

Foreign Exchange Put Option

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 Foreign Exchange Put Option Product Disclosure Statement dated 9 February 2004 ('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 below or visit 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
9	Dispute resolution	<p>The following text replaces the text under the section titled "Dispute resolution":</p> <p>"Getting your complaint heard</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>Please talk to us first</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. Alternatively, you can contact us by phone or in writing using the details listed at the back of this PDS.</p> <p>What to do if you are still unhappy</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. Our external dispute resolution provider is the Financial Ombudsman Service, our membership number is 10999 and the contact details are:</p> <p>Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Phone 1300 780 808 Fax: (03) 9613 6399 Internet: www.fos.org.au Email: info@fos.org.au</p> <p>You can also contact the Australian Securities & Investments Commission (ASIC) to make a complaint and to obtain further information about your rights. They have a freecall Infoline on 1300 300 630 and e-mail contact address at infoline@asic.gov.au</p>
10	Westpac Banking Corporation contact details	<p>The following text replaces the text under the section titled "Westpac Banking Corporation contact details":</p> <p>"Queensland and Northern Territory:</p> <p>Level 14, 260 Queen Street Brisbane QLD 4000 Telephone (07) 3227 2155</p>

		<p>Western Australia:</p> <p>Level 16, 109 St Georges Terrace Perth WA 6000 Telephone (08) 9426 2522</p> <p>New South Wales and ACT:</p> <p>Level 2, 275 Kent Street Sydney NSW 2000 Telephone (02) 8204 2822</p> <p>Victoria, South Australia and Tasmania:</p> <p>Level 9, 360 Collins Street Melbourne VIC 3000 Telephone (03) 9608 3950</p>
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This SPDS amends the Original PDS by adding a new section to the Original PDS as set out in the table below:

Relevant page number of the Original PDS	New section title added to the Original PDS	New text added to the Original PDS
9	Anti-Money Laundering	<p>After the section titled "Dispute resolution" a new section titled "Anti-Money Laundering" is added. The following text is added to the new "Anti-Money Laundering" section:</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"> • 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; • where legally obliged to do so, we may disclose the information gathered to regulatory and/or law enforcement agencies. <p>Upon entering into any Foreign Exchange Put Option with Westpac, you agree:</p> <ul style="list-style-type: none"> • you are not and will not enter into any agreement with Westpac under an assumed name; • any funds used by you to enter into an agreement with Westpac have not been derived from or related to any criminal activities; • any payments received from Westpac will not be used in relation to any criminal activities; • if we ask, you will provide us with additional information we reasonably require from you; and • 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."

Foreign Exchange Put Option

Product Disclosure Statement

This Product Disclosure Statement relates to Foreign Exchange Put Options.

Issuer

Westpac Banking Corporation ABN 33 007 457 141

Australian Financial Services Licence Number: 233714



Institutional Bank

A division of Westpac Banking Corporation ABN 33 007 457 141

Foreign Exchange Put Option

Product Disclosure Statement

A Product Disclosure Statement is an information document. The purpose of a Product Disclosure Statement is to provide you with enough information to allow you to make an informed decision about a product's suitability for your needs. A Product Disclosure Statement is also a tool for comparing the features of other products you may be considering. If you have any questions about this product, please contact us on any of the numbers listed at the back of this Product Disclosure Statement.

Important information

This Product Disclosure Statement is issued by Westpac Banking Corporation and is current as at 9th February 2004. The information in it is subject to change. Westpac will provide updated information by issuing a supplementary or replacement Product Disclosure Statement (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 Product Disclosure Statement 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 Product Disclosure Statement.

The information set out in this document is general in nature. It has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. By providing this Product Disclosure Statement, Westpac does not intend to provide financial advice or any financial recommendations. You should read and consider this Product Disclosure Statement, in its entirety, carefully and seek independent expert advice before making a decision about whether or not this product is suitable for you.

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Institutional Bank

Foreign Exchange Put Option

Issuer

Westpac Banking Corporation (**Westpac, we or us**).

Purpose

What is a Foreign Exchange Put Option?

You may use a Foreign Exchange Put Option (**Put Option**) if you need to exchange one currency for another currency in the future.

What is a Put Option used for?

A Put Option helps you to protect yourself against unfavourable movements in the value of the currency you are to exchange. At the same time it will help you maintain the ability to participate in any favourable movements in that currency.

Suitability

Do I have sufficient knowledge about this product?

A Put Option may be suitable for you if you have a good understanding of foreign exchange markets and the way that option products work.

If you are not confident about your understanding of these things, we strongly suggest you seek independent advice before making a decision about this product.

Description

What does a Put Option do?

A Put Option is an agreement between the buyer (you) and the seller of the Put Option (Westpac). As the buyer you obtain the right, but not the obligation, to buy an agreed amount of one currency with another currency at an agreed price (the **strike price**). The strike price is agreed at the time you enter the contract.

The Put Option is structured so that you can exercise the option at a specified future date, generally referred to as the **expiry date**, (**European style** option) or at any time up to and including the expiry date (**American style** option).

The two currencies to be exchanged in the Put Option are referred to as the currency pair.

You may nominate the strike price, the expiry date, the currency pair and amount, and the style of option. They are tailored and fixed from the outset according to your needs. The currency pair must be acceptable to Westpac. Please ask for further details.

When should I exercise my Put Option?

For European style Put Options, there are two possibilities on the expiry date:

1. If the currency pair exchange rate is less favourable to you than the strike price, it is better for you to exercise your Put Option. On exercise, you must then exchange currencies at the strike price two business days after the expiry date.

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2. If the currency pair exchange rate is more favourable to you than the strike price, you will let the Put Option lapse. That is because the current market exchange rate for the currency pair would provide a better rate for exchanging your currency than the strike price. It would be better for you to exchange your currency at current market exchange rates.

The above scenarios also apply to American style options, except that with American style options you can exercise your Put Option at any time up to and including the expiry date, and not just on the expiry date. You must then exchange currencies at the strike price two business days after the Put Option is exercised. Of course, you will only exercise your Put Option if the currency pair exchange rate is less favourable to you than the pre-determined strike price.

Cost of product

What do I pay?

In return for Westpac selling you a Put Option, you pay Westpac a non-refundable option premium. We calculate the premium on a transaction by transaction basis. We will advise you of the premium to be paid for your Put Option before entering into the transaction.

What important factors affect the premium at any point of time?

To calculate the premium, we take several factors into account:

- the strike price
- the expiry date
- current market exchange rates
- volatility of the underlying currency at that time
- prevailing interest rates of the countries whose currency is being exchanged, and
- the amount of the option

When do I pay this premium?

The premium can be paid in either Australian dollars (AUD) or in one of the currencies in the currency pair. Premiums are generally payable within two business days of entering into the transaction.

Can the premium be paid in instalments?

With Westpac's approval, premiums can be amortised over the term of the Put Option. This may incur extra costs. The full amount of an amortised Put Option premium is always payable, even in the case of an early termination. You must apply to amortise any premium before entering into the transaction. The premium cannot be amortised over a period greater than the Put Option.

Advantages/benefits

Advantages/benefits

- Put Options provide protection against adverse movements in the currency pair exchange rate for the term of the option.
- Put Options are flexible. The strike price, the expiry date and amount can be tailored to suit your needs.
- The availability of both European and American style Put Options provides strategy flexibility.

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- Put Options can be terminated before their expiry date (however, there may be a cost to you in doing so - see Early termination section for details).
 - You know how much premium you must pay when you enter the Put Option. There are no other fees.
 - Unless you exercise your Put Option, there is no commitment or obligation to exchange currencies.

Disadvantages/risks

Disadvantages/risks

- The premium is not refundable in any circumstances. This applies even when the Put Option lapses or is terminated before the expiry date.
- There is no cooling off period.
- Depending on prevailing market rates, the total cost of the transaction, (the premium plus your ultimate currency exchange costs), might be higher than if you had not entered into the Put Option.
- At expiry or early termination, movements in market rates and the passage of time may result in your option having a reduced value or even no value.
- We generally have performance obligations under all the financial markets products we enter into. Customers depend on us to perform our obligations. Our ability to do so is linked to our financial wellbeing. This type of risk is commonly referred to as **credit or counterparty risk**. As we are a regulated Australian bank, the risk of us failing to perform is very low.

Settlement

Settlement

If you elect to exercise your Put Option, settlement will occur on the value date that is two business days after the expiry date (for European style options) or the exercise date (for American style options). On this date, you will be required to deliver your currency to Westpac. 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. When we receive the funds, we will deposit any payments to a Westpac bank account (in your name) denominated in the relevant currency. Alternative arrangements can be made with Westpac's agreement.

Notification responsibility?

As the buyer of the Put Option it is your responsibility to inform Westpac, before expiry, whether or not you intend to exercise to the option.

Early termination

Can I terminate the Put Option before expiry?

You may ask us to terminate the Put Option at any time up to the expiry date. Westpac will then provide you with a quote for cancelling the option.

What will be the value of the option on early termination?

Our quote will incorporate the same variables (strike price, currency, amount and expiry date) used when pricing the original option. These will be adjusted for prevailing market rates over the remaining term of the option.

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

What happens if I accept?

If you accept the quote, the Put Option will be cancelled. You should appreciate that you may lose money as a result of early termination.

Documentation

Documentation

The documentation required for all option transactions will be either

- a standard set of Westpac terms and conditions that will apply to all option transactions that you enter into with us; or
- an industry standard master dealing agreement that will apply to all option transactions that you enter into with us. This agreement can also be used to cover dealings in other types of derivative products. You will need to sign and return this agreement.

We will advise you which of these we require, based on what is most suitable for you. Each of the above documents governs the dealing relationship between you and us and sets out the terms and conditions that apply to all transactions that we enter into with you. 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 copies of these documents and we strongly recommend that you fully consider their terms before entering into any transaction. You should obtain independent advice if you do not understand any aspect of the documents.

Confirmation

Shortly after entering into a Put Option, 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.

Warning

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

Example

Example

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 option, you would need to use the actual rates and figures quoted to you at the time. In addition, the examples do not take into account any funding costs associated with the payment of the premium, that is, borrowing costs (where the premium has been borrowed), or forgone interest entitlements.

Note that the calculations below include rounding of decimal places.

Scenario

Assume you are an Australian based importer due to pay 100,000 United States dollars (USD) in 3 months' time for goods purchased overseas. At that time, you will need to convert your Australian dollars (AUD) into USD. Assume that the current AUD/USD exchange rate is 0.6450.

If I do nothing, what exchange rate risks do I face?

If you do nothing, the amount of AUD you will pay in 3 months' time for your underlying exposure will depend on the exchange rate at that particular time.

If the AUD appreciates, the USD will become less valuable and as a consequence, you will require less AUD to pay for the USD. Assume in this example that the AUD rises to 0.6700, then you will pay:

$$\text{AUD } 149,253.73 \quad (= \text{USD } 100,000 / 0.6700)$$

If the AUD falls, the opposite occurs and you will need to pay more AUD. If we assume the AUD falls to 0.6200 then you will pay:

$$\text{AUD } 161,290.32 \quad (= \text{USD } 100,000 / 0.6200)$$

How will the Put Option change this?

If, for example, you purchase a European style Put Option, with an agreed strike price of 0.6350, you have the right to convert your AUD into USD at the strike price on the expiry date. (It should be noted that the same right also exists for American style options, but you can exercise this option at any time throughout the option period). Assume the option premium cost is AUD 3,000.

If the AUD/USD exchange rate goes up and the resulting exchange rate is above the strike price, you will allow your Put Option to lapse and will convert AUD into the required USD 100,000 at the prevailing market exchange rate (for example, 0.6600).

$$\text{AUD } 151,515.15 \quad (= \text{USD } 100,000 / 0.6600)$$

This however is not the overall cost of the transaction, as the AUD 3000 premium paid for the option must be taken in to account. Adjusted for the option premium, your total payment will be:

$$\text{AUD } 154,515.15 \quad (= \text{AUD } 151,515.15 + \text{AUD } 3000)$$

Which equates to an effective exchange rate of:

$$0.6472 \quad (= \text{USD } 100,000 / \text{AUD } 154,515.15)$$

If, however the AUD/USD exchange rate falls, (for example to 0.6200) and the exchange rate is below the strike price of 0.6350, you will exercise the option and therefore pay:

$$\text{AUD } 157,480.31 \quad (= \text{USD } 100,000 / 0.6350)$$

Adjusted for the cost of the premium, your net proceeds will be:

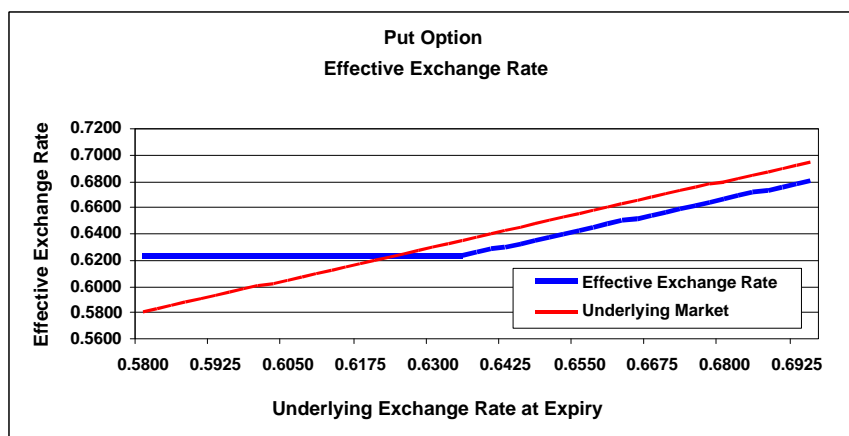
$$\text{AUD } 160,480.31 \quad (= \text{AUD } 157,480.31 + \text{AUD } 3,000)$$

This equates to an effective exchange rate of:

$$0.6231 \quad (= \text{USD } 100,000 / \text{AUD } 160,480.31)$$

Note that the effective exchange rate is not the rate at which the currencies will actually be exchanged upon exercise. Currencies will be exchanged at the strike price. The effective rate is the strike price adjusted to reflect the amount of the premium.

Based on the example above, the graph below charts the effective exchange rate for the option:



At what point am I better off?

At the expiry date, you will always be better off when the underlying market exchange rate is higher than the effective exchange rate. When this occurs, the amount of AUD you will need to pay is less than the amount of AUD you would have had to pay if you had not entered into a Put Option.

However, should the AUD fall substantially, then the Put Option will protect you against this fall, as you will be able to sell your AUD at the strike rate, which is higher than the prevailing market price.

At what point am I worse off?

If the underlying market exchange rate is lower than the effective exchange rate, you are worse off. However, the Put Option will provide you with a minimum effective exchange rate at which you will be able to sell your AUD. As the AUD continues to fall, you are protected because you will never receive less than the strike price for your AUD.

Taxation

Taxation

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

Telephone conversations

Telephone conversations

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

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 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

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.

Code of Banking Practice compliance

Code of Banking Practice compliance

The Code of Banking Practice is a voluntary code for banks dealing with individuals and small businesses. Its purpose is to set standards of good banking practice for banks to follow when dealing with these customers. Copies of the Code are available on request.

If you are a retail client, each relevant provision of the Code will apply to this product from the date we adopt that provision. If you would like to discuss whether or not the Code will apply to you, please contact Westpac on the numbers set out at the back of this document.

Privacy and confidentiality compliance

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

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

- when 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

Dispute resolution

Dispute resolution

Problem resolution is a priority for us. We have established complaint resolution procedures that aim to deal with complaints quickly and fairly. Our complaint handling procedures are in accordance with the Australian Standard on Complaints Handling. This service is free and covers verbal and written complaints.

If you have a complaint about this product, its operation or the service that we are providing, please contact us. Your first point of contact should be your Westpac representative.

We will aim to resolve the matter when you first contact us. If we cannot resolve your issue there and then, we will commit to taking the following steps:

- Step 1 - Let you know who is handling the complaint.
- Step 2 - Keep you informed of what is happening.
- Step 3 - Aim to resolve your complaint within 5 working days.

Once your complaint has been resolved, we will check with you to make sure you are satisfied with how your complaint was handled.

If you feel your complaint has not been properly handled or resolved, we invite you to contact our Customer Advocate on 1300 301 977 for a further review. The Customer Advocate's role is to understand and represent your interests within Westpac and help us ensure you have the best possible experience.

If you remain dissatisfied with the outcome, you can refer your complaint to either of the external organisations listed below.

The Finance Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Phone 1300 780 808
Fax: +61 3 9621 2291
Internet: <http://www.fics.asn.au/>

Australian Banking and Financial Services Ombudsman Ltd
GPO Box 3A
Melbourne VIC 3001
Phone 1300 780 808
Fax: +61 3 9613 7345
Internet: <http://www.abio.org.au>

The Australian Securities and Investments Commission also has a free call Infoline on 1300 300 630. You can use this number to make a complaint and to obtain further information about your rights.

**Westpac Banking
Corporation contact
details**

Queensland and Northern Territory:

Financial Markets
Queensland
Level 15 260 Queen Street
Brisbane QLD 4000
Telephone (07) 3227 2155

Western Australia:

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Telephone (08) 9426 2522

New South Wales and ACT:

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Telephone (02) 9284 8422

Victoria, South Australia and Tasmania:

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