Bendigo Foreign Exchange Contracts.

Product Disclosure Statement.

29 November 2018

Bendigo Bank

About this document

This Product Disclosure Statement (PDS) is an important document. It provides you with information about certain types of Foreign Exchange Contracts (FEC) so that you can decide whether to acquire or enter into such contracts. You should read this document carefully before you decide whether or not to acquire or enter into FECs to which this PDS applies. You should also keep this PDS for your future reference. If you have any questions, please contact us.

The issuer of the products described in this PDS is Bendigo and Adelaide Bank Limited, ABN 11 068 049 178, AFSL No. 237879.

'We', 'our' or 'us' means Bendigo and Adelaide Bank Limited.

'You' or 'your' means the person who has a product with us. It can also include a partnership, trust, company or corporation. If more than one person has the product, 'you' includes all those people - singly and as a group. 'Your' is used in the same way. All reference to 'you' and 'your' include the successors, administrators or assign of you or that person. This PDS does not constitute a recommendation or opinion that an FEC is appropriate for you.

This PDS only applies where it is received by a person in Australia.

Information in this PDS may be subject to change from time to time. Where the change is not materially adverse, you will be able to find out the new information by contacting us on 1800 061 783 or by accessing the Bendigo Bank website at www.bendigobank.com.au

A paper copy of any updated information will be given to you on request without charge.

Contact details

You can contact us at:

- Financial Markets
  The Bendigo Centre
  PO Box 480
  Bendigo VIC 3552
  Telephone 1800 061 783
  www.bendigobank.com.au
  Email: bendigofx@bendigoadelaide.com.au
  Fax: 03 5485 7661

Note: Telephone conversations with Bendigo and Adelaide Bank Financial Markets may be recorded for dispute resolution purposes.

Alternatively you can contact us via:

- Telephone **1300 BENDIGO** (1300 236 344)
- The Bendigo Bank website at www.bendigobank.com.au; or
- Customer Feedback Team
  Complaints, compliments & suggestions
  1300 361 911
  8:30am – 5:00pm (AEST /AEDT)
  Monday to Friday

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Foreign Exchange Contract product features

What is a Foreign Exchange Contract?

A Foreign Exchange Contract - FEC (commonly known as a Forward), is an agreement between two parties to exchange on a specific future date (the value date), a fixed amount of one currency for an amount of another currency calculated at a foreign exchange rate agreed on the day the agreement was entered into or booked (the trade date).

A foreign exchange rate is the price at which one currency (the base currency) is bought or sold, expressed in terms of another currency (the terms currency). For example, the exchange rate for AUD/USD of .8760, means one Australian dollar is equal to 87.60 US cents.

The base currency and the terms currency is referred to as the currency pair. The currencies forming the pair must be those acceptable to Bendigo and Adelaide Bank. The currencies which are acceptable to Bendigo and Adelaide Bank currently are:

Currency	Code
Australian Dollars	AUD
United States Dollars	USD
Euro	EUR
British Pound	GBP
Japanese Yen	JPY
Singapore Dollar	SGD
New Zealand Dollar	NZD
Hong Kong Dollar	HKD
Canadian Dollar	CAD
Thai Baht	THB
Indonesian Rupiah	IDR
Swiss Franc	CHF
Fiji Dollar	FJD
Indian Rupee	INR
Philippine Peso	PHP
South African Rand	ZAR
Swedish Kroner	SEK
Norwegian Kroner	NOK
Danish Kroner	DKK
Chinese Yuan	CNY

This PDS covers the following types of FECs:

a) "Spot” FEC: This is an FEC which has a value date which is two business days after the trade date;

b) "Forward" FEC: This is an FEC which has a value date which occurs later than two business days after the trade date; and

c) "Value Tomorrow" FEC: This is an FEC which has a value date which occurs on the business day after the trade date.

How a Foreign Exchange Contract works

An FEC is commonly used as a hedging tool to fix current exchange rates for a value date. It may also be entered into for investment purposes. The rate agreed for the contract remains fixed irrespective of movements (of rates which impact on foreign exchange rates, for example, interest rates) or other events which impact on the foreign exchange markets subsequent to the trade date.

The rate that is quoted by us for a value date, is not based on a prediction of where the exchange rate will be on the value date but is the "spot rate" (as explained below) plus a "forward margin” which represents the difference between the prevailing interest rates for the currency pair over the period from the trade date to the value date (the interest rate differential) determined by us.

The spot rate is the foreign exchange rate applicable for a value date two business days after the trade date (the spot date) adjusted for a buy-sell spread that takes into account the following matters on the trade date:

- spot exchange rate in the inter-bank market (which is the market in which banks transact with each other);
- market conditions (for example, volatility which is the degree of volatility in the spot exchange rate or forward exchange rate in the inter-bank market);
- an allowance for our costs and risks; and
- the size of the transaction (that is the amounts of the relevant currency pair).

For example, “carded rates” used for small branch transactions (for example, foreign currency drafts or traveler’s cheques) typically have a much wider buy-sell spread than FECs. Whilst this buy-sell spread is not a fee nor a commission, it does impact on the Australian Dollar (A$ or AUD) equivalent of foreign currency amounts.

When asking for a foreign exchange rate, it is important to identify:

a) the name of the entity in which the contract is to be written (for example, the company name, which has an FX limit established with us);

b) the currency pair involved; and

c) the value date for the contract.

Terms and conditions

An FEC is a legally binding bilateral obligation between you and us. Terms and conditions applicable are set out in the letter of offer sent to you by us; or set out in the Foreign Exchange Customer Service application form signed by you; and if one has been executed, the terms of a master agreement (such as the Australian Financial Market Association's Foreign Exchange Master Agreement or the ISDA Master Agreement), or other terms agreed on a case by case basis.

Delivery obligations

Delivery on the value date

Once agreed upon (on the trade date), the FEC defines an obligation of each party to deliver a fixed amount of a currency at the fixed rate on the value date. When you enter into an FEC with us you agree to deliver one currency in exchange for another currency, at a fixed rate on the value date. How much you pay is determined by the commercial terms of the FEC negotiated on the trade date.

How much you pay may be netted off against amounts payable to you by us under the FEC or another transaction between you and us such that the obligation may ultimately become an Australian Dollar difference payable by one of us to the other. The ability to net transactions may be governed by the master agreement between you and us (if one has been executed) or other terms agreed on a case by case basis.

Pre-deliveries

You can make arrangements for pre-deliveries. What this means is that, having booked an FEC for a specific value date, you may wish to utilise the FEC prior to maturity on the value date, for example, if an invoice arrives ahead of expectations. In this instance, part of (or the whole of) the delivery obligations under the FEC can be brought forward to a specified date (the pre-delivery date), which will have the effect of reducing the amount of the payment obligations of both you and us on the original value date. The foreign exchange rate for the remaining balance is unchanged, however the foreign exchange rate applicable to the pre-delivered currencies will be based on the original foreign exchange rate adjusted by the interest rate differential determined by us between the two currencies for the period between the trade date and the pre-delivery date, and any funding implications for us (for example, additional costs) arising from the early delivery of the FEC.

Historic rate roll-overs

We will not undertake or permit historical rate roll-overs (that is the extension of the term of an FEC at a foreign exchange rate based on the foreign exchange rate applicable under the FEC) if you are a retail customer of the bank. Instead, delays in the underlying currency exposure can be managed by you through a foreign exchange swap contract, to meet your obligations under the FEC while maintaining the underlying hedge achieved by the FEC. This may crystallise an unexpected cash-flow, and needs to be carefully considered for your particular circumstances. For details on foreign exchange swap contracts, please obtain a PDS relating to them from your dealer, International Trade Manager or Customer Service contact.

Dealing with Bendigo and Adelaide Bank

We offer FECs to customers who have a formal “FX limit” in place with us facilitating these transactions, or in some circumstances on a cash secured basis.

You can inform us that you wish to enter into a FEC transaction by contacting our Financial Markets division by telephone, email or fax using the contact details provided at the front of this PDS.

We will send you (by post, email or fax) a confirmation setting out certain details of the transaction entered into between you and us within one business day of receiving your instruction. Within one business day of receiving the confirmation, you must:

a) notify us that you believe that the details of the transaction are not correctly set out in the confirmation; or

b) acknowledge that the confirmation is correct by signing a copy and delivering that copy to us by scanning and emailing it to us, or faxing it to us.

The confirmation will be taken to contain correct details of the transaction unless you have notified us of any error you believe the confirmation contains and the confirmation does in fact contain that error.

Significant benefits and risks

Benefits

FECs are typically used to manage exchange rate risk associated with international trade activity, importing, exporting, and in anticipation of foreign currency accounts receivable and payable. An FEC may also be used to hedge risks under foreign currency loans and deposits. Occasionally, it may be used as an investment and not used for speculative purposes.

An FEC guards against unexpected movements in exchange rates between the trade date and the value date, and provides greater certainty in cashflow management, accounting and budget forecasts.

The decision to utilise FECs may be driven by the benefits of certainty in pricing, rather than necessarily a view on where rates may move in the future. We do not provide personal advice on possible future direction of exchange rates, but rather general comments regarding markets and factual statements regarding economic conditions and indicators.

Examples:

a) Assume an Australian importer receives an invoice for USD 200,000 due for payment tomorrow. If the importer books a 'value tomorrow' FEC with us, the pricing is based on:

   i) the AUD/USD spot rate for example, .7126

   ii) the interest rate differential (also referred to as the 'value tomorrow points') for example, .00005

   iii) so the forward exchange rate in this example is .71265

   In this example the cost in AUD (to be paid to Bendigo and Adelaide Bank tomorrow) is:

   200,000 / .71265 = AUD 280,642.67

   The contract obliges us to pay USD 200,000 tomorrow to the importer in exchange for AUD 280,642.67 (which the importer pays to us).

b) Assume an Australian exporter expects to receive EUR 50 000 in 32 days. If the exporter books a forward FEC to hedge this foreign currency receipt, the pricing is based on:

   i) the AUD/EUR spot rate for example, .6089

   ii) the interest rate differential (also referred to as the “forward points” for 32 days for example, .0014

   iii) so the forward exchange rate in this example is .6075

   In this example the proceeds in AUD (to be paid by us in 32 days) is:

   50,000 / .6075 = AUD 82,304.53

   The contract obliges us to pay AUD 82,304.53 in 32 days in exchange for EUR 50,000 (which the exporter pays to us).

Risks

Foreign exchange markets are inherently risky and unpredictable. Before you enter into FECs, you need to understand the mechanics of financial markets and the possible ramifications of movements (of rates which impact on foreign exchange rates) or other events which impact on the financial markets. These can have significant impact on your obligations under the FEC, including the amount payable by you to us.

Significant risks associated with an FEC include -

Credit or Counterparty Risk - the risk that a counter-party may not be able to meet their obligations;

Basis Risk - the risk that a transaction may not fully mitigate the inherent risk due to differences between the FEC and the underlying exposure;

Market Risk - the risk that movements in exchange rates may adversely affect the owner of the contract. (Normally an FEC will insure against unexpected movements, however should an underlying exposure such as, an account receivable be cancelled, unwanted risk may arise);

Interest Rate Risk - an FEC incorporates an interest rate differential between two currencies for the period between the trade date and the value date: if a pre-delivery is required, fluctuations in interest rates may adversely impact on the hedge.

It should be noted that an FEC may become “in the money” or “out of the money” depending on how markets move after the trade date. This does not change the obligation to exchange currency on the value date at the fixed rate agreed to on the trade date.

There is no cooling off period applicable to FECs.

Fees and commission

There are no fees or commissions payable with entering into or booking an FEC. We derive a financial benefit through the floating exchange rate applicable to each FEC.

However:

a) There may be a discretionary fee applicable to establish a FX limit. If the fee applies to you, it will be the equivalent to 0.5% of the applicable FX limit.

b) There may also be fees associated with telegraphic transfers and drafts, as follows, which are payable on the delivery dates (whether the value date or pre-delivery date):

Telegraphic transfers (international)

Issue of telegraphic transfer (unless you are a Bendigo and Adelaide Bank shareholder, in which case the fee is $15.00) This fee applies if you ask us to transfer funds by telegraphic transfer.	$30.00
Return of telegraphic transfer This applies if you request the return payment of a telegraphic transfer. The minimum telegraphic transfer size is A$200.	$25.00

Bank draft fees

Issue of bank draft (unless you are a Bendigo and Adelaide Bank shareholder, in which case the fee is $5.00)	$10.00
Refund of bank draft	$10.00
Repurchase and reissue of bank draft	$20.00
Stop payment on bank draft	$25.00

These fees may change. You can find out the current fees at any time by contacting either your foreign exchange dealer or your International Trade Manager.

Privacy

1. This applies if you are an individual or, if you are not an individual, to individuals about whom we collect personal information in relation to your account. You agree to show this clause to all individuals who you have authorised to deal with us in relation to your account.

   We are committed to ensuring your privacy is protected and understand your concerns regarding the confidentiality and security of personal information you provide to us.

2. You can obtain information about privacy in our Privacy Policy which is available upon request at any of our branches or on our website www.bendigobank.com.au

Tax

The information in this section is general information only.

You should consult your own independent professional adviser regarding the tax consequences of acquiring, holding or disposing of FECs, to take into account your own personal circumstances.

New regime for taxing foreign currency gains and losses

The Australian Commonwealth Parliament has enacted legislation which provides for a new taxing regime in relation to foreign exchange gains and losses on transactions entered into from 1 July 2003 for most taxpayers. (Private or domestic transactions require special consideration as those transactions may be exempt from the new foreign exchange rules).

This legislation also introduces a general translation rule that converts foreign currency denominated amounts into Australian dollars.

In general terms, the new foreign exchange rules may apply to you if certain events (referred to in the tax legislation as "forex realisation events") happen to you. Relevantly, the new rules may apply if you dispose of foreign currency or a right to receive foreign currency, you cease to have a right or obligation to receive foreign currency (for example where that right or obligation is satisfied by the payment to you of foreign currency), or you cease to have a right or obligation to pay foreign currency.

Any forex gain you make as a result of a forex event must be included in your assessable income in the income year in which the forex realisation event happens. Correspondingly, any forex loss you make can be deducted from your assessable income in the income year in which the forex realisation event happens.

The tax implications arising from FECs are complex. You should consult your own independent professional adviser regarding the tax consequences arising from the new rules to take into account your own personal circumstances.

Tax File Number withholding rules

The Tax File Number withholding rules only apply to certain investments (referred to in this paragraph as "Special Investments") as set out in the income tax legislation. Those withholding rules do not apply to FECs as those contracts are not Special Investments for the purposes of the Tax File Number withholding rules.

Anti-Money Laundering and Counter-Terrorism (AML/CTF)

We are committed to the regulatory requirements for anti-money laundering and counter-terrorism financing.

To comply with these requirements we may:

- require you to provide to us, or otherwise obtain, any additional documentation or other information;
- suspend, block or delay transactions on your account, or refuse to provide services to you;
- report any, or any proposed, transaction or activity to any body authorised to accept such reports relating to AML or any other law.

Code of Banking Practice

We have adopted the Code of Banking Practice. The Code of Banking Practice will apply to the FEC if you are an individual or a small business (as defined in the Code of Banking Practice). To the extent of any inconsistency, the FEC is to be read subject to the Code of Banking Practice. If you ask, we will provide you with general descriptive information concerning customer cheques or our banking services. These include:

- account opening procedures;
- our obligations regarding the confidentiality of your information;
- complaint handling procedures;
- bank cheques;
- the advisability of you informing us promptly when you are in financial difficulty so that we may discuss your situation; and
- the advisability of you reading the terms and applying to the relevant banking service.

You should inform us promptly if you are experiencing financial difficulty so that we may discuss your situation

If you have a complaint

We consider Internal Dispute Resolution (IDR) to be an important and necessary first step in the complaint handling process as it gives us an opportunity to hear when we do not meet our customers' expectations and address them genuinely, efficiently and effectively.

You can raise your complaint with us by:

(a) speaking to a member of our staff directly or your Foreign Exchange Dealer;

(b) telephoning **1300 BENDIGO** (1300 236 344);

(c) website www.bendigobank.com.au/public/contact-us

(d) secure email – by logging into e-banking

(e) writing to your Foreign Exchange Dealer, providing as much information as possible about the situation and enclosing any relevant documentation

(f) social media

(g) telephoning the Customer Feedback Team on:
1300 361 911
8:30am – 5:00pm (AEST/AEDT) Monday to Friday;
Email: feedback@bendigoadelaide.com.au

If you are not satisfied with the response provided you have the option of referring the matter to the Customer Advocate who will impartially assess your complaint, keep you informed of the progress and provide you with a response.

i) telephone - 1300 139 572 (+61 3 5485 7919)
8.30am – 5:00pm (AEST/AEDT), Monday to Friday.

ii) email - customeradvocate@bendigoadelaide.com.au

iii) post/letter – write to Customer Advocate, P.O. Box 480, Bendigo, VIC 3552

Alternatively (or following consideration by the Customer Advocate) you may refer your complaint directly to the appropriate External Dispute Resolution scheme.

We are a member of the Australian Financial Complaints Authority (AFCA) You can contact AFCA at:

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Telephone: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

Joint accounts

This paragraph applies if an FEC is in two or more names jointly.

You may choose to operate the FEC jointly with other persons or entities. If you do, your liability under these terms and conditions is both joint and several. This means that each of you is liable both on your own and together for the whole of any debit balance on the FEC. You should carefully consider any arrangement which involves you becoming a joint FEC holder.

It is up to you and the other joint FEC holder(s) to specify how many of you must sign in order to operate a joint FEC. FEC operating instructions are part of your contract with us and may only be altered by written notification to us, signed by each party to the joint FEC.

Contact us

In person	At your nearest Bendigo Bank branch
On the phone	Call FX Dealing Room 1800 061 783
Online	At bendigobank.com.au
By mail	The Bendigo Centre PO Box 480 Bendigo VIC 3552

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC, 3550 ABN 11 068 049 178 AFSL No. 237879.

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