Product Disclosure Statement

Vanilla and Structured Options

The information contained in this document is general in nature and has been prepared without taking into account your specific objectives, financial situation or risk management requirements. Before acquiring a financial product offered under this document, you should consider whether it is appropriate, relative to your own financial and risk management objectives.

Issuer: EncoreFX (Australia) Pty Ltd

ABN 42 607 244 879 AFSL 479 870

Important information

Issuer and contact details

This Product Disclosure Statement (PDS) is dated 13 February, 2018 and is issued by EncoreFX (Australia) Pty Ltd ABN 42 607 244 879 AFSL 479 870 (‘EncoreFX’, ‘we’, ‘us’, ‘our’). It is an essential document regarding EncoreFX’s Vanilla and Structured Options. This PDS outlines the benefits, risks and costs of using Vanilla and Structured Options for commercial hedging purposes.

General advice only

The purpose of this PDS is to provide relevant information for you to determine whether a Vanilla or Structured Option is an appropriate foreign exchange risk management product for your particular risk management requirements and financial circumstances. This PDS explains the features, risks and costs of the Vanilla and Structured Options offered by EncoreFX. This PDS should be read carefully before entering into a Vanilla or Structured Options product and a copy should be retained for future reference.

Suitability

A Vanilla or Structured Option may be suitable for you if you have a very good understanding of advanced foreign exchange hedging strategies and markets. If you are not confident about your understanding of the material contained in this PDS we strongly encourage you to seek independent advice before entering into a Vanilla or Structured Option. Please contact your EncoreFX representative for further information.

Updated information

Information in this PDS may change from time to time. If there is any material adverse change to the information contained in this PDS, then EncoreFX will issue a supplementary or replacement PDS. However, if the change is not materially adverse, then EncoreFX will give you a copy of the updated information without charge on request. If you have received this PDS electronically, then EncoreFX will also give you a paper copy of the PDS free of charge, on request. EncoreFX’s contact details appear on in section 19.

Jurisdiction

The Offer under this PDS is available to persons receiving the PDS within Australia only. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. This PDS does not constitute an offer to any person to whom, or in any place in which, it would be illegal to make that offer.

Defined terms

Capitalised terms used in this PDS have the meaning given to them in the Glossary in section 20 unless the context requires otherwise.

Contents

1 About EncoreFX

EncoreFX is the issuer of this PDS and of the derivative products described in this PDS.

EncoreFX was launched in 2016 by a team of foreign exchange professionals who share a vision for how corporate foreign exchange business should be done. We take great pride in helping clients achieve their unique foreign exchange operational and risk management goals.

Our foundation is built on many years of foreign exchange market experience and professional knowledge. We have helped thousands of businesses enjoy greater success through their foreign exchange operations.

EncoreFX empowers businesses to make smarter financial decisions through access to premier foreign exchange transaction and risk management solutions. We offer a full suite of foreign exchange services and hedging solutions - all tailored to each client's unique needs - giving our clients more certainty over their exchange rates.

Our approach and technical sophistication provide our clients with foreign exchange solutions typically reserved for large multi-national corporations.

Further information about EncoreFX be found at www.encorefx.com.au.

2 What is a Foreign Exchange Option?

A foreign exchange Option is a financial contract entered into by two parties, a buyer and a seller. The buyer of an Option contract pays a Premium to the seller and receives the right, but not the obligation, to exchange a specified amount of currency for another currency at a prescribed Foreign Exchange Rate, referred to as the Strike Rate, on a specified date. The seller of an Option receives a Premium for offering these rights to the buyer, and is assigned the obligation to fulfil the terms of the contract if the buyer Exercises their right.

There are two general types of Option contracts, a Put Option and a Call Option. A Put Option provides the right, but not the obligation, to sell the underlying currency. And a Call Option provides the right, but not the obligation, to buy the underlying currency. A Put Option is used to protect against the depreciation of the underlying currency, while a Call Option is used to protect against the appreciation of the underlying currency.

3 What is a Structured Option?

A Structured Option is a foreign exchange risk management product that allows the user to achieve a wider variety of hedging outcomes than a Forward Exchange Contract (FEC). A Structured Option involves the simultaneous purchase and sale of two or more Options. For example, a Collar Option is a Structured Option that involves buying a Put Option and selling a Call Option with different Strike Rates for the same Expiry Date. Structured Options may involve Vanilla and/or Exotic Options, may involve multiple legs (i.e. more than 2 Options in one structure), may incorporate the use of Leverage, and may be structured at Zero-Premium.

4 Options offered by EncoreFX

Each Option offered by EncoreFX is described in detail below. The description of each Option includes an example of the Option with possible outcomes.

The examples set out below are for informational purposes only. They provide an example of one situation only and do not reflect the specific circumstances or the obligations that may arise under a derivative entered into by you. In order to assess the merits of any particular Option you should use the actual rates and figures available to you at the relevant time.

Each example Option has a 6-month Term and is written from the perspective of an Australian Dollar (AUD) Seller / US Dollar (USD) Buyer (i.e. a corporate client wanting to hedge against a potential appreciation of the USD relative to the AUD). Any Structured Option can be, and usually is, structured as Zero-Premium.

4.1 Vanilla Option

A Vanilla Option provides you with the right, but not the obligation, to exchange the underlying currency at a specified exchange rate and time. A Vanilla Option provides protection in the event of adverse spot market movement as well as the opportunity to participate in favourable spot market movement.

Benefits	Risks
• Provides the holder with protection against adverse market movement at the Protection Rate. • Risk taken by the holder is limited to the Premium. • Gives the holder unlimited participation in a favourable Spot Rate move.	• The holder of the option must pay a non-refundable Premium.

Example Vanilla Option - Spot Rate at commencement of 0.7450
Buy AUD Put / USD Call
• Premium = AUD 20,000 • Strike / Protection Rate = 0.7350 • Notional Amount = USD 1,000,000
Possible Outcomes
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7350, you will have the right to buy USD 1,000,000 at the Protection Rate of 0.7350. • **Scenario 2**: If the Spot Rate at the Expiry Date is above the Protection Rate of 0.7350, you will have no obligation and are free to trade at the prevailing Spot Rate.
Possible Variations
• **Deferred Premium**: Typically, Premium is payable within two business days. However, EncoreFX may offer to defer the premium to a future date, most likely the Settlement Date of the Vanilla Option. Deferring Premium on Vanilla Options is subject to certain criteria and is offered at EncoreFX's discretion. • **Buying Vanilla Options**: Typically, EncoreFX are the seller of the Vanilla Option, and you are the buyer. In the scenario where you are the buyer, you would be paying a Premium to EncoreFX. • **Selling Vanilla Options:** It is also possible that you sell a Vanilla Option to EncoreFX, in order to realise the Premium that EncoreFX would pay to you. In this scenario, as the seller of the Vanilla Option to EncoreFX, you would have potential obligations to buy or sell currency as per the parameters of the Vanilla Option.

***This example is provided for illustrative purposes only*.**

4.2 Collar

A Collar is a Structured Option that allows you to set a Protection Rate and a Participation Rate for your foreign currency needs. At the Expiry Date, a Collar provides the ability to participate in favourable spot market movement between the Protection Rate and the Participation Rate.

Benefits	Risks
• Provides the ability to participate in a favourable Spot Rate move to the Participation Rate. • Provides full protection from an adverse Spot Rate move below the Protection Rate.	• Protection Rate is worse than the comparable Forward Exchange Contract rate. • Upside participation is limited to the Participation Rate.

Example Collar - Spot Rate at commencement of 0.7450	
Buy AUD Put / USD Call	**Sell AUD Call / USD Put**
• Strike / Protection Rate = 0.7050 • Notional Amount = USD 1,000,000	• Strike / Participation Rate = 0.7650 • Notional Amount = USD 1,000,000
Possible Outcomes	
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7050, you will have the right to buy USD 1,000,000 at the Protection Rate of 0.7050. • **Scenario 2**: If the Spot Rate at the Expiry Date is between the Strike Rates 0.7050 and 0.7650, you have no obligation and are free to trade at the prevailing Spot Rate. • **Scenario 3**: If the Spot Rate at the Expiry Date is above the Participation Rate of 0.7650, you will be obligated to trade USD 1,000,000 at the Participation Rate of 0.7650.	

***This example is provided for illustrative purposes only*.**

4.3 Knock-In Collar

A Knock-In Collar is a Structured Option that allows you to set a Protection Rate and a Participation Rate, along with a Knock-In Barrier Rate. A Knock-In Collar provides an opportunity to participate in a favourable Spot Rate move up to the Knock-In Barrier Rate provided the Knock-In Barrier Rate is not Triggered. If the Knock-In Barrier Rate is Triggered, the structure reverts to a standard Collar.

Benefits	Risks
• Provides the ability to participate in a favourable Spot Rate move: o to the Knock-In Barrier Rate; or o to the Participation Rate (if the Knock-In Barrier Rate is Triggered). • Provides protection from an adverse Spot Rate move below the Protection Rate. • Gives better potential upside participation than a standard Collar.	• Protection Rate is worse than the comparable Forward Exchange Contract rate. • Upside participation is limited: o up to the Knock-In Barrier Rate; or o the Participation Rate (if the Knock-In Barrier Rate is Triggered).

Example Knock-In Collar - Spot Rate at commencement of 0.7350	
Buy AUD Put / USD Call	**Sell AUD Call / USD Put**
• Strike / Protection Rate = 0.7150 • Notional Amount = USD 1,000,000	• Strike / Participation Rate = 0.7650 • Notional Amount = USD 1,000,000 • Knock-In Barrier Rate at 0.7800
Possible Outcomes	
• **Scenario 1**: If the Spot Rate at the Expiry Date is between the Strike Rates of 0.7150 and 0.7650, you will have no obligation to buy or sell at a particular rate and may trade at the prevailing Spot Rate. • **Scenario 2**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7150, you will have the right to buy USD 1,000,000 at the Protection Rate of 0.7150. • **Scenario 3**: If the Spot Rate at the Expiry Date is above the Participation Rate of 0.7650, and the Knock-In Barrier Rate of 0.7800 has not been Triggered, you will have no obligation to buy or sell at a particular rate and may trade at the prevailing Spot Rate. • **Scenario 4**: If the Spot Rate at the Expiry Date is above the Participation Rate of 0.7650, and the Barrier Rate of 0.7800 has been Triggered, you will be obligated to trade USD 1,000,000 at Participation Rate of 0.7650.	

***This example is provided for illustrative purposes only*.**

4.4 Knock-In Forward

The Knock-In Forward is a Structured Option that allows you to set a Protection Rate and participate in a favourable Spot Rate move provided a Knock-In Barrier Rate has not been Triggered. Should the Knock-In Barrier Rate be Triggered, the structure reverts to the Protection Rate.

Benefits	Risks
• Provides the ability to participate in a favourable Spot Rate move provided the Knock-In Barrier Rate is not Triggered. • Provides protection against an adverse Spot Rate move.	• Protection Rate is worse than the comparable Forward Exchange Contract rate. • If the Knock-In Barrier Rate is Triggered, you are obligated to trade at the Protection Rate.

Example Knock-In Forward - Spot Rate at commencement of 0.7350	
Buy AUD Put / USD Call	**Sell Knock-In AUD Call / USD Put**
• Strike / Protection Rate = 0.7150 • Notional Amount = USD 1,000,000	• Strike / Protection Rate = 0.7150 • Notional Amount = USD 1,000,000 • Knock-in Barrier Rate = 0.7650
Possible Outcomes	
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7150, you will have the right to buy USD 1,000,000 at the Protection Rate of 0.7150. • **Scenario 2**: If the Spot Rate at the Expiry Date is above 0.7150 at the Expiry Date, and the Knock-In Barrier Rate has not been Triggered, you have no obligation and are free to trade at the prevailing Spot Rate. • **Scenario 3**: If the Knock-In Barrier Rate of 0.7650 has been Triggered, you will be obligated to buy USD 1,000,000 at the Protection Rate of 0.7150.	

***This example is provided for illustrative purposes only*.**

4.5 Ratio Forward

A Ratio Forward is a Structured Option involving bought and sold Options that have the same Strike Rates and Expiry Dates but different Notional Amounts. It is a product that requires the use of Leverage. The advantages and risks of using Leverage are discussed further in Section 6 of this PDS ('Leverage and Structured Options'). By using Leverage in this instance, you will be able to achieve an Enhanced Rate, meaning a Strike Rate that is better than the comparable Forward Exchange Contract rate at inception. However, there will be no participation in a favourable Spot Rate move. At the Expiry Date, if the Spot Rate is more favourable than the Strike Rate, you will be obligated to buy a larger Notional Amount at the Enhanced Rate. Alternatively, if the Spot Rate is less favourable than the Strike Rate, you will have the right to buy the smaller Notional Amount at the Enhanced Rate.

Benefits	Risks
• The Enhanced Rate will be more favourable than the equivalent Forward Exchange Contract rate.	• If the Spot Rate at the Expiry Date is above the Enhanced Rate, you will be obligated to buy the larger Notional Amount at the Enhanced Rate, which will be less favourable than the Spot Rate at the Expiry Date. • You do not know the exact Notional Amount to be exchanged before the Expiry Date, as the amount purchased will depend on if the Spot Rate at the Expiry Date will finish above or below the Enhanced Rate.

Example Ratio Forward - Spot Rate at commencement of 0.7350	
Buy AUD Put / USD Call	**Sell AUD Call / USD Put**
• Strike / Enhanced Rate = 0.7350 • Notional Amount = USD 1,000,000	• Strike / Enhanced Rate = 0.7350 • Notional Amount = USD 2,000,000
Possible Outcomes	
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Enhanced Rate of 0.7350, you will have the right to buy USD 1,000,000 at the Enhanced Rate of 0.7350. • **Scenario 2**: If the Spot Rate at the Expiry Date is above the Enhanced Rate of 0.7350, you will be obligated to buy USD 2,000,000 at the Enhanced Rate of 0.7350.	

This example is provided for illustrative purposes only.

4.6 Participating Forward

A Participating Forward is a Structured Option that allows you to protect against an adverse Spot Rate move, while at the same time allowing partial participation in a favourable Spot Rate move. A Participating Forward accomplishes this by using a bought Option which has a larger Notional Amount than the sold Option. Because of this versatility, the Strike Rate on a Participating Forward will be less favourable than the comparable Forward Exchange Contract rate at inception.

Benefits	Risks
• A larger Notional Amount is protected against an adverse Spot Rate move. • Provides the opportunity for uncapped participation in a favourable Spot Rate move on a portion of the Notional Amount. • Can be effective when hedging variable future currency exposures, as you can be hedged for a greater amount than you are obligated for.	• Protection Rate is worse than the comparable Forward Exchange Contract rate. • Participation in a favourable Spot Rate move is limited to the portion that is not obligated at the Protection Rate.

Example Participating Forward - Spot Rate at commencement of 0.7450	
Leg 1. Buy AUD Put / USD Call	**Leg 2. Sell AUD Call / USD Put**
• Strike / Protection Rate = 0.7150 • Notional Amount = USD 2,000,000	• Strike / Protection Rate = 0.7150 • Notional Amount = USD 1,000,000
Possible Outcomes	
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7150, you will have the right to buy USD 2,000,000 at the Protection Rate of 0.7150. • **Scenario 2**: If the Spot Rate at the Expiry Date is above the Protection Rate of 0.7150, you will be obligated to buy USD 1,000,000 at the Protection Rate of 0.7150 and you may trade further at the more favourable Spot Rate.	
Possible Variations	
• In some scenarios, it is possible to split the Notional Amount on Leg 1 into two separate amounts, each with different Strike Rates. This may also effect the Strike / Protection Rate available on Leg 2	

This example is provided for illustrative purposes only.

4.7 Participating Collar

A Participating Collar is a Structured Option that provides protection against an adverse Spot Rate move while also allowing for participation on a portion of the contracted Notional Amount up to specified capped rate. It operates in the same manner as a Participating Forward with the main difference being that participation in favourable Spot Rate movements is capped. Given the participation is capped, you will be able to realise a more favourable Protection Rate than a standard Participating Forward.

Benefits	Risks
• Offers greater level of protection against an adverse Spot Rate move than the comparable Participating Forward. • Offers possibility of participating in a favourable Spot Rate move on a portion of the Notional Amount to the Participation Rate.	• Protection Rate is worse than the comparable Forward Exchange Contract rate. • Participation is limited to the Participation Rate.

Example Participating Collar - Spot Rate at commencement of 0.7450		
Buy AUD Put / USD Call	**Sell AUD Call / USD Put**	**Sell AUD Call / USD Put**
• Strike / Protection Rate = 0.7200 • Notional Amount = USD 2,000,000	• Strike / Protection Rate = 0.7200 • Notional Amount = USD 1,000,000	• Strike / Participation Rate = 0.7900 • Notional Amount = USD 1,000,000
Possible Outcomes		
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate 0.7200, you will have the right to buy USD 2,000,000 at the Protection Rate of 0.7200. • **Scenario 2**: If the Spot Rate at the Expiry Date is between the Strike Rates of 0.7200 and 0.7900, you will be obligated to buy USD 1,000,000 at Protection Rate of 0.7200 and you may trade further at the more favourable Spot Rate. • **Scenario 3**: If the Spot Rate at the Expiry Date is above 0.7900, you will be obligated to buy USD 1,000,000 at the Protection Rate of 0.7200 and USD 1,000,000 at the Participation Rate of 0.7900.		

This example is provided for illustrative purposes only.

4.8 Participating Knock-In

A Participating Knock-In is a Structured Option that offers protection against an adverse Spot Rate move, while at the same time allowing for limited participation in the event of a favourable Spot Rate move. Participation will be available provided a specified Knock-In Barrier Rate is not Triggered. If the Knock-In Barrier Rate is Triggered, you will be obligated to buy both Notional Amounts at the Protection Rate.

Benefits	Risks
• Offers the potential to participate in a favourable Spot Rate move provided the Knock-In Barrier Rate has not been Triggered. • Provides a more advantageous Protection Rate than a Participating Forward.	• Protection Rate is worse than the comparable Forward Exchange Contract rate. • If the Knock-In Barrier Rate is Triggered, you must buy both obligated Notional Amounts at the Protection Rate.

Example Participating Knock-In - Spot Rate at commencement of 0.7350		
Buy AUD Put / USD Call	**Sell AUD Call / USD Put**	**Sell Knock-In AUD Call / USD Put**
• Strike / Protection Rate = 0.7150 • Notional Amount = USD 1,000,000	• Strike / Protection Rate = 0.7150 • Notional Amount = USD 500,000	• Strike / Protection Rate = 0.7150 • Knock-In Barrier Rate = 0.7850 • Notional Amount = USD 500,000

Possible Outcomes
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7150, you will have the right to buy USD 1,000,000 at the Protection Rate of 0.7150. • **Scenario 2**: If the Spot Rate at the Expiry Date is above the Protection Rate of 0.7150 and the Knock-In Barrier Rate of 0.7850 has not been Triggered, you will be obligated to buy USD 500,000 at the Protection Rate of 0.7150 and you may trade further at the more favourable Spot Rate. • **Scenario 3**: If the Knock-In Barrier Rate has been Triggered during the Barrier Period, you will be obligated to buy USD 1,000,000 at the Protection Rate of 0.7150.

***This example is provided for illustrative purposes only*.**

4.9 Participating Knock-Out

A Participating Knock-Out is a Structured Option that allows you to set a Protection Rate that is less favourable than the comparable Forward Exchange Contract rate along with a Knock-Out Barrier Rate. If the Knock-Out Barrier Rate is Triggered, the structure reverts to a standard Participating Forward. If the Knock-Out Barrier Rate is not Triggered, you must buy the full Notional Amount at the Protection Rate.

Benefits	Risks
• Provides the ability to realise a portion of a favourable Spot Rate move if the Knock-Out Barrier Rate is Triggered. • Achieves a more favourable Protection Rate than a standard Participating Forward or standard Convertible Forward.	• Protection Rate is worse than the comparable Forward Exchange Contract rate. • If the Knock-Out Barrier Rate is not Triggered, you must buy the entire Notional Amount at the Protection Rate.

Example Participating Knock-Out - Spot Rate at commencement of 0.7350		
Buy AUD Put / USD Call	**Sell AUD Call / USD Put**	**Sell Knock-Out AUD Call / USD Put**
• Strike / Protection Rate = 0.7200 • Notional Amount = USD 2,000,000	• Strike / Protection Rate = 0.7200 • Notional Amount = USD 1,000,000	• Strike / Protection Rate = 0.7200 • Notional Amount = USD 1,000,000 • Knock-Out Barrier Rate = 0.7050
Possible Outcomes		
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7200, you will have the right to buy USD 2,000,000 at the Protection Rate of 0.7200. • **Scenario 2**: If the Spot Rate at the Expiry Date is above the Protection Rate of 0.7200, and the Knock-Out Barrier Rate of 0.7050 has not been Triggered, you will be obligated to buy USD 2,000,000 at the Protection Rate of 0.7200. • **Scenario 3**: If the Spot Rate at the Expiry Date is above 0.7200, and the Knock-Out Barrier Rate of 0.7050 has been Triggered, the structure reverts to a Participating Forward and you will be obligated to buy USD 1,000,000 at the Protection Rate of 0.7200. If needed, you may trade further at the more favourable Spot Rate.		

***This example is provided for illustrative purposes only*.**

4.10 Knock-In Reset

A Knock-In Reset is a Structured Option that allows you set a Protection Rate and participate in a favourable Spot Rate move up to a specified Knock-In Barrier Rate. If the Knock-In Barrier Rate is Triggered, the structure reverts to the Reset Rate that is more favourable than the Protection Rate.

Benefits	Risks
• Potential to participate in a favourable Spot Rate move up to the Knock-In / Knock-Out Barrier Rates. • If the Knock-In / Knock Out Barrier Rate is Triggered, you are Knocked-In to a more favourable rate than a standard Knock-In Forward.	• Protection Rate is less favourable than the Forward Exchange Contract rate or Knock-In Forward rate at inception. • If the Knock-In / Knock-Out Barrier Rate is Triggered, you must buy the entire Notional Amount at the Reset Rate.

Example Knock-In Reset - Spot Rate at commencement of 0.7550		
Buy Knock-Out AUD Put / USD Call	**Buy Knock-In AUD Put / USD Call**	**Sell Knock-In AUD Call / USD Put**
• Strike / Protection Rate = 0.7150 • Knock-Out Barrier Rate = 0.7850 • Notional Amount = USD 1,000,000	• Strike / Reset Rate = 0.7350 • Knock-In Barrier Rate = 0.7850 • Notional Amount = USD 1,000,000	• Strike / Reset Rate = 0.7350 • Knock-In Barrier Rate = 0.7850 • Notional Amount = USD 1,000,000
Possible outcomes		
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7150, and the Knock-Out / In Barrier Rates have not been Triggered, you will have the right to buy USD 1,000,000 at the Protection Rate of 0.7150. • **Scenario 2**: If the Spot Rate at the Expiry Date is above the Protection Rate of 0.7150, and the Knock-Out / In Barrier Rates have not been Triggered, you will have no obligation to buy and will be free to trade at the prevailing Spot Rate. • **Scenario 3**: If the Knock-Out / In Barrier Rates of 0.7850 have been Triggered, you will be obligated to buy USD 1,000,000 at the Reset Rate of 0.7350.		

***This example is provided for illustrative purposes only*.**

4.11 Convertible Forward

A Convertible Forward is a Structured Option that allows you to set a Protection Rate with the possibility of the structure converting to a Vanilla Option if a specified Knock-Out Barrier Rate is Triggered. The Protection Rate is less favourable than the comparable Forward Exchange Contract rate at inception.

Benefits	Risks
• Potential for the structure to convert to a Vanilla Option which gives the holder full protection, with unlimited participation in a favourable Spot Rate move (without the usual Premium payable for this right).	• If the Knock-Out Barrier Rate is not Triggered, you are obligated to buy at a less favourable rate than the comparable Forward Exchange Contract rate.

Example Convertible Forward - Spot Rate at commencement of 0.7450	
Buy AUD Put / USD Call	**Sell KO AUD Call / USD Put**
• Strike / Protection Rate = 0.7250 • Notional Amount = USD 1,000,000	• Strike / Protection Rate= 0.7250 • Notional Amount = USD 1,000,000 • Knock-Out Barrier Rate = 0.7050
Possible Outcomes	
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7250, you will have the right to buy USD 1,000,000 at 0.7250. • **Scenario 2**: If the Spot Rate at the Expiry Date is above the Protection Rate 0.7250, and the Knock-Out Barrier Rate of 0.7050 has not been Triggered, you will be obligated to buy USD 1,000,000 at the Protection Rate of 0.7250. • **Scenario 3**: If the Spot Rate at the Expiry Date is above the Protection Rate of 0.7250, and the Knock-Out Barrier Rate of 0.7050 has been Triggered, your structure is converted to a Vanilla Option with no Premium payable, and you have no obligation to buy and may trade at the prevailing Spot Rate.	

***This example is provided for illustrative purposes only*.**

4.12 Relief Forward

A Relief Forward is a Structured Option that allows you to set a Protection Rate with the possibility of your obligations in the contract being released if a Knock-Out Barrier Rate is Triggered. The Knock-Out Barrier Rate is set at a favourable Spot Rate, meaning that if the Spot Rate moved in your favour and Triggered the Knock-Out Barrier Rate, you would no longer be committed for the Notional Amount, and you would be free to trade at the favourable Spot Rate. The Protection Rate is less favourable than the comparable Forward Exchange Contract rate at inception.

Benefits	Risks
• Potential for the structure to convert to a Vanilla Option which gives the holder full protection, with unlimited participation in a favourable Spot Rate move (without the usual Premium payable for this right). • The OTM position of this contract can be capped by the Barrier, allowing more flexible use of credit facilities.	• If the Knock-Out Barrier Rate is not Triggered, you are obligated to buy at a less favourable rate than the comparable Forward Exchange Contract rate.

Example Relief Forward - Spot Rate at commencement of 0.7550	
Buy AUD Put / USD Call	**Sell Knock-Out AUD Call / USD Put**
• Strike / Protection Rate = 0.7250 • Notional Amount = USD 1,000,000	• Strike / Protection Rate = 0.7250 • Notional Amount = USD 1,000,000 • Knock-Out Barrier Rate = 0.8250
Possible Outcomes	
• **Scenario 1:** If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7250, you will have the right to buy USD 1,000,000 at 0.7250. • **Scenario 2**: If the Spot Rate at the Expiry Date is above the Protection Rate of 0.7250, and the Knock-Out Barrier Rate of 0.8250 has not been Triggered, you will be obligated to buy USD 1,000,000 at the Protection Rate of 0.7250. • **Scenario 3**: If the Spot Rate at the Expiry Date is above the Protection Rate of 0.7250, and Knock-Out Barrier Rate of 0.8250 has been Triggered, your structure is converted to a Vanilla Option with no Premium payable, and you have no obligation to buy and may trade at the prevailing Spot Rate.	

***This example is provided for illustrative purposes only*.**

4.13 Forward Overlay

A Forward Overlay is a Structured Option that provides full protection against an adverse Spot Rate move while also allowing for some participation in a favourable Spot Rate move beyond a certain level. The first two legs of the Forward Overlay function like a Forward Exchange Contract, where you have a fixed rate, for a fixed amount, and a fixed date. However, adding the third leg offsets your obligation beyond a certain level and allows you to participate in a favourable Spot Rate move again.

Benefits	Risks
• Fully protected against adverse Spot Rate movement. • Possibility for participation in a favourable Spot Rate move.	• Protection Rate is less favourable than comparable Forward Exchange Contract. • Participation in a favourable Spot Rate move is adjusted by the difference between the Strike Rates of the Protection Rate and Overlay Rate on the Notional Amount.

Example Forward Overlay - Spot Rate at commencement of 0.7700		
Leg 1. Buy AUD Put / USD Call	**Leg 2. Sell AUD Call / USD Put**	**Leg 3. Buy AUD Call / USD Put**
• Strike / Protection Rate = 0.7550 • Notional Amount = USD 1,000,000	• Strike / Protection Rate = 0.7550 • Notional Amount = USD 1,000,000	• Strike / Overlay Rate = 0.7850 • Notional Amount = USD 1,000,000
Possible outcomes		
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7550, you will have the right to buy USD 1,000,000 at the Protection Rate of 0.7550. • **Scenario 2**: If the Spot Rate at the Expiry Date is between the Protection Rate of 0.7550 and Overlay Rate of 0.7850, you will be obligated to buy USD 1,000,000 at the Protection Rate of 0.7550. • **Scenario 3**: If the Spot Rate at the Expiry Date is above the Overlay Rate of 0.7850, you are free to deal at the Spot Rate, but will be obligated to pay the offsetting difference on the Notional Amount of USD 1,000,000 between the Protection Rate of 0.7550 and the Overlay Rate of 0.7850. For example, if the Spot Rate finishes at 0.8500 you will exchange USD 1,000,000 at a rate of 0.8500 (AUD 1,176,470.59), and you will also pay AUD 50,617.96, being the difference between USD 1,000,000 at 0.7850 and USD 1,000,000 at 0.7550. Your effective rate will therefore improve the higher the spot rate goes, as illustrated in the Dynamic Rate table below.		
Possible variations		
• It is possible that Leg 1 and Leg 2 are replaced with a Forward Exchange Contract, which recreates the exact same outcome for you as described above.		

Dynamic Rate Table		
Spot Rate at Expiry	**Dynamic Rate**	**Outcome**
0.8500	0.8149	Deal at Dynamic Rate
0.8400	0.8057	Deal at Dynamic Rate
0.8300	0.7965	Deal at Dynamic Rate
0.8200	0.7873	Deal at Dynamic Rate
0.8100	0.7781	Deal at Dynamic Rate
0.8000	0.7689	Deal at Dynamic Rate
0.7900	0.7596	Deal at Dynamic Rate
0.7800	0.7550	Deal at Protection Rate
0.7700	0.7550	Deal at Protection Rate
0.7600	0.7550	Deal at Protection Rate
0.7500	0.7550	Deal at Protection Rate
0.7400	0.7550	Deal at Protection Rate
0.7300	0.7550	Deal at Protection Rate
0.7200	0.7550	Deal at Protection Rate
0.7100	0.7550	Deal at Protection Rate
0.7000	0.7550	Deal at Protection Rate

***This example is provided for illustrative purposes only*.**

4.14 Seagull Forward

A Seagull Forward is a Structured Option that provides full protection against an adverse Spot Rate move while also allowing for some participation in a favourable Spot Rate move beyond a certain level. The first two legs of the Seagull Forward function like a Collar Option, where you have both a known worst-case rate and best-case rate, and between the two you have no obligation to buy and can trade at the prevailing Spot Rate. However, adding the third leg offsets your obligation beyond a certain level and allows you to participate in a favourable Spot Rate move again.

Benefits	Risks
• Fully protected against adverse Spot Rate movement. • No obligation if Spot Rate is between the Protection Rate and the Participation Rate. • Possibility for participation in a favourable Spot Rate move.	• Protection and Participation Rates are less favourable than comparable Collar rates. • Participation in a favourable Spot Rate move is adjusted by the difference between the strikes of the Participation Rate and Overlay Rate on the Notional Amount.

Example Seagull Forward - Spot Rate at commencement of 0.7650		
Leg 1. Buy AUD Put / USD Call	**Leg 2. Sell AUD Call / USD Put**	**Leg 3. Buy AUD Call / USD Put**
• Strike / Protection Rate = 0.7350 • Notional Amount = USD 1,000,000	• Strike / Participation Rate = 0.7750 • Notional Amount = USD 1,000,000	• Strike / Overlay Rate = 0.7950 • Notional Amount = USD 1,000,000
Possible outcomes		
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7350, you will have the right to buy USD 1,000,000 at the Protection Rate of 0.7350. • **Scenario 2**: If the Spot Rate at the Expiry Date is between the Strike Rates of 0.7350 and 0.7750, you will have no obligation to buy and may trade at the prevailing Spot Rate. • **Scenario 3**: If the Spot Rate at the Expiry Date is between 0.7750 and 0.7950, you will be obligated to buy USD 1,000,000 at the Participation Rate of 0.7750. • **Scenario 4**: If the Spot Rate at the Expiry Date is above the Overlay Rate of 0.7950, you are free to deal at the Spot Rate, but you will also be obligated to pay the offsetting difference on the Notional Amount of USD 1,000,000 between the Protection Rate of 0.7750 and the Overlay Rate of 0.7950. For example, if the Spot Rate finishes at 0.8500 you will exchange USD 1,000,000 at a rate of 0.8500 (AUD 1,176,470.59), and you will also pay AUD 32,460.95, being the difference between USD 1,000,000 at 0.7950 and USD 1,000,000 at 0.7750. Your effective rate will therefore improve the higher the spot rate goes, as illustrated in the Dynamic Rate table below.		

Dynamic Rate Table		
Spot Rate at Expiry	**Dynamic Rate**	**Outcome**
0.8500	0.8260	Deal at Dynamic Rate
0.8400	0.8166	Deal at Dynamic Rate
0.8300	0.8071	Deal at Dynamic Rate
0.8200	0.7976	Deal at Dynamic Rate
0.8100	0.7882	Deal at Dynamic Rate
0.8000	0.7787	Deal at Dynamic Rate
0.7900	0.7750	Deal at Participation Rate
0.7800	0.7750	Deal at Participation Rate
0.7700	0.7700	Deal at Spot Rate
0.7600	0.7600	Deal at Spot Rate
0.7500	0.7500	Deal at Spot Rate
0.7400	0.7400	Deal at Spot Rate
0.7300	0.7350	Deal at Protection Rate
0.7200	0.7350	Deal at Protection Rate
0.7100	0.7350	Deal at Protection Rate
0.7000	0.7350	Deal at Protection Rate

***This example is provided for illustrative purposes only*.**

4.15 Venture Forward

A Venture Forward is a Structured Option similar to a Ratio Forward. Both products make use of Leverage to initially allow you to realise an Enhanced Rate (meaning a Strike Rate better than comparable Structured Options at inception). The advantages and risks of using Leverage are discussed further in Section 6 of this PDS ('Leverage and Structured Options'). The Venture Forward achieves a greater enhancement to the initial Enhanced Rate, but comes with a Knock-In / Out Barrier Rate. If this Knock-In / Out Barrier Rate is Triggered, the bought Option is reset, and the Enhanced Rate is therefore reset to a lower Reset Protection Rate. In any case, if the Spot Rate at the Expiry Date finishes above the Enhanced Rate, you will be obligated to trade the larger, Leveraged amount at that rate.

Benefits	Risks
• Protection Rate is better than the comparable Forward Exchange Contract or Ratio Forward rates. • If the Knock-In / Out Barrier Rate is Triggered, you still have protection from further adverse Spot Rate moves.	• If Spot Rate moves favourably, the use of Leverage will obligate you to a larger amount at an Enhanced Rate which is less favourable than the prevailing Spot Rate. • If the Knock-In / Out Barrier Rate is Triggered, your new Reset Protection Rate is less favourable than your initial Enhanced Rate.

Example Venture Forward - Spot Rate at commencement of 0.7300		
Buy Knock-Out AUD Put / USD Call	**Sell AUD Call / USD Put**	**Buy Knock-In AUD Put / USD Call**
• Strike / Enhanced Rate = 0.7500 • Knock-Out Barrier Rate = 0.7000 • Notional Amount = USD 500,000	• Strike / Enhanced Rate = 0.7500 • Notional Amount = USD 1,000,000	• Strike / Reset Protection Rate = 0.7100 • Knock-In Barrier Rate = 0.7000 • Notional Amount = USD 500,000
Possible Outcomes		
• **Scenario 1**: If the Spot Rate at the Expiry Date is above the Enhanced Rate of 0.7500, you will be obligated to buy USD 1,000,000 at the Enhanced Rate of 0.7500. • **Scenario 2**: If the Spot Rate at the Expiry Date is below the Enhanced Rate of 0.7500, and the Knock-In / Out Barrier Rate of 0.7000 has not been Triggered, you will have the right to buy USD 500,000 at the Enhanced Rate of 0.7500. • **Scenario 3**: If the Spot Rate at the Expiry Date is between the Strike Rates of 0.7100 and 0.7500, and the Knock-In / Out Barrier Rate of 0.7000 has been Triggered, you will have no obligation and may trade at the prevailing Spot Rate. • **Scenario 4**: If the Spot Rate at the Expiry Date is below the Reset Protection Rate of 0.7100, and the Knock-In / Out Barrier Rate has been Triggered, you will have the right to buy USD 500,000 at the Reset Protection Rate of 0.7100.		

***This example is provided for illustrative purposes only*.**

4.16 Encore Knock-In

An Encore Knock-In is a Structured Option that allows you to set a Protection Rate and participate in a favourable Spot Rate move up to pre-set Knock-In Barrier Rates at two different rates. If only the first Barrier Rate is Triggered, you will only be obligated to trade a portion of the Option at the Protection Rate and can trade your remaining amount at the more favourable Spot Rate. If both Barrier Rates are Triggered, you will be obligated to trade the entire amount at the Protection Rate.

Benefits	Risks
• Provides the ability to participate in a favourable Spot Rate move up to known Knock-In Barrier Rates. • Knock-In Barrier Rates are staggered at different rates, allowing some participation even if one Knock-In Barrier Rate is Triggered. • Fully protected against adverse Spot Rate movement.	• Protection Rate is worse than the comparable Forward Exchange Contract rate. • If one Knock-In Barrier Rate is Triggered, you will be obligated to trade a portion of the Notional Amount at the Protection Rate. • If both Knock-In Barrier Rates are Triggered, you will be obligated to trade the entire amount at the Protection Rate.

Example Encore Knock-In - Spot Rate at commencement of 0.7550		
Buy AUD Put / USD Call	**Sell Knock-In AUD Call / USD Put**	**Sell Knock-In AUD Call / USD Put**
• Strike / Protection Rate = 0.7150 • Notional Amount = USD 1,000,000	• Strike / Protection Rate = 0.7150 • Notional Amount = USD 500,000 • Knock-in Barrier Rate = 0.7850	• Strike / Protection Rate = 0.7150 • Notional Amount = USD 500,000 • Knock-In Barrier Rate = 0.8050
Possible Outcomes		
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Protection Rate of 0.7150, you will have the right to buy USD 1,000,000 at the Protection Rate of 0.7150. • **Scenario 2**: If neither Knock-In Barrier Rate has been Triggered, and the Spot Rate at the Expiry Date is above the Protection Rate of 0.7150, you will have no obligation and are free to trade at the prevailing Spot Rate. • **Scenario 3**: If only the Knock-In Barrier Rate of 0.7850 has been Triggered, and the Spot Rate at the Expiry Date is above the Protection Rate of 0.7150, you will be obligated to buy USD 500,000 at the Protection Rate of 0.7150. You are free to buy the remainder of your USD at the more favourable Spot Rate. • **Scenario 4**: If both Knock-In Barrier Rates of 0.7850 and 0.8050 have been Triggered, you will be obligated to buy USD 1,000,000 at the Protection Rate of 0.7150.		

This example is provided for illustrative purposes only.

4.17 Knock-Out Forward

A Knock-Out Forward is a Structured Option that provides you with the potential to achieve an Enhanced Rate that outperforms the comparable Forward Exchange Contract. However, there is a possibility a Knock-Out Barrier Rate is Triggered, which results in the entire contract being terminated, leaving you with no protection from adverse currency movement. This means you may be left to exchange your currency requirements at the Spot Rate, which could cost significantly more than alternatives that were available at the outset.

Benefits	Risks
• Potential to trade at an Enhanced Rate that outperforms the comparable Forward Exchange Contract. • Consistently outperforms the comparable Forward Exchange Contract when the Knock-Out Barrier Rate has not been Triggered.	• If the Knock-Out Barrier Rate is Triggered, you are left with no protection from adverse currency movement. • You may be left to exchange your currency requirements at the Spot Rate, which could cost significantly more than alternatives that were available at the outset. • You are unable to determine the outcome of this product until either the Knock-Out Barrier Rate has been Triggered, or Barrier Period has expired.

Example Knock-Out Forward, Spot Rate at commencement of 0.7450	
Buy Knock-Out AUD Put / USD Call	**Sell Knock-Out AUD Call / USD Put**
• Strike / Enhanced Rate = 0.7550 • Notional Amount = USD 1,000,000 • Knock-Out Barrier Rate = 0.6750	• Strike / Enhanced Rate = 0.7550 • Notional Amount = USD 1,000,000 • Knock-Out Barrier Rate = 0.6750
Possible Outcomes	
• **Scenario 1**: If the Knock-Out Barrier Rate of 0.6750 has not been Triggered, you will be obligated to buy USD 1,000,000 at the Enhanced Rate of 0.7550 on the Expiry Date. • **Scenario 2**: If the Knock-Out Barrier Rate of 0.6750 has been Triggered, the contract is terminated and you will have no protection or obligations remaining in the contract.	

This example is provided for illustrative purposes only.

4.18 Knock-Out Collar

A Knock-Out Collar is a Structured Option that provides you with the potential to achieve Enhanced Rates that outperform the comparable Collar. However, if a Knock-Out Barrier Rate is Triggered, the entire contract will be terminated, leaving you with no protection from adverse currency movement. This means you may be left to exchange your currency requirements at the Spot Rate, which could cost significantly more than alternatives that were available at the outset.

Benefits	Risks
• Potential to trade at an Enhanced Rate that outperforms the comparable Collar. • Enhanced Rate on the obligated portion is more favourable than the comparable Knock-Out Forward, allowing greater potential benefit.	• If the Knock-Out Barrier Rate is Triggered, you are left with no protection from adverse currency movement. • You may be left to exchange your currency requirements at the Spot Rate, which could cost significantly more than alternatives that were available at the outset. • You are unable to determine the outcome of this product until either the Knock-Out Barrier Rate has been Triggered, or the Barrier Period has completed.

Example Knock-Out Collar - Spot Rate at commencement of 0.7450	
Buy Knock-Out AUD Put / USD Call	**Sell Knock-Out AUD Call / USD Put**
• Strike / Enhanced Rate = 0.7350 • Notional Amount = USD 1,000,000 • Knock-Out Barrier Rate = 0.6750	• Strike / Enhanced Rate= 0.7750 • Notional Amount = USD 1,000,000 • Knock-Out Barrier Rate = 0.6750
Possible Outcomes	
• **Scenario 1**: If the Knock-Out Barrier Rate of 0.6750 has not been Triggered, and the Spot Rate at the Expiry Date is below the AUD Put Option Enhanced Rate of 0.7350, you will have the right to buy USD 1,000,000 at the Enhanced Rate of 0.7350. • **Scenario 2**: If the Knock-Out Barrier Rate of 0.6750 has not been Triggered, and the Spot Rate at the Expiry Date is between the two Strike Rates of 0.7350 and 0.7750, you will have no obligation and may choose to trade at the Spot Rate. • **Scenario 3**: If the Knock-Out Barrier Rate of 0.6750 has not been Triggered, and the Spot Rate at the Expiry Date is above the AUD Call Option Enhanced Rate of 0.7750, you will be obligated to buy USD 1,000,000 at the Enhanced Rate of 0.7750. • **Scenario 4**: If the Knock-Out Barrier Rate of 0.6750 has been Triggered, the contract is terminated and you will have no protection or obligations remaining in the contract.	

***This example is provided for illustrative purposes only*.**

4.19 Range Reset

A Range Reset is a Structured Option that provides you with the potential to trade at an Enhanced Rate, that outperforms the comparable Forward Exchange Contract. The Range Reset has two separate levels at which Knock-In / Out Barriers are set, which create a range. If the Knock-In / Out Barrier Rates have not been Triggered, you trade at the Enhanced Rate. If the Knock-In / Out Barrier Rates are Triggered, the contract will reset to a Reset Rate, and you will be obligated to trade at this rate at the Expiry Date.

Benefits	Risks
• Potential to achieve an Enhanced Rate that outperforms the comparable Forward Exchange Contract. • Potential to achieve an Enhanced Rate whilst always maintaining a worst-case rate, unlike the Knock-Out Forward.	• If either of the Knock-In and Knock-Out Barrier Rates are Triggered, you will be obligated to trade at a Reset Rate. • The Reset Rate is often considerably lower than what comparable alternatives may have offered at the outset of the contract.

Example Range Reset, - Spot Rate at commencement of 0.7450	
Buy Double Knock-Out AUD Put / USD Call	**Sell Double Knock-Out AUD Call / USD Put**
• Strike / Enhanced Rate = 0.7450 • Notional Amount = USD 1,000,000 • Knock-Out Barrier Rate = 0.6950 • Knock-Out Barrier Rate = 0.7950	• Strike / Enhanced Rate= 0.7450 • Notional Amount = USD 1,000,000 • Knock-Out Barrier Rate = 0.6950 • Knock-Out Barrier Rate = 0.7950
Buy Double Knock-In AUD Put / USD Call	**Sell Double Knock-In AUD Call / USD Put**
• Strike / Reset Rate = 0.7250 • Notional Amount = USD 1,000,000 • Knock-In Barrier Rate = 0.6950 • Knock-In Barrier Rate = 0.7950	• Strike / Reset Rate= 0.7250 • Notional Amount = USD 1,000,000 • Knock-In Barrier Rate = 0.6950 • Knock-In Barrier Rate = 0.7950
Possible Outcomes	
• **Scenario 1**: If at the Expiry Date the Knock-In / Out Barrier Rates have not been Triggered, you will be obligated to buy USD 1,000,000 at the Enhanced Rate of 0.7450. • **Scenario 2**: If at the Expiry Date the Knock-In / Out Barrier Rates have been Triggered, you will be obligated to buy USD 1,000,000 at the Reset Rate of 0.7250.	

***This example is provided for illustrative purposes only*.**

4.20 Inverse Collar

The Inverse Collar is similar in style to the Collar, however the levels on the underlying Options are inversed. This means the Strike Rate on the bought Option is more favourable than the comparable Forward Exchange Contract rate, and the Strike Rate on the sold Option is less favourable than the comparable Forward Exchange Contract rate. Given the Strike Rate is more favourable than the comparable Forward Exchange Contract rate, an Inverse Collar is a Structured Option that provides you with the potential to achieve an Enhanced Rate in unfavourable moves in the currency. However, in the event of a favourable Spot Rate move, the Inverse Collar will obligate you to exchange currency at a comparably unfavourable Strike Rate. If the Spot Rate at the Expiry Date finishes between the two Strike Rates, both Options will be exercised, and you will be obligated to trade both Notional Amounts at the different Strike Rates.

Benefits	Risks
• Potential to trade at an Enhanced Rate that outperforms the comparable Forward Exchange Contract.	• The worst-case rate at the outset can be significantly lower than the comparable Forward Exchange Contract rate. • If the Spot Rate at the Expiry Date finishes in between the two Strike Rates, both Options will be exercised meaning you will be obligated to buy two lots of currency.

<table>
<tr><th colspan="2">Example Inverse Collar - Spot Rate at commencement of 0.7450</th></tr>
<tr><th>Buy AUD Put / USD Call</th><th>Sell AUD Call / USD Put</th></tr>
<tr><td>• Strike / Enhanced Rate = 0.7550
• Notional Amount = USD 1,000,000</td><td>• Strike Rate = 0.7150
• Notional Amount = USD 1,000,000</td></tr>
<tr><th colspan="2">Possible Outcomes</th></tr>
<tr><td colspan="2">• Scenario 1: If the Spot Rate at the Expiry Date is below the Strike Rate of 0.7150, you will have the right to buy USD 1,000,000 at the Enhanced Rate of 0.7550.
• Scenario 2: If the Spot Rate at the Expiry Date is above the Enhanced Rate of 0.7550, you will be obligated to buy USD 1,000,000 at the Strike Rate of 0.7150.
• Scenario 3: If the Spot Rate at the Expiry Date is in between the Strike Rate of 0.7150 and the Enhanced Rate of 0.7550, both Options will be exercised, and you will be obligated to buy USD 1,000,000 at the Strike Rate of 0.7150, and USD 1,000,000 at the Enhanced Rate of 0.7550. This is a total of USD 2,000,000 at an effective rate of 0.7345.</td></tr>
</table>

***This example is provided for illustrative purposes only*.**

4.21 Lift Forward

A Lift Forward is a Structured Option that offers protection against an adverse Spot Rate move, while at the same time allowing the potential to deal at an enhanced Dynamic Rate in an unfavourable Spot Rate move. If the spot rate moves unfavourably against the Protection Rate, you will have the potential to deal at an enhanced Dynamic Rate. If the Knock-Out Barrier is traded, then you lose the opportunity to deal at the enhanced Dynamic Rate, and deal at the Protection Rate.

Benefits	Risks
• Provides the opportunity to deal at an advantageous Dynamic Rate in the event the of an unfavourable Spot Rate move.	• Protection Rate is worse than the comparable Forward Exchange Contract rate. • If the Knock-Out Barrier Rate is Triggered, you lose the opportunity to deal at the Dynamic Rate.

Example Lift Forward - Spot Rate at commencement of 0.8050		
Leg 1. Buy AUD Put / USD Call	**Leg 2. Sell AUD Call / USD Put**	**Leg 3. Buy Knock-Out AUD Put / USD Call**
• Strike / Protection Rate = 0.7900 • Notional Amount = USD 500,000	• Strike / Protection Rate = 0.7900 • Notional Amount = USD 500,000	• Strike / Protection Rate = 0.7900 • Knock-Out Barrier Rate = 0.7200 • Notional Amount = USD 500,000
Possible Outcomes		
• **Scenario 1:** If the Spot Rate finishes below the Protection Rate, and the Knock-Out Barrier Rate has not been Triggered, then you deal the Notional Amount of Leg 1 and buy USD 500,000 at the Protection Rate of 0.7900. You also deal the Notional Amount of Leg 3 and buy an additional USD 500,000 at the Protection Rate of 0.7900. Typically, Leg 3 is closed out for a profit which is used to enhance the rate on Leg 1 – creating a Dynamic Rate. Refer to the Dynamic Rate table included below. • **Scenario 2:** If the Spot Rate finishes above the Protection Rate, then you are obligated to deal the Notional Amount on Leg 2 and buy USD 500,000 at the Protection Rate of 0.7900. • **Scenario 3:** If the Spot Rate finishes below the Protection Rate, and the Knock-Out Barrier rate has been triggered, then you deal the Notional Amount of Leg 1 and buy USD 500,000 at 0.7900.		
Possible Variations		
• In some variations of this product, the Knock-Out Barrier feature on the Leg 3 may be excluded, leaving a standard Vanilla Option (an AUD Put / USD Call option if following the example above). In this scenario, the overall Protection Rates and Barrier Rates may be less favourable. However, the risk of losing the ability to deal at the enhanced Dynamic Rate is eliminated.		

Dynamic Rate Table (using example above)		
Spot Rate at Expiry	Dynamic Rate Outcome	Deal USD 500,000 At
0.8400	0.7900	Deal at Protection Rate
0.8300	0.7900	Deal at Protection Rate
0.8200	0.7900	Deal at Protection Rate
0.8100	0.7900	Deal at Protection Rate
0.8000	0.7900	Deal at Protection Rate
0.7900	0.7900	Deal at Protection Rate
0.7800	0.8003	Deal at Dynamic Rate
0.7700	0.8111	Deal at Dynamic Rate
0.7600	0.8225	Deal at Dynamic Rate
0.7500	0.8345	Deal at Dynamic Rate
0.7400	0.8472	Deal at Dynamic Rate
0.7300	0.8607	Deal at Dynamic Rate
0.7200	0.7900	Knocked Out - Deal at Protection Rate

***This example is provided for illustrative purposes only*.**

4.22 Progressive Forward

A Progressive Forward is a Structured Option that offers protection against an adverse Spot Rate move, while at the same time allowing for limited participation in the event of a favourable Spot Rate move, and the potential to deal at an enhanced Dynamic Rate in an unfavourable Spot Rate move. Participation will be available provided a specified Knock-In Barrier Rate is not Triggered. If the Knock-In Barrier Rate is Triggered, you will be obligated to buy the Notional Amount of the sold option at the Protection Rate. If the spot rate moves unfavourably against the Protection Rate, you will have the potential to deal at an enhanced Dynamic Rate. If the Knock-Out Barrier is traded, then you lose the opportunity to deal at the enhanced Dynamic Rate, and deal at the Protection Rate.

Benefits	Risks
• Offers the potential to participate in a favourable Spot Rate move provided the Knock-In Barrier Rate has not been Triggered. • Provides the opportunity to deal at an advantageous Dynamic Rate in the event the of an unfavourable Spot Rate move.	• Protection Rate is worse than the comparable Forward Exchange Contract rate, and comparable Knock-In Forward rate. • If the Knock-In Barrier Rate is Triggered, you are obligated to buy the Notional Amount on sold option at the Protection Rate. • If the Knock-Out Barrier Rate is Triggered, you lose the opportunity to deal at the Dynamic Rate.

Example Progressive Forward - Spot Rate at commencement of 0.8050		
Leg 1. Buy AUD Put / USD Call	**Leg 2. Sell Knock-In AUD Call / USD Put**	**Leg 3. Buy Knock-Out AUD Put / USD Call**
• Strike / Protection Rate = 0.7850 • Notional Amount = USD 500,000	• Strike / Protection Rate = 0.7850 • Knock-In Barrier Rate = 0.8350 • Notional Amount = USD 500,000	• Strike / Protection Rate = 0.7850 • Knock-Out Barrier Rate = 0.7200 • Notional Amount = USD 500,000
Possible Outcomes		
• **Scenario 1:** If the Spot Rate finishes below the Protection Rate, and the Knock-Out Barrier Rate has not been Triggered, then you deal the Notional Amount of Leg 1 and buy USD 500,000 at the Protection Rate of 0.7850. You also deal the Notional Amount of Leg 3 and buy an additional USD 500,000 at the Protection Rate of 0.7850. Typically, Leg 3 is closed out for a profit which is used to enhance the rate on Leg 1 – creating a Dynamic Rate. Refer to the Dynamic Rate Table below. • **Scenario 2:** If the Spot Rate finishes above the Protection Rate, and the Knock-In Barrier has not been triggered, then you have no obligation and may deal at the prevailing Spot Rate. • **Scenario 3:** If the Spot Rate finishes above the Protection Rate, and the Knock-In Barrier has been triggered, then you are obligated to deal the Notional Amount on Leg 2 at the Protection Rate of 0.7850. • **Scenario 4:** If the Spot Rate finishes below the Protection Rate, and the Knock-Out Barrier rate has been triggered, then you deal the Notional Amount of Leg 1 and buy USD 500,000 at 0.7850.		
Possible Variations		
• In some variations of this product, the Knock-Out Barrier feature on the Leg 3 may be excluded, leaving a standard Vanilla Option (AUD Put / USD Call option if following the example above). In this scenario, the overall Protection Rates and Barrier Rates may be less favourable. However, the risk of losing the ability to deal at the enhanced Dynamic Rate is eliminated.		

Dynamic Rate Table (using example above)		
Spot Rate at Expiry	Dynamic Rate Outcome	Deal USD 500,000 At
0.8400	0.7850	Knocked In - Deal at Protection Rate
0.8300	0.8300	Deal at Spot Rate
0.8200	0.8200	Deal at Spot Rate
0.8100	0.8100	Deal at Spot Rate
0.8000	0.8000	Deal at Spot Rate
0.7900	0.7900	Deal at Spot Rate
0.7850	**0.7850**	Deal at Spot Rate
0.7800	0.7901	Deal at Dynamic Rate
0.7700	0.8006	Deal at Dynamic Rate
0.7600	0.8117	Deal at Dynamic Rate
0.7500	0.8234	Deal at Dynamic Rate
0.7400	0.8358	Deal at Dynamic Rate
0.7300	0.8490	Deal at Dynamic Rate
0.7200	0.7850	Knocked Out - Deal at Protection Rate

***This example is provided for illustrative purposes only*.**

5 Knock-In and Knock-Out Barriers

Many of the Structured Options that EncoreFX offer use Exotic Options that include the use of Barriers. A Barrier is a feature of an Option that if Triggered will either activate (Knock-In Barrier Rate) or terminate (Knock-Out Barrier Rate) the underlying Option. A Barrier is Triggered if the Spot Rate reaches the Barrier Rate during the Barrier Period. Each Barrier will usually have unique terms, including a Spot Rate at which the Barrier is Triggered and a Barrier Period or timeframe for which the Barrier can be Triggered. The Spot Rate at which a Barrier can be Triggered is the Interbank Rate.

EncoreFX generally operates under the industry convention that the Barrier is American unless otherwise specified, meaning that the Barrier Period is live throughout the Term of the Option. Where an American Barrier is in place, if the Spot Rate trades at or outside the Barrier between the date that the contract is entered and the Expiry Date, the Barrier is said to be Triggered. You can elect to have a shorter term apply to the Barrier in a Structured Option by opting for European Barriers or Window Barriers.

A European Barrier is effective only at the Expiry Date of the Option, meaning that the Spot Rate may trade at or beyond the Barrier prior to the Expiry Date without the Barrier being Triggered. If the Spot Rate is at or beyond the Barrier at the Expiry Date of the Option, the Barrier is said to be Triggered.

Window Barriers are applicable to specific periods of time within the Term of the Option. For example, a “last month Window Barrier” is active in the last month of the Term of the Option. This means that the Spot Rate may trade at or beyond the Barrier prior to last month without the Barrier being Triggered. However, during the last month the Barrier becomes active, meaning that if the Spot Rate trades at or outside of the Barrier during the last month of the Term of the Option, the Barrier is said to be Triggered.

You can request that EncoreFX provide a European or Window Barrier at any time before entering a Structured Option, provided that European or Window Barriers are available for the particular structure in question. The Barrier type used is set at the outset of the contract and cannot be changed once accepted.

All else being equal, choosing a European or Window Barrier instead of an American Barrier may result in a less favourable range between the Strike Rate(s) and the Barrier Rate(s) for the same Structured Option. For example, a Knock-In Forward with an American Barrier for a AUD Seller / USD Buyer may have a Protection Rate of 0.7100 and an American Barrier at 0.7650. While the equivalent Term Knock-In Forward with European Barrier may have a

Protection Rate of 0.7100 and a Barrier at 0.7350. In this example, the choice of a European Barrier results in less potential participation in a potentially favourable depreciation in the USD against the AUD exchange rate.

Note that this example is for informational purposes only and is not an indication of future exchange rates.

6 Leverage and Structured Options

Many of the Structured Options that EncoreFX offer can utilise Leverage to achieve Enhanced Rates. Leveraging Structured Options is a process where the client sells a Notional Amount for one or more of the underlying Options, which is larger than the Notional Amount of the underlying Options that are purchased. This means you may be obligated to trade a larger Notional Amount (on the sold Options) than the protected amount (on the bought Options).

The increased obligation within the Structured Option is offset by Enhanced Rates for the underlying structure. These Enhanced Rates give you the potential to achieve better outcomes than what is normally available with the non-Leveraged version of the product. Whilst the benefits of Enhanced Rates are clear, there are increased risks when using Leverage with Structured Options. Specifically, if a Structured Option were to be exercised, you could be obligated to exchange a higher amount of currency than what you would have been protected for, or what you may have opted for with a non-Leveraged version of the same Structured Option.

6.1 Options available for Leverage

The Ratio Forward and Venture Forward are both products which utilise Leverage by default. Other products listed above in Section 4 of this PDS (‘Options offered by EncoreFX’) which can be Leveraged, include the following:

(a) Collar

(b) Knock-In Collar

(c) Knock-In Forward

(d) Knock-In Reset

(e) Convertible Forward

(f) Relief Forward

(g) Seagull Forward

(h) Encore Knock-In

(i) Knock-Out Forward

(j) Knock-Out Collar

(k) Range Reset

(l) Inverse Collar

(m) Forward Overlay

(n) Lift Forward

(o) Progressive Forward

6.2 Example of a Leveraged Option – Leveraged Collar

The example set out below is for informational purposes only. It provides an example of one situation only and does not reflect the specific circumstances or the obligations that may arise under a derivative entered into by you. In order to assess the merits of any particular Option you should use the actual rates and figures available to you at the relevant time.

The example Option below has a 6-month Term, is structured at Zero-Premium and is written from the perspective of an Australian Dollar (AUD) Seller / US Dollar (USD) Buyer (e.g., a corporate client wanting to hedge against a potential appreciation of the USD relative to the AUD).

A Leveraged Collar is a Structured Option that allows you to set a Protection Rate and a Participation Rate for your foreign currency needs. At the Expiry Date, a Leveraged Collar provides the ability to participate in a favourable Spot Rate move between the Protection Rate and the Participation Rate. The Leverage used comes from selling an Option for a Notional Amount that is larger than the Notional Amount of a purchased Option. In this case, the Leverage is a multiple of two times that of the purchased Option. The Leverage allows you to achieve better Strike Rates than a standard Collar Option.

Benefits	Risks
• Provides the ability to participate in a favourable Spot Rate move. • Protected from an adverse Spot Rate move for a portion of the contract. • Can achieve more favourable levels than a non-Leveraged Collar.	• Upside participation is limited. • Obligated to buy a larger Notional Amount at the Expiry Date if the Spot Rate is more favourable than the more favourable Strike Rate.

Example Leveraged Collar - Spot Rate at commencement of 0.7350	
Buy AUD Put / USD Call	**Sell AUD Call / USD Put**
• Strike Rate = 0.7150 • Notional = USD 1,000,000	• Strike Rate = 0.7650 • Notional = USD 2,000,000
Possible Outcomes	
• **Scenario 1**: If the Spot Rate at the Expiry Date is below the Strike Rate of 0.7150, you will have the right to buy USD 1,000,000 at the Strike Rate of 0.7150. • **Scenario 2**: If the Spot Rate at the Expiry Date is between the Strike Rates of 0.7150 and 0.7650, you will have no obligation and will be free to trade at the prevailing Spot Rate. • **Scenario 3**: If the Spot Rate at the Expiry Date is above the Strike Rate of 0.7650 you will be obligated to trade USD 2,000,000 at the Strike Rate of 0.7650.	

***This example is provided for illustrative purposes only*.**

6.3 Using Leverage

Leverage of Structured Options is commonly used as a tool to obtain Enhanced Rates over and above what would normally be available. Whilst the exchange rates are enhanced, there are other risks which can make using Leverage more complicated. As a result, Leverage is generally used as a tool to complement an existing hedging portfolio. It is usually only used where a fully hedged position is not required. Leverage is also sometimes used as a tool to take an advantageous approach for exposures that would typically be left unhedged.

6.4 Risks of Using Leverage

The use of Leverage creates new risks when compared to non-Leveraged Structured Options. When Leverage is used, these new risks are added to the already existing risks of non-Leveraged Structured Options. The risks associated with Leverage are set out below:

- You may be obligated to purchase a larger Notional Amount than you are protected for in the Structured Option. If at the Expiry Date the Structured Option outcome results in you buying the obligated amount on the sold leg of the Option, then this will be a multiplier (typically two times) of the bought leg on the Option.
- A Leveraged Structured Option will not provide you with a fully hedged position (protection against adverse currency movement), when being used to hedge a fixed amount of currency exposure. This is because the obligated amount would match the fixed currency exposure, and this amount will be a multiplier (usually two) times the protected amount.
- The use of Leverage can result in difficulties in managing currency exposure, as the amount you will be obligated for may not be known until the Expiry Date of the Structured Option.

7 Additional Considerations for Vanilla and Structured Options

7.1 Historical Rate Rollover Extensions

At any time up to the Expiry Date, you may ask EncoreFX to extend the Term of your Option. This is done by converting the Options to Forward Exchange Contracts on the Expiry Date and pushing back the settlement of those contracts. This is referred to as a Historical Rate Rollover Extension (**HRRE**). All HRREs are subject to prior approval by EncoreFX and may be declined at EncoreFX's sole discretion. EncoreFX will only approve HRREs where there is an underlying business purpose.

If EncoreFX agrees to extend your Term of your Option, the exchange rates relevant to your Options may be altered. The new exchange rates will reflect a number of factors including your previous exchange rates, the Spot Rate and market interest rates. They may also reflect any funding implications where your Options are either ITM or OTM. If a HRRE is agreed upon, we will send you a confirmation detailing the amendment.

7.2 Pre-delivery and partial pre-delivery

After entering into an Option, you may wish to bring the agreed Expiry Date forward on all (**pre-delivery**), or a portion (**partial pre-delivery**), of the Notional Amount of your Option. Any pre-delivery or partial pre-delivery of your Option is subject to prior approval by EncoreFX and may be declined by EncoreFX at its sole discretion. Any pre-delivery or partial pre-delivery of an Option may only be available with respect to certain Options in certain circumstances.

If EncoreFX agrees to the pre-delivery or partial pre-delivery of your Option, we may carry out an exchange rate adjustment to the original Option to reflect the earlier delivery of the Option.

You should note that, while in normal trading conditions this adjustment may be marginal, in times of volatility in the foreign exchange market, the adjustment may be significant. You should also be aware that pre-delivery or partial pre-delivery does not necessarily absolve you of your potential obligations on the Expiry Date.

In relation to any partial pre-delivery, the balance of the face value of the Option shall remain due at the original exchange rate on the original Expiry Date.

7.3 Close-out / cancellation

You may request to close out or cancel your Option at any time where you no longer require the currency that you have agreed to purchase on the Expiry Date. Any close out or cancellation is subject to approval by EncoreFX and may be declined by EncoreFX at its sole discretion. Any costs that are incurred in terminating and unwinding your Option will be payable by you. You will also be liable for any OTM position in relation to your Option. EncoreFX may require supporting documentation confirming a change in your currency obligations to support your request for the close-out or cancellation.

7.4 Termination of an Option

EncoreFX may terminate an Option in limited circumstances. You will be liable for any losses or costs incurred as a result of any termination event. The circumstances in which a termination event may be carried out are set out in full in the Master Terms and Conditions, and include the following:

- Failure to pay any Margin Deposit or Additional Margin Deposit payments.
- If you are insolvent, appoint a receiver or administrator to your business or cease to carry on your business.
- If an event occurs that partially prevents, hinders, obstructs, delays or interferes with your ability to meet your obligations.
- If you dispute the validity of an Option.
- For any other reason set out in the Master Terms and Conditions.

7.5 Forgone interest

EncoreFX does not pay interest on amounts held (including Margin Deposits and Additional Margin Deposits). As such, you will forgo the ability to earn interest where EncoreFX is holding any amounts on your behalf. The interest cost is an opportunity cost which is equal to the amount of interest that you would have otherwise earned if those amounts were held in your own bank account.

7.6 Transaction and other fees

Transaction fees or charges may apply where related services such as electronic payments are requested by you and made in connection with your Option.

Transaction fees for electronic payments are separate to fees related to the exchange rate conversion that will apply to converting one foreign currency to another. These conversion fees are payable at the time that we process an electronic payment for you or your nominated beneficiary.

The transaction and conversion fees charged by EncoreFX take the following information into account:

- The amount and type of currency to be transferred (exotic currencies usually incur higher fees).
- The frequency of transactions that you conduct with EncoreFX (an existing relationship may result in reduced fees).
- Which country the funds are sent to (some countries are more expensive than others).

In addition to any transaction fees charged by EncoreFX, any correspondent, intermediary or beneficiary bank which facilitates the sending or payment of transfers or drafts may impose their own additional fees or charges which may be deducted from the amount paid to you or your beneficiary.

In some instances, EncoreFX may charge a monthly or annual fee to users on its platform. This may be a flat fee per user or a fee based on the number of transactions entered into by each user.

8 Credit Requirements

Over the life of a Structured Option, as the Spot Rate moves, the Structured Option may be ‘In the Money’ (ITM) or ‘Out of the Money’ (OTM) or ‘At the Money’ (ATM). That is, if the Structured Option had to be cancelled at any time, it would result in a gain (ITM) or a loss (OTM) or breakeven (ATM).

To manage the market risk when a Structured Option is entered, EncoreFX may initially secure the Structured Option by taking an advance partial prepayment/cash deposit from you (Margin Deposit). Alternatively, EncoreFX may apply this market risk against your trading limit (see below).

8.1 Margin Deposit and Additional Margin Deposits

The Margin Deposit represents an advance pre-payment of the Structured Option and is taken to secure EncoreFX’s potential exposure resulting from adverse OTM currency movements. Your Margin Deposit will reduce the final payment that you are required to make on the Settlement Date. The Margin Deposit that we require will be determined as a percentage of the value of the Structured Option that you have entered and is generally about 10% of the value of the transaction. EncoreFX may determine this percentage at its discretion based on a number of factors including the value of your outstanding Structured Option’s, your current financial position / credit rating and the prevailing market conditions.

The Margin Deposit must be paid within two business days. In the event that the Margin Deposit is not received within two business days, EncoreFX may close out your account and terminate the contract as well as terminate and close out any other pending transactions with you and set off amounts owed to you (including any gains on contracts closed out (terminated) against any losses incurred and amounts then owing to EncoreFX by you).

Should a Structured Option (or the net position of your Structured Option portfolio) move OTM in excess of the Margin Deposit or your trading limit, EncoreFX will secure this increased market risk through an additional partial prepayment (Additional Margin Deposit). An Additional Margin Deposit is required from you to bring the net market risk exposure to zero. Additional Margin Deposits represent a pre-payment of the Structured Option by you. If an Additional Margin Deposit is required, EncoreFX will advise you immediately. Payment of the Additional Margin Deposit must be made within two business days of the request. If you fail to pay an Additional Margin Deposit, EncoreFX may, in its discretion, choose to cancel some or all your Structured Option's. In such circumstances, you will be liable to EncoreFX for all costs associated with terminating the relevant contracts.

8.2 Trading limits

EncoreFX may choose to waive the requirement of a Margin Deposit by applying the required amount (or notional deposit) against a trading limit. The trading limit is dependent upon your credit history/rating, strength of financial statements, as well as other factors determined at EncoreFX's sole discretion. EncoreFX may review and amend your trading limit at any time.

There are two methods that may be used by us in respect of your trading limits:

(a) Against individual contracts, EncoreFX may waive the need for a Margin Deposit by applying the required deposit of each Structured Option against a trading limit. The Structured Option is regularly revalued over the period of the Structured Option.

(b) Against customer portfolios, EncoreFX may allocate a trading limit against the net position of your entire portfolio of open Options contracts and any other open contracts that you may have with EncoreFX. We revalue every contract in your portfolio daily, and if the net position (ITM or OTM) are within your trading limit you will not be required to pay an Additional Margin Deposit. If, however the revaluation results in net exposure exceeding your trading limit, an Additional Margin Deposit will be required to take your net exposure to zero.

9 Costs of Vanilla and Structured Options

The cost of a Vanilla or Structured Option is defined by the Premium that is required to be paid to enter the contract. EncoreFX calculates Option Premiums using the appropriate industry standard formulas based upon the Black Scholes model.

The inputs to the Option pricing formulas include:

(a) The current market Spot Rate.

(b) Market Volatility – the higher the volatility, the higher the Premium.

(c) The Term of the Option – the longer the Term, typically results in higher Premium.

(d) The Strike Rate – the closer to being In-The-Money the Strike Rate is, the higher the Premium.

(e) The interest rate differential of the two currencies involved.

(f) For Exotic Options, the Barrier also affect the Premium calculation.

For a Zero-Premium Structured Option, you will not pay EncoreFX a Premium. EncoreFX, however, may cover the exact same Structured Options with a third party provider and receive a net Premium due to its volumes and access to inter-bank pricing.

9.1 Retail Mark-Up

For Vanilla Options, and for Structured Options where you are required to pay a Premium, the Premium quoted to you by EncoreFX may include a mark-up (Retail Mark-Up) which is applied on top of the wholesale Premium that we negotiate from our hedging counterparties and / or liquidity providers. The Retail Mark-Up is determined by EncoreFX using a number of factors including the following:

(a) The size of the transaction (smaller Notional Amounts may mean a larger Retail Mark-Up).

(b) The two currencies to be traded (where the two currencies are illiquid, the Retail Mark-Up may be larger).

(c) The time between entering into the Option and the Settlement Date (the longer the time between the dates, the larger the Retail Mark-Up may be).

(d) Market volatility (higher volatility may result in a larger Retail Mark-Up).

(e) The frequency with which you trade with EncoreFX (the more frequently you transact with EncoreFX, the smaller the Retail Mark-Up may be).

10 Benefits of Vanilla and Structured Options

(a) Vanilla and Structured Options can be a cost effective foreign exchange risk management tool that help you manage the inherent risks of foreign exchange markets. Structured Options can eliminate the costs associated with Vanilla Options, and unlike forwards, they may allow at least some participation in favourable market moves, while still protecting you against adverse market moves.

(b) Vanilla and Structured Options can be tailored to meet unique and specific hedging requirements on a transactional basis. Value dates, Notional Amounts, Strike Rates, Barrier Rates, and the type of Barrier can all be tailored to meet your specific requirements and market views.

11 Risks of Vanilla and Structured Options

11.1 Introduction

Vanilla and Structured Options are only suitable for persons who:

(a) understand and accept the risks involved in transacting in financial derivatives involving foreign exchange;

(b) are end users of foreign exchange for hedging purposes; and

(c) meet the requirements in their location of incorporation for entering into a derivatives contract as determined by the appropriate regulatory policies.

Whenever you choose to purchase our products, you are moving your money out of your secure banking environment, and are subjecting that money to various risks, some of which are summarised below. It is important that you carefully consider whether trading our products is appropriate for you in light of your business objectives, financial situation and needs.

EncoreFX recommends that you obtain independent financial and legal advice before entering into any Options, including Vanilla and Structured Options. Because Vanilla and Structured Options are highly customizable, the structures can become quite complex to the point where they might not actually meet the objective of providing a prudent hedge. It is paramount that hedging goals are reasonable and clearly identified and structures are implemented to achieve specific goals. The following are the significant risks associated with Structured Options:

11.2 Foreign exchange risk

Whenever a Structured Option is entered into, the seller is providing the buyer the right to transact at a particular Foreign Exchange Rate (the Strike Rate) at their discretion. The Strike Rate may not be a favourable rate relative to the Spot Rate at the time the Option is Exercised. The seller must ensure that the Strike Rate and Notional Amount they may be obligated to trade are consistent with their hedging objectives and needs. Because of the nature of Knock-Out and Knock-In Options, you may be obligated to trade at a foreign exchange rate that is significantly Out-of-the-Money relative to the Spot Rate at the time of the Expiry Date.

Should the sold leg of a Structured Option be Exercised, the seller is obligated to transact. From the date of booking until the Expiry Date, there is the risk that the seller's business circumstances may change and there is no longer a need for the structured hedge. Should the seller wish to unwind or cover the hedge they may have to pay a Premium to do so if the sold Option is Out-the-Money to the seller and the bought Option is not In-The-Money.

11.3 Contract failure

In the case that you cannot fulfil the terms of the contract and are required to offset the contract prior to the Expiry Date, you may sustain a significant financial loss. EncoreFX will provide a quote for such services based on market conditions prevailing at the time. As markets for the Vanilla and Structured Options contained in this PDS and offered by EncoreFX are OTC, there may be difficulty in realising liquidity for such product at certain times. The price of each structured product transaction is individually negotiated between EncoreFX and each counterparty and EncoreFX does not represent or warrant that the prices for which it offers Vanilla and Structured Options are the best prices available, possibly making it difficult for you to establish what is a fair price for Vanilla and Structured Options. The value or quoted price of the product at any time, however, will reflect many factors and cannot be predicted. If EncoreFX makes a market in the offered Vanilla or Structured Options, the price quoted by EncoreFX would reflect any changes in market conditions and other relevant factors, and the quoted price (and the value of the Vanilla or Structured Option that EncoreFX will use for account statements or otherwise) could be higher or lower than the original price, and may be higher or lower than the value of the product as determined by reference to pricing models used by EncoreFX.

11.4 No cooling off

There is no cooling off period, meaning that there is no period of time (after the contract has been agreed to by one of the approved methods set out in the Master Terms and Conditions) to release yourself from any obligations without penalty.

11.5 Counterparty risk

You are trading with us as a counterparty to every transaction, so you will have a credit-related exposure to us in relation to each transaction. In all cases, you are reliant on our ability to meet our obligations to you under the terms of each transaction. This risk is sometimes described as counterparty risk.

We may choose to limit our exposure to you by entering into opposite transactions as principal in the wholesale market. There is therefore also a risk that any parties with whom EncoreFX contracts to mitigate its exposure when acting as principal to the Vanilla or Structured Options (by taking related offsetting or mitigating positions) may not be able to meet their contractual obligations to EncoreFX. This means that EncoreFX could be exposed to the insolvency of these counterparties and to defaults by these counterparties. If a counterparty is insolvent or defaults on its obligations to EncoreFX, then this could give rise to a risk that EncoreFX defaults on its obligations to you.

You are also subject to our credit risk. If our business becomes insolvent, we may be unable to meet our obligations to you.

In addition, we must comply with the financial requirements imposed under our AFSL.

In the event of our insolvency, you will be an unsecured creditor to the extent that you have a claim against us for amounts you have already paid under an existing contract that has not been settled. The extent to which you may recover your proportional entitlement will be determined by applicable insolvency laws subject to any contractual arrangements you have with us (e.g. the set-off and netting rights of us against client money, under our Master Terms and Conditions).

However, we may agree at times for you to place money in our designated client money account, say, if you anticipate making trades in the future but have not nominated the funds for a particular trade or trades. In this situation, the funds are segregated from our own funds and property. This means that they are not available to pay general creditors in the event of our receivership or liquidation. However, in that situation, by paying us money in this way, you authorise us to retain any interest on that money, and to use that money (including to deduct reasonable fees) in any way agreed to as set out in this PDS, the Master Terms and Conditions, or as otherwise agreed with you. You may request a summary of our financial statements to help you manage this risk.

11.6 Deposit and cross default risk

An initial Margin Deposit is required to enter into a Structured Option.

If the market moves against you and your Structured Option becomes OTM, we may require payment of an Additional Margin Deposit. If you fail to pay an Additional Margin Deposit, we may close out your position (and any other positions you hold with us) by entering into an equal and opposite position. You will remain liable for any negative positions which cannot be covered by the closing out of your Structured Option.

11.7 System risks

We rely on technology to provide our trading facilities to you. A disruption to the facility may mean you are unable to trade when you want to. Alternatively, an existing transaction may be aborted as a result of a technology failure.

11.8 Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. It is possible that process problems at EncoreFX may lead to delays in the execution and settlement of a transaction.

11.9 Transactions are not transferable

As each transaction you enter into with us is a transaction between you and us and is not traded on an exchange or market, you will not be able to sell, transfer or assign the transaction to any other person without our prior consent.

11.10 Abnormal market conditions or force majeure

We reserve the right to close out some or all of your open transactions between you and us if an event occurs that is beyond your or our control, where such event either wholly or partially prevents, hinders, obstructs, delays or interferes with your ability to meet your obligations.

11.11 Our discretionary powers

Under our Master Terms and Conditions, we have a number of discretionary powers which may affect your trading activities. We refer you to the Master Terms and Conditions which set out these powers and you should fully understand them.

12 Telephone conversations

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. Recorded telephone 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 dealer or representative. However, EncoreFX will not enter into any transaction over the telephone unless the conversation is recorded.

13 Client money

13.1 Treatment of client monies

Any Australian dollar amounts you pay to EncoreFX in relation to your Structured Options required to be paid into a trust account under the Client Money Rules, such as Margin Deposits and Additional Margin Deposits, will be paid into EncoreFX's trust account (EncoreFX Trust Account).

13.2 EncoreFX Trust Account

The EncoreFX Trust Account is a client money account operated in accordance with the Client Money Rules. Monies paid into the EncoreFX Trust Account are pooled with the monies of other EncoreFX clients and EncoreFX keeps a record of the monies paid by you or on your behalf.

In accordance with the Client Money Rules, the EncoreFX Trust Account operates in the following way:

(a) The EncoreFX Trust Account is a bank account with an Australian deposit taking institution held in EncoreFX's name.

(b) The only monies paid into the EncoreFX Trust Account are monies related to your Structured Options and interest on such monies. EncoreFX does not pay any of its own money into the EncoreFX Trust Account.

(c) Payments out of the EncoreFX Trust Account can be made only in limited circumstances, including:

 (i) making payments in accordance with any directions received from you;

 (ii) paying us monies we are owed and defraying proper charges; and

 (iii) making a payment that is otherwise authorised by law or pursuant to the Client Money Rules.

(d) Any interest earned on funds paid into the EncoreFX Trust Account is retained by EncoreFX and is not returned to individual clients.

14 Complaints resolution

If you have a complaint about any aspect of our services or products, please write to us at:

Complaints Officer
EncoreFX (Australia) Pty Ltd
Level 17
1 Castlereagh St
Sydney NSW 2000

Phone: +61 2 8378 7600
Toll Free: 1800 874 942
Email: complaintsau@encorefx.com

We are a member of, and participate in, the Financial Ombudsman Service Limited (FOS), membership number 36759, an independent complaints resolution organisation. If you feel your complaint has not been satisfactorily resolved, you are entitled to make a complaint to FOS at:

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VIC 3001
Telephone: 1300 780 808
Facsimile: (03) 9613 6399

15 Privacy

EncoreFX takes all reasonable steps to protect your personal information. In addition to the collection of information pursuant to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* (see Section 16 for more details), personal information is collected for the purpose of providing financial products to clients and EncoreFX will use your personal information for:

(a) for processing your application, which includes but is not limited to sharing your information with identification verification and credit reporting agencies;

(b) for internal administration and marketing purposes to establish and support the ongoing administration of your account;

(c) to advise you of new developments relevant to your account;

(d) to comply with Australian laws and regulations; and

(e) any purpose related to the above purposes.

If you provide incomplete or incorrect information, EncoreFX may be unable to provide you with the product or service for which you are applying.

EncoreFX may need to collect personal information about a third party from you as part of this application. If we do this, you agree you will advise that person that we have collected their information, and that in most cases they can access and seek correction of the information we hold about them.

Your personal information may be disclosed to related entities of EncoreFX (including those located in Canada) and any organisation (such as an accountant or auditor) involved with the administration of our services for any of the above purposes.

In most cases you can gain access to and seek correction of your personal information. Should you wish to do so, or if you have any queries about your information, please contact us at enquiryau@encorefx.com, +61 2 8378 7600 or 1800 874 942.

You should also read our privacy policy. Our privacy policy contains information about:

(a) how you can access and seek correction of your personal information;

(b) how you can complain about a breach of the privacy laws by EncoreFX and how we will deal with a complaint; and

(c) if we disclose personal information to overseas entities, and where practicable, which countries those recipients are located in.

Our privacy policy is available by telephoning +61 2 8378 7600 or 1800 874 942.

16 Anti-money laundering

Under Australian legislation, the *Anti-Money Laundering and Counter- Terrorism Financing Act 2006* (AML/CTF Act), certain additional identification is required from you. EncoreFX is obliged under this legislation to satisfy thorough client identification and verification requirements prior to issuing financial products to a client. The processing of account opening processes may be delayed until any requested documentation is received in a satisfactory form and the identity of the client is verified.

Clients must provide EncoreFX with the relevant identification material. We may request additional information from clients where we reasonably consider it necessary to satisfy our obligations under the AML/CTF Act.

17 Taxation

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

18 Master Terms and Conditions

Each Vanilla or Structured Option you enter into will be subject to the Master Terms and Conditions. You will be required to sign these before entering into a Vanilla or Structured Option with us for the first time.

The Master Terms and Conditions are a master agreement and set out all of the terms of the relationship between you and EncoreFX that are applicable to the Vanilla and Structured Options described in this PDS.

The Master Terms and Conditions are important and you should read them carefully before entering into any Vanilla or Structured Options. They cover a number of important terms including how transactions are executed, our respective rights and obligations, events of default and rights of termination.

We recommend that you seek your own professional advice in order to fully understand the consequences of entering into a Vanilla or Structured Option.

19 Contact details

19.1 General enquiries

e: enquiryau@encorefx.com
p: +61 2 8378 7600 or 1800 874 942

19.2 New South Wales

Level 17
1 Castlereagh St
Sydney 2000

19.3 Victoria

Level 18
101 Collins Street
Melbourne 3000

19.4 Queensland

Level 19
10 Eagle Street
Brisbane 4000

20 Glossary

In this document, unless the context requires otherwise, the following words have the following meaning:

"Additional Margin Deposit" means a deposit payable to EncoreFX as an advance pre-payment of the Option to secure EncoreFX's potential exposure resulting from adverse currency movements.
"American Barrier" means a Barrier that is applicable throughout the Term of the Option (from inception to expiry).
"ATM" or "At-the-Money" means an Option that has zero market value when measured against the current market.
"Barrier" means a feature of an Option that can be Triggered by the Spot Rate, either activating or terminating the underlying Option.
"Barrier Period" means the period for which a Barrier Rate within a Structured Option may be reached on the Spot Rate causing it to be Triggered.
"Barrier Rate" means the foreign exchange rate at which an Exotic Option contract's non-standard feature(s) is activated or terminated (please see Knock-In Barrier Rate and Knock-Out Barrier Rate).
"Call" or "Call Option" means an Option that provides the right, but not the obligation, to buy the underlying currency.
"Client Money" means money paid to EncoreFX pursuant to section 981A of the Corporations Act.
"Client Money Rules" means the provisions in Part 7.8 of the Corporations Act and the Corporations Regulations made under those provisions (and any ASIC policy) that specify the manner in which financial services licensees are to deal with client monies and property.
"Collar" or "Collar Option" has the meaning given to that term in section □.
"Convertible Forward" has the meaning given to that term in Section 0.
"Dynamic Rate" means the effective rate outcome for a Structured Option product at different possible Spot Rates on the Expiry Date.
"Electronic Funds Transfer" means the transfer of money from one account to another, either within a single financial institution or across multiple institutions, through computer-based systems.
"Encore Knock-In" has the meaning given to that term in Section 0.
"Enhanced Rate" is an alternative term for Strike Rate used in some Structured Options, and refers to the Strike Rate that is achievable on certain Structured Options where the holder receives a Strike Rate that is more favourable than the comparable products. Please refer to the Ratio Forward example in section 4.5 as an example.
"European Barrier" means a Barrier Rate that is applicable only on the Expiry Date of the Option contract.
"Exercise" means the decision of the Option holder to transact at the contracted Strike Rate. EncoreFX considers all ITM Options to be exercised at time of expiry.

“Exotic Option” means an Option contract that contains one or more non-standard features that affect the possible outcomes at or before expiry. It may assign to the holder the right (or obligation) to buy/sell the underlying currency if certain conditions have (or have not) been met.
“Expire” means the decision of the Option holder not to Exercise the Option.
“Expiry Date” means the day on which the Option expires.
“Expiry Time” means the time on which the Option expires on the Expiry Date. Times available are 10am New York, USA; 3pm Tokyo, Japan; 10am Sydney, Australia; 3pm Wellington, New Zealand.
“Foreign Exchange Rate” means the rate at which one currency is converted into another currency.
“Forward Exchange Contract” means a contract to buy or sell a fixed amount of currency, at a fixed exchange rate, at a fixed date.
“HRRE” has the meaning given to that term in Section 7.1 of this PDS (‘Historical Rate Rollover Extensions’).
“Interbank Rate” means the wholesale market rate at which currency is transacted between banks and other financial service providers, usually in parcels of $25 million or greater.
“Inverse Collar” has the meaning given to that term in Section 4.5.
“ITM” or “In-the-Money” means a Vanilla Option which would produce positive proceeds if exercised, or a Structured Option that would produce positive proceeds if cancelled at current market rates.
“Knock-In Barrier Rate” means the foreign exchange rate at which the terms of the Option contract become active.
“Knock-In Collar” has the meaning given to that term in Section 4.3
“Knock-In Forward” has the meaning given to that term in Section 4.4.
“Knock-In Reset” has the meaning given to that term in Section 0
“Knock-Out Barrier Rate” means the Foreign Exchange Rate at which the terms of the Option contract are terminated.
“Knock-Out Collar” has the meaning given to that term in Section 0.
“Knock-Out Forward” has the meaning given to that term in Section 0.
“Leverage” means a process where the client sells a Notional Amount for one or more of the underlying Options, which is larger than the Notional Amount for the underlying Options which are purchased.
“Margin Deposit” means an advance partial prepayment / deposit of the Structured Option made by you to EncoreFX, to secure EncoreFX’s potential exposure resulting from adverse currency movements.
“Master Terms and Conditions” means the terms and conditions, including all documents required thereby, or included therein, that govern the relationship between EncoreFX and the counterparty entering into foreign exchange transactions with EncoreFX.

“Notional Amount” means the amount of underlying currency to be bought or sold.
“Option” means either a Call Option or Put Option.
“OTM” or “Out-of-the-Money” means a Vanilla Option which would provide no benefit to the holder if exercised, or a Structured Option which would cost the holder if cancelled at current market rates.
“OTC” or “Over-The-Counter” means a financial contract (e.g., A Structured Option), that is arranged between two parties, a buyer and a seller, via a dealer network rather than on a centralized exchange.
“Overlay Rate” is an alternative term for Strike Rate used in some Structured Options, means the exchange rate that applies to the third leg of a Forward Overlay or Seagull Forward Structured Option.
“Participating Collar” has the meaning given to that term in Section 0.
“Participating Forward” has the meaning given to that term in Section 0.
“Participating Knock-In” has the meaning given to that term in Section 4.8.
“Participating Knock-Out” has the meaning given to that term in Section 0.
“Participation Rate” is an alternative term for Strike Rate used in some Structured Options, and is used to further define a Strike Rate at which you are obligated to trade.
“Premium” means the amount of money paid (if buying) or received (if selling) to enter into an Option contract.
“Protection Rate” is an alternative term for Strike Rate used in some Structured Options, and means the Strike Rate on the bought Option(s) which provide the holder with protection from adverse currency movements, at the Strike Rate.
“Put” or “Put Option” provides the right, but not the obligation, to sell the underlying currency at the contracted Strike Rate.
“Range Reset” has the meaning given to that term in Section 4.198.
“Ratio Forward” has the meaning given to that term in Section 4.5.
“Relief Forward” has the meaning given to that term in Section 4.5.
“Reset Protection Rate” is an alternative term for Strike Rate used in some Structured Options, and means the Foreign Exchange Rate that will apply to the exchange of a currency pair where an applicable Knock-In or Knock-Out Barrier Rate has been Triggered in a Venture Forward.
“Reset Rate” is an alternative term for Strike Rate used in some Structured Options, and means the Foreign Exchange Rate that will apply to the exchange of a currency pair where an applicable Knock-In or Knock-Out Barrier Rate has been Triggered in a Structured Option.
“Retail Mark-up” means a mark-up applied on top of the wholesale Premium that we negotiate from our hedging counterparties and / or liquidity providers.

“Seagull Forward” has the meaning referred to in Section 4.14
“Settlement Date” means the date at which the Notional Amount is delivered (usually 2 days after the Expiry Date).
“Spot Rate” means the Foreign Exchange Rate applied to transactions settled within two business days.
“Strike Rate” means the Foreign Exchange Rate at which the Notional Amount may be bought or sold on an Option. The Strike Rate may be referred to using other classifications, (for example “Protection Rate”) within this PDS depending on the particular structure involved.
“Structured Option” has the meaning given to that term in Section **Error! Reference source not found.**.
“Term” means the time in months or days to the Option Expiry Date (for example, 3 months or 1 year).
“Triggered” means the Spot Rate has reached a rate during the Barrier Period at which a barrier Option event occurs and either activates or terminates the underlying Option.
“Vanilla Option” means a simple Call Option or Put Option that has no exotic features. It provides the holder the right to buy (Call Option) or sell (Put Option) the underlying currency, without obligation, at the Strike Rate on the Expiry Date.
“Venture Forward” has the meaning given to that terms in Section 0.
“Window Barrier” means a Barrier that is active only for a specified period of time during the Term of the Option contract (e.g. for one month prior to the Expiry Date).
“Zero-Premium” means a Structured Option that involves the sale and purchase of two or more Options in which the Premium paid for the bought Option(s) equals the Premium received for the sold Option(s).