Product Information Document (PID)

Issued by Corporate Alliance Group Pty Ltd trading as Corporate Alliance FX (CAFX) ABN 58 167 119 226 AFSL 523351

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1 INTRODUCTION

This **Product Information Document (PID)** is dated 17 August 2020 and has been prepared and issued by Corporate Alliance Group Pty Ltd trading as Corporate Alliance FX (CAFX) (ABN 58 167 119 226, AFSL 523351) of Level 22, 8 Chifley Square, Sydney NSW 2000 (referred to as **CAFX**, **we**, **our** or **us**). CAFX holds Australian Financial Services Licence No. 523351 (**AFSL**). All products described in this PID are issued by CAFX.

CAFX is regulated by the **Australian Securities & Investments Commission** (**ASIC**). While ASIC is a robust regulator, ASIC does not endorse specific financial products. ASIC's regulation of CAFX applies in respect of the services provided under our AFSL.

2 ABOUT THIS PID

2.1 Purpose and Contents of this PID

The purpose of this PID is to provide you with key information regarding the financial products CAFX offers under this PID and to enable you to make an informed decision about whether to purchase a financial product from us. CAFX is authorised under its AFSL to provide financial services to **Wholesale Client only**, therefore this PID is only directed to persons or entities who meet the Wholesale Client definition as set out in Chapter 7 of the Corporations Act.

This PID sets out the key information about our financial products, being over the counter foreign exchange contracts and foreign exchange derivatives (together, the **Products**). CAFX offers other financial products such as non-cash payment products, and financial services such as risk management services, which are not covered by this PID. If you are interested to receive information about financial products and services not covered by this PID, please contact us.

The PID is an important document, and we recommend that you read it, in conjunction with the CAFX - CAPAY Terms and Conditions (Agreement), carefully before investing in any Products with us.

If you have any questions or need more information, please contact us using the details on the cover page of this PID.

2.2 General Information Only

The information contained in this PID is general only and does not constitute a recommendation, advice, or opinion. It does not take into account your individual objectives, financial situation, needs or circumstances. Our Products are complex financial products and may not be suitable for everyone. Before making a decision to enter into a Product contemplated by this PID, CAFX strongly recommends that you obtain your own legal, tax and investment advice, taking into account your particular needs and financial circumstances.

2.3 Other Important Documents

It is important that you carefully review this PID, and the **CAFX - CAPAY Terms and Conditions (Agreement)** before entering into a Transaction with us.

2.4 Currency of Information

The information in this PID is up to date at the time it was prepared and issued but is subject to change at any time. Any updates will be emailed to you.

If the new information is information which is materially adverse to you, we will issue either a new PID or a supplementary PID containing the new information with at least five (5) days written notice. If the new information is not materially adverse to you, we will notify you of the changes via email with immediate effect.

If you received this PID electronically, we can provide a paper copy free of charge upon request.

2.5 Use of Examples in this PID

The use of examples in this PID are provided for illustrative purposes only and do not necessarily reflect current or future market prices or the prices that we will apply to your foreign exchange transaction; nor how such foreign exchange transactions may impact on your personal circumstances.

2.6 Contact Details

You can contact our office at any time by any of the means listed below:

Mail Corporate Alliance FX (CAFX)
Level 22, 8 Chifley Square
Sydney 2000 NSW

Email info@corporatealliance.com

Phone (02) 9006 8888

2.7 Warning

Trading in our Products involves the potential for gain as well as the risk of loss. In some cases, that loss may exceed the amount of money you commit to a transaction. Movements in the price of our Products are influenced by a variety of factors many of which are unpredictable. We are unable to guarantee a maximum loss that you may suffer from trading. You must not use any products described in this PID unless you have a comprehensive understanding how they work, including the risks and the costs involved. You should obtain independent financial, legal, taxation and other professional advice prior

to entering into a Transaction to ensure this is appropriate for your objectives, financial situation and needs and in relation to the impact of any gains or losses on your particular financial situation.

This initial warning cannot set out and duplicate all the important information in this PID. You should read this entire PID and the CAFX - CAPAY Terms and Conditions (Agreement) before making a decision to use the Products. We recommend that you contact us if you have any questions arising from this PID or the CAFX - CAPAY Terms and Conditions (Agreement) prior to entering into any transactions with us.

3 FOREIGN EXCHANGE OVERVIEW

A foreign exchange transaction ("**Transaction**") is a transaction that involves a contract for the exchange of one currency for another at an agreed Exchange Rate. An Exchange Rate is the price of one currency in terms of another currency. Separate from the Exchange Rate, you will need to consider the relevant fees associated with your Transaction.

All products offered under this PID are over the counter ("**OTC**") contracts. This means that they are not entered into on an authorised exchange such as a stock market. There is no official benchmark Exchange Rate for them.

4 WHAT FINANCIAL PRODUCTS DO WE OFFER?

CAFX offers the following foreign exchange products, along with associated non-cash payment products, that help you transfer currency, exchange currency, and manage currency risks:

Foreign Exchange Products

- Spot Contracts (Section 5.1)
- Value Today Contracts (Section 5.2)
- Value Tomorrow Contracts (Section 5.3)

Foreign Exchange Option Products

- Vanilla Option Contracts (Section 6.2)
- Structured Option Contracts, including:
    - ⇨ Structured Option Contracts involving use of various Vanilla Option Contracts
        - Participating Forward (Section 6.4)
        - Leveraged Forward (Section 6.5)
        - Collar Option (Section 6.6)
        - Seagull Option (Section 6.7)
    - ⇨ Structured Option Contracts involving use of Triggers
        - Forward with Knock-in Trigger (Section 6.8)
        - Forward with Knock-out Trigger (Section 6.9)
        - Convertible Forward (Section 6.10)
        - Target Accrual Redemption Forward (TARF) (Section 6.11)

5 FOREIGN EXCHANGE PRODUCTS

5.1 Spot Contracts

A Spot Contract is a type of foreign exchange contract that exchanges one currency for another at a specified and agreed Exchange Rate (the **Spot Rate**) generally two (2) Business Days after the Trade Date.

5.2 Value Today Contracts

Value Today Contracts exchange one currency for another at a specified and agreed Exchange Rate for a Settlement Date the same day as the Trade Date. The Exchange Rates quoted by CAFX are determined by adjusting the Spot Rate by Forward Points.

By entering into a Value Today Contract you have removed the uncertainty of Exchange Rate movements for the day. In exchange for this certainty, you have lost the opportunity to take advantage of any favourable Exchange Rate movements from the time you have had your Transaction executed.

5.3 Value Tomorrow Contracts

Value Tomorrow Contracts exchange one currency for another at a specified and agreed Exchange Rate for a Value Date on one (1) Business Day after the Trade Date. The Exchange Rates quoted by CAFX are determined by adjusting the Spot Rate by Forward Points.

By entering into a Value Tomorrow Contract, you have removed the uncertainty of Exchange Rate movements over the next Business Day. In exchange for this certainty, you have lost the opportunity to take advantage of any favourable Exchange Rate movements between the Trade Date and the Settlement Date.

6 FOREIGN EXCHANGE DERIVATIVE PRODUCTS

6.1 Forward Contracts

A **Forward Contract** or a **Forward** is a non-standardised over-the counter (OTC) derivative contract between two parties to buy or to sell an asset at a specified future time at a price previously agreed upon.

6.2 Vanilla Option

A **Vanilla Option** is a foreign exchange Option Contract between two parties where the buyer of the Option has the right, but not the obligation, to enter into a Spot Contract at a pre-determined Exchange Rate on a pre-determined date in the future (the **Expiration**

Date). You will have to pay a non-refundable fee (**Premium**) for a Vanilla Option, but you do not have to settle the Transaction if you choose not to exercise the Vanilla Option. The Premium is required to settle within T+2 market convention.

A Vanilla Option gives you the right but not the obligation to:

- Buy one currency at a pre-determined price within a pre-determined timeframe (**Call Option**); or
- Sell one currency at a pre-determined price within a pre-determined timeframe (**Put Option**).

Key Risks and Benefits

Key Benefits of Using a Vanilla Option Include:

- They allow you to protect yourself from an unfavourable movement in the Exchange Rate by allowing you to simply trade at the Spot Rate if the Spot Rate is more favourable when the time comes for you to conduct the Transaction.
- They allow you to define a "worst case" Exchange Rate. They allow you to hedge your currency exposure by providing protection against unfavourable currency movements between the time that you buy a Vanilla Option and the Expiration Date. At the same time, you are also able to participate in any favourable currency movements that exist on the Expiration Date.
- The upfront financial cost is limited to the cost of the Premium and any applicable fees.

Key Risks of Using a Vanilla Option Include:

- You need to pay the Premium, which is non-refundable. It is not a zero-cost structure.
- Depending on prevailing market rates, the total cost of the Vanilla Option, including the Premium plus the ultimate Exchange Rate, might be higher than if you had not purchased a Vanilla Option.
- At the Expiration Date or upon cancellation of the Vanilla Option, movements in Exchange Rates plus the passage of time may result in the Vanilla Option having a reduced value or even no value.
- If you need to cancel the Vanilla Option, you may incur fees.

Deferred Premium Vanilla Option Contracts

CAFX offers Deferred Premium Vanilla Option Contracts which means that, subject to CAFX's credit approval, you can buy a Vanilla Option first and pay CAFX the Deferred Premium on the agreed payment date which is usually on the Expiration Date of the Option Contract.

Selling Vanilla Option Contracts

Selling a Vanilla Option without holding the underlying contract is not permitted by CAFX given the nature of the trade is for speculative purpose and carries high risks. However, you can sell Vanilla Options if you have matched Forward Contracts or other protective positions in place which is also called Selling a Covered Option.

6.3 Structured Option

A Structured Option involving the use of Vanilla Options is created through the simultaneous sale and purchase of two or more **Call Option Contracts** and/or **Put Option Contracts.** They have been developed as foreign exchange risk management tools and are usually zero Premium structures.

A Structured Option involving the use of Triggers, due to its complexity and uncertainty, is deemed as a high-risk financial product. CAFX requires Clients to pass certain thresholds in our internal client suitability matrix scoring process before allowing any Clients to use these Products. Structured Option Contracts with Triggers could work well if it is tailored properly to your requirements. A Trigger Event could result in an adverse situation for your hedging plan.

6.4 Structured Option - Participating Forward

A **Participating Forward** is a type of Structured Option which allows you to set a **Forward Protection Rate**. It gives you an opportunity to benefit if the Exchange Rate moves in your favour, by giving you the option to trade a pre-agreed percentage of your contract value at the higher and more favourable Spot Rate. That way you are "participating" in the prevailing market rate but are hedging all of the contract value in the event that the Exchange Rate moves in an adverse direction.

Key Risks and Benefits

Key Risks of Using a Participating Forward Include:

- The **Forward Protection Rate** may be less favourable than a comparable Forward Exchange Rate; and
- On the Expiration Date, if the Spot Rate is better than the Forward Protection Rate, your ability to participate in the more favourable rate is limited to your predetermined **Participating Amount**.

Key Benefits of Using a Participating Forward Include:

- If, on the Expiration Date, the Spot Rate has moved into a favourable scenario, then the Participating Forward will allow you to benefit from such favourable Exchange Rate movements for a predetermined **Participating Amount**. This will provide you with a better than average Exchange Rate than your original desired Forward Protection Rate; and
- A Participating Forward always provides protection on 100% of your exposure (i.e. your Forward Amount).

Key Features Summarised

Risk Profile	Low
Downside Risk Protection	Yes
Upside Participation	Yes
Enhanced Rate on Strike	No
Allowing Predelivery	Yes

Trading Example

An Australian importer (you) has agreed to purchase goods from China in USD; however, payment is not to occur for 3 months from now. Your budget cost rate for AUD/USD is at 0.7000, the spot rate is currently 0.7150.

If the Spot Rate is above your budgeted rate, you can consider using the following Participating Forward:

- **Forward Amount:** Purchase of USD $1,000,000 against AUD
- **Participation Amount:** USD $500,000 against AUD
- **Forward Protection Rate:** 0.7000
- **Expiration Date:** 3 months

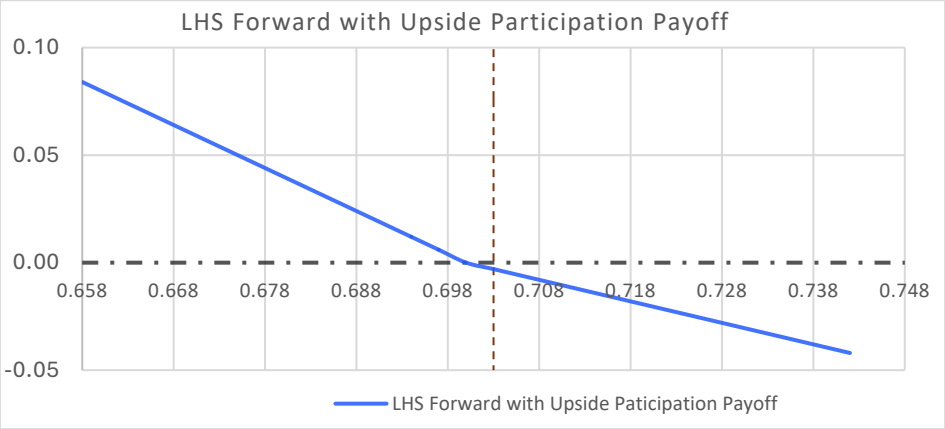
Structure Details:

- Buying an AUD Put/USD Call, Strike at 0.7000, Notional USD $1,000,000; Expiring in 3 months; and
- Selling an AUD Call/ USD Put, Strike at 0.7000, Notional USD $500,000; Expiring in 3 months.

Outcome at Expiration Date (3 months from now):

- **Outcome 1:** If the Spot Rate is above 0.7000, for example 0.7500 (i.e. AUD has appreciated), instead of buying the USD $1,000,000 Forward Amount at 0.7000, you are only obligated to buy USD $500,000 at 0.7000, and you can choose to buy the other USD $500,000 at the Spot Rate of 0.7500 which is a much better rate. This will result in an approximate average Exchange Rate of 0.7250, exceeding your desired Protection Rate at 0.7000; and
- **Outcome 2:** If the Spot Rate falls below 0.7000 (i.e. AUD has depreciated), to 0.6650, you will be protected for 100% of your exposure at 0.7000 as the Forward Amount is USD $1,000,000 at the Forward Protection Rate of 0.7000.

Payoff Diagram:



6.5 Structured Option - Leveraged Forward

A **Leveraged Forward** is a structured option that uses leverage to improve your Protection Rate when compared to a standard Forward contract. This means at expiry if the Protection

Rate is worse than the Spot Rate then you are obligated to settle on a leveraged amount which might occur a larger Out-of-the-Money (OTM) position. The leveraged amount should be seen as the full obligation amount but not the Protection Amount. This potentially would leave the corporate under-hedged. However, if you are relying on the Protection Amount to calculate the cashflow projections from the Leveraged Forward, it could result in an over-hedging situation should the currency pair move against the trade.

Key Risks and Benefits

Key Risks of Using a Leveraged Forward Include:

- On the Expiration Date, if the Spot Rate is better than the Protection Rate, you will be obligated to buy the leveraged amount at a worse off rate. Before the Expiration Date and Settlement, the leveraged obligated amount might incur a large Out-of-the-Money (OTM) position which could result in you being margin called by CAFX.
- Prior to expiry, there is always uncertainty of the Settlement amount at the Expiration Date, subsequently it is very hard to project the cashflow requirements; and
- No upside participation from the Protection Rate.

Key Benefits of Using a Leveraged Forward Include:

- The Protection Rate is at an enhanced rate which is more favourable than the comparable Forward Rate available in the market.
- A Leveraged Forward provides risk protection on the Protection Amount at any time before the expiry; and
- Leveraged Forward also allows you to pre-deliver your protection amount anytime, which works similar as a normal Forward Drawdown.

Key Features Summarised

Risk Profile	High
Downside Risk Protection	Yes
Upside Participation	No
Enhanced Rate on Strike	Yes
Allowing Predelivery	Yes

Trading Example

Assuming that you are an Australian importer buying goods from the U.S. and need to pay USD $600,000 as an aggregated amount within the next 6 months. Although the Spot Rate is currently at 0.7100, you would like to achieve an AUD/USD Protection Rate of 0.7200. You cannot achieve this objective with a standard Forward as the current Forward Rate is 0.7080. You are not concerned with potentially having to settle the Leveraged Amount of USD $1,200,000 as you have other imports from China which also require USD payments which are currently unhedged.

Therefore, you consider the following Leveraged Option:

- **Protection Amount:** buying USD 600,000 against AUD
- **Leveraged Amount:** buying USD 600,000 against AUD
- **Protection Rate**: 0.7200
- **Expiration Date**: 6 months

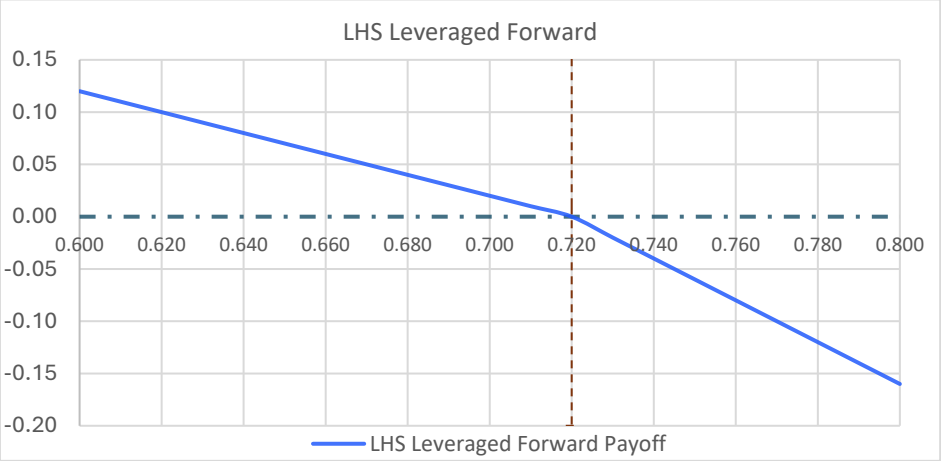
Structure Details:

- Buying an AUD Put/USD Call, strike at 0.7200, Notional USD $600,000, Expiring in 6 months.
- Selling an AUD Call/USD Put, strike at 0.7200, Notional USD $1,200,000, Expiring in 6 months.

Outcome at Expiration Date (6 months):

- **Outcome 1:** At the Expiration Date, if the Spot Rate finishes above the Protection Rate, say at 0.7500, the client will be obligated to buy the Leveraged Amount of USD $1,200,000 at 0.7200; and
- **Outcome 2:** At the Expiration Date, if the Spot Rate finishes below the Protection Rate, say at 0.6800, the client can buy the Protection Amount of USD $600,000 at the enhanced rate of 0.7200.

Payoff Diagram:



6.6 Structured Option – Collar Option

A **Collar Option** is a type of Structured Option which allows you to protect against the risk that the Spot Rate will be less favorable than a nominated Protection Rate. It also gives you the ability to participate in favorable movements in the spot market between your nominated rate and a Best-Case Rate. Collar Option Contracts are often used by importers and exporters.

Key Risks and Benefits

Key Risks of Using a Collar Option Include:

- The Protection Rate is generally less favourable than the comparable Forward Rate; and
- Your participation is capped at the Participation Rate. This means that if the Spot Rate is more favorable than the Participation Rate, you will be obligated to deal at the Participation Rate.

Key Benefits of Using a Collar Option Include:

- You are able to participate in favourable rate movements up to the Participating Rate; and
- Collar sets the Protection Rate as the Worse-Case Rate to protect you from any adverse market movement.

Key Features Summarised

Risk Profile	Low
Downside Risk Protection	Yes
Upside Participation	Yes
Enhanced Rate on Strike	No
Allowing Predelivery	Yes

Trading Example

As an exporter of Australian-made products, you are invoicing your overseas customers to receive USD 500,000 via a stream of payments in the upcoming 6 months. The current AUD/USD Spot Rate is at 0.7150. You would like to have your cost rate of 0.7350 protected, however, as you are unsure where the AUD/USD will travel in the coming half year given the volatilities, you would also like to benefit from favourable market movements below 0.7000.

Therefore, you consider the following Collar Option:

- **Protection Amount:** Selling USD 500,000 into AUD
- **Protection Rate (Cap Rate):** 0.7350
- **Participation Rate (Floor Rate):** 0.6950
- **Expiration Date**: 6 months.

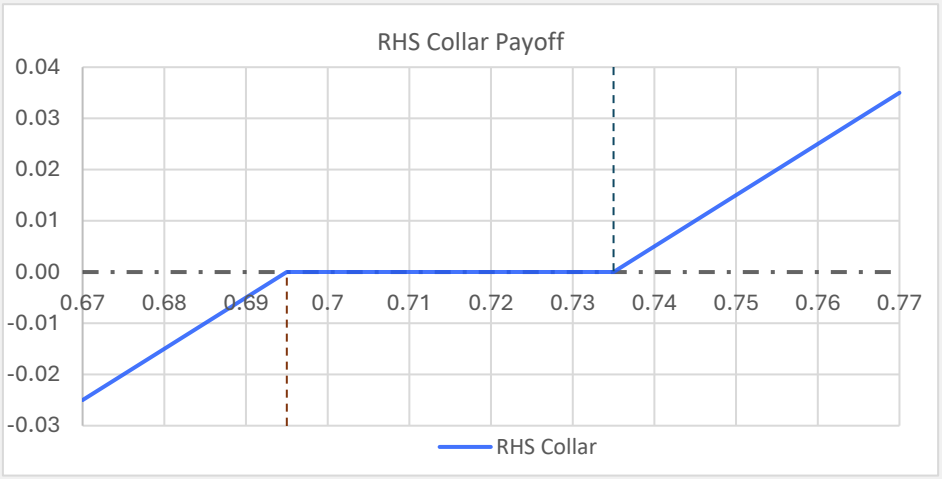
Structure Details:

- Buying an AUD Call /USD Put, strike at 0.7350, Notional USD $500,000, expiring in 6 months.
- Selling an AUD put /USD Call, strike at 0.6950, Notional USD $500,000, expiring in 6 months.

Outcome at Expiration Date (6 months):

- **Outcome 1:** On the Expiration Date, if the Spot Rate finishes at 0.7800, you can choose to use the protection to sell USD 500,000 at the Protection Rate (Cap Rate) of 0.7350. This provides 100% protection to the client at the Cap rate.
- **Outcome 2:** On the Expiration Date, if the Spot rate drops below your Participation Rate of 0.6950, say at 0.6700 you can sell your USD 500,000 at the Participation Rate of 0.6950. Therefore, you have participated in the favourable AUD/USD movement down to the Participation rate of 0.6950. which means a better result than dealing in a standard Forward.
- **Outcome 3:** If the Spot Rate finishes between 0.6950 and 0.7350, say at 0.7200, the Option will lapse, i.e., there is no obligation for you, and you might choose to deal at the market spot rate.

Payoff Diagram:



6.7 Structured Option – Seagull Option

A **Seagull Option** is a Structured Option which allows you to hedge your exposure. It involves three (3) Option legs with the risk usually lower than the level of a standard Forward. However, as a trade-off, your protection is capped at a pre-determined level. If the exchange rate moves against you and is worse than your Maximum Protection Rate you will be obliged to deal at an adjusted spot rate. The adjusted spot rate is the current spot rate +/- the difference between your protection and Maximum protection rate.

Key Risks and Benefits

Key Risks of Using a Seagull Option Include:

- The Protection is limited. Should there be a large market swing against the hedging requirement, you may be required to deal at the adjusted spot rate; and
- Similar to a Forward, if the market moves against the trade position, due to the **Maximum Participation Rate**, the position could be Out-of-the-Money (OTM), and you are obligated to deal at a less favourable rate as against the prevailing spot rate.

Key Benefits of Using a Seagull Option Include:

- Allows Participation for a favourable rate up to the Maximum Participation Rate.
- It still allows you to have risk exposure protection, albeit in a reduced amount or scale of points.

Key Features Summarised

Risk Profile	Low
Downside Risk Protection	Yes - Limited
Upside Participation	Yes
Enhanced Rate on Strike	No
Allowing Predelivery	No

Trading Example

As an Australian exporter who exports raw materials to South East Asia, you are expecting USD 3,000,000 paid by your overseas customers in the next 12 months. You have a cost rate at 0.7400 but you can re-negotiate a better pricing term with the customers should the AUD/USD go above 0.7700. You believe the AUD/USD might fall and you want to participate if there is a drop in the AUD/USD spot rate below 0.7000.

Therefore, you consider the following Seagull Option:

- **Protection Amount**: Selling USD $3,000,000 into AUD
- **Protection Rate:** 0.7400 Maximum
- **Protection Rate:** 0.7700
- **Participation Rate:** 0.6700
- **Expiration Date:** 12 months

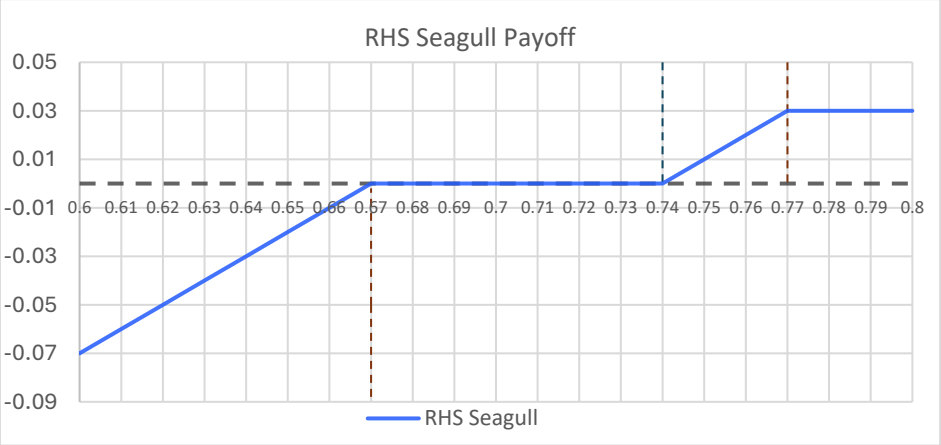
Structure Details:

- Buying an AUD Call/USD Put, strike at 0.7400, Notional USD $3,000,000; Expiring in 12 months.
- Selling an AUD Call /USD Put, strike at 0.7700, Notional USD $3,000,000; Expiring in 12 months.
- Selling an AUD Put /USD Call, strike at 0.6700, Notional USD $3,000,000; Expiring in 12 months.

Outcome at Expiration Date (12 months):

- **Outcome 1**: At Expiry, if the spot rate is between 0.7400 and 0.7700, you can choose to sell USD $3,000,000 at 0.7400;
- **Outcome 2:** At Expiry, if the spot rate is above 0.7700, you will sell USD $3,000,000 at the prevailing spot rate less 300 points (adjusted spot rate);
- **Outcome 3:** At Expiry, if the spot is below 0.7400 and above 0.6700, the option structure lapses, and you can sell at the prevailing market spot rate which is better off than the Protection Rate; or
- **Outcome 4:** At Expiry, if the spot is at or below 0.6700, you are obligated to sell USD $3,000,000 at 0.6700.

Payoff Diagram:



6.8 Structured Option - Forward with Knock-in Barrier

A Forward with Knock-In Barrier is a type of Structured option that allows you to lock in a worst-case rate and allows you to benefit from movements in the exchange rate up to the Option Knock-In Barrier rate. If the exchange rate touches the Knock-In Barrier rate you will be required to exchange at the Forward Protection Rate. However, the flexibility around protection up to the Knock-In Barrier remains attractive if the trade is compared with a standard Forward.

Key Risks and Benefits

Key Risks of Using a Forward with Knock-In Barrier Include:

- The Forward Protection Rate is usually worse than the comparable standard Forward Rate.
- The Participation is limited at the Knock-In Barrier, and if the barrier is activated, you will be obligated to buy at the Protection Rate which could be significantly worse off when compared to the prevailing Spot Rate.

Key Benefits of Using a Forward with Knock-In Barrier Include:

- If the Knock-In Barrier is not activated, there is no obligation in delivering the Forward and this will allow you to participate in a better Spot Rate with flexibility in cashflow management.
- At any point in time during the contract tenor, the Forward with Knock-In Barrier provides you with risk management certainty as you are always protected.

Key Features Summarised

Risk Profile	High
Downside Risk Protection	Yes
Upside Participation	Yes
Enhanced Rate on Strike	No
Allowing Predelivery	Yes

Trading Example

You are an Australian importer of furniture from Malaysia but paying in USD for the goods purchased. With a budgeted cost rate of AUD/USD 0.6800 for the next 6 months, you are worried about the possibility of a sharp drop in AUD/USD in the coming months, but you also would like to participate in favourable market movements. You think the upside movement in AUD/USD will be capped at 0.7700.

You can then consider using the following Forward with Knock-In Barrier:

- **Protection Amount:** Buying USD 500,000 against AUD
- **Forward Protection Rate:** 0.6900
- **Knock-In Barrier:** 0.7700
- **Trigger Window:** Live to Expiry
- **Expiration Date:** 6 months

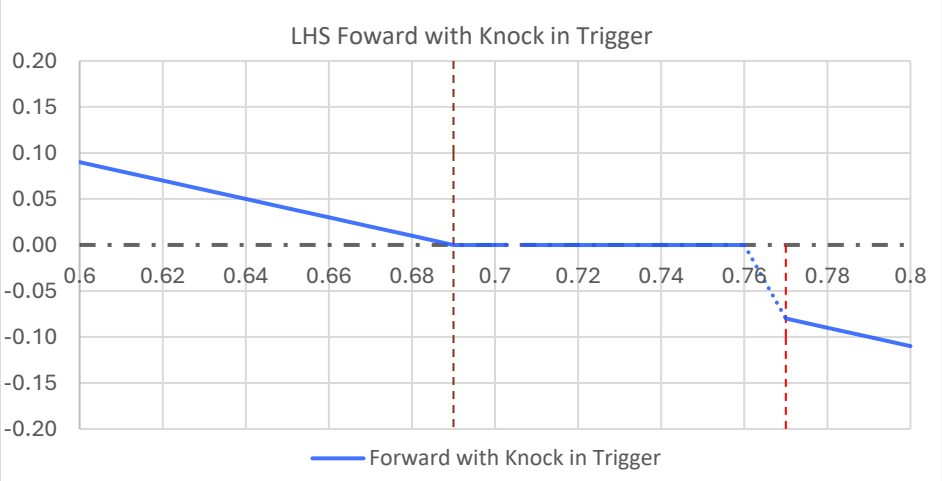
Structure Details:

- Buying an AUD Put /USD Call, strike at 0.6900, Notional USD $500,000, Expiring in 6 months.
- Selling an AUD Call /USD Put, strike at 0.6900, Knock-In Barrier (live) at 0.7700, Notional USD $500,000, Expiring in 6 months.

Outcome at Expiration Date (6 months):

- **Outcome 1:** If, at expiry, the Knock-In Barrier at 0.7700 has never been touched and the AUD/USD Spot Rate is below the Protection Rate of 0.6900, say at 0.6500, you have the right to buy USD 500,000 at the Protection Rate of 0.6900.
- **Outcome 2:** If, at expiry, the Knock-In Barrier at 0.7700 has never been touched and the AUD/USD spot rate is above 0.6900, you will not have any obligation and can choose to deal at the more favourable (higher) market spot rate.
- **Outcome 3:** If, at expiry, the 0.7700 Knock-In Barrier is triggered, you will have an obligation to buy USD 500,000 at the less favourable Protection Rate of 0.6900.

Payoff Diagram:



6.9 Structured Option - Forward with Knock-Out Barrier

A Forward with a Knock-Out Barrier is a Structured Option which gives you an exchange rate more favourable than the market Forward Rate, so long as the Knock-Out is not triggered during the "Trigger Window". Should the Knock-Out be triggered, the option structure will lapse, and you may be required to deal at the prevailing market Spot Rate. It is our opinion that this type of Structured Option is best suited to customers who already have a significant portion of hedging in place.

Key Risks and Benefits

Key Risks of Using a Forward with Knock-Out Barrier Include:

- If the Knock-Out Barrier is activated, your trade will cease to exist, and you will be left without any protection.
- If the Spot Rate finishes in a more favourable position than the Enhanced Forward Rate, you will be obligated to deal at the Forward Rate which is worse than the prevailing Spot Rate; this risk is the same as using a standard Forward.
- The Forward with Knock-Out Barrier does not allow Pre-Delivery as the Knock-Out Event is unknown; and this might create uncertainty for cash flow projection and hedging calculations.

Key Benefits of Using a Forward with Knock-Out Barrier Include:

- When the Knock-Out Barrier is not activated, the Enhanced Forward Rate has a better delivery rate than a comparable standard Forward rate.

Key Features Summarised

Risk Profile	High
Downside Risk Protection	No
Upside Participation	No
Enhanced Rate on Strike	Yes
Allowing Predelivery	No

Trading Example

Assume that you are an importer of solar panels and are paying your overseas suppliers in USD. You already have a USD $4,000,000 forward hedge in place for the next 6 months with an average hedging rate at 0.6500. However, you are still required to pay USD $500,000 for your new purchase orders. As the spot is now at 0.6750, which is higher than your average hedging rate, you are more interested in averaging up your current hedging rate than protecting yourself from adverse market movements. Furthermore, you consider it unlikely that the AUD/USD Spot Rate will drop significantly (i.e. past the Knock-Out Rate) in the next 6 months.

In such circumstances, you can consider using the following Forward with Knock-Out Barrier:

- **Notional Amount:** Buying USD 500,000 against AUD
- **Enhanced Forward Rate:** 0.6900
- **Knock-Out Barrier rate:** 0.6250
- **Trigger Window:** Live to Expiry
- **Expiration Date:** 6 months

Structure Details:

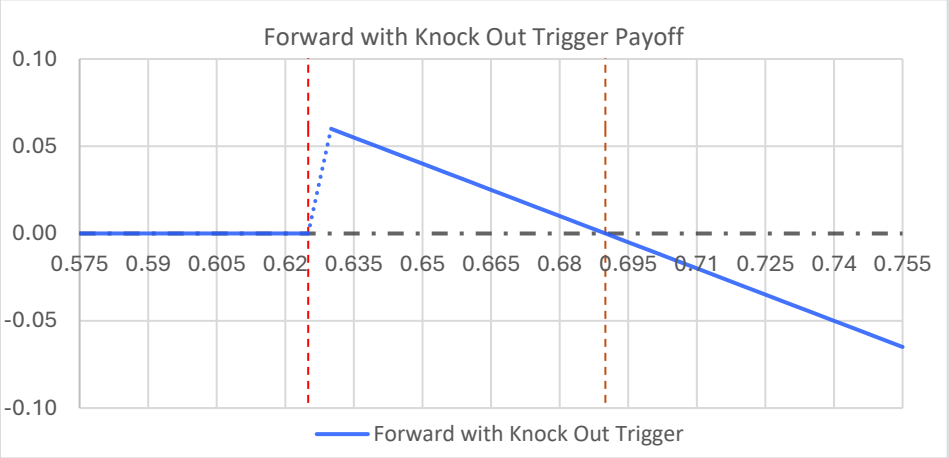
- Buying an AUD Put /USD Call, strike at 0.6900, Notional USD $500,000, Expiring in 6 months.
- Selling an AUD Call /USD Put, strike at 0.6900, Knock-In Barrie (live) at 0.7700, Notional USD $500,000, Expiring in 6 months.

Outcome at Expiration Date (6 months):

- **Outcome 1:** If the AUD/USD Spot Rate never reaches 0.6250, you will be obligated to purchase USD 500,000 at the Enhanced Forward Rate of 0.6900. This is similar to a Forward, as the AUD/USD goes higher, the Out-of-the-Money (OTM) position from this trade will increase.

- **Outcome 2:** If the AUD/USD Spot Rate ever trades below 0.6250 from now to expiry, the Knock-Out Barrier will be triggered, and the contract will be terminated leaving you without any obligations and no protection.

Payoff Diagram:



6.10 Structured Option - Convertible Forward

A **Convertible Forward** is a type of Structured Option that gives you protection at any time during the tenor of the contract but also embedded is a Knock-Out Barrier which if triggered, terminates the obligated part of the structure, which subsequently converts the structure into a Vanilla Option. A Convertible Forward is usually structured as a Zero Cost Structure, i.e., no Premium payable is required.

Key Risks and Benefits

Key Risks of Using a Convertible Forward Include:

- The Protection Rate is generally less favourable than the comparable Forward Exchange Contract Rate.
- If the Convertible Barrier rate never traded prior to the Expiration Date, you will be obligated to deal at the Protection Rate which could be less favourable than the Spot Rate at expiry.

Key Benefits of Using a Convertible Forward Include:

- The structure provides you with protection from unfavourable AUD/USD movements at all times should the spot rate move in an adverse direction beyond your worst-case rate.
- If the Convertible Barrier ever trades throughout the tenor of the contract, you will have a Vanilla Option which gives you 100% protection but no obligation; hence you can participate in any favourable spot price movement without any limits.

Key Features Summarised

Risk Profile	Low

Downside Risk Protection	Yes
Upside Participation	No - Unless converted
Enhanced Rate on Strike	No
Allowing Predelivery	Yes

Trading Example

Assume that you are an importer of machinery from the U.S., and now have placed purchase orders and expect to pay USD 500,000 for the coming 3 months. With the Spot Rate currently at 0.7650, you are happy as your costing rate is at 0.7500. You are interested in having upside participation in the further strengthening of the AUD/USD spot rate. However, you have a strong view that the AUD/USD will be volatile and will very likely go down to 0.7550 at some point in the future.

In such circumstances, you can consider using the following Convertible Forward:

- **Protection** Amount: Buying USD $500,000 against AUD
- **Protection** Rate: 0.7550
- **Convertible** Trigger rate: 0.7550
- **Trigger Window:** Live to Expiry
- **Expiration Date:** 3 months

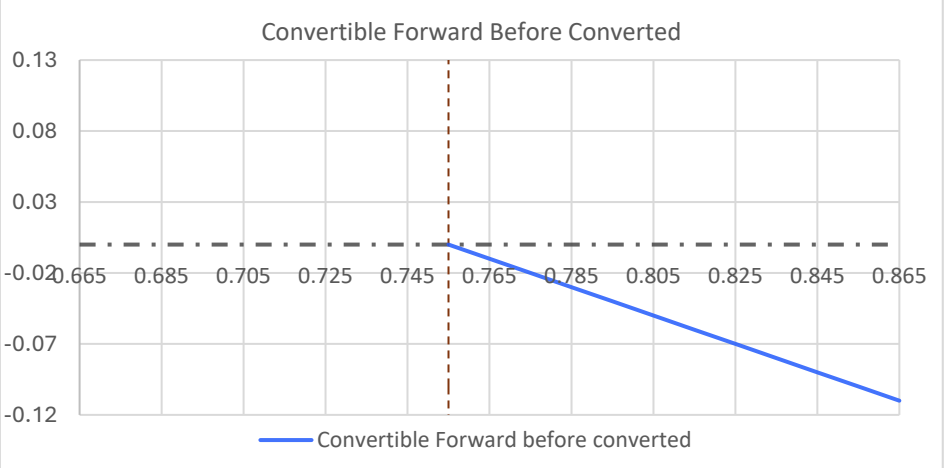
Structure Details:

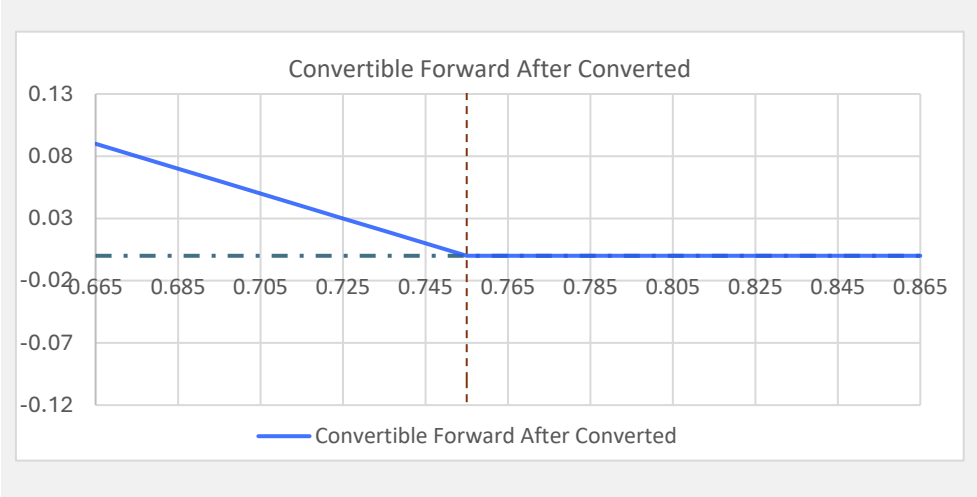
- Buying an AUD Put /USD Call, strike at 0.7550, Notional USD $500,000; Expiring in 3 months.
- Selling an AUD Call/USD Put, strike at 0.7550, Knock-Out Barrier Rate at 0.7550, Notional USD $500,000; Expiring in 3 months.

Outcome at Expiration Date (3 months):

- **Outcome 1:** If the spot price never trades at 0.7550 in the next 3 months before the expiry date, the client is obligated to purchase USD 500,000 at the Protection Rate of 0.7550. This works the same as a Forward in terms of risk.
- **Outcome 2:** If the spot price ever trades at 0.7550 anytime in the next 3 months, the Convertible Barrier rate will be triggered, and the contract will convert into a Vanilla Option. You will have 100% protection for the remainder of the contract even if the AUD/USD moves down sharply.

Payoff Diagram:





6.11 Structured Option - Target Accrual Redemption Forward (TARF)

A Target Accrual Redemption Forward **("TARF")** is a series of Forwards involving a nominated currency pair that is subject to a set of parameters agreed with you. A TARF contract provides you with protection to a certain extent against unfavourable currency movements by allowing you to exchange one currency at a rate (the Enhanced Rate) more attractive than the prevailing market Forward Rate.

A TARF is considered a high-risk product as it tends to have a long tenor and the Out-of-the-Money (OTM) position could increase dramatically during any sharp adverse movement against the position. It is therefore not recommended as a hedging product to any client unless CAFX is satisfied that it will be used for hedging purposes only.

A TARF will have the following parameters and key terms set up at execution:

- **Strike Rate**: A TARF tends to have a more favourable enhanced Strike Rate versus the other products given the high risk that it has involved.
- **Contract Tenor and Fixing Dates**: A TARF tends to have longer contract tenor and many fixing dates.
- **Fixing Time and Market Convention**: CAFX uses BFIX (Bloomberg FX Fixing) with a 3pm Tokyo Cut.
- **Target Points**: At trade execution a TARF is given a certain number of target TARF Points (in pips). I At each expiry, if the Strike Rate is better than the Fixing Rate, then the Target Points will be utilised until the Target Points' balance reaches zero which will result in the TARF being Knocked Out and the contract ceasing to exist. If, however, at expiry the strike rate is worse than the fixing rate then the Target Points will stay unchanged, and you will need to continue to deliver the contract whenever it is Out-of-the-Money (OTM) until the last fixing.

Key Risks and Benefits

Key Risks of Using a TARF Include:

- The TARF Target Points will limit your downside protection as the TARF contract will be knocked out once the overall Target Points are fully utilised subsequently leaving you with an unhedged position.

- TARF's usual long tenor and large contract aggregated notional amount is usually considered as the main reason of getting into a Margin Call situation. In an adverse market environment, the negative Marked to Market (MTM) position could increase sharply due to unfavourable spot rate movements as well as an increase in the market implied volatilities.
- The TARF offers no Participation as it should be considered as a strip of forwards whenever they move Out-of-the-Money (OTM).
- A TARF brings in uncertainty to corporate hedging and cashflow projections. That is, if the TARF points are fully utilised then a new hedge may be required at an unfavourable Spot Rate.
- A TARF doesn't allow predelivery as there is uncertainty around the timing of the Knock-Out event.

Key Benefits of Using a TARF Include:

- Limited Protection: a TARF provides you with protection against unfavourable exchange rate movements however the protection is quantitatively limited to the Target Points multiplied by the Notional Amount.
- Improved Strike Rate: a TARF provides you with an Enhanced Strike Rate that is more favourable than a comparable Forward Rate.

Key Features Summarised

Risk Profile	Very High
Downside Risk Protection	Yes – But limited to Target Points
Upside Participation	No
Enhanced Rate on Strike	Yes
Allowing Predelivery	No

Trading Example

As an Australian importer of goods from China, you are invoiced in USD and require USD 500,000 per month for invoice payments to the overseas suppliers. The current average forward rate for the next 12 months is 0.7200, and you would like to outperform this forward rate.

You enter into a TARF contract with the following agreed set of parameters including an Enhanced Rate of 0.7500 with 500 Target Points.

- **Notional Amount:** Buying USD 500,000 against AUD
- **Expiry Term:** 12 months
- **Expiration Date:** Last Business Day of each month end, with a 3pm Tokyo Cut using BFIX
- **Fixing Frequency:** Monthly
- **Enhanced Rate:** 0.7500
- **Target Points:** 500 points / pips

Outcome first scenario analysis at the fixing dates:

- **Fixing Date 1:** AUD/USD Fixing Rate is at 0.7200 (i.e., less than the Enhanced Rate), you buy USD 500,000 at 0.7500 resulting in 300 points accruing towards the overall Utilised Target Points (with 200 points of protection remaining for the Expiry Term); and
- **Fixing Date 2:** AUD/USD Fixing Rate is at 0.7400 (i.e., less than the Enhanced Rate), you buy USD 500,000 at 0.7500 resulting in 100 points accruing towards

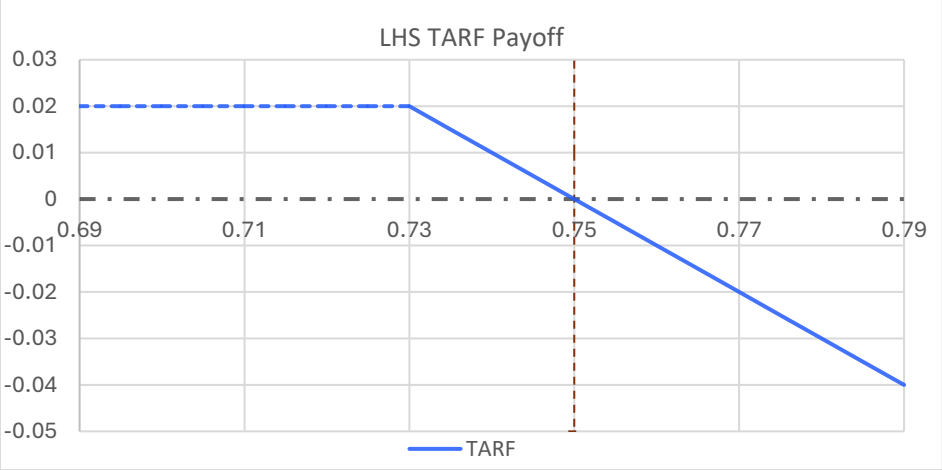
the overall Utilised Target Points (with 100 points of protection remaining for the Expiry Term); and

- **Remainder of the Expiry Term:** strengthens above the Enhanced Rate, you will need to buy USD 500,000 at 0.7500 for each fixing given the Fixing Rate is more favourable than the Strike Rate.

Outcome second scenario analysis at the fixing dates:

- **Fixing Date 1:** AUD/USD Fixing Rate is at 0.7100 which is worse than the Strike Rate, then you can buy USD 500,000 at 0.7500 resulting in 400 points accruing towards the overall Utilised Target Points (with 100 points of protection remaining for the Expiry Term); and
- **Fixing Date 2:** AUD/USD Fixing Rate is at 0.7000 which is worse than the Strike Rate, the overall Target Points is then fully utilised, and this Fixing Date serves as the final Expiration Date. The Target Points balance is not enough to cover the entire difference of (Strike rate – Fixing rate). Therefore, you can only buy USD 100,000 at 0.7500 being an amount calculated on a pro rata basis, i.e., 0.01 / (0.75 - 0.70) * USD500,000 = USD100,000). On this Expiration Date, the TARF contract is deemed to have been knocked out.

Payoff Diagram:



7 OPENING AN ACCOUNT WITH CAFX

7.1 How to open an Account with CAFX?

To enter into a Transaction with CAFX, you will need to firstly open an Account with CAFX and will be required to complete and sign the **CAFX – CAPAY Account Application Form**, under which you agree to be bound by the **CAFX – CAPAY Terms and Conditions (Agreement)**. You must also provide us the requested supporting documentation. Please refer to the CAFX - CAPAY Terms and Conditions (Agreement) for further details.

7.2 CAFX - CAPAY Terms and Conditions (Agreement)

The CAFX - CAPAY Terms and Conditions (Agreement) is an important legal document containing the terms and conditions which govern our relationship with you. We recommend that you seek independent legal and financial advice before entering into the CAFX - CAPAY Terms and Conditions (Agreement), as the terms and conditions detailed therein are important and affect your dealings with us.

8 SIGNIFICANT BENEFITS AND RISKS OF OUR PRODUCTS

8.1 Significant Benefits of Our Products

In additional to the benefits already outlined in this PID, the significant benefits of using our Products include, but not limited to:

- **Manage Volatility –** CAFX offers Products that manage the risk that Exchange Rates may move in an adverse direction.
- **Exchange rate certainty** — locking in a certain Exchange Rate for the purchase or sale of foreign currency amounts will reduce or eliminate exchange rate uncertainty and provide cash flow certainty. This can provide you with protection against negative foreign exchange movements between the time that you deal and the Settlement Date. This may also assist you in managing your cash flow by eliminating the uncertainty associate with Exchange Rate fluctuations for the certainty of a specified cash flow.
- **Diversity** — Our Products cover a wide range of currencies.
- **Tailored Flexibility** — Our Products are flexible and can be tailored to meet your requirements. Unlike exchange traded products, our products are OTC products which are not standardised and can be personally tailored to suit your requirements.

8.2 Significant Risks of Our Products

In additional to the risks already outlined in this PID, the significant risks of using our Products include, but not limited to:

Product Risks

It is important to note that when a Product in this PID is described as “zero cost”, that means that there is no up- front cost. Depending on the movement of the Spot Rate, you may be required to trade at a price that is far less favourable than if you had not entered into the agreement at all. Zero cost means you are limiting your advantage or selling some of your opportunity to gain. By selling this advantage you are able to have a counterparty cover the cost of this Product, making it zero cost. If a Product has a Strike Price that is more advantageous than the current Forward Rate, then it is likely that it is a riskier product. You will be “selling” some sort of protection (even if it is just the opportunity to increase a gain) in order to bring your up-front price down.

Opportunity Cost	Once you have entered into a Transaction you will have locked in the rate for your chosen currency pair and you will only be able to take advantage of subsequent favourable exchange rate movements by entering into further transactions, provided you are able to continue to meet your obligations to us. If you buy a Vanilla Option or a Structured Option, the underlying movement in currency rates may not be enough to cover the cost of your Option (i.e. the Premium).
Market Volatility	Markets are subject to many influences which may result in rapid fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility. Given the potential levels of volatility in the financial markets, it is therefore recommended that you closely monitor your positions with CAFX at all times, as we reserve the right to require an Additional Margin Deposit if you have open Transactions. In certain market conditions such as during extreme price volatility in markets, quotes provided by CAFX may 'gap'. A gap means that a price may unexpectedly jump from one price level to another without trading at rates in between those two price levels or quotes. It is not possible for us to predict when a price 'gap' will occur or by how much. Price gaps are generally a result of unexpected news or previously unknown data being released (e.g., news of terrorist attacks, revaluation of a currency, geopolitical upheaval, or natural disasters). In such an event CAFX reserves the right to make cash adjustments where there have been losses incurred by us as a result of an order you have active with us.
Amendments	Variations to any Transaction can be made on request but will be subject to our approval at our sole discretion. We will need to undertake a credit assessment before we accept variation requests.
Exercise of Option(s)	In accordance with the CAFX - CAPAY Terms and Conditions (Agreement), should you decide to exercise any Option you will have until 12:00 pm (Sydney Time) on the Settlement Date to notify us by either telephone or in writing by email. In the event that no notification is received by us by 12:00 pm on the Settlement Date, the Option will expire at the time even if you had unrealised gains in relation to that Product, and your entitlement to the profit of the exercise will lapse given you have failed to exercise the option in time.
Market Risk	In certain market conditions, it can become difficult or impossible to liquidate a position (this can, for example, happen when there is a significant change in prices over a short period of time). You will suffer a loss if the underlying Exchange Rate moves unfavourably.
Counterparty Risk	Counterparty risk is the risk that another party may default on their contractual obligations. Given you are dealing with us as a counterparty to every Transaction, you will have an exposure to us

	in relation to each Transaction. You are reliant on our ability to meet our obligations to you under the terms of each Transaction. In order to reduce this exposure, we have the ability to enter into opposite transactions as principal in the wholesale market. The financial requirements imposed under our Australian Financial Services Licence also require us to maintain certain levels of capital and liquidity. You are also subject to our credit risk. If our business becomes insolvent, we may be unable to meet our obligations to you. You can assess our financial ability to meet these counterparty obligations to you by reviewing financial information about our company. If CAFX was to go into liquidation you would be an unsecured creditor except to the extent that funds are held upon trust for you in a segregated funds account.
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or external events. Disruptions in our processing may lead to delays in the execution and settlement of your Transactions.
Abnormal Market Conditions or Force Majeure	CAFX reserves the right to close out some or all of your open Transactions if an event occurs that is beyond your or our control, where such event either wholly or partially prevents, hinders, obstructs, delays or interferes with your or our ability to meet your obligations under the relevant contract.
Electronic Trading	There are a number of risks associated with using and relying on an on-line system. These include, but are not limited to, risks related to the use of software and/or telecommunications systems such as software errors and bugs, delays in telecommunications systems, interrupted service, data supply errors, faults or inaccuracies and security breaches. These risks and the occurrence of disruptive events can occur with all types of services provided through on-line transactions and are outside the control of CAFX.
System Risks	CAFX relies on technology providers and systems to provide you with its online system. CAFX ensures the systems are regularly updated and maintained. A disruption to the CAFX trading platforms may mean you are unable to trade online in products offered by CAFX when you wish. With respect to settlement, electronic funds transfers, drafts, and wires, CAFX relies on third party providers (such as banks) to assist in currency transfers between accounts. CAFX will not be able to control disruptions to these systems.
Conflict of Interest	CAFX may enter into transactions with a number of different Clients and counterparties that may be in conflict with your interests in relation to the Transactions you have entered into with us. CAFX not required to prioritise your interests when dealing with you.
Forward and Option Contracts	CAFX considers that Forward Contracts and Option contracts are only suitable for persons who understand and accept the risks involved in investing in financial products involving Exchange Rates. CAFX recommends that you obtain financial and legal advice before entering into a Forward Contract and Option Contract. The

following are the significant risks associated with a Forward Contract and Option Contracts:

- There is no cooling off period. This means that, except in certain circumstances once you enter into a Transaction with us you will not be able to terminate or vary the Transaction without our consent even if you no longer need or want the Transaction.
- Once entering into the derivative contracts, you are legally obligated to exchange the currency for the obligation amount at the rate depending at the outcomes of the Option Contracts.
- Cancellations may result in a financial loss to you. CAFX will provide a quote for such services based on market conditions prevailing at the time.

9 FEES AND OTHER COSTS

CAFX will derive a financial benefit in respect of the Transactions by incorporating a margin into the relevant Exchange Rate it quotes. Because CAFX deals with you as principal, the exchange rate offered to you may not be the same as the rate it obtains itself.

The rate offered to you may depend upon a number of factors including transaction size, term of the Product, our business relationship with you, the prevailing market rates and the differing interest rates applicable to the currency pair involved in the Transaction. Details of fees and costs will be disclosed to you prior to receiving any advice or entering into a Transaction.

You will not be charged any establishment fees or commissions in connection with Transactions which you enter into with us. However, other fees or charges may apply, and you will need to take them into account when deciding whether to enter a Transaction with us:

a) **Transaction Fees:** CAFX does not charge Transaction fees except for Transactions under AUD$2,000.00 (or foreign currency equivalent) we charge a fixed fee of up to AUD$50.00 depending on the Transaction. Additionally, if applicable, we may also charge up to AUD$10 as a dishonoured cheque fee, a telegraphic transfer fee up to AUD$15, and an express delivery fee up to AUD$25. If such fee is payable, it will be added to the total amount you are required to settle. We will disclose to you details of all fees and costs prior to providing you with any advice or before you enter into a Transaction with us.

b) **Third Party Transaction Fees:** CAFX does not charge you additional third-party transaction fees. They are built into our margin. However, in some cases, the intermediary financial institutions CAFX uses to process payments may deduct transaction fees that CAFX has not anticipated. Therefore, you may find in some cases that the total amount you expect to receive in your Beneficiary Account is slightly less because such fees have been deducted. CAFX will try to advise you of these additional fees, if aware of them.

c) **Other fees:** you will be obligated, unless specifically waived by CAFX, on the fees liable related to payment recalls, providing invalid wire instructions; CAFX may also pass on the cost of contract extension to you if CAFX gets charged with the extension cost.

10 NO COOLING OFF

There is no cooling off regime which applies to any of the products described in this PID. You should be aware that when you enter into a Transaction with CAFX, even though the settlement may not occur until a later date, you are obligated to the terms of the Transaction at the time of contracting.

11 TAXATION CONSIDERATIONS

Using our Products can create tax implications. Generally, if you make a gain attributable to a foreign currency exchange rate fluctuation, then that part of the gain is included in your assessable income. Conversely, if you make a loss attributable to a foreign currency exchange rate fluctuation, then that part of the loss is deducted from your assessable income. However, the taxation laws are complex and vary depending on your personal circumstances and the purpose of your transactions. Accordingly, CAFX recommends that you discuss any taxation questions you may have with your tax adviser before using our Products or services.

12 KEY TERMS

Account Application Form means jointly and severally, the Account application form and Wholesale Client Questionnaire which Client completes and submits to CAFX for the purposes of using the Services.

Account means the account established by CAFX for you under this PID and the CAFX - CAPAY Terms and Conditions (Agreement) to receive the Services.

ASIC means Australian Securities and Investments Commission.

AUD means Australian Dollar.

Beneficiary Account means the account owned by the corresponding Beneficiary to which you deposit your funds.

Beneficiary means you or any payee designated by you.

Business Day means a day on which commercial banks are open for ordinary banking business (including dealings in foreign exchange) in the places specified by CAFX for that purpose (generally including the jurisdiction in which an Order was initiated and the one in which such an Instruction is executed).
CAFX - CAPAY Terms and Conditions (Agreement) means the Terms & Conditions issued by CAFX and CAPAY as updated from time to time.

Call Option means an option whereby you have the right but not the obligation to buy the nominated currency. For example, an Australian exporter may enter into an AUD Call/USD Put. This means you have the right to exchange USD for AUD (sell USD and buy AUD).

Client means the person, body corporate, firm, partnership, joint venture, sole trader or other business entity requesting the Services and defined in the Application Form together with its

subsidiaries, affiliates, successors and/or assigns, as well as its officers, directors, employees and agents.

Corporations Act means the Corporations Act 2001 (Cth).

Exchange Rate is the value of one currency for the purpose of conversion to another.

Expiration Date means the date on which an Option Contract expires.

Expiration Time means the last time at which CAFX will accept a notice of exercise, which shall be 3:00 pm (Tokyo Time) on the Expiration Date, unless otherwise stated in the applicable Transaction Confirmation Advice.

Forward Contract means a legally binding agreement in which you agree to purchase from or sell to CAFX a specific amount of funds in one currency and to settle, on an agreed future date, in a specific amount of funds in another currency or to purchase a non-delivery Forward Contract.

Forward Exchange Rate is the currency rate at which CAFX agrees to exchange one currency for another at a future date when it enters into a Forward Contract.

Forward Points means the difference between the Exchange Rates of a Spot Contract and foreign exchange contracts of other Value Dates - calculated using the interbank interest rates of the currencies involved in the Transaction. Forward points can be negative or positive depending on those prevailing interbank interest rates.

In-the-Money or **ITM** means for the purposes of Options, where the current market value of the Option contract is positive.

Knock-In Barrier is the pre-defined upper limit of a Structured Option, which if the Spot Rate reaches it, will require you to trade at the Protection Rate.

Knock-In Structured Option Contracts are Structured Option set out in this PID which include a Knock-in Barrier.

Knock-Out Barrier is the pre-defined lower limit of a FX Structured Option, which if the Spot Rate reaches it, will automatically terminate the FX Structured Option.

Notional Amount means the AUD or foreign currency amount to be bought or sold pursuant to a Transaction.

Option Contract means a legally binding agreement in which you are given the right, but not the obligation, to buy or sell a specified amount of funds in one currency at a set price on or within a specified time from CAFX, subject to any other terms documented in the Transaction Confirmation Advice.

Out-of-the-Money or **OTM** means for the purposes of Options, where the current market value of the Option contract is negative.

Partial Participation is the ability to participate in Exchange Rate movements for a predetermined portion of the total volume of currency traded.

PID means this Product Information Document as amended from time to time.

Premium means the amount payable by you to CAFX on Premium payment date for an Option Contract. The Premium is determined by CAFX in its sole discretion and in some cases may be nil.

Products means any foreign exchange contracts, derivative contracts and non-cash payment products offered by CAFX at any given time under this PID.

Protection Rate means the pre-defined worst case Exchange Rate in respect of a Structured Option at which you will be entitled to trade.

Put Option means an option whereby you have the right but not the obligation to sell the nominated currency. For example, an Australian importer may enter into an AUD Call/USD Put. This means you have the right to exchange AUD for USD (sell AUD and buy USD).

Services means CAFX's provision of various foreign exchange, settlement and delivery products and services, including without limitation, an electronic transaction platform, hedging services and any other payment solutions if and so offered by CAFX.

Settlement Date means the date you wish to exchange the two currencies you bought or sold. It is the date specified as such in the Transaction Confirmation Advice.

Settlement means the total amount, including the cost of currency acquisition as well as any fees and charges you owe to CAFX, less a Partial Prepayment and or Additional Payment held by CAFX. If Settlement is paid to CAFX electronically, you agree that Settlement shall not be recallable by you without CAFX's prior written consent.

Spot Contract means a foreign exchange contract where the exchange of two (2) currencies is to occur two (2) Business Days from the date it is entered.

Spot Rate means at any time, the Exchange Rate determined and quoted by us for settlement in two Business Days from the date of quotation.

Trade Date means the date a Transaction is entered into by you and us.

Transaction Confirmation Advice means a document issued by CAFX setting out material details of a Transaction.

Transaction means a legally binding agreement between Client and CAFX to effect a foreign exchange Transaction which includes, but is not limited to, a Spot Contract, a Forward Contract, or an Option Contracts contract, in accordance with the Client's instructions.

Trigger means the barriers attached to the options, usually are in the forms of Knock-in Barrier or Knock-out Barrier.

USD means United States Dollar.

Value Today is where the Settlement Date and the value date are the same day.

Value Tomorrow means the Settlement Date is one Business Day after the value date.

We/we, Our or our, Us or us, CAFX means Corporate Alliance Group Pty Ltd T/A Corporate Alliance FX (CAFX) (ABN 58 167 119 226).
Wholesale Client a person or entity who meets the definition of a wholesale client as defined in the Corporations Act and who is not a retail client by virtue of section 761G of the Corporations Act.

You/you, Your/your means the Client.