# Agricultural Swaps

## Product Disclosure Statement

### Effective 1 August 2023

These products are issued by the Commonwealth bank of Australia ABN 48 123 123 124 AFSL and Australian credit licence 23495.

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# Contents

# Part 1: Features at a glance

Defined terms are in italics and are set out in the "Definitions" section of this PDS

| Topic | Description | Part in PDS |
|---|---|---|
| Purpose | Agricultural swap transactions *("AS transactions")* may be commercially useful for people seeking to manage the risk of adverse movements in *commodity prices*: for example, producers of agricultural commodities such as wheat farmers looking to protect against falling *commodity prices*, or consumers of agricultural commodities such as dairy farmers, requiring cattle feed and looking to protect against rising *commodity prices*.<br>*AS transactions* should not be used for speculation. | 2 |
| Significant benefits | Provide protection against adverse *commodity price* movements | 7 |
| Significant disadvantages | • Do not cover basis risk<br>• Do not allow *you* to benefit from favourable *commodity price* movements | 8 |
| Significant risks | Significant risks include basis risk, operational risk, market risk, currency risk, production or consumption risk, credit risk and sanctions risk.<br>*AS transactions* can result in a hedging loss. | 9 |
| Minimum *transaction amounts* | • Grains & Oilseeds – 250 metric tonnes<br>• Cotton – 100 bales<br>• Sugar – 100 metric tonnes<br>Smaller *transaction amounts* and other commodities may be available on request. | 10.1 |
| Terms | 3 *business days* to 3 years (5 years for sugar). Other terms may be available on request. | 10.1 |
| Costs | See "What are the costs involved in *AS transactions*?" at Part 14 of this PDS. | 14 |
| Settlement | *Cash settlement amount* exchanged on the *settlement date*. No physical settlement is permitted. The *settlement date*, once agreed, cannot be varied. | 10 and 11 |
| Early termination | An amount may be payable to or by *you*, depending on the *mark-to-market value* of the transaction upon termination. | 12 |

**Important Information:** Agricultural Swaps are financial products which involve dealing in agricultural derivatives. The information in this Product Disclosure Statement (PDS) does not take into account *your* personal objectives, financial situation and needs. Before entering into these products *you* should be satisfied that such products are suitable for *you* in view of those objectives, and *your* financial situation and needs, and we recommend that *you* consult *your* investment adviser or obtain other independent advice. Unless *you* are familiar with agricultural derivatives and products of this type, these products may not be suitable for *you*.

# Part 2: Purpose of a Product Disclosure Statement (PDS)

A PDS aims to provide *you* with enough information to help *you* decide whether the financial product listed in this document will meet *your* needs. It also helps *you* to compare the product with others *you* may be considering.

This PDS provides information about agricultural swap transactions (*AS transactions*).

If *you* decide to enter into any *AS transactions*, *you* should keep this PDS and all other documentation relating to *your AS transactions* for future reference.

If *you* have any questions or wish to contact us, please call **13 2221** between 6am and 10pm (Sydney time), Monday to Friday, visit our website at **www.commbank.com.au**, call CBA Global Markets, or contact *your* relationship manager.

To assist *you* in understanding this PDS, the definitions of some words are provided in the "Definitions" section of this PDS. When used in this PDS, these words usually appear in italics.

**Important Information:** *AS transactions* are financial products which involve dealing in agricultural derivatives. The information in this PDS provides information about *AS transactions* and does not take into account *your* personal objectives, financial situation and needs. Before trading in any of these products, *you* should be satisfied that such product is suitable for *you* in view of those objectives, and *your* financial situation and needs. We also recommend that *you* consult *your* investment adviser or obtain other independent advice. Unless *you* are familiar with agricultural derivatives and products of this type, the product may not be suitable for *you*.

This information has been prepared without taking account of the taxation situation or needs of any particular individual. Taxation considerations are general and based on present taxation laws and may be subject to change. *You* should seek independent, professional tax advice before making any decision based on this information.

The *Bank* is not a registered tax (financial) adviser under the Tax Agent Services Act 2009 and *you* should seek tax advice from a registered tax agent or a registered tax (financial) adviser if *you* intend to rely on this information to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law.

This PDS relates to *AS transactions* between the *Bank* and persons who are residents of Australia. The distribution of this PDS in any jurisdiction outside of Australia may be restricted by law. This PDS does not constitute an offer or invitation in any jurisdiction in which, or to whom it would be unlawful to offer or invite a person to enter into an *AS transaction*.

The information in this PDS is subject to change from time to time and is up to date as at the date stated on the cover. Where the new information is materially adverse information, the *Bank* will either issue a new PDS or a supplementary PDS setting out the updated information. Where the new information is not materially adverse information, we will not issue a new PDS or a supplementary PDS but we will make the updated information available to *you* on our website **www.commbank.com.au**, or *you* can call **13 2221**. If *you* ask us to, we will send *you* a hard copy of the information.

We will provide *you* (free of charge) with information about the current standard fees and charges applicable to *your* product, if *you* ask us.

# Part 3: What is an *AS transaction?*

An *AS transaction* is an agreement between *you* and the *Bank*, which effectively fixes the price *you* receive, or pay, for a nominated quantity of a commodity (the fixed price) on a future date (*settlement date*).

Under the *AS transaction*, *you* agree to swap a floating price for a fixed price for a nominated quantity of the underlying commodity, on a nominated *settlement date*. *AS transactions* therefore allow *you* to achieve a fixed price, being *your* level of *commodity price* certainty.

The floating price or *commodity reference price* in an *AS transaction* is based on the settlement price of an agreed *futures contract* for the underlying commodity on an agreed *futures exchange*, or an index or on the settlement price quoted in a price guide for the underlying commodity.

The *futures exchanges*, indices and price guides, from which *commodity reference prices* are sourced, will vary depending on the commodity underlying the *AS transaction* and will be agreed between *you* and the *Bank* on the *trade date*. Please refer to Appendix A for examples of some of the *futures exchanges*, from which *commodity reference prices* could be sourced. Details of current *commodity reference prices*, including the commodities in which the *Bank* offers *AS transactions*, are available on request from *your* relationship manager.

Where the *commodity reference price* is not in the same currency as the fixed price, the settlement price from the *futures contract*, index or price guide will be converted to the same currency as the fixed price, using the *reference rate*. An example of a *reference rate* is the *Hedge Settlement Rate Average (HSRA)* that is a *reference rate* that is published on Reuters page *HSRA*.

The fixed price of an *AS transaction* is determined by the *Bank*. For more information on how the *Bank* determines the fixed price see Part 5. The fixed price of the underlying commodity can be denominated or expressed in *AUD*, *USD* or *CAD* or another currency as agreed between *you* and the *Bank*.

## 3.1 How does it work?

Under an *AS transaction*, a *cash settlement amount* is payable on a *settlement date*, either by the *Bank* to *you* or by *you* to the *Bank*. The *cash settlement amount* is an amount based on the net difference between the fixed price and the *commodity reference price* on the *pricing date*. The *pricing date* will generally be 2 *business days* before the *settlement date*.

Depending on the *commodity reference price* on the *pricing date*, a *cash settlement amount* may be payable by *you* to the *Bank* or by the *Bank* to *you* on the *settlement date* as follows:

- If *you* have entered into the *AS transaction* to provide protection against a rise in a *commodity price* by agreeing to pay the fixed price and on the *pricing date*:
  - if the *commodity reference price* is higher than the fixed price, the *Bank* must pay *you* the *cash settlement amount*; or
  - if the *commodity reference price* is lower than the fixed price, *you* must pay the *Bank* the *cash settlement amount*; or
  - if the *commodity reference price* is equal to the fixed price, there is no further obligation between *you* and the *Bank*, with respect to the *settlement date* under the *AS transaction*.
- If *you* have entered into the *AS transaction* to provide protection against a fall in a *commodity price* by agreeing to receive the fixed price and on the *pricing date*:
  - the *commodity reference price* is lower than the fixed price, the *Bank* must pay *you* the *cash settlement amount*; or
  - the *commodity reference price* is higher than the fixed price, *you* must pay the *Bank* the *cash settlement amount*; or
  - the *commodity reference price* is equal to the fixed price, there is no further obligation between *you* and the *Bank* with respect to the *settlement date* under the *AS transaction*.

There may be one or more *pricing dat*es and *settlement dates* over the *transaction period*, for example *pricing dat*es and *settlement dates* may occur quarterly, semi-annually or annually.

See Part 6 for some worked examples of the settlement of *AS transactions*.

### 3.2 Are there credit or document requirements?

The entry into each *AS transaction* is subject to prior credit approval by the *Bank* and *your* entering into a *master agreement*. Please see Part 10 for more information.

## Part 4: Uses of *AS transactions*

*AS transactions* may be commercially useful for people seeking to manage the risk of adverse movements in *commodity prices*, for example:

- producers of agricultural commodities such as wheat farmers, looking to protect against falling *commodity prices*;
- consumers of agricultural commodities such as dairy farmers, requiring cattle feed, looking to protect against rising *commodity prices*; and
- other clients who have exposure to agricultural *commodity price* movements.

*AS transactions* should not be used for speculation.

## Part 5: Determining the AS fixed price

The *Bank* will calculate the fixed price of the underlying commodity under the *AS transaction*, by taking the following factors into account:

- the *commodity reference price* from the agreed *futures exchange*, index or price guide. All prices and products are heavily influenced by domestic and international commodities markets. Some of these *futures exchanges*, from which *commodity reference prices* could be sourced, are listed in Appendix A;
- the *forward exchange rate* for the currency in which the *commodity reference price* is expressed – the *forward exchange rate* is the expression of the value of one currency in terms of another, when the currencies are exchanged at a future date, that is more than 2 *business days* after the contract to exchange the currencies is entered into. The fixed price of the underlying commodity can be denominated or expressed in *AUD*, *USD* or *CAD* or another currency as agreed to between *you* and the *Bank*;
- the *forward exchange rate* for the currency in which the fixed price is expressed;
- the *transaction amount*. This is the agreed quantity of the underlying commodity;
- the *pricing date*. This is the date on which the *commodity reference price* is set and the outcome of the *AS transaction* is determined;
- the *transaction period*. This is the period from and including the *trade date* (date on which an *AS transaction* is entered into by the *parties to the agreement*) and the final *settlement date*
- (the *business day* on which a *cash settlement amount* will be exchanged between the *parties to the agreement*);
- an allowance for the *Bank*'s costs, both fixed and variable. These costs are dependent on the liquidity of the underlying product, ability to hedge, basis risk and whether or not there is a *futures contract* that enables the *Bank* to hedge the risk; and
- the *Bank*'s profit margin. This is dependent on the client credit rating, the *Bank*'s market risk exposure and the *Bank*'s appetite to manage risk.

All the above factors, individually and in combination, will have a positive or negative impact on the fixed price.

# Part 6: Examples of how an *AS transaction* works

The following examples set out how *AS transactions* work for producers (sellers) of a commodity (in this example, wheat) and for consumers (buyers) of a commodity (in this example, wheat).

It is important to note that in these examples, the financial outcomes have been determined without allowing for basis risk (refer to "What are the Significant Risks of *AS transactions*" at Part 9 for a further discussion of basis risk). Examples are used for illustrative purposes only, and do not reflect current market prices or outcomes or the *Bank*'s (or any of its associates') view on future matters.

## 6.1 Example 1

### *You* are a producer (seller) of wheat

*You* would like to receive a fixed price in *AUD* for 300 metric tonnes of wheat in 1 years' time, based on the *commodity reference price* on the *futures exchange* agreed to between *you* and the *Bank*.

In this example, the *commodity reference price* will be based on the closing *USD* price of the wheat *futures contract* on *CBOT* on the *pricing date*, converted to *AUD** at the *HSRA AUD/USD exchange rate* on the following *business day* (*HSRA date*). The *settlement date* will be 2 *business days* after the *HSRA date*.

Assuming the current *commodity reference price* for wheat to be *AUD* 309.00 per metric tonne, a fall in the *commodity price* in *AUD* terms would mean that *you* would receive less *AUD* when *you* sell *your* wheat in the market.

*You* are therefore seeking protection against a fall in the *commodity price* of wheat.

The *Bank* will calculate the fixed price of the *AS transaction* based on certain factors including *your* specified *transaction amount* and specified *transaction period* (for more information please see "Determining the AS fixed price" at Part 5).

### Assume the following for Example 1

| | |
|---|---|
| **Commodity** | *CBOT* Wheat |
| ***Transaction amount*** | 300 metric tonnes |
| **1 year *AUD* fixed price per metric tonne at the *trade date* (calculated by the *Bank*)** | 300.00 |
| ***Pricing date*** | 1 year from the *trade date* |
| ***HSRA date*** | 1 *business day* after the *pricing date* |
| ***Settlement date*** | 2 *business days* after the *HSRA date* |

* In this example, if *you* agreed with the *Bank* to use the *commodity reference price* based on the closing *AUD* price of the wheat *futures contracts* on *ASX* on the *pricing date* instead of *CBOT*, there would be no requirement to convert the *commodity reference price* to *AUD*.

## Example 1 Continued

| Possible outcomes on the *settlement date* (Producer) | Possible price achieved** |
| --- | --- |
| If the *commodity reference price* is lower than the fixed price, then on the *settlement date*, the *Bank* must pay *you* the difference between the fixed price and the *commodity reference price*.<br>For example, if the *commodity reference price* is *AUD* 280.00 per metric tonne, then on the *settlement date* the *Bank* will pay *you* the following *cash settlement amount*:<br>300 x (*AUD* 300.00 – *AUD* 280.00) = *AUD* 6,000.00<br>This *cash settlement amount* will compensate for the lower price *you* will receive when *you* sell *your* physical wheat.<br>For example, if *you* sell *your* physical wheat at *AUD* 280.00 per metric tonne *you* will receive:<br>300 x *AUD* 280.00 = *AUD* 84,000.00<br>This means that *you* have received a net total of *AUD* 90,000.00 (*AUD* 84,000.00 + *AUD* 6,000.00).<br>This equals *AUD* 300.00 per metric tonne:<br>*AUD* 90,000.00 ÷ 300 metric tonnes = *AUD* 300.00 per metric tonne | *AUD* 300.00 per metric tonne |
| If the *commodity reference price* is higher than the fixed price, then on the *settlement date you* must pay the *Bank* the difference between the fixed price and the *commodity reference price*.<br>For example, if the *commodity reference price* is *AUD* 320.00 per metric tonne, then on the *settlement date*, *you* must pay the *Bank*:<br>300 x (*AUD* 320.00 – *AUD* 300.00) = *AUD* 6,000.00<br>For example, if *you* sell *your* physical wheat at *AUD* 320.00 per metric tonne *you* will receive:<br>300 x *AUD* 320.00 = *AUD* 96,000.00<br>This means that *you* have received a net total of *AUD* 90,000.00<br>(*AUD* 96,000.00 – *AUD* 6,000.00).<br>This equals *AUD* 300.00 per metric tonne:<br>*AUD* 90,000.00 ÷ 300 metric tonnes = *AUD* 300.00 per metric tonne | *AUD* 300.00 per metric tonne |
| If the fixed price is equal to the *commodity reference price*, *you* and the *Bank* will have no further obligations to each other with respect to the *settlement date* under the *AS transaction*. | *AUD* 300.00 per metric tonne |

The examples do not include "basis risk". An explanation of Basis risk is included at Part 9.1.

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank*'s (or any of its associates') view on future matters. If *you* have chosen more than one *pricing date* for the *transaction period*, the same calculation method will be used to determine the *cash settlement amount* on each specified *settlement date*.

## 6.2 Example 2

### *You* are a consumer (buyer) of wheat

*You* would like to pay a fixed price in *AUD* for 300 metric tonnes of wheat in 1 year's time, based on the *commodity reference price* on the *futures exchange* agreed to between *you* and the *Bank*.

In this example, the *commodity reference price* will be based on the closing *USD* price of the wheat *futures contract* on *CBOT* on the *pricing date*, converted to *AUD** at the *HSRA AUD/USD exchange rate* on the following *business day* (*HSRA date*). The *settlement date* will be 2 *business days* after the *HSRA date*.

Assuming the current *commodity reference price* for wheat is *AUD* 309.00 per metric tonne, a rise in the *commodity price* in *AUD* terms would mean *you* would pay more *AUD* when *you* buy *your* wheat in the market. *You* are therefore seeking protection against a rise in the *commodity price* of wheat.

The *Bank* will calculate the fixed price based on *your* specified *transaction amount* and specified *transaction period*.

### Assume the following for Example 2

| | |
|---|---|
| **Commodity** | *CBOT* Wheat |
| ***Transaction amount*** | 300 metric tonnes |
| **1 year *AUD* fixed price per metric tonne at the *trade date* (calculated by the *Bank*)** | 318.00 |
| ***Pricing date*** | 1 year from the *trade date* |
| ***HSRA date*** | 1 *business day* after the *pricing date* |
| ***Settlement date*** | 2 *business days* after the *HSRA date* |

The examples do not include "basis risk". An explanation of Basis risk is included at Part 9.1.

* In this example, if *you* agreed with the *Bank* to use the *commodity reference price* based on the closing *AUD* price of the wheat *futures contracts* on *ASX* on the *pricing date* instead of *CBOT*, there would be no requirement to convert the *commodity reference price* to *AUD*.

## Example 2 Continued

| Possible outcomes on the *settlement date* (Consumer) | Possible price achieved** |
|---|---|
| If the *commodity reference price* is higher than the fixed price, then on the *settlement date* the *Bank* must pay *you* the difference between the fixed price and the *commodity reference price*.<br>For example, if the *commodity reference price* is *AUD* 320.00 per metric tonne, then on the *settlement date* the *Bank* will pay *you*:<br>300 x (*AUD* 320.00 – *AUD* 318.00) = *AUD* 600.00<br>This *cash settlement amount* will compensate for the higher price *you* will pay when *you* buy *your* physical wheat.<br>For example, if *you* buy *your* physical wheat at *AUD* 320.00 per metric tonne *you* will pay:<br>300 x *AUD* 320.00 = *AUD* 96,000.00<br>This means that *you* have paid a net total of *AUD* 95,400.00<br>(*AUD* 96,000.00 – *AUD* 600.00). This equals *AUD* 318.00 per metric tonne.<br>*AUD* 95,400.00 ÷ 300 metric tonnes = *AUD* 318.00 per metric tonne | *AUD* 318.00 per metric tonne |
| If the *commodity reference price* is lower than the fixed price, then on the *settlement date you* must pay the *Bank* the difference between the fixed price and the *commodity reference price*.<br>For example, if the *commodity reference price* is *AUD* 280.00 per metric tonne, then on the *settlement date*, *you* must pay the *Bank*:<br>300 x (*AUD* 318.00 – *AUD* 280.00) = *AUD* 11,400.00<br>This *cash settlement amount* will offset the price *you* pay when *you* buy *your* physical wheat.<br>For example, if *you* buy *your* physical wheat at *AUD* 280.00 per metric tonne *you* will pay: 300 x *AUD* 280.00 = *AUD* 84,000.00<br>This means that *you* have paid a net total of *AUD* 95,400.00<br>(*AUD* 84,000.00 + *AUD* 11,400.00). This equals *AUD* 318.00 per metric tonne:<br>*AUD* 95,400.00 ÷ 300 metric tonnes = *AUD* 318.00 per metric tonne | *AUD* 318.00 per metric tonne |
| If the fixed price is equal to the *commodity reference price*, *you* and the *Bank* will have no further obligations to each other with respect to the *settlement date* under the *AS transaction*. | *AUD* 318.00 per metric tonne |

* In this example, if *you* agreed with the *Bank* to use the *commodity reference price* based on the closing *AUD* price of the wheat *futures contracts* on *ASX* on the *pricing date* instead of *CBOT*, there would be no requirement to convert the *commodity reference price* to *AUD*.

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank*'s (or any of its associates') view on future matters. If *you* have chosen more than one *pricing date* for the *transaction period*, the same calculation method will be used to determine the *cash settlement amount* on each specified *settlement date*.

## Part 7: What are the significant benefits of *AS transactions*?

The benefits include:

- protection against adverse *commodity price* movements by providing the ability for *you*
- to receive or pay a fixed price for an agreed quantity of a commodity on an agreed future date;
- the ability for *you* to set the agreed *transaction amount* and the *transaction period* to match the level of *commodity price* protection that *you* require; and
- the ability for *you* to set the currency of the fixed price in respect of an *AS transaction*, as agreed to between *you* and the *Bank*.

## Part 8: What are the significant disadvantages of *AS transactions*?

The disadvantages include:

- an *AS transaction* does not cover the basis risk, which is the risk arising from entering into an *AS transaction* that is not identical with the risk *you* are seeking to hedge against (see "Basis risk" at Part 9.1);
- it does not allow *you* to benefit from future favourable *commodity price* movements:
  - If *you* are a producer, *you* will not receive a benefit from the *AS transaction*, if the *commodity reference price* is more than the fixed price on the *pricing date*; or
  - If *you* are a consumer, *you* will not receive a benefit from the *AS transaction*, if the *commodity reference price* is less than the fixed price on the *pricing date*; and
- there may be a cost if the *AS transaction* is terminated before the *termination date* (see "Terminating an *AS transaction*" at Part 12 of this PDS).

## Part 9: What are the significant risks of *AS transactions*?

Risks result from factors that are beyond *your* control. Starting from the time at which *you* enter into an *AS transaction* with the *Bank*, risk factors may lead to unfavourable changes in the financial outcomes for *you*. Monitoring any risks associated with this product is *your* responsibility (subject to the responsibility of the *Bank* for its own operational processes, see "Operational risk" at Part 9.7).

The risks described here may not include all risk considerations that may be relevant to *you* when entering into an *AS transaction*.

Before entering into an *AS transaction*, *you* should be satisfied that the product is suitable for *you*. We recommend that *you* consult *your* financial adviser or obtain other independent advice.

### 9.1 Basis risk

Basis risk is the risk arising from entering into an *AS transaction* that is not identical with the risk *you* are seeking to hedge against. The risk is a result of the difference between the *commodity reference price* and the *commodity price* at which *you* will buy or sell *your* physical commodity in the market. For example, an AS wheat transaction uses a *commodity reference price* sourced from a *futures exchange*. However, the *commodity price* which a producer will receive upon the sale of their physical wheat takes into account the grade of the wheat, transportation costs, location and other factors. As such, the fluctuations in the *commodity reference price* may not match those in the *commodity price*.

## 9.2 Worked Examples demonstrating the possible impact of basis risk

### 9.2.1 Example 3 (please refer to assumptions made in Example 1 at Part 6.1):

| **Possible outcomes on the *settlement date*, if basis changes (BASIS RISK) (Producer)** | **Possible price achieved**** |
|---|---|
| If the *commodity reference price* is lower than the fixed price, then on the *settlement date*, the *Bank* must pay *you* the difference between the fixed price and the *commodity reference price*.<br><br>For example, if the *commodity reference price* is *AUD* 280.00 per metric tonne, then on the *settlement date* the *Bank* will pay *you* the following *cash settlement amount*:<br><br>300 x (*AUD* 300.00 – *AUD* 280.00) = *AUD* 6,000.00<br><br>However, this *cash settlement amount* will not compensate for the price *you* will receive when *you* sell *your* physical wheat, if the *commodity price* is less than the *commodity reference price*.<br><br>For example, if *you* sell *your* physical wheat at a *commodity price* of *AUD* 270.00 per metric tonne *you* will receive:<br><br>300 x *AUD* 270.00 = *AUD* 81,000.00 when *you* sell *your* physical wheat.<br><br>When the amount received from the *Bank* under the *AS transaction* is taken into account, this means that *you* have received a total of *AUD* 87,000.00 (*AUD* 81,000.00 + *AUD* 6,000.00).<br><br>While the *AS transaction* sought to achieve a price of *AUD* 300.00 per metric tonne, because the fluctuations in the *commodity reference price* did not match the fluctuations in the *commodity price*, the price achieved was *AUD* 290.00 per metric tonne:<br><br>*AUD* 87,000.00 ÷ 300 metric tonnes = *AUD* 290.00 per metric tonne. | While the *AS transaction* sought to achieve a price of *AUD* 300.00 per metric tonne, the actual price achieved was *AUD* 290.00 per metric tonne (given the *AUD* 10.00 difference between the *commodity price* and the *commodity reference price*). |

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank*'s (or any of its associates') view on future matters.

## 9.3 Market risk

In *AS transactions*, the key market risk to *you* is that *you* do not receive any benefit after *you* enter into an *AS transaction* with the *Bank*. This will occur if the fixed price is equal to the *commodity reference price* on the *pricing date* or if *you* must pay a *cash settlement amount* to the *Bank* on a *settlement date* because the *commodity reference price* is less favourable to *you* than the fixed price. A less favourable rate would be a higher price for a producer or lower price for a consumer.

Early termination of an *AS transaction* may result in *you* paying more or receiving less than the fixed price. For more information about early termination, see Part 12 of this PDS.

Additionally, there is a risk that *you* will pay more or receive less than *you* would have, if no *AS transaction* had been entered into at all.

## 9.4 Currency Risk

The *Bank* expects that *AS transactions* will be used for managing *your* total exposure in both commodity and currency terms. As shown in Example 1, the *commodity price* is managed by choosing a fixed price, and the currency is managed through the fixed price being denominated in *AUD*. If *you* enter into an *AS transaction* for a purpose other than the management of *your* total exposure i.e. *you* hedge the commodity and not the currency, *you* may be directly exposed to changes in the foreign exchange market.

For example, if the fixed price is denominated in *USD*, *you* will be exposed to changes in the *exchange rate* between *AUD* and *USD*, if *you* wish to convert any *USD* received from the *Bank* on the *settlement date* into *AUD*. These changes may result in losses to *you*.

## 9.5 Production/Consumption Risk

*You* bear the risk that *you* will not be able to either produce, or consume, the *transaction amount*

(quantity) of the underlying commodity that *you* forecast and agreed to, when entering into the *AS transaction*. For example, a producer impacted by drought may not be able to produce the *transaction amount* specified in the *AS transaction*.

## 9.6 Credit risk

Credit risk is the risk of financial loss (or other disadvantage) associated with a counterparty not being able to meet their obligations under

an *AS transaction*. Credit risk is common to all financial market products that *you* may enter into with the *Bank*. In all cases, *you* are reliant on the ability of the *Bank* to meet its obligations to *you* under the terms of each *AS transaction*. This risk is sometimes described as “counterparty risk”.

*You* can view additional information about the *Bank*, including financial statements and annual reports, at **www.commbank.com.au**.

## 9.7 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

*You* are reliant on the ability of the *Bank* to price and settle *your AS transaction* in a timely and accurate manner. The *Bank* in turn is dependent on the reliability of its own operational processes that include communications, computers and computer networks.

Disruptions in the *Bank*’s processes may lead to delays in the execution, settlement or determination of price of *your AS transaction*. Such disruptions may result in outcomes that are less favourable to *you*.

However once *you* have entered into the *AS transaction*, the management of risks associated with its own operational processes is the responsibility of the *Bank*.

If for any reason the *commodity reference price* cannot be determined, the relevant price will be determined by the *Bank* acting in good faith.

## 9.8 Financial Crime Risk

The *Bank* is required to ensure that money laundering, terrorist financing and sanctions matters are detected, managed and reported. This may involve the *Bank* disclosing information held about *you* to relevant regulatory and/or law enforcement agencies in Australia or overseas.

Other necessary activity may include the imposition of financial restrictions and/or the termination of arrangements. In certain circumstances, the *Bank* may be prohibited from dealing with or may decline to deal with, certain persons (including *you*), entities and transactions.

If there is any information which causes the *Bank* to be aware, or have reasonable grounds to suspect, that there are connections, however incidental, to financial crime matters, or that *you* are a *proscribed person* or entity under *sanctions law*, or any person, entity, good or service involved in a transaction is a *proscribed person* or entity or is subject to sanctions, or is dealing with persons, jurisdictions or services that are outside of the *Bank*'s sanctions risk appetite, or if any dealings with *you* are otherwise in breach of applicable *sanctions laws*, then the *Bank* may be required to suspend, cancel, or refuse *you* services, or close or terminate any account, facility, transaction (including an *AS transaction*), arrangement or agreement with *you*.

The *Bank* may also be required to freeze *your* assets and/or any assets involved in a transaction to which *you* are a party.

# Part 10: Entering into and settling *AS transactions*

## 10.1 Entering into an *AS transaction*

Following credit approval by the *Bank* and *your* entering into a *master agreement* with the *Bank* (see "*AS transaction* documentation" at Part 10.3), *you* may enter into an *AS transaction* with the *Bank*.

The minimum amount of an *AS transaction* is 250 metric tonnes of grains and oilseeds, 100 bales of cotton, or 100 metric tonnes of sugar. The term of an *AS transaction* is from 3 *business days* to 3 years (5 years for sugar). Transactions for smaller *transaction amounts*, other commodities or longer terms may be available on request.

## 10.2 The next steps for an *AS transaction*

*You* should contact the *Bank* and ask for an *AS transaction* for a specified amount of an agricultural commodity for a specified *settlement date*.

1. The *Bank* will determine the fixed price. If the *Bank* offers *you* an *AS transaction*, and *you* accept the offer (which in most cases is done verbally by telephone), an *AS transaction* will be entered into between *you* and the *Bank*. All telephone conversations between *you* and the *Bank*'s Commodities desk will be recorded.
2. The *Bank* will send *you* a *confirmation letter*, setting out the details of *your AS transaction*. *You* must notify the *Bank* immediately if the confirmation differs from what was agreed. *You* must sign and return this *confirmation letter* to the *Bank*. However, even if *you* do not do this, the *AS transaction* will be binding on *you*.

## 10.3 *AS transaction* documentation

The *AS transaction* documentation consists of a *master agreement* and a *confirmation letter*. These documents set out in full the terms and conditions and the particulars of the *AS transaction you* have entered into.

Samples of the *AS transaction* documentation can be obtained from the *Bank* on request.

### 10.4 Settling an *AS transaction*

Subject to the terms and conditions of the *AS transaction* documentation, a *cash settlement amount* may be payable by or to *you* on a *settlement date*. In the event that *you* must pay to the *Bank* a *cash settlement amount*, *you* must ensure that *you* have sufficient *cleared funds* accessible to the *Bank*.

### Part 11: Variations to the *settlement date(s)*

Variations to *settlement date* are not available after the *AS transaction* has been entered into.

## Part 12: Terminating an *AS transaction*

An *AS transaction* may be terminated prior to the last *settlement date*, either:

- by agreement between *you* and the *Bank*; or
- as set out in the *AS transaction* documentation.

Upon termination, the *Bank* will calculate the *mark-to-market value* of the *AS transaction*, using prevailing market rates chosen by the *Bank* in good faith. If the transaction has a *mark-to-market value* in *your* favour, then the *Bank* must pay *you* an amount equal to that *mark-to-market value*. If the transaction has a *mark-to-market value* in the *Bank*'s favour, then *you* must pay the *Bank* an amount equal to that *mark-to-market value*. The *Bank* will notify *you* as soon as practicable after making this calculation.

If more than one *AS transaction* is terminated, the sum of all *mark-to-market value*s of those transactions in *your* favour and any other transactions in *your* favour also terminated under the *master agreement* and transactions addenda governing the transactions, will be set-off against the sum of all *mark-to-market value*s of such transactions in the *Bank*'s favour. If, as a result of this calculation, the overall sum is in the *Bank*'s favour, *you* must pay the *Bank* an amount equal to that total sum. Alternatively, if as a result of this calculation, the overall sum is in *your* favour then the *Bank* must pay *you* an amount equal to that total sum. The *Bank* will notify *you* as soon as practicable after making these calculations.

## 12.1 Worked Examples demonstrating the possible impact of early termination

### 12.1.1 Example 5 (please refer to assumptions made in Example 1 at Part 6.1):

| Possible outcomes if *you* terminate early (Producer) | Possible Outcome** |
|---|---|
| If on the date the transaction is terminated, the *commodity reference price* is lower than the fixed price, then the *Bank* must pay *you* the *mark-to-market value*.* The *Bank* will calculate the *mark-to-market value* of the transaction, using the difference between the fixed price and the *commodity reference price* on the date the transaction is terminated.<br><br>For example, if the *commodity reference price* is *AUD* 260.00 per metric tonne, then the *Bank* will calculate the following *mark-to-market value*:<br><br>300 x (*AUD* 300.00 – *AUD* 260.00) = *AUD* 12,000.00<br><br>For example, if the above transaction was terminated 90 days early and the interest rate was 2.00%, the present value of the *mark-to-market value* is calculated as:<br><br>*AUD* 12,000.00 x [1/(1+(90/365 x 2.00%))] = *AUD* 11,941.11 | Variable |
| If on the date the transaction is terminated, the *commodity reference price* is higher than the fixed price, then *you* must pay the *Bank* the mark-to- market value.*<br><br>The *Bank* will calculate the *mark-to-market value* using the difference between the fixed price and the *commodity reference price* on the date the transaction is terminated.<br><br>For example, if the *commodity reference price* is *AUD* 380.00 per metric tonne, then the *Bank* will calculate the following *mark-to-market value*:<br><br>300 x (*AUD* 380.00 – *AUD* 300.00) = *AUD* 24,000.00<br><br>For example, if the above transaction was terminated 90 days early and the interest rate was 2.00%, the present value of the *mark-to-market value* is calculated as:<br><br>*AUD* 24,000.00 x [1/(1+(90/365 x 2.00%))] = *AUD* 23,882.22 | Variable |
| If the fixed price is equal to the *commodity reference price* on the date the transaction is terminated *you* and the *Bank* will have no further obligations to each other with respect to the *AS transaction*. | No payment is made |

* This amount can either be present valued and settled up-front (in which case an interest rate adjustment will likely apply. If an interest rate adjustment applies, the interest rate reference used will be within the range of +/- 50 basis points either side of BBSY***), or paid to *you*, or by *you* (as applicable), in full on the last *settlement date*.

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank*'s (or any of its associates') view on future matters.

***If BBSY is 2.00%, the *reference rate* used will be in the range of 1.50% and 2.50%. The interest rate reference used from within that range will be at the discretion of the *Bank*.

### 12.1.2 Example 6 (please refer to assumptions made in Example 2 at Part 6.2):

| **Possible outcomes if *you* terminate early (Consumer)** | **Possible Outcome**** |
|---|---|
| If on the date the transaction is terminated, the *commodity reference price* is higher than the fixed price, then the *Bank* must pay *you* the *mark-to-market value*.*<br>The *Bank* will calculate the *mark-to-market value* of the transaction, using the difference between the fixed price and the *commodity reference price* on the date the transaction is terminated.<br>For example, if the *commodity reference price* is *AUD* 360.00 per metric tonne, then the *Bank* will calculate the following *mark-to-market value*:<br>300 x (*AUD* 360.00 – *AUD* 318.00) = *AUD* 12,600.00<br>For example, if the above transaction was terminated 90 days early and interest rate was 2.00%, the present value of the *mark-to-market value* is calculated as:<br>*AUD* 12,600.00 x [1/(1+(90/365 x 2.00%))] = *AUD* 12,538.17 | Variable |
| If on the date the transaction is terminated, the *commodity reference price* is lower than the fixed price, then *you* must pay the *Bank* the *mark-to-market value*.*<br>The *Bank* will calculate the *mark-to-market value* using the difference between the fixed price and the *commodity reference price* on the date the transaction is terminated.<br>For example, if the *commodity reference price* is *AUD* 210.00 per metric tonne, then the *Bank* will calculate the following *mark-to-market value*:<br>300 x (*AUD* 318.00 – *AUD* 210.00) = *AUD* 32,400.00<br>For example, if the above transaction was terminated 90 days early and interest rate was 2.00%, the present value of the *mark-to-market value* is calculated as:<br>*AUD* 32,400.00 x [1/(1+(90/365 x 2.00%))] = *AUD* 32,241.00 | Variable |
| If the fixed price is equal to the *commodity reference price* on the date the transaction is terminated, *you* and the *Bank* will have no further obligations to each other with respect to the *AS transaction*. | No payment is made |

* This amount can either be present valued and settled up-front (in which case an interest rate adjustment will likely apply. If an interest rate adjustment applies, the interest rate reference used will be within the range of +/- 50 basis points either side of BBSY***), or paid to *you*, or by *you* (as applicable), in full on the last *settlement date*.

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank*'s (or any of its associates') view on future matters.

***If BBSY is 2.00%, the *reference rate* used will be in the range of 1.50% and 2.50%. The interest rate reference used from within that range will be at the discretion of the *Bank*.

## Part 13: Payments netting

In accordance with the *AS transaction* documentation, if *you* have more than one transaction under this documentation, with the same *settlement date* and for the same currency, the payments and receipts may be "net settled". This means that all settlements are combined to a single net payment between *you* and the *Bank*.

## Part 14: What are the costs involved in an *AS transaction*?

There are no up-front fees and charges for entering into an *AS transaction*. The *Bank*'s costs and profit margin in respect of the *AS transaction* are built into the fixed price. The factors used in determining the fixed price, including an allowance for the *Bank*'s costs and profit margin, are set out in Part 5.

## Part 15: Are there any tax implications *you* should be aware of?

*AS transactions* may have tax implications. These can be complex, may change over time and are invariably specific to *your* circumstances including, but not limited to, *your* tax status, any elections *you* have made and the purpose for which *you* have entered into the *AS transaction*. The outcomes may vary depending, amongst other things, on the type of entity transacting and whether *you* have made any elections. Therefore, *you* should discuss any taxation issues with *your* independent tax adviser before entering into an *AS transaction*.

*Your AS transaction* may be subject to Government taxes and duties (if any). These may vary from State to State.

## Part 16: Notification of changes

If *you* enter into *AS transactions* under a *master agreement*, we will notify *you* of any material changes to the *master agreement*, in accordance with the requirements of the Banking Code of Practice.

Where there is a material change to a matter in circumstances where the Corporations Act 2001 (Cth) requires a new PDS or a supplementary PDS, we will issue a new PDS or a supplementary PDS.

## Part 17: Banking Code of Practice

The Banking Code of Practice (the Code), outlines standards of practice for *Bank*s, their staff and their representatives when dealing with small businesses and individuals. A business will be a small business for the purposes of the Code where its annual turnover for the previous financial year is less than $10 million and it has fewer than 100 full-time equivalent employees and it has less than $3 million total debt outstanding. The Code does not apply to financial products and financial services that are provided to wholesale clients for the purposes of the Corporations Act 2001 (Cth) (unless *you* are a wholesale client only because of section 761G(7)(b)).

If *you* would like more information about the Code and whether it applies to *you*, please contact us on **13 2221** (between 6am and 10pm, Monday to Friday (Sydney time)).

## Part 18: What to do if *you* have a complaint?

Most problems can be resolved quickly and simply by talking with us. *You* can talk to us by:

- Calling one of our branches
- Phoning our Customer Complaints team on **1800 805 605** or, if *you* are overseas, calling **+61 2 9687 0756**;
- Completing the online feedback form at www.commbank.com.au/feedback, where *you* can also view our complaint process, or
- Writing to us at CBA *Group* Customer Relations, Commonwealth Bank Group, Reply Paid 41, Sydney NSW 2001

If *you* are not satisfied with the resolution and wish to proceed further, *you* can contact the Commonwealth *Bank*'s Customer Advocate for a further review of *your* complaint. The Customer Advocate can be contacted via:

**Telephone:** 1800 832 806 (between 8.30am and 5pm (Sydney time), from Monday to Friday);

**Email:** customeradvocate@cba.com.au;

**Writing:** Customer Advocate
Commonwealth *Bank*
Reply Paid 88915
Sydney NSW 2001

Please quote the case reference number we provide *you* in all correspondence.

If an issue has not been resolved to *your* satisfaction, *you* can lodge a complaint with the Australian Financial Complaints Authority or AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers.

**Website:** www.afca.org.au

**Email:** info@afca.org.au

**Telephone:** **1800 931 678** (free call)

**Writing:** Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

*You* can also contact the Australian Securities & Investments Commission, or ASIC, to make a complaint and to find further information on *your* rights. ASIC can be contacted through the following means:

**Website:** www.asic.gov.au

**Email:** infoline@asic.gov.au

**Telephone:** **1300 300 630**

# Part 19: Customer information and privacy

## 19.1 What information we collect

In this clause, '*you*' includes our customer and any person who holds office in an entity which is a customer. We collect information about *you* (such as *your* name, address and contact details), and information about *your* interactions with us, such *AS transactions* on *your* account. We may also collect publicly available information about *you*.

## 19.2 Why we collect *your* information and what we use it for

We collect *your* information because we are required to identify *you* in accordance with applicable anti-money laundering, financial crimes and *sanctions laws*, currency control regulations and in order to comply with taxation laws. We also collect it to administer our customer relationships and internal processes including risk management and pricing, to meet our obligations in relation to external payment systems and under our arrangements with government agencies, and to identify and tell *you* about products and services that may interest *you* (unless *you* tell us not to). If *you* don't want to receive marketing information *you* can tell us by calling **13 2221** between 6am and 10pm (Sydney time), from Monday to Friday, or speak to *your* relationship manager.

If *you* give us *your* electronic and telephone details, *you* agree we may use this to communicate with *you* electronically, by phone or SMS, including providing updates, reminders and (unless *you* tell us not to) marketing information.

*You* must give us accurate and complete information; otherwise *you* may be breaking the law and we may not be able to provide *you* with the products and services that *you* require.

If *you* change *your* personal details (e.g. address, name or email address) *you* must tell us straight away.

## 19.3 Who we may exchange *your* information with

We may exchange *your* information with other members of the *Group*, who may use *your* information for any of the purposes we can.

We may also exchange *your* information with others outside the *Group*: for example, *your* representatives, our service providers, other financial institutions (for example, in relation to a mistaken payment claim), enforcement and government authorities, relevant public registers and payment system operators (for example, BPAY Pty Ltd).

Sometimes, it may be necessary to send *your* information overseas – for example, where we outsource functions overseas, send information to *Group* members overseas, where we need to complete a transaction on *your* behalf or where this is required by laws and regulations in Australia or in another country. See our Group Privacy Policy for more information.

## 19.4 Our Group Privacy Policy

Our Group Privacy Policy is available on our website at **www.commbank.com.au** (search Privacy and follow the Privacy Policy link) or upon request from any branch of the *Bank* and should be read in conjunction with the above. It contains further details about our information collection and handling practices, including information about:

- other ways we may collect, use or exchange *your* information;
- how *you* may access and seek correction of the information; and
- how to make a complaint about a breach of *your* privacy rights, and our complaint handling procedures.

# How to contact us

For privacy-related enquiries, please contact us by:

**Email:** **CustomerRelations@cba.com.au**

**Telephone:** **1800 805 605**, or

**Writing:** to the address in our Group Privacy Policy.

# Definitions

**"AS transaction"**

An agricultural swap transaction.

**"ASX"**

Australian Securities Exchange and ASX 24, the futures market operated by it.

**"AUD"**

Australian dollars.

**the "Bank"**

Commonwealth Bank of Australia ABN 48 123 123 124.

**"BBSW/BBSY"**

The Bank Bill Swap Rate (BBSW) is a short-term money market benchmark interest rate. In general terms, BBSW is the average mid-rate at approximately 10.00am for Prime Bank Eligible Securities with tenors of 1 to 6 months on a Sydney business day. BBSY is the BBSW rate plus 5 basis points.

**"business day"**

A day on which the Bank is open for transaction of business in relation to an *AS transaction*.

**"CAD"**

Canadian dollars.

**"cash settlement amount"**

The amount payable on a settlement date by one party to the agreement to the other, based on the difference between the fixed price and the commodity reference price for the underlying commodity.

**"CBOT"**

Chicago Board of Trade.

**"cleared funds"**

Funds that are immediately available to you for settlement of your *AS transaction*.

**"commodity price"**

The price that a producer or consumer will receive or pay in exchange for the sale or purchase of their physical commodity.

**"commodity reference price"**

The price that will be used to determine the outcome of your *AS transaction* on an exercise date or pricing date. The commodity reference price is determined with reference to the price of a particular futures contract on a particular futures exchange, index or price guide, depending on the underlying currency of the *AS transaction*.

# Definitions

### "confirmation letter"

A letter confirming the particulars of an *AS transaction* entered into between you and the Bank on a trade date.

### "exchange rate"

The expression of the value of one currency in terms of another. For example, in the exchange rate AUD/USD 0.8000, 1 Australian dollar is equal to 0.8000 United States dollars.

### "forward exchange rate"

The expression of the value of one currency in terms of another, where the currencies are exchanged at a future date, that is more than 2 business days after the contract to exchange the currencies is entered into.

### "futures contract"

A contract to purchase a specific asset or financial instrument at a specified time in the future at a specified price. Nearly all futures contracts are traded on a futures exchange and are standardised in terms of delivery date, amount and contract terms.

### "futures exchange"

A market in which futures contracts are bought and sold, traditionally in a central, physical location, i.e. a trading floor. Increasingly though, futures exchanges are operated by dispersed traders using computer links to post prices to buy and sell the futures contracts.

### "Group"

The Bank and its subsidiaries.

### "Hedge Settlement Rate Average (HSRA)"

An AUD/USD reference rate set at 9.45am each business day and published on Reuters page HSRA. The HSRA rates are compiled by the Reserve Bank of Australia by averaging the AUD/USD exchange rates of a sample of market participants in the foreign exchange market. When calculating the average, the highest and lowest rates are removed from the sample prior to computation.

### "HSRA date"

For *AS transactions* where the fixed price is denominated in AUD, 1 business day after a pricing date.

### "ICE"

ICE is Intercontinental Exchange

### "mark-to-market value"

A valuation method where an existing *AS transaction* is valued against current market rates to calculate any potential payment (or other non-monetary outcome) that will arise on termination (including early termination).

# Definitions

**"master agreement"**

The Bank's Derivative Master agreement that sets out the terms and conditions of derivative transactions that may include one or more *AS transactions*.

**"parties to the agreement"**

The parties to an *AS transaction* are you and the Bank.

**"pricing date"**

The date the commodity reference price is determined with respect to a settlement date.

**"proscribed person"**

A person who is the target of any sanctions law (or who is owned or controlled by a person who is the target of any sanctions law, or who is acting on behalf of or for the benefit of a person who is the target of any sanctions law), including, but not limited to, a person whose name appears on a list of people with whom dealings are proscribed by any sanctions law.

**"reference rate"**

The benchmark exchange rate you agree with the Bank on the trade date, to convert the commodity reference price to the same currency as the fixed price. An example is the HSRA.

**"sanctions law"**

Any trade, economic or financial sanctions administered or enforced by the Australian Department of Foreign Affairs and Trade, and to the extent applicable, the U.S. Department of Treasury's Office of Foreign Assets Control; the United Nations Security Council; the European Union; Her Majesty's Treasury; the New Zealand Ministry of Foreign Affairs and Trade; the Hong Kong Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau; the Monetary Authority of Singapore; the Ministry of Finance Japan; or any other relevant sanctions authority.

**"settlement date"**

A business day on which a cash settlement amount will be exchanged between the parties to the agreement. For *AS transactions* where the fixed price is denominated in USD or CAD, the settlement date will be 2 business days after the pricing date. For *AS transactions* where the fixed price is denominated in AUD, the settlement date will be 3 business days after the pricing date.

**"termination date"**

The last day of the transaction period of the *AS transactions*.

**"trade date"**

The date on which an *AS transaction* is entered into by the parties to the agreement.

**"transaction amount"**

The agreed quantity of the underlying commodity.

# Definitions

**“transaction period”**

The period from and including the trade date, up to and including the final settlement date.

**“USD”**

United States dollars.

**“you”, “your”**

The customer who is one of the parties to the agreement.

# Appendix A – *Futures exchanges*/Index/Price Guide Example

## Exchanges/Index/Price Guide

Australian Securities Exchange (*ASX*)

Chicago Board of Trade (*CBOT*)

Intercontinental Exchange (ICE)

**Note:** From time to time, the *Bank* may add or remove exchanges that may (or may not) be listed in the table above.

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