

ISSUED BY: ST.GEORGE BANK LIMITED  
AFS LICENCE NUMBER: 240997  
EFFECTIVE DATE: 1 MARCH 2004

# CYLINDER

# FORWARD

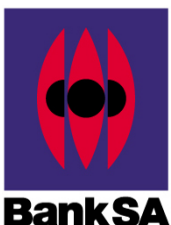
# (EXPORTER)

## IMPORTANT NOTICE

Transactions involve various risks including movements in currency rates and interest rates. You can make losses and that is a risk you take. If you do not understand the risks or are not willing to accept the risks or make losses, you should not enter into these transactions with us.

The information set out in this document is general in nature and does not and is not intended to take into account your particular needs, objectives or financial situation. By providing it, St.George does not intend to provide financial advice or any financial recommendations. You should read this Product Disclosure Document carefully and consider whether this product is appropriate to your particular needs, objectives and financial situations. You may also seek independent expert advice before making a decision about whether or not this product is suitable for you.

## PRODUCT DISCLOSURE STATEMENT



st.george



This PDS for Cylinder Forward (Exporter) was prepared on 23 February 2004. However it is intended for use only for the financial products provided after the effective date shown on the cover.

## Risk Overview

A Cylinder Forward (Exporter) contract (**CF (Exporter)**) is a product which may be used to protect yourself from unfavourable movements in a particular exchange rate beyond a certain level. By using this product to gain such protection, you agree to limit the benefit you may derive from favourable movements in the relevant exchange rate.

This product is not suitable for speculative purposes.

## Purpose

### *What is a CF (Exporter) used for?*

A CF (Exporter) may be used by you if you have a need to exchange one currency for another currency at a future date and would like to:

- protect yourself against unfavourable movements in the relevant exchange rate above the *ceiling rate* while
- knowing both the best-case and the worst-case exchange rates you can achieve.

## Suitability

### *Do you have sufficient knowledge about these products?*

A CF (Exporter) may be suitable if you would like to manage your currency exposure and have a good understanding of foreign exchange markets including forward exchange contracts and foreign exchange options.

If you are not confident about your understanding of these things, we strongly suggest you seek independent advice before making a decision about this product.

## Description

### *What is a CF Exporter?*

A CF (Exporter) is a foreign exchange product that has the effect of combining the exchange rate protection of a traditional forward exchange contract (FEC) with a foreign exchange option.

### *How does a CF Exporter work?*

Under a CF (Exporter), you nominate the two currencies to be exchanged at the time of entering into the product. These currencies are known as the *currency pair*.

A *ceiling rate*, *floor rate*, *contract amount*, and *transaction period* will also be set. The *floor rate* is the best rate that you can achieve, and the *ceiling rate* provides protection against increases in the *currency pair* exchange rate.

Once you have selected those variables, and they are accepted by St.George, the possible outcomes for you at the *expiration time* are as follows:

1. If the *market rate* is at or above the *ceiling rate*, you obtain the right (but not the obligation) to exchange the contract *amount* in full, at the *ceiling rate*; or

2. If the *market rate* is at or below the *floor rate*, you will be obliged to exchange the *contract amount* in full at the *floor rate*; or
3. If the *market rate* is between the *ceiling rate* and *floor rate*, then you may exchange at the prevailing *market rate*.

### ***Monitoring your obligations***

We will monitor the relevant foreign exchange markets to determine your obligations at the *expiration time* and will advise you as soon as practicable.

### ***Are there any St.George credit requirements prior to dealing?***

Before entering into a CF (Exporter), St.George will assess your financial position to determine whether or not your situation satisfies our normal credit requirements. We will advise you of the outcome of our review as soon as possible. Our assessment of your financial position is made only to determine your creditworthiness. By doing this, we are not making any assessment of the suitability of this product to your financial situation.

If your application is successful, you may be required to sign St.George standard finance documentation. That documentation will set out the terms of the credit approval and other matters relevant to your application.

## **Cost of Product**

Generally, St.George adjusts the *ceiling rate* and the *floor rate* so that you will not be required to pay any *premium*. When setting these rates, St.George takes into account a variety of factors including:

- the *contract amount* and *transaction period* of the CF (Exporter);
- inter-bank *market rates* prevailing at the time;
- market volatility; and
- current market interest rates of the countries of the *currency pair*.

If you wish to nominate a different *ceiling rate* and/or *floor rate*, an up-front non-refundable *premium* may be payable. St.George will determine the amount of the *premium* and you will be advised of the amount prior to entering into the transaction.

When calculating any *premium* payable, we take into account various factors, which may include:

- the *contract amount*, the *transaction period*, the *ceiling rate* and *floor rate* selected;
- current market interest rates and exchange rates; and
- market volatility.

*Premiums* must be paid in cleared funds within two business days of entering into the transaction.

For all the transactions, St.George will derive a financial benefit out of each CF (Exporter). When you exchange currencies at either the applicable *ceiling rate*, the *floor rate* or the prevailing exchange rate, St.George will benefit by incorporating a margin into the *ceiling rate*, the *floor rate* or prevailing exchange rate. The margin is the difference between the wholesale exchange rate we are able to obtain and the exchange rate we then offer to you. The margin may be described as an 'indirect cost' to you because you pay for the CF (Exporter) by accepting the applicable *ceiling rate*, *floor rate* and prevailing exchange rate quoted by St.George.

The exchange rates published in the media generally state those obtainable in the interbank wholesale market.

### **Advantages/Benefits**

- If the *market rate* at the *expiration time* is at or above the *ceiling rate*, you must exchange the agreed currencies at the *ceiling rate*.
- This product is flexible and can be tailored to meet your particular requirements.
- This product can be cancelled prior to expiration (however, there may be a cost to you in doing so – see Early Termination section for further details).

### **Disadvantages/Risks**

- If the *market rate* at the *expiration time* is at or below the *floor rate*, you must exchange the agreed currencies at the *floor rate*.
- There is no cooling off period.
- St.George, as the counterparty to a CF (Exporter), must fulfil its contractual obligations to you in the manner set out in the relevant contract. If St.George is unable to fulfil those obligations, you will be exposed to market fluctuations as if you had not entered into a CF (Exporter). However, as an Australian Authorised Deposit-Taking Institution, we are subject to prudential regulation which is intended to reduce the likelihood of St.George not being able to fulfil its contractual obligations.

### **Settlement**

Foreign currency to be delivered to St.George can be provided by either telegraphic transfer or from a foreign currency account/deposit. Australian dollars must be provided in cleared funds. On receipt of the funds, St.George will satisfy its obligations by depositing amounts owing to you into a bank account (in your name) denominated in the relevant currency. Alternative arrangements can be made with St.George's prior approval.

### **Early Termination**

You can request St.George to cancel a CF (Exporter) at any time prior to the *expiration time*. At the time you make a request, we will calculate and quote a price where St.George would be willing to terminate the CF (Exporter). St.George will take into account its normal considerations, including market conditions at the time when determining the price. The termination price will be a cost or benefit to you. If the termination quotation is acceptable to you, then the cost or benefit will be paid and the CF (Exporter) will be terminated.

### **Documentation**

You will be required to sign a dealing agreement with St.George. There are two types of agreements that are commonly used to document foreign exchange transactions:

- St.George Standard Terms for Financial Markets Transactions (of which this product disclosure statement forms part); or
- An International Swaps and Derivatives Association Master Dealing Agreement (ISDA).

We will advise you which of these we will require, based on what is most suitable for you.

Each of the above documents governs the contractual relationship between you and us in relation to the CF (Exporter). The terms of that document may also set out the terms and conditions that apply to other transactions that we enter into with you.

A copy of the agreement is available on request and we strongly recommend that you fully consider its terms prior to entering into any transaction. You should obtain independent advice if you do not understand any aspect of the document.

## Confirmations

Shortly after entering into a CF (Exporter), St.George will send you a *confirmation* outlining the commercial terms of the transaction. This *confirmation* will need to be signed by you and returned to St.George.

## Warning

It is extremely important that you check the *confirmation* to make sure that it accurately records the terms of the transaction. In the case of a discrepancy, you will need to raise the matter with your St.George contact as a matter of urgency.

## Example

The example below is indicative only and uses rates and figures selected by us to demonstrate how the product works. In order to assess the merits of any particular CF (Exporter), you would need to use the actual rates and figures quoted to you at the relevant time.

### *Scenario*

You are an Australian based exporter with a requirement to convert USD 100,000 in one month for goods sold overseas. Assume the current spot exchange rate is 0.6450 and that the 1 month forward exchange rate is 0.6430.

### *If you do nothing, what exchange rate risks do you face?*

If you do nothing, the amount of AUD you will receive in 1 month in exchange for your USD 100,000 will depend on the exchange rate quoted for value that day.

If the AUD goes up, the USD will become less valuable and as a consequence, you will receive less AUD when it comes time to convert the USD. Assume in this example that the AUD rises to 0.6700, then you will receive:

$$\text{AUD } 149,253.73 \text{ (i.e. } \text{USD } 100,000 / 0.6700)$$

If the AUD goes down, the opposite occurs and you will receive more AUD. Assume the AUD falls to 0.6100, then you will receive:

$$\text{AUD } 163,934.43 \text{ (i.e. } \text{USD } 100,000 / 0.6100)$$

### *How will a CF (Exporter) change this?*

Assume that you are concerned that the AUD may appreciate against the USD over the coming month, and wish to protect yourself against such an unfavourable movement.

You do not want to pay a *premium* for an option but do not want to exclude yourself from a market price that is lower than your worst-case rate. You are willing to set a best-case rate in exchange for no *premium* being charged.

You enter into a CF (Exporter) to sell USD 100,000 and to buy AUD at a *ceiling rate* of 0.6650 and a *floor rate* of 0.6300 with the *expiration time* in one month.

**How will the CF (Exporter) work?**

If the AUD/USD exchange rate is trading at or above the *ceiling rate* at the *expiration time*, you will have the following outcome:

- on the *delivery date*, you may exchange your USD at the *ceiling rate* of 0.6650

If you exercise this right, you will receive:

AUD 150,375.94 (i.e. USD 100,000 / 0.6650)

**OR**

If the AUD/USD exchange rate is trading at or below the *floor rate* at the *expiration time*, you will have the following outcome:

- on the *delivery date*, you would exchange your USD at the *floor rate* of 0.6300

You will receive:

AUD 158,730.16 (i.e. USD100,000 / 0.6300)

**OR**

If the AUD/USD exchange rate is between the *floor rate* and the *ceiling rate* at the *expiration time*, you will have the following outcome (assume *market rate* of 0.6500 at the *expiration time*):

- on the *delivery date*, you would exchange your USD at the *market rate* of 0.6500

You will receive:

AUD 153,846.15 (i.e. USD 100,000 / 0.6500)

***In what circumstances will a CF (Exporter) benefit you?***

At the *expiration time*, you will benefit where the prevailing exchange rate is above the *ceiling rate*. In this case, you will exchange currencies at the *ceiling rate* which is more favourable than the current market rate.

***In what circumstances will a CF (Exporter) disadvantage you?***

At the *expiration time*, you are disadvantaged where the prevailing exchange rate is below the *floor rate* because you will be required to exchange currencies at the *floor rate* which is worse than the prevailing exchange rate.

**Code of Banking Practice compliance**

If you are an individual or a *small business*, the relevant provisions of the Code of Banking Practice will apply to this product.

This PDS contains the general descriptive information we are required to make available to customers and potential customers under the Code of Banking Practice and it is advisable that you inform us promptly when you are in financial difficulty

## Significant taxation implications

Taxation law is complex and its application will depend on each person's individual circumstances. When determining whether or not his product is suitable for you, you should consider the impact it will have on your own taxation position and we encourage you to seek independent tax advice on the tax implications it may have for you.

## Factors that may influence our advice

This document has been designed to help you choose the right product for you. When you ask for a recommendation, please be assured that our staff members will always explain your choices and point you to the product that best suits your needs.

Sometimes our staff may be eligible for incentives, including cash incentives, for achieving or exceeding sales targets.

## Your privacy

- (a) When you apply for this product from us, the application form contains a privacy statement which sets out in more detail how we use and when we disclose your personal information in relation to the product.
- (b) We handle your personal information in accordance with the privacy statement in the application form for the product applied for or our privacy brochure, entitled "Protecting Your Privacy". You can obtain a copy of the brochure by asking at any branch or by calling 13 33 30. Our privacy policy is also available by visiting our website at [stgeorge.com.au](http://stgeorge.com.au)
- (c) We acknowledge that, as well as our duties under legislation, we owe a general duty of confidentiality to you. However, in some cases we may disclose your personal information if:
  - (i) disclosure is compelled or permitted by law; or
  - (ii) there is a duty to the public to disclose; or
  - (iii) our interests require disclosure; or
  - (iv) disclosure is made with your express or implied consent.
- (d) You agree that we may disclose to a *related entity*:
  - (i) information about you that is necessary to enable an assessment to be made of your total liabilities (present and future) to us and that *related entity*; and
  - (ii) any other information concerning you, if the *related entity* provides financial services related or ancillary to those provided by us, unless you tell us not to in writing.
- (e) We, or any *related entity* to whom we disclose information pursuant to paragraph (d), may disclose information about or provided by you to employees or outside contractors for the purpose of our or the *related entity's* businesses. Any outside contractor to whom we or a *related entity* disclose information will have access to that information only for the purpose of our or the *related entity's* business and will be strictly prohibited from using that information for any other purpose.
- (f) You agree that we may disclose information about you in those cases where the Privacy Act 1988 (Cth) permits disclosure of such information.
- (g) On a written request by you, we will provide you with our record of your address, occupation, marital status, age, sex, products or accounts you hold with us and statements relating to those products and accounts. We may charge you our reasonable costs of supplying this information. Any fee is shown in the "Fees and Charges and how to minimise them" booklet. You may request the correction of any of this information concerning you that we hold. We

will deal with your request for access to information or correction of information within a reasonable time.

- (h) You must promptly inform us of any change of your name or address.
- (i) Unless you give us a written instruction not to do so, we may from time to time send you information concerning financial and other services offered by us or *related entities*.
- (j) You may from time to time be contacted by representatives of us or *related entities*. Those representatives may be either employees of, or contractors to us or the *related entity*. Any person who contacts you will have access to information about or provided by you only for the purpose of our or the *related entity's* business and will be strictly prohibited from using that information for any other purpose.

## **Problems, Disputes and Complaints**

- (a) If you believe an error has been made, please notify us by contacting your nearest branch. We will, as soon as possible, correct any error that is found to be ours.
- (b) If you have a problem or complaint about a banking service, you should speak to our Customer Service personnel. You can do this by calling the General Customer Enquiries on 13 33 30.
- (c) To assist us in resolving your problem or complaint, you should:
  - (i) report it promptly;
  - (ii) state clearly the nature of the problem or your particular grievance; and
  - (iii) have available all documents and background information.

### ***Disputes***

- (d) If the matter is not resolved to your immediate satisfaction, you can follow the complaints procedures set out below. Please also refer to our "Customer Satisfaction" brochure for further information about disputes. It is available at any of our branches.

### ***Complaints***

- (e) You can lodge a complaint at any of our branches or telephone or write to the Senior Manager, Customer Relations at our head office in Sydney as follows:

Locked Bag 1  
Kogarah NSW 1485  
Telephone: (02) 9553 5173 (metropolitan) or  
1800 804 728 (if outside metropolitan area)
- (f) If we do not immediately resolve your complaint to your satisfaction, we will advise you in writing of our procedures for investigating and handling complaints. We will notify you of the name and contact number of the person who is investigating your complaint.
- (g) If it is unclear whether you have contributed to any loss that is the subject of any complaint you make to us, we will consider all reasonable evidence, including all reasonable explanations for a transaction occurring.
- (h) Normally, we will complete the investigation of your complaint and inform you of the results of our investigation within 21 days of receiving a complaint. Unless there are exceptional circumstances, we will complete our investigation within 45 days.
- (i) Where an investigation continues beyond 45 days, we will inform you of the reasons for the delay, give you monthly updates on the progress of the investigation and a date when a

decision can reasonably be expected. We will not do this if we have requested a response from you and we are waiting for that response.

- (j) The next available step is the Banking and Financial Services Ombudsman Limited. This is a free, external and independent process for resolving disputes between banks and customers, provided the Banking and Financial Services Ombudsman Limited has the power to deal with your dispute. In addition, if your complaint relates to the way we handle your personal information, then you have a right to complain to the Ombudsman. The contact details of the Banking and Financial Services Ombudsman Limited are as follows:

GPO Box 3  
Melbourne VIC 3001  
Telephone: 1300 780 808  
Facsimile: (03) 9613 7345

Alternatively, you may direct your complaint to:

Financial Industry Complaints Service Limited  
PO Box 579 Collins Street West  
Melbourne VIC 8007  
Telephone: 1300 780 808  
Toll Free: 1800 335 405  
Fax: +61 3 9621 2291  
Internet: [www.fics.asn.au](http://www.fics.asn.au)

- (k) There are other external avenues for dealing with disputes. Your State or Territory Government has a consumer rights protection agency such as the Department of Consumer Affairs.

## **Electronic Communications**

- (a) You will be requested to agree to us providing you with statements, notices and other information relating to your product either:
- (i) by e-mail; and /or
  - (ii) by making the statement, notice or information available at our website, provided:
    - (i) we alert you by e-mail of the availability of this information; and
    - (ii) we provide you with the ability to readily retrieve and retain the information.
- (b) If you do agree to receive paper copies of the relevant statements, notices and other information relating to your product by e-mail or other electronic form:
- you will not receive a paper copy of the relevant statements, notices and other information relating to your product,
  - you will need to regularly check to see if you have received any e-mails from us;
  - you will need to maintain and check your electronic equipment through which you will receive e-mail and your e-mail address regularly to ensure it is always capable of receiving an e-mail; and
  - you will be responsible for printing and saving important information- and we strongly recommend that you do so.
- (c) You may cancel your authorisation to receive statements, notices or other information relating to your product by e-mail at any time by contacting us.
- (d) We will send you all statements and other notices and information to the most recent e-mail address you have supplied to us. You must ensure you notify us of any change in your e-mail as soon as possible. You may do this by contacting us at our Treasury Departments on the telephone number (between 8.00 am and 5.00 pm Monday to Friday), on the fax number or the address listed on the back of this booklet.
- (e) You may request a paper copy of any statement, notice or other information relating to your product provided to you by e-mail or electronic form within 6 months from the date of receipt of a statement or electronic communication. We will not charge you a fee for this.

## Glossary

The following definitions apply in this PDS.

**ceiling rate** means the rate specified as such in the *confirmation*, being the rate at which, if the *market rate* at the *expiration time* is at or above this rate, the *contract amount* must be exchanged.

**confirmation** means the record of commercial terms of the relevant contract between you and St.George to be prepared by St.George following entry into of a contract.

**contract amount** means the amount (expressed in the relevant currency) to be exchanged for another agreed currency.

**currency pair** means the two currencies agreed to be exchanged.

**delivery date** means the date specified as such in the *confirmation* being the date on which you must deliver to St.George the you currency you agree to exchange under the CF (Exporter).

**expiry date** means the date on which you agree with St.George to exchange one currency for another currency on the terms set out in the relevant CF (Exporter) agreement and specified as such in the *confirmation*.

**expiration time** means the time on the expiry date specified as such in the *confirmation*.

**floor rate** means the rate specified as such in the *confirmation*, being the rate at which, if the *market rate* at the *expiration time* is at or below this rate, the *contract amount* must be exchanged.

**market rate** means the rate (as determined by us in good faith) at which the *currency pair* may be exchanged in the direct foreign exchange interbank market for spot settlement.

**premium** means the cost of an option (expressed in the relevant currency) payable by the option buyer to the option seller and specified as such in the *confirmation*.

**related entity** means a company owned by us.

**small business** means a business employing:

- (a) less than 100 full-time (or equivalent) people, if the business is or includes the manufacture of goods; or
- (b) in any other case, less than 20 full-time (or equivalent) people,

but does not include a business that obtains this product for use in connection with a business that does not meet the elements in (a) or (b) above.

**transaction date** means the date specified as such in the *confirmation*, being the date on which you and we enter into the CF (Exporter).

**transaction period** means the period from and including the transaction date to and including the *expiration time*.

**Sydney:**  
Level 11, 55 Market Street  
Sydney NSW 2000  
GPO Box 4444 Sydney 2001  
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Facsimile: (02) 9320 5589

**Melbourne:**  
Level 1,  
333 Collins Street  
Melbourne VIC 3000  
Telephone: (03) 9640 8666  
Facsimile: (03) 9640 8633

**Perth:**  
Level 11,  
152-158 St.Georges Tce  
Perth WA 6000  
Telephone: (08) 9265 7553  
Facsimile: (08) 9265 7556

**Brisbane:**  
Level 4,  
345 Queen Street,  
Brisbane QLD 4000  
Telephone: (07) 3232 8841  
Facsimile: (07) 3232 8838

**Adelaide:**  
Level 3,  
97 King William St,  
Adelaide SA 5000  
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BankSA is a division of St.George Bank Limited

