business in Australia.

Details regarding the location of such recipients may be found at [anz.com/privacy](http://anz.com/privacy).

### 11.3.4 Information about others

If you give ANZ *personal information* about someone else or direct someone else to give their *personal information* to ANZ, you must show that person a copy of this clause 11.3 (Privacy and Disclosure of Information) so that they understand the manner in which their *personal information* may be used or disclosed.



**Amend the definitions in Section 12 of the PDS as follows:**

- > delete the definition of *confidential information*
- > replace the definition of *personal information* with the following:

*personal information* means information or an opinion about an identified individual, or an individual who is reasonably identifiable.

# FLEXIBLE FORWARDS

PRODUCT DISCLOSURE STATEMENT

# FLEXIBLE FORWARDS

## IMPORTANT INFORMATION

### Issuer

Australia and New Zealand Banking Group Limited ABN 11 005 357 522, Australian Financial Services Licence 234 527, is the issuer of the *flexible forwards* offered in this Product Disclosure Statement (PDS) dated 6 July 2011.

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

### Purpose of this PDS

This PDS is an important document. Its purpose is to provide you with key information about *flexible forwards*.

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

Flexible forwards are sophisticated financial products. These products may be unsuitable for you if you are unfamiliar with foreign exchange dealings.

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

### General information only

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

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

### Australian distribution only

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

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and therefore, persons into whose possession those documents come should seek advice on and observe any such restrictions. Failure to comply with relevant legislation may violate these laws. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

### Updated information

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

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

### Examples in this PDS

The examples are for illustrative purposes only. You should note that the actual rates and prices will vary depending on the terms of the *flexible forward* and the factors listed in Section 3.5 of this PDS.

### Definitions

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

### Contact ANZ

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

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# FLEXIBLE FORWARDS

## 1. KEY FEATURES

TOPIC	HIGHLIGHTS	MORE INFORMATION
<b>WHO IS THE ISSUER?</b>	Australia and New Zealand Banking Group Limited ABN 11 005 357 522, Australian Financial Services Licence 234 527	Section 9
<b>WHAT ARE WE OFFERING?</b>	A <i>flexible forward</i> is an agreement between you and ANZ where you may be required to exchange a specified amount of one currency for another currency at an <i>exchange rate</i> that is determined in accordance with the agreed variables and mechanisms at an agreed time on an agreed date.	Sections 2 and 3
<b>WHAT ARE THE SIGNIFICANT BENEFITS?</b>	Entering into a <i>flexible forward</i> allows you to achieve <i>exchange rate</i> protection and provides some potential to benefit from favourable <i>exchange rate</i> movements.	Section 4
<b>WHAT ARE THE SIGNIFICANT DISADVANTAGES AND RISKS?</b>	<ul style="list-style-type: none"> <li>&gt; Entering into a <i>flexible forward</i> may prevent you from benefiting from favourable <i>exchange rate</i> movements.</li> <li>&gt; If the <i>flexible forward</i> needs to be cancelled you may incur a cost or benefit, depending on prevailing market rates.</li> <li>&gt; Other risks are explained in Section 5, including market risk, correlation risk, credit risk and operational risk.</li> </ul>	Sections 4 and 5
<b>WHAT IS THE TERM?</b>	2 <i>business days</i> to 2 years. Longer <i>terms</i> may be available on request.	Section 2
<b>WHICH CURRENCIES ARE OFFERED?</b>	ANZ will quote most currencies. Please contact us for a full range of currencies offered.	Section 2
<b>WHAT IS THE MINIMUM CONTRACT AMOUNT?</b>	No minimum amount.	
<b>WHAT DO I HAVE TO PAY?</b>	Generally, there is no <i>premium</i> payable for a <i>flexible forward</i> , as it is a zero <i>premium</i> structure. However, you may agree with ANZ to pay a <i>premium</i> for entering into a flexible forward and this may impact the <i>variables</i> ANZ will agree for your <i>contract</i> .	Section 6
<b>HOW IS IT SETTLED?</b>	<i>Flexible forwards</i> are settled on the agreed <i>settlement date</i> . If you have an obligation to ANZ to exchange currencies under the <i>contract</i> at the <i>expiry time</i> on the <i>expiry date</i> , you must make a physical delivery of one currency to ANZ and ANZ will make a physical delivery of another currency to you on the <i>settlement date</i> . You must ensure that you have sufficient cleared funds to settle the <i>contract</i> .	Section 3.7
<b>CAN I VARY THE SETTLEMENT DATE?</b>	Variations to the agreed <i>settlement date</i> are not permitted.	Sections 3.8
<b>CAN I TERMINATE EARLY?</b>	If we agree, you can terminate early but an amount may be payable by or to you depending on the value of the <i>flexible forward</i> . You may also be liable for any losses and costs ANZ may incur as a result of termination.	Section 3.9
<b>HOW DO I ENTER INTO A CONTRACT?</b>	Entry into a <i>flexible forward</i> is subject to ANZ's credit approval. You will need to specify the <i>currency pair</i> , the <i>term</i> , a <i>variable</i> and the type of <i>flexible forward</i> transaction. We will need to agree to a number of parameters for the contract. Please contact us if you are interested in a <i>flexible forward</i> .	Section 8
<b>TAX</b>	The tax consequences of entering into a <i>flexible forward</i> will depend upon your specific circumstances. You should seek your own independent tax advice before you enter into a <i>flexible forward</i> .	Section 10
<b>COMPLAINTS</b>	Complaint resolution procedures are provided.	Section 11.2
<b>NO COOLING OFF</b>	There is no cooling off period once you have entered into a <i>flexible forward</i> .	Section 5



## 2. WHAT IS A FLEXIBLE FORWARD?

A *flexible forward* is an agreement between you and ANZ where you may be required to exchange a specified amount of one currency for another currency. This exchange will occur at an *exchange rate* that is determined in accordance with the agreed mechanisms and *variables* based on the type of *flexible forward* at an agreed time (*expiry time*) on an agreed date (*expiry date*).

ANZ offers four types of *flexible forwards*; *collars*, *converting forwards*, *participating forwards* and *smart forwards*.

Each type of contract consists of two *variables*. One of the *variables* is the *worst case rate* and the other *variable* will depend on the type of *contract*. You will nominate one *variable*, generally the *worst case rate*, and we will determine and quote you the other *variable* if we agree to enter into a *flexible forward* with you. You will also need to tell us the *contract amount*, *currency pair*, the *expiry date* and the type of *flexible forward*. Please contact your ANZ contact for a quote.

The table below describes the different types of *flexible forwards* and the relevant *variables*.

TYPE	DESCRIPTION	VARIABLES
<b>COLLAR</b>	<p>A <i>collar</i> is a contract between you and ANZ where you may exchange one currency for another at the agreed <i>worst case rate</i> (if the <i>spot exchange rate</i> is at or less favourable than the <i>worst case rate</i> at the <i>expiry time</i> on the <i>expiry date</i>) or you must exchange one currency for another at the agreed <i>best case rate</i> (if the <i>spot exchange rate</i> is at or more favourable than the <i>best case rate</i> at the <i>expiry time</i> on the <i>expiry date</i>). If, however, the <i>spot exchange rate</i> is between the <i>worst case rate</i> and the <i>best case rate</i> at the <i>expiry time</i> on the <i>expiry date</i>, you have no obligation to exchange currencies with ANZ.</p> <p>See Important Note below and Section 3.1 for further information on <i>collars</i>.</p>	<p><i>worst case rate</i> <i>best case rate</i></p>
<b>CONVERTING FORWARD</b>	<p>A <i>converting forward</i> is a contract between you and ANZ where you may be required to exchange one currency for another at an agreed <i>worst case rate</i> unless a <i>barrier rate</i> is reached during the <i>term</i>. If a <i>barrier rate</i> is reached during the <i>term</i>, you have no obligation to exchange currencies with ANZ.</p> <p>See Important Note below and Section 3.2 for further information on <i>converting forwards</i>.</p>	<p><i>worst case rate</i> <i>barrier rate</i></p>
<b>PARTICIPATING FORWARD</b>	<p>A <i>participating forward</i> is a contract between you and ANZ where you may exchange one currency for another at an agreed <i>worst case rate</i> unless the <i>spot exchange rate</i> is more favourable to you than the <i>worst case rate</i> at the <i>expiry time</i> on the <i>expiry date</i>, in which case you must settle the <i>balance proportion</i> of the <i>contract amount</i> (being the <i>exchange amount</i>) at the <i>worst case rate</i>. You have no obligation to ANZ to exchange the <i>agreed proportion</i> of the <i>contract amount</i> (being the <i>participating amount</i>).</p> <p>See Important Note below and Section 3.3 for further information on <i>participating forwards</i>.</p>	<p><i>worst case rate</i> <i>agreed proportion</i></p>
<b>SMART FORWARD</b>	<p>A <i>smart forward</i> is a contract between you and ANZ where you may be required to exchange one currency for another at an agreed <i>worst case rate</i> if the <i>barrier rate</i> is reached at any time during the <i>term</i>. If the <i>barrier rate</i> is not reached at any time during the <i>term</i>, you have no obligation to exchange currencies with ANZ.</p> <p>See Important Note below and Section 3.4 for further information on <i>smart forwards</i>.</p>	<p><i>worst case rate</i> <i>barrier rate</i></p>

**Important Note:** For each *flexible forward*, where the *worst case rate* is more favourable to you than the *spot exchange rate* at the *expiry time* on the *expiry date*, you have the right (but not the obligation) to settle the *contract* at the *worst case rate*. ANZ will assume that you wish to settle the *contract* at the *worst case rate* and you will be required to settle the *contract* at that rate unless you advise ANZ that you do not wish to do so before the *expiry time* on the *expiry date*

Generally, there is no *premium* payable for a *flexible forward*, as it is a zero *premium* structure. You may agree with ANZ to pay a *premium* for entering into a *flexible forward* and this may impact the *variables* ANZ will agree for your *flexible forward*.

# FLEXIBLE FORWARDS

## Which type of flexible forward would you choose?

The table below gives examples of considerations for an importer and exporter in understanding the different types of *flexible forward*.

TYPE	IMPORTER EXAMPLE	EXPORTER EXAMPLE
<b>COLLAR</b>	Importer believes that the <i>spot exchange rate</i> will appreciate mildly over the <i>term</i> .	Exporter believes the <i>spot exchange rate</i> will depreciate mildly over the <i>term</i> .
<b>CONVERTING FORWARD</b>	Importer believes that the <i>spot exchange rate</i> will fall initially, but will have moved higher by the <i>expiry date</i> .	Exporter believes the <i>spot exchange rate</i> will rise initially, but will have fallen by the <i>expiry date</i> .
<b>PARTICIPATING FORWARD</b>	Importer believes that the <i>spot exchange rate</i> will continue to appreciate over the <i>term</i> .	Exporter believes the <i>spot exchange rate</i> will continue to depreciate over the <i>term</i> .
<b>SMART FORWARD</b>	Importer believes that the <i>spot exchange rate</i> will appreciate mildly over the <i>term</i> .	Exporter believes the <i>spot exchange rate</i> will depreciate mildly over the <i>term</i> .

The examples in the table above are intended to highlight differences between the types of *contracts* ANZ offers. The examples do not take into account all relevant considerations and before deciding to enter into a *flexible forward* you will need to consider whether a *flexible forward* is appropriate for your individual circumstances.

## What currencies are offered?

ANZ will enter into *flexible forwards* in respect of most currencies. Popular currencies and their associated codes are:

CURRENCIES*	CODE
AUSTRALIAN DOLLARS	AUD
EURO	EUR
GREAT BRITISH POUNDS	GBP
HONG KONG DOLLARS	HKD
JAPANESE YEN	JPY
NEW ZEALAND DOLLARS	NZD
SINGAPORE DOLLARS	SGD
UNITED STATES DOLLARS	USD

\*The list above is not exhaustive. We can advise you of the full range of currencies which we offer for *flexible forwards*.

## What is the *term*?

The *term* of the *flexible forward* is the time between the *trade date*, which is the date you enter into a *flexible forward*, and the *expiry date*. Once you enter into a *flexible forward* the *expiry date* cannot be varied. Please see Section 3 for further information.

## What are *flexible forwards* used for?

*Flexible forwards* are offered to allow parties to fix a 'worst case' *exchange rates*. Importers, exporters and investors commonly use *flexible forwards* to *hedge* foreign currency cash flows.

*Flexible forwards* are commonly used:

- > to protect foreign currency exposures against adverse *exchange rate* movements;
- > to set a 'worst case' *exchange rate*;
- > as part of a foreign currency risk management exposure strategy; and
- > to reduce or eliminate *premium* costs associated with foreign currency options.

Commercial activities that *flexible forwards* may be useful for include:

- > importing or exporting, where the invoice is quoted in a foreign currency;
- > foreign currency payments; and
- > repatriation of overseas profits or interest in foreign currencies back to Australia.

### 3. HOW DOES A FLEXIBLE FORWARD WORK?

#### 3.1 What is a collar?

A collar is a contract that protects you against the risk that the *spot exchange rate* is less favourable to you than a nominated *worst case rate*, but also allows you to benefit from a favourable move in the *spot exchange rate* to the *best case rate*.

##### Possible outcomes

Possible outcomes under a collar:

- > If the *spot exchange rate* at the *expiry time* on the *expiry date* is at or less favourable to you than the *worst case rate*, you have the right (but not the obligation) to settle the *contract* at the *worst case rate*. ANZ will assume that you wish to settle the *contract* at the *worst case rate* and you will be required to settle the *contract* at that rate unless you advise ANZ that you do not wish to do so before the *expiry time* on the *expiry date*;
- > If the *spot exchange rate* at the *expiry time* on the *expiry date* is at or more favourable to you than the *best case rate*, you must settle the *contract* with ANZ at the *best case rate*; and
- > If the *spot exchange rate* is between the *worst case rate* and the *best case rate* at the *expiry time* on the *expiry date*, there is no obligation to exchange currencies with ANZ. You may choose, for example, to enter into a contract to exchange currencies with ANZ at the *spot exchange rate*.

Your *contract amount* is protected at the *worst case rate* and you can participate in favourable *exchange rate* movements to the *best case rate*.

ANZ will determine the *spot exchange rate* at the *expiry time* on the *expiry date* and determine which outcome applies.

#### 3.2 What is a converting forward?

- > A *converting forward* is a contract which protects you against the risk that the *spot exchange rate* at the *expiry time* on the *expiry date* is unfavourable to you when compared against a nominated *worst case rate* while allowing you the opportunity to benefit from favourable movements if a nominated *barrier rate* is reached at any time during the *term*.

##### Possible outcomes

Possible outcomes under a *converting forward*:

- > If the *spot exchange rate* reaches the *barrier rate* at any time during the *term*, you have no obligation to exchange currencies with ANZ. However:
- > if the *spot exchange rate* at the *expiry time* on the *expiry date* is at or less favourable than the *worst case rate*, you have the right (but not the obligation) to settle the *contract* at the *worst case rate*. ANZ will assume that you wish to settle the *contract* at the *worst case rate* and you will be required to settle the *contract* at that rate unless you advise ANZ that you do not wish to do so before the *expiry time* on the *expiry date*; and
- > if the *spot exchange rate* at the *expiry time* on the *expiry date* is more favourable than the *worst case rate*, you may choose, for example, to enter into a contract to exchange currencies with ANZ at the *spot exchange rate*.
- > If the *spot exchange rate* does not reach the *barrier rate* at any time during the *term*:
- > if the *spot exchange rate* at the *expiry time* on the *expiry date* is at or less favourable than the *worst case rate*, you have the right (but not the obligation) to settle the *contract* at the *worst case rate*. ANZ will assume that you wish to settle the *contract* at the *worst case rate* and you will be required to settle the *contract* at that rate unless you advise ANZ that you do not wish to do so before the *expiry time* on the *expiry date*; and
- > if the *spot exchange rate* at the *expiry time* on the *expiry date* is more favourable than the *worst case rate*, you must settle the *contract* at the *worst case rate*.

Your *contract amount* is protected at the *worst case rate* and if the *barrier rate* is reached at any time during the *term* you can benefit from favourable *exchange rate* movements.

ANZ will determine the *spot exchange rate* at the *expiry time* on the *expiry date* and determine whether the *barrier rate* has been reached during the *term*.

# FLEXIBLE FORWARDS

## 3.3 What is a participating forward?

A *participating forward* is a *contract* which protects you against the risk that the *spot exchange rate* is unfavourable to you when compared against a nominated *worst case rate*. It also allows you to benefit from favourable movements in the *exchange rate* in relation to an *agreed proportion* of the *contract amount* (being the *participating amount*).

### Possible outcomes

Possible outcomes under a *participating forward*:

- > If the *spot exchange rate* is more favourable to you than the *worst case rate* at the *expiry time* on the *expiry date*, you must settle the *exchange amount* at the *worst case rate*. You have no obligation to exchange the *agreed proportion* of the *contract amount* with ANZ (being the *participating amount*). You can choose, for example, to enter into a contract to exchange the *participating amount* with ANZ at the *spot exchange rate*; and
- > If the *spot exchange rate* is at or less favourable to you than the *worst case rate* at the *expiry time* on the *expiry date*, you have the right (but not an obligation) to settle the entire *contract amount* at the *worst case rate*. ANZ will assume that you wish to settle the entire *contract amount* at the *worst case rate* and you will be required to settle at that rate unless you advise us that you do not wish to do so before the *expiry time* on the *expiry date*.

Your *contract amount* is protected at the *worst case rate* and you can benefit from favourable *exchange rate* movements in respect of some of the *contract amount* (being the *participating amount*) while the *balance proportion* is settled at the *worst case rate*.

ANZ will determine the *spot exchange rate* at the *expiry time* on the *expiry date* and determine whether the *balance proportion* of the *contract amount* must be settled at the *worst case rate* or you are otherwise entitled to settle all of the *contract amount* at the *worst case rate*.

## 3.4 What is a smart forward?

A *smart forward* is a *contract* which protects you against the risk that the *spot exchange rate* is unfavourable to you when compared against a nominated *worst case rate* at the *expiry time* on the *expiry date*, while allowing you the opportunity to benefit from a favourable move in the *exchange rate*, provided the *spot exchange rate* never reaches the nominated *barrier rate* at any time during the *term*.

### Possible outcomes

Possible outcomes under a *smart forward*:

- > If the *spot exchange rate* reaches the *barrier rate* at any time during the *term*:
  - > if the *spot exchange rate* at the *expiry time* on the *expiry date* is at or less favourable than the *worst case rate*, you have the right (but not an obligation) to settle the *contract* at the *worst case rate*. ANZ will assume that you wish to

settle the *contract* at the *worst case rate* and you will be required to settle the *contract* at that rate unless you advise ANZ that you do not wish to do so before the *expiry time* on the *expiry date*; and

- > if the *spot exchange rate* at the *expiry time* on the *expiry date* is more favourable than the *worst case rate*, you must settle the *contract* at the *worst case rate*.
- > If the *spot exchange rate* does not reach the *barrier rate* at any time during the *term*, you have no obligation to exchange currencies with ANZ. However:
  - > if the *spot exchange rate* at the *expiry time* on the *expiry date* is at or less favourable than the *worst case rate*, you have the right (but not an obligation) to settle the *contract* at the *worst case rate*. ANZ will assume that you wish to settle the *contract* at the *worst case rate* and you will be required to settle the *contract* at that rate unless you advise ANZ that you do not wish to do so before the *expiry time* on the *expiry date*; and
  - > if the *spot exchange rate* at the *expiry time* on the *expiry date* is more favourable than the *worst case rate*, you may choose, for example, to enter into a contract to exchange currencies with ANZ at the *spot exchange rate*.

So by using a *smart forward* you will have protected your *contract amount* at the agreed *worst case rate*. If the *spot exchange rate* moves favourably, but does not reach the *barrier rate* you will have no obligation to exchange currencies with ANZ and you can choose to deal at the *spot exchange rate* if it is more favourable to you on the *expiry date*.

ANZ will determine the *spot exchange rate* at the *expiry time* on the *expiry date* and determine whether the *barrier rate* was reached during the *term*.

## 3.5 How are the variables determined?

Each type of *contract* consists of two *variables*. One of the *variables* is the *worst case rate* and the other *variable* will depend on the type of *contract*. You will nominate one *variable*, generally the *worst case rate* and we will determine and quote you the other *variable* if we agree to enter into a *flexible forward* with you. The *variable* ANZ quotes will depend on the type of *flexible forward* you choose. The *variables* for each *contract* are as follows:

TYPE OF CONTRACT	VARIABLE
COLLAR	> <i>worst case rate</i> > <i>best case rate</i>
CONVERTING FORWARD	> <i>worst case rate</i> > <i>barrier rate</i>
PARTICIPATING FORWARD	> <i>worst case rate</i> > <i>agreed proportion</i>
SMART FORWARD	> <i>worst case rate</i> > <i>barrier rate</i>

ANZ determines each *variable* by taking into account a number of factors, including:

- > current *spot exchange rate*;
- > the type of *flexible forward* (ie *collar, converting forward, participating forward* or *smart forward*);
- > the *variable* you nominate;
- > the *currency pair*;
- > the *term* and *expiry date*;
- > the *contract amount*;
- > market volatility of the underlying *currency pair*;
- > current interest rates;
- > ANZ's internal fixed and variable costs; and
- > ANZ's risk/ profit margin.

The degree of influence that each factor has on the determination of the relevant *variable* varies from time to time, in accordance with economic conditions, such as currency and interest rate movements and volatility.

Please see Section 6.1 for further information on the cost of a *flexible forward*.

### 3.6 What are *exchange rates*?

An *exchange rate* is the price at which one currency can be bought with or sold for another currency. All quotations of *exchange rates* are made up of the two currencies: the base currency and the terms currency, called a *currency pair*. A quotation shows how many units of the terms currency will equal one unit of the base currency.

For example, in the following quotation:

Australian Dollar (AUD) against  
United States Dollar (USD)  
  
AUD/USD 0.8805

Australian Dollars is the base currency and US Dollars is the terms currency. One Australian Dollar is equal to 0.8805 US Dollar (88.05 US cents).

### 3.7 How is a *flexible forward* settled on the *settlement date*?

*Flexible forwards* are settled on the agreed *settlement date*, which is typically two *business days* after the *expiry date*. If you have an obligation to ANZ to exchange currencies under the *contract*, you must make a physical delivery of one currency to us and we will make a physical delivery of another currency to you on the *settlement date*. You must ensure that you have sufficient cleared funds to settle the *flexible forward* in this way.

### 3.8 Can a *flexible forward* be extended?

After entering into a *flexible forward*, you may not vary the agreed *term* or *expiry date*.

### 3.9 Can a *flexible forward* be terminated early?

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

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

Where the *flexible forward* is terminated by agreement between you and ANZ, the amount payable on termination is as agreed.

Where the *flexible forward* is terminated in accordance with the *master dealing agreement*, the amount payable is determined in accordance with those terms.

Termination of a *flexible forward* is complex and involves us notionally buying back the *flexible forward* from you.

ANZ will give you a quote for terminating the *flexible forward*.

ANZ will consider the factors in Section 3.5 and any costs applicable to the termination in determining the quote for terminating your *flexible forward*. Depending on the current market conditions, the *flexible forward* could be worth more or less than when you entered into it.

You may lose money by terminating the *flexible forward*. If early termination results in you having to pay an amount to ANZ, you must ensure that you have sufficient cleared funds in your nominated bank account to meet the payment, or as otherwise agreed.

## 4. WHAT ARE THE SIGNIFICANT BENEFITS AND DISADVANTAGES OF A *FLEXIBLE FORWARD*?

What are the benefits of a *flexible forward*?

The benefits of a *flexible forward* include:

- > ability to lock in a '*worst case*' *exchange rate* at an agreed future date;
- > flexibility to tailor the *contract* to suit your needs such as the *contract amount*, the *currency pair*, the *term* and the type of *contract*, to protect against unfavourable *exchange rate* movements;
- > flexibility whether to pay a *premium* or have a zero *premium* structure, which may impact the *variables* we are prepared to agree for your *contract*; and
- > protection against unfavourable *exchange rate* movements while potentially giving you the ability to participate in favourable *exchange rate* movements. For instance:
  - > a *collar* allows you to participate in *exchange rate* movements that are favourable to you, up to the *best case rate*;
  - > a *converting forward* allows you to participate in *exchange rate* movements that are favourable to you if the *barrier rate* is reached during the *term*;

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- > a *participating forward* allows you to benefit from favourable *exchange rate* movements for some of the *contract amount* (being the *participating amount*), while the *balance proportion* is settled at the *worst case rate*; and
- > a *smart forward* allows you to participate in favourable *exchange rate* movements unless the *barrier rate* is reached at any time during the *term*.

## What are the disadvantages of a *flexible forward*?

The disadvantages of a *flexible forward* include:

- > entering into a *flexible forward* may prevent you from benefiting from favourable *exchange rate* movements.
- > the *exchange rate* achieved may not be as favourable as the *exchange rate* you could have achieved if you had not entered into a *flexible forward* at all. For instance:
- > a *collar* only allows you to participate in *exchange rate* movements that are favourable to you to the *best case rate*. If the *exchange rate* is more favourable to you than the *best case rate* you must settle at the *best case rate*;
- > a *converting forward* does not allow you to participate in *exchange rate* movements that are favourable to you if the *barrier rate* is not reached at any time during the *term*;
- > a *participating forward* requires you to settle the *balance proportion* of the *contract amount* (being the *exchange amount*) at the *worst case rate* if the *spot exchange rate* is more favourable to you than the *worst case rate*;
- > a *smart forward* does not allow you to participate in *exchange rate* movements that are favourable to you if the *barrier rate* is reached at any time during the *term*; and
- > there may be a cost to you if the *flexible forward* is terminated prior to the expiry date.

## 5. WHAT ARE THE SIGNIFICANT RISKS OF A FLEXIBLE FORWARD?

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

Monitoring risks associated with a *flexible forward* is your responsibility.

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

## Correlation risk

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

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

## Market risk

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

A *flexible forward* guarantees that your least favourable outcome will be to transact at the *worst case rate*. By entering into a *flexible forward* there is an opportunity risk that the *exchange rate* you achieve under your *flexible forward* will not be as favourable to you as the *exchange rate* you could have achieved if you did not enter into a *flexible forward* for instance, or had not entered into any transaction at all.

Also, as a result of market risk, early termination of a *flexible forward* may result in a cost to you.

## Credit risk

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

The proceeds from the issue of *flexible forwards* are not set aside by ANZ to satisfy its obligations under a *flexible forward* and such obligations are unsecured obligations of ANZ and will rank equally with other unsecured obligations of ANZ. Unsecured obligations of ANZ rank behind obligations that are mandatorily preferred by law including the rights of deposit holders and are subject to insolvency, banking and similar laws affecting creditors' rights.

For further information on ANZ, see Section 9.

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

## Operational risk

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

You are reliant on ANZ being able to price and settle your *flexible forward* accurately and on time. ANZ, in turn, is reliant on its internal operating processes, including communications and computer networks. During the term of a *flexible forward*, it is ANZ's responsibility to manage these risks. Your *flexible forward* may be adversely affected if ANZ's operating processes, systems or people for managing these procedures are disrupted, inadequate or fail.

For example, if on the *settlement date* ANZ cannot obtain your settlement instructions because it cannot access its systems, payment may be delayed.

## Legal, tax and regulatory risks

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

## Termination

If you wish to terminate the *flexible forward* before the *expiry date*, the *flexible forward* will be terminated at prevailing market rates. This may incur a benefit or a cost to you. Currency markets are highly volatile and the prices of the underlying currencies can fluctuate rapidly and over wide ranges and may reflect unforeseen events or changes in conditions. Fluctuations in the underlying currencies will affect the benefit or cost to you when you terminate a *flexible forward*. For more information on termination of a *flexible forward* please refer to Section 3.9. You should also refer to the *master dealing agreement* as it provides for situations where a *flexible forward* can be terminated including for default under the *contract*.

In addition, if you terminate a *flexible forward* before the *settlement date*, there may be a fee payable by you. See Section 6 for further information on the costs and fees payable.

## Conflicts of interest

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

## No cooling off

No cooling off period applies for *flexible forwards*.

## Other risks

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

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

## 6. COST OF A FLEXIBLE FORWARD

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

### 6.1 Costs

Generally *flexible forwards* are zero *premium* structures and no *premium* is payable to ANZ for entering into a *flexible forward*.

ANZ determines the *variables* taking into account a number of factors as described in Section 3.5. ANZ may adjust the *variables* to allow for a zero *premium* structure. As a result of the adjustment, the *variables* ANZ quotes you for a zero *premium* structure may be less favourable to you than the *variables* ANZ would quote you if you chose to pay a *premium*.

In the event you choose to pay a *premium*, ANZ determines the *premium* in the same way as it determines the *variables* including taking into account the factors in Section 3.5. The agreed *premium* must be paid in cleared funds on the *premium payment date* (generally the second business day after the *trade date*). If the *premium* is not paid on the *premium payment date*, the *flexible forward* will automatically terminate and you will be liable for any costs arising as a result of the termination.

### 6.2 Payment on the *settlement date*

When you enter into a *flexible forward* with us, you agree in certain circumstances to make a physical payment of one currency to us in exchange for a physical receipt of another currency. What you pay is determined in accordance with the agreed mechanisms and *variables* based on the type of *flexible forward* and the *spot exchange rate* at the *expiry time* on the *expiry date*.

Please see Sections 3 and 7 for examples of how *flexible forwards* work.

### 6.3 ANZ financial benefit

ANZ derives a financial benefit when entering into a *flexible forward*.

### 6.4 Fees and charges

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

There are no other fees payable to ANZ when you enter a *flexible forward*.

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## 6.5 Settlement costs

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

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

Additional costs may be payable for couriers, postage and other actions relating to *flexible forwards*.

## 6.6 Taxes and other costs

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

## 6.7 Changes to fees and charges

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

## 7. EXAMPLES OF HOW FLEXIBLE FORWARDS WORK

The following are examples from an importer's point of view. The examples and considerations apply equally to exporters.

Unless otherwise indicated, in the examples we assume:

- > an Australian importer knows that it needs to make a payment of USD 100,000 to an offshore supplier in six months' time;
- > the importer will need to convert AUD to USD to make this payment;
- > the current AUD/ USD *spot exchange rate* is 0.8750;
- > the importer wants to protect against any unfavourable exchange rate movements so it can limit the amount of AUD it will need to pay for the USD, but also wants the potential to benefit from favourable currency movements; and
- > a *zero premium* structure has been used.

The examples below show how the different types of *flexible forwards* work and the outcomes that would be achieved depending on the *spot exchange rate* at the *expiry time* on the *expiry date*.

The examples are for illustrative purposes only. You should note that the actual *exchange rate* will vary depending on the terms of the *flexible forward*. To assess the merits of a *flexible forward* you will need to use the actual rates and prices quoted to you. If a *premium* is payable (see section 6.1), this cost will also need to be taken into account when determining your outcome.

### Example 1: How does a collar work?

The importer contacts ANZ and tells ANZ that it wants to enter into a *collar* against the USD as the importer believes that the AUD/ USD *spot exchange rate* will appreciate mildly over the next six months. The importer nominates a *worst case rate* of AUD/ USD 0.8550 and an *expiry date* in six months' time.

Based on this information, ANZ quotes the importer a *best case rate* of AUD/ USD 0.8750. The importer accepts ANZ's quote and at this point the deal becomes binding on both parties.

The details of the deal are as follows:

<b>TRADE DATE</b>	Today
<b>TRANSACTION TYPE</b>	<i>Collar</i>
<b>CURRENCY PAIR</b>	AUD/ USD
<b>CONTRACT AMOUNT</b>	USD 100,000
<b>BUYER</b>	Importer
<b>SELLER</b>	ANZ
<b>BEST CASE RATE</b>	0.8750
<b>WORSE CASE RATE</b>	0.8550
<b>PREMIUM</b>	Nil
<b>EXPIRY DATE</b>	Six months from today
<b>EXPIRY TIME</b>	3:00pm Sydney (AEST)
<b>SETTLEMENT DATE</b>	2 <i>business days</i> after the <i>expiry date</i>



### What are the possible outcomes on the *expiry date*?

The table below shows what and how much the importer will need to pay on the *settlement date* depending on the possible outcomes at the *expiry time* on the *expiry date*, as determined by ANZ. The table also compares the outcome to the amount the importer would pay if it had not entered into the *collar*.

<b>EXCHANGE RATE ACHIEVED</b>	<b>POSSIBLE OUTCOMES AT THE EXPIRY TIME ON THE EXPIRY DATE</b>	<b>OUTCOME WITHOUT COLLAR</b>
<b>RIGHT TO EXCHANGE AT 0.8550</b>	<p>The <i>spot exchange rate</i> is 0.8210 which is lower than the <i>worst case rate</i> (0.8550)</p> <p>The importer has the right (but not the obligation) to exchange USD 100,000 at the <i>worst case rate</i>. ANZ will assume that the importer wishes to settle at that rate unless the importer advises ANZ that it does not wish to do so before the <i>expiry time</i> on the <i>expiry date</i></p> <p>Unless ANZ is advised otherwise, on the <i>settlement date</i>, the importer will pay AUD 116,959.06 (USD 100,000/0.8550)</p>	<p>The importer would have paid AUD 121,802.68 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/0.8210)</p> <p>The importer is AUD 4,843.62 better off if it settles under the <i>collar</i> (AUD 121,802.68 – 116,959.06) compared to its position if it had done nothing</p>
<b>NO OBLIGATION</b>	<p>The <i>spot exchange rate</i> is 0.8670 which is between the <i>worst case rate</i> (0.8550) and the <i>best case rate</i> (0.8750).</p> <p>The importer has no obligation to ANZ and neither party is required to exchange currencies. The importer could choose, for example, to enter into a contract to exchange AUD for USD 100,000 at the <i>spot exchange rate</i>.</p> <p>If the importer chose to exchange at the <i>spot exchange rate</i>, the importer would pay AUD 115,340.25 (USD 100,000/0.8670)</p>	<p>The importer is in the same position as if it had not entered into a <i>collar</i> and chose to exchange at the <i>spot exchange rate</i>.</p>
<b>EXCHANGE OCCURS AT 0.8750</b>	<p>The <i>spot exchange rate</i> is 0.8810 which is higher than the <i>best case rate</i> (0.8750).</p> <p>On the <i>settlement date</i> the importer must exchange AUD for USD 100,000 at the <i>best case rate</i>.</p> <p>The importer will pay AUD 114,285.71 (USD 100,000/0.8750)</p>	<p>The importer would have paid AUD 113,507.38 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/0.8810)</p> <p>The importer is AUD 778.34 <b>worse off</b> for entering into the <i>collar</i> (AUD 114,285.71 - AUD 113,507.38) compared to its position if it had done nothing.</p>

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## Example 2: How does a *converting forward* work?

The importer contacts ANZ and tells ANZ that it wants to enter into a *converting forward* against the USD, as the importer believes that the AUD/ USD *spot exchange rate* will fall initially but will be higher in six months. The importer nominates a *worst case rate* of AUD/ USD 0.8550 and an *expiry date* in six months' time.

Based on this information, ANZ quotes the importer a *barrier rate* of AUD/ USD 0.8350. The importer accepts ANZ's quote and at this point the deal becomes binding on both parties.

The details of the deal are as follows:

<b>TRADE DATE</b>	Today
<b>TRANSACTION TYPE</b>	<i>Converting forward</i>
<b>CURRENCY PAIR</b>	AUD/ USD
<b>CONTRACT AMOUNT</b>	USD 100,000
<b>BUYER</b>	Importer
<b>SELLER</b>	ANZ
<b>BARRIER RATE</b>	0.8350
<b>WORSE CASE RATE</b>	0.8550
<b>PREMIUM</b>	Nil
<b>EXPIRY DATE</b>	Six months from today
<b>EXPIRY TIME</b>	3:00pm Sydney (AEST)
<b>SETTLEMENT DATE</b>	2 business days after the <i>expiry date</i>

## What are the possible outcomes on the *expiry date*?

The table below shows what and how much the importer will need to pay on the *settlement date* depending on the possible outcomes at the *expiry time* on the *expiry date*, as determined by ANZ. The table also compares the outcome to the amount the importer would pay if it had not entered into the *converting forward*.

<b>EXCHANGE RATE ACHIEVED</b>	<b>POSSIBLE OUTCOMES AT THE EXPIRY TIME ON THE EXPIRY DATE</b>	<b>OUTCOME WITHOUT CONVERTING FORWARD</b>
<b>RIGHT TO EXCHANGE AT 0.8550</b> <b>BARRIER RATE REACHED</b>	<p>The <i>spot exchange rate</i> is 0.8210 which is lower than the <i>worst case rate</i> (0.8550) and the <i>barrier rate</i> (0.8350).</p> <p>The importer has the right (but not the obligation) to exchange AUD for USD 100,000 at the <i>worst case rate</i>. ANZ will assume that the importer wishes to settle at that rate unless the importer advises ANZ that it does not wish to do so before the <i>expiry time</i> on the <i>expiry date</i>.</p> <p>Unless ANZ is advised otherwise, on the <i>settlement date</i>, the importer will pay AUD 116,959.06 (USD 100,000/0.8550).</p>	<p>The importer would have paid AUD 121,802.68 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/0.8210).</p> <p>The importer is AUD 4,843.62 better off if it settles under the <i>converting forward</i> (AUD 121,802.68 – 116,959.06) compared to its position if it had done nothing.</p>
<b>NO OBLIGATION BARRIER RATE REACHED</b>	<p>The <i>spot exchange rate</i> is 0.8730 which is higher than the <i>worst case rate</i> (0.8550) and the <i>spot exchange rate</i> reached the <i>barrier rate</i> (0.8350) during the <i>term</i>.</p> <p>The importer has no obligation to ANZ. The importer could choose, for example, to enter into a contract to exchange AUD for USD 100,000 at the <i>spot exchange rate</i>.</p> <p>If the importer chose to exchange at the <i>spot exchange rate</i>, the importer would pay AUD 114,547.54 (USD 100,000/0.8730)</p>	<p>The importer is in the same position as if it had not entered into a <i>converting forward</i> and chose to exchange at the <i>spot exchange rate</i>.</p>
<b>RIGHT TO EXCHANGE AT 0.8550</b> <b>BARRIER RATE NOT REACHED</b>	<p>The <i>spot exchange rate</i> is 0.8420 which is lower than the <i>worst case rate</i> (0.8550). The <i>spot exchange rate</i> did not reach the <i>barrier rate</i> (0.8350) during the <i>term</i>.</p> <p>The importer has the right (but not the obligation) to exchange AUD for USD 100,000 at the <i>worst case rate</i>. ANZ will assume that the importer wishes to settle at that rate unless the importer advises ANZ that it does not wish to do so before the <i>expiry time</i> on the <i>expiry date</i>.</p> <p>Unless ANZ is advised otherwise, on the <i>settlement date</i>, the importer will pay AUD 116,959.06 (USD 100,000/0.8550).</p>	<p>The importer would have paid AUD 118,764.85 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/0.8420).</p> <p>The importer is AUD 1,805.79 better off if it settles under the <i>converting forward</i> (AUD 118,764.85 – 116,959.06) compared to its position if it had done nothing.</p>
<b>EXCHANGE OCCURS AT 0.8550</b> <b>BARRIER RATE NOT REACHED</b>	<p>The <i>spot exchange rate</i> is 0.8730 which is higher than the <i>worst case rate</i> (0.8550) but the <i>spot exchange rate</i> did not reach the <i>barrier rate</i> (0.8350) during the <i>term</i>.</p> <p>On the <i>settlement date</i> the importer must exchange AUD for USD 100,000 at the <i>worst case rate</i>.</p> <p>The importer will pay AUD 116,959.06 (USD 100,000/0.8550)</p>	<p>The importer would have paid AUD 114,547.54 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/0.8730).</p> <p>The importer is AUD 2,411.53 <b>worse off</b> for entering into the <i>converting forward</i> (AUD 114,547.54 - AUD 116,959.06) compared to its position if it had done nothing.</p>

### Example 3: How does a *Participating forward* work?

The importer contacts ANZ and tells ANZ that it wants to enter into a *participating forward* against the USD, as the importer believes that the AUD/ USD *spot exchange rate* will continue to appreciate over the *term*. The importer nominates a *worst case rate* of AUD/ USD 0.8550 and an *expiry date* in six months' time.

Based on this information, ANZ quotes the importer an *agreed proportion* of 40%. The importer accepts ANZ's quote and at this point the deal becomes binding on both parties.

The details of the deal are as follows:

<b>TRADE DATE</b>	Today
<b>TRANSACTION TYPE</b>	<i>Participating forward</i>
<b>CURRENCY PAIR</b>	AUD/ USD
<b>CONTRACT AMOUNT</b>	USD 100,000
<b>BUYER:</b>	Importer
<b>SELLER:</b>	ANZ
<b>AGREED PROPORTION</b>	40% of <i>contract amount</i>
<b>WORSE CASE RATE</b>	0.8550
<b>PREMIUM</b>	Nil
<b>EXPIRY DATE</b>	Six months from today
<b>EXPIRY TIME</b>	3:00pm Sydney (AEST)
<b>SETTLEMENT DATE</b>	2 <i>business days</i> after the <i>expiry date</i>

### What are the possible outcomes on the *expiry date*?

The table below shows what and how much the importer will need to pay on the *settlement date* depending on the possible outcomes at the *expiry time* on the *expiry date*, as determined by ANZ. The table also compares the outcome to the amount the importer would pay if it had not entered into the *participating forward*.

<b>EXCHANGE RATE ACHIEVED</b>	<b>POSSIBLE OUTCOMES AT THE EXPIRY TIME ON THE EXPIRY DATE</b>	<b>OUTCOME WITHOUT PARTICIPATING FORWARD</b>
<b>RIGHT TO EXCHANGE AT 0.8550 (100% X CONTRACT AMOUNT)</b>	<p>The <i>spot exchange rate</i> is 0.8210 which is lower than the <i>worst case rate</i> (0.8550).</p> <p>The importer has the right (but not the obligation) to exchange the entire <i>contract amount</i> AUD for USD 100,000 at the <i>worst case rate</i>. ANZ will assume that the importer wishes to settle at that rate unless the importer advises ANZ that it does not wish to do so before the <i>expiry time</i> on the <i>expiry date</i>.</p> <p>Unless ANZ is advised otherwise, on the <i>settlement date</i>, the importer will pay AUD 116,959.06 (USD 100,000/0.8550).</p>	<p>The importer would have paid AUD 121,802.68 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/0.8210).</p> <p>The importer is AUD 4,843.62 better off if it settles under the <i>participating forward</i> (AUD 121,802.68 – 116,959.06) compared to its position if it had done nothing.</p>
<b>60% (BALANCE PROPORTION) OF THE CONTRACT AMOUNT SETTLES AT 0.8550 NO OBLIGATION 40% (AGREED PROPORTION) OF THE CONTRACT AMOUNT</b>	<p>The <i>spot exchange rate</i> is 0.8750 which is higher than the <i>worst case rate</i> (0.8550).</p> <p>The importer must settle the <i>balance proportion</i> (60%) of the <i>contract amount</i> (being the <i>exchange amount</i>) at the <i>worst case rate</i>.</p> <p>On the <i>settlement date</i> the importer must exchange AUD for USD 60,000 at the <i>worst case rate</i>.</p> <p>The importer will pay AUD 70,175.44 (USD 60,000/0.8550)</p> <p>The importer has no obligation to ANZ for the <i>agreed proportion</i> (40%) of the <i>contract amount</i> (being the <i>participating amount</i>). The importer could choose, for example, to enter into a contract to exchange AUD for USD 40,000 at the prevailing <i>spot exchange rate</i> for AUD 45,714.29 (USD 40,000/0.8750)</p>	<p>The importer would have paid AUD 114,285.71 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/0.8750).</p> <p>The importer is AUD 1,604.02 <b>worse off</b> for entering into the <i>participating forward</i> if the importer chose to exchange the <i>participating amount</i> at the <i>spot exchange rate</i> (AUD 114,285.71 - AUD 70,175.44 - AUD 45,714.29) compared to its position if it had done nothing.</p>

# FLEXIBLE FORWARDS

## Example 4: How does a *smart forward* work?

The importer contacts ANZ and tells ANZ that it wants to enter into a *smart forward* against the USD, as the importer expects a mild appreciation in the AUD/ USD *spot exchange rate*. The importer nominates a *worst case rate* of AUD/ USD 0.8550 and an *expiry date* in six months' time.

Based on this information, ANZ quotes the importer a *barrier rate* of AUD/ USD 0.9050 for a *worst case rate* of AUD/USD 0.8550. The importer accepts ANZ's quote and at this point the deal becomes binding on both parties.

The details of the deal are as follows:

<b>TRADE DATE</b>	Today
<b>TRANSACTION TYPE</b>	<i>Smart forward</i>
<b>CURRENCY PAIR</b>	AUD/ USD
<b>CONTRACT AMOUNT</b>	USD 100,000
<b>BUYER</b>	Importer
<b>SELLER</b>	ANZ
<b>BARRIER RATE</b>	0.9050
<b>WORSE CASE RATE</b>	0.8550
<b>PREMIUM</b>	Nil
<b>EXPIRY DATE</b>	Six months from today
<b>EXPIRY TIME</b>	3:00pm Sydney (AEST)
<b>SETTLEMENT DATE</b>	2 business days after the <i>expiry date</i>

## What are the possible outcomes on the *expiry date*?

The table below shows what and how much the importer will need to pay on the *settlement date* depending on the possible outcomes at the *expiry time* on the *expiry date*, as determined by ANZ. The table also compares the outcome to the amount the importer would pay if it had not entered into the *smart forward*.

<b>EXCHANGE RATE ACHIEVED</b>	<b>POSSIBLE OUTCOMES AT THE EXPIRY TIME ON THE EXPIRY DATE</b>	<b>OUTCOME WITHOUT SMART FORWARD</b>
<b>RIGHT TO EXCHANGE AT 0.8550</b>	The <i>spot exchange rate</i> is 0.8210 which is lower than the <i>worst case rate</i> (0.8550). The <i>spot exchange rate</i> did not reach the <i>barrier rate</i> (0.9050) during the <i>term</i> .	The importer would have paid AUD 121,802.68 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/0.8210).
<b>BARRIER RATE NOT REACHED</b>	The importer has the right (but not the obligation) to exchange AUD for USD 100,000 at the <i>worst case rate</i> . ANZ will assume that the importer wishes to settle at that rate unless the importer advises ANZ that it does not wish to do so before the <i>expiry time</i> on the <i>expiry date</i> .  Unless ANZ is advised otherwise, on the <i>settlement date</i> , the importer will pay AUD 116,959.06 (USD 100,000/0.8550).	The importer is AUD 4,843.62 better off if it settles under the <i>smart forward</i> (AUD 121,802.68 – 116,959.06) compared to its position if it had done nothing.
<b>NO OBLIGATION BARRIER RATE NOT REACHED</b>	The <i>spot exchange rate</i> is 0.8730 which is higher than the <i>worst case rate</i> (0.8550). The <i>spot exchange rate</i> never reached the <i>barrier rate</i> (0.9050) during the <i>term</i> .  Neither the importer nor ANZ have any obligation to exchange currencies to one another. The importer could choose, for example, to enter into a contract to exchange AUD for USD 100,000 at the <i>spot exchange rate</i> .  If the importer chose to exchange at the <i>spot exchange rate</i> , the importer would pay AUD 114,547.54 (USD 100,000/0.8730)	The importer is in the same position as if it had not entered into a <i>smart forward</i> and chose to exchange at the <i>spot exchange rate</i> .
<b>EXCHANGE OCCURS AT 0.8550</b>	The <i>spot exchange rate</i> is 0.8730 which is higher than the <i>worst case rate</i> (0.8550). However, the <i>spot exchange rate</i> reached the <i>barrier rate</i> (0.9050) during the <i>term</i> .	The importer would have paid AUD 114,547.54 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/ 0.8730)
<b>BARRIER RATE REACHED</b>	On the <i>settlement date</i> the importer must exchange AUD for USD 100,000 at the <i>worst case rate</i> .  The importer will pay AUD 116,959.06 (USD 100,000/0.8550)	The importer is AUD 2,411.52 <b>worse off</b> for entering into the <i>smart forward</i> (AUD 116,959.06 - AUD 114,547.54) compared to its position if it had done nothing.

<b>EXCHANGE RATE ACHIEVED</b>	<b>POSSIBLE OUTCOMES AT THE EXPIRY TIME ON THE EXPIRY DATE</b>	<b>OUTCOME WITHOUT SMART FORWARD</b>
<b>RIGHT TO EXCHANGE AT 0.8550</b>	The <i>spot exchange rate</i> is 0.8210 which is lower than the <i>worst case rate</i> (0.8550). The <i>spot exchange rate</i> reached the <i>barrier rate</i> (0.9050) during the <i>term</i> .	The importer would have paid AUD 121,802.68 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/0.8210).
<b>BARRIER RATE REACHED</b>	The importer has the right (but not the obligation) to exchange AUD for USD 100,000 at the <i>worst case rate</i> . ANZ will assume that the importer wishes to settle at that rate unless the importer advises ANZ that it does not wish to do so before the <i>expiry time</i> on the <i>expiry date</i> .  Unless ANZ is advised otherwise, on the <i>settlement date</i> , the importer will pay AUD 116,959.06 (USD 100,000/0.8550).	The importer is AUD 4,843.62 better off if it settles under the <i>smart forward</i> (AUD 121,802.68 – 116,959.06) compared to its position if it had done nothing.

# FLEXIBLE FORWARDS

## 8. TERMS OF FLEXIBLE FORWARDS

### 8.1 How do you enter into a flexible forward?

If you have made an assessment based on your own knowledge and independent professional advice and, as a result, are interested in entering into a *flexible forward*, you should contact us using the details in the directory in Section 13 or call your *ANZ contact*. Before you can enter into a *flexible forward*, ANZ will need to conduct a credit assessment to see if you satisfy ANZ's credit requirements. It is intended that ANZ will only enter into a *flexible forward* with its clients for genuine commercial reasons and not for speculative purposes.

The next steps are:

- > Contact us using the details in the directory in Section 13 or call your *ANZ contact* to ask for a *flexible forward*.
- > ANZ will provide you with the *master dealing agreement* that will apply to your *flexible forward* transaction. ANZ may also provide you with access to an electronic platform to enter into your *flexible forward* transactions. ANZ will provide you with terms and conditions for that electronic platform at that time.
- > You will need to provide the *contract amount*, *currency pair*, the *expiry date*, the type of *flexible forward* and one of the *variables* for your *contract* (eg the *worst case rate*).
- > ANZ will then quote you the applicable *variables* for your proposed *flexible forward* and any other relevant parameters for your *flexible forward*. For further information on how these are derived see Section 3.5.
- > If you accept ANZ's quote of the *variables* and terms you enter into a *flexible forward* with ANZ.
- > ANZ will provide you with a *confirmation* setting out the terms and details of the *flexible forward* you entered into including the currencies and values involved, the *variables* and the *settlement date*.
- > You need to carefully check the *confirmation* and *contact* your *ANZ contact* immediately if there is a discrepancy.
- > If requested by ANZ, you must sign and return the *confirmation* in a timely manner. However, failure to do so does not affect the validity of the *flexible forward*.

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

### 8.2 Required Documentation

#### Terms and Conditions

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

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

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

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

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

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

#### Other documentation

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

## 9. INFORMATION ABOUT ANZ

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

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

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

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

## 10. TAXATION

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

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

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

## 11. ADDITIONAL INFORMATION

### 11.1 Code of Banking Practice

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

### 11.2 What if you have a complaint?

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

For the fastest possible resolution to your complaint:

- > call ANZ on 1800 805 154
- > talk to staff at your local ANZ branch or business centre
- > talk to your *ANZ contact* or send a letter to ANZ Customer Response Centre via  
Mail: Locked Bag 4050, South Melbourne Victoria 3205  
Email: [YourFeedback@anz.com](mailto:YourFeedback@anz.com)  
Fax: 1800 269 030

If you are not satisfied with the resolution offered by our Customer Response Centre, you can have your complaint reviewed by ANZ's Customer Advocate who provides a free, independent review of your complaint.

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

### Financial Services Dispute Resolution Schemes

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

Financial Ombudsman's Service Limited

GPO Box 3 Melbourne, Victoria 3000

Telephone: 1300 780 808

Facsimile: +61 3 9613 6399

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

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

### Australian Securities and Investments Commission

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

To obtain further information contact the ASIC Info line:

Telephone: 1300 300 630

Fax: +61 3 5177 3999

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

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

# FLEXIBLE FORWARDS

## 11.3 Privacy and confidentiality

### ANZ's Privacy Notice and Consents – Individuals

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

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

### Collection of your personal information by ANZ

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

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

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

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

### Absence of relevant personal information

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

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

### Disclosures by ANZ

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

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

### Privacy consents

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

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

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

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



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

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

#### Promotion of other products or services

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

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

#### Accessing your personal information held by ANZ

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

#### Collecting your sensitive information

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

#### Authority to Disclose Confidential Information – Non Individuals

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

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

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

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

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

#### 11.4 Telephone Recording

Please note that telephone dealings with ANZ in respect of entering into a *flexible forward* are normally recorded.

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

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

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

#### 11.5 Anti-Money Laundering

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

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

# FLEXIBLE FORWARDS

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

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

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

## 11.6 Ethical Considerations

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

## 12. DEFINITIONS

**agreed proportion** is a percentage of the *contract amount* we agree for a *participating forward*.

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

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

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

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

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

**balance proportion** is, for a *participating forward*, 100% minus the *agreed proportion*. If the *spot exchange rate* is more favourable to you than the *worst case rate* you must exchange the *balance proportion* of the *contract amount* at the *worst case rate*.

**barrier rate** is an *exchange rate* we agree for a *converting forward* or for a *smart forward*, as applicable

**best case rate** is the most favourable *exchange rate* that you can achieve under your *collar* as agreed at the time the *collar* is entered into

**business day** is a day on which ANZ is open for business for *flexible forwards* in Sydney

**collar** is a contract between you and ANZ to exchange one currency for another as described in Section 3.1

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

**confirmation** is a document that outlines the commercial parameters of the *flexible forward*

**contract** is a *flexible forward* and includes *collars*, *converting forwards*, *smart forwards* and *participating forwards*

**contract amount** is the agreed amount of the *flexible forward* entered into on the *trade date* as set out in the *confirmation*

\* ANZ relationship managers and ANZ market advisors are representatives of Australia and New Zealand Banking Group Limited ABN 11 005 357 522, the holder of an Australian Financial Services Licence.

**converting forward** is a *contract* between you and ANZ to exchange one currency for another as described in Section 3.2

**currency pair** means the two currencies which will be exchanged under the *flexible forward*

**customer** has the meaning given in Section 11.3

**exchange amount** is, for a participating forward, the balance proportion of the contract amount

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

**expiry date** is the date on which the *flexible forward* expires

**expiry time** is the time of day that the *flexible forward* expires

**flexible forward** is a contract entered into with ANZ in accordance with this PDS and includes *collars, converting forwards, smart forwards and participating forwards*. For more information please refer to Section 2

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

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

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

**participating amount** is, for a *participating forward*, the *agreed proportion of the contract amount*

**participating forward** is a *contract* between you and ANZ to exchange one currency for another as described in Section 3.3

**personal information** is information about an individual

**premium** is the amount you may be required to pay in consideration for entering into the *flexible forward*

**premium payment date** is the date on which the *premium* is payable

**reached** means the *spot exchange rate* has traded at a given rate at any time, as determined by ANZ

**settlement date** is the date on which a *flexible forward* is settled and the exchange of currencies takes place (typically two *business days* after the *expiry date*)

**smart forward** is a *contract* between you and ANZ to exchange one currency for another as described in Section 3.4

**spot exchange rate** is the *exchange rate* that ANZ would make available to you when settlement is two *business days* after the date the *exchange rate* is quoted

**standard terms and conditions** means the document issued by ANZ titled Terms and Conditions for Trading in Foreign Exchange and Derivative Transactions, available at anz.com

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

**third party** has the meaning given in Section 11.3

**trade date** is the date on which you enter into a *flexible forward*

**us, our we** is ANZ

**variable** is a pricing *variable* for a *flexible forward*. Each type of *flexible forward* consists of two *variables*

**worst case rate** is the least favourable *exchange rate* you can be exposed to under your *flexible forward* as agreed at the time the *flexible forward* is entered into

**you, your** is the customer who is a party to a *flexible forward*

## 13. DIRECTORY

### New South Wales

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### Victoria

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03 9095 0233

### Queensland

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### South Australia

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### Western Australia

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