WHAT YOU NEED TO KNOW

Foreign Exchange (Commonwealth Bank London)

Product Disclosure Statement

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Issued by:
Commonwealth Bank of Australia ABN 48 123 123 124
AFSL 234945

You should read all sections of this Product Disclosure Statement before making a decision to acquire this financial product.

CommonwealthBank

Contents

General Information

Features at a glance

Significant benefits	Allows you to achieve *exchange rate* protection and cash flow certainty.
Significant risks	*Exchange rates* and interest rates can be volatile and can move adversely.
Minimum transaction amount	There is no minimum transaction amount.
Terms	1 day to 180 days. Longer terms may be available on request.
Costs	Refer to Appendix A on page 12 of this PDS.
Settlement	Transactions must be settled on the agreed *settlement date*. Variations to *settlement dates* are also available by agreement with the Bank.
Early termination	An amount may be payable by or to you depending on the *mark-to-market value* of the transaction. You may also be liable for any losses and costs the Bank may incur as well as fees and charges.

Foreign Exchange is a sophisticated financial product. The information in this Product Disclosure Statement (PDS) does not take into account your personal objectives, financial situation and needs. Before trading in this product you should be satisfied that such trading is suitable for you in view of those objectives, and your financial situation and needs, and we recommend that you consult your investment adviser or obtain other independent advice. Unless you are familiar with foreign exchange dealings and products of this type, the product may not be suitable for you.

The information in this PDS is subject to change from time to time and is up to date as at the date stated. Where new information is materially adverse the Bank will either issue a new PDS or a supplementary PDS setting out the updated information. Where new information is not materially adverse information we will not issue a new PDS or supplementary PDS to you, but you will be able to find updated information on our web site **www.migrantbanking.co.uk** or you can call **+44 (0)20 7710 3990**. If you ask us to, we will send you a paper copy of the information.

Purpose of a Product Disclosure Statement (PDS)

A PDS aims to provide you with enough information to help you decide whether the product will meet your needs. It also helps you to compare the product with others you may be considering.

This PDS provides information about Foreign Exchange (FX) offered by the Bank's Migrant Banking Service (MBS) in London. If you decide to enter into a FX transaction, you should keep this PDS and all other documentation relating to your transaction for future reference.

If you have any questions or wish to contact us call **+44 (0)20 7710 3990** between 9am and 5pm, Monday to Friday, or visit our web site at **www.migrantbanking.co.uk**

To assist you in understanding this PDS, the definitions of some words are provided in the "Definitions" section on page 10. When used in this PDS, these words usually appear in italics.

What is Foreign Exchange?

Foreign Exchange allows you to exchange one currency for another at an agreed *exchange rate* on a *settlement date* that is between 1 day and 180 days after the *trade date*.

Exchange rates are either quoted as *value today* (not covered by a PDS), *spot exchange rates*, *value tomorrow exchange rates* or *forward exchange rates*.

A *spot exchange rate* applies to a FX transaction with a *settlement date* that is 2 *business days* after the *trade date*. This type of FX transaction is referred to as *Spot* in this PDS.

A *value tomorrow exchange rate* applies to a FX transaction with a *settlement date* that is one *business day* after the *trade date*. This type of FX transaction is referred to as *Value Tomorrow* in this PDS. ***Value Tomorrow* transactions are offered at the Bank's discretion**.

A *forward exchange rate* applies to a FX transaction with a *settlement date* that is more than 2 *business days* after the *trade date*. This type of FX transaction is referred to as *Forward* in this PDS.

A *Forward* transaction allows you to specify a settlement date upon which exchange of the currencies can occur at the agreed *forward exchange rate*.

FX transactions are available in GBP and AUD (for other currencies please contact the Bank).

Details of *Spot*, *Value Tomorrow* and *Forward exchange rates* and the *currency pairs*, in which the Bank offers FX transactions, are available on request through MBS. FX transactions are subject to the standard credit approval process employed by the Bank.

Uses of FX

Activities for which FX may be useful include:

- moving funds to a new country due to migration;
- purchasing an asset in a foreign country;
- foreign currency investing;
- repatriating overseas profit or interest in foreign currencies back to Australia;
- other foreign currency payments; and
- repatriation of capital funds back to Australia.

Spot transactions

The Bank determines the *spot exchange rates* it quotes to you taking the following factors into account:

- the *market spot exchange rate*;
- a *volatility factor*;
- the transaction amount;
- an allowance for the Bank's costs, both fixed and variable; and
- the Bank's profit margin.

How does a Spot transaction work?

***Example 1: You are making a payment in a foreign currency**

You need to make a payment of AUD100,000.00 to your Australian bank account in 2 *business days*. You need to sell GBP and buy AUD to make this payment.

You wish to enter into a *Spot* transaction with the Bank today to fix a *spot exchange rate* where you buy AUD100,000.00 and sell GBP in 2 *business days*.

You contact the Bank and ask for a *spot exchange rate*. The Bank quotes you a *spot exchange rate* of GBP/AUD2.4000. If you accept this quote (which can be done verbally), a *Spot* transaction is entered into between you and the Bank.

The GBP equivalent is calculated by dividing the AUD amount by the current GBP/AUD *spot exchange rate*:

$$\text{AUD}100{,}000.00 \div \frac{\text{GBP}}{\text{AUD}2.4000}$$

$$= \mathbf{GBP41{,}666.67}$$

By entering into the *Spot* transaction with the Bank, on the *settlement date* you must buy AUD100,000.00 from the Bank in exchange for GBP41666.67.

* Examples are used for illustrative purposes only. Actual *exchange rates* will depend on actual interest rates and other market rates on the date of calculation.

Value Tomorrow transactions

A *value tomorrow exchange rate* is determined by making an adjustment to the *spot exchange rate* (known as *value tomorrow points*).

The Bank will determine the adjustment and the resulting *value tomorrow exchange rate* it quotes to you, based on the following factors:

- the *value tomorrow points* (these may be an addition to or subtraction from the *spot exchange rate*);
- the *market spot exchange rate*;
- a *volatility factor*;
- the transaction amount;
- an allowance for the Bank's costs, both fixed and variable; and
- the Bank's profit margin.

How does a Value Tomorrow transaction work?

***Example 2: You are making a payment in a foreign currency**

You need to make a payment of AUD100,000.00 to an Australian bank account in 1 *business day*. You need to sell GBP and buy AUD to make this payment.

You wish to enter into a *Value Tomorrow* transaction with the Bank today to fix a *value tomorrow exchange rate* where you buy AUD100,000.00 and sell GBP in 1 *business day*.

Assume the following

Current GBP/AUD *spot exchange rate*	2.4015
Value tomorrow points	-0.00006
Value tomorrow exchange rate	2.40144

If you enter into the *Value Tomorrow* transaction with the Bank, on the *value tomorrow settlement date* you must buy AUD100,000.00 from the Bank in exchange for GBP41,641.68 (AUD100,000.00 ÷ 2.40144).

(*Value Tomorrow* transactions are offered at the Bank's discretion.)

* Examples are used for illustrative purposes only. Actual *exchange rates* will depend on actual interest rates and other market rates on the date of calculation.

Forward transactions

The Bank determines a *forward exchange rate* by making an adjustment to the *spot exchange rate*, (known as *forward points*).

The Bank will determine the adjustment and the resulting *forward exchange rate* it quotes to you based on the following factors:

- the *forward points* (these may be an addition to or subtraction from the *spot exchange rate)*;
- the *market spot exchange rate*;
- a *volatility factor*;
- the transaction amount;
- an allowance for the Bank's costs, both fixed and variable; and
- the Bank's profit margin.

How does a Forward transaction work?

***Example 3: You are making a payment in a foreign currency**

You need to make a payment of AUD100,000.00 to your Australian account in 93 days. You need to sell GBP and buy AUD to make this payment.

You wish to enter into a *Forward* transaction with the Bank today to fix a *forward exchange rate* at which you will buy AUD100,000.00 and sell GBP in 93 days.

Assume the following

Current GBP/AUD *spot exchange rate*	2.4015
Forward points	+0.0036
Forward exchange rate	2.4051

If you enter into the *Forward* transaction with the Bank, on the *forward settlement date* you must buy AUD100,000.00 from the Bank in exchange for GBP41,578.31 (AUD100,000.00 ÷ 2.4051).

Once you are resident in Australia and you require this service (*Forward* transaction), you should refer to the separate PDS "Foreign Exchange" available in Australia. This PDS should be considered before making any decision on the product. This document is available from any Australian branch of the Commonwealth Bank or from your relationship manager.

* Examples are used for illustrative purposes only. Actual *exchange rates* will depend on actual interest rates and other market rates on the date of calculation.

What are the significant benefits of FX transactions?

Benefits include:

- provides cash flow certainty; and
- provides *exchange rate* protection against unfavourable *exchange rate* movements.

What are the significant disadvantages of FX transactions?

Disadvantages include:

- a FX transaction does not allow you to benefit from future favourable *exchange rate* movements; and
- there can be a cost if the FX transaction is terminated before the *settlement date* (see "Terminating a FX transaction").

What are the significant risks?

Risks derive from factors that are beyond your control. Starting from the time at which you enter a FX transaction with the Bank, risk factors can lead to changes in the financial outcomes that are unfavourable to you. The monitoring of any risks associated with this product is your responsibility (subject to the responsibility of the Bank for its own operational processes, see "Operational risk" on page 6 of this PDS).

Market risk

The Bank expects that, in most cases, FX transactions are to be used for managing your foreign currency cash flows. If you enter into a FX transaction for a purpose other than the exchange of a foreign currency cash flow, you can be directly exposed to changes in the relevant foreign exchange market. These changes may result in losses to you.

When FX transactions are used to manage your foreign currency cash flows, there is a risk that you may not receive any benefit relative to not having entered into a FX transaction. This will occur if the relevant market exchange rate is more favourable to you than the agreed *exchange rate* on the *settlement date*.

Early termination of a FX transaction can result in a cost to you.

Credit risk

Credit risk is common to all financial markets products that you may hold with the Bank. In all cases, you are reliant on the ability of the Bank to meet its obligations to you under the terms of each transaction. This risk is sometimes described as counterparty risk.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

You are reliant on the ability of the Bank to price and settle your FX transaction in a timely and accurate manner. The Bank in turn is dependent on the reliability of its own operational processes that include communications, computers and computer networks. Disruptions in the Bank's processes may lead to delays in the execution and settlement of your FX transaction. Such disruptions can result in contractual outcomes that are less favourable to you.

However, once you have entered into the FX transaction, the management of risks associated with its own operational processes is the responsibility of the Bank.

The risks described here may not include all risk considerations that may be relevant to you when transacting FX. Please also refer to "What are the significant disadvantages of a FX transaction?". Before transacting in this product you should be satisfied that this product is suitable for you. We recommend that you consult your investment adviser or obtain other independent advice.

Entering into and settling FX transactions

Entering into a FX transaction

Following credit approval by the Bank and, where required, your entering into the *facility for forward purchase of foreign currency agreement* (being part of the FX documentation – see below) you can enter into FX transactions with the Bank. In the case of *Spot* and *Value Tomorrow* transactions the Bank must also be holding cleared funds prior to entering into the FX transaction.

The next steps are:

1. You contact the Bank and ask for a FX rate for a *currency pair* for a specified transaction amount and *settlement date*.
2. If the Bank offers you a *spot exchange rate*, *value tomorrow exchange rate* or *forward exchange rate*, and if you accept the offer (which can be done verbally), a FX transaction is entered into between you and the Bank. All telephone conversations between you and the Bank will be recorded.
3. The Bank will send you a *confirmation letter* or a *forward exchange contract*, setting out the details of your FX transaction. You must sign and return this *forward exchange contract* to the Bank.

FX documentation

The *Spot* and *Value Tomorrow* transaction FX documentation comprises:

- a *confirmation letter*.

The FX *Forward* documentation comprises:

- a *facility for forward purchase of foreign currency agreement*; and
- a *forward exchange contract*.

The FX documentation sets out in full the terms and conditions of the FX transaction. Samples of the FX documentation can be obtained from the Bank on request.

Settling a FX transaction

Subject to the terms and conditions of the FX documentation, on the *settlement date* the *currency pair* will be exchanged. You must ensure that on the settlement date you have sufficient *cleared funds* accessible to the Bank.

Variations to settlement dates

If you need to vary the *settlement date* after you have entered into a FX transaction two variations are available subject to credit approval by the Bank, as follows:

Pre-delivery

A pre-delivery is where the *settlement date* is adjusted from the existing *settlement date* to an earlier *settlement date*. For example, the *forward settlement date* is brought forward to 5 May from 20 May in a year.

Extensions

An extension is where the *settlement date* is adjusted from the existing *settlement date* to a *settlement date* further into the future. For example, the *settlement date* for a *Forward* transaction is adjusted from 20 May to 20 June in a year.

For the above variations the agreed *exchange rate* will be adjusted to reflect the new *settlement date*. The adjusted *exchange rate* takes into account the factors set out in "Forward transactions" and a funding cost/benefit.

Where the adjusted *exchange rate* has been agreed with you, the Bank will send you a *confirmation letter* setting out the new details of your FX transaction. This must be signed and returned to the Bank.

Terminating a FX transaction

A FX transaction can be terminated before the *settlement date*:

- by agreement between you and the Bank; or
- as set out in the FX documentation.

You will be liable for any loss, costs, fees, charges and expenses, including without limitation any break costs and interest, suffered or incurred by the Bank in consequence of the termination.

At termination, the Bank will calculate the *mark-to-market* value using prevailing market rates chosen by the Bank in good faith. The Bank determines the *mark-to-market value* having regard to what a person would pay the Bank, expressed as a negative number, or what the Bank would have to pay another person, expressed as a positive number, in order to take over your rights and obligations under the terminated FX transaction.

If more than one FX transaction is terminated the sum of all positive *mark-to-market values* will be set-off against the sum of all negative *mark-to-market values*. If, as a result of this calculation, the overall sum is positive, you must pay the Bank an amount equal to the total positive sum. Alternatively, if as a result of this calculation, the sum is negative then the Bank must pay you an amount equal to the total negative sum. The Bank will notify you as soon as practicable after making these calculations.

What are the costs involved in FX transactions?

Fees and charges

Refer to Appendix A for the schedule of fees and charges.

Your FX transaction can also be subject to Government taxes and duties (if any).

Are there any tax implications of which I should be aware?

Spot, *Value Tomorrow* and *Forward* transactions may have tax implications. These can be complex and are invariably specific to your circumstances. Therefore, you should discuss any taxation issues with your tax adviser before entering a *Spot*, *Value Tomorrow* or *Forward* transaction.

What if I have a complaint?

Our staff will review the situation and, if possible, resolve it immediately. If the matter has not been resolved to your satisfaction, please contact our London Migrant Banking Manager via:

- telephone **+44 (0)20 7710 3990**
- facsimile **+44 (0)20 7710 3939**
- writing to:

  Manager, London Migrant Banking
  Commonwealth Bank of Australia
  Senator House
  85 Queen Victoria Street
  London EC4V 4HA

If after giving us the opportunity to resolve your complaint, you feel we have not resolved it satisfactorily, you may also lodge a written complaint with the Financial Ombudsman Service at:

- telephone **+44 (0)845 080 1800**
- email **enquiries@financial-ombudsman.org.uk**
- writing to:

  Financial Ombudsman Service
  South Quay Plaza
  183 Marsh Wall
  London E14 9SR
- web site **www.financial-ombudsman.org.uk**

If you live in Australia and you believe the avenues outlined above have not resolved the complaint satisfactorily you may also lodge a written complaint with the Banking and Financial Services Ombudsman at:

GPO Box 3
Melbourne Victoria 3001
Australia

- telephone **+613 9613 7333**
- toll free **+61 1300 780 808**
- facsimile **+613 9613 7345**
- web site **www.bfso.org.au**

The privacy of my personal information

The collection of personal information

The Bank collects personal information (including customers' full names, addresses and contact details) so that we may administer our customer relationships and provide customers with the products and services they request as well as information on the Commonwealth Bank Group's ("the Group") products and services.

Where it is necessary to do so, the Bank also collects information on individuals such as company directors and officers (where the company is our customer), as well as customers' agents and persons dealing with us on a "one-off" basis.

The law can also require us to collect personal information, e.g. U.K. and Australian legislation requires us to identify persons who open or operate accounts.

The Bank can take steps to verify the information collected, e.g. a birth certificate provided as identification can be verified with records held by the Registry of Births, Deaths and Marriages to protect against impersonation, or the Bank can verify with an employer that employment and remuneration information provided in an application for credit is accurate.

You must provide us with accurate and relevant information

If you provide the Bank with incomplete or inaccurate information, the Bank may not be able to provide you with the products or services you are seeking.

Other members of the Group

The Bank is permitted by the Australian Privacy Act and the UK Data Protection Act to disclose personal information to other members of the Group. This enables the Group to have an integrated view of its customers.

Other disclosures

Personal information can be disclosed to:

- brokers and agents who refer your business to us;
- any person acting on your behalf, including your financial adviser, solicitor or accountant, executor, administrator, trustee, guardian or attorney;
- if you have borrowed from the Bank to purchase property: valuers and insurers (so that the Bank can obtain a valuation of your property, and confirm that it is insured);
- if you have superannuation or managed investments: external product providers into which you might direct some of your investment, other product providers to which your investment might be transferred; and
- organisations, including overseas organisations, to whom we outsource certain functions.

In all circumstances where the Bank's contractors, agents and outsourced service providers become aware of personal information, confidentiality arrangements apply. Personal information may only be used by our agents, contractors and outsourced service providers for our purposes.

The Bank may also disclose personal information to other financial institutions and organisations at their request if you seek credit from them.

The Bank may be allowed or obliged to disclose information by law, e.g. under Court Orders or Statutory Notices pursuant to taxation or social security laws.

Access to your personal information

You can (subject to permitted exceptions) access your personal information by contacting:

The Compliance Manager
Commonwealth Bank of Australia
Senator House
85 Queen Victoria Street
London EC4V 4HA

Or alternatively by contacting:

Customer Relations
Commonwealth Bank
Reply Paid 41
Sydney NSW 2001

We can charge you for providing access.

Further information

For further information on the Bank's privacy and information handling practices, please refer to the Bank's Privacy Policy Statement, which is available at **www.commbank.com.au** or upon request from any branch of the Bank.

Definitions

"AUD"

Australian dollars.

the "Bank"

Commonwealth Bank of Australia
ABN 48 123 123 124.

"business day"

A day in which banks are open for business in each of the centres applicable to the currencies being transacted. For example, for a GBP/AUD FX transaction banks in Sydney and London must be open for business.

"cleared funds"

Funds that are immediately available to you for settlement of a FX transaction.

"confirmation letter"

A letter confirming the details of a particular *Spot* or *Value Tomorrow* FX transaction.

"currency pair"

The two currencies that are the subject of the FX transaction.

"exchange rate"

The expression of the value of one currency in terms of another. For example, in the *exchange rate* AUD/USD0.6500, one Australian dollar is equal to 65 United States cents (AUD1.0000 = USD0.6500).

"facility for forward purchase of foreign currency agreement"

Document outlining terms, conditions and responsibilities of a client when entering into a Forward transaction with MBS London, requiring acceptance by signature.

"Forward"

A FX transaction with a *settlement date* that is more than 2 *business days* after the *trade date*.

"forward exchange contract"

A contract requiring the client's signature confirming the details of a particular *Forward* FX transaction after verbal agreement.

"forward exchange rate"

The expression of the value of one currency in terms of another where the *settlement date* is more than 2 *business days* after the *trade date*. A *forward exchange rate* is the *spot exchange rate* of the currencies on the *trade date* adjusted for the *forward points*.

"forward points"

The value of the *interest rate differential* for the *currency pair* over the period from the *spot settlement date* to the *forward settlement date*, expressed as an adjustment to the *spot exchange rate*.

"forward settlement date"

A settlement day for a *Forward* transaction, which is greater than 2 *business days* after the *trade date*.

"GBP"

British Pound.

"interest rate differential"

The difference between the interest rates applicable to the *currency pair* for the *term* of a *value today*, *Value Tomorrow* or *Forward* transaction.

"mark-to-market value"

A valuation method where an existing FX transaction is valued against current market rates to calculate any potential profit or loss on termination.

"market spot exchange rate"

The current or prevailing *spot exchange rate* in the foreign exchange market before an allowance for transaction size, the Bank's costs, both fixed and variable and the Bank's profit margin.

"MBS"

Migrant Banking Services.

"parties to the agreement"

The parties to the FX transaction are you and the Bank.

"settlement date"

A *business day* on which the *currency pair* subject to a FX transaction is exchanged.

"Spot"

A FX transaction with a *settlement date* that is two *business days* after the *trade date*.

“spot exchange rate”

The expression of one currency in terms of another for exchange on the *spot settlement date* after an allowance for the Bank’s costs, both fixed and variable and the Bank’s profit margin.

“spot settlement date”

The *settlement date* for a *Spot* transaction, which is two *business days* after the *trade date*.

“term”

The period from and including the *trade date* to and including the *settlement date*.

“termination date”

A date on which you or the Bank terminate the FX transaction.

“trade date”

The date on which a FX transaction is entered into by the *parties to the agreement*.

“USD”

United States dollars.

“value today”

A FX transaction with a *settlement date* that is on the same day as the *trade date*.

“Value Tomorrow”

A FX transaction with a *settlement date* that is 1 *business day* before the *trade date*.

“value tomorrow points”

The *interest rate differential* of the *currency pair* being traded for the period from the *spot settlement date* to the *value tomorrow settlement date*.

“value tomorrow settlement date”

The *settlement date* for a *Value Tomorrow* transaction, which is 1 *business day* before the *trade date*.

“value tomorrow exchange rate”

The expression of the value of one currency in terms of another where the *settlement date* is one *business day* after the *trade date*.

“volatility factor”

The degree of fluctuation in the *market spot exchange rate* and/or *forward points* at the time the FX transaction is entered into.

“you”, “your”

The customer who is one of the *parties to the agreement*.

APPENDIX A
Schedule of fees and charges

Bank fees

Transaction fees

Description	Fee	When payable
Spot FX trade less than GBP30,000.00	GBP15.00	On *trade date*
New Forward transaction	GBP15.00 per transaction	On *trade date*

Extension and termination fees

Description	Fee	When payable
Pre-delivery	GBP15.00 per transaction	On the new *settlement date*
Extension	GBP15.00 per transaction	On *settlement date*
Termination	GBP15.00 per transaction plus any foreign exchange losses incurred by the Bank	On *settlement date*

* Fees are charged directly to a nominated account held with the Bank.

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