

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

# STAGGERED DRAGON FORWARD (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 Staggered Dragon Forward (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

A Staggered Dragon Forward (Importer) contract (SDF (Importer)) 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 an SDF (Importer) used for?*

An SDF (Importer) 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 from movements in the relevant exchange rate that would be less favourable than the *contract rate1* while
- retain the ability to gain from favourable movements in the relevant exchange rate for a proportion of the underlying amount you need to exchange.

## Suitability

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

An SDF (Importer) 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 an SDF (Importer)?*

An SDF (Importer) 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 an SDF (Importer) work?*

Under an SDF (Importer), 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 *contract rate1*, *contract rate2*, *participation ratio1*, *participation ratio2*, *contract amount*, and *transaction period* will also be set.

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 below the *contract rate1*, you will be obliged to exchange the *contract amount* in full, at *contract rate1*; or

2. If the *market rate* is above *contract rate1* and below *contract rate2*, you will be obliged to exchange *participation ratio1* of the *contract amount*, at *contract rate1*. The balance of the contract may be exchanged at the *market rate*; or
3. If the *market rate* is at or above *contract rate2*, you will be obliged to exchange *participation ratio1* of the *contract amount*, at *contract rate1*. In addition, you will be obliged to exchange *participation ratio2* of the *contract amount*, at *contract rate2*. The balance of the *contract amount* may be exchanged at the *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 an SDF (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 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 *contract rate1*, *contract rate2*, *participation ratio1*, and *participation ratio2* so that you will not be required to pay any *premium*. When setting these levels, St.George takes into account a variety of factors including:

- the *contract amount* and *transaction period* of the SDF (Importer);
- 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 *contract rate1*, *contract rate2*, *participation ratio1*, and/or *participation ratio2*, 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*, *contract rate1*, *contract rate2*, *participation ratio1*, and *participation ratio2* 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.

St.George will derive a financial benefit out of each SDF (Importer). When you exchange currencies at either the applicable *contract rate1*, *contract rate2* or the *market rate*, St.George will benefit by incorporating a margin into *contract rate1*, *contract rate2* or the *market 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 SDF (Importer) by accepting the applicable *contract rate1*, *contract rate2* and the *market rate* quoted by St.George.

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

### **Advantages/Benefits**

- An SDF (Importer) provides you with a fixed rate for the *contract amount* if the market exchange rate at the *expiration time* is at or below *contract rate1*. *Contract rate1* provides protection against decreases in the *currency pair* exchange 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 above *contract rate1* and below *contract rate2*, you must exchange the *participation ratio1* of the *contract amount* at *contract rate1*. If this occurs, it will be less favourable to you than exchanging the *contract amount* at the *market rate*.
- If the *market rate* at the *expiration time* is at or above *contract rate2*, you must exchange the *participation ratio1* of the *contract amount* at *contract rate1*. In addition, you must exchange the *participation ratio2* of the *contract amount* at *contract rate2*. If this occurs, it will be less favourable to you than exchanging the *contract amount* at the *market rate*.
- There is no cooling off period.
- St.George, as the counterparty to an SDF (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 SDF (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**

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 an SDF (Importer) 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 SDF (Importer). 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 SDF (Importer) 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:

- 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 SDF (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 SDF (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 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 SDF (Importer), you would need to use the actual rates and figures quoted to you at the relevant time.

### *Scenario*

You are an Australian based importer with a requirement to pay USD100,000 in one month for goods bought 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 need to pay in 1 month 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 0.6700, then you will pay:

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

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

AUD 163,934.43 (i.e. USD 100,000 / 0.6100)

***How will an SDF (Importer) change this?***

Assume that you are concerned that the AUD may depreciate against the USD over the coming month, and you would like 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 entirely from favourable movements in the currency pair.

You enter into an SDF (Importer) to buy USD 100,000 and sell AUD at a *contract rate1* of 0.6300 and a *contract rate2* of 0.6700, with an *expiration time* in one month. You also set a *participation ratio1* of 40% and a *participation ratio2* of 20%

***How will the SDF (Importer) work?***

If the AUD/USD exchange rate is trading at or below *contract rate1* at the *expiration time*, you will have the following outcome:

- on the *delivery date*, you would exchange your AUD at the *contract rate1* of 0.6300

You would be required to pay AUD 158,730.16 (i.e. USD 100,000 / 0.6300)

**OR**

If the AUD/USD exchange rate is trading above the *contract rate1* and below *contract rate2* at the *expiration time*, you will have the following outcome:

- on the *delivery date*, you would exchange 40% of the *contract amount* at the *contract rate1* of 0.6300

You would be required to pay AUD 63,492.06 (i.e. USD 40,000 / 0.6300)

- on the *delivery date*, you may choose to exchange the remaining 60% of the *contract amount* at the prevailing *market rate* (assume *market rate* of 0.6600 at the *expiration time*):

You be required to pay AUD 90,909.09 (i.e. USD 60,000 / 0.6600)

Under this scenario, the total cost of the transaction equates to AUD 154,401.15 (i.e. AUD 63,492.06 + AUD 90,909.09), compared to AUD 158,730.16 at the *contract rate1* of 0.6300; or AUD 155,521.00 if you had purchased a Forward Exchange Contract (FEC) 1 month ago at 0.6430; or AUD 151,515.15 if you had purchased at the *market rate* of 0.6600.

Your average exchange rate equates to:

USD 100,000 / AUD 154,401.15 = 0.6477 (rounded to 4 decimals)

**OR**

If the AUD/USD exchange rate is trading at or above the *contract rate2* at the *expiration time*, you will have the following outcome:

- on the *delivery date*, you would exchange 40% of the *contract amount* at the *contract rate1* of 0.6300. In addition, you would exchange 20% of the *contract amount* at the *contract rate2* of 0.6700

You would be required to pay AUD 93,342.81 (i.e. USD 40,000 / 0.6300 + USD 20,000 / 0.6700)

- on the *delivery date*, you may choose to exchange the remaining 40% of the *contract amount* at the prevailing *market rate* (assume *market rate* of 0.6800 at the *expiration time*):

You be required to pay AUD 58,823.53 (i.e. USD 40,000 / 0.6800)

Under this scenario, the total cost of the transaction equates to AUD 152,166.34 (i.e. AUD 93,342.81 + AUD 58,823.53), compared to AUD 158,730.16 at the *contract rate1* of 0.6300; or AUD 155,521.00 if you had purchased a Forward Exchange Contract (FEC) 1month ago at 0.6430; or AUD 147,058.82 if you had purchased at the *market rate* of 0.6800.

Your average exchange rate equates to:

USD 100,000 / AUD 152,166.34 = 0.6572 (rounded to 4 decimals)

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

At the *expiration time*, you will benefit where the prevailing exchange rate is below *contract rate1*. In this case, you will exchange currencies at *contract rate1* which is more favourable than the current *market rate*.

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

At the *expiration time*, you are disadvantaged where the prevailing exchange rate is above *contract rate1* because you will be required to exchange currencies at *contract rate1*; or *contract rate1* and *contract rate2* 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**
- (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.

**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.

**contract rate1** means the rate specified as such in the *confirmation* being the rate at which you will exchange *participation ratio1* of the *contract amount* at the *expiration time* if the *market rate* is above the *contract rate1*.

**contract rate2** means the rate specified as such in the *confirmation* being the rate at which you will exchange *participation ratio2* of the *contract amount* at the *expiration time* if the *market rate* is above the *contract rate2*.

**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 currency you agree to exchange under the SDF (Importer).

**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 SDF (Importer) agreement and specified as such in the *confirmation*.

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

**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.

**participation ratio1** means the percentage of the *contract amount* you will be required to exchange at the *contract rate1* if, at the *expiration time*, the *market rate* is above the *contract rate1* and specified as such in the *confirmation*.

**participation ratio2** means the percentage of the *contract amount* you will be required to exchange at the *contract rate2* if, at the *expiration time*, the *market rate* is above the *contract rate2* and specified as such in the *confirmation*.

**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 SDF (Importer).

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

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Level 11, 55 Market Street  
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**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  
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