



CUSTOM HOUSE
GLOBAL FOREIGN EXCHANGE

**PRODUCT DISCLOSURE
STATEMENT FOR FOREIGN
EXCHANGE TRANSACTIONS**



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Australian Financial Services Licence

Custom House Currency Exchange (Australia) Pty Limited, ABN 95 086 278 659, holds an Australian Financial Services Licence under the Corporations Act 2001 (Cth) which authorises it to provide financial services in relation to foreign exchange contracts, derivatives and non cash payments facilities to persons within Australia. Our Australian Financial Services Licence No. is 238290.

Our Australian Head Office address is:

Level 6
34 Hunter Street
Sydney NSW 2000, Australia

The Head Office and Corporate Headquarters of our Canadian Parent Company, Custom House Ltd., are at:

517 Fort Street
Victoria, BC V8W 1E7, Canada

In this PDS when the terms **we**, the **Licensee**, our, **Custom House**, or **Custom House Global Foreign Exchange** are used, it means **Custom House Currency Exchange (Australia) Pty Limited** (ABN 95 086 278 659) as the context requires.

Important Information About This PDS

This document is a Product Disclosure Statement (PDS). It sets out information designed to assist you in deciding whether to acquire any of the financial products set out in this PDS.

This PDS is an important document. We recommend that this PDS should be read in full before you make a decision to acquire from us any of the products to which this PDS relates. All information provided in this PDS is general in nature and does not take into account your individual objectives, financial situation or specific needs. We recommend that after reading this PDS you:

- Consider whether the features of our products, including the advantages and disadvantages, will meet your individual objectives, financial situation or specific needs; and
- Compare the similar products and payment services offered by others you may be considering.

Please also note that any advice relating to the products and services described in this PDS should be read together with our Financial Services Guide (FSG). Please contact us if you have not received a copy of our FSG.

Structure Of This PDS

We have divided this PDS into two sections so that we may communicate the information to you in a clear, concise and effective way.

The first section provides an overview of the key features, benefits, risks and costs specific to each of our foreign exchange products.

The second section describes factors which are common to all of our foreign exchange products, including the significant risks, costs and significant taxation implications associated with those products.

Some of the information contained in this PDS may change from time to time. Where those changes are not materially adverse to you, we may not always update or replace this PDS to reflect the changes. To access up-to-date information please go to our website www.customhouse.com or telephone 1800 887.773.

A paper copy of any updated information will be provided to you free of charge upon request.

Your Contract With Us

When you acquire a foreign exchange product from us you are entering into a contract with Custom House Currency Exchange (Australia) PTY Limited in relation to the product. That contract is made up of:

- The relevant application form which can be provided upon request or when a Custom House Global Foreign Exchange Sales Representative provides one when discussing Custom House Global Foreign Exchange products and services;
- This PDS; and
- The terms and conditions set out in the Master Terms and Conditions (see clause 2.2).

It is important that you understand clearly the terms of the contract between you and Custom House Currency Exchange (Australia) PTY Limited. If you are unsure about any aspect of your contract with us, we suggest you seek appropriate professional advice.

Section 1 – Overview Of Our Foreign Exchange Products

A foreign exchange transaction may be used if you have a need to exchange one currency for another currency at an agreed exchange rate.

The requirement to enter into a foreign exchange transaction can arise in various situations. For example an importer may need to buy an overseas currency, by paying for it in Australian dollars, to pay their supplier for the goods that they are importing. Conversely an exporter may be paid by an overseas client in a foreign currency for goods being exported to an overseas country and wish to convert the foreign currency back to Australian dollars (AUD). In doing so, you may use such foreign exchange transaction instruments as a spot foreign exchange (for settlement within the next two business days) or a forward foreign exchange contract (for settlement at maturity dates from three business days to one year) to assist you to manage your foreign exchange exposures.

This PDS outlines the following foreign exchange products and services that we provide:

- International funds transfers (see section 1.1);
- Foreign exchange contracts (see section 1.2);
- Exchange Rate Bidding Program (see section 1.3); and
- Foreign currency drafts and cheques (see section 1.4).

When you enter into a foreign exchange contract, you must also use either the international funds transfer service or foreign currency draft or cheque to settle the foreign exchange contract. Whilst there are benefits to using these instruments there are also a number of significant risks to consider in the context of your situation.

It is important that you have a good understanding of these instruments and foreign exchange markets generally. We suggest that you seek independent advice and carefully consider your needs and circumstances prior to trading in foreign exchange instruments.

1.1 – International Funds Transfers

An international funds transfer is an electronic transfer of funds into or out of Australia. An international funds transfer may also be referred to as a telegraphic transfer or wire transfer.

Custom House Global Foreign Exchange has relationships with a worldwide network of correspondent banks to enable transmission of your payment instructions to almost anywhere in the world. Information relating to our correspondent banks can be obtained from one of the Custom House Global Foreign Exchange branches.

Advantages

- International funds transfers provide the security of fully traceable transactions.
- By using an international funds transfer, the beneficiary generally receives funds more quickly than if funds were transferred by bank draft, money order or similar monetary instrument or by cash.
- International funds transfers are more secure than cash transactions because they represent electronic instructions that are sent directly to the nominated beneficiary's bank for credit to the beneficiary's bank account.

Disadvantages / Risks

- International funds transfers are often more expensive compared to other means such as monetary instruments.

- Once executed there are no guarantees that an international funds transfer can be recalled. If the recall is successful you may incur additional fees and loss of time. Where a recall of a funds transfer is successful and is to be re-sent in the relevant foreign currency after correction of details you may be subject to additional fees. These fees are dependent upon the overseas bank and we may not be able to advise you of these fees as they are out of our control (see page 6 for further details). A loss of time may result from any delay in the return of the recalled funds transfer and then any re-transmission by you if necessary.
- You should also note that if it was necessary that the recalled (returned) funds transfer had to be converted back to say AUD there would also be a potential cost to the client by way of the foreign exchange conversion between the relevant foreign currency and AUD.
- There is no cooling off period.

Can an international funds transfer be recalled?

An international funds transfer may be recalled only in certain circumstances which are as follows:

- If you give us incorrect information (i.e. beneficiary name, account number);
- In the case of insufficient funds in the sender's bank account;
- For a fraud or misappropriation of funds;
- If it is determined that the transaction is in relation to a criminal offence or terrorist financing activity.

Can I obtain a hard copy confirmation of an international funds transfer?

Yes, we will provide you with a confirmation of your international funds transfer.

For further information, please refer to Section 2.5 — Confirmation.

How long does an international funds transfer take to process from one bank to another bank?

Once a payment is released by Custom House Global Foreign Exchange, the beneficiary bank will usually receive the funds sent by the international funds transfer within 24 — 48 hours.

Costs and fees

Transaction fee

In most circumstances you will be charged a transaction fee for using our international funds transfer service. The transaction fee we charge for each international funds transfer ranges from AUD0 to AUD25. This fee varies from transaction to transaction and from customer to customer. The transaction fee we charge you will depend upon:

- The amount and type of foreign currency to be transferred;
- Number and frequency of international funds transfers you conduct through Custom House Global Foreign Exchange; and
- The country to which the funds are destined.

Example 1

An example of the application of the transaction fee is as follows:

You may enter into a foreign exchange transaction to buy USD100,000 against AUD from Custom House Global Foreign Exchange. However you wish to send 5 wire payments of USD20,000 to different beneficiaries overseas. Assume that the transaction fee per wire payment is AUD15. You would pay the sum of:

- The AUD equivalent of the converted USD100,000 amount at the applicable exchange rate as agreed, plus,
- AUD75 (that is, AUD15 x 5), being the aggregate transaction fees applicable to sending the five wire transfers.

- You would pay Custom House Global Foreign Exchange the total amount in terms of mutual arrangement (cheque, direct debit, electronic transfer).

Are there any other fees such as if a transfer is recalled?

If an international funds transfer is recalled, the bank to which the international funds transfer was directed may charge Custom House Global Foreign Exchange an administration fee. If we incur such a fee, we may absorb that cost or require you to reimburse us for the fee. Custom House Global Foreign Exchange will decide on a case by case basis taking into consideration:

- The number and frequency of international funds transfers you conduct through Custom House Global Foreign Exchange;
- The reason for recalling the international funds transfer;
- Your commercial relationship with Custom House Global Foreign Exchange; and
- The difference between the relevant exchange rate between the time you execute an international funds transfer and the time it is recalled.

The amount of the administration fee will vary from bank to bank and is usually within the range of AUD25 to AUD100.

Example 2

For example, if you request to recall one of the five international funds transfers referred to in Example 1 above, and the bank to which the international funds transfer was directed charges Custom House Global Foreign Exchange an administration fee of, say AUD40, you may be required to pay Custom House Global Foreign Exchange the AUD40 fee in addition the other amounts described in the example above. If the relevant recalled amount is then to be converted back to Australian dollars from the foreign currency amount, this would be subject to the prevailing foreign exchange rates at that time.

Payment of this fee would generally occur at the time of the overseas bank processing the recalled payment. In normal practice Custom House Global Foreign Exchange's account would be debited and Custom House Global Foreign Exchange would then seek reimbursement from the client if so determined. You would be notified as soon as possible after it became clear that the bank fee was applicable to the relevant transaction.

Foreign Exchange Rates — Margin

You will not be charged any other direct fees. However, Custom House Global Foreign Exchange makes a margin on any foreign exchange transaction. Please refer to Section 2.1.1 — Our Foreign Exchange Rates, for further information about how we calculate our foreign exchange rates and the 'margin'.

1.2 – Foreign Exchange Contracts

A foreign exchange contract is an agreement to buy or sell one currency for another for settlement up to a year in the future at predetermined exchange rates.

If the foreign exchange contract is for settlement up to two business days from the date on which you entered into the transaction, it is referred to as a spot foreign exchange contract (refer to page 12 for more information).

A forward contract is a foreign exchange contract for settlement between three business days and up to 12 months in the future. A forward contract allows you to lock in a specific exchange rate today, for a currency to be purchased, or sold, in the future. This action protects you from foreign exchange fluctuations.

You will need to use either the international funds transfer service or a foreign currency draft or cheque in order to settle the foreign exchange contract.

How does a forward contract work?

When you have a foreign currency payable or receivable that has a term of say 30, 60, 90 days or more, there is a likelihood that the price of that foreign currency will change during the term — either upwards or downwards. If you are an importer, an upward movement in the exchange rate would result in lower costs. However, if you are an exporter, this would result in foreign currency receipts being worth less. By using a forward contract, you can lock in an exchange rate determined today ('forward exchange rate') for settlement at a future date to match the terms of your payable or receivable.

Forward exchange rate

A forward exchange rate is one which is set today where one currency is sold against another for delivery on a specified future date (maturity). The forward exchange rate differs from today's spot rate as it will also include a forward margin which reflects the interest rates relevant to the two currencies involved calculated between today's date and the forward maturity date. Refer also to section 2.1.1 — Our Foreign Exchange Rates-Margins.

Costs and fees

Deposit

Custom House Global Foreign Exchange may require a deposit amount when clients agree to enter into a forward contract. This deposit is up to 10 per cent of the AUD equivalent value of the contract. A deposit may be required if:

- Your company has only recently commenced business with limited operating experience; or,
- The credit rating is not of a high or satisfactory level as assessed by Custom House Global Foreign Exchange Credit section; or,
- The contract amount requested is considered by Custom House Global Foreign Exchange a higher foreign exchange risk than normally acceptable; or,
- The maturity date and/or currencies involved are considered by Custom House Global Foreign Exchange a higher than normal credit risk in case the transaction had to be cancelled during the currency of or at maturity of the contract; or,
- We have no history of trading with you.

Example

The deposit is calculated as follows:

If you entered into a forward contract to buy USD100,000 against AUD at a rate of AUD/USD 0.6800 this would equate to AUD147,058.82. You would need to make a deposit of AUD14,705.88, being 10% of the AUD equivalent, at the commencement of the transaction. Interest is not paid on these deposits.

Whilst deposits are refundable to you at maturity they are more commonly applied to the last payment on the contract at maturity. All deposits are required to ensure that we have sound risk management policies in the event of an adverse rate move.

Custom House Global Foreign Exchange may offer a "no deposit" forward exchange contract facility for clients who have either built a satisfactory trading history with Custom House Global Foreign Exchange or have had a satisfactory credit assessment determined by the Custom House Global Foreign Exchange Credit section.

Forward exchange contracts simply reflect time and the difference in the interest rates between any two national currencies.

Foreign Exchange Rates — Margin

Custom House Global Foreign Exchange makes a margin on any foreign exchange transaction. Please refer to Section 2.1.1 — Our Foreign Exchange Rates — Margins of this PDS for further information about how we calculate our foreign exchange rates and the 'margin'.

International Funds Transfer Fees

You will also be charged the transaction fee for an international funds transfer if you settle your foreign exchange contract using this service. This fee varies from transaction to transaction and from customer to customer, and ranges from AUD0 to AUD25. Please refer to Section 1.1 of this PDS for more details on the fees charged for international funds transfers.

Foreign Currency Drafts and Cheques

If you settle your foreign exchange contract using a foreign currency draft or cheque, you will be charged the applicable transaction fee. The fee we charge for each draft or cheque ranges from AUD0 to AUD15 and varies from transaction to transaction and from customer to customer. Please refer to Section 1.4 of this PDS for more details on the transaction fee charged for foreign currency drafts or cheques.

Example of forward contract use

For example, buying a product from a supplier in France for EUR60,000 may cost AUD100,000 at the present exchange rate. During the 30 day period allotted for the euro invoice, the exchange rate could adversely fluctuate.

If the value of the Australian dollar declines against the euro, and you did not enter into a forward contract, you will be forced to pay more than the original AUD100,000 for the EUR60,000. However if you did enter into a forward contract at the start of the 30 day period, you would retain protection from the prevailing exchange rate declining more than your contracted rate at maturity.

However, if during that 30 day period, the value of the Australian dollar rose against the euro and you did not enter into a forward contract, you will benefit from that rise. Conversely, if you had entered into a forward contract you would not benefit from that rise if, at maturity, the prevailing exchange rates had risen above your contracted forward exchange rate.

Pre-Delivery of the Forward Exchange Contract

You may also draw down (or pre-deliver) a portion or the total value of the contract prior to the expiry of the contract. This might occur where your supplier has contracted to deliver goods to you at various times over the period of the forward contract. This may result in an adjustment of the exchange rate based on time and the difference in interest rates between the two national currencies. Remaining balances of the transaction must be completed by the final day of the contract (called the "maturity date").

Extension of a Forward Exchange Contract

You may extend the "maturity" of the forward contract only if agreed to by Custom House Global Foreign Exchange. For example this may be considered if there was a delay in the receipt of goods expected from your overseas supplier beyond the original delivery date. These can be transacted in either of two ways:

- We can cancel the remaining balance of the original forward contract and establish a new forward contract to the new extended maturity date. We will quote you a rate that takes into account the current spot exchange rate and the forward margin for the adjusted time frame. However by cancelling the remaining balance of the original forward contract a profit or loss to you would result depending on the current exchange rates compared to the original forward contract rates. This profit or loss would have to be settled at this time.
- We can extend the remaining balance of the forward contract by quoting you an extension margin onto your original forward contract exchange rate. This method factors the profit or loss of the method above into the new forward contract for the extended period (rather than settling this at the time of extension). This is known as a Historical Rate Extension (HRE). When quoting an HRE rate, Custom House Global Foreign Exchange incorporates an interest charge on the above profit or loss in the new forward contract. This charge is associated with funding or borrowing that profit or loss for the term of the extension period.

Cancellation of a Forward Exchange Contract

Although the terms of the contract that you enter into with Custom House Currency Exchange (Australia) PTY Limited are legally binding, you may ask Custom House to cancel your forward contract at any time up to and including the maturity date. Based on certain factors such as your underlying transaction is cancelled, Custom House, at its sole discretion, may cancel your contract with us. Custom House will provide you with a quote for cancelling your forward contract. This quote will incorporate some of the components when pricing your original forward exchange contract but will be adjusted for prevailing market rates over the remaining term of the forward exchange contract. Depending on the market rates at the time of cancellation this may result in either a gain or loss to you. There are no additional fees for cancellations of a forward foreign exchange contract.

Advantages

Forward contracts allow you to:

- Determine the cost of foreign payments at the time you make a purchase;
- Protect profit margins on products and services sold abroad against adverse foreign currency fluctuations;
- Gain a competitive edge by quoting and/or selling products or services denominated in the local currency;
- Identify and reduce the possible hidden costs of unprotected cash flow requirements.

Disadvantages / Risks

- By entering into a forward contract, you lose the ability to take advantage of market movements that may be favourable to you during the term of the forward contract;
- There is no cooling off period;
- A deposit, if requested, may affect your cash flow positions; and
- Cancellations, extensions or pre-deliveries of a forward exchange contract may result in a financial loss to you.

Spot foreign exchange contract

A spot foreign exchange contract is an agreement between you and Custom House Global Foreign Exchange to buy or sell one currency for another for settlement up to two business days from the date you entered into the transaction.

A spot foreign exchange contract has all of the features, disadvantages and benefits of a forward contract, with a shorter period for settlement, except that a spot foreign exchange contract cannot be cancelled once accepted by Custom House Global Foreign Exchange. For this reason, we have referred only to forward contracts. However, if the settlement period for the relevant contract is for settlement up to two business days from the date you entered into it, it will be referred to as a spot foreign exchange contract.

1.3 – Exchange Rate Bidding Program

Many companies spend a lot of time monitoring foreign exchange markets to secure a more favourable rate when settling foreign receivables or payables. However, it is inconvenient to watch the market and execute a foreign exchange purchase, or sale, 24 hours a day. At Custom House Global Foreign Exchange, we monitor the market on your behalf through our Exchange Rate Bidding Program. This allows us either to notify you of a change in currency price or, with your prior consent, execute a trade at a predetermined price.

How the program works:

- Step 1 You identify the target price, or bid, most beneficial to your company.
- Step 2 Contact Custom House Global Foreign Exchange to determine an appropriate target price that Custom House Global Foreign Exchange will monitor for you.
- Step 3 You can choose to be notified when the currency reaches that price, or give Custom House Global Foreign Exchange the authority to proceed with the purchase, or sale, at the price you have chosen.

Daylight bids and overnight bids

Daylight bids are monitored during regular Australian business hours, 8:00am to 5:00pm. Bid monitoring can be in the form of either filling an order at the specified rate or contacting you when a desired rate is reached. Overnight bids are monitored by Custom House Global Foreign Exchange's 24 hour Treasury when Australian markets have closed. Overnight bids can either be set to expire at the reopening of Australian business hours, until a specific level is reached or until you choose to remove the bid. Therefore bids can be indefinite if your specified level is not reached and you do not specify an end date. Overnight bids allow you to take advantage of market currency fluctuations in other time zones, including markets such as New York, Tokyo and London.

Bids will only be filled in whole.

Note: Custom House Global Foreign Exchange continues to monitor all bids until either the target price has been triggered or until you cancel the bid. For bids longer than a week, a Custom House Global Foreign Exchange representative will liaise with you to make sure you still want the bid to continue.

Advantages

- You can capitalize on favourable market swings, if they occur.

Disadvantages / Risks

- The exchange rate may not move favourably for you. If this happens, you may be financially disadvantaged;
- Your ability to take advantage of favourable exchange rate movements is limited to your chosen target price level. If this target level was triggered, you would be obligated to carry out the transaction at that target price (rate) even though the relevant currency pair exchange rate may continue to become more favourable;
- There is a risk that the amount of your transaction is small and that Custom House Global Foreign Exchange may be unable to offset such smaller transactions in the foreign exchange market despite the bid rate being triggered. This is because more favourable exchange rates are generally available for larger transactions.
- There is no cooling off period.

Costs and fees

There are no additional costs or fees associated with daylight or overnight bids. However, if you do exchange currencies, we will benefit by setting the exchange rate at which your transaction will be effected. Please refer to Section 2.1.1 — Our Foreign Exchange Rates-Margins for further information about how we calculate our foreign exchange rates and the 'margin'. Further, you will also be charged the transaction fee for an international funds transfer if you settle your foreign exchange contract using this service. This fee varies from transaction to transaction and from customer to customer, and ranges from AUD0 to AUD25. Please refer to Section 1.1 of this PDS for more details on the fees charged for international funds transfers.

Examples of using Exchange Rate Bidding Program

You have a commitment to send payment for widgets that you purchased from the United States by the end of the month for USD1,000,000. At the end of the month you will be required to buy USD and sell AUD. The current exchange rate is AUD/USD 0.7550, but you believe the exchange rate will appreciate. You would like to benefit from that appreciation and place an order with Custom House Global Foreign Exchange to execute the trade at AUD/USD 0.7600. Custom House Global Foreign Exchange will monitor the market until such time the exchange rate is struck or the bid is cancelled. If the exchange rate reaches 0.7600, you will have benefited by the amount of the appreciation. However, if the exchange rate does not reach 0.7600, you will be required to exchange your currency at the prevailing current exchange rate.

1.4 – Foreign Currency Drafts and Cheques

A foreign draft is a financial instrument that is issued in a currency of your choice. Drafts are available in all major currencies and are less expensive than an international funds transfer. Custom House Global Foreign Exchange provides international drafts and cheques in all major currencies, and maintains bank relationship(s) in several major trading nations. You can confirm which currencies international drafts and cheques are issued in by contacting a Custom House Global Foreign Exchange branch.

Advantages

- Foreign currency drafts and cheques are fully negotiable;
- Drafts and cheques are available in over 100 foreign currencies;
- As the purchaser, you can maintain control of delivery of the international draft or cheque; and
- No minimum amount is required.

Disadvantages / Risks

- Foreign currency drafts and cheques must be physically transferred and may:
- Be difficult to cash in unstable countries;
- Be lost during delivery;
- Can be stolen or misplaced; and
- There is no cooling off period.

Costs and fees

Transaction fee

You may be charged a transaction fee for using our foreign currency draft or cheque service. The fee we charge for each draft or cheque ranges from AUD0 to AUD15. This fee varies from transaction to transaction and from customer to customer. The fee we charge you will depend upon:

- The value of the draft or cheque; and
- The frequency and number of drafts or cheques you purchase from Custom House Global Foreign Exchange.

Examples of foreign drafts and cheques

You purchase two shipments of wine from different California suppliers which you are required to pay for in USD. Using Australian dollars, you obtain two US dollar drafts from Custom House Global Foreign Exchange payable to the wine suppliers. An example of the application of this transaction fee is as follows:

You enter into a foreign exchange transaction to buy USD100,000 against AUD from Custom House Global Foreign Exchange. However you wish to send two drafts of USD50,000 to two separate overseas beneficiaries. Assume that the transaction fee per draft is AUD15. You would pay the sum of:

- The AUD equivalent of the converted USD100,000 amount at the applicable exchange rate as agreed, plus
- AUD30 (that is, AUD15 x 2), being the transaction fees applicable to issuing the two drafts.
- You would pay Custom House Global Foreign Exchange the total amount in terms of mutual arrangement (cheque, direct debit, electronic transfer).

Foreign Exchange Rates – Margin

Custom House Global Foreign Exchange makes a margin on any foreign exchange transaction. Please refer to Section 2.1.1 — Our Foreign Exchange Rates-Margins for further information about how we are remunerated for offering foreign exchange products to you.

SECTION 2 – FACTORS WHICH ARE COMMON TO ALL OF OUR FOREIGN EXCHANGE PRODUCTS

2.1 – Exchange Rate Risk

Custom House Global Foreign Exchange does not offer to enter into any of the foreign exchange products described in this PDS with persons whose intention is merely to speculate on the possible movements in exchange rates. Our customers must have a genuine interest in exchanging one currency for another. Often interest will arise in order to make payment to or from an overseas trading partner, although each circumstance will be particular to our customers.

In the case of forward foreign exchange contracts (and spot foreign exchange contracts not settled immediately), the date upon which you enter into a contract with us and the date on which that contract must be settled will be different.

You must be aware when acquiring a product from us, that exchange rates may fluctuate between those dates. If you enter into a forward contract with us, and the exchange rate for your foreign exchange contract goes down, you must still settle your contract on the settlement date using the exchange rate which you agreed upon at the date of entry into your contract. Your agreed foreign exchange rate may, because of fluctuations in exchange rates, be significantly higher, or lower, than the prevailing exchange rate.

If you use our Exchange Rate Bidding Program rather than enter into a forward foreign exchange contract for the amount and currency you wish to buy or sell in the future, you will be subject to movements in the exchange rate for the currency you wish to buy or sell over the period of time up to settlement.

2.1.1 – Our Foreign Exchange Rates – Margins

With the exception of international funds transfers and foreign exchange drafts and cheques, we do not charge upfront costs or premiums. We are able to offer our foreign exchange products without charging upfront costs or premiums because we obtain revenue through a 'margin'.

The margin is the difference between the wholesale exchange rate we are able to obtain and the exchange rate we then offer to each customer, and may be considered as an 'indirect cost' to you. The exchange rate we offer to you is dependent on a number of factors including:

- The value of the transaction and the currency involved where the ability of Custom House Global Foreign Exchange to cover this amount is dependent on supply and demand for the relevant currencies and amounts in the foreign exchange market at the time you may wish to enter into a foreign exchange transaction;
- The frequency with which you transact with us (and thus your overall annual foreign exchange turnover) i.e. if you have a higher frequency and/or turnover, that may enable us to provide more competitive foreign exchange rates to you;
- The volatility in the foreign exchange market at that time — generally, when the foreign exchange market is volatile our margin may be wider; and,
- The differing interest rates applicable to the currency pair involved in the forward exchange transaction i.e. these are an integral part of any forward contract rate calculation relevant to the period of the forward contract.

The exchange rates quoted in the media generally reflect the wholesale rates which Custom House Global Foreign Exchange will obtain from the foreign exchange interbank market. Please note that wholesale exchange rates are constantly changing, and any such rates are generally only obtained by trading significant values.

Example

This example is indicative only and uses selected rates and figures to demonstrate how we obtain gross revenue through the “margin” of a foreign exchange contract. The rates shown are for illustrative purposes only.

You wish to buy USD100,000 to pay to an overseas supplier. You wish to pay AUD for this USD purchase.

- Rate quoted by Custom House Global Foreign Exchange to you for this transaction is AUD/USD 0.6450. Therefore the AUD converted amount is AUD155,038.76. This is the amount of AUD you would have to pay to buy the USD100,000 to remit to your supplier.
- Custom House Global Foreign Exchange will cover the above USD100,000 transaction in the foreign exchange market. For this example, the wholesale rate is AUD/USD 0.6453 which equates to AUD154,966.68. This is the AUD amount that Custom House Global Foreign Exchange will have to pay to another institution to buy the USD100,000 to cover this transaction on a back to back basis.
- In this example the ‘margin’ is represented by the difference in the two exchange rates, 0.047% approximately or AUD72.08. This amount is the gross revenue earned on this transaction by Custom House Global Foreign Exchange.

If you request us to cancel a transaction before settlement, it is likely that the relevant exchange rate for that transaction will have changed. If that occurs, you may be required to make an additional payment which will reflect the change in exchange rates. We will notify you of any amounts you will be required to pay at the time you request to cancel the transaction.

2.2 – Terms and Conditions

Our relationship with you, and each transaction you enter into with us, will be governed by the Master Terms and Conditions Agreement. It is recommended that you read the Terms and Conditions carefully. It sets out significant matters such as:

- The representations and warranties that you make to us;
- The indemnities that you give to us;
- Our right to amend the Terms and Conditions;
- Our right to request that a customer provide a margin deposit on any forward exchange contract to offset a mark to market valuation which reflects an out of the money value beyond a limit set by Custom House Global Foreign Exchange, or either if the out of the money value is greater than 10% of the contract value or \$50,000, whichever is greater;
- The procedures relating to transactions entered into with us; and
- Our right to charge default interest (at the rate of 5% above the prevailing 3 month Bank Bill Swap Reference Rate) if you fail to pay an amount payable under one of our foreign exchange products.

You will be required to sign the Application including our Terms and Conditions Agreement to acknowledge your acceptance of these terms and conditions. Each foreign exchange transaction you enter into with Custom House Global Foreign Exchange is subject to these terms and conditions. You can obtain a copy of the Terms and Conditions by contacting one of our branches or viewing them on our website at www.customhouse.com.au/legal.html.

2.3 – No Cooling Off Period

There is no cooling off regime which applies to any of our products described in this PDS. You must therefore be aware that when you enter into a foreign exchange transaction, even though settlement may not occur until a later date, you are bound by the terms of that contract.

2.4 – Taxation

The taxation implications for you from obtaining one of our foreign exchange products will vary depending on your personal circumstances. In particular, transactions may give rise to taxable gains or losses. The treatment of those transactions for taxation purposes will depend on your individual circumstances and we recommend that you seek appropriate tax advice.

2.5 – Confirmation

Shortly after entering into each of the transactions described in this PDS, we will send you a confirmation outlining the commercial terms of the transaction. This confirmation is extremely important and we recommend that you check the confirmation to make sure that it accurately records the terms of the transaction.

2.6 – Significant Risks

Counterparty Risk

As Custom House Global Foreign Exchange is the issuer of the products described in this PDS, you are exposed to the financial and business risk, including credit risk of dealing with us. In the unlikely event that Custom House Global Foreign Exchange is unable to fulfil its contractual obligations to you, you will be exposed to fluctuations in foreign exchange rates as if you had not entered into a foreign exchange transaction.

Market Risk

As discussed in Section 2.1 above, the foreign exchange market is subject market volatility. You should be aware that, if contrary to Custom House Global Foreign Exchange requirements, you purchase foreign exchange contracts for trading or speculative purposes you will be fully exposed to movements in price between the currencies involved in the transaction.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Disruptions in Custom House Global Foreign Exchange's processes may lead to delays in the execution and settlement of your transaction.

2.7 – How do we deal with your personal information?

We will only collect personal information for the purpose of providing you with the service that you have requested. The information we obtain from you is for the purpose of foreign exchange transactions and to comply with relevant laws. We will not sell, share or reveal any of your information, unless you have requested that we do so.

You may contact us at any time to find out what personal information we hold about you and, if necessary, to correct any inaccurate or incomplete information. You can do this by contacting the Custom House Global Foreign Exchange branch you normally communicate with—see contact details at 2.12 and Other Contact Details in this document.

We respect your privacy and have developed a Privacy Policy which embodies the National Privacy Principles. A copy of our privacy policy can be obtained on our website at www.customhouse.com.au or by contacting us using one of the methods described below in Section 2.12. You should also refer to the Master Terms and Conditions Agreement in relation to our confidentiality and privacy obligations.

2.8 – Are there any credit requirements before dealing?

Before entering into a foreign exchange transaction, Custom House Global Foreign Exchange may carry out a credit check as part of its assessment to determine whether or not any credit requirements you have sought are satisfied. You will be advised of the outcome of this review as promptly as possible. The credit check may also be relevant in assessing whether a line of credit will be provided to you by Custom House Global Foreign Exchange.

2.9 – Margin Deposit

As part of its risk management processes Custom House Global Foreign Exchange carries out a Mark to Market revaluation of all outstanding Forward Contracts on a regular basis.

If during this process your Forward Contract moves Out of the Money (OTM) beyond 10% of the face amount we may seek from you a Margin Deposit as an offset to bring your Forward Contract's risk exposure back to zero. It may be necessary for further Margin Deposit payments to be made by you should the revaluation continue to move further Out of the Money during the term of the Forward Contract. The Margin Deposit is repaid to you when the Forward Contract is completed.

2.10 – Definitions

- (a) "Credit Limit" means a limit on the total amount of credit that Custom House Global Foreign Exchange will provide to the Customer;
- (b) "Custom House Global Foreign Exchange" means Custom House Currency Exchange (Australia) Pty Limited, its subsidiaries, affiliates, successors and/or assigns, as well as its officers, directors, employees and agents;
- (c) "Customer" (client) means the person or entity signing the relevant Application to use Custom House Global Foreign Exchange foreign exchange services;
- (d) "Draft" means an instrument issued by Custom House Global Foreign Exchange made payable to the client's nominated beneficiary in a specified single currency;
- (e) "Forward Margin" means that reflecting the differing interest rates relative to the two currencies involved in the forward exchange contract and is usually expressed as forward points;
- (f) "Mark to Market" means the daily revaluation of a Forward Contract to reflect its current market value rather than its original contract value;
- (g) "Out of the Money" means the value of the original contracted Forward Contract rate is less favourable than the current Mark to Market value;
- (h) "USD" means United States dollar and "AUD" means Australian dollar.

2.11 – What should I do if I have a complaint?

Our primary goal is to provide superior customer service and competitive exchange rates. To achieve this goal we would like to hear from you if you are dissatisfied with our customer service or any of the financial products provided to you. We would also like to hear from you if you would like to compliment one of our employees for providing exceptional customer service.

We have established procedures and policies to ensure that any complaint you may have is properly considered and appropriate measures are taken. If you have a complaint, please contact us at dispute@customhouse.com. Your complaint will be handled in our accordance with our complaints handling policy.

We are also a member of an external dispute resolution complaint service called the Financial Industry Complaints Service (FICS). If you are not satisfied with the way we handle your complaint, you may lodge a written complaint with FICS. You may access FICS by sending the necessary documents and information to:

Financial Industry Complaints Service
PO Box 579
Collins Street West
Melbourne 8007
Toll free number 1300 780 808

Before FICS will deal with your complaint you must have first lodged a formal complaint with us and given us a reasonable period of time in which to resolve your complaint. There are restrictions on the complaints which may be with FICS. There are restrictions on the complaints that may be considered by FICS. Those restrictions relate to:

- The size of the claim; and
- The nature of the claim, for example is the claim made in relation to a commercial decision by us.
- For more information refer to the FICS website www.fics.asn.au.

2.12 – Contact Information

You can contact us:

- By telephone at toll-free 1.800.887.773;
- By sending an email to sydney@customhouse.com;
- By post addressed to Level 6, 34 Hunter Street, Sydney, NSW 2000, Australia;
- In person at any of our branch locations (details of which are listed on the last page of this PDS);
- By facsimile at 61.2.8001.2122.

Contact Details

Australian Head Office

Level 6, 34 Hunter Street
Sydney, NSW 2000, Australia
T: 61.2.8001.2100
F: 61.2.8001.2122
E: sydney@customhouse.com

Brisbane Branch

Level 5
97 Creek Street
Brisbane, QLD 4000, Australia
T: 61.7.3229.5500
F: 61.7.3229.4055
E: brisbane@customhouse.com

Adelaide Branch

Level 9, Qantas House
143-146 North Terrace
Adelaide, SA 5000, Australia
T: 61.8.8221.6646
F: 61.8.8221.6648
E: adelaide@customhouse.com

Melbourne Office

Level 9, 53 Queen Street
Melbourne, VIC 3000, Australia
T: 61.3.8622.8800
F: 61.3.8622.8811
E: melbourne@customhouse.com

Perth Branch

Level 6
37 St. Georges Terrace
Perth, WA 6000, Australia
T: 61.8.9325.1544
F: 61.8.9325.1588
E: perth@customhouse.com

Chief Compliance Officer

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CUSTOM HOUSE
GLOBAL FOREIGN EXCHANGE

Custom House Currency Exchange (Australia)
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Australian Financial Services Licence No
238290
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