STRUCTURED OPTIONS
PRODUCT DISCLOSURE STATEMENT

ISSUE DATE: 19th February 2018

moving money for better

Issuer: WUBS Financial Services (Singapore) Pte Ltd, Registration Number: 200619104D,
Capital Markets Services License Number: CMS100116-3

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1. PURPOSE

This Product Disclosure Statement (**PDS**) is dated 19th February 2018.

This PDS contains information about Structured Foreign Exchange Options (**Structured Options**). WUBS Financial Services (Singapore) Pte Ltd, Registration Number: 200619104D, Capital Markets Services License Number: CMS100116-3 (referred to in this document as 'Western Union Business Solutions', '**WUBS**', 'we', 'our' and 'us') is providing you with this PDS so that you receive important information about 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 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 and the **Terms and Conditions**, available at http://business.westernunion.com.sg/About/Compliance-Legal/ 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 WUBS.

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

The distribution of this PDS and the offer and sale of Structured Options offered under this PDS is may be restricted by law in certain jurisdictions. WUBS 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 WUBS 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 WUBS on +65 6494 8222 or DistCustomerServicesOperations@WesternUnion.com or refer to our website www.business.westernunion.com.sg

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.sg/About/Compliance-Legal/ or request a copy by either email at DistCustomerServicesOperations@WesternUnion.com or by phone +65 6494 8222.

2.2 Updates relating to this PDS

The information in this PDS is subject to change. WUBS will replace this PDS with a new PDS where information arises that is materially adverse to the information in this PDS.

If we issue a new PDS, we will notify you by posting the new PDS on our website.

2.3 WUBS Products

Separate PDS documents are available for: (i) **Forward Exchange Contracts (FEC)**; (ii) **Vanilla Options**; and (iii) **Enhanced Structured Options**. Please contact us if you require a copy of any of these PDS documents, using the contact information contained in Section 3.1 "WUBS Contact Details" of this PDS or download from our website at

http://business.westernunion.com.sg/About/Compliance-Legal.

2.4 Financial Amounts

All financial amounts expressed in this PDS are in Singapore Dollars (**SGD**) 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 WUBS, you are exposed to **Counterparty** credit risk against WUBS. That is, you have the risk that WUBS will not meet its obligations to you under the relevant 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: DistCustomerServicesOperations@WesternUnion.com

2.7 Disclaimer

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

3. ISSUER

WUBS Financial Services (Singapore) Pte Ltd is the **Issuer** of the Structured Options described in this PDS.

This PDS was prepared by:
WUBS Financial Services (Singapore) Pte Ltd
Registration Number: 200619104D
Capital Markets Services License Number: CMS100116-3

3.1 WUBS Contact Details

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3.2 WUBS Services

WUBS 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 WUBS 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 our WUBS 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.

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 Dealers**, with **Interbank Exchange Rates** fluctuating according to supply and demand. This market is restricted to Authorised 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 geopolitical 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 WUBS you will not be able to sell or transfer your transaction, with another provider. You will only be able to reverse or cancel your Structured Option with WUBS.

4.2 Currency Limitations

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

5. 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 FECs 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 WUBS) and 'the Seller' of an option (i.e. you are selling an option to WUBS). Notwithstanding the use of these terms WUBS 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 **Tenor** 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 buyer's right pursuant to a Call Option or a Put Option to become effective (i.e. the Call Option or Put Option is contingent on the Knock-In Rate being triggered). A Knock-Out Rate is an Exchange Rate that if traded (at or beyond) in the spot foreign exchange market will result in the buyer's right pursuant to a Call Option or Put Option terminating (i.e. the Call Option or Put Option terminates if the Knock-Out Rate is triggered).

Our default position is that where a Trigger Rate is applicable it will apply for the Tenor of the Structured Option. It is possible however to apply a shorter Tenor to the Trigger Rate. We refer to these shorter Tenors 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 WUBS 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 to you the shorter the period of the Window.

Set out below is a description of each of the thirteen (13) Structured Options products that we provide.

6. WUBS 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 Singapore based importers. WUBS will provide Singapore 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 USD/SGD is 1.4000.
- The six month **Forward Exchange Rate** is 1.3970.

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 worst case 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 the best case Exchange Rate that can potentially be achieved known as the **Participation Rate**.

A Collar is structured by entering into two concurrent options.

i. You buy a Call Option from WUBS at the Protection Rate.
ii. You sell a corresponding Put Option to WUBS 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: 1.4250
- Participation Rate: 1.3900
- Expiry Date: 6 months

6.1.2 Possible Outcomes at Expiry

- If the Spot Rate is less favourable than the Protection Rate (1.4250), say 1.4500, the importer will **Exercise** its Call Option to buy USD100,000 at 1.4250
- If the Spot Rate is more favourable than the Participation Rate (1.3900), say 1.3500, WUBS will Exercise its Put Option and the importer will be obligated to buy USD100,000 at 1.3900.
- If the Spot Rate lies between the Protection Rate (1.4250) and the Participation Rate (1.3900), say 1.4000, the importer will be able to let its Call Option lapse and instead buy USD100,000 at 1.4000 (although there is no obligation to do so).

6.1.3 Benefits of a Collar

The following are specific 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

The following are specific risks of a Collar:

- The Protection Rate will be less favourable than the Forward Exchange Rate applicable to a comparable FEC.
- Participation in favourable Exchange Rate movements is capped at the Participation Rate.
- If the Spot Rate at Expiry is less favourable than the Participation Rate you will be obligated to trade at the Participation Rate.

6.2 Participating Collar

The Participating Collar is a Structured Option, which allows you to protect against the risk that the Spot Rate will be more favourable than a nominated worst case 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:

i. You buy a Call Option from WUBS at the Protection Rate.
ii. You sell a Put Option to WUBS at the Protection Rate. This Put Option will be for a percentage of the Notional Amount of your Call Option outlined in (i) (the **Obligation Percentage**), and will obligate you to trade with WUBS at the Protection Rate if the Spot Rate exceeds that level at Expiry.
iii. You sell a Put Option to WUBS at the Participation Rate. The Notional Amount of this Put Option will be equal to or less than the Notional Amount of the Call Option outlined in (i), less the Notional Amount of the Put Option outlined in (ii). This option will obligate you to trade at the Participation Rate if the Spot Rate exceeds that level at Expiry.

By electing this type of structure over a Participating Forward, outlined in 6.3 below, 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.

6.2.1 Example of a Participating Collar

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

- Protection Rate: 1.4170
- Participation Rate: 1.3900
- Obligation Percentage: 50%
- Expiry Date: 6 months

6.2.2 Possible Outcomes at Expiry

- If the Spot Rate is less favourable than the Protection Rate (1.4170), say 1.4500, the importer will Exercise its Call Option to buy USD 100,000 at 1.4170.
- If the Spot Rate is more favourable than the Protection Rate (1.4170), and less favourable than the Participation Rate (1.3900), say 1.4000, WUBS will Exercise its first Put Option and the importer will be obligated to buy USD 50,000 at 1.4170. The importer will then be able to buy the remaining USD50,000 at 1.4000 (although there is no obligation to do so).
- If the Spot Rate is more favourable than the Participation Rate (1.3900), say 1.3500, WUBS will Exercise both of its Put Options and the importer will be obligated to buy USD 50,000 at 1.4170, and will be obligated to buy another USD 50,000 at 1.3900.

6.2.3 Benefits of a Participating Collar

The following are specific benefits of a Participating Collar:

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

6.2.4 Risks of a Participating Collar

The following are specific 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.

6.3 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 worst case 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.

i. You buy a Call Option from WUBS at the Protection Rate.
ii. You sell a Put Option to WUBS at the Protection Rate. This Put Option will be for a percentage of the Notional Amount of your Call Option outlined in (i) ("Obligation Percentage") 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: 1.4200
- 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 (1.4200), say 1.4500, the importer will Exercise its Call Option and buy USD100,000 at 1.4200.
- If the Spot Rate is more favourable the Protection Rate (1.4200), say 1.3750, WUBS will Exercise its Put Option and the importer will be obligated to buy USD50,000 (USD100,000 x 50%) at 1.4200. The importer will then be able to buy the remaining USD50,000 at 1.3750 (although there is no obligation to do so).

6.3.3 Benefits of a Participating Forward

The following are specific benefits of a Participating Forward:

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

6.3.4 Risks of a Participating Forward

The following are specific risks 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 Extendible Forward

The Extendible Forward is a Structured Option, which allows you to protect against the risk that the Spot Rate will be less favourable than the nominated Exchange Rate (the Enhanced Rate) whilst giving you the potential to have additional protection for a portion of your exposure, which we refer to as the '**Extendible Amount**', for a further period of time after the first Expiry Date depending on the level of the Spot Rate on the first Expiry Date (or during a Window).

An Extendible Forward is structured by entering into four concurrent options.

i. You buy a Call Option from WUBS, giving you the right to buy the Notional Amount from WUBS at the Enhanced Rate on the first Expiry Date.

ii. You sell a corresponding Put Option to WUBS, giving WUBS the right to sell the Notional Amount to you at the Enhanced Rate on the first Expiry Date.

iii. You buy a Call Option from WUBS, giving you the right to purchase the Extendible Amount on the second Expiry Date at the Enhanced Rate. The Extendible Amount will be the same value as or less than the Notional Amount. This option has a Knock-In Rate, which means that this option is contingent upon the Spot Rate triggering the Knock-In Rate on the first Expiry Date (or during a Window).

iv. You sell a Put Option to WUBS, giving WUBS the right to sell the Extendible Amount to you on the second Expiry Date at the Enhanced Rate. The Extendible Amount will be the same value as the Extendible Amount in the third option above. This option has a Knock-In Rate, which means that the option is contingent upon the Spot Rate triggering the Knock-In Rate on the first Expiry Date (or during a Window).

6.4.1 Example of an Extendible Forward

The importer enters into an Extendible Forward with the following terms:

- Enhanced Rate: 1.3870
- Knock-In Rate: 1.3870
- First Expiry Date: 6 months.
- Second Expiry Date: 9 months

On the First Expiry Date and the Second Expiry Date

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

- The importer will buy USD 100,000 at 1.3870 on the first Expiry Date. There will be no obligations on the second Expiry Date as the third and fourth options will cease to exist.

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

- On the first Expiry Date, the importer will buy USD100,000 at 1.3870. If the Spot Rate is less favourable than the Enhanced Rate, the importer will Exercise the first option and if the Spot Rate is more favourable than the Enhanced Rate, WUBS will Exercise the second option.

- On the second Expiry Date, the importer will be obligated to buy an additional USD 100,000 at 1.3870. If the Spot Rate is less favourable than the Enhanced Rate, the importer will Exercise the third option and if the Spot Rate is more favourable than the Enhanced Rate, WUBS will Exercise the fourth option.

6.4.4 Benefits of an Extendible Forward

The following are specific benefits of an Extendible Forward:

- There is protection out to the first Expiry Date at a known Enhanced Rate.
- Protection is at an Exchange Rate enhanced to a comparable FEC for both the first Expiry Date and the second Expiry Date.

6.4.5 Risks of an Extendible Forward

The following are specific risks of an Extendible Forward:

- If the Spot Rate is more favourable than the Enhanced Rate at the first Expiry Date, you will be obligated to trade at the less favourable Enhanced Rate.
- You will have an obligation to trade at a potentially unfavourable Enhanced Rate (relative to the Spot Rate) on the second Expiry Date if the Knock-In Rate is triggered on the first Expiry Date (or during a Window).

6.5 Knock-In Improver

A Knock-In Improver is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than the nominated Exchange Rate (the Protection Rate), whilst giving you the potential to take advantage of favourable currency movements, or improve the Protection Rate should either the Knock-In Rates or the Knock-Out Rates not be triggered.

A Knock-In Improver is structured by entering into three concurrent options.

i. You buy a Call Option from WUBS at the Protection Rate.

ii. You sell a Put Option to WUBS, giving WUBS the right to sell the Notional Amount to you at the Protection Rate. This option has two Knock-In Rates, which means that the option is contingent upon the Spot Rate triggering at least one of the Knock-In Rates prior to Expiry (or during a Window).

iii. You buy an additional Call Option from WUBS giving you the right to purchase the Notional Amount from WUBS at the Protection Rate. This Call Option has two Knock-Out Rates, which means that the option is contingent upon the Spot Rate not triggering at least one of the Knock-Out Rates prior to Expiry (or during a Window). We refer to this option as the “improving” option because if: (i) the Knock-Out Rates have not been triggered prior to Expiry (or during a Window); and (ii) the Spot Rate is less favourable than the Protection Rate at Expiry, this option is closed out at market. The **In-The-Money (ITM)** value from this option is then used to improve the overall Protection Rate at Expiry of the first Call Option.

6.5.1 Example of a Knock-In Improver

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

- Protection Rate: 1.4100
- Notional Amount: USD100,000
- Knock-In Rates: 1.3650 and 1.4600
- Knock-Out Rates: 1.3650 and 1.4600
- Expiry Date: 6 months

6.5.2 Possible Outcomes at Expiry

a) If the Knock-In Rates and the Knock-Out Rates have not been triggered:

- If the Spot Rate is more favourable than the Protection Rate (1.4100) say 1.3800 the importer is able to buy USD100,000 at 1.3800 (although there is no obligation to do so).
- If the Spot Rate is less favourable than the Protection Rate (1.4100) say 1.4500 the importer will buy USD100,000 at 1.3700 (Protection Rate (1.4100) adjusted for the “improving” Option Close out at 1.4500).

b) If either the Knock-In Rates or Knock-Out Rates (1.3650 and 1.4600) have been triggered:

- If the Spot Rate is more favourable than the Protection Rate (1.4100) say 1.3500, WUBS will Exercise its Put Option and the importer will be obligated to buy USD100,000 at 1.4100.
- If the Spot Rate is less favourable than the Protection Rate (1.4100) say 1.4850 the importer will buy USD100,000 at 1.4100.

6.5.3 Benefits of a Knock-In Improver

The following are specific benefits of a Knock-In Improver:

- Protection at all times with a known worst case Exchange Rate.
- An ability to transact at the Spot Rate at Expiry (should either the Knock-In Rate or the Knock-Out Rate not be triggered).
- An ability to see the overall Protection Rate improve if the Spot Rate is less favourable than the Protection Rate and either the Knock-In Rate or the Knock-Out Rate is not triggered.

6.5.4 Risks of a Knock-In Improver

The following are specific risks of a Knock-In Improver:

- If either the Knock-In Rate or Knock-Out Rate is triggered you will be obligated to trade at a potentially unfavourable Protection Rate.
- Participation in favourable Exchange Rate movements is capped at the Knock-In Rate.
- The Protection Rate will be less favourable than the Exchange Rate applicable to a comparable Forward Exchange Contract.

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.

i. You buy a Call Option from WUBS at the Protection Rate.
ii. You sell a Put Option to WUBS at the Protection Rate. This Put Option has a Knock-In Rate and will only come into existence if the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window).

6.6.1 Example of a Knock-In

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

- Protection Rate: 1.4100
- Knock-In Rate: 1.3575
- Expiry Date: 6 months

6.6.2 Possible Outcomes at Expiry

a) If the Knock-In Rate (1.3575) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4100), say 1.4500, the importer will Exercise its Call Option to buy USD100,000 at 1.4100.
- If the Spot Rate is more favourable than the Protection Rate (1.4100), say 1.3750, the importer will be able to buy USD at the Spot Rate (1.3750) at Expiry (although there is no obligation to do so).

b) If the Knock-In Rate (1.3575) has been triggered:

- If the Spot Rate is more favourable than the Protection Rate (1.4100), say 1.3500, WUBS will Exercise its Put Option and the importer will be obligated to buy USD100,000 at 1.4100.
- If the Spot Rate is less favourable than the Protection Rate (1.4100), say 1.4500, the importer will Exercise its Call Option to buy USD100,000 at 1.4100.

6.6.3 Benefits of a Knock-In

The following are specific benefits of a Knock-In:

- 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 the Knock-In Rate.

6.6.4 Risks of a Knock-In

The following are specific 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 would have been at the Trade Date.
- 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 at Expiry.

6.7 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.

i. You buy a Call Option from WUBS at the Protection Rate.
ii. You sell a Put Option to WUBS at the Participation Rate. This Put Option has a Knock-In Rate and will only come into existence if the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window).

6.7.1 Example of a Knock-In Collar

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

- Protection Rate: 1.4150
- Knock-In Rate: 1.3675
- Participation Rate: 1.3975
- Expiry Date: 6 months

6.7.2 Possible Outcomes at Expiry

a) If the Knock-In Rate (1.3675) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4150), say 1.4500, the importer will Exercise its Call Option and buy USD 100,000 at 1.4150.
- If the Spot Rate is more favourable than the Protection Rate (1.4150), say 1.3750, the importer will be able to buy USD 100,000 at 1.3750 (although there is no obligation to do so).

b) If the Knock-In Rate (1.3675) has been triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4150), say 1.4500, the importer will Exercise its Call Option and buy USD 100,000 at 1.4150.
- If the Spot Rate is more favourable than the Participation Rate (1.3975), say 1.3500, WUBS will Exercise its Put Option and the importer will be obligated to buy USD 100,000 at 1.3975.
- If the Spot Rate lies between the Protection Rate (1.4150) and the Participation Rate (1.3975) say 1.4000, the importer will be able to buy USD 100,000 at 1.4000 (although there is no obligation to do so).

6.7.3 Benefits of a Knock-In Collar

The following are specific benefits of a Knock-In Collar:

- Protection at all times with a known worst case Exchange Rate.
- 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 level of the Participation Rate remains possible.

6.7.4 Risks of a Knock-In Collar

The following are specific 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 Knock-In Rate.
- If the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window) and the Spot Rate is less favourable than the Participation Rate at Expiry you will be obligated to trade at the Participation Rate.

6.8 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 Tenor of the structure (or during a Window).

A Knock-In Participating Forward is structured by entering into three concurrent options.

i. You buy a Call Option from WUBS at the Protection Rate.

ii. You sell a Put Option to WUBS at the Protection Rate. The Put Option that you sell to WUBS will be for a percentage of the Notional Amount of your Call Option outlined in (i) above, (the Obligation Percentage).

iii. You sell a Put Option to WUBS at the Protection Rate. This Put Option has a Knock-In Rate and will only come into existence if the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window). The amount of this option will be equal to or less than the Notional

Amount of the option outlined in (i) above less the Obligation Percentage of the option outlined in (ii) above.

6.8.1 Example of a Knock-In Participating Forward

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

- Protection Rate: 1.4100
- Knock-In Rate: 1.3400
- Obligation Percentage: 50%
- Expiry Date: 6 months

6.8.2 Possible outcomes at Expiry

a) If the Knock-In Rate (1.3400) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4100), say 1.4500, the importer will Exercise its Call Option and buy USD100,000 at 1.4100.
- If the Spot Rate is more favourable than the Protection Rate (1.4100), say 1.3500, WUBS will Exercise its Put Option and the importer will be obligated to buy the Obligation Percentage of the Notional Amount, USD50,000 at 1.4100. The importer will then be able to buy the remaining USD at 1.3500 (although there is no obligation to do so).

b) If the Knock-In Rate (1.3400) has been triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4100), say 1.4500, the importer will Exercise its Call Option and buy USD100,000 at 1.4100.
- If the Spot Rate is more favourable than the Protection Rate (1.4100), say 1.3300, WUBS will Exercise its Put Option, and the importer will be obligated to buy USD100,000 at 1.4100.

6.8.3 Benefits of a Knock-In Participating Forward

The following are specific benefits of a Knock-In Participating Forward:

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

6.8.4 Risks of a Knock-In Participating Forward

The following are specific 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 at the Protection Rate.

6.9 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.

i. You buy a Call Option from WUBS at the Protection Rate. This Call Option has a Knock-Out Rate, and will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window).
ii. You buy a Call Option from WUBS at the Reset Rate. This Call Option has a Knock-In Rate and will only come into existence if the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window).
iii. You sell a Put Option to WUBS at the Reset Rate. This Put Option has a Knock-In Rate and will only come into existence if the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window).

All options will have the same Notional Amount, and the Knock-Out Rate and the Knock-In Rate will be at the same Exchange Rate.

6.9.1 Example of a Knock-In Reset

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

- Protection Rate: 1.4200
- Reset Rate: 1.3950
- Knock-In Rate: 1.3650
- Knock-Out Rate: 1.3650
- Expiry Date: 6 months

6.9.2 Possible Outcomes at Expiry

a) If the Knock-In Rate/Knock-Out Rate (1.3650) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4200), say 1.4500, the importer will Exercise its first Call Option and buy USD100,000 at 1.4200.
- If the Spot Rate is more favourable than the Protection Rate (1.4200), say 1.3800, the importer will be able to buy USD100,000 at 1.3800 (although there is no obligation to do so).

b) If the Knock-In Rate/Knock-Out Rate (1.3650) has been triggered:

- If the Spot Rate is less favourable than the Reset Rate (1.3950), say 1.4500, the importer will Exercise its second Call Option and buy USD 100,000 at the Reset Rate of 1.3950.
- If the Spot Rate is more favourable than the Reset Rate (1.3950), say 1.3500, WUBS will exercise its Put Option and the importer will be obligated to buy USD100,000 at the Reset Rate of 1.3950.

6.9.3 Benefits of a Knock-In Reset

The following are specific benefits of a Knock-In Reset:

- There is protection at all times with a known Protection Rate.
- An ability to participate in favourable Exchange Rate movements on the full Notional Amount, provided the Knock-In Rate/Knock-Out Rate has not been triggered.
- If the Knock-In Rate/Knock-Out Rate is 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.

6.9.4 Risks of a Knock-In Reset

The following are specific 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 Rate/Knock-Out Rate is triggered you will be obligated to trade the Notional Amount at the Reset Rate that could be less favourable to you than the Spot Rate at Expiry.

6.10 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 giving you the right but no obligation to trade at the Protection Rate. A PDS for Vanilla Options issued by WUBS is available on the Compliance-Legal webpage of the website as set out in section 2.1 above.

A Knock-In Convertible is structured by entering into two concurrent options.

i. You buy a Call Option from WUBS at the Protection Rate.
ii. You sell a Put Option to WUBS at the Protection Rate. This Put Option has a Knock-In Rate and a Knock-Out Rate, which will obligate you to trade the Notional Amount at the Protection Rate that is contingent upon the Spot Rate triggering the Knock-In Rate prior to Expiry and will cease to exist if the Spot Rate triggers the Knock-Out Rate prior to Expiry (or during a Window).

6.10.1 Example of a Knock-In Convertible

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

- Protection Rate: 1.4125
- Knock-In Rate: 1.3700
- Knock-Out Rate: 1.4325
- Expiry Date: 6 months

6.10.2 Possible Outcomes at Expiry

a) If the Knock-Out Rate (1.4325) <u>has not been</u> triggered and the Knock-In Rate (1.3700) <u>has been</u> triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4125), say 1.4250, the importer will Exercise its Call Option and buy USD 100,000 at 1.4125.
- If the Spot Rate is more favourable than the Protection Rate (1.4125), say 1.3500, WUBS will Exercise its Put Option and the importer will be obligated to buy USD100,000 at the Protection Rate (1.4125).

b) If the Knock-Out Rate <u>has not been</u> triggered and the Knock-In Rate <u>has not been</u> triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4125), say 1.4250, the importer will Exercise its Call Option and buy USD 100,000 at 1.4125.
- If the Spot Rate is more favourable than the Protection Rate (1.4125), say 1.3800, the importer will be able to buy USD 100,000 at 1.3800 (although there is no obligation to do so).

c) If the Knock-Out Rate <u>has been</u> triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4125), say 1.4500, the importer will Exercise its Call Option and buy USD 100,000 at 1.4125.

- If the Spot Rate is more favourable than the Protection Rate (1.4125), say 1.3600, the importer will be able to buy USD100,000 at 1.3600 (although there is no obligation to do so).

6.10.3 Benefits of a Knock-In Convertible

The following are specific benefits of a Knock-In Convertible:

- Protection at all times with a known worst case Exchange Rate (Protection Rate).
- An ability to participate in favourable currency movements.
- If the Knock-Out Rate has been triggered then participation in favourable movements is possible to any level.

6.10.4 Risks of a Knock-In Convertible

The following are specific 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.

6.11 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 been triggered during the Tenor of the structure.

A Knock-Out Participating is constructed by entering into three concurrent options.

i. You buy a Call Option from WUBS at the Protection Rate.
ii. You sell a Put Option to WUBS at the Protection Rate. This Put Option will be for a percentage of the Notional Amount of your Call Option, outlined in (i), (the Obligation Percentage).
iii. You sell a Put Option to WUBS at the Protection Rate. This Put Option has a Knock-Out Rate, which means it will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window). The Notional Amount for this Put Option will be equal to the Notional Amount of the Call Option outlined in (i) less the Notional Amount of the Put Option outlined in (ii), (calculated by applying the Obligation Percentage).

6.11.1 Example of a Knock-Out Participating

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

- Protection Rate: 1.4100
- Knock-Out Rate: 1.4200
- Obligation Percentage: 50%
- Expiry Date: 6 months

6.11.2 Possible Outcomes at Expiry

a) If the Knock-Out Rate <u>has not been</u> triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4100), say 1.4175, the importer will Exercise its Call Option and buy USD100,000 at 1.4100.
- If the Spot Rate is more favourable than the Protection Rate (1.4100), say 1.3700, WUBS will Exercise its two Put Options and the importer will be obligated to buy USD 100,000 at 1.4100.

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

- If the Spot Rate is less favourable than the Protection Rate (1.4100), say 1.4500, the importer will be able to buy USD100,000 at 1.4100.
- If the Spot Rate is more favourable than the Protection Rate (1.4100), say 1.3700, WUBS will exercise its Put Option (outlined in (ii) above) and the importer will be obligated to buy USD50,000 at 1.4100. The importer may also buy the remaining USD50,000 at 1.3700 (although there is no obligation to do so).

6.11.3 Benefits of a Knock-Out Participating

The following are specific benefits of a Knock-Out Participating:

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

6.11.4 Risks of a Knock-Out Participating

The following are specific risks 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.

6.12 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 Tenor 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.

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

i. You buy a Call Option from WUBS at the Enhanced Rate. This Call Option has double Knock-Out Rates, which means this option ceases to exist if either Knock-Out Rate is triggered before Expiry (or during a Window).
ii. You sell a Put Option to WUBS at the Enhanced Rate. This Put Option has double Knock-Out Rates, which means this option ceases to exist if either Knock-Out Rate is triggered before Expiry (or during a Window).
iii. You buy a Call Option from WUBS at the Reset Rate. This Call Option has double Knock-In Rates, which means this option only exists if either Knock-In Rate is triggered before Expiry (or during a Window).
iv. You sell a Put Option to WUBS at the Reset Rate. This Put Option has double Knock-In Rates, which means this option only exists if either Knock-In Rate is triggered before Expiry (or during a Window).

6.12.1 Example of a Knock-Out Reset

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

- Enhanced Rate: 1.3875

- Reset Rate: 1.4100
- Knock-In/Knock-Out Rates: 1.3550 and 1.4225
- Expiry Date: 6 months

6.12.2 Possible outcomes at Expiry

a) If the Spot Rate is more favourable the Enhanced Rate (1.3875), say 1.3600 and the higher Knock-In Rate/Knock-Out Rate (1.4225) or the lower Knock-In Rate/Knock-Out Rate (1.3550) <u>has not been</u> triggered:

- WUBS will Exercise its Put Option and the importer will be obligated to buy USD 100,000 at 1.3875.

b) If the Spot Rate is less favourable than the Enhanced Rate (1.3875), say 1.4150 and the higher Knock-In Rate/Knock-Out Rate (1.4225) or the lower Knock-In Rate/Knock-Out Rate (1.3550) <u>has not been</u> triggered:

- The importer will Exercise its Call Option and may buy USD100,000 at 1.3875.

c) If the higher Knock-In Rate/Knock-Out Rate (1.4225) or the lower Knock-In Rate/Knock-Out Rate (1.3550) <u>has been</u> triggered:

- The importer will be obligated buy USD 100,000 at the Reset Rate (1.4100) irrespective of where the Spot Rate is at Expiry.

6.12.3 Benefits of a Knock-Out Reset

The following are specific benefits of a Knock-Out Reset:

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

6.12.4 Risks of a Knock-Out Reset

The following are specific risks of a Knock-Out Reset:

- If either Knock-In Rate/Knock-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.

6.13 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 Tenor of the structure.

A Knock-Out Convertible is structured by entering into two concurrent options.

i. You buy a Call Option from WUBS at the Protection Rate.
ii. You sell a Put Option to WUBS at the Protection Rate. This Put Option has a Knock-Out Rate, which means this option ceases to exist if the Knock-Out Rate is triggered before Expiry (or during a Window).

6.13.1 Example of a Knock-Out Convertible

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

- Protection Rate: 1.4100

- Knock-Out Rate: 1.4300
- Expiry Date: 6 months

6.13.2 Possible outcomes at Expiry

a) If the Knock-Out Rate (1.4300) has not been triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4100), say 1.4250, the importer will Exercise its Call Option and buy USD 100,000 at 1.4100.
- If the Spot Rate is more favourable than the Protection Rate (1.4100), say 1.3750, WUBS will exercise its Put Option and the importer will be obligated to buy USD 100,000 at 1.4100.

b) If the Knock-Out Rate (1.4300) has been triggered:

- If the Spot Rate is less favourable than the Protection Rate (1.4100), say 1.4450, the importer will Exercise its Call Option and buy USD 100,000 at 1.4100.
- If the Spot Rate is more favourable than the Protection Rate (1.4100), say 1.3750, the importer may buy USD at 1.3750 (although there is no obligation to do so).

6.13.3 Benefits of a Knock-Out Convertible

The following are specific benefits of a Knock-Out Convertible:

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

6.13.4 Risks of a Knock-Out Convertible

The following are specific 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 WUBS, 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 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**, WUBS may initially secure the Structured Option contract by requiring you to pay an **Initial Margin**. During the Tenor of the Structured Option contract WUBS may also require you to pay a **Margin Call** to further secure your Structured Options contracts and other FECs you hold with us. Alternatively, WUBS may apply a **Credit Limit** against the Market Risk or a combination of a Credit Limit, Initial Margin and/or Margin Call.

All 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 WUBS, 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 WUBS's 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 WUBS does not pay interest on an Initial Margin.

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

- your credit standing, as assessed by WUBS;
- Currency Pair and amount you are transacting (more exotic currencies or those currencies that are not commonly exchanged may require a larger Initial Margin);
- the 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 WUBS may require a higher Initial Margin); and
- the frequency with which you transact with WUBS (where your credit history with WUBS dictates the Initial Margin required).

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, WUBS may secure the resulting increased risk through a Margin Call.

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

Payment of a Margin Call must be made within one (1) Business Day of WUBS' request. If you fail to pay a Margin Call, WUBS 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 WUBS for all costs associated with terminating the relevant contracts.

7.3 Credit Limits

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

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

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

WUBS, 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, WUBS takes into account a variety of factors, similar to those used in calculating **Premiums**:

- The Notional Amount, the Tenor, and any other rates applicable to a particular structure (Participation Rate, Knock-In Rates/Knock-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. WUBS 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

WUBS 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 WUBS makes a profit. WUBS 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 WUBS, 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.

WUBS will advise you of any transaction fees before you establish a trading relationship. WUBS 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 WUBS for sending payments by Telegraphic Transfer, any **Correspondent Bank, Intermediary Bank** or **Beneficiary Bank** 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 WUBS provides in Section 6 “WUBS 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 WUBS provides in Section 6 "WUBS Structured Options" above. In addition, the following are general risks of Structured Options:

- **Market Volatility**. The foreign exchange markets in which WUBS operates are OTC and can change rapidly. These markets are speculative and volatile with the risk that prices will move quickly. When this occurs the value of your Structured Option may be significantly less that than when you entered into the contract. WUBS 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 Tenor of the Structured Option. You need to monitor your Structured Options with WUBS carefully providing WUBS with Instructions before unacceptable losses occur.
- **Issuer Risk**. When you enter into a Structured Option you are relying on WUBS's financial ability as Issuer to be able to perform its obligation to you. As a result, you are exposed to the risk that WUBS becomes insolvent and is unable to meet its obligations to you under 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: DistCustomerServicesOperations@WesternUnion.com
- **Counterparty Risk**. There is also a risk that the Hedging Counterparties with whom WUBS contracts to mitigate its exposure when acting as principal to the Structured Options (by taking related offsetting or mitigating positions) may not be able to meet their contractual obligations to WUBS. This means that WUBS could be exposed to the insolvency of its Hedging Counterparties and to defaults by Hedging Counterparties. If a Hedging Counterparty is insolvent or defaults on its obligations to WUBS, then this could give rise to a risk that WUBS defaults on its obligations to you.
- **Amendments/ Cancellations**. pre-deliveries or the close-out/cancellation of a Structured Option may result in a financial loss to you. WUBS will provide a quote for such services based on market conditions prevailing at the time of your request.
- **Cooling-off**. There is no cooling-off period. This means that once your Instruction to enter into a Structured Option has been accepted by WUBS 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 terminate your Structured Option, 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**. WUBS 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. WUBS 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 WUBS. It is important that you check the Confirmation to make sure that it accurately records the terms of the transaction. You should note however, that there is no cooling-off period with respect to Structured Options and that you will be bound once your original Instruction has been accepted by WUBS regardless of whether you sign or acknowledge a Confirmation. In the event that there is a discrepancy between your understanding of the Structured Option and the Confirmation it is important that you raise this with WUBS as a matter of urgency.

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

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 WUBS 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 WUBS may require including a **Direct Debit Request** form. Copies of forms can be obtained by contacting your WUBS Representative.

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

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

After your application has been accepted you may apply for a 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 WUBS Representative in the first instance.

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

All complaints are logged at each stage of the process. WUBS Complaints Handling Policy requires us to investigate and provide a resolution to you within sixty (60) Business Days from you first making the complaint. WUBS takes complaints seriously and strives to ensure efficient and fair resolution.

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

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. If you do not provide the required information, WUBS may be unable to provide you with the requested services. We may disclose your personal information, including without limitation your name, customer ID number, address and bank account information, (i) if we are required to do so by domestic or foreign law or legal process or (ii) to law enforcement authorities of other government officials (including those in this country, the United States or elsewhere) for purposes such as detecting, investigating, prosecuting and preventing crimes, including money laundering and related criminal activity, and the recipients may further disclose the information for these and other related purposes.

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

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

WUBS is committed to complying with all privacy laws and regulations. Further information about WUBS’s privacy practices can be found at www.business.westernunion.com.sg/About/Compliance-Legal.

16. GLOSSARY OF TERMS

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

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

Authorised Dealers means any person, by whatever name described, who is in the direct employment of, or acting for, a bank to engage in any dealing activities of the treasury operations of that bank in Singapore.

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 Singapore, but does not include a Saturday, Sunday or public holiday.

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

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

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

Counterparty(s) means each party to a contract.

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

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

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

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

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

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.

Enhanced 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 that involves leverage of the Notional Amount or where protection can cease to exist due to a trigger event.

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

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

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

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

Extendible Amount means the predetermined SGD or foreign currency amount to be bought or sold on the second Expiry Date of an Extendible Forward outlined in Section 6.4.

Foreign Exchange Contract means a legally binding agreement between the Client and WUBS to effect a foreign exchange transaction including a Forward Exchange Contract or an Option Contract in accordance with any Instructions.

Forward Exchange Contract or FEC means a legally binding agreement between a Client and WUBS 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 means the Exchange Rate at which WUBS agrees to exchange one currency for another at a future date when it enters into a FEC.

Hedging Counterparties means the parties with whom WUBS 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 WUBS in its sole discretion and deposited with WUBS as security in connection with a Structured Option.

Instructions means a request by a Client for WUBS to provide services, which may be made by mail, electronic mail, telephone, or other means as set out in the Terms and Conditions, such request may be accepted or rejected in WUBS' absolute discretion.

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

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

Intermediary Bank means 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 means WUBS Financial Services (Singapore) Pte Ltd.

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 buyer's 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 buyer's right pursuant to a Call Option or a Put Option to terminate.

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

Margin Call means an additional payment required by WUBS as security in connection with a Structured Option.

Marked to Market means 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 SGD or foreign currency amount to be bought or sold pursuant to a Structured Option.

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

Option Contract means a Call Option or a Put 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)** means a decentralised market, without a central physical location, where market participants trade with one another through various communication modes.

Participation Percentage means the percentage of 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 WUBS and you.

PDS means Product Disclosure Statement.

Premium means, where applicable, the amount that is payable by you to WUBS 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 WUBS 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 Rate 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.

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

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

SGD means Singapore Dollars.

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

Strike Rate means the Exchange Rate that will apply to the purchase or sale of currency when a buyer Exercises its right under a Put Option or Call Option.

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 means an electronic way of transferring funds overseas.

Tenor means the period of time from the Trade Date of a Structured Option to the Expiry Date.

Terms and Conditions means the WUBS Financial Services (Singapore) Pty Limited's Terms and Conditions as amended from time to time and located at http://business.westernunion.com.sg/About/Compliance-Legal

Trade Date means the day you and WUBS agree to a Structured Option.

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

USD means United States Dollars.

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

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

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

Window means an agreed period during the Tenor of a Structured Option during which a Trigger Rate is effective.

WUBS means WUBS Financial Services (Singapore) Pte Ltd, Registration Number: 200619104D, Capital Markets Services License Number: CMS100116-3.

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

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