Base Metal Option Contract

Product Disclosure Statement

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Contents

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 Base Metal Option Contracts. A Base Metal Option Contract 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, as well as the actual trade documentation 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 a Base Metal Option Contract, 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.

Entry into a Base Metal Option Contract does not represent a deposit or other liability of Westpac. Westpac does not, in any way, stand behind or guarantee the value and/or performance of the commodities or currencies referenced by any Base Metal Option Contract.

Base Metal Option Contract Summary

Overview	A Base Metal Option Contract (BMOC) is designed to assist you in reducing your commodity price risk. It may also help you to manage your currency risk where you elect to transact your option in Australian dollars (AUD).
Costs	A premium is payable up-front. See "What are the costs?" on page 6.
Significant Benefits	A BMOC may provide you with greater cash-flow certainty by protecting you against unfavourable commodity price movements (and exchange rate movements where you elect to transact in AUD). At the same time it allows you to take advantage of favourable price movements that may occur. See "What are the significant benefits of a BMOC?" on page 6.
Significant Disadvantages	The premium payable is a cost to you. It will offset any benefit you may receive from favourable commodity price movements (or exchange rate movements where you elect to transact in AUD). See "What are the significant disadvantages of a BMOC?" on page 6. See also "What are the significant risks of a BMOC?" on page 6.
Minimum Transaction Amount	Copper – 10 Metric Tonnes Aluminium – 10 Metric Tonnes Zinc – 10 Metric Tonnes Lead– 10 Metric Tonnes Nickel – 6 Metric Tonnes Tin – 5 Metric Tonnes (smaller amounts and other commodities may be available on request)
Term	1 week to 5 years (depending on the commodity) (longer terms may be available on request)
Settlement	A BMOC is cash settled at maturity. No physical delivery of the underlying commodity occurs. Any amounts owing to you will be paid on the settlement date.
Early Termination	You can terminate a BMOC early but there may be a cost to you if you do. The amount you receive may be less than the original premium you paid. See "Can I terminate a BMOC before maturity?" on page 7.

What is a Base Metal Option Contract (BMOC)?

A BMOC is an agreement between you and Westpac that protects you against unfavourable commodity price movements while still allowing you to benefit from any favourable commodity price movements that may occur.

A BMOC may be useful for producers looking to protect their revenue against declining base metal prices, for consumers in the building, automotive and manufacturing industries looking to protect their costs against increasing base metal prices and for other customers with exposure to base metals price movements.

How does a Base Metal Option Contract work?

In exchange for the payment of a premium up front, a BMOC effectively provides you with the right but not the obligation to sell (or buy) a specified amount of a commodity at a specified price on a specified date in the future. A BMOC, however, does not require the actual physical delivery of the commodity at maturity as it is cash settled.

When you enter into a BMOC, you nominate the commodity and the currency that you want your contract denominated in and whether you are seeking protection against rising commodity prices or falling commodity prices.

You also nominate the **maturity date**, the **notional volume** of the commodity, a **strike price** and the **floating reference price** you wish to settle against. Westpac will then determine the **premium** you must pay up-front for the BMOC based on the details nominated by you.

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

The **floating reference price** is the variable price of your underlying commodity which moves in accordance with market prices. It will be based on an agreed futures contract on an agreed futures exchange (generally the London Metal Exchange) or a published index price established in the market through a defined price setting process. Appendix A provides examples of these.

While the reference price can be a single reference price on a nominated date, it is generally defined to be the average of the closing prices of an agreed futures contract, or published index, over a number of business days. This period over which the **floating reference price** is determined is known as the **price reference period**.
If an average price is required you will need to specify the **price reference period** up front.

Where the agreed **floating reference price** is not denominated in the currency you nominate, it will be converted into that currency using a **reference exchange rate**. Appendix B provides a full description of how this occurs.

All BMOCs are automatically cash settled at maturity. No physical delivery occurs.

There are two types of BMOCs: a **put** or a **call**, both of which achieve different financial outcomes.

Where you are seeking to manage the risk of a fall in commodity prices you will purchase a **put.** This effectively provides you with the right, but not the obligation, to sell a specified amount of the commodity at the strike price at maturity.

On the maturity date there are two possible outcomes:

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

- If the **strike price** is less than or equal to the **floating reference price,** you and Westpac will have no obligations to each other with respect to the put. In this case you should achieve a commodity price that is higher than or equal to your **strike price** when you sell your commodity in the physical market.

Where you are seeking to manage the risk of a rise in commodity prices you will purchase a **call**. This effectively provides you with the right, but not the obligation, to buy a specified amount of the commodity at the strike price at maturity.

On the maturity date there are two possible outcomes:

- if the **strike price** is greater than or equal to the **floating reference price**, you and Westpac will have no obligations to each other with respect to the call. In this case you should achieve a commodity price that is lower than or equal to your strike price when you purchase your commodity in the physical market.

- if the **strike price** is less than the **floating reference price**, Westpac will make a cash payment to you based on the difference between these prices.

How does Westpac determine the premium for my BMOC?

When determining the premium payable 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 transaction type – put or call;
- the futures price on the agreed futures exchange or the forward price of the agreed published index;
- the forward exchange rate of the relevant currency pair required to convert the futures price into the currency nominated by you;
- market price volatility;
- the transaction amount;
- the price reference period you choose where settlement is requested against an average price; and
- Westpac's margin.

You will be advised of the amount of premium payable immediately prior to your entry into the specified BMOC.

When is the premium payable?

The full amount of the premium is payable two business days after the trade date. It will be denominated in the currency nominated by you. All currencies must be provided in clear funds. Where you are paying foreign currency you can provide it either by telegraphic transfer or by transferring funds from a foreign currency account/deposit.

Are there any Westpac credit requirements before dealing?

Before entering into a BMOC, 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. If you do not understand any part of Westpac's standard finance documentation you should obtain independent advice ***before*** signing.

What are the costs?

There are no direct fees associated with a BMOC except for the premium. The price of a BMOC is simply the premium payable up-front. This premium is determined by Westpac (see "How does Westpac determine the premium payable for my BMOC?" above) and will be quoted to you immediately prior to your entry into the specified BMOC.

While there are no additional direct fees associated with a BMOC, Westpac still derives a financial benefit. Westpac obtains that benefit by incorporating a margin into the premium it sets.

What are the significant benefits of a BMOC?

- BMOCs 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 and assist you with cash flow planning/forecasting.
- BMOCs allow you to participate in any favourable commodity price movements as they do not oblige you to deal on the maturity date. Where commodity prices move favourably you should benefit when you sell (or purchase) your underlying commodity requirement in the physical market.
- Where the BMOC is denominated in your local currency it eliminates the need to manage your foreign exchange risk separately.
- BMOCs are flexible. The maturity date, the strike price and the notional volume can be tailored to meet your particular requirements.

What are the significant disadvantages of a BMOC?

- The premium must be paid to Westpac up-front.
- While BMOCs can be cancelled, there may be a cost to you in doing so (see "Can I terminate a BMOC before maturity?" below for further details).
- There is no cooling off period.

What are the significant risks of a BMOC?

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

Westpac's ability to fulfil its 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.

In addition, all BMOCs are priced with reference to a specific published price. As a result if your exposure does not match exactly the **floating reference price** defined in your BMOC, this may result in variations between the price you pay/receive under a BMOC and what you may pay/receive in the physical market.

This difference is referred to as **basis** risk and it explains the situation where actual exposure does not match hedged exposure.

Sources of basis risk include grade (metal purity), product form and delivery location. A BMOC will not protect you against any price risk which exists when the **floating reference price** does not match the actual commodity price you pay or receive in the physical market.

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.

Westpac will then calculate the cash settlement amount, if any, that is payable to you. This will be paid on the settlement date of the BMOC (usually 5 business days after the maturity date).

In the case of a put, if the specified strike price is greater than the floating reference price you will receive a cash payment. The cash settlement amount will be calculated as follows:

notional volume
x
(strike price – floating reference price)

If, however, the strike price is less than or equal to the floating reference price, no settlement occurs.

In the case of a call, if the strike price is less than the floating reference price, you will receive a cash payment. The cash settlement amount will be calculated as follows:

notional volume
x
(floating reference price – strike price)

If, however, the strike price is higher than the floating reference price, no settlement occurs.

The above process will apply whether the floating reference price is based on a single reference price or the average of the reference prices over a number of specified dates.

Where Westpac is required to make a payment to you, we will deposit the calculated amount into a Westpac bank account (in your name), denominated in the relevant currency. Alternative arrangements can be made with Westpac's consent.

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 a BMOC on your behalf at a specified premium. 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 "BMOC Summary" on page 4). All requests for orders will be subject to our normal credit approval process.

If market conditions allow we will execute your order at the premium nominated by you. All orders are accepted on a best endeavours basis. It may not always be possible for us to complete your order at the nominated premium. 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 a BMOC before maturity?

You may ask us to terminate a BMOC at any time prior to the maturity date. We will provide you with a quote for cancelling the BMOC at the time of your request.

What will be the value of a BMOC on early termination?

Our quote will incorporate the same variables (the type of option, the strike price, the floating reference price, notional volume, currency and maturity date) used when pricing your original BMOC.

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 BMOC.

The termination amount will be payable to you two business days after the termination date.

If you elect not to accept the quote provided by Westpac and terminate your BMOC, the BMOC will continue until the maturity date at which point Westpac will calculate the cash settlement amount, if any, payable to you (see "What happens at maturity?").

What documentation is required?

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

- A Westpac Master Agreement for Commodity Transactions. This is a simple agreement and is used only for commodity transactions

- An International Swaps and Derivatives Association, Inc. Master 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 these 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 these 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 BMOC are agreed verbally over the phone. Once we reach an agreement, both you and Westpac are bound by the terms of the BMOC.

Shortly after entering into a BMOC, 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 strike price;
- the type of option – put or call
- the basis for determining the floating reference 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 BMOC. It will generally be stated as five Sydney business days after the maturity date;
- the premium payable; and
- the premium payment date.

The confirmation will also specify that any 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 under your BMOC.

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 BMOC, 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 Copper: Buy Copper Put option)

You are an Australian based copper producer seeking protection from falling copper prices in 3 months time and decide to hedge the price on 50 tonnes of copper 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 not elect to enter into a hedge contract, the amount of USD you receive when you sell your copper will depend on the market price for copper (as specified by the terms of your agreement with your customers).

If the copper price falls, you receive fewer USD when you sell the copper to your customer. Alternatively, if the copper price rises, you will receive more USD when you sell your copper.

How will a BMOC change this?

You purchase a copper **put** denominated in USD. Assuming today is 1 April, you specify a **notional volume** of 50 tonnes, a **maturity date** of 30 June and define the **floating reference price** to be the official cash price of copper on the LME on the **maturity date**.

You set the **strike** at USD 8,365.00 per tonne, which is equal to the corresponding swap price for the same period. Based on these details Westpac determines the premium for your put option to be USD 490.00 per tonne.

The total premium of USD 24,500.00 [= 50 (notional volume per option) x 490.00 (premium per tonne)] is payable in two day's time.

On the **maturity date** of the put , Westpac will calculate the cash settlement amount, if any, based on the difference between the **strike price** and the **floating reference price**.

There are two possible scenarios at maturity. These are:

a) if the USD 8,365.00 per tonne **strike price** is less than the **floating reference price**, no settlement occurs. However, in this case, the market linked component of your copper sale will be higher when you sell your copper in the physical market as it will be based on the **floating reference price**.

   For example, if the **floating reference price** is USD 9,365.00/tonne, you will receive USD 468,250.00 for the market linked component of your copper sales. Subtracting from this the premium you paid for your put option (USD 24,500.00) you have effectively received USD 443,750.00 for the market linked component of your copper sale.

   This is equivalent to a price of USD 8,875.00 per tonne (USD 443,750.00/50) i.e. the market price minus the premium.

b) if the USD 8,365.00 per tonne **strike price** is greater than the **floating reference price**, Westpac will pay you the difference in USD on the **settlement date**.

   For example, if the **floating reference price** is USD 7,365.00 per tonne the cash settlement amount will be:

   USD 50,000.00
   (= 50 x (USD 8,365.00 – USD 7,365.00)

   This amount will be paid to you by Westpac on the **settlement date**. It should compensate you for the lower price you will receive when you sell your copper.

   When you sell your copper to your customer, the market linked component of the price you receive will be based on the **floating reference price** for copper of USD 7,365.00. Accordingly, you will receive USD 368,250.00 for this component of the contracted price. Adding to this the USD amount you receive from the option settlement (USD 50,000.00) and subtracting from it the premium you paid for your put option (USD 24,500.00) you have effectively received USD 393,750.00 for the market linked component of your copper sale.

   This is equivalent to a price of USD 7,875.00 per tonne (USD 393,750.00/50) i.e. the **strike price** minus the premium.

How can I change the range of outcomes?

You can change the range of possible outcomes by changing the strike price and as a result the corresponding premium. Once all these details are agreed the possible outcomes on the maturity date can be determined.

When setting the strike price, the maturity date and agreeing to the premium you need to consider that:

- The strike price, adjusted by the premium, corresponds to the minimum amount of USD you will receive for the market linked component of your copper sale provided your sale contract is based on the floating commodity reference price.
- A higher strike price will reduce your exposure to a falling copper price. However, it will result in a higher premium.
- A lower strike price will increase your exposure to a falling copper price. However, it will result in a lower premium.
- The longer the maturity the higher the premium. However, a longer maturity will mean you have protection against adverse copper price movements and the ability to benefit from favourable price movements over a longer period of time.
- The shorter the maturity the lower the premium. However, a shorter maturity means you will have protection against adverse copper price movements and the ability to benefit from favourable price movements over a shorter period of time.

What is not covered with a BMOC?

In the above example, by entering into a BMOC you have reduced the risk of adverse commodity price moves in the next 3 months. Provided the market linked component of your supply contract is based on the floating reference price your worst case situation will be based on a copper price of USD 7,875.00 per tonne. Over the same period, should copper prices rise you will benefit from the favourable move.

However, you need to remember that the price you receive under the contract for the physical sale of your copper may not be an exact reflection of the floating reference price under your BMOC. This could occur, for example, because the price that you receive for the physical sale of your copper takes into account matters such as product form, transport costs, the grade (purity) of the base metal and other factors.

The fluctuation between the price you receive from your customer and the floating price of a BMOC is referred to as the "**basis**" and is not covered by a BMOC. Any slippage between the price you receive in the physical market under your supply contract and the **floating reference price** may decrease the fixed price you effectively receive.

Scenario 2 Commodity Consumer (Purchaser of Aluminium: Buy Aluminium Call Option)

You are an Australian based aluminium consumer seeking protection from rising aluminium prices for a 3 month period starting in April, and decide to hedge the price on 150 tonnes of aluminium for each calendar month over this period. As you are also concerned about your exchange rate risk you decide to hedge the AUD value of your aluminium purchases at the same time.

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

If you did not elect to enter into a hedge contract, the amount of AUD you pay when you buy your aluminium will depend on both the market price for aluminium (as specified by the terms of your agreement with your supplier) and the AUD-USD market foreign exchange rate at maturity.

If the aluminium price denominated in AUD falls, you will pay fewer AUD when you buy the aluminium from your supplier. Alternatively, if the aluminium price denominated in AUD rises, you will pay more AUD when you buy your aluminium.

How will a BMOC change this?

You purchase a strip of aluminium **call** options denominated in AUD that mature on the last business day of each nominated month. Assuming today is 1 April, you specify a **notional volume** of 150 tonnes per calendar month for each of April, May and June and define the **floating reference price** to be the average of the daily official cash price of aluminium on the LME for each of these months converted into AUD at the average of the daily WM/Reuters Australian Fix 10:00 for each corresponding month.

You set the **strike** at AUD 3,285.00 per tonne for each month, which is equal to the corresponding swap price for the same period. Based on these details Westpac determines the premium for each call option to be AUD 115.00 per tonne.

The total premium of AUD 51,750.00 [= 3 (periods) x 150 (notional volume per option) x 115.00 (premium per tonne)] is payable in two day's time.

On each monthly maturity date Westpac will calculate the cash settlement amount, if any, based on the difference between the **strike price** and the **floating reference price**.

There are two possible scenarios on each **maturity date**. These are:

a) if the AUD 3,285.00 per tonne **strike price** is less than the **floating reference price**, Westpac will pay you the difference in AUD on the **settlement date**.

For example if the **floating reference price** is AUD 3,485.00 per tonne the cash settlement amount will be:

AUD 30,000.00
(= 150 x (AUD 3,485.00 – AUD 3,285.00)

This amount will be paid to you by Westpac on the **settlement date**. It should compensate you for the higher price you will pay when you buy your aluminium.

When you buy your aluminium from your supplier, the market linked component of the price you pay will be based on the **floating reference price** for aluminium of AUD 3,485.00. Accordingly, this component will cost you AUD 522,750.00. Subtracting from this the AUD amount you receive from the option settlement (AUD 30,000.00) and adding to it the premium you paid for your call option (AUD 17,250.00) you have effectively paid AUD 510,000.00 for the market linked component of your aluminium purchase.

This is equivalent to a price of AUD 3,400.00 per tonne (AUD 510,000.00/150) i.e. the **strike price** plus the premium.

b) if the AUD 3,285.00 per tonne **strike price** is greater than the **floating reference price**, no settlement occurs. However, in this case, the market linked component of your aluminium purchase will be lower when you purchase your aluminium in the physical market as it will be based on the **floating reference price**.

For example, if the **floating reference price** is AUD 3,085.00 per tonne, the market linked component of your aluminium purchase will cost you AUD 462,750.00. Adding to this the premium you paid for your call option (AUD 17,250.00) you have effectively paid AUD 480,000.00 for the market linked component of your aluminium purchase.

This is equivalent to a price of AUD 3,200.00 per tonne (AUD 480,000.00/150) i.e. the market price plus the premium.

How can I change the range of outcomes?

You can change the range of possible outcomes by changing the strike price and as a result the corresponding premium. Once all these details are agreed the possible outcomes on the maturity date can be determined.

When setting the strike price, the maturity date and agreeing to the premium you need to consider that:

- The strike price, adjusted by the premium, corresponds to the maximum amount of AUD you will pay for the market linked component of your aluminium purchase provided your supply contract is based on the floating commodity reference price.
- A lower strike price will reduce your exposure to a rising aluminium price. However, it will result in a higher premium.
- A higher strike price will increase your exposure to a rising aluminium price. However, it will result in a lower premium.
- The longer the maturity the higher the premium. However, a longer maturity will mean you have protection against adverse aluminium price movements and the ability to benefit from favourable price movements over a longer period of time.
- The shorter the maturity the lower the premium. However, a shorter maturity means you will have protection against adverse aluminium price movements and the ability to benefit from favourable price movements over a shorter period of time.

What is not covered with a BMOC?

In the above example, by entering into a BMOC you have reduced the risk of adverse commodity price moves on each monthly maturity date. Provided the market linked component of your supply contract is based on the floating reference price your worst case situation will be based on an aluminium price of AUD 3,400.00 per tonne. Over the same period, should aluminium prices fall you will benefit from the favourable move.

However, you need to remember that the price you pay under the contract for the physical purchase of your aluminium may not be an exact reflection of the **floating reference price** under your BMOC. This could occur, for example, because the price that you pay for the physical purchase of your aluminium takes into account matters such as product form, transport costs, the grade (purity) of the base metal and other factors.

The fluctuation between the price you pay your supplier and the floating price of a BMOC is referred to as the "**basis**" and is not covered by a BMOC. Any slippage between the price you pay in the physical market under your supply contract and the **floating reference price** will increase 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 a BMOC are agreed verbally over the telephone. Once we have reached an agreement, both you and Westpac are bound by the terms of the BMOC.

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 (please refer to the enclosed Financial Services Guide).

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 a BMOC.

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

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 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 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 the external organisations listed below:

Financial Ombudsman Service
PO Box 579
Collins Street West
Melbourne VIC 8007
Phone 1300 780 808
Fax: (03) 9613 6399
Internet: www.fos.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

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;
- where legally obliged to do so, we may disclose the information gathered to regulatory and/or law enforcement agencies.

Upon entering into any Base Metal Option Contract with Westpac, you agree:

- 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 with any law.

Labour standards or environmental, social and ethical considerations

Westpac does not take into account labour standards or environmental, social or ethical considerations when entering into Base Metal Option Contracts.

To learn more about Westpac's commitment to sustainability (including our latest Stakeholder Impact Report), go to www.westpac.com.au.

Glossary

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

AUD means Australian dollars.

basis means the difference between the price achieved in the physical market (which will reflect product form, grade (metal purity,) transport costs, and other factors) and the **floating reference price**.

BMOC and Base Metal Option Contract means the product which is the subject of this PDS.

call means a BMOC that provides the owner with protection against rising commodity prices.

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

confirmation means a letter confirming the terms of a particular BMOC.

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

floating reference price means the floating ("non-fixed") component of the BMOC. 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 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.

LME means the London Metals Exchange, a Futures and Options on Futures Exchange based in London.

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 BMOC is determined.

notional volume means the agreed quantity of the underlying commodity of the BMOC.

physical delivery means the actual delivery of the underlying commodity in exchange for cash. Under the terms of a BMOC no physical delivery takes place.

premium means the amount paid by the buyer of the BMOC to the seller for the right to effectively buy (sell) a specified amount of the underlying commodity at the agreed strike price on the agreed maturity date.

price reference period means the period between which the published **floating reference price**s will be used to determine the floating price of the BMOC. This period is specified by the Customer before entering into a BMOC.

pricing date means each date within the price reference period the **floating reference price** is sourced.

product form means the physical form of delivered metal – e.g., ingots, cathode, pellets…etc.

put means a BMOC that provides the owner with protection against falling commodity prices.

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 Thomson Reuters.

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** t is paid. The date, 5 business days after the **maturity date** or such date as shown in the confirmation.

strike price means the agreed price at which you have the right to buy (sell) the underlying commodity.
USD means United States dollars.

Westpac, we or us means Westpac Banking Corporation.

WM/Reuters Australian Fix 10:00 means the rate of exchange between United States Dollars and Australian Dollars displayed on the Reuters screen identified by the letters "AUDFIX" under the heading "Today's 10 am reference rate" at or around 10:00 hours (Sydney time) on that date.

you, your means the customer entering into a BMOC.

Appendix A – Examples of Floating Reference Price Sources

Commodity	Reference price	Reference Price Source	Reference Price Methodology
Copper	LME Aluminium Futures Contract	London Metals Exchange (LME)	The daily official price as published by the LME
Aluminium	LME Aluminium Alloy Futures Contract	London Metals Exchange (LME)	The daily official price as published by the LME
Zinc	LME Zinc Futures Contract	London Metals Exchange (LME)	The daily official price as published by the LME
Lead	LME Lead Futures Contract Specification	London Metals Exchange (LME)	The daily official price as published by the LME
Tin	LME Tin Futures Contract	London Metals Exchange (LME)	The daily official price as published by the LME
Nickel	LME Nickel Futures Contract	London Metals Exchange (LME)	The daily official price as published by the LME

Appendix B – Currency conversion of the Floating Reference Price

Where the reference price is calculated on single date, the **floating reference price** will simply be converted at the reference exchange rate for that specific date.

If the reference price is calculated over a price reference period there are two main ways currency conversion is done.

1. Conversion can occur on each day. Under this method the **floating reference price** will be converted into the currency nominated by you using the **reference exchange rate** for that day.

   In the example set out below, the **floating reference price** for the month is equal to the average of Column C (that is, AUD 8,079.94).

2. Conversion can occur at the end of the **price reference period**, by converting the average closing reference price at the average **reference exchange rate** (determined over the same **price reference period)**.

   In the example below, the **floating reference price** for the month is calculated by dividing the average of Column A by the average of column B (that is, AUD 8,078.46 = USD 7,084.00 / 0.8769).

In each example, the Australia Day Holiday is excluded. Which method you require must be specified upfront. The **price reference period** and the basis for determining the business days to be used are agreed upfront. The source of the reference exchange rate will also be agreed up-front.

Example	**Column A**	**Column B**	**Column C**
Fixing Date	**Copper/USD**	**AUD fixing (USD per AUD)**	**Copper/AUD**
Wed 2-Jan-08	6,755.00	0.8587	7,866.54
Thu 3-Jan-08	6,970.00	0.8587	8,116.92
Fri 4-Jan-08	6,910.00	0.868	7,960.83
Mon 7-Jan-08	6,910.00	0.874	7,906.18
Tue 8-Jan-08	7,230.00	0.8764	8,249.66
Wed 9-Jan-08	7,220.00	0.8764	8,238.25
Thu 10-Jan-08	7,190.00	0.8763	8,204.95
Fri 11-Jan-08	7,300.00	0.8839	8,258.85
Mon 14-Jan-08	7,400.00	0.8801	8,408.14
Tue 15-Jan-08	7,160.00	0.8713	8,217.61
Wed 16-Jan-08	7,000.00	0.8726	8,022.00
Thu 17-Jan-08	6,991.00	0.8801	7,943.42
Fri 18-Jan-08	7,141.00	0.883	8,087.20
Mon 21-Jan-08	6,870.00	0.8946	7,679.41
Tue 22-Jan-08	7,020.00	0.8908	7,880.56
Wed 23-Jan-08	6,870.00	0.8993	7,639.27
Thu 24-Jan-08	7,020.00	0.8805	7,972.74
Fri 25-Jan-08	7,020.00	0.879	7,986.35
Mon 28-Jan-08	7,060.00	Australia Day Holiday	Australia Day Holiday
Tue 29-Jan-08	7,291.00	0.8805	8,280.52
Wed 30-Jan-08	7,160.00	0.8598	8,327.52
Thu 31-Jan-08	7,350.00	0.8717	8,431.80
Average	**7,084.00**	**0.8769**	**8,079.94**

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