

ISSUED BY: ST.GEORGE BANK  
A DIVISION OF WESTPAC BANKING CORPORATION  
ABN 33 007 457 141 AFSL 233714  
EFFECTIVE DATE: 1 MARCH 2010

# FORWARD FOREIGN EXCHANGE CONTRACT (IMPORTER)

## 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



This PDS for Forward Foreign Exchange Contract (Importer) was prepared on 1<sup>st</sup> March 2010. However it is intended for use only for the financial products provided after the effective date shown on the cover.

## Risk Overview

An Importer Forward Exchange Contract (**FEC (Importer)**) is a product which may be used to protect yourself from unfavourable movements in a certain currency, however, by agreeing to fix the *exchange rate*, you will not benefit from favourable movements in that currency.

## Purpose

*For what purpose are FECs (Importer) used?*

If you are an Australian based importer and need to buy a fixed amount of one currency in exchange for another currency (which will often be Australian dollars (AUD)) at a future date, an FEC (Importer) will allow you to fix the amount of currency you will pay. Generally, this product will be used if you have an underlying transaction for which you receive payment in one currency and would like to convert that currency.

## Suitability

*Do you have sufficient knowledge about these products?*

An FEC (Importer) may be suitable for you if you have a reasonable level of understanding of foreign exchange markets.

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 does an FEC (Importer) do?*

An FEC (Importer) is a contract between you and St.George in which you agree to exchange an amount of one currency for another currency at an agreed *forward exchange rate* for *settlement* more than two *business days* after the FEC (Importer) is entered into (the day on which *settlement* occurs is called the *value date*).

*What is a forward exchange rate?*

A *forward exchange rate* is the future price of one currency expressed in terms of another currency. In every quote there are two currencies (known as the *currency pair*). The *forward exchange rates* differ from today's rates primarily because of different interest rates offered in the countries of the two currencies.

For example, if you transact at today's 1 month AUD/USD forward rate of 0.6000, then in one month this will be the rate that you will exchange AUD for USD.

The *currency pair* must be acceptable to St.George – further details of the approved *currency pairs* are available on request.

*What are the components of a forward exchange rate?*

A *forward exchange rate* consists of:

- a *spot exchange rate* (the foreign exchange rate for *settlement* within two business days); and
- a *forward margin*.

Forward Exchange Rate = Spot Exchange Rate + the Forward Margin

***How does St.George determine my forward exchange rate?***

The *forward exchange rate* offered to you by St.George is linked to the *inter-bank forward exchange rate* with either the whole or its components adjusted (either upwards or downwards) to remunerate St.George for the service provided. (See “Cost of Product” and “Inter-Bank Market” sections below).

Your Forward Exchange Rate (FEC rate) = Inter-bank Forward Exchange Rate  $\pm$  Adjustment

The size of the adjustment will vary from customer to customer and is influenced by:

- the size of your transaction, and St.George’s inability to offset smaller transactions on the *inter-bank* market;
- your over-all transaction volumes with St.George; and
- the *currency pair* and time zone in which you choose to trade.

***What is the inter-bank market?***

Exchange rates and *forward margins* are quoted on the *inter-bank* market and fluctuate according to supply and demand. The *inter-bank* market is restricted to authorised foreign exchange dealers and banks that constantly quote to each other at wholesale rates and in minimum parcel sizes.

Factors that influence supply and demand include:

- investment inflows/outflows;
- economic and political circumstances;
- market sentiment or expectations; and
- import/export of goods and services.

Exchange rates and *forward margins* quoted in the media generally refer to *inter-bank* rates and will differ from *exchange rates* quoted to you by St.George.

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

Before entering into an FEC (Importer), 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’s standard finance documentation. That documentation will set out the terms of the credit approval and other matters relevant to your application.

## Cost of Product

### *When entering into an FEC (Importer)....*

St.George will derive a financial benefit from the FEC (Importer) by making an adjustment to the *inter-bank* forward foreign *exchange rate*. The magnitude of the adjustment will vary on a case-by-case basis. Some of the factors affecting this adjustment are set out in the section above headed “Description - How does St.George determine my *forward exchange rate*?”

### *Are there any fees and charges applicable to an FEC (Importer)?*

There are no direct fees and charges relating to an FEC (Importer), however, there are fees and charges payable for the services that are commonly used in conjunction with this product. These fees and charges, set out in the table below, are current as at the date of this PDS. You may request information on our current fees and charges by calling the telephone number of the Treasury department you have been dealing with or closest to you listed on the back page of this PDS.

#### **1. Bank Cheques**

Bank cheque purchase or replacement

- |  |        |
|--|--------|
| - Staff assisted   | \$8.00 |
| - Via Business Banking Online or Internet banking<br>(not available to BankSA customers) | \$6.00 |

Stopping a payment on a bank cheque through Business Banking Online or Internet banking (single item)	\$8.00
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#### **2. Bank Drafts Issued**

Issue of Bank Draft (regardless of currency or amount)	\$25.00
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Replacement/Stop payment/Amendment/ Refund of Bank Draft (plus correspondent bank charges)	\$38.00
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Repurchase (when Bank Draft is presented over the counter)	\$20.00
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Advice of fate/trace on a Bank Draft (plus correspondent bank charges)	\$27.00
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#### **3. Telegraphic Transfers**

Inward Overseas Telegraphic Transfer (\$A received or foreign currency received and converted to \$A, plus correspondent bank charges)

- |  |         |
|--|---------|
| - credited to an account with St.George  | \$15.00 |
| - paid to another institution  | \$38.00 |
| - representing a pension and credited to a nominated pension account held with St.George | Free    |

Overseas Telegraphic Transfer (plus correspondent bank charges)	
- Staff assisted	\$32.00
- Via Business Banking Online or Internet banking	\$20.00
Cancellation and return of funds (plus correspondent bank charges)	
- Staff assisted	\$32.00
- Via Business Banking Online or Internet banking	\$25.00
Amendment to payment details (plus correspondent bank charges)	
- Staff assisted	\$21.00
- Where Telegraphic Transfer was purchased via Business Banking Online or Internet banking	\$15.00
Trace on Telegraphic Transfer (plus correspondent bank charges)	
- Staff assisted	\$27.00
- Via Business Banking Online or Internet banking	\$25.00

#### 4. Foreign Items Purchased

Foreign currency cheque negotiated (Funds on hold for 20 Business Days)	
- Single lodgement	\$10.50
- Multiple lodgements (per item)	\$5.40
- Pension cheques negotiated	Free
Foreign Item Cheque dishonour fee (plus correspondent bank charges)	\$32.50
Foreign bills for collection (plus correspondent bank charges)	\$40.00
Inward bills for collection (items received from overseas bank for collection)	\$40.00

#### Advantages/Benefits

- An FEC (Importer) provides you with protection against unfavourable currency movements between the time you deal until *settlement*. You substitute the uncertainty associated with *exchange rate* fluctuations for the certainty of the agreed currency payment.

- Forward *exchange rates* for a wide range of currencies are actively traded in global markets. This results in greater liquidity and therefore more consistent pricing.
- The *value date* of an FEC (Importer) can be tailored to suit your needs and can be anywhere from three *business days* onwards.

### **Disadvantages/Risks**

- If the relevant *exchange rate* moves favourably, you will not benefit from that movement because you must exchange currencies at the FEC rate.
- Cancellations, *extensions* or *pre-deliveries* of an FEC (Importer) may result in a loss to you. St.George will provide a quote based on market conditions at the time you make any such request. Fees also apply to any cancellation, *extension* or *pre-delivery*.
- There is no cooling off period.
- St.George, as the counterparty to an FEC (Importer), 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 an FEC (Importer). 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**

At the time of entering into an FEC (Importer) transaction, you can specify the *value date*, being the date when exchange of currency takes place. The *value date* must be greater than 2 *business days* after the date the FEC (Importer) is entered into.

If you would like to exchange your currency in less than 2 days, we offer you an alternative product which is called a Foreign Exchange Transaction. A separate product disclosure statement is available for that product.

#### ***What happens on the value date?***

On the *value date*, you will need to deliver your currency to St.George in clear funds. On receipt of your currency, St.George will in turn deliver the agreed amount of the other currency in accordance with your instructions.

### **Transaction Amendments**

#### ***Extensions, Pre-deliveries and Cancellations***

#### ***Can you amend the value date?***

At any time up to the *value date*, you can request that St.George either:

- extend (classified as an *extension*); or
- shorten (classified as a *pre-delivery*)

the *value date* of an FEC (Importer).

If St.George agrees to your request, we will calculate and quote an amended FEC rate. To calculate the

amended FEC rate, St.George will take into account the current *spot exchange rate*, the *forward margin* for the adjusted time period and interest adjustment (if applicable) as if it were calculating a new FEC rate for the new contract period. Therefore, St.George will take into account those factors previously described for determining your FEC rate. If you accept the St.George quote, an amended *confirmation* will be sent to you.

### ***Extensions***

Extensions can be viewed as the negotiation of another FEC (Importer) that extends the value date of the original FEC (Importer) to a new value date.

In-order to achieve this:

- the original FEC (Importer) would need to be cancelled; and
- a new FEC (Importer) entered into for the *extension* period.

(For convenience, and at St.George's discretion, you will be quoted an *extension* margin to your original FEC (Importer) and therefore you may not need to undertake the above steps).

It is important to note that the cancellation of the original FEC (Importer) requires a spot foreign exchange transaction that will offset the cash flows of the original FEC (Importer). This will result in a profit or loss (depending on where current *exchange rates* are relative to the original FEC (Importer) rate). You may choose either to realise the profit or loss prior to entering into the new FEC (Importer); or with St.George's prior approval, to factor the profit or loss into the new FEC (Importer) rate. This is known as a "Historic Rate Rollover" (HRR) and is only available:

- if the *spot exchange rate* at the time of the *extension* is no greater than 5% *out-of-the-money* of the original FEC (Importer) rate;
- if the *extension* is no longer than 1 month and the total extension term does not exceed 92 days from the original value date; and
- if St.George has granted prior approval.

(If however, the difference between the *spot exchange rate* and the original FEC (Importer) rate is greater than  $\pm 5\%$  at the time of the *extension*, it will be at St.George's discretion if profits are paid out by St.George, or losses are to be paid out by you or if profits or losses can be embedded into an *extension*).

### ***Historic Rate Rollovers (HRRs)***

When quoting an HRR rate, St.George will incorporate the above profit or loss into the new FEC (Importer).

We will also factor in the cost or benefit of the *forward margin* and an interest charge. This charge will reflect the cost associated with funding or borrowing that profit or loss for the term of the *extension* period. Losses will be charged interest at your St.George lending rate or at an interest rate calculated by St.George. Profits will earn interest based on St.George's advertised term deposit rates.

This interest amount is added to the profit or loss and the total amount is then added to the amount payable under an FEC (Importer) for the *extension* period. St.George looks at that combined amount and determines a *forward exchange rate* accordingly. That rate is the HRR *forward exchange rate* for the *extension*.

The difference between the original FEC (Importer) rate and the HRR *forward exchange rate* is known as the “extension margin”. St.George will advise you of the applicable extension margin (see Example 2 below for further details).

### ***HRRs are not automatic***

St.George will only enter into an HRR where the *extension* is required because of genuine commercial reasons and not for speculative purposes. Even where that is the case, we will not always be willing to enter into an HRR.

Whether or not we choose to enter into an HRR is at the absolute discretion of St.George. You should make your own assessment and obtain your own advice regarding the risks associated with HRRs and their suitability for you.

### ***Pre-deliveries***

You may choose to shorten the original FEC (Importer) (i.e. pre-deliver) in which case your future obligations (under the original FEC (Importer) or HRR) need to be cancelled with an offsetting forward exchange contract combined with a spot foreign exchange obligation. The offsetting forward exchange contract will create a future profit or loss on the *value date* of the original FEC (Importer) that needs to be:

- brought forward and valued at the *pre-delivery* date, and
- incorporated in the *pre-delivery* FEC (Importer) rate.

### ***Partial vs Full Delivery***

You may also choose partially to deliver under your original FEC (Importer) contract in which case the partial amount will be treated as a *pre-delivery* and the balance of the original face value of the FEC (Importer) allowed to continue at the original FEC (Importer) rate.

### ***Can you cancel an FEC (Importer) transaction?***

You may also ask St.George to cancel your FEC (Importer) at any time before the *value date*. Subject to prevailing market rates, this will result in a profit or loss that requires St.George making a payment to you or you making a payment to St.George.

## **Forward Margins**

### ***Forward margins are not forecasts***

It is important to note that the *forward margin* (and therefore the *forward exchange rate*), does not represent a forecast made by St.George, nor is it a guarantee of future spot rates. Instead, the *forward margin* is derived from the difference in *inter-bank* interest rates between the countries that make up the *currency pair*. The country with the higher interest rate is called the higher yielding currency and the country with the lower interest rate is called the lower yielding currency.

### ***What purpose does the forward margin serve?***

The *forward margin* serves to compensate the buyer of the higher yielding currency for extra interest that could have been earned if exchange had taken place earlier and proceeds invested at the higher rate of interest for the higher yielding currency.

### ***Premium vs Discount***

Of particular importance is whether the *forward margin* is a positive or negative number. When the *forward margin* is a positive number (forward discount), it is added to the *spot exchange rate*. However, if the *forward margin* is a negative number (forward premium) it is subtracted from the *spot exchange rate*.

In general, the lower interest rate currency will be at a forward premium against the higher yielding currency, and the higher yielding currency will be at a forward discount against the lower interest rate currency.

(See Example 3 below for further information on how Forward Margins are derived).

### **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:

- A facility agreement with St.George which incorporates either St.George's Standard Terms for Financial Markets Transactions or St.George's General Standard Terms (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 FEC (Importer). The terms of that document may also set out the terms and conditions that apply to other transactions that we enter into with you.

In particular, it documents the situations where those transactions can be terminated and the way the amount payable following termination is calculated. 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 an FEC (Importer), 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 inform your St.George contact as matter of urgency.

### **Examples**

*The examples below are indicative only and use rates and figures selected by us to demonstrate how an FEC (Importer) works. In order to assess the merits of an FEC (Importer) for your particular circumstances, you would need to use the actual rates and figures quoted to you at the relevant time as well as your own financial needs and circumstances.*

### Example 1

#### Scenario

Assume you are an Australian based importer due to pay USD 100,000 in 3 months for goods bought from overseas. At that time you will need to convert your AUD into USD. Also assume that the spot AUD/USD exchange rate and the forward margin quoted to you are 0.6450 and -0.0030 respectively.

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

If you do nothing, the amount of AUD you will need to pay in 3 months in exchange for the USD 100,000 you need 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 need less AUD when it comes time to pay for the USD. Assume in this example that the AUD rises to 0.6600, then you will pay:

$$\text{AUD } 151,515.15 \text{ (i.e. USD } 100,000 / 0.6600)$$

If the AUD goes down, the opposite occurs and you will need to pay more AUD. Assume the AUD falls to 0.6200, then you will pay:

$$\text{AUD } 161,290.32 \text{ (i.e. USD } 100,000 / 0.6200)$$

#### How will the FEC (Importer) change this?

If you wish to eliminate your exposure to exchange rate risks and enter into an FEC (Importer), then:

Your FEC exchange rate = Spot Exchange Rate + Forward Margin

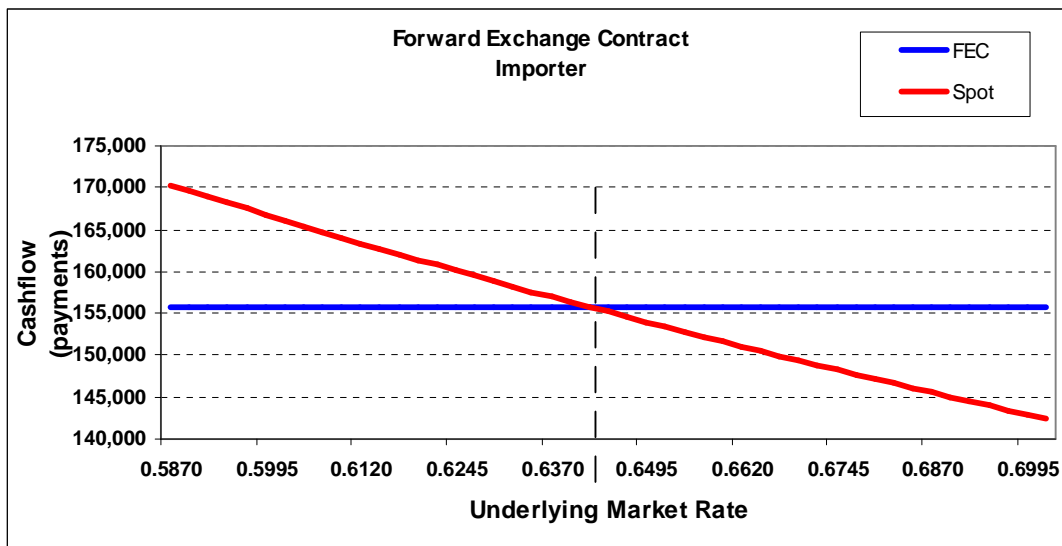
$$\begin{aligned} &= 0.6450 + -0.0030 \\ &= 0.6420 \end{aligned}$$

In 3 months, you will buy from St. George USD 100,000 in order to pay for your goods. Regardless of where the spot exchange rate is trading at the time you will pay:

$$\text{AUD } 155,763.24 \text{ (i.e. USD } 100,000 / 0.6420)$$

Based on the example above, the graph below summarises the AUD payment you would need to make for various exchange rates on the value date if:

- you did nothing and remained with your original underlying exposure (without FEC (Importer)), or
- if you combined your underlying exposure with an FEC (Importer) contract (with FEC (Importer))



***In what circumstances will an FEC (Importer) benefit you?***

As the graph above indicates, on the *value date*:

- you will benefit when the prevailing *exchange rate* is less than 0.6420 as the amount of AUD you will pay is less than the amount of AUD you would have been required to pay if you had not entered into an FEC (Importer).

***In what circumstances will an FEC (Importer) disadvantage you?***

As the graph above indicates, on the *value date*:

- you will be disadvantaged when the prevailing *exchange rate* is greater than 0.6420 as the amount of AUD you will pay is greater than the amount of AUD you would have been required to pay if you had not entered into an FEC (Importer).

***Example 2***

***How are extensions calculated?***

Assume in Example 1 that there has been a one month delay in the shipment of the goods and the FEC (Importer) value date needs to be extended. Also assume the original FEC (Importer) is due to settle today and that the current AUD/USD *spot exchange rate* and 1 month *forward margin* quoted to you are 0.6500 and -0.0010 respectively.

For calculation purposes only, *extensions* can be viewed as the negotiation of another FEC (Importer) that extends from the value date of the original FEC (Importer) period to a new value date. (In this instance, this represents an FEC (Importer) with *settlement* in 1 month). However, the *extension* is not a new transaction, but rather an amendment to the original FEC (Importer).

In Example 1, the original terms of the FEC (Importer) obligated you to buy on the value date USD 100,000 for AUD 155,763.24 (which equated to an FEC (Importer) rate of 0.6420). In-order to postpone *settlement* for 1 month:

- (1) The cash-flows and obligations of the original FEC (Importer) (due today) would need to be offset in the spot foreign exchange market. (From your perspective, this would involve selling USD 100,000 at today's *exchange rate* of 0.6500 and receiving AUD153,846.15).
- (2) Initiate a new forward foreign exchange contract (starting today) with a value date in 1 month at an FEC (Importer) rate of 0.6490:

$$0.6490 = 0.6500 - 0.0010$$

(Both of the above steps would be undertaken by St.George in order to calculate the *extension rate*). It is important to note that the offsetting spot transaction may result in a profit or loss to you depending on where current spot rates are (relative to the original FEC (Importer) rate). In this case the AUD has appreciated resulting in a loss of:

$$\text{AUD} - 1,917.09 \text{ (i.e. AUD153,846.15 - AUD 155,763.24)}$$

Assume at this stage you do not wish to realise this loss and request St.George to incorporate (or roll) it into the new *extension* FEC (Importer) rate.

To determine this rate, a borrowing cost payable in respect of the loss of AUD -1,917.09 will also need to be calculated. For the purposes of this exercise, assume that your borrowing interest rate is the

St.George Commercial Base Rate plus an appropriate customer margin. Assume an all up rate of 8.00% per annum for this example.

The total loss will equal the original loss plus the interest charged for funding this loss over the *extension* period:

$$\begin{aligned}\text{Total Loss (AUD)} &= - 1,917.09 - [1,917.09 \times (8/100) \times (30/365)] \\ &= - 1,917.09 - 12.61 \\ &= - 1,929.70\end{aligned}$$

It is then necessary to determine the *forward exchange rate* that would apply if you were to enter into an *extension* FEC (Importer) with a term of 1 month. Assume that the forward foreign *exchange rate* is 0.6490. If you entered into a transaction at that rate, at the end of the *extension* period you would be required to deliver

$$\text{AUD } 154,083.20 \text{ (i.e. USD } 100,000 / 0.6490)$$

However, the loss incurred in respect of the original FEC (Importer) and the interest payable as a result of funding that loss (totalling AUD –1,929.70) must then be added to this amount to determine the amended FEC (Importer) rate.

$$\text{AUD } 156,012.90 \text{ (i.e. AUD } 154,083.20 + \text{AUD } 1,929.70)$$

Your HRR rate (amended FEC (Importer) rate) is:

$$0.6410 \text{ (i.e. USD } 100,000 / \text{AUD } 156,012.90)$$

### ***How are extension rates quoted?***

If you were to compare this rate with the original FEC (Importer) rate of 0.6420, this represents a difference of -0.0011. This difference is known as the “extension margin”. For your convenience, St.George will quote an extension margin that you can simply add to the original FEC (Importer) rate to determine the HRR rate that would apply for the desired *extension* period.

$$\begin{aligned}\text{HRR rate} &= \text{Original FEC (Importer) rate} + \text{Extension margin} \\ &= 0.6420 + -0.0011 \\ &= 0.6409\end{aligned}$$

### ***Example 3***

#### ***How is the forward margin derived?***

Assume a spot AUD/USD *exchange rate* of 0.6500 and USD 100,000 sitting in your foreign deposit account. Also assume 30 day deposit rates of 5.00% and 3.00% in Australia and the United States respectively.

If the USD were converted into AUD (at the spot rate) and the proceeds invested for 30days at the Australian deposit rate of 5.00%, then the future amount of AUD generated at the end of the period would be:

$$\begin{aligned}
\text{Future AUD} &= \text{Current AUD} + \text{Interest} \\
&= 153,846.15 + 153,846.15 \times 5.00/100 \times 30/365 \\
&= 154,478.39
\end{aligned}$$

Similarly, if the USD were invested for the same period:

$$\begin{aligned}
\text{Future USD} &= \text{Current USD} + \text{Interest} \\
&= 100,000 + (100,000 \times 3.00/100 \times 30/360) \\
&= 100,250
\end{aligned}$$

The future values are then used to calculate the *forward exchange rate*:

$$\begin{aligned}
\text{Forward Rate} &= \text{Future USD} / \text{Future AUD} \\
&= 0.6490 \text{ (i.e. } 100,250 / 154,478.39)
\end{aligned}$$

The difference between the *forward exchange rate* and the *spot exchange rate* is known as the *forward margin*:

$$\text{Forward Margin} = -0.00010 \text{ (i.e. } 0.6500 - 0.6490)$$

It should be noted that in Australia and the United States, interest is calculated in each of these countries using a different measure of the number of days in a year. In Australia, the convention used is a 365 day/year whilst in the United States it is a 360 day/year.

If you wish to calculate the *forward margin* for yourself, we strongly suggest you seek confirmation as to methodology, pricing conventions (of the countries that make up the *currency pair*), and the accuracy of rates and figures quoted to you at the relevant time.

## **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**
- (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.

### **Appropriate use of our services**

- (a) You warrant that your use of the services we provide will not breach any law of Australia or any other country.
- (b) Where we consider it necessary for us to meet our regulatory and compliance obligations:
- (i) you must provide us with any information we reasonably request;
  - (ii) we will disclose information we hold to regulatory and law enforcement agencies, other financial institutions, third parties and members of the St George Group; and
  - (iii) we may delay, block or refuse to provide any of our services.

We will not be liable to you or any other person for any loss or damage of any kind that may be suffered as a result of us exercising our rights under this clause.

### **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 Financial Ombudsman Service (FOS). This is a free, external and independent process for resolving disputes between banks and customers, provided the Financial Ombudsman Service 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 Financial Ombudsman Service are as follows:
- GPO Box 3  
Melbourne VIC 3001  
Telephone: 1300 780 808  
Facsimile: (03) 9613 6399
- (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.

**business day** means a working day in the designated financial centre of both countries of the *currency pair*. A *business day* for Australian dollars is a day St.George are open in New South Wales unless otherwise specified in the *confirmation*. A *business day* does not include a weekend day, public or bank holiday within the designated financial centre.

**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.

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

**exchange rate** means what one currency is worth in terms of another.

**extension** means negotiation of another FEC (Importer) that extends the *value date* of the original FEC (Importer) to a new (later) *value date*.

**forward** means a transaction for value more than two *business days* from the *trade date*.

**forward margin** means the difference between the forward rate and spot rate. The forward margin is a result of the difference between inter-bank interest rates of the countries that make up the *currency pair*.

**inter-bank** means the business conducted between banks. For example, inter-bank rates are FX rates large international banks quote other large international banks.

**out-of-the-money** means a term used to describe a transaction that is at a less favourable rate than the prevailing market.

**pre-delivery** means negotiation of another FEC (Importer) that shortens the *value date* of the original FEC (Importer) to a new (earlier) *value date*.

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

**settlement** means the physical exchange of the two currencies in the *currency pair*.

**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.

**spot** means a transaction for value in two *business days* from the *trade date*.

**trade date** means the date the transaction is agreed upon between the two parties involved in the transaction.

**value date** means the date the two currencies in the *currency pair* are due to be exchanged. For FEC (Importer), *value date* can also be referred to as settlement date or delivery date. The value date for a spot transaction is two *business days*.

**Sydney:**

Level 11, 55 Market Street  
Sydney NSW 2000  
GPO Box 4444 Sydney 2001  
Telephone: (02) 9320 5555  
Facsimile: (02) 9320 5589

**Melbourne:**

Level 8,  
530 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  
Telephone: (08) 8424 5597  
Facsimile: (08) 8424 4119

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