

VANILLA FOREIGN EXCHANGE OPTIONS

PRODUCT DISCLOSURE STATEMENT



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1. Purpose

This Product Disclosure Statement (PDS) contains information about Travelex's Vanilla Options products. Travelex is providing you with this PDS so that you receive important information about its Vanilla Options products including their benefits, risks and costs.

The purpose of this PDS is to provide you with sufficient information for you to determine whether a Vanilla Option meets your needs. This PDS will also allow you to compare the features of other products that you may be considering.

Please read this PDS carefully before purchasing a product. In the event that you enter into a Vanilla Option you should keep a copy of this PDS along with any associated documentation for future reference.

The information set out in this PDS is general in nature and has been prepared without taking into account your objectives, financial situation or needs. Before dealing in Vanilla Options you should consider whether it is appropriate, having regard to your own objectives, financial situation and needs. This PDS does not constitute financial advice or a financial recommendation.

A Vanilla Option may be suitable for you if you have a good level of understanding of foreign exchange contracts and markets. **If you are not confident about your understanding of these markets, we strongly suggest you seek independent advice before making a decision about this product.**

If you have any questions or need more information, please contact Travelex or refer to our website www.travelexbusiness.com/au.

2. Issuer

Travelex GBP Australia Pty Ltd is the Issuer of this financial product.

This PDS has been prepared by Travelex GBP Australia Pty Ltd ABN 24 150 129 749

AFSL Number 404092

Further information about Travelex and the Travelex group of companies can be found at www.travelexbusiness.com/au

3. What is a Vanilla Option?

A Vanilla Option is an agreement between two parties ('the buyer' of the Vanilla Option and 'the seller' of the Vanilla Option) that gives the buyer the right but not the obligation to buy (a Vanilla Call Option) or sell (a Vanilla Put Option) one currency in exchange for another currency (Currency Pair) at an agreed exchange rate (the Strike Rate) on a predetermined date in the future (the Expiry Date).

4. How does a Vanilla Option work?

When you enter into a Vanilla Option you nominate the Currency Pair, Strike Rate and Expiry Date. The currencies that you wish to exchange must be acceptable to Travelex.

Travelex only offers 'European' style Vanilla Options. This means that you may only Exercise the Vanilla Option on the Expiry Date.

Travelex will calculate a premium which is payable by the buyer of the Vanilla Option. If you are the buyer you will be required to pay the premium to Travelex within two (2) business days of the Trade Date.

If you are the buyer of a Vanilla Option on the Expiry Date:

- **If the Spot Rate is less favorable than the Strike Rate** it will be more advantageous for you to Exercise your Vanilla Option and exchange the Currency Pair. You will then be required to exchange currencies at the Strike Rate two (2) business days after the Expiry Date.
- **If the Spot Rate is more favorable than the Strike Rate** it will be more advantageous for you to let your Vanilla Option lapse. This is because the Spot Rate on the day will provide you with a better rate of exchange than the Strike Rate. Accordingly you may choose to exchange currencies at the Spot Rate.

5. What is the purpose of a Vanilla Option?

Vanilla Options enables a party to protect a worst case exchange rate. This allows you to Hedge your currency exposure by providing protection against unfavorable currency movements between the time that you enter into a Vanilla Option and the Expiry Date. At the same time you are also able to participate in any favorable currency movements that exist on the Expiry Date.

6. Cost of a Vanilla Option

In return for Travelex selling you a Vanilla Option, you pay Travelex a non-refundable premium. We calculate the premium on a transaction-by-transaction basis. We will advise you of the premium to be paid for your Vanilla Option before we enter into the transaction.

The Premium can be paid in either Australian dollars (AUD) or in one of the currencies in the Currency Pair. Premiums are payable within 2 business days of the Trade Date. When calculating any Premium, Travelex takes into account several factors including:

- The Strike Rate and the Expiry Date
- The amount of the Vanilla Option
- Current market foreign exchange rates
- The interest rates of the countries whose currencies are being exchanged
- Market volatility

In addition to the premium you may be charged transaction fees upon settlement or delivery of a Vanilla Option if this is carried out via a telegraphic transfer or draft.

The level of transaction fee we charge you for these services will vary based on:

- The size of the transaction
- The relevant currency involved
- How often you transact with us
- The country to which the funds are being sent

Travelex will advise you of any transaction fees before you establish a trading relationship. Travelex may vary these fees from time to time and will provide you with notice prior to doing so.

In addition to the fees charged by Travelex for sending payments by telegraphic transfer or draft, any correspondent, intermediary or beneficiary bank(s) which facilitates the sending or payment of a telegraphic transfer may impose their own additional fees or charges which may be deducted from the amount paid to you or your beneficiary.

For further information in relation to the cost of telegraphic transfers/drafts in connection with a Vanilla Option, contact your Travelex representative.

7. Benefits of a Vanilla Option

Benefits of a Vanilla Option include:

- A Vanilla Option provides protection against adverse movements in the exchange rate during the term of the option.
- Vanilla Options are flexible; the Strike Rate, Expiry Date and amount can be tailored to your needs.
- Unless you exercise your Vanilla Option you are not committed to exchange currencies. Consequently you are able to participate in all favourable exchange rate movements.

8. Significant risks of a Vanilla Option

Travelex considers that Vanilla Options are only suitable for persons who understand and accept the risks involved in investing in financial products involving foreign exchange rates. Travelex recommends that you obtain independent financial advice before entering into a Vanilla Option.

The following are the significant risks associated with a Vanilla Option:

- An upfront premium is payable when you purchase your Vanilla Option. This premium is non-refundable regardless of whether the option lapses or is terminated before the Expiry Date.
- Depending on the market rate prevailing on the Expiry Date the total cost of the transaction (including the premium you have paid and the ultimate currency exchange cost) may be higher than if you had not purchased the Vanilla Option.
- There is no cooling-off period.
- As counterparty to your Vanilla Option you are relying upon Travelex to be able to perform its obligations to you upon maturity of the contract. As a result you have counterparty risk; you are relying on Travelex's financial ability to fulfill its obligations to you under the contract. To aid in your assessment of this risk Travelex will provide you with a copy of its latest audited financial statements upon request. You may request a copy of our most recent financial statements by emailing us at enquiry@travelex.com.au.

9. Terms and Conditions and other documentation

Each Vanilla Option which you enter into will be subject to Travelex's Terms and Conditions for doing business and Terms and Conditions for Options (which may be set forth in an Options Addendum). You will be required to sign these before entering into a Vanilla Option for the first time.

In addition to our Terms and Conditions you will also need to provide us with the following signed documentation together with such other "Know your Customer" information that Travelex may require:

- Audited financial statements (no more than 12 months old)
- Direct Debit Request form

Copies of these forms can be obtained by contacting Travelex.

Upon completion of these documents Travelex will conduct an accreditation process. Accreditation and acceptance of a customer is at Travelex's sole discretion.

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

- Verification of a customer's identity in accordance with relevant AML/CTF laws
- A successful credit check conducted through a third party credit agency
- An AML risk assessment considering relevant factors such as the nature of a customer's business and the country where the customer will make or receive payments
- A check of a customer's principal officers and beneficial owners against relevant government issued sanction lists

10. Instructions, Confirmations and telephone conversations

The commercial terms of a particular Vanilla Option will be agreed and binding at the time of dealing. This may occur verbally over the phone, electronically or in any other manner set out in our Terms and Conditions for doing business with Travelex.

Shortly after entering into a Vanilla Option Travelex will send you a Confirmation outlining the commercial terms of the deal; this Confirmation is intended to reflect the transaction that you have entered into with Travelex. It is important that you check the Confirmation to make sure that it accurately records the terms of the transaction. You should note however that there is no cooling-off period with respect to a Vanilla Option and that you will be

bound once your original instruction has been accepted by Travelex regardless of whether you sign or acknowledge a Confirmation. In the event that there is a discrepancy between your understanding of the Vanilla Option and the Confirmation it is important that you raise this with Travelex as a matter of urgency.

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

11. An example of a Vanilla Option

The example below is for information purposes only and uses rates and figures that we have selected to demonstrate how a Vanilla Option works. In order to assess the merits of any particular Vanilla Option, you should use the actual rates and figures quoted to you at the relevant time.

An Australian importer needs to pay USD100,000 in 3 months time for goods purchased overseas. The importer can buy the USD in 3 months time but then it cannot budget the right amount of AUD because the exchange rate in 3 months time is unknown. Assume that the current AUD/USD spot exchange rate is 0.7500.

What would happen if the position was not Hedged?

If the importer did nothing, the amount of AUD needed to pay in 3 months time for the USD100,000 will depend on the prevailing exchange rate quoted for the value at that time.

If the AUD/USD exchange rate went up (the AUD appreciates), less AUD will be required when it comes time to pay for the USD.

If the AUS/USD exchange rate goes down (AUD depreciates), more AUD will be required.

How can a Vanilla Option change this?

The importer can eliminate its exposure to the exchange rate depreciating below a certain rate by entering into a Vanilla Option. This will allow them to protect a worse case exchange rate while giving them the opportunity to participate in favourable exchange rate movements.

The importer nominates the Strike Rate, Expiry Date and the face value amount as follows:

- Spot Exchange Rate: 0.7500
- Forward Exchange Rate: 0.7440
- Strike Rate: 0.7400
- Face value: USD 100,000
- Expiry Date: 3 months after Trade Date
- Premium calculated by Travelex.

Outcome on the Expiry Date at Cut Off Time:

- If the Spot Exchange Rate is greater than 0.7400, the importer will let the Vanilla Option lapse (and use AUD to buy USD at prevailing Spot Exchange Rate on-market).
- If the Spot Exchange Rate is less than 0.7400, the importer would Exercise the Vanilla Put and on the Delivery Date exchange AUD for USD at the agreed exchange rate of 0.7400.

12. Cancellation or Early Termination

You may ask us to terminate a Vanilla Option at any time up to Expiry Time on the Expiry Date.

Travelex will then provide you with a quote for the cost of its cancellation. These costs may be significant and may not be in your favour.

Travelex's quote will be based on a consideration of the same variables (the applicable interest and exchange rates, Currency Pair, amount, Term, Expiry Date and market volatility) used when pricing or structuring the original Vanilla Option.

We will also consider the cost of reversing or offsetting your original transaction. When doing this Travelex takes into account the current market rates that apply to any offsetting transactions.

If you accept the quote, the Vanilla Option will be cancelled. You may lose money as a result of an early termination.

13. Dispute resolution

You should address any complaint relating to the product described in this PDS to your Travelex representative in the first instance.

If your complaint is unable to be resolved the matter will be automatically escalated to the relevant business unit manager. If a resolution is not reached within a reasonable time period, the matter will be further escalated to Travelex's compliance manager who will in turn refer the matter to senior management for resolution. All complaints are logged at each stage of the process.

If you have any enquiries about our dispute resolution process, please contact the compliance manager at the principal business address listed below, call 1300 727 113 or email us at customerservices@travelex.com.au.

If you are dissatisfied with the resolution of a complaint you have the right to refer the complaint to:

Financial Ombudsman Service (FOS)

GPO Box 3

Melbourne, Victoria 3001

Toll Free Number: 1300 78 08 08

www.fos.org.au

FOS operate an independent dispute resolution scheme.

14. Privacy

In the course of providing foreign exchange services we may collect information about you. The information that we obtain from you or other people is for the purpose of processing your foreign exchange transactions. Certain information may be required by us in order to comply with laws and regulations, including anti-money laundering laws. We may use your information to send you details about Travelex products. If you do not wish to receive such information please let us know. We may also disclose information about you to third party service providers (such as credit checking agencies) who assist us in our business operations and service provision.

Travelex is committed to complying with all privacy laws and regulations. Further information about Travelex's privacy practices can be found at www.travelexbusiness.com/au.

If you would like further information about the way that Travelex manages the handling of personal information, please contact our privacy officer:

- Email: privacy@travelexgbp.com.au
- Mail: Attention Privacy Officer, Level 12/1 Margaret Street, Sydney NSW 2000; or
- Call: 1800 036 739

15. Taxation

Taxation law is complex and its application will depend on a person's individual circumstances. When determining whether or not these products are suitable you should consider the impact it will have on your own taxation position and seek professional advice on the tax implications it may have for you.

16. Key Terms

AUD means Australian Dollar.

Call Option means the right, without an obligation, to buy the underlying currency.

Confirmation means written or electronic advice from Travelex that sets out the commercial details of a Vanilla Option.

Currency Pair means the two currencies in the Vanilla Option.

Customer means the entity that signs Travelex's Terms and Conditions for doing business with Travelex GBP Australia Pty Ltd.

Delivery Date is the date on which the exchange of currencies under the Vanilla Option takes place.

Exercise means to make use of the right, which is possessed by a party, as specified in a Vanilla Option, e.g. the right to buy, in which case, once exercised the seller of the Foreign Exchange Option is obligated to the buyer on the terms already agreed.

Expiry Date means the date on which the Foreign Exchange Option expires.

Expiry Time is the time of day on the Expiry Date that the Foreign Exchange Option expires.

Forward Exchange Contract (or "FEC") means an agreement where one currency is sold or bought against another currency at an agreed Forward Exchange Rate for settlement on a specified date in the future.

Forward Exchange Rate means the Spot Exchange Rate adjusted to a future date having regard to the interest rates prevailing in the two countries in the Currency Pair.

Hedge means activity initiated in order to mitigate or reduce economic exposure to adverse price or currency movements, by taking a related offsetting or mitigating position, such as an FEC or a Vanilla Option.

Interbank Exchange Rate means the wholesale Spot Rate that Travelex receives from the foreign exchange interbank market.

Issuer has the meaning of s 761E of the Corporations Act 2001 (Cth).

Premium is the amount paid by the buyer to the seller for a Foreign Exchange Option.

Put Option means the right, without an obligation, to sell the underlying currency.

PDS means Product Disclosure Statement.

Spot Rate means the exchange rate for settlement on a Value Date of up to two (2) business days from the date the transaction was entered.

Strike Rate is the exchange rate at which the parties have agreed to exchange the Currency Pair if the Vanilla Option is Exercised.

Term means the period of time between the Trade Date and the Expiry Date.

Trade Date is the date you enter into a Vanilla Option contract.

USD means United States Dollar

Vanilla Foreign Exchange Option or **Vanilla Option** means a Put Option or a Call Option where the buyer has the right, but not the obligation, to exchange the Currency Pair with the seller at the Strike Rate two (2) business days after the Expiry Date.

Value Date means the date on which currencies must be exchanged.

'**We/we, Our/our, Us/us**' means Travelex GBP Australia Pty Ltd ABN 24 150 129 749.

'**You/you, Your/your**' means the Customer.

17. Updates relating to this PDS

The information in this PDS is subject to change. Travelex will issue a supplementary or replacement PDS where new information arises that is materially adverse to the information in this PDS. Where new information arises that is not materially adverse to the information in this PDS Travelex will post such updated information on its website at www.travelexbusiness.com/au. You may request a copy of this information from your Travelex representative or by contacting Travelex on 1300 727 113.

18. Contact details

General enquiries

1300 727 113

www.travelexbusiness.com/au

enquiry@travelex.com.au

New South Wales

Level 12, 1 Margaret Street
Sydney NSW 2000

Tel. +61 (0)2 8585 7000

Fax. +61 (0)2 8244 8350

Victoria

Level 8, 565 Bourke Street
OCBC House
Melbourne VIC 3000

Tel. +61 (0)3 9282 0333

Fax. +61 (0)3 9282 0308

Western Australia

Level 19, St Martins Tower,
44 St Georges Terrace
Perth WA 6000

Tel. +61 (0)8 9481 0909

Fax. +61 (0)8 9321 2758

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ABN 24 150 129 749

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