Structured Options

Product Disclosure Statement

BUSINESS SOLUTIONS

STRUCTURED OPTIONS
PRODUCT DISCLOSURE STATEMENT

Issue Date: 29 June 2015

TABLE OF CONTENTS

1. Purpose

This Product Disclosure Statement (**PDS**) is dated 29 June 2015.

This PDS contains information about Structured Foreign Exchange Options (**Structured Options**). Custom House Currency Exchange (Australia) Pty Limited (ABN 95 086 278 659) (AFSL 238 290) (referred to in this document as 'Custom House Currency Exchange', '**Custom House'**, 'we', 'our' and 'us') is providing you with this PDS so that you receive important information about Structured Options including their benefits, risks and costs.

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

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

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

You should read all of this PDS, the **Financial Service Guide (FSG)**, the Custom House **Terms and Conditions**, and Custom House Foreign Exchange and Draft Transactions PDS dated 29 June 2015, available at http://business.westernunion.com.au/about/compliance/ before making a decision to enter into any Structured Options offered under this PDS. We recommend that you contact us if you have any questions arising from this PDS, or the Terms and Conditions, prior to entering into any transactions with us.

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

For example, consideration should be given to all the potential outcomes of specific Structured Options and strategies before entering into any Structured Options described in this PDS. We encourage you to obtain independent financial advice which takes into account the particular reasons you are considering entering into Structured Options from Custom House.

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

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

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

If you have any questions or require more information, please contact Custom House on 1300 727 113 (Australia only), or +61 2 8585 7000 or by email: wubscustomerserviceaustralia@westernunion.com or refer to our website www.business.westernunion.com.au

2. Important Information

2.1 Copies

Copies of this PDS are available free of charge. You can download a copy of this PDS from http://business.westernunion.com.au/about/compliance/ or request a copy by either email at wubscustomerserviceaustralia@westernunion.com or by phone 1300 727 113 (Australia Only).

This PDS replaces the Structured Foreign Exchange Options PDS issued by Custom House and dated March 2013.

2.2 Updates relating to this PDS

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

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

2.3 Custom House Products

A separate PDS is available for Foreign Exchange and Drafts Transactions and Vanilla Foreign Exchange Options. Please contact us if you require either of these PDSs using contact information contained in Section 3.1 "Custom House Contact Details" of this PDS or download from our website at http://business.westernunion.com.au/about/compliance/.

2.4 Financial Amounts

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

2.5 Glossary of Terms

Words in **BOLD** used in this PDS, other than headings, have defined meanings. These meanings can be located in Section 16 "Glossary of Terms" of this PDS.

2.6 Counterparty Credit Risk

When you enter into a Structured Option with Custom House, you are exposed to **Counterparty** credit risk against Custom House. That is, you have the risk that Custom House will not meet its obligations to you under the relevant Structured Option. To assess our financial ability to meet our obligations to you, you can obtain a copy of our financial statements, free of charge by emailing wubscustomerserviceaustralia@westernunion.com

2.7 Disclaimer

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

Custom House does not take into account labour standards or environmental, social or ethical considerations.

3. Issuer

Custom House Currency Exchange (Australia) Pty Limited doing business as Western Union Business Solutions is the **Issuer** of the Structured Options described in this PDS.

This PDS was prepared by:

Custom House Currency Exchange (Australia) Pty Limited

ABN 95 086 278 659

AFSL Number 238 290

3.1 Custom House Contact Details

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

Phone: +61 2 8585 7000 or 1300 727 113 (Australia Only).

Principal Contact: Compliance Department

Email: wubscustomerserviceaustralia@westernunion.com

Website: http://business.westernunion.com.au

3.2 Custom House Services

Custom House is a specialist provider in foreign exchange and international payments products and services. We work with individuals and companies of all sizes, to create solutions that assist their business payments and foreign exchange process challenges to manage risk and costs.

3.3 How to Access Custom House Services

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

- Phone- where you can call us and speak to one of Custom House Representatives and provide us with Instructions to transact your currency needs; or
- Email- where you can email us to provide your account details and Instructions.

3.4 Additional Information

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

4. Foreign Exchange Overview

Foreign Exchange refers to the purchase of one currency and the sale of another currency at an agreed **Exchange Rate** simultaneously. Separate from the Exchange Rate, you will need to consider the relevant fees associated with your transaction. Our fees for Structured Options are described in Section 8 "Cost of a Structured Option" of this PDS.

4.1 The Foreign Exchange Market

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

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

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

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

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

Because Structured Options are traded OTC with Custom House you will not be able to sell or transfer your transaction, with another provider. You will only be able to reverse or cancel your Structured Option with Custom House.

4.2 Currency Limitations

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

5. What is a Structured Option?

A Structured Option describes a group of foreign exchange products that have been developed as foreign exchange risk management alternatives to **Forward Exchange Contracts (FEC)** and **Vanilla Options**.

A Structured Option is an agreement to exchange a specified amount of one currency for another currency at an Exchange Rate that is determined by reference to agreed mechanisms within each particular Structured Options product.

A Structured Option is created through the concurrent sale and purchase of two or more **Call Options** and/or **Put Options**. A Call Option is an agreement that gives the buyer the right (but not the obligation) to buy a currency at a specified price at a specified time. A Put Option is an agreement that gives the buyer the right (but not the obligation) to sell a currency at a specified price at a specified time. In any structure you may be both 'the Buyer' of an option (i.e. you are buying an option from Custom House) and 'the Seller' of an option (i.e. you are selling an option to Custom House). Notwithstanding the use of these terms Custom House is always the Issuer of the Structured Options product.

Depending on the Structured Option that is created, there may be certain conditions attached to one or more of the Put Options or Call Options within the structure that are triggered if an agreed Exchange Rate trades in the spot foreign exchange market during the term of the Structured Option. We refer to these as **Trigger Rates**. A Trigger Rate may be either a **Knock-In Rate** or a **Knock-Out Rate**. A Knock-In Rate is an Exchange Rate that must be traded (at or beyond) in the spot foreign exchange market for the buyers' right pursuant to a Call Option or a Put Option to become effective (i.e. the Call Option or Put Option is contingent on the Knock-In Rate being triggered). A Knock-Out Rate is an Exchange Rate that if traded (at or beyond) in the spot foreign exchange market will result in the buyers' right pursuant to a Call Option or Put Option terminating (i.e. the Call Option or Put Option terminates if the Knock-Out Rate is triggered).

Our default position is that where a Trigger Rate is applicable it will apply for the term of the Structured Option. It is possible however to apply a shorter term to the Trigger Rate. We refer to these shorter terms as **Windows**.

Typical trigger Windows include "last month" (where the Trigger Rate is only effective in the last month of the Structured Option), "last week" (where the Trigger Rate is only effective in the last week of the Structured Option), "last day" (where the Trigger Rate is only effective on the last day of the Structured Option), and "at Expiry" (where the Trigger Rate is only effective at the **Expiry Time** on the **Expiry Date (Expiry)** of the Structured Option).

You can ask Custom House to provide you with a Window at any time before you enter into a Structured Option. If a Window is nominated the **Spot Rate**, which is the Exchange Rate for a foreign exchange transaction with a **Settlement** date of up to two (2) **Business Days**, may trade at or beyond the Trigger Rate before the trigger is live without you being knocked-in or knocked-out. The Spot Rate will only be compared to the Trigger Rate during the Window. By choosing a Window the Trigger Rate will be less favourable to you than if there were no Window in place. The **Protection Rate**, which is the agreed worst case Exchange Rate that applies to a Structured Option, will also be less favourable to you than if there were no Window in place. These rates will be less favourable the shorter the period of the Window.

Set out below is a description of each of the eighteen (18) Structured Options products that we provide.

6. Custom House Structured Options

The examples that are used within the description of each Structured Option product in this Section 6 are for information purposes only and use rates and figures that we have selected to demonstrate how each product works from the perspective of Australian based importers. Custom House will provide Australian based exporter examples of the requested Structured Option on request. In order to assess the merits of any particular Structured Option you should use the actual rates and figures quoted at the relevant time.

Each of the examples below assumes the following:

- An importer is buying goods from the United States and is scheduled to make a payment of **USD**100,000 (**Notional Amount**) in six (6) months' time.
- The current Spot Rate AUD/USD is 0.7700.
- The six month **Forward Exchange Rate** is 0.7630.

6.1 Collar

A Collar is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate between the Protection Rate and a **Participation Rate**.

A Collar is structured by entering into two concurrent options. In the first you buy a Put Option (an option to sell) from Custom House at the Protection Rate. In the second you sell a corresponding Call Option (an option to buy) to Custom House at the Participation Rate.

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

6.1.1 Example of a Collar

The importer enters into a Collar with the following terms:

- Protection Rate: 0.7400
- Participation Rate: 0.7900
- Expiry Date: 6 months

6.1.2 Possible Outcomes at Expiry

- If the Spot Rate is less favourable than the Protection Rate (0.7400), say 0.7200, the importer will buy USD100,000 at 0.7400.
- If the Spot Rate is more favourable the Participation Rate (0.7900), say 0.8100, the importer will be obligated to buy USD100,000 at 0.7900.
- If the Spot Rate lies between the Protection Rate (0.7400) and the Participation Rate (0.7900), say 0.7600, the importer will be able to buy USD100,000 at 0.7600 (although there is no obligation to do so).

6.1.3 Benefits of a Collar

- There is protection at all times with a known worst case Exchange Rate (Protection Rate).
- An ability to participate in favourable Exchange Rate movements to the level of Participation Rate.

6.1.4 Risks of a Collar

- Participation in favourable Exchange Rate movements is capped at the Participation Rate.
- If the Spot Rate at Expiry is more favourable than the Participation Rate you will be obligated to trade at the Participation Rate.

6.2 Leveraged Collar

A Leveraged Collar has the same basic features as a Collar, with the exception that the Protection Rate and/or the Participation Rate are enhanced relative to the Collar. The reason for this is that if the Spot Rate at Expiry exceeds the Participation Rate you will be obligated to trade an amount in excess of the standard Collar. The amount that you will be required to trade will depend on the **Leverage Ratio** that you have agreed to.

A Leveraged Collar is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate. In the second you sell a corresponding Call Option to Custom House at the Participation Rate. The Notional Amount of the Call Option that you sell will be equal to the Notional Amount of the Put Option that you have bought multiplied by an agreed Leverage Ratio.

If we agree to enter into a Leveraged Collar with you we will determine any credit requirements based off the Notional Amount multiplied by the Leverage Ratio.

6.2.1 Example of a Leveraged Collar

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

- Notional Amount: USD 50,000
- Protection Rate: 0.7630
- Participation Rate: 0.8100
- Expiry Date: 6 months
- Leverage Ratio: 1:2

6.2.2 Possible Outcomes at Expiry

- If the Spot Rate is less favourable than the Protection Rate (0.7630), say 0.7400, the importer will buy USD 50,000 at 0.7630.
- If the Spot Rate is more favourable the Participation Rate (0.8100), say 0.8300, the importer will be obligated to buy USD 100,000 (Notional Amount x Leverage Ratio (2)) at 0.8100.
- If the Spot Rate lies between the Protection Rate (0.7630) and the Participation Rate (0.8100), say 0.7800, the importer will be able to buy USD at 0.7800 (although there is no obligation to do so).

6.2.3 Benefits of a Leveraged Collar

- An ability to achieve more favourable Protection/ Participation Rate compared to a standard Collar structure.
- An ability to participate in favourable Exchange Rate movements to the level of the Participation Rate.
- Protection at all times with a known worst case Exchange Rate.

6.2.4 Risks of a Leveraged Collar

- Participation in favourable currency movements is capped at the level of the Participation Rate.
- If the Spot Rate at Expiry is less favourable than the Protection Rate you will be protected for only the Notional Amount.
- If the Spot Rate at Expiry is more favourable than the Participation Rate you will be obligated to trade up to twice the Notional Amount at the less favourable Participation Rate.

6.3 Participating Forward

The Participating Forward is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate by allowing you to trade a portion of your Notional Amount at a favourable Spot Rate at Expiry.

A Participating Forward is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate. In the second you sell a Call Option to Custom House at the Protection Rate. The Call Option that you sell will be for a percentage ("**Obligation Percentage**") of the Notional Amount of your Put Option determined by the level of the Protection Rate you nominate.

A Participating Forward always provides you with protection at the Protection Rate.

6.3.1 Example of a Participating Forward

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

- Protection Rate: 0.7450
- Obligation Percentage: 50%
- Expiry Date: 6 months

6.3.2 Possible Outcomes at Expiry

- If the Spot Rate is less favourable than the Protection Rate (0.7450), say 0.7200, the importer will buy USD100,000 at 0.7450.
- If the Spot Rate is more favourable the Protection Rate (0.7450), say 0.7600, the importer will be obligated to buy USD50,000 (USD100,000 x 50%) at 0.7450. The importer will then be able to buy the remaining USD50,000 at 0.7600 (although there is no obligation to do so).

6.3.3 Benefits of a Participating Forward

- There is an ability to partially participate in favourable Exchange Rate movements.
- There is protection at all times with a known worst case Exchange Rate.

6.3.4 Risk of a Participating Forward

- The Protection Rate will be less favourable than the rate applicable to a comparable FEC.
- If the Spot Rate at Expiry is more favourable than the Protection Rate you will be obligated to trade a proportion of your Notional Amount at the less favourable Protection Rate.

6.4 Participating Collar

The Participating Collar is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate on a portion of your exposure between the Protection Rate and the Participation Rate at Expiry.

A Participating Collar is structured by entering into three concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate. In the second you sell a Call Option to Custom House at the Protection Rate. The Call Option that you sell to us will be for a percentage of the Notional Amount of your Put Option (the "**Participation Percentage**"). In the third option you sell a second Call Option to Custom House at the Participation Rate. The Notional Amount of the third Call Option that you sell to us will be equal to the Notional Amount of the first Put Option bought from us, less the Notional Amount of the second Call Option or 50%.

By electing this type of structure over a Participating Forward you will be able to improve the level of your Protection Rate or increase your Participation Percentage to take greater advantage of favourable movements in the Spot Rate or a combination of both.

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

6.4.1 Example of a Participating Collar

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

- Protection Rate: 0.7600
- Participation Rate: 0.8000
- Participation Percentage: 50%
- Expiry Date: 6 months

6.4.2 Possible Outcomes at Expiry

- If the Spot Rate is less favourable than the Protection Rate (0.7600), say 0.7200, the importer will buy USD 100,000 at 0.7600.
- If the Spot Rate is more favourable than the Protection Rate (0.7600), and less favourable than the Participation Rate (0.8000), say 0.7800, the importer will be obligated to buy USD 50,000 at 0.7600. The importer will then be able to buy the remaining USD50,000 at 0.7800 (although there

is no obligation to do so).

- If the Spot Rate is more favourable the Participation Rate (0.8000), say 0.8200, the importer will be obligated to buy USD 50,000 at 0.7600, and will be obligated to buy the balance USD 50,000 at 0.8000.

6.4.3 Benefits of a Participating Collar

- The Protection Rate is more favourable than the Protection Rate applicable to a comparable Participating Forward.
- There is the ability to partially participate in favourable Exchange Rate movements up to the level of the Participation Rate.
- There is protection at all times with a known Protection Rate.

6.4.4 Risks of a Participating Collar

- The Protection Rate will be less favourable than the Forward Exchange Rate applicable to a comparable FEC.
- If the Spot Rate at Expiry is more favourable than the Protection Rate you will be obligated to trade a portion of the Notional Amount (Notional Amount less Participation Percentage) at the less favourable Protection Rate.
- If the Spot Rate at Expiry is more favourable than the Participation Rate you will be obligated to trade a second amount, the Participation Percentage, at the less favourable Participation Rate.

6.5 Ratio Forward

A Ratio Forward is a Structured Option that gives you the ability to trade at an enhanced Exchange Rate relative to a comparative FEC. A Ratio Forward will always provide you with a guaranteed worst case Exchange Rate allowing you to protect against the risk that the Spot Rate is less favourable on Expiry of the contract.

Because there is a ratio component associated with this Structured Option you may be obligated to exchange an amount of currency that is greater than the Notional Amount (i.e. the Notional Amount multiplied by a Leverage Ratio.)

A Ratio Forward is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Enhanced Rate. In the second you sell a Call Option to Custom House at the **Enhanced Rate**. The Notional Amount of the Call Option that you sell to Custom House will be equal to the Notional Amount of the Put Option that you have bought from Custom House multiplied by the Leverage Ratio. A Ratio Forward always provides you with partial protection at the Enhanced Rate.

If we agree to enter into a Ratio Forward with you we will determine any credit requirements based off the Notional Amount multiplied by the Leverage Ratio.

6.5.1 Example of a Ratio Forward

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

Enhanced Rate: 0.7800

Notional Amount: USD 50,000

Contingent Amount: USD 50,000

Leverage Ratio (Bought: Sold): 1:2

Expiry Date: 6 months.

6.5.2 Possible Outcomes at Expiry

- If the Spot Rate is less favourable than the Enhanced Rate (0.7800), say 0.7200, the importer will buy USD 50,000 at 0.7800.
- If the Spot Rate is more favourable than the Enhanced Rate (0.7800), say 0.8200, the importer will be obligated to buy USD 100,000 at 0.7800.

6.5.3 Benefits of a Ratio Forward

- An ability to achieve an Enhanced Rate relative to the comparative Forward Exchange Rate.
- Protection at all times with a known worst case Exchange Rate.

6.5.4 Risks of a Ratio Forward

- You will be obligated to trade a multiple (Leverage Ratio) of the Notional Amount at the Enhanced Rate if the Spot Rate is more favourable than the Enhanced Rate at Expiry.
- You are unable to participate in favourable currency movements beyond the Enhanced Rate. If the Spot Rate is more favourable than the Enhanced Rate you will be obligated to trade a multiple of the Notional Amount at the less favourable Enhanced Rate.

6.6 Knock-In

A Knock-In is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than your nominated Exchange Rate (the "Protection Rate") whilst giving you the potential to take advantage of favourable currency movements to the level of the Knock-In Rate. If the Knock-In Rate is triggered at any time before Expiry (or during a Window) you will be obligated to trade at the Protection Rate on Expiry.

A Knock-In is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate. In the second you sell a Call Option to Custom House at the Protection Rate with a Knock-In Rate (an option to buy contingent upon the Spot Rate triggering the Knock-In Rate in the foreign exchange market before Expiry (or during a Window)). The Call Option will only come into existence if the Spot Rate triggers the Knock-In Rate.

6.6.1 Example of a Knock-In

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

- Protection Rate: 0.7400
- Knock-In Rate: 0.8200
- Expiry Date: 6 months

6.6.2 Possible Outcomes at Expiry

a) If the Knock-In Rate (0.8200) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7400), say 0.7200, the importer will buy USD100,000 at 0.7400.
- If the Spot Rate is more favourable than the Protection Rate (0.7400), say 0.7600, the importer will be able to buy USD at the Spot Rate (0.7600) at Expiry (although there is no obligation to do so).

b) If the Knock-In Rate (0.8200) has been triggered:

- If the Spot Rate is more favourable than the Protection Rate (0.7400), say 0.7600, the importer will be obligated to buy USD100,000 at 0.7400.
- If the Spot Rate is less favourable than the Protection Rate of 0.7400, say 0.7200, the importer will buy USD100,000 at 0.7400.

6.6.3 Benefits of a Knock-In

- An ability to participate in favourable Exchange Rate movements to the level of the Knock-In Rate.
- Protection at all times with a known worst case Exchange Rate (Protection Rate).

6.6.4 Risks of a Knock-In

- Participation in favourable Exchange Rate movements is capped at the Knock-In Rate.
- The Protection Rate will be less favourable than the comparable Forward Exchange Rate.
- If the Spot Rate triggers the Knock-In Rate you will be obligated to trade at the Protection Rate, which may be less favourable than the Spot Rate.

6.7 Leveraged Knock-In

A Leveraged Knock-In has the same basic features as a Knock-In, with the exception that the Protection Rate and/or the Knock-In Rate are enhanced relative to the Knock In. The reason for this is that if the Spot Rate triggers the Knock-In Rate you will be obligated to trade an amount in excess of the standard Knock-In. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to.

A Leveraged Knock-In is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate. In the second you sell a Call Option to Custom House at the Protection Rate with a Knock-In Rate (an option to buy contingent upon the Spot Rate triggering the Knock-In Rate in the foreign exchange market before Expiry (or during a Window)). The Call Option will only come into existence if the Spot Rate triggers the Knock-In Rate during the term of the Leveraged Knock-In. The Notional Amount of the Call Option that you sell to Custom House will be equal to the Notional Amount of the Put Option that you have bought multiplied by an agreed Leverage Ratio.

If we agree to enter into a Leveraged Knock-In with you we will determine any credit requirements based off the Notional Amount multiplied by the Leverage Ratio.

6.7.1 Example of a Leveraged Knock-In

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

- Notional Amount: USD 50,000
- Protection Rate: 0.7630
- Knock-In Rate: 0.8500
- Expiry Date: 6 months
- Leverage Ratio: 1:2

6.7.2 Possible Outcomes at Expiry

a) If the Knock-In Rate (0.8500) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7630), say 0.7200, the importer will buy USD50,000 at 0.7630.
- If the Spot Rate is more favourable than the Protection Rate (0.7630), say 0.8200, the importer will be able to buy USD at 0.8200 (although there is no obligation to do so).

b) If the Knock-In Rate (0.8500) has been triggered:

- If the Spot Rate is more favourable than the Protection Rate (0.7630), say 0.8200, the importer will be obligated to buy USD 100,000 at 0.7630.
- If the Spot Rate is less favourable than the Protection Rate (0.7630), say 0.7200, the importer will buy USD 50,000 at 0.7630.

6.7.3 Benefits of a Leveraged Knock-In

- An ability to achieve an enhanced Protection Rate comparative to a standard Knock-In structure.
- An ability to participate in favourable Exchange Rate movements to the level of the Knock-In Rate.
- Protection at all times with a known worst case Exchange Rate (Protection Rate).

6.7.4 Risks Of a Leveraged Knock-In

- Participation in favourable currency movements is capped at the level of the Knock-In Rate.
- If the Knock-In Rate is triggered during the term and the Spot Rate is more favourable than the Protection Rate

at Expiry, you will be obligated to trade a multiple of the Notional Amount at the less favourable Protection Rate.

6.8 Knock-In Collar

A Knock-In Collar is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate") whilst giving you the potential to take advantage of favourable currency movements to the level of a Knock-In Rate. If the Knock-In Rate is triggered before Expiry (or during a Window) you are knocked in to a collar structure.

A Knock-In Collar is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate. In the second you sell a Call Option to Custom House at the Participation Rate with a Knock-In Rate (an option to buy contingent upon the Spot Rate triggering the Knock-In Rate before Expiry (or during a Window)). This Call Option will only come into existence if the Spot Rate triggers the Knock-In Rate during the term of the Knock-In Collar.

6.8.1 Example of a Knock-In Collar

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

- Protection Rate: 0.7350
- Knock-In Rate: 0.8150
- Participation Rate: 0.7700
- Expiry Date: 6 months

6.8.2 Possible Outcomes at Expiry

a) If the Knock-In Rate (0.8150) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7350), say 0.7200, the importer will buy USD 100,000 at 0.7350.
- If the Spot Rate is more favourable than the Protection Rate (0.7350), say 0.7600, the importer will be able to buy USD 100,000 at the 0.7600 (although there is no obligation to do so).

b) If the Knock-In Rate (0. 8150) has been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7350), say 0.7200, the importer will buy USD 100,000 at 0.7350.
- If the Spot Rate is more favourable than the Participation Rate (0.7700), say 0.7900, the importer will be obligated to buy USD 100,000 at 0.7700.
- If the Spot Rate lies between the Protection Rate (0.7350) and the Participation Rate (0.7700) say 0.7600, the importer will be able to buy USD 100,000 at 0.7600 (although there is no obligation to do so).

6.8.3 Benefits of a Knock-In Collar

- An ability to participate in favourable Exchange Rate movements to the level of the Knock-In Rate. When the Knock-In Rate has been triggered participation in favourable movements to the Participation Rate remains possible.
- Protection at all time with a known worst case Exchange Rate.

6.8.4 Risks of a Knock-In Collar

- The Protection Rate will be less favourable than the comparable Forward Exchange Rate and the comparable standard Knock-In structure.
- Participation in favourable movements in the Exchange Rate is capped to the level of the Participation Rate.
- If the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window) and the Spot Rate is more favourable than the Participation Rate at Expiry you will be obligated to trade at the Participation Rate.

6.9 Knock-In Participating Forward

A Knock-In Participating Forward is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate on a percentage of your Notional Amount provided that a Knock-In Rate is not triggered during the term of the structure (or during a Window).

A Knock-In Participating Forward is structured by entering into three concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate. In the second you sell a Call Option to Custom House at the Protection Rate. The Call Option that you sell to us will be for a percentage of the Notional Amount of your Put Option (the "Obligation Percentage"). In the third option you sell a Call Option to Custom House at the Protection Rate with a Knock-In Rate (an option that is contingent upon the Spot Rate triggering the Knock-In Rate before Expiry (or during a Window)). The amount of third option will be equal to the Notional Amount of the first option less the Obligation Percentage of the second option.

6.9.1 Example of a Knock-In Participating Forward

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

- Protection Rate: 0.7550
- Knock-In Rate: 0.8300
- Obligation Percentage: 50%
- Expiry Date: 6 months

6.9.2 Possible outcomes at Expiry

a) If the Knock-In Rate (0.8300) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7550), say 0.7200, the importer will buy 100,000 USD at 0.7550.

- If the Spot Rate is more favourable than the Protection Rate (0.7550), say 0.7800, the importer will be obligated to buy USD50,000 at 0.7550. The importer will then be able to buy the remaining USD at 0.7800 (although there is no obligation to do so).

b) If the Knock-In Rate (0.8300) has been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7550), say 0.7200, the importer will buy USD100,000 at 0.7550.
- If the Spot Rate is more favourable than the Protection Rate (0.7550), say 0.7800, the importer will be obligated to buy USD100,000 at 0.7550.

6.9.3 Benefits of a Knock-In Participating Forward

- There is the ability to participate in favourable Exchange Rate movements, provided the Knock-In Rate has not been triggered.
- There is protection at all times with a known Protection Rate.
- The Protection Rate and/or the Obligation Percentage are more favourable than the rates applicable to a comparable Participating Forward.

6.9.4 Risks of a Knock-In Participating Forward

- The Protection Rate will be less favourable than the Exchange Rate applicable to a comparable FEC even when applying the Knock-In Rate.
- Part of your exposure must be traded at the Protection Rate at Expiry. If the Spot Rate at Expiry is more favourable than the Protection Rate you will be obligated to trade at the less favourable Protection Rate.
- If the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window) and the Spot Rate is more favourable than the Protection Rate you will be obligated to trade the full Notional Amount of the structure at the Protection Rate.

6.10 Knock-In Reset

The Knock-In Reset is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate provided that a Knock-In Rate is not triggered. If the Knock-In Rate is triggered, then you must deal at an agreed rate (the "**Reset Rate**"), which would be similar to the Exchange Rate of a comparable FEC. The Reset Rate will be more favourable than the Protection Rate and less favourable than the Knock-In Rate.

A Knock-In Reset is structured by entering into three concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate with a Knock-Out Rate (an option to sell that ceases to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window)). In the second you buy a Put Option from Custom House at the Reset Rate with a Knock-In Rate (an option that is contingent upon the Spot Rate triggering the Knock-In Rate before Expiry (or during a Window)). In the third you sell a Call Option to Custom House at the Reset Rate with a Knock-In Rate (an option that is contingent upon the Spot Rate triggering the Knock-In Rate before Expiry (or during a Window)). All options will have the same Notional Amount, and the Knock-Out and Knock-In Rates will be at the same Exchange Rate.

6.10.1 Example of a Knock-In Reset

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

- Protection Rate: 0.7350
- Reset Rate: 0.7600
- Knock In Rate: 0.8300
- Knock Out Rate 0.8300
- Expiry Date: 6 months

6.10.2 Possible Outcomes at Expiry

a) If the Knock-In/Out Rate (0.8300) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7350), say 0.7200, the importer will buy USD100,000 at 0.7350.
- If the Spot Rate is more favourable than the Protection Rate (0.7350), say 0.7500, the importer will be able to buy USD100,000 at 0.7500 (although there is no obligation to do so).

b) If the Knock-In/Out Rate (0.8300) has been triggered:

- If the Spot Rate is less favourable than the Reset Rate (0.7600), say 0.7400, the importer will buy USD 100,000 at the Reset Rate of 0.7600.
- If the Spot Rate is more favourable than the Reset Rate (0.7600), say 0.7800, the importer will be obligated to buy USD100,000 at the Reset Rate of 0.7600.

6.10.3 Benefits of a Knock-In Reset

- There is the ability to participate in favourable Exchange Rate movements on the full Notional Amount, provided the Knock-In/Out Rate has not been triggered.
- There is protection at all times with a known Protection Rate.
- Should the Knock-In/Out Rate be triggered, you will be knocked in to the Reset Rate that is more favourable to you than the Protection Rate available for a standard Knock-In structure.

6.10.4 Risks of a Knock-In Reset

- The Protection Rate will be less favourable than the Exchange Rate applicable to a comparable FEC and a comparable standard Knock-In.

- If the Knock-In/Out Rate is triggered you will be obligated to trade the full Notional Amount at the Reset Rate that could be less favourable to you than the Spot Rate at Expiry.

6.11 Knock-In Convertible

The Knock-In Convertible is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate") whilst giving you the potential to take advantage of favourable currency movements to the level of a Knock-In Rate. If the Knock-In Rate is triggered before Expiry (or during a Window), you will be obligated to trade at the Protection Rate on Expiry unless a Knock-Out Rate has also been triggered. If the Knock-Out Rate is triggered, you are left with a Vanilla Option and no obligation. A PDS for Vanilla Options issued by Custom House dated 29 June 2015 is available from http://business.westernunion.com.au/about/compliance/

A Knock-In Convertible is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate. In the second you sell a Call Option to Custom House at the Protection Rate with a Knock-In Rate and a Knock-Out Rate (an option to buy contingent upon the Spot Rate triggering the Knock-In Rate prior to Expiry that will ceases to exist if the Spot Rate triggers the Knock-Out Rate prior to Expiry (or during a Window)).

6.11.1 Example of a Knock-In Convertible

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

- Protection Rate: 0.7350
- Knock-In Rate: 0.8200
- Knock-Out Rate: 0.7200
- Expiry Date: 6 months

6.11.2 Possible Outcomes at Expiry

a) If the Knock-Out Rate has not been triggered and the Knock-In Rate has been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7350), say 0.7300, the importer will buy USD 100,000 at 0.7350.
- If the Spot Rate is more favourable than the Protection Rate (0.7350), say 0.7800, the importer will be obligated to buy USD100,000 at the Protection Rate (0.7350).

b) If the Knock-Out Rate has not been triggered and the Knock-In Rate has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7350), say 0.7300, the importer will buy USD 100,000 at 0.7350.
- If the Spot Rate is more favourable than the Protection Rate (0.7350), say 0.7800, the importer will be able to buy USD 100,000 at 0.7800 (although there is no obligation to do so).

c) If the Knock Out Rate (0.8250) has been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7350), say 0.7300, the importer will buy USD 100,000 at 0.7350.
- If the Spot Rate is more favourable than the Protection Rate (0.7350), say 0.7800, the importer will be able to buy USD100,000 at 0.7800 (although there is no obligation to do so).

6.11.3 Benefits of a Knock-In Convertible

- Protection at all time with a known worst case Exchange Rate (Protection Rate).
- Ability to participate in favourable currency movements.
- If the Knock-Out Rate has been triggered and the Knock-In Rate has not been triggered participation in favourable movements is possible to any level.

6.11.4 Risks of a Knock-In Convertible

- If the Knock-Out Rate has not been triggered participation in favourable movements is capped at the Knock-In Rate.
- If the Knock-Out Rate has not been triggered and the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window) and the Spot Rate is more favourable than the Protection Rate at Expiry you will be obligated to trade at the less favourable Protection Rate.

6.12 Knock-Out

The Knock-Out is a Structured Option that gives you limited protection at an Exchange Rate that is more favourable than the Exchange Rate that would apply to an equivalent Forward Exchange Contract (an "Enhanced Rate") provided that a specified Exchange Rate (the "Knock-Out Rate") is not triggered before Expiry (or during a Window). If this occurs the contract ceases to exist. A Knock-Out gives you an Enhanced Rate relative to a comparative FEC.

A Knock-Out is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Enhanced Rate with a Knock-Out Rate (an option to sell that ceases to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window)). In the second you sell a Call Option to Custom House at the Enhanced Rate with the same Knock-Out Rate.

6.12.1 Example of a Knock-Out

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

- Enhanced Rate: 0.7900
- Knock-Out Rate: 0.7300
- Expiry Date: 6 months

6.12.2 Possible Outcomes at Expiry

a) If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate (0.7900), say 0.7600, the importer will buy USD 100,000 at 0.7900.
- If the Spot Rate is more favourable than the Enhanced Rate (0.7900), say 0.8200, the importer will be obligated to purchase USD 100,000 at 0.7900.

b) If the Knock-Out Rate has been triggered the structure is terminated and there is no obligation on either party.

6.12.3 Benefits of a Knock-Out

- A Knock Out provides an enhanced Exchange Rate (Enhanced Rate) relative to a comparative FEC.

6.12.4 Risks of a Knock-Out

- If the Knock-Out Rate is triggered before Expiry, there is no foreign exchange protection and you may potentially have to transact at a less favourable Exchange Rate.
- If the Spot Rate is trading at an Exchange Rate that is more favourable than the Enhanced Rate at Expiry (and the Knock-Out Rate has not been triggered) you will be obligated to trade at the less favourable Enhanced Rate.

6.13 Leveraged Knock-Out

A Leveraged Knock-Out is a leveraged Structured Option that gives you limited protection at an Enhanced rate provided that a specified Knock-Out Rate has not been triggered before Expiry (or during a Window). If this occurs the contract ceases to exist.

The Enhanced Rate applicable to a Leveraged Knock-Out will be more favourable than a comparable standard Knock-Out.

Because there is a leveraged component associated with a leveraged Knock-Out you may be obligated to exchange an amount of currency that is greater than the Notional Amount (i.e. the contract Notional Amount multiplied by a Leverage Ratio).

A Leveraged Knock-Out is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Enhanced Rate with a Knock-Out Rate (an option to sell that ceases to exist if the Knock-Out Rate is triggered before Expiry (or during a Window)). In the second you sell a Call Option to Custom House at the Enhanced Rate with a Knock-Out Rate (an option to buy that ceases to exist if the Knock-Out Rate is triggered before Expiry (or during a Window)). The Notional Amount of the Call Option that you sell to Custom House will be equal to the Notional Amount of the Put Option that you have bought multiplied by an agreed Leverage Ratio.

If we agree to enter into a Leveraged Knock-Out with you we will determine any credit requirements based off the Notional Amount multiplied by the Leverage Ratio.

6.13.1 Example of a Leveraged Knock-Out

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

- Notional Amount: USD 50,000
- Enhanced Rate: 0.8100
- Knock-Out Rate: 0.7000
- Expiry Date: 6 months
- Leverage Ratio: 1:2 (bought: sold)

6.13.2 Possible Outcomes at Expiry

a) If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate (0.8100), say 0.7500, the importer will buy USD 50,000 at 0.8100.
- If the Spot Rate is more favourable than the Enhanced Rate (0.8100), say 0.8300, the importer will be obligated to buy USD 100,000 at 0.8100.

b) If the Knock-Out Rate has been triggered:

- the leveraged structure is terminated and there is no obligation on either party.

6.13.3 Benefits of a Leveraged Knock-Out

- An ability to achieve a more favourable Enhanced Rate relative to a comparative standard Knock-Out.

6.13.4 Risks of a Leveraged Knock-Out

- If the Knock-Out Rate level is triggered, you can be left with no protection against unfavourable currency movements.
- If the Knock-Out Rate is not triggered and the Spot Rate is more favourable then the Enhanced Rate at Expiry you will be obligated to trade a multiple of the Notional Amount at the less favourable Enhanced Rate.

6.14 Knock-Out Collar

The Knock Out-Collar is a Structured Option which gives you limited protection at an Enhanced Rate and the ability to participate in favourable movements in the Spot Rate between the Enhanced Rate and a Participation Rate.

The protection that it provides and the ability to participate in favourable movements are contingent upon the Knock-Out Rate not being triggered before Expiry (or during a Window). If this occurs the contract ceases to exist. A Knock-Out Collar gives you a more favourable Enhanced and/or Participation Rates relative to a comparative standard Collar.

A Knock-Out Collar is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Enhanced Rate with a Knock-Out Rate (an option to sell that ceases to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window)). In the second you sell a Call Option to Custom House at the

Participation Rate with a Knock-Out Rate (an option to buy that ceases to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window)).

6.14.1 Example of a Knock-Out Collar

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

- Enhanced Rate: 0.7800
- Participation Rate: 0.8100
- Knock-Out Rate: 0.7200
- Expiry Date: 6 months

6.14.2 Possible Outcomes at Expiry

a) If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate (0.7800), say 0.7500 the importer will buy USD 100,000 at the Enhanced Rate of 0.7800.
- If the Spot Rate is more favourable than the Participation Rate (0.8100), say 0.8300, the importer will be obligated to buy USD 100,000 at the Participation Rate of 0.8100.
- If the Spot Rate lies between the Enhanced Rate (0.7800) and the Participation Rate (0.8100), say 0.8000, the importer will be able to buy USD100,000 at 0.8000 (although there is no obligation to do so).

b) If the Knock-Out Rate has been triggered the structure is terminated and there is no obligation on either party.

6.14.3 Benefits of a Knock-Out Collar

- A Knock-Out Collar provides enhanced Participation and/or Enhanced Rates relative to a comparative standard Collar.
- Provided that the Knock-Out Rate is not triggered you have the ability to participate in favourable Exchange Rate movements up to the Participation Rate.

6.14.4 Risks of a Knock-Out Collar

- If the Knock-Out Rate is triggered prior to Expiry, there is no foreign exchange protection and you may have to transact at a less favourable Exchange Rate.
- If the Spot Rate is trading at an Exchange Rate that is more favourable than the Participation Rate at Expiry (and the Knock-Out Rate has not been triggered) you will be obligated to trade at the less favourable Participation Rate.

6.15 Leveraged Knock-Out Collar

A Leveraged Knock-Out Collar has the same basic features as a Knock-Out Collar, with the exception that the Enhanced Rate and the Knock-Out Rate are enhanced relative to the Knock-Out Collar. A Leveraged Knock-Out Collar gives you limited protection against the risk that the Spot Rate will be less favourable than the Enhanced Rate and the ability to participate in favourable movements in the Spot Rate between the Enhanced Rate and a Participation Rate.

The protection it provides and the ability to participate in favourable movements is contingent upon a specified Knock-Out Rate not being triggered before Expiry (or during a Window). If this occurs the contract ceases to exist.

Because there is a leveraged component associated with a Leveraged Knock-Out Collar you may be obligated to exchange an amount of currency that is greater than the Notional Amount (i.e. the contract Notional Amount multiplied by a Leverage Ratio).

A Leveraged Knock-Out Collar is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Enhanced Rate with a Knock-Out Rate (an option to sell that ceases to exist if the Knock-Out Rate is triggered before Expiry (or during a Window)). In the second you sell a Call Option to Custom House at the Participation Rate with a Knock-Out Rate (an option to buy that ceases to exist if the Knock-Out Rate is triggered before Expiry (or during a Window)). The Notional Amount of the Call Option that you sell to Custom House will be equal to the Notional Amount of the Put Option that you have bought multiplied by the Leverage Ratio.

If we agree to enter into a Leveraged Knock-Out Collar with you we will determine any credit requirements based off the Notional Amount multiplied by the Leverage Ratio.

6.15.1 Example of a Leveraged Knock-Out Collar

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

- Notional Amount: USD 50,000
- Enhanced Rate: 0.8000
- Participation Rate: 0.8400
- Knock-Out Rate: 0.7000
- Expiry Date: 6 months
- Leverage Ratio: 1:2

6.15.2 Possible Outcomes at Expiry

a) If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate (0.8000), say 0.7500 the importer will buy USD 50,000 at 0.8000.
- If the Spot Rate is more favourable than the Participation Rate (0.8400), say 0.8500, the importer will be obligated to buy USD 100,000 at 0.8400.
- If the Spot Rate lies between the Enhanced Rate (0.8000) and the Participation Rate (0.8400), say 0.8200, the importer will be able to buy USD at 0.8200 (although there is no obligation to do so).

b) If the Knock-Out Rate (0.7000) has been triggered the leveraged structure is terminated and there is no obligation on either party.

6.15.3 Benefits of a Leveraged Knock-Out Collar

- An ability to achieve enhanced Exchange Rates relative to a comparable standard Knock-Out Collar.
- An ability to participate in favourable Exchange Rate movements up to the Participation Rate provided that the Knock-Out Rate has not been triggered.

6.15.4 Risks of a Leveraged Knock-Out Collar

- If the Knock-Out has been triggered you can be left with no protection against unfavourable Exchange Rate movements.
- If the Spot Rate is trading at a level that is more favourable than the Participation Rate at Expiry (and the Knock-Out Rate has not been triggered), you will be obligated to trade a multiple of the Notional Amount at the less favourable Participation Rate.

6.16 Knock-Out Participating

The Knock-Out Participating is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate on a percentage of your Notional Amount provided that a Knock-Out Rate has not been triggered during the term of the structure.

A Knock-Out Participating is constructed by entering into three concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate. In the second you sell a Call Option to Custom House at the Protection Rate. The Call Option that you sell to us will be for a percentage of the Notional Amount of your Put Option (the "Obligation Percentage"). In the third option you sell a Call Option to Custom House at the Protection Rate with a Knock-Out Rate (an option to buy that ceases to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window)). The Notional Amount for the Call Option that you sell to us will be equal to the Notional Amount of the first option less the Notional Amount of the second option (calculated by applying the Obligation Percentage).

6.16.1 Example of a Knock-Out Participating

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

- Protection Rate 0.7500
- Knock-Out Rate 0.7400
- Obligation Percentage 50%
- Expiry Date 6 months

6.16.2 Possible Outcomes at Expiry

a) If the Knock-Out Rate has not been triggered:

- If the Spot Rate is more favourable than the Protection Rate (0.7500), say 0.7800, the importer will be obligated to buy USD 100,000 at 0.7500.
- If the Spot Rate is less favourable than the Protection Rate (0.7500), say 0.7450, the importer will buy USD 100,000 at 0.7500.

b) If the Knock-Out Rate has been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7500), say 0.7200, the importer will buy USD 100,000 at 0.7500.
- If the Spot Rate is more favourable than the Protection Rate (0.7500), say 0.7800, the importer will be obligated to buy USD50,000 at 0.7500. The importer may also buy the remaining USD50,000 at 0.7800 (although there is no obligation to do so).

6.16.3 Benefits of a Knock-Out Participating

- An ability to participate in favourable Exchange Rate movements on a portion of your exposure if the Knock-Out Rate is triggered.
- Protection at all times with a known worse case Exchange Rate.
- The Protection Rate and/or the Obligation Percentage are more favourable than the Exchange Rates applicable to a comparable standard Participating Forward.

6.16.4 Risk of a Knock-Out Participating

- The Protection Rate will be less favourable than the Exchange Rate applicable to a comparable FEC.
- If the Spot Rate at Expiry is more favourable than the Protection Rate and the Knock-Out Rate has not been triggered, you will be obligated to trade at the less favourable Protection Rate.
- If the Spot Rate at Expiry is more favourable than the Protection Rate and the Knock-Out Rate has been triggered you will be obligated to trade the Obligation Percentage at the less favourable Protection Rate.

6.17 Knock-Out Reset

The Knock-Out Reset is a Structured Option that gives you the benefit of achieving an enhanced Exchange Rate (the "Enhanced Rate") compared to the equivalent Forward Exchange Rate provided that the Spot Rate remains within a specified range for the entire term of the structure. A Knock-Out Reset will always provide you with a guaranteed worst case Exchange Rate allowing you to protect against the risk that the Spot Rate is less favourable at Expiry of the contract.

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

i. You buy a Put Option from Custom House at the Enhanced Rate with a double Knock-Out Rate (an option to sell that ceases to exist if either Knock-Out Rate is triggered before Expiry (or during a Window)).

ii. You sell a Call Option to Custom House at the Enhanced Rate with a double Knock-Out Rate (an option to sell that ceases to exist if either Knock-Out Rate is triggered before Expiry (or during a Window)).

iii. You buy a Put Option from Custom House at the Reset Rate with a double Knock-In Rate (an option to sell that only exists if either Knock-In Rate is triggered before Expiry (or during a Window)).

iv. (You sell a Call Option to Custom House at the Reset Rate with a double Knock-In Rate (an option to buy that only exists if either Knock-In Rate is triggered before Expiry (or during a Window)).

6.17.1 Example of a Knock-Out Reset

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

- Enhanced Rate 0.7800
- Reset Rate 0.7300
- Knock-In/Out Rates 0.8300 and 0.7100
- Expiry Date 6 months

6.17.2 Possible outcomes at Expiry

a) If the higher Knock-In/Out Rate (0.8300) or the lower Knock-In/Out Rate (0.7100) has not been triggered:

- the importer will be obligated to buy USD 100,000 at 0.7800.

b) If the higher Knock-In/Out Rate (0.8300) or the Lower Knock-In/Out Rate (0.7100) has been triggered:

- the importer will be obligated to buy USD 100,000 at 0.7300.

6.17.3 Benefits of a Knock-Out Reset

- Ability to achieve an Enhanced Rate over the comparative Forward Exchange Rate if the Knock-In/Out Rate has not been triggered.
- Protection at all time with a known worst case Exchange Rate.

6.17.4 Risks of a Knock-Out Reset

- If either Knock-In/Out Rate is triggered you will be trading at the Reset Rate that is less favourable than the comparative Forward Exchange Rate.
- There is potential to be transacting at an Exchange Rate that is less favourable than the Spot Rate at Expiry.

6.18 Knock-Out Convertible

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

A Knock-Out Convertible is structured by entering into two concurrent options. In the first you buy a Put Option from Custom House at the Protection Rate. In the second, you sell a Call Option to Custom House at the Protection Rate with a Knock-Out Rate (an option to buy that ceases to exist if the Knock-Out Rate is triggered before Expiry (or during a Window)).

6.18.1 Example of a Knock-Out Convertible

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

- Protection Rate: 0.7400
- Knock-Out Rate: 0.7300

Expiry Date: 6 months

6.18.2 Possible outcomes at Expiry

a) If the Knock-Out Rate (0.7300) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7400), say 0.7350, the importer will buy USD 100,000 at 0.7400.
- If the Spot Rate is more favourable than the Protection Rate (0.7400), say 0.7800, the importer will be obligated to buy USD 100,000 at 0.7400.

b) If the Knock-Out Rate (0.7300) has been triggered:

- If the Spot Rate is less favourable than the Protection Rate (0.7400), say 0.7200, the importer will buy USD 100,000 at 0.7400.
- If the Spot Rate is more favourable than the Protection Rate (0.7400), say 0.7800, the importer may buy USD at 0.7800 (although there is no obligation to do so).

6.18.3 Benefits of a Knock-Out Convertible

- An ability to participate in favourable Exchange Rate movements if the Knock-Out Rate has been triggered.
- Protection at all times with a known worst case Exchange Rate.

6.18.4 Risks of a Knock-Out Convertible

- The Protection Rate will be less favourable than the Exchange Rate applicable to a comparable FEC.
- If the Spot Rate at Expiry is more favourable than the Protection Rate and the Knock-Out Rate has not been triggered, you will be obligated to trade at the less favourable Protection Rate.

7. Credit Requirements for a Structured Option

When you enter into a Structured Option with Custom House, you immediately create a liability to us (at the **Trade Date** not the Expiry Date), which can increase with unfavourable market movements. Over the life of a Structured Option, as the Spot Rate moves, the **Marked to Market** value of the contract may be **In-The-Money (ITM)**, **Out-of-The-Money (OTM)** or **At-The-Money (ATM)**. That is, if the contract had to be cancelled at any time, it would result in a gain (if ITM), a loss (if OTM) or breakeven (if ATM). To manage this **Market Risk** Custom House may initially secure the Structured Option contract by requiring you to pay an **Initial Margin**. During the term of the Structured Option contract Custom House may also require you to pay a **Margin Call** to further secure your Structured Option's contracts and other FECs you hold with us. Alternatively Custom House may apply a **Credit Limit** against the Market Risk or a combination of a Credit Limit, Initial Margin and/or Margin Call.

All payments made in respect of your Structured Option as described in this Section 7 will be applied to satisfy your payment obligation on the Expiry Date, if applicable.

7.1 Initial Margins

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

An Initial Margin is taken to secure Custom House potential risk exposure resulting from adverse currency movements that negatively impact the value of the funds you may be required to purchase from us. An Initial Margin is a prepayment by you of your potential payment obligations on the Expiry Date and will be applied to the Settlement of your Structured Option if applicable. An Initial Margin is not a deposit and Custom House does not pay interest on an Initial Margin.

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

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

7.2 Margin Calls

We will monitor the Marked to Market value of all of your foreign exchange exposures with us on an ongoing basis. Should your Structured Options(s) (and any FECs you may hold with us) move OTM in excess of the Initial Margin or your Credit Limit, or a combination of both, Custom House may secure the resulting increased risk through a Margin Call.

A Margin Call is an amount of money that you are required to pay to Custom House to reduce its risk exposure to a level acceptable to Custom House. If a Margin Call is required, Custom House will advise you immediately. In the absence of default by you of your payment obligations to Custom House all Margin Call amounts will be applied to the Settlement of your Structured Options contracts if applicable. A Margin Call is not a deposit and Custom House does not pay interest on a Margin Call.

Payment of a Margin Call must be made within two (2) Business Days of Custom House' request. If you fail to pay a Margin Call, Custom House may at its discretion, choose to close some or all of your Structured Options (or any FECs if applicable) by applying the prevailing market foreign Exchange Rate. In such circumstances you will be liable to Custom House for all costs associated with terminating the relevant contracts.

7.3 Credit Limits

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

Custom House may apply a Credit Limit against each individual Structured Option contract that you enter into or against your entire portfolio of Structured Options contracts or FECs (where applicable). Please refer to the Custom House Terms and Conditions for further information on Credit Limits.

7.4 Client Money

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

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

Segregated Account in the following circumstances:

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

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

7.5 Client Money Risk

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

8. Cost of a Structured Option

8.1 Interest

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

8.2 Premium

Custom House, in consultation with you, sets the variables associated with any Structured Option at particular levels in order to create a "No Premium" cost structure. When setting those variables, Custom House takes into account a variety of factors, similar to those used in calculating **Premiums**:

- The Notional Amount, the term, and any other rates applicable to a particular structure (Participation Rate, Knock-In/Out Rates etc).
- Current market foreign Exchange Rates and the interest rates of the countries whose currencies are being contracted.
- Market Volatility.

Where a "No Premium" structure is created, there is no up front Premium payable for a Structured Option. If however, you wish to nominate an improved Protection Rate or any other Exchange Rate or variable associated with a particular Structured Option, an up-front non refundable Premium may be payable. Custom House will calculate the amount of the Premium and advise you of the amount before you enter into the transaction. Where applicable, Premiums must be paid in cleared funds within two (2) Business Days of the Trade Date.

8.3 Exchange Rate

Custom House sets its Exchange Rate to you by applying a **Retail Mark Up (Mark Up)** to the Interbank Exchange Rate that it receives from its **Hedging Counterparties**. The Mark Up is how Custom House makes a profit. Custom House determines this Mark Up by taking account of a number of factors, including:

- the size of the transaction measured by Notional Amount, where the smaller the Notional Amount the larger the Mark Up may be;
- the Currency Pair where the less Liquidity in the pair the greater the Mark Up may be;
- Market Volatility where high Volatility may result in an increased Mark Up;
- the **Time Zone** you choose to trade in where if trading on public holidays or weekends may see increased Mark Ups; and
- the frequency with which you trade with Custom House, where the more frequently you transact the Mark Up may be reduced.

8.4 Transaction Fees

You may be charged some transaction fees upon Settlement or delivery of a Structured Option at Expiry, if this is carried out via a **Telegraphic Transfer** or **Draft**. Transaction fees for Telegraphic Transfers and Drafts are in addition to the costs detailed above. More information on Telegraphic Transfers or Drafts is available in "Custom House Foreign Exchange Transactions PDS" dated 29 June 2015 and available from our website at http://business.westernunion.com.au/about/compliance/.

Custom House will advise you of any transaction fees before you establish a trading relationship. Custom House may vary these fees from time to time and will provide you with notice prior to doing so.

In addition to the fees charged by Custom House for sending payments by Telegraphic Transfer, any Correspondent, **Intermediary** or **Beneficiary Bank(s)** which facilitates the sending or payment of a Telegraphic Transfer may impose their own additional fees or charges which may be deducted from the amount paid to you or your Beneficiary.

9. Benefits of Structured Options

We have described the particular benefits that attach to each Structured Option that Custom House provides in Section 6 "Custom House Structured Options" above. In addition the following are general key benefits of Structured Options:

- Structured Options help you manage the risk inherent in currency markets by predetermining the Exchange Rate and **Value Date** on which you will purchase or sell a given amount of foreign currency against another currency. This can provide you with protection against unfavourable foreign Exchange Rate movements between the Trade Date and the Value Date. This may also assist you in managing your cash flow by negating the uncertainty associated with Exchange Rate fluctuations for the certainty of a specified cash flow.

- Structured Options are flexible. Value Dates and Notional Amounts can be tailored to meet your requirements. You also have additional flexibility to participate in certain favourable Exchange Rate movements and may be able to achieve an enhanced Exchange Rate comparable to the equivalent Forward Exchange Rate depending on the Structured Option that you enter.

10. Risks of Structured Options

We have described the particular risks that attach to each Structured Option that Custom House provides in Section 6 "Custom House Structured Options" above. In addition the following are general risks of Structured Options:

- **Market Volatility.** The foreign exchange markets in which Custom House operates are OTC and can change rapidly. These markets are speculative and volatile with the risk that prices will move quickly. When this occurs the value of your Structured Option may be significantly less that than when you entered into the contract. Custom House cannot guarantee that you will not make losses, (where your Structured Option is OTM) or that any unrealised profit or losses will remain unchanged for the term of the Structured Option. You need to monitor your Structured Options with Custom House carefully providing Custom House with Instructions before unacceptable losses occur.
- **Issuer Risk.** When you enter into a Structured Option you are relying on Custom House's financial ability as Issuer to be able to perform its obligation to you. As a result you are exposed to the risk that Custom House becomes insolvent and is unable to meet its obligations to you under a Structured Option. To assess our financial ability to meet our obligations to you, you can obtain a copy of our financial statements, free of charge by emailing wubscustomerserviceaustralia@westernunion.com.
- **Counterparty Risk.** There is also a risk that the Hedging Counterparties with whom Custom House contracts to mitigate its exposure when acting as principal to the Structured Options (by taking related offsetting or mitigating positions) may not be able to meet their contractual obligations to Custom House. This means that Custom House could be exposed to the insolvency of its Hedging Counterparties and to defaults by Hedging Counterparties. If a Hedging Counterparty is insolvent or defaults on its obligations to Custom House, then this could give rise to a risk that Custom House defaults on its obligations to you.
- **Amendments/Cancellations.** Pre-Deliveries or the close-out/cancellation of a Structured Option may result in a financial loss to you. Custom House will provide a quote for such services based on market conditions prevailing at the time of your request.
- **Cooling-off.** There is no cooling-off period. This means that once your Instruction to enter into a Structured Option has been accepted by Custom House you are unable to cancel your Structured Option without incurring a cost.
- **Default Risk.** If you fail to pay an Initial Margin or a Margin Call in accordance with the Terms and Conditions or fail to provide Settlement on the Value Date we may terminate your Structured Option. In the event that we do you will be liable for all costs that we incur including the payment of any OTM position that exists with respect to your Structured Option.
- **Conflicts of interest.** Custom House enters into transactions with a number of different Clients and Hedging Counterparties that may be in conflict with your interests under the Structured Option(s) you have entered into with us. Custom House is not required to prioritise your interests when dealing in Structured Options with you.

11. Orders, Instructions, Confirmations and Telephone Conversations

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

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

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

12. Terms and Conditions and Other Documentation

12.1 Terms and Conditions

Each Structured Option contract you enter into will be subject to the Terms and Conditions. You will be required to sign these before entering into a Structured Option contract with us for the first time.

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

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

We recommend that you seek your own professional advice in order to fully understand the consequences of entering into a Structured Option.

12.2 Other Information.

In addition to our Terms and Conditions you will also need to provide us with the following signed documentation together with such other "Know Your Customer" information (including credit related information) that Custom House may require including a **Direct Debit Request** form. Copies of forms can be obtained by contacting your Custom House Representative.

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

- verification of a Customer's identity in accordance with relevant **AML/CTF** laws;
- a successful credit check conducted through a third party credit agency;
- an AML/CTF risk assessment considering relevant factors such as the nature of a Customer's business and the country where the Customer will make or receive payments; and
- a check of a Customer's principal officers and beneficial owners against relevant government issued sanction lists.

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

13. Dispute Resolution.

You should address any complaint relating to the Structured Options described in this PDS to your Custom House Representative in the first instance.

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

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

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

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

Financial Ombudsman Service (FOS)

GPO Box 3 Melbourne, Victoria 3001

Toll Free Number: 1300 78 08 08

www.fos.org.au

FOS operates an independent dispute resolution scheme.

14. Taxation

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

15. Privacy

In the course of providing foreign exchange services to you we will collect information about you. The information that we obtain from you or other people associated with your request is for the purpose of processing your foreign exchange transactions, providing you the services you have asked for, including processing your Structured Options, compliance and legal duties, administration and to help validate your details. Certain information may be required by us in order to comply with laws and regulations, including the **AML/CTF Act** and taxation laws. We may disclose your personal information, including without limitation your name, customer ID number, address and bank account information, (i) if we are required to do so by domestic or foreign law or legal process or (ii) to law enforcement authorities of other government officials (including those in this country, the United States or elsewhere) for purposes such as detecting, investigating, prosecuting and preventing crimes, including money laundering and related criminal activity, and the recipients may further disclose the information for these and other related purposes.

We may use your information to send you details about

Custom House products and services. If you do not wish to receive such information please notify us. We may also disclose information about you to third party service providers (such as credit checking agencies), including to countries other than the country in which the information was originally collected or created, who assist us in our business operations and service provision, including the USA for the purposes described.

You have a right to ask us to see and get a copy of your information, for which we may charge a small fee. You can also correct, erase or limit our use of the information which is incomplete, inaccurate or out of date.

Custom House is committed to complying with all privacy laws and regulations. Further information about Custom House's privacy practices can be found at www.business.westernunion.com.au/about/compliance.

If you would like further information about the way that Custom House manages the handling of personal information, or you wish to exercise your rights, please contact our privacy officer:

Email: privacy.anz@westernunion.com

Mail: Attention Privacy Officer

Level 12, 1 Margaret Street

Sydney, NSW, 2000.

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

16. Glossary of Terms

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

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

At-The-Money or (ATM) where the entry price of the Structured Option is at the current market price level.

AUD means Australian Dollar.

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

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

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

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

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

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

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

Confirmation means written or electronic correspondence from Custom House that sets out the agreed commercial details of a Structured Option.

Corporations Act means the Corporations Act 2001 (Cth).

Corporations Regulations means the Corporations Regulations 2001 (Cth).

Correspondent Bank means a financial institution that performs services for Custom House in connection with Telegraphic Transfers or Drafts provided by Custom House.

Counterparty(s) means each party to a contract.

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

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

Custom House is Custom House Currency Exchange (Australia) Pty Limited ABN 95 086 278 659, AFSL Number 238 290.

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

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

Customer/Client means the entity or person who signs Custom House' Terms and Conditions.

Direct Debit Request a type of preauthorized payment under which a Client authorises its bank to pay amounts to Custom House for Settlement of Structured Option(s) obligations.

Draft is a written order to pay a specified sum issued by or through Custom House.

Enhanced Rate means the Exchange Rate applicable to a Structured Option that is more favourable than the equivalent Forward Exchange Rate at the Expiry Date.

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

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

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

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

Forward Exchange Contract or FEC is a legally binding agreement between a Client and Custom House to exchange one currency for another at an agreed Exchange Rate on a Value Date more than two (2) Business Days after the Trade Date.

Forward Exchange Rate is the Exchange Rate at which Custom House agrees to exchange one currency for another at a future date when it enters into a FEC.

Hedging Counterparties are the parties with whom Custom House contracts to mitigate its exposure when acting as principal to Structured Options by taking related offsetting or mitigating positions.

Initial Margin means an amount of money which shall be determined by Custom House in its sole discretion and deposited with Custom House as security in connection with a Structured Option.

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

Interbank Exchange Rate means the wholesale Spot Rate that Custom House receives from the foreign exchange Interbank Market.

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

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

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

Issuer has the meaning of s 761E of the Corporations Act 2001 (Cth) and in this PDS is Custom House.

Knock-In Rate means, where applicable, the Exchange Rate that must be traded at or through in the spot foreign exchange market before the Expiry Time for the buyers right pursuant to a Call Option or Put Option to become effective.

Knock-Out Rate means, where applicable, the Exchange Rate that must be traded at or through in the spot foreign exchange market before the Expiry Time for the buyers right pursuant to a Call Option or Put Option to terminate.

Leverage Ratio means the multiple used to increase the Notional Amount obligation at Expiry of a Leveraged Structured Option (e.g.1:2).

Leveraged Structured Option means any Structured Option that includes a Leverage Ratio.

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

Margin Call is an additional payment required by Custom House as security in connection with a Structured Option.

Marked to Market refers to the market value of the Structured Option prior to Expiry Date.

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

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

Obligation Percentage is 100% of the Notional Amount value less the Participation Percentage of a Structured Option.

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

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

Participation Percentage means the Notional Amount that will be able to participate in favourable currency movements at Expiry of the Structured Option.

Participation Rate means the most advantageous Exchange Rate that can potentially be achieved in a Structured Option as agreed by Custom House and you.

PDS means Product Disclosure Statement.

Premium means, where applicable, the amount that is payable by you to Custom House on the Trade Date of a Structured Option.

Protection Rate means the worst case Exchange Rate that can be achieved in a Structured Option as agreed by Custom House and you.

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

Reset Rate means the Exchange Rate that will apply to the exchange of a Currency Pair where an applicable Knock-In or Knock-Out Rate has been triggered in a Structured Option.

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

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

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

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

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

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

Structured Options means an agreement to exchange a specified amount of one currency for another currency at a foreign Exchange Rate created through the concurrent sale and purchase of two or more Call Options and/or Put Options as described in this PDS.

Telegraphic Transfer is an electronic way of transferring funds overseas.

Terms and Conditions means the Custom House Currency Exchange (Australia) Pty Limited Terms and Conditions as amended from time to time and located at http://business.westernunion.com.au/about/compliance/.

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

Trade Date is the day you and Custom House agree to a Structured Option.

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

USD means United States Dollars.

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

Vanilla Options means a Call Option or Put Option that has standardised terms and no special or unusual features as described in the Custom House Vanilla Foreign Exchange Options PDS.

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

Window has the meaning set forth in Section 5 of this PDS.

BUSINESS SOLUTIONS