

PRODUCT DISCLOSURE STATEMENT

Foreign Exchange Option Contracts.

Issued by Westpac Banking Corporation
ABN 33 007 457 141

Dated: 29 September 2023

This is a replacement product disclosure statement. It replaces Westpac Banking Corporation's Foreign Exchange Option Contracts Product Disclosure Statement dated 28 September 2022.

This document provides important information about Foreign Exchange Option Contracts to help you decide whether you want to enter into any of these derivatives. There is other useful information about this offer at: disclose-register.companiesoffice.govt.nz

Many derivatives are complex and high-risk financial products that are not suitable for most retail investors. If you do not fully understand a derivative described in this document and the risks associated with it, you should not enter into it. You can also seek advice from a financial advice provider to help you make your decision. You should ask if that provider has experience with these types of derivatives.

Westpac Banking Corporation acting through its New Zealand branch has prepared this document in accordance with the Financial Markets Conduct Act 2013.



1. Key Information Summary

What is this?

This is a product disclosure statement for Foreign Exchange Option Contracts (**Options**) provided by Westpac Banking Corporation (**Westpac**). Options are derivatives, which are contracts between you and Westpac that may require you and Westpac to make a payment of a currency to the other party to the contract. The amounts that must be paid or received (or both) will depend on the level of the underlying exchange rate. The contract specifies the terms on which those payments must be made.

Warning

Your liability to make collateral payments - Westpac may require you to make additional payments (collateral) to contribute towards your future obligations under the derivatives you enter into with Westpac, including any Option. These payments may be required at short notice and can be substantial. You should carefully read section 5 (How Westpac treats funds and property received from you) about your obligations.

Risks arising from issuer's creditworthiness - When you enter into derivatives with Westpac, you are exposed to a risk that Westpac cannot make payments as required. You should carefully read section 3 of the PDS (risks of these derivatives) and consider Westpac's creditworthiness. If Westpac runs into financial difficulty, the collateral you provide may be lost.

About Westpac

Westpac Banking Corporation is incorporated in Australia with ABN 33 007 457 141 and is a registered bank in New Zealand under the Banking (Prudential Supervision) Act 1989. Westpac, acting through its New Zealand branch, provides financial markets services in New Zealand under the Westpac Institutional Bank brand.

Which derivatives are covered by this PDS?

This PDS covers Foreign Exchange Option Contracts.

An Option gives you the right (but not the obligation) to buy or sell one currency with or for another currency at an agreed exchange rate on a date in the future.

You pay us a premium to enter into an Option whether you exercise the Option or not.

An Option may help you manage a currency risk you are exposed to, while allowing you to benefit from favourable exchange rate movements that occur between the time you enter into the Option and the expiry of the Option.

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2. Key features of the derivatives

A glossary of some of the defined terms used in this PDS is included in section 11 (Glossary).

2.1 What is an Option?

An Option is an agreement where you have the right, but not the obligation, to exchange one currency for another at an agreed rate (**Strike Price**) on a date in the future. The two currencies are called the **Currency Pair**. Advising us that you want to exchange the currencies at the Strike Price for your Option is called **exercising** the Option.

When you purchase an Option, you must pay us a **Premium**. The Premium is non-refundable, regardless of whether or not you exercise the Option.

Options allow you to benefit from favourable exchange movements that occur between the time you enter into the Option and the specified date on which the Option can be exercised (the **Expiration Date**).

An Option may be useful in managing the currency risk associated with, for example, exporting or importing goods denominated in foreign currency, investing or borrowing overseas, bringing profits that are held offshore to New Zealand, converting foreign currency denominated dividends, or settling other foreign currency contractual arrangements.

An Option should only be used where you have a genuine commercial need to manage currency risk. It should not be used for trading or speculative purposes.

Important

An Option gives you the right to exchange one currency for another at an agreed price on an agreed date. You choose whether or not to exercise your Option. You do not have to exercise your Option if you do not want to.

2.2 Key terms of an Option

When you enter into an Option, you nominate:

Currency Pair	The two currencies to be exchanged.
currency amount	The amount of one of the currencies in the Currency Pair.

The Currency Pair must be acceptable to us. Options are available for a wide range of Currency Pairs. Your Westpac financial markets dealer can confirm if your desired Currency Pair is covered.

In your Currency Pair, one of the currencies will be the one that you are looking to buy (the **Call Currency** or the **bought currency**) and the other currency will be the one that you are looking to sell (the **Put Currency** or the **sold currency**). This is done by choosing an option type. There are two types - **Put Options** and **Call Options**. These are explained in the table below. Every Option, if exercised, involves you buying one currency and selling another.

Put	<p>You have the right but not the obligation to sell the nominated Put Currency.</p> <p>For example, a New Zealand importer may enter into NZD Put/USD Call. This means that you have the right to exchange NZD for USD (sell NZD and buy USD).</p>
Call	<p>You have the right but not the obligation to buy the nominated Call Currency.</p> <p>For example, a New Zealand exporter may enter into NZD Call/USD Put. This means you have the right to exchange USD for NZD (sell USD and buy NZD).</p>

There are two option styles - **European** and **American**:

European	<p>With a European style Option, you can only exercise your Option at the Expiration Time on the Expiration Date for settlement on the agreed Settlement Date.</p>
American	<p>With an American style Option, you can exercise your Option at any time prior to the Expiration Time on the Expiration Date for settlement in two business days' time.</p>

You choose the Option style.

We will then agree the following elements of an Option with you:

- the Strike Price; and
- the Expiration Date.

We will then advise you of:

- the **Settlement Date** – the date that the exchange of currencies will take place if the Option is exercised;
- the **Expiration Time** – the time on the Expiration Date at which the outcome of the Option will be determined; and
- the **Premium** – the amount you must pay to us to enter into an Option.

The Settlement Date will be:

- in the case of a European style Option, two business days after the Expiration Date; and
- in the case of an American style Option, two business days after the date on which you exercise the Option, unless we have agreed otherwise.

2.3 How do we set the Premium?

When determining the Premium (including our profit margin for the Option) we take a number of factors into account, including:

- the option style. In general, all other things being equal, the Premium for an American style Option will be higher than the Premium for an equivalent European style Option.
- the Strike Price. In general, all other things being equal, the more favourable the Strike Price is to you the higher the Premium is likely to be.

- the Expiration Date. In general, all other things being equal, the longer the term of the Option the higher the Premium is likely to be.
- market volatility, meaning the pace at which exchange rates move higher or lower. In general, all other things being equal, greater volatility is likely to increase the Premium.
- the difference in global interest rates for your currencies. In general, all other things being equal, the greater the difference between the interest rates that apply to each currency in the Currency Pair, the higher the Premium is likely to be.
- your creditworthiness. In general, all other things being equal, the less creditworthy you are, the higher the Premium is likely to be to you.
- our costs. Our costs will increase the Premium.

Important

Each factor will impact the Premium to a different extent. Some factors will impact other factors. For example, our assessment of global interest rates may change the effect of the Expiration Date on the Premium. Changing a factor in isolation will not necessarily change the Premium we offer you.

2.4 What are the possible outcomes of an Option?

You choose whether to exercise your Option.

If you decide to exercise the Option, it is your responsibility to inform us on or before the Expiration Time on the Expiration Date. Please contact your usual Westpac financial markets dealer.

With a European style Option there are two possible scenarios:

- if our Market Foreign Exchange Rate at the Expiration Time on the Expiration Date is the same as or less favourable to you than the Strike Price, you may elect to exercise your Option and exchange the Currency Pair with Westpac at the Strike Price on the Settlement Date; or
- if our Market Foreign Exchange Rate at the Expiration Time on the Expiration Date is more favourable to you than the Strike Price, you may let your Option lapse. You may enter into a **spot transaction** with us to exchange the Currency Pair at our Market Foreign Exchange Rate if you wish to do so.

With an American style Option the above scenarios apply, except you have the ability to exercise your Option at any time up to and including the Expiration Time on the Expiration Date.

You may still elect to exercise your Option if the Strike Price is more favourable to you than our Market Foreign Exchange Rate available to you at that time.

2.5 What happens at settlement?

If you exercise your Option, on the Settlement Date you must pay to us an amount of your sold currency and we will pay to you an amount of your bought currency. The amount of one of the currencies will be agreed and the amount of the other currency will be determined by either multiplying or dividing the agreed amount by the Strike Price. The calculation for each Currency Pair will depend on how the relevant exchange rate is quoted and the currency of the agreed amount.

For example, if the Currency Pair is New Zealand dollars (**NZD**) and Australian dollars (**AUD**), the exchange rate is quoted NZD/AUD and your Option has a Strike Price of 0.9200 AUD per NZD:

- if your bought currency amount is AUD 100,000.00, the calculation to determine your sold NZD amount would be:

AUD Amount ÷ Strike Price

in this case:

$$\frac{\text{AUD } 100,000.00}{0.9200} = \text{NZD } 108,695.65$$

- if your sold currency amount is NZD 100,000.00, the calculation to determine your bought AUD amount would be:

NZD Amount x Strike Price

in this case:

$$\text{NZD } 100,000.00 \times 0.9200 = \text{AUD } 92,000.00$$

There are market conventions as to how the exchange rate for most Currency Pairs are quoted. If you are unsure which calculation should apply, please ask your Westpac financial markets dealer.

Depending on the terms agreed with you, on the Settlement Date you will need to provide us with either foreign currency or NZD. You must provide funds that are immediately available on settlement.

When we receive the funds that are due from you under an Option, we will deposit the amounts we owe you in the account previously agreed with you. This must be a bank account with us or another member of the Westpac Group in New Zealand nominated by you, which is in your name and denominated in the relevant currency. Alternative arrangements can be made with our prior agreement.

If you have entered into more than one derivative with us and payments in the same currency are due on the same day then your master dealing agreement (see section 2.11 (How is an Option entered into?)) may permit payments to be made on a net basis in certain circumstances. Where payments are made on a net basis, whichever of you or us has the smaller obligation does not make a payment at all and the other with the greater obligation pays an amount of currency equal to the difference between the two amounts owing.

If you fail to deliver currency or make payments when they are due under an Option, we may exercise our rights under your master dealing agreement, including rights of early termination. Further details on these matters are set out in section 2.16 (Rights under a master dealing agreement to terminate an Option).

2.6 Term

The term of an Option is the period between the time you enter into the Option and the Expiration Time on the Expiration Date. Options are available for terms of up to two years in length (although longer terms may be available on request). The term of any Option will be agreed with you before the Option is entered into.

2.7 What are the key benefits of Options?

Protection

An Option can help provide you with protection against unfavourable foreign exchange movements for the term of your Option. This is because an Option is able to provide you with a “worst case” rate that can apply to your exchange of currency on the Settlement Date. This can assist you in managing your foreign currency exposures. You gain certainty that on the Expiration Date, you will be protected for your nominated bought or sold amount of currency in your Currency Pair at the Strike Price.

Cash flow certainty

The “worst case” rate provided by an Option also gives you certainty of cash flows. This may assist you in settling contractual arrangements denominated in a foreign currency.

Participation in favourable exchange rate movements

An Option allows you to participate in favourable exchange rate movements that may occur up to the Expiration Time on the Expiration Date, while retaining the certainty of an agreed minimum or maximum Strike Price (as applicable).

Tailored terms

Key variables, including the Strike Price, Expiration Date and your bought or sold amount of currency can be tailored to meet your particular needs. The availability of both European and American style Options provides additional flexibility as to what strategy you use to manage currency risk you are exposed to.

Limited cost

You know how much Premium you must pay when you enter the Option. There are no other fees payable to Westpac. Unless you exercise your Option, you are not committed or obliged to exchange currencies.

2.8 Examples

Each of the examples below provides an example of one situation only and uses rates and figures that we have selected to demonstrate how an Option works. The examples do not reflect the specific circumstances or the obligations that may arise under an Option you enter into with us. Depending on the commercial terms we agree with you, each Option we enter into with you may be different from the examples given and you may have different obligations.

In order to assess the merits of any particular Option, you would need to use the actual rates and figures we quote to you at the time. Note that the calculations below do not take into account any tax consequences and may include rounding of decimal places.

Scenario 1 – Importer – NZD Put/USD Call Option

You are a New Zealand based importer due to pay 100,000.00 United States dollars (**USD**) in six months' time for goods you have bought overseas. At that time, you need to convert your NZD into USD 100,000.00. Assume that our present NZD/USD Market Foreign Exchange Rate is 0.6500 USD per NZD.

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

If you do nothing, the amount of NZD you will need to buy the fixed amount of USD 100,000.00 in six months' time will depend on our NZD/USD Market Foreign Exchange Rate applicable at that time.

If the NZD depreciates (meaning it becomes weaker) against the USD, you will need more NZD when it comes time to pay for the fixed amount of USD 100,000.00. Assume that our NZD/USD Market Foreign Exchange Rate is 0.6000 USD per NZD, then you will pay:

$$\frac{\text{USD } 100,000.00}{0.6000} = \text{NZD } 166,666.67$$

If the NZD appreciates (meaning it becomes stronger) against the USD, the opposite occurs and you will need less NZD to buy the fixed USD 100,000.00. Assume that our NZD/USD Market Foreign Exchange Rate is 0.7000 USD per NZD, then you will pay:

$$\frac{\text{USD } 100,000.00}{0.7000} = \text{NZD } 142,857.14$$

How can a NZD Put/USD Call Option change this?

To protect yourself against the NZD depreciating against the USD, while still being able to participate in

favourable exchange rate movements in the NZD, you can buy a NZD Put/USD Call Option today and fix your “worst case” exchange rate. Assume that you enter into an NZD Put/USD Call Option with the following terms:

currency amount	USD 100,000.00	Option style	European style
Expiration Date	Six months from today	Strike Price	0.6300 USD per NZD
Currency Pair	NZD/USD	Premium paid by you	NZD 3,600.00

If the NZD/USD exchange rate depreciates (for example to 0.6000) and our Market Foreign Exchange Rate is below the Strike Price on the Expiration Date, it is likely you will exercise your Option and pay:

USD currency amount ÷ Strike Price

in this case:

$$\frac{\text{USD } 100,000.00}{0.6300} = \text{NZD } 158,730.16$$

However, this is not the overall cost of the transaction, as the NZD 3,600.00 Premium paid for the Option must be taken into account. Adjusted for the Premium, your total payment will be:

	NZD 158,730.16
plus	NZD 3,600.00
	<hr/> NZD 162,330.16

Which equates to an effective exchange rate of:

$$\frac{\text{USD } 100,000.00}{\text{NZD } 162,330.16} = 0.6160$$

By exercising your Option, the amount of NZD you must pay is less than the amount of NZD you would have had to pay if you had not entered into an Option.

If the NZD/USD exchange rate appreciates (for example, 0.7000) and our Market Foreign Exchange Rate is above the Strike Price on the Expiration Date, it is likely that you will allow your Option to lapse. You can then enter into a spot transaction to convert NZD into the required USD 100,000.00 at our Market Foreign Exchange Rate (0.7000). You will pay:

USD currency amount ÷ Market Foreign Exchange Rate

in this case:

$$\frac{\text{USD } 100,000.00}{0.7000} = \text{NZD } 142,857.14$$

Adjusted for the cost of the Premium, your total payment will be:

	NZD 142,857.14
plus	NZD 3,600.00
	<hr/> NZD 146,457.14

This equates to an effective exchange rate of:

$$\frac{\text{USD } 100,000.00}{\text{NZD } 146,457.14} = \text{NZD } 0.6828$$

Note that the effective exchange rate is not the rate at which the currencies will actually be exchanged on exercise. In this scenario the Currency Pair will be exchanged at the Strike Price (or Market Foreign Exchange Rate). The effective rate is the Strike Price (or Market Foreign Exchange Rate) adjusted to reflect the amount of the Premium.

By entering into an Option you have removed the uncertainty of exchange rate fluctuations by fixing your “worst case” exchange rate for the term of the Option. At the same time the Option has maintained your opportunity to take advantage of any favourable exchange rate movements.

Scenario 2 – Exporter – NZD Call/USD Put Option

You are a New Zealand based exporter due to receive a payment of USD 100,000.00 in six months’ time. At that time, you need to convert your USD 100,000.00 into NZD.

Assume our present NZD/USD Market Foreign Exchange Rate is 0.6500 USD per NZD.

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

If you did nothing, the amount of NZD you will receive from us if you converted your USD in six months’ time will depend on our NZD/USD Market Foreign Exchange Rate applicable at that time.

If the NZD appreciates (meaning it becomes stronger) against the USD, the fixed USD 100,000.00 you receive will generate relatively less NZD when it comes time to exchange. Assume in this example that our NZD/USD Market Foreign Exchange Rate is 0.7000 USD per NZD, then you will receive:

$$\frac{\text{USD } 100,000.00}{0.7000} = \text{NZD } 142,857.14$$

If the NZD depreciates (meaning it becomes weaker) against the USD, the opposite occurs and the fixed USD 100,000.00 you receive will generate relatively more NZD when it comes time to exchange. Assume in this example that our NZD/USD Market Foreign Exchange Rate is 0.6000 USD per NZD, then you will receive:

$$\frac{\text{USD } 100,000.00}{0.6000} = \text{NZD } 166,666.67$$

How can a NZD Call/USD Put Option change this?

To protect yourself against the NZD appreciating against the USD, while still being able to participate in favourable exchange rate movements in the NZD, you can buy a NZD Call/USD Put Option today and fix your “worst case” exchange rate. Assume that you enter into an NZD Call/USD Put Option with the following terms:

currency amount	USD 100,000.00	Option style	European style
Expiration Date	Six months from today	Strike Price	0.6750 USD per NZD
Currency Pair	NZD/USD	Premium paid by you	NZD 2,800.00

If the NZD/USD exchange rate appreciates (for example to 0.8000) and our Market Foreign Exchange Rate is above the Strike Price on the Expiration Date, it is likely you will exercise your Option and receive:

USD currency amount ÷ Strike Price

in this case:

$$\frac{\text{USD } 100,000.00}{0.6750} = \text{NZD } 148,148.15$$

However, this is not the overall cost of the transaction, as the NZD 2,800.00 Premium paid for the Option must be taken into account. Adjusted for the Premium, your net proceeds will be:

	NZD 148,148.15
less	NZD 2,800.00
	<hr/> NZD 145,348.15

Which equates to an effective exchange rate of:

$$\frac{\text{USD } 100,000.00}{\text{NZD } 145,348.15} = \text{NZD } 0.6880$$

By exercising your Option, the amount of NZD you receive is greater than the amount of NZD you would have received if you had not entered into an Option.

If the NZD/USD exchange rate depreciates (for example to 0.6000) and our Market Foreign Exchange Rate is below the Strike Price on the Expiration Date, it is likely that you will allow the Option to lapse. You can then enter into a spot transaction to convert your USD 100,000.00 into NZD at our then current Market Foreign Exchange Rate (0.6000). You will receive:

USD currency amount ÷ Market Foreign Exchange Rate

in this case:

$$\frac{\text{USD } 100,000.00}{0.6000} = \text{NZD } 166,666.67$$

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

	NZD 166,666.67
less	NZD 2,800.00
	<hr/> NZD 163,866.67

This equates to an effective exchange rate of:

$$\frac{\text{USD } 100,000.00}{\text{NZD } 163,866.67} = \text{NZD } 0.6103$$

Note that the effective exchange rate is not the rate at which the currencies will actually be exchanged on exercise. In this scenario the Currency Pair will be exchanged at the Strike Price (or our Market Foreign Exchange Rate). The effective rate is the Strike Price (or our Market Foreign Exchange Rate) adjusted to reflect the amount of the Premium.

2.9 What general terms apply to an Option?

We will have provided you with a copy of our Derivatives General Terms. The Derivatives General Terms apply to derivative transactions between us. You agree to the Derivatives General Terms by entering into pricing discussions with us for a derivative (including an Option). You may also be asked to communicate your agreement to the Derivatives General Terms to us in other ways, such as in writing. A copy of our Derivatives General Terms is available on the offer register at disclose-register.companiesoffice.govt.nz and on request (our contact details are set out in section 6 (About Westpac)).

Important

We strongly recommend that you fully consider the Derivatives General Terms before deciding whether to enter into pricing discussions with us for an Option. This is because you are agreeing to our Derivatives General Terms by entering into pricing discussions with us. You should obtain independent advice if you do not understand any aspect of the Derivatives General Terms or any other documents that are provided to you to sign.

2.10 Are there any Westpac credit requirements before dealing?

Before entering into an Option, we will assess your financial position to determine whether or not you satisfy our credit requirements and we will advise you of the outcome as soon as possible.

If your application is successful, depending on our assessment of your creditworthiness, we may ask you to complete additional documentation. We will tell you if any further documentation is required at that time.

2.11 How is an Option entered into?

In addition to any finance documentation, you will need to have a signed master dealing agreement before entering into an Option with us. The master dealing agreements that we use are:

- a New Zealand Banking Association Foreign Exchange Master Agreement (**FXMA**). This is a simple agreement and is used only for foreign currency transactions;
- Westpac's **Master Agreement for Foreign Currency and Derivative Transactions** together with any supplement. This is a more detailed agreement than the FXMA and can be used for foreign currency transactions and other derivative transactions; and
- an International Swaps and Derivatives Association Master Agreement with its associated schedule. (In this PDS, **ISDA** means that agreement and (unless specified otherwise) the associated schedule.) This is a more complicated agreement than the other master dealing agreements and is generally used where a person intends to enter into a variety of other derivative transactions as well as foreign currency transactions.

We will provide you with a copy of the master dealing agreement for you to sign.

Important

We strongly recommend you fully consider the terms of the master dealing agreement before deciding whether to enter into it. You should obtain independent advice if you do not understand any aspect of the master dealing agreement or any other documents that are provided to you to sign.

2.12 Client agreement

Your master dealing agreement, together with the Derivatives General Terms form your **client agreement**. Your client agreement sets out terms and conditions that apply to derivative transactions between us.

The commercial terms agreed in relation to any specific Option will be contained in a document called a **Confirmation** - see section 2.14 (What about Confirmations?) for more information.

2.13 Email, facsimile and telephone indemnity

If you want to provide us with email, facsimile or telephone instructions in relation to Options, we may require you to complete an indemnity form. The purpose of this indemnity is to protect us against the consequences of acting on instructions which may not represent your genuine wishes, but which appear to us to be genuine.

2.14 What about Confirmations?

The commercial terms of a particular Option will be agreed before you enter into the Option. This may occur during a telephone call. Once we reach an agreement with you, both parties are bound by the terms of the Option.

Shortly after entering into an Option, we will send you a Confirmation outlining the commercial terms of your Option that were agreed between us. In most cases you will need to sign this Confirmation and return it to us. This Confirmation evidences the Option that we entered into with you.

It is extremely important that you check your Confirmation to make sure that it accurately records the commercial terms of your Option. If there is a discrepancy between your understanding and the Confirmation, or you do not receive a Confirmation from us, please contact your Westpac financial markets dealer as a matter of urgency.

Conversations with our dealing room and settlement departments are recorded. This is standard market practice. We do this to make sure that we have complete records of the details of all transactions. Recorded conversations are retained for a limited period and are usually used where there is a dispute or for staff monitoring purposes.

2.15 Rights to alter terms of an Option

Westpac has certain rights to alter the Derivatives General Terms and any Master Agreement for Foreign Currency and Derivative Transactions with you without your consent. However, the terms and conditions applying to a particular Option can only be altered if we both agree.

If we both agree to alter the terms of an Option, we will effect the alteration by terminating the existing Option and entering into a new Option with you on new terms. We will need to agree a new Premium with you. Our determination of the new Premium takes into account the same factors that impacted the Premium when originally determined, applied at the time you request the change and having regard to the terms of your new Option (see section 2.3 (How do we set the Premium?)). The new Premium will be payable two business days after the date that we agree the terms of the new Option with you.

If you accept the new Premium that we quote to you, we will send you a Confirmation which details the new Option.

2.16 Rights under a master dealing agreement to terminate an Option

Your master dealing agreement with us will document the situations where derivatives can be terminated and the way the amount to be paid following termination is calculated.

ISDA

The standard ISDA (excluding any schedule) gives both parties to that agreement the right to terminate a particular derivative (and other derivative transactions entered into under that agreement) if any of the events of default or termination events set out in that agreement occur.

Your ISDA will include a schedule that sets out further details of the events of default and termination events and the consequences of those events. It may not apply all the events of default or termination events set out in the standard ISDA (excluding any schedule) to us or you. You should read your ISDA carefully.

The events of default and termination events in the standard ISDA (excluding any schedule) include:

- either you or Westpac fails to make a payment or breaches any other obligation under the agreement;
- either you or Westpac becomes insolvent;
- either you or Westpac fails to make a payment or comply with its obligations under another derivative transaction or in respect of borrowed money;
- either you or Westpac fails to comply with obligations under any “Credit Support Document” (these are security or guarantee documents);
- a representation made by either you or Westpac to the other in connection with the agreement or a derivative is not correct or is misleading in any material respect;
- the relevant derivative transaction becomes illegal;
- either you or Westpac amalgamates or merges with a second entity, or transfers all or substantially all of the relevant party’s assets to a second entity and:
 - the creditworthiness of the second entity is materially weaker than the relevant party or the second entity does not assume all of the relevant party’s obligations under the agreement; or
 - either you or Westpac will be required to pay more, or will receive less, under an Option as a result;
- a “force majeure event” occurs, meaning an event or act of state that is beyond both parties’ control that makes it impossible or impracticable for either you or Westpac to comply with our respective obligations under the agreement, including making or receiving payments; and
- a “tax event” occurs, meaning there is a change in tax law or an action taken by a taxing authority or brought in a court which will, or is likely to, result in either you or Westpac being required to pay more, or receive less, under an Option.

In addition to the standard events of default and termination events, your ISDA may include additional events of default or termination events agreed between you and Westpac. Additional events of default and termination events may also be specified in your Confirmation.

If there are any “Credit Support Providers” (for example, a guarantor) specified or other persons named as “Specified Entities” (for example, your subsidiaries) in your ISDA in relation to you or Westpac, some of these events also apply in relation to those Credit Support Providers or Specified Entities.

This is only a summary of the events of default and termination events provided for in the standard ISDA (excluding any schedule).

FXMA

If a particular Option is subject to the terms of an FXMA, we can terminate the Option (and other derivative transactions entered into under that agreement) if:

- you fail to make a payment or breach any other obligation under that agreement or any other agreement you have entered into with us;

- you become insolvent; or
- a representation you have made to us is false or misleading in any material respect.

Master Agreement for Foreign Currency and Derivative Transactions

If a particular Option is subject to the terms of our Master Agreement for Foreign Currency and Derivative Transactions, either party may be able to terminate an Option (and other derivative transactions entered into under that agreement) if any of the following events occur:

- compliance with any obligations under the Option would result in us breaching any applicable law or regulation;
- a change in tax law results in our obligations being materially different to those that applied at the time the Option was entered into;
- we are unable to make or receive a payment in the place or manner agreed, or perform other obligations for reasons beyond our control or it is impracticable for us to do so, or you do not provide us with instructions which enable us to settle the Option on the required date;
- either you or Westpac fails to make a payment or breaches any other obligation under the agreement;
- you fail to make a payment or breach any other obligation under any other agreement you have entered into with us or any other member of the Westpac Group;
- a representation made by either you or Westpac in connection with the agreement or (in your case) any other agreement you have entered into with us is not correct or is misleading in any material respect;
- certain events occur in relation to any lending facility you have with us or any other member of the Westpac Group which is hedged in whole or in part by the Option, including:
 - the facility is terminated or cancelled or becomes invalid, illegal or unenforceable; or
 - monies loaned under the facility are repaid, required to be repaid early, terminated or cancelled for any reason;
- either you or Westpac becomes insolvent;
- any security granted over your assets becomes enforceable;
- you do not provide us with satisfactory security or other credit support in connection with the agreement, if we have requested it;
- you do not pay on time any amount you owe to anyone else, or breach, or an event of default or similar event occurs under, the terms on which you owe that amount;
- it is unlawful for any party to perform its obligations under the agreement or any guarantee or security granted to us for your obligations under the agreement, or you challenge the validity of the agreement or any guarantee or security or any of those documents ceases to have effect;
- any event occurs that in our reasonable opinion may affect the value of any property secured by a security given to us which is material, or may materially impact our ability to recover any amount payable or enforce obligations under the agreement or any guarantee or security;
- a change of control event occurs, or you or a guarantor dispose of all or substantially all of its assets or cease to carry on its business as it is being conducted at the time the agreement is entered into;
- if you are an individual, you die or become insane or incapacitated;
- either you (if you are a company) or Westpac becomes, or any step is taken to cause you or Westpac to become de-registered or to cease to be incorporated; or
- if you enter into the agreement as trustee of a trust and certain events occur in relation to the trust which are adverse to us.

Additional events of default and termination events may also be specified in your Confirmation.

If there are any guarantors and security providers in connection with your obligations under the Master Agreement for Foreign Currency and Derivative Transactions, some of these events also apply in relation to them.

This is only a summary of the events of default and termination events provided for in the Master Agreement for Foreign Currency and Derivative Transactions.

If at any time you experience any financial difficulty or are concerned that you may not be able to meet your obligations under an Option, please let us know. Our contact details are provided in section 6 (About Westpac).

2.17 What happens if I ask Westpac to terminate an Option early?

You may ask us to terminate an Option at any time up to the date it is exercised. As long as you have paid the Premium in full, no additional amounts will be payable by you. However, the Premium that you paid to enter into the Option will not be refunded to you.

2.18 How much could be payable if the Option terminates for another reason?

If a particular Option is terminated early other than due to your request, as long as you have paid the Premium, no additional amount will be payable by you in relation to the Option.

If you have entered into other derivative transactions with us, we may have the right to terminate those derivative transactions you have entered into with us as well.

We will determine the mark-to-market value of the Option (and any other derivative transactions affected by the termination). The “mark-to-market value” of a derivative is what we consider to be the current value of that derivative. The values of all derivative transactions affected by the termination will be aggregated. Although no additional amount is payable by you in relation to the Option, depending on the values of any other transactions being terminated, a net amount will be payable either by you to us or by us to you. The amount payable on termination may be significant.

You should refer to your master dealing agreement described above in section 2.11 (How is an Option entered into?) for full details on amounts that may be payable on early termination, including how the mark-to-market value of affected transactions and the net amount payable are determined.

The Premium that you paid to enter into the Option with us will not be refunded to you.

3. Risks of these derivatives

3.1 Product risks

Loss of Premium/Opportunity cost

The Premium is not refundable. This applies even when the Option lapses or is terminated before exercise. Accordingly, depending on the current Market Foreign Exchange Rate on the Expiration Date, the total cost of the transaction (that is, the Premium plus your ultimate currency exchange costs) might be higher than if you had not entered into the Option.

Variation

Variation of your Option may result in a cost to you. See sections 2.15 (Rights to alter terms of an Option) and 4 (Fees) for more information.

No cooling-off period

There is no cooling-off period. This means that, except in certain circumstances, once you enter into an Option, you cannot terminate or vary the Option without our consent even if you no longer need the Option or have changed your mind about the Option. You must still pay the Premium. A variation may result in a cost to you. That cost may be significant. See section 2.15 (Rights to alter terms of an Option). In relation to termination, see section 2.17 (What happens if I ask Westpac to terminate an Option early?) for more information.

Breach of obligations

Failure to make any payment to us under your Option will be a breach of your master dealing agreement with us. If you do not comply with your payment obligations or any other obligation under your master dealing agreement, we may choose to exercise our right to terminate your Option and/or any other derivative transaction with us under your master dealing agreement. This may result in a cost to you, which may be significant. See sections 2.16 (Rights under a master dealing agreement to terminate an Option) and 2.18 (How much could be payable if the Option terminates for another reason?) for more information on the costs that arise in the event that an Option is terminated early, other than as a result of a request by you.

3.2 Issuer risks

Westpac's creditworthiness

When you enter into an Option, you are exposed to the risk that we become insolvent and are unable to meet our obligations under the Option.

As is the case with most financial markets products we enter into, we have performance obligations under an Option. If we are unable to perform our obligations under your Option, you will be exposed to exchange rate fluctuations as if you had not entered into the Option.

Our ability to fulfil our obligations is linked to our financial wellbeing. This is commonly referred to as credit or counterparty risk.

You must make your own assessment of our ability to meet our obligations. However, as an "authorised deposit-taking institution" in Australia and a registered bank in New Zealand, we are subject to prudential regulation which is intended to reduce the risk of us failing to perform our obligations.

In order to assist your assessment of Westpac's creditworthiness you should refer to the disclosure statements we are required to prepare under the Banking (Prudential Supervision) Act 1989 and Westpac's annual reports. These disclosure statements and annual reports are available here: [westpac.co.nz/about-us/legal-information-privacy/disclosure-statements](https://www.westpac.co.nz/about-us/legal-information-privacy/disclosure-statements).

The disclosure statements prepared under the Banking (Prudential Supervision) Act 1989 relate primarily to Westpac's operations in New Zealand. Westpac's annual reports relate to Westpac's operations worldwide.

Credit Ratings

Westpac Banking Corporation has the following credit ratings with respect to its long-term senior unsecured obligations:

S&P Global Ratings Australia Pty Ltd **AA-, Outlook Stable**
Fitch Ratings Inc. **A+, Outlook Stable**
Moody's Investors Service Pty Limited **Aa3, Outlook Stable**

In addition, Moody's Investors Service Pty Limited provides a local currency and foreign currency long-term counterparty risk rating (**CRR**). This is an opinion on the ability of Westpac Banking Corporation to honour the uncollateralised portion of non-debt counterparty financial liabilities (such as the uncollateralised portion of financial liabilities arising from derivatives) and also reflects the expected financial losses in the event such liabilities are not honoured.

The CRR is intended to be distinct from the ratings assigned to long-term senior unsecured obligations.

Westpac Banking Corporation's CRR is Aa2, no Outlook provided.

The following is a summary of the major rating categories available, and Westpac's placement within those rating categories for its long-term senior unsecured obligations and its CRR.

S&P	AAA	AA	A	BBB	BB	B	CCC	CC to C	D
Fitch	AAA	AA	A	BBB	BB	B	CCC	CC to C	RD & D
Moody's	Aaa	Aa	A	Baa	Ba	B	Caa	Ca to C *	-
Description of the issuer's capacity to meet its financial commitments**	Extremely strong	Very strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable	In default
Default probability***	1 in 600	1 in 300	1 in 150	1 in 30	1 in 10	1 in 5	1 in 2		



Westpac's credit ratings in relation to its long-term senior unsecured obligations are:

AA- (S&P)
A+ (Fitch)
Aa3 (Moody's)

The S&P, Fitch and Moody's ratings are "Outlook Stable".

Westpac's CRR from Moody's is Aa2, no "Outlook".

* If a rating of "C" is given by Moody's Investors Service, the issuer is typically in default.

** Summary description of S&P ratings.

*** The approximate median likelihood that an investor will not receive repayment on a five-year investment on time and in full based upon historical default rates published by each agency, as at 2008 (source: Reserve Bank of New Zealand publication "Explaining Credit Ratings", dated November 2008).

S&P ratings from "AA" to "CCC" and Fitch ratings from "AA" to "B" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. Moody's adds numerical modifiers 1, 2 and 3 to each generic rating classification from "Aa" to "Caa". A "1" indicates that the obligation ranks in the higher end of the rating category; a "2" indicates a mid-range ranking; and a "3" indicates a ranking in the lower end of that rating category. Ratings may also be subject to positive, negative or stable outlooks.

A credit rating is an independent opinion of the capability and willingness of an entity to meet its financial obligations (in other words, its creditworthiness). It is not a guarantee that the issuer will be able to meet its obligations under derivatives.

3.3 Risks when entering or settling the derivatives

We use internal and external systems and services to provide Options to you. Unexpected underperformance of an email, facsimile or telephone service or computer system may result in a delay or failure to either enter into or settle an Option as intended. This unexpected underperformance may mean that an Option is not entered into when you intended (meaning, for example, you may not be able to enter into an Option at the Strike Price that you had wanted) or that you do not receive a payment on the date it is due.

Pricing we offer you in an email for a particular Option is indicative only. This means that you may not be able to enter into an Option with the Premium and/or Strike Price referred to in our email.

Use of agents and correspondent banks

To deliver some currencies (other than NZD), we may use agents and/or correspondent banks. We will use reasonable care in the selection of such agents and/or correspondent banks. These agents and correspondent banks may not be part of the Westpac Group and, in that case, we will not always be able to ensure that these organisations will fulfil their obligations to deliver currencies to us. Although this does not affect our obligations under the Option, it may result in you not receiving currency under your Option at the time you had anticipated.

If the agent or correspondent bank fails to deliver the required currency when due, we will work with the agent or correspondent bank to effect delivery or make alternative arrangements with you.

4. Fees

4.1 What fees or charges apply?

In return for us selling you an Option, you must pay us a non-refundable Premium.

The Premium is determined on an individual basis for each Option before you enter into the particular Option. The factors that are relevant to determining the Premium (including our profit margin), and the impact of each of those factors on the Premium (including our profit margin), are explained in section 2.3 (How do we set the Premium?).

If we agree to change the terms of your Option, we will effect the change by terminating the existing Option and entering into a new Option. We will need to agree a new Premium with you for the new Option. We determine the new Premium on the date we agree the terms of the new Option with you. See section 2.15 (Rights to alter terms of an Option) for more information on how we determine the new Premium.

4.2 When is the Premium paid?

The Premium is payable on the premium payment date. This will be two business days after the date that we enter into an Option, subject to adjustment where banks are not open for business in Sydney, Australia and/or Auckland, New Zealand on that date.

The premium payment date for an Option will be included in your Confirmation.

If you do not pay the Premium when due, Westpac may exercise its rights under your master dealing agreement. That may include rights of early termination in respect of the Option and other products transacted under your master dealing agreement.

5. How Westpac treats funds and property received from you

5.1 Our processes for receiving payments from you

NZD amounts due to us in respect of an Option can be paid in several ways, such as by making a direct debit payment or payment through another electronic delivery mechanism operated by a member of the Westpac Group in New Zealand. You can provide foreign currency either by telegraphic transfer or by transferring funds from a foreign currency account or deposit. Please contact your usual Westpac financial markets dealer for more information.

5.2 Amounts received from you

Amounts paid to us in satisfaction of your obligations under an Option become our property on payment.

In general, there is no requirement for you to deliver any form of cash collateral or other security in support of an Option. However, in certain circumstances we may require you to enter into such arrangements as a condition of your credit approval. If you enter into any such arrangement with us and are required to provide us with cash collateral under that arrangement, that cash collateral you provide will become our property. However, we will have a contractual obligation to deliver an equivalent amount of cash to you when the cash collateral is no longer required under the terms of the collateral arrangement.

6. About Westpac

Westpac is incorporated in Australia. Westpac is an “authorised deposit-taking institution” in Australia and is a registered bank in New Zealand under the Banking (Prudential Supervision) Act 1989. Westpac operates in New Zealand through its New Zealand branch and among other things provides financial markets products and services to customers of the Westpac Group in New Zealand.

Westpac is located at:

Westpac on Takutai Square

Level 8

16 Takutai Square

Auckland 1010

Any enquiries about Options can be made to your Westpac financial markets dealer or by contacting us during normal business hours on:

0800 659 307

or in writing to:

PO Box 934

Auckland 1140

or to our Takutai Square address set out above.

7. How to complain

Sometimes you may want to talk about problems you are having with us or an Option. Fixing these problems is very important to us.

We have put in place processes to deal with your issues quickly and fairly.

Please talk to us first

We aim to resolve your complaint at your first point of contact with us so please contact your usual Westpac financial markets dealer in the first instance. Alternatively, you can write to us at:

Attention: Chief Operating Officer, Westpac Banking Corporation – New Zealand Branch
PO Box 934
Auckland 1140

or at:

Attention: Chief Operating Officer, Westpac Banking Corporation – New Zealand Branch
Westpac on Takutai Square
Level 8
16 Takutai Square
Auckland 1010

or call:

0800 659 307

We subscribe to the New Zealand Banking Association Code of Banking Practice, which sets out the minimum standards for resolving complaints.

What to do if you are still unhappy

If we are not able to deal with your issues to your satisfaction, you may contact our external dispute resolution provider, the Office of the Banking Ombudsman. The Office of the Banking Ombudsman is an approved dispute resolution scheme and may be able to consider your complaint. The Office of the Banking Ombudsman may be contacted by writing to:

Freepost 218002
PO Box 25327
Wellington 6146

by calling:

0800 805 950

or by email:

help@bankomb.org.nz

The Office of the Banking Ombudsman will not charge a fee to any complainant to investigate or resolve a complaint.

8. Where you can find more information

Further information about us and Options is available from the offer register. The offer register can be accessed at: disclose-register.companiesoffice.govt.nz

A copy of information on the offer register is available on request from the Registrar of Financial Service Providers.

Other information about Westpac's financial markets services in New Zealand is available (free of charge) at: westpac.co.nz/wib/financial-markets

Westpac is a listed issuer in both Australia and New Zealand and is subject to regular reporting and disclosure obligations under the listing rules of the Australian Securities Exchange (**ASX**) and NZX Limited (**NZX**). Copies of documents lodged by Westpac with ASX or NZX can be obtained (free of charge) from the section on Westpac on the ASX and NZX websites.

9. How to enter into client agreement

Before you can enter into an Option, you must enter into a client agreement with us. More information about our forms of client agreement and the process that must be completed before you enter into a client agreement is set out in sections 2.9 (What general terms apply to an Option?) to 2.13 (Email, facsimile and telephone indemnity).

To start the process of entering into a client agreement, please contact your Westpac financial markets dealer.

10. General information

10.1 Additional important information about this PDS

If you decide to enter into an Option, you should keep a copy of this PDS and any associated documentation.

The information set out in this PDS is general in nature. It has been prepared without taking into account your specific objectives, financial situation or needs. Because of this, you should consider its appropriateness having regard to your specific objectives, financial situation and needs. By providing this PDS, Westpac does not intend to provide financial advice or any financial recommendations.

10.2 New Zealand investors

Only investors in New Zealand are invited to apply for an Option. If you are not in New Zealand, Westpac is not inviting you to apply for Options under this PDS.

Supply of this PDS does not create a "regulated offer" for the purposes of the Financial Markets Conduct Act 2013. Whether or not an offer is a "regulated offer" depends on your investor status under the Financial Markets Conduct Act 2013.

10.3 Taxation

Taxation law is complex and may have significant consequences for investments. If you have any queries on the tax consequences of entering into an Option, you should obtain professional advice on those consequences. Westpac is not responsible or liable for any such consequences.

10.4 Changes to this PDS

Information in this PDS may change over time. The PDS will not necessarily be updated and/or resent to you. Please refer to the offer register disclose-register.companiesoffice.govt.nz for the latest information.

11. Glossary

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

American style Option	An Option that is exercisable at any time prior to the Expiration Time on the Expiration Date.
AUD	Australian dollars.
Call Currency	Also referred to as the bought currency . This is the currency you are buying under an Option.
Call Option	An Option under which you have the right but not the obligation to buy the Call Currency at the Strike Price.
client agreement	The agreement between us relating to the issue of an Option by us to you. The terms of this agreement are our Derivatives General Terms and the master dealing agreement we agree.
Confirmation	A letter from us to you which confirms the terms of a particular Option including the amount of the currency being exchanged, the Currency Pair, the option style, the Expiration Date and Expiration Time and the Strike Price.
Currency Pair	The two currencies to which an Option relates. The Currency Pair must be acceptable to us.
Derivatives General Terms	The general terms applying to derivatives issued by Westpac, an additional copy of which can be obtained from the offer register: disclose-register.companiesoffice.govt.nz or on request from Westpac.
European style Option	An Option that is only exercisable on the Expiration Date at the Expiration Time.
Expiration Date	The date on which the outcome of the Option will be determined.
Expiration Time	The time on the Expiration Date at which the outcome of the Option will be determined.

FXMA	The New Zealand Banking Association Foreign Exchange Master Agreement.
ISDA	The International Swaps and Derivatives Association Master Agreement and (unless specified otherwise) its associated schedule.
Market Foreign Exchange Rate	The price we quote for one currency in terms of another currency for delivery on the relevant day after taking into account our costs and profit margin.
Master Agreement for Foreign Currency and Derivative Transactions	Westpac's Master Agreement for Foreign Currency and Derivative Transactions.
NZD	New Zealand dollars.
Option	A Foreign Exchange Option Contract, being the product that is the subject of this PDS.
option style	Either an American style Option or a European style Option.
option type	Either a Put Option or a Call Option.
PDS	This Product Disclosure Statement.
Premium	An amount you must pay us to enter into the Option.
Put Currency	Also referred to as the sold currency . This is the currency you are selling under an Option.
Put Option	An Option under which you have the right but not the obligation to sell the Put Currency at the Strike Price.
Settlement Date	The date that the exchange of currencies will take place if the Option is exercised.
spot transaction	An agreement to exchange two currencies at our Market Foreign Exchange Rate for settlement in two business days or less after the date on which the transaction is entered into.
Strike Price	The agreed price at which the Currency Pair will be exchanged if the Option is exercised.
USD	United States dollars.
Westpac, we, our or us	(unless the context requires otherwise) Westpac Banking Corporation, incorporated in Australia (ABN 33 007 457 141).
Westpac Group	Westpac Banking Corporation and its subsidiaries.
You, your	The customer receiving this PDS.

