

# Agricultural Swap Contract

## Supplementary Product Disclosure Statement

### 28 September 2009

This Supplementary Product Disclosure Statement ('SPDS') is dated 28 September 2009 and is issued by Westpac Banking Corporation (ABN 33 007 457 141 AFSL No. 233714). It supplements the Agricultural Swap Contract Product Disclosure Statement dated 10 April 2007 ('Original PDS'). This SPDS should be read with the Original PDS - together they make up the Product Disclosure Statement ('PDS'). In particular, terms defined in the Original PDS have the same meaning in the SPDS, unless the context requires otherwise. For further information, please contact the relevant state dealing desk using the contact details listed in the Original PDS or visit [www.westpac.com.au](http://www.westpac.com.au)

#### From 28 September 2009 we have made the changes set out below to the Original PDS.

This SPDS amends the Original PDS by replacing the text in certain sections of the Original PDS as set out in the table below:

Relevant page number of the Original PDS	Relevant section title of the Original PDS	Replacement text
14	<b>What to do if you have a problem or dispute</b>	<p>The following text replaces the text under the section titled "What to do if you have a problem or dispute":</p> <p><b>"Getting your complaint heard</b></p> <p>Sometimes you may want to talk about problems you are having with us. Fixing these problems is very important to us.</p> <p>We've put in place ways of dealing with your issues quickly and fairly.</p> <p><b>Please talk to us first</b></p> <p>We aim to resolve your complaint at your first point of contact with us in a timeframe agreed with you. This is our 'Ask Once' promise. So please raise your complaint with any of the people handling your banking.</p> <p>You can contact us 24 hours a day, 7 days a week from anywhere in Australia, by:</p> <p><b>Phone:</b> 1300 130 467  <b>Email:</b> Go to our website - <a href="http://www.westpac.com.au">www.westpac.com.au</a> and click on 'Contact Us'  <b>Mail:</b> GPO Box 5265, Sydney NSW 2001.</p> <p><b>Contact our National Customer Relations Unit</b></p> <p>If we can't resolve your complaint at your first point of contact with us, we will escalate it to our National Customer Relations Unit. They will aim to resolve your complaint in a timeframe agreed with you.</p> <p>You can also contact our National Customer Relations Unit:</p> <p><b>Telephone:</b> 1300 130 206  <b>Email:</b> Go to our website - <a href="http://www.westpac.com.au">www.westpac.com.au</a> and click on 'Contact Us' and then click on 'Complaints and Compliments'  <b>Fax:</b> 02 8253 3707  <b>Mail:</b> NCRU, GPO Box 5265, Sydney NSW 2001.</p> <p><b>What to do if you are still unhappy</b></p> <p>If we haven't been able to deal with your issues to your satisfaction, there are a number of other bodies you can go to. You may be able to refer your complaint to the external organisation listed below:</p> <p>Financial Ombudsman Service  GPO Box 3</p> <p>Melbourne VIC 3001  Phone 1300 780 808</p>

		<p>Fax: (03) 9613 6399  Internet: <a href="http://www.fos.org.au">www.fos.org.au</a>  Email: <a href="mailto:info@fos.org.au">info@fos.org.au</a></p> <p>You can also contact the Australian Securities &amp; Investments Commission (ASIC) to make a complaint and to obtain further information about your rights. They also have a freecall Infoline – 1 300 300 630 and e-mail contact address – <a href="mailto:infoline@asic.gov.au">infoline@asic.gov.au</a>”</p>
15	<b>Financial Crimes Monitoring</b>	<p>The following text replaces the text under the section titled “Financial Crimes Monitoring”:</p> <p>“Please be advised that in order for Westpac to meet its regulatory and compliance obligations relating to anti-money laundering and counter terrorism financing, we will be increasing the levels of control and monitoring we perform.</p> <p>You should be aware that:</p> <ul style="list-style-type: none"> <li>• transactions may be delayed, blocked or refused where we have reasonable grounds to believe that they breach Australian law or the law of any other country;</li> <li>• where legally obliged to do so, we may disclose the information gathered to regulatory and/or law enforcement agencies.</li> </ul> <p>Upon entering into any Agricultural Swap Contract with Westpac, you agree:</p> <ul style="list-style-type: none"> <li>• you are not and will not enter into any agreement with Westpac under an assumed name;</li> <li>• any funds used by you to enter into an agreement with Westpac have not been derived from or related to any criminal activities;</li> <li>• any payments received from Westpac will not be used in relation to any criminal activities;</li> <li>• if we ask, you will provide us with additional information we reasonably require from you; and</li> <li>• we may obtain information about you or any beneficial owner of an interest in an agreement with Westpac from third parties if we believe this is necessary to comply.”</li> </ul>

# Agricultural Swap Contract

## Product Disclosure Statement

**Issued by:**

Westpac Banking Corporation ABN 33 007 457 141

Australian Financial Services Licence Number: 233714

Dated 10 April 2007



**Westpac**  
Institutional Bank

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## Important information about this Product Disclosure Statement (PDS)

A PDS is an information document. Its purpose is to provide you with enough information so that you can decide if the product will meet your needs. A PDS is also a tool for comparing the features of other products you may be considering.

This PDS relates to Agricultural Swap Contracts (ASC). An ASC is a sophisticated financial product requiring a good understanding of the way commodity contracts and markets work. You should read and consider all sections of this PDS carefully before making a decision about the suitability of this product for you. You may also wish to obtain independent expert advice about this. If you have any questions about this product, please contact us on any of the numbers listed at the back of this PDS.

If you decide to enter into an ASC, you should keep a copy of this PDS and any associated documentation. You should also promptly tell us if at any time you experience any financial difficulty.

The information set out in this PDS is general in nature. It has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should consider its appropriateness having regard to your objectives, financial situation and needs. By providing this PDS, Westpac does not intend to provide financial advice or any financial recommendations.

The information in this PDS is subject to change. Westpac will provide updated information by issuing a supplementary or replacement PDS (if this were required, such as if the change were materially adverse to you) or by posting the information on our web site. You can get a paper copy of any updated information without charge by calling us.

This PDS is intended for retail clients in Australia only. Distribution of it in jurisdictions outside Australia may be restricted by law and persons who come into possession of it, who are not in Australia, should seek advice. If you are in Australia and have received it electronically, we will give you a paper copy on request, without charge. To obtain a copy, refer to the contact details listed on the back page of this PDS.

## Agricultural Swap Contract Summary

Overview	An ASC is designed to assist you in reducing your commodity price risk by allowing you to swap a floating price for a fixed price for a specified commodity. It will also help you to manage your currency risk where you elect to transact your swap in Australian dollars (AUD).
Costs	There are no up-front out of pocket costs with an ASC. See “What are the costs?” on page 6.
Significant Benefits	An ASC provides you with cash-flow certainty by protecting you against unfavourable commodity price movements (and exchange rate movements where you elect to transact in AUD). See “What are the significant benefits of an ASC?” on page 6.
Significant Disadvantages	You will not receive the benefit of favourable commodity price movements (or exchange rate movements where you elect to transact in AUD). See “What are the significant disadvantages of an ASC?” on page 6.  See also “What are the significant risks of an ASC?” on page 6.
Minimum Transaction Amount	Wheat – 100 metric tonnes Sugar – 100 metric tonnes (smaller amounts and other commodities may be available on request)
Term	1 week to 3 years (longer terms may be available on request)
Settlement	An ASC is cash settled at maturity. On the Settlement Date, which must be agreed upfront, amounts owing or due must be paid. Once, the settlement date is agreed it can not be varied. No physical delivery of the underlying commodity occurs.
Early Termination	You can terminate an ASC early but there may be a cost to you if you do. See “Can I terminate an ASC before maturity?” on page 7.

## What is an Agricultural Swap Contract (ASC)?

An ASC is an agreement between you and Westpac that protects you against unfavourable commodity price movements and if denominated in AUD against unfavourable exchange rate movements too. It effectively fixes the price you receive, or pay, for your underlying commodity. Under an ASC you exchange a floating price for a fixed price for a quantity of a specified commodity.

An ASC may be useful for producers looking to protect their revenue against declining commodity prices, consumers looking to protect their costs against increasing commodity prices and other customers with exposure to commodity price movements.

### How does an Agricultural Swap Contract work?

When you enter into an ASC, you nominate the commodity and the currency that you want your contract denominated in.

You also nominate the **maturity date** on which you want settlement to occur, the **notional volume** of the commodity and the **floating reference price** you are looking to exchange. Westpac will then determine the **fixed swap price** based on the details nominated by you.

The **floating reference price** is the variable price of your underlying commodity. It will be based on an agreed futures contract on an agreed futures exchange. Appendix A provides examples of some of these. Where the agreed futures contract is not denominated in the currency you nominated it will be converted into that currency using a **reference exchange rate** on the maturity date. The source of the reference exchange rate will be agreed up-front.

The **fixed swap price** is your level of commodity price protection. It will be denominated in the currency nominated by you.

On the maturity date a **cash settlement amount** will be calculated. Depending upon the relationship between the **floating reference price** and the **fixed swap price** this amount will be payable by Westpac to you or alternatively by you to Westpac. The amount payable will be based on the **notional volume** of the contract. It will be payable on the **settlement date** agreed up-front.

Where you have entered into an ASC to manage the risk of a **rise** in commodity prices (that is you agree to pay the Fixed Swap Price), the two possible outcomes on the maturity date are:

- If the **fixed swap price** is greater than the **floating reference price**, then you will make a cash payment to Westpac based on the difference between these prices
- If the **floating reference price** is greater than the **fixed swap price**, then Westpac will make a cash payment to you based on the difference between these prices.

Where you have entered into an ASC to manage the risk of a **fall** in commodity prices (that is you agree to pay the Floating Reference Price), the two possible outcomes on the maturity date are:

- If the **fixed swap price** is greater than the **floating reference price**, then Westpac will make a cash payment to you based on the difference between these prices
- If the **floating reference price** is greater than the **fixed swap price**, then you will make a cash payment to Westpac based on the difference between these prices.

### How does Westpac determine my fixed swap price?

When determining the fixed swap price Westpac takes several factors into account including:

- The commodity and the time zone you choose to trade in
- The maturity date set by you
- The futures price on the agreed futures exchange
- The forward exchange rate of the relevant currency pair required to convert the futures price into the currency nominated by you
- Market volatility and market liquidity.

### Are there any Westpac credit requirements before dealing?

Before entering into an ASC, Westpac will assess your financial position to determine whether or not your situation satisfies our normal credit requirements. This assessment is to determine your creditworthiness: we do not consider the suitability of this product for you as part of this process. Westpac will advise you of the outcome of its review as soon as possible.

If your application is successful, you will need to sign Westpac's standard finance documentation. This documentation sets out the terms of the credit approval and other matters relevant to your application.

## What are the costs?

There are no up-front out of pocket costs with an ASC. The price of an ASC is simply the **fixed swap price** applicable to the ASC. This price is determined by Westpac (see “How does Westpac determine my fixed swap price?” above) and will be quoted to you immediately prior to your entry into the specified ASC.

While there are no direct fees associated with an ASC, Westpac still derives a financial benefit. Westpac obtains that benefit by incorporating a margin into the fixed swap price it sets. In effect, you pay for an ASC by accepting the fixed swap price quoted by Westpac.

## What are the significant benefits of an ASC?

- ASCs provide you with protection against unfavourable commodity price movements between the time you deal and the maturity date. This can assist you in managing your commodity exposure. Removing the uncertainty of commodity price fluctuations will assist you with cash flow planning/forecasting.
- There are no brokerage fees payable.
- There are no margin calls.
- Where the ASC is denominated in your local currency it eliminates the need to manage your foreign exchange risk separately.
- ASCs are flexible. The maturity date and the notional volume can be tailored to meet your particular requirements.

## What are the significant disadvantages of an ASC?

- You will forego any benefit of a favourable commodity price movement between the time you deal and the maturity date.
- While ASCs can be cancelled, there may be a cost to you in doing so - see “Can I terminate an ASC before maturity?” below for further details.
- Where the ASC is denominated in your local currency you will forego any benefit of a favourable exchange rate movement.
- An ASC will not protect you against any price risk that exists when the floating reference price does not match the actual commodity price you pay or receive in the physical market. This risk is referred to as **basis risk**. (For example, prices paid and received in the physical market take into account “grade” and “location”. An ASC does not cover this risk.)
- There is no cooling off period.

## What are the significant risks of an ASC?

As is the case with most financial markets products we enter into, we have performance obligations under an ASC. If we are unable to perform our obligations under your ASC, you would be exposed to commodity price fluctuations (and in some cases exchange rate fluctuations) as if you had not entered into an ASC.

Our ability to fulfil our obligations is linked to our financial wellbeing and to the effectiveness of our internal systems, processes and procedures. The first type of risk (our financial wellbeing) is commonly referred to as **credit or counterparty risk**. The second type of risk (the effectiveness of our internal systems, processes and procedures) is commonly referred to as **operational risk**.

You must make your own assessment of our ability to meet our obligations. However, as a regulated Australian bank we are subject to prudential regulation which is intended to reduce the risk of us failing to perform our obligations.

## What happens at maturity?

On the Maturity Date, the Floating Reference Price will be identified and where applicable will be converted into the currency you nominated using the agreed reference exchange rate. Westpac will then calculate the cash settlement amount payable.

The **cash settlement amount** will be the net difference between the floating amount payable and the fixed amount payable and will be calculated as follows:

$$\text{floating amount payable} = \text{notional volume} \times \text{floating reference price}$$

$$\text{fixed amount payable} = \text{notional volume} \times \text{fixed swap price}$$

Depending on the terms of your ASC (in particular whether you are paying the fixed amount or paying the floating amount) the difference between these amounts will be payable by you to Westpac or by Westpac to you.

Where you are paying Westpac you will need to provide Westpac with either foreign currency or Australian dollars. You can provide foreign currency either by telegraphic transfer or by transferring funds from a foreign currency account/deposit. You must provide Australian dollars in clear funds. Where Westpac is required to make a payment to you we will deposit amounts owing to you into a Westpac bank account (in your name), denominated in the relevant currency. Alternative arrangements can be made with Westpac’s agreement.

## Can I leave orders?

Westpac may accept and execute orders on your behalf. However, we are not obliged to do so.

An order is a request that you leave with the bank to establish or terminate an ASC on your behalf once a specified price nominated by you is reached. Requests for orders can be placed on any Sydney business day between 9 a.m. and 7 p.m. Sydney time.

The minimum amount for an order is the same as that applying for any transaction with us (see "Minimum Transaction Amount" in the "ASC Summary" on page 4). All requests for orders will be subject to our normal Credit Approval process.

If the commodity price is reached, in the currency nominated by you, we will attempt to execute your order. This will be on a best endeavours basis. It may not always be possible for us to complete your order at the nominated price. This may be due to a large jump in the market price of the commodity (and where applicable the relevant exchange rate) or a lack of liquidity in the underlying market at the time the level is reached. Similarly, this may result in your order being partly completed. Unless specified at the time the order is placed orders will be partially completed if nominated levels are reached.

Orders will be in place until executed or until you advise us to cancel them.

You will be advised as soon as practical if an order is executed.

## Can I terminate an ASC before maturity?

You may ask us to terminate an ASC at any time prior to the maturity date. We will then provide you with a quote for cancelling the ASC.

## What will be the value of an ASC on early termination?

Our quote will incorporate the same variables (the fixed swap price, the floating reference price, notional volume, currency and maturity date) used when pricing your original ASC.

At the time of termination, we will need to consider the cost of reversing or offsetting your original transaction. When doing this we will take into account the prevailing market rates that apply to any offsetting transactions.

## What happens if I accept the termination quote?

If you accept the quote, we will cancel the ASC. You should appreciate that there may be a cost to you if you terminate early.

Any payments due to you, or payable by you, will occur two business days after the termination date.

## What documentation is required?

You will need to sign a standard master dealing agreement if you want to enter into an ASC. There are two types of master dealing agreements that we commonly use to document agricultural commodity transactions:

- A Westpac Master Agreement for Agricultural Commodity Transactions. This is a simple agreement and is used only for commodity transactions
- An International Swaps and Derivatives Association Master Dealing Agreement. This is a more complicated agreement and is generally used where a person intends to enter into a variety of other derivative transactions as well as commodity transactions.

Each of the above master dealing agreements governs the dealing relationship between you and us and sets out the terms and conditions that will apply to all transactions that we enter into with you that are covered by the agreement. In particular, they document the situations where those transactions can be terminated and the way the amount to be paid following termination is calculated.

You can ask for a copy of the above master dealing agreements and we strongly recommend that you fully consider their terms before signing. You should obtain independent advice if you do not understand any aspect of the document.

## What about confirmations?

The commercial terms of a particular ASC are agreed verbally over the phone. Once we reach an agreement, both you and Westpac are bound by the terms of the ASC.

Shortly after entering into an ASC, Westpac will send you a **confirmation** outlining the commercial terms of the transaction. You will need to sign this confirmation and return it to Westpac. This confirmation will include:

- The agreed notional volume on which calculations will be based
- The basis for determining the floating reference price
- The fixed swap price
- the maturity date – this is the date on which the floating reference price is determined and the cash settlement amount is calculated
- The settlement date – this is the date on which the amount owing will be payable under the ASC. It will generally be stated as 2 Sydney business days after the maturity date.

The confirmation will also specify that settlement payments will be “netted” and any cash payment from you, or cash payment to you, will be settled under advice to you through your Westpac transactional account.

The confirmation will form part of the master agreement you enter into with us.

It is extremely important that you check the confirmation to make sure that it accurately records the terms of the transaction. If there is a discrepancy between your understanding and the confirmation, you will need to raise it with your Westpac representative as a matter of urgency.

In addition, Westpac will send you a **settlement advice** on the settlement date detailing the calculations of all cash settlement flows and advising you of any payments due to you or by you under your ASC.

## Examples

*The examples below are indicative only and use rates and figures that we have selected to demonstrate how the product works. In order to assess the merits of any particular ASC, you would need to use the actual rates and figures quoted to you at the time. Note that the calculations below include rounding of decimal places.*

### Scenario 1 Commodity Producer (Seller of Wheat – USD Swap)

You are a wheat producer looking for protection from falling wheat prices in December and you decide to hedge the price on 250 metric tonnes of wheat for this period. You decide to only protect the USD value of your production, choosing to manage your AUD/USD exchange rate risk separately.

#### If I do nothing, what commodity price risk do I face?

If you did nothing, the amount of USD you will receive in December when you sell your wheat will depend on the market price for wheat at the time as specified in your sales contract.

If the wheat price falls you will receive less USD when you sell your wheat in the physical market. Alternatively, if the wheat price rises you will receive more USD when you sell your wheat.

#### How will an ASC change this?

You enter into an ASC with a notional volume of 250 metric tonnes, a maturity date of 30 November and specify the floating reference price to be the December Chicago Board of Trade (CBOT) Wheat Futures contract. Based on these details Westpac determines the fixed swap price to be USD 145 per tonne.

On the maturity date Westpac will calculate the floating amount payable and the fixed amount payable. Where the floating amount payable by you is greater than the fixed amount payable by Westpac you will pay the net difference to Westpac. Alternatively, where the opposite occurs you will receive the difference from Westpac.

The floating amount payable will depend on the floating reference price at maturity. In this example it is the close of business settlement price for the December contract for the floor session of the CBOT converted from bushels into tonnes. As the CBOT wheat futures contract is expressed in US cents per bushel, the futures price has to be multiplied by 0.367437 in order to express the floating reference price in USD per metric tonne.

For example, if the December CBOT wheat futures contract on the maturity date is 365 US cents per bushel, the equivalent floating reference price will be USD 134.12 per tonne ( $= 365 \times 0.367437$ ).

There are two possible scenarios on the maturity date of 30 November. These are:

- a) if the floating reference price is less than the USD 145 per tonne fixed Swap Price Westpac will pay you the difference in USD on the Settlement Date (2 December).

For example if the floating reference price is USD 134.12 per tonne the floating amount payable by you will be:

USD 33,530.00  
( $= 250 \times \text{USD } 134.12$ )

while, the fixed Amount payable by Westpac will be:

USD 36,250.00  
( $= 250 \times \text{USD } 145$ )

Accordingly, the difference (USD 2,720) will be payable by Westpac to you on the settlement date. This amount will compensate you for the lower price you will receive when you sell your physical wheat.

If you sell your wheat in the physical market at the floating reference price of USD 134.12 you will receive USD 33,530. Adding to this the USD amount you receive from the swap settlement, your total USD revenue will be USD 36,250. This is equivalent to USD 145 per tonne ( $36,250 / 250$ ) i.e. the fixed swap price.

- b) if the floating reference price is greater than the USD 145 per tonne fixed swap price you will pay Westpac the difference in USD on the Settlement Date (2 December).

For example if the floating reference Price is USD 155 per tonne the floating amount payable by you will be:

USD 38,750.00  
( $= 250 \times \text{USD } 155$ )

while, the fixed amount payable by Westpac will be:

USD 36,250.00  
( $= 250 \times \text{USD } 145$ )

Accordingly, the difference (USD 2,500) will be payable by you to Westpac on the settlement date. This amount will offset the higher price

you receive when you sell your physical wheat. If you sell your wheat in the physical market at the floating reference price of USD 155 you will receive USD 38,750.00. Subtracting from this the USD amount payable by you under the swap settlement, your total USD revenue will be USD 36,250. This is equivalent to USD 145 per tonne (36,250 / 250), i.e. the fixed swap price.

### What is not covered with an ASC?

By entering into an ASC you have removed the uncertainty of commodity price fluctuations between now and December. Provided you can sell your physical wheat at the floating reference price you have effectively fixed the sale price of your wheat at the fixed swap price of the ASC.

However, you need to remember that the price you receive under the contract for the physical sale of your wheat may not be an exact reflection of the floating reference price under your ASC. This could occur, for example, because the price that you receive for the physical sale of your wheat takes into account matters such as transport costs, the quality of the wheat and other factors. These fluctuations in the price that you receive are referred to as the "basis" and are not covered by an ASC. Any slippage between the price you receive in the physical market and the floating reference price effectively reduces the fixed price you actually achieve.

## Scenario 2 Commodity Producer (Seller of Sugar – AUD Swap)

You are a sugar producer looking for protection from falling sugar prices in July and you decide to hedge the price on 300 metric tonnes of sugar for this period. You decide that you also want to protect yourself against adverse exchange rate movements and hence wish to hedge your sugar price risk in Australian dollars (AUD).

### If I do nothing, what commodity price risk do I face?

If you did nothing, the amount of AUD you will receive in July when you sell your sugar will depend on the market price for sugar and the AUD/USD market foreign exchange rate at the time as specified in your sales contract.

If the sugar price denominated in AUD falls you will receive less AUD when you sell your sugar in the physical market. Alternatively, if the sugar price denominated in AUD rises you will receive more AUD when you sell your sugar.

### How will an ASC change this?

You enter into an ASC with a notional volume of 300 metric tonnes, a maturity date of 30 June and

specify the floating reference price to be the July New York Board of Trade (NYBOT) Sugar No. 11 Futures contract. Based on these details Westpac determines the fixed swap price to be AUD 446.50 per tonne and agrees to use the Hedge Settlement Rate (published at or before 12 noon Sydney time on Reuters page "HSRA" ) to convert the USD sugar price into AUD on the maturity date.

On the maturity date Westpac will calculate the floating amount payable and the fixed amount payable. Where the floating amount payable by you is greater than the fixed amount payable by Westpac you will pay the net difference to Westpac. Alternatively, where the opposite occurs you will receive the difference from Westpac.

The floating amount payable will depend on the floating reference price and the reference exchange rate at maturity. In this example it is the Sugar No. 11 close of business settlement price for the July contract for the floor session of the NYBOT converted from pounds into tonnes. As the NYBOT sugar futures contract is expressed in US cents per pound, the futures price has to be multiplied by 22.046 in order to express the floating reference price in USD per metric tonne.

For example, if the July Sugar No. 11 futures contract on the maturity date is 13.75 US cents per pound, the equivalent floating reference price will be USD 303.13 per tonne (= 13.75 x 22.046). This price in turn will then need to be converted into AUD using the AUD/USD reference exchange rate. If the AUD/USD exchange rate is 0.8000 the floating reference price in AUD terms will be AUD 378.91.

There are two possible scenarios on the maturity date of 30 June. These are:

- a) if the floating reference price is less than the AUD 446.50 per tonne fixed swap price Westpac will pay you the difference in AUD. on the Settlement Date (2 July)

For example if the floating reference price is AUD 378.91 per tonne the floating amount payable by you will be:

AUD 113,673.75  
(= 300 x AUD 378.91)

while, the fixed amount payable by Westpac will be:

AUD 133,950.00  
(= 300 x AUD 446.50)

Accordingly, the difference (AUD 20,276.25) will be payable by Westpac to you on the settlement date. This amount will compensate you for the lower price you will receive when you sell your physical sugar.

If you sell your sugar in the physical market at the floating reference price of AUD 378.91 you will receive AUD 116,673.75. Adding to this the AUD amount you receive from the swap settlement, your total AUD revenue will be AUD 133,950.00. This is equivalent to AUD 446.50 per tonne ((133,950.00 / 300), i.e. the fixed swap price.

- b) if the floating reference price is greater than the AUD 446.50 per tonne fixed swap price you will pay Westpac the difference in AUD on the settlement date (2 July).

For example if the floating reference price is AUD 510 per tonne the floating amount payable by you will be:

AUD 153,000.00  
(= 300 x AUD 510)

while, the fixed amount payable by Westpac will be:

AUD 133,950.00  
(= 300 x AUD 446.50)

Accordingly, the difference (AUD 19,050.00) will be payable by you to Westpac on the settlement date. This amount will offset the higher price you receive when you sell your physical sugar. If you sell your sugar in the physical market at the floating reference price of AUD 510 you will receive AUD 153,000.00. Subtracting from this the AUD amount payable by you under the swap settlement, your total AUD revenue will be AUD 133,950.00. This is equivalent to AUD 446.50 per tonne (133,950.00/ 300), i.e. the fixed swap price.

#### What is not covered with an ASC?

By entering into an ASC you have removed the uncertainty of commodity price fluctuations between now and December. Provided you can sell your physical sugar at the Floating reference Price you have effectively fixed the sale price of your sugar at the Fixed Swap Price of the ASC.

However, you need to remember that the price you receive under the contract for the physical sale of your sugar may not be an exact reflection of the Floating Reference Price under your ASC. This could occur, for example, because the price that you receive for the physical sale of your sugar takes into account matters such as transport costs, the quality of the sugar and other factors. These fluctuations in the price that you receive are referred to as the "basis" and are not covered by an ASC. Any slippage between the price you receive in the physical market and the Floating Reference Price effectively reduces the fixed price you actually achieve.

## Scenario 3 Commodity Consumer (Purchaser of Wheat – AUD Swap)

You are a cereal manufacturer seeking protection from rising wheat prices in May and decide to hedge the price on 200 tonnes of wheat for this period. As you are also concerned about your exchange rate risk you want to hedge the AUD value of your wheat purchases at the same time.

#### If I do nothing, what commodity price risk do I face?

If you did nothing, the amount of AUD you will need to purchase your wheat in May will depend on the market price for wheat and the AUD/USD exchange rate at the time as specified in your purchase contract.

If the wheat price denominated in AUD rises you will need more AUD when you purchase wheat in the physical market. Alternatively, if the wheat price denominated in AUD falls you will need less AUD when you purchase wheat.

#### How will an ASC change this?

You enter into an ASC with a notional volume of 200 metric tonnes, a maturity date of 30 April and specify the floating reference price to be the May Chicago Board of Trade (CBOT) Wheat Futures contract. Based on these details Westpac determines the Fixed Swap Price to be AUD 145 per tonne and agrees to use the Hedge Settlement Rate (published at or before 12 noon Sydney time on Reuters page "HSRA" ) to convert the USD wheat price into AUD on the maturity date.

On the maturity date Westpac will calculate the floating amount payable and the fixed amount payable. Where the fixed amount payable by you is less than the floating amount payable by Westpac we will pay you the net difference. Alternatively, where the opposite occurs you will pay the net difference to Westpac.

The floating amount payable will depend on the floating reference price and the reference exchange rate at maturity. In this example it is the close of business settlement price for the May contract for the floor session of the CBOT converted from bushels into tonnes. As the CBOT wheat futures contract is expressed in US cents per bushel, the futures price has to be multiplied by 0.367437 in order to express the floating reference price in USD per metric tonne.

For example, if the May CBOT wheat futures contract on the maturity date is 355 US cents per bushel, the equivalent floating reference price will be USD 130.09 per tonne (= 354 x 0.367437). This price in turn will then need to be converted into AUD using the AUD/USD reference exchange rate. If the

AUD/USD exchange rate is 0.8130 the Floating Reference Price in AUD terms will be AUD 160.00.

There are two possible scenarios on the maturity date of 30 April. These are:

- a) if the floating reference price is greater than the AUD 145.00 per tonne fixed swap price Westpac will pay you the difference in AUD on the settlement date (2 May).

For example if the floating reference price is AUD 160.00 per tonne the floating amount payable by Westpac will be:

AUD 32,000.00  
(= 200 x AUD 160.00)

while, the fixed amount payable by you will be:

AUD 29,000.00  
(= 200 x AUD 145.00)

Accordingly, the difference (AUD 3,000.00) will be payable by Westpac to you on the settlement date. This amount will compensate you for the higher price you will pay when you purchase your physical grain.

If you purchase your wheat in the physical market at the floating reference price of AUD 160.00 you will pay AUD 32,000.00.

Subtracting from this the AUD amount you receive under the swap settlement, your total AUD outlay will be AUD 29,000.00. This is equivalent to AUD 145.00 per tonne (29,000.00 / 200), i.e. the fixed swap price.

- b) if the floating reference price is less than the AUD 145.00 per tonne Fixed Swap Price you will pay Westpac the difference in AUD on the settlement date (2 May).

For example if the floating reference price is AUD 135.00 per tonne the floating amount payable by Westpac will be:

AUD 27,000.00  
(= 200 x AUD 135.00)

while, the fixed amount payable by you will be:

AUD 29,000.0  
(= 200 x AUD 145.00)

Accordingly, the difference (AUD 2,000.00) will be payable by you to Westpac on the settlement date. This amount will offset the lower price you pay when you purchase your physical wheat.

If you purchase your wheat in the physical market at the floating reference price of AUD 135.00 you will pay AUD 27,000.00. Adding to

this the AUD amount payable under the swap, your total AUD outlay will be AUD 29,000.00. This is equivalent to AUD 145.00 per tonne (29,000.00/ 200), i.e. the fixed swap price.

#### What is not covered with an ASC?

By entering into an ASC you have removed the uncertainty of commodity price fluctuations between now and May. Provided you can purchase your physical wheat at the floating reference price you have effectively fixed the purchase price of your wheat at the fixed swap price of the ASC.

However, you need to remember that the price you pay under the contract for the physical purchase of your wheat may not be an exact reflection of the floating reference price under your ASC. This could occur, for example, because the price that you pay for the physical purchase of your wheat takes into account matters such as transport costs, the quality of the wheat and other factors. These fluctuations in the price that you receive are referred to as the "basis" and are not covered by an ASC. Any slippage between the price you pay in the physical market and the floating reference price effectively increases the fixed price you actually pay.

## Other things you should know

### Taxation

Taxation law is complex and its application to this product will depend on your particular circumstances. We make no claim that this product will provide a beneficial or appropriate tax outcome for you. When determining whether this product is suitable for your circumstances, you should consider the impact it will have on your own taxation position and seek professional advice if needed. We note that the Australian government is currently in the process of reforming the taxation treatment of certain financial arrangements and therefore you should also consider how those reforms may impact your taxation treatment of this product in the future.

### Telephone conversations

The terms of an ASC are agreed verbally over the telephone. Once we have reached an agreement, both you and Westpac are bound by the terms of the ASC.

Conversations with our dealing room and settlement departments are taped. This is standard market practice. We do this to make sure that we have complete records of the details of all transactions. Taped conversations are retained for a limited period and are usually used where there is a dispute and for staff training and monitoring purposes.

You will need to advise our dealer if you do not wish to be recorded. However, we will not enter into any transaction over the telephone unless the conversation is recorded.

### Factors that may influence our advice

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

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

### Communications with you

From time to time, members of the Westpac Group may contact you with or send you information about other Westpac products and services that we feel might be of relevance or benefit. (Westpac Group refers to Westpac Banking Corporation and its related bodies corporate).

Although we encourage you to receive this information, it is not compulsory. If you do not wish to receive it, please advise us in one of these three ways:

- Call Telephone Banking on 132 032
- Write to us at GPO Box 3433, Sydney NSW 2001
- Visit any of our branches.

You don't need to do this if you have already told us you do not want to receive this sort of information.

### Code of Banking Practice Compliance

The Code of Banking Practice is a self regulatory Code adopted by us and other banks. Its purpose is to set standards of good banking practice for banks to follow when dealing with persons who are, or who may become, individual and small business customers and their guarantors.

If you are an individual or small business customer, each relevant provision of the Code applies to the product described in this PDS. The general descriptive information referred to in the Code (other than information in relation to bank cheques and account opening procedures) is set out in this PDS. This includes information about:

- Our obligations regarding the confidentiality of your information
- Complaint handling procedures
- The advisability of you informing us promptly when you are in financial difficulty
- The advisability of you reading the terms and conditions applying to an ASC.

If you would like to discuss whether or not the Code will apply to you, please contact us on the numbers set out at the back of this document.

## Privacy and confidentiality compliance

Westpac's Privacy Policy explains our commitment to the protection of your personal information. You may obtain a copy of our Privacy Policy by:

- Calling Telephone Banking (on 132 032)
- Contacting any of our branches
- Visiting our web site at [www.westpac.com.au](http://www.westpac.com.au)

In addition to Westpac's duties under legislation, it has a general duty of confidentiality towards you, except:

- Where disclosure is compelled by law
- Where there is a duty to the public to disclose
- Where the interests of Westpac require disclosure
- Where disclosure is made with your express or implied consent.

## What to do if you have a problem or dispute

### Getting your complaint heard

Sometimes you may want to talk about problems you are having with us. Fixing these problems is very important to us.

We've put in place ways of dealing with your issues quickly and fairly.

### Please talk to us first

We aim to resolve your complaint at your first point of contact with us in a timeframe agreed with you. This is our 'Ask Once' promise. So please raise your complaint with any of the people handling your banking.

You can contact us 24 hours a day, 7 days a week from anywhere in Australia, by:

**Phone:** 1300 130 467

**Email:** Go to our website - [www.westpac.com.au](http://www.westpac.com.au) and click on 'Contact Us'

**Fax:** 02 9220 4177

**Mail:** GPO Box 5265, Sydney NSW 2001.

### Contact our National Customer Relations Unit

If we can't resolve your complaint at your first point of contact with us, we will escalate it to our National Customer Relations Unit. They will aim to resolve your complaint in a timeframe agreed with you.

You can also contact our National Customer Relations Unit:

**Telephone:** 1300 130 206

**Email:** Go to our website - [www.westpac.com.au](http://www.westpac.com.au) and click on 'Contact Us' and then click on 'Complaints and Compliments'

**Fax:** 02 9220 4177

**Mail:** NCRU, GPO Box 5265, Sydney NSW 2001.

### Contact our Customer Advocate

If you feel we did not act fairly in the way we handled your complaint or in the way we resolved your complaint, you can ask our Customer Advocate to review the matter for you.

The Customer Advocate's role is to act as independently as possible to make sure that Westpac has treated you fairly.

You can contact our Customer Advocate on:

**Telephone:** 1300 301 977

**Mail:** Customer Advocate,  
GPO Box 5265  
Sydney NSW 2001

### What to do if you are still unhappy

If we haven't been able to deal with your issues to your satisfaction, there are a number of other bodies you can go to. You may be able to refer your complaint to either of the external organisations listed below:

Financial Industry Complaints Service Limited  
PO Box 579  
Collins Street West  
Melbourne VIC 8007  
Phone 1300 780 808  
Fax: (03) 9621 2291  
Internet: [www.fics.asn.au](http://www.fics.asn.au)

Banking and Financial Services Ombudsman Limited  
GPO Box 3, Melbourne VIC 3001.  
Phone: 1300 780 808  
Fax: (03) 9613 7345  
Internet: [www.bfso.org.au](http://www.bfso.org.au)

You can also contact the Australian Securities & Investments Commission (ASIC) to make a complaint and to obtain further information about your rights. They also have a freecall Infoline - 1300 300 630 and e-mail contact address - [infoline@asic.gov.au](mailto:infoline@asic.gov.au)

## Financial Crimes Monitoring

Please be advised that in order for Westpac to meet its regulatory and compliance obligations relating to anti-money laundering and counter financing of terrorism, we will be increasing the levels of control and monitoring we perform.

You should be aware that:

- Transactions may be delayed, blocked or refused where we have reasonable grounds to believe that they breach Australian law or the law of any other country
- We may from time to time require additional information from you to assist us in the above compliance process
- Where legally obliged to do so, we may disclose the information gathered to regulatory and/or law enforcement agencies.

You must not initiate or conduct a transaction that may be in breach of Australian law or the law of any other country.

## Glossary

To help you to understand this PDS, the meanings of some words used in this PDS are set out below.

**ASC and Agricultural Swap Contract** means the product the subject of this PDS.

**AUD** means Australian dollars.

**basis** means the difference between the price received in the physical market (which will reflect quality, transport costs and other factors) and the floating reference price.

**CBOT** means Chicago Board of Trade, a Futures and Options on Futures Exchange, based in Chicago IL., USA.

**Code** means the Code of Banking Practice adopted by us and other banks.

**confirmation** means a letter confirming the terms of a particular ASC.

**currency pair** means, where applicable, the two currencies applying in respect of an ASC. The currency pair will be the relevant currency pair required to convert the futures price from one currency to another nominated by you

**fixed swap price** means the agreed fixed price you will pay or receive under the ASC.

**Floating reference price** means the floating ("non-fixed") component of the ASC. It is the variable price of your underlying commodity and will be based on an agreed futures contract on an agreed futures exchange. Where applicable it will be converted into your nominated currency using an agreed reference exchange rate

**forward exchange rate** means the price of one currency in terms of another currency for delivery on a specified date in the future taking into account Westpac's costs and its profit margin. This is the rate that Westpac will use when the futures price is denominated in a different currency to the one you nominate.

**futures contract** means a legally binding agreement, made on a trading floor of a futures exchange, to buy or sell a commodity or financial instrument sometime in the future.

**futures contract month** means the specified month within which a futures contract matures and can be settled by delivery.

**HSRA** means the AUD/USD spot Hedge Settlement rate set each Sydney business day at approximately 9.45 a.m. and displayed on Reuters page HSRA. The hedge settlement rate is calculated from the mid-rates of the last update from a defined number of market participants between 9.45 a.m. and 9.48 a.m. The contributors to the process are determined semi-annually, and provided to the Australian Financial Markets Association by the Reserve bank of Australia.

**market foreign exchange rate** means the price of one currency in terms of another currency for a specified delivery date after taking into account Westpac's costs and its profit margin. This is the rate that Westpac would make available to you at the relevant time.

**maturity date** means the date on which the floating reference price is set and the outcome of the ASC is determined

**notional volume** means the agreed quantity of the underlying commodity of the ASC

**NYBOT** means New York Board of Trade, a Futures and Options on Futures Exchange, based in New York NY., USA.

**physical delivery** means the actual delivery of the underlying commodity in exchange for cash. Under the terms of an ASC no physical delivery takes place.

**reference exchange rate** means the exchange rate source agreed up front that will be used to convert the floating reference price into the currency nominated by you (for example, HSRA)

**Reuters** means Reuters Group PLC.

**settlement advice** means a letter detailing the calculation of the cash settlement amount as determined by Westpac on the maturity date

**settlement date** means the date on which the cash settlement amount is paid. The date, 2 business days after the maturity date or such date as shown in the confirmation.

**USD** means United State dollars.

**Westpac, we or us** means Westpac Banking Corporation.

**you, your** means the customer entering into an ASC.

**zero cost structure** means a structure where the relevant fixed swap price is set so that there is no up-front out of pocket costs payable by you. The cost is effectively embedded in the fixed swap price applicable to the ASC.

# Appendix A - Examples of Floating Reference Price Sources

Commodity	Floating Reference Price Source
Wheat	Chicago Board of Trade (CBOT) Kansas City Board of Trade (KBOT)
Sugar	New York Board of Trade (NYBOT)

## Contact Details

### **Queensland and Northern Territory:**

Level 14, 260 Queen Street  
Brisbane QLD 4000  
Telephone (07) 3227 2155

### **Western Australia:**

Level 16, 109 St Georges Terrace  
Perth WA 6000  
Telephone (08) 9426 2522

### **New South Wales and ACT:**

Level 2, 275 Kent Street  
Sydney NSW 2000  
Telephone (02) 8204 2822

### **Victoria, South Australia and Tasmania:**

Level 9, 360 Collins Street  
Melbourne VIC 3000  
Telephone (03) 9608 3950