

# ENHANCED STRUCTURED OPTIONS

## PRODUCT DISCLOSURE STATEMENT

Issue Date: 25 May 2018



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Western Union Business Solutions is a business unit of The Western Union Company. Services in Hong Kong are provided by Western Union Business Solutions (Hong Kong) Limited, company number 1474270 and CE number BGY438 (referred to as "WUBS" or "Western Union")

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## 1. PURPOSE

This Product Disclosure Statement (**PDS**) is dated 25 May 2018

This PDS contains information about enhanced Structured Foreign Exchange Options (**Structured Options**). Western Union Business Solutions (Hong Kong) Limited with Company Number 1474270 and Central Entity Number BGY438 (referred to in this document as 'Western Union Business Solutions', '**WUBS**', 'we', 'our' and 'us') is providing you with this PDS so that you receive important information about Structured Options including their benefits, risks and costs.

The purpose of this PDS is to provide you with sufficient information for you to determine whether a Structured Option meets your needs. This PDS will also allow you to compare the features of other products that you may be considering.

Please read this PDS carefully before purchasing a Structured Option. In the event that you enter into a Structured Option with us, you should keep a copy of this PDS along with any associated documentation for future reference.

The information has been prepared without taking into account your objectives, financial situation or circumstances. Before making any decision about the Structured Options offered under this PDS, you should consider whether it is appropriate, having regard to your own objectives, financial situation and circumstances. This PDS does not constitute financial advice or a financial recommendation.

You should read all of this PDS and the WUBS **Terms and Conditions** available at <http://business.westernunion.com.hk/About/Compliance-Legal> before making a decision to enter into any Structured Options offered under this PDS. We recommend that you contact us if you have any questions arising from this PDS or the Terms and Conditions prior to entering into any transactions with us.

A Structured Option may be suitable for you if you have a high level of understanding and accept the risks involved in investing in products involving foreign exchange and related markets. If you are not confident about your understanding of these markets, we strongly suggest you seek independent advice before making a decision about these products.

The Structured Options described in this PDS have features which result in either **Enhanced Rates** in one or more of the **Exchange Rate** variables through the application of leverage or the potential loss of protection from a Trigger event or a combination of both. This increases the risks of these financial products compared to standard Structured Options. If you are not confident about your understanding of the Structured Options, described in detail in section 6 of this PDS, we strongly suggest you seek independent advice before making a decision about these products.

Consideration should be given to all the potential outcomes of specific Structured Options and strategies before entering into any Structured Options described in this PDS. We encourage you to obtain independent financial advice which takes into account the particular reasons you are considering entering into Structured Options from WUBS.

Independent taxation and accounting advice should also be obtained in relation to the impact of possible foreign exchange gains and losses in light of your particular financial situation.

The distribution of this PDS and the offer and sale of Structured Options offered under this PDS are not intended to extend beyond Hong Kong SAR.

This PDS and the Structured Options offered under this PDS have not been and will not be registered under the U.S. Securities Act of 1933, as amended or any US state or other securities laws. Accordingly, the Structured Options offered in this PDS may not be granted to or taken up by, and the Structured Options may not be offered or sold to, any person that is in the United States or that is, or is acting for the account or benefit of, a US person.

If you have any questions or require more information, please contact WUBS on +852 2853 9888 or by [email: hkhedging@westernunion.com](mailto:hkhedging@westernunion.com).

## 2. IMPORTANT INFORMATION

### 2.1 Copies

Copies of this PDS are available free of charge. You can request a copy by either email at [hkhedging@westernunion.com](mailto:hkhedging@westernunion.com), by phone +852 2853 9888 or download a copy of this PDS from our website at <http://business.westernunion.com.hk/About/Compliance-Legal>

### 2.2 Updates relating to this PDS

The information in this PDS is subject to change. Where new information arises that is not materially adverse to the information in this PDS, WUBS will post such updated information on our website at <http://business.westernunion.com.hk/About/Compliance-Legal>

You may request a copy of this information from your **WUBS Representative** or by contacting WUBS using the contact details in Section 3.1 "WUBS Contact Details" of this PDS.

## 2.3 WUBS Products

Separate PDSs are also available for: (i) Forward Exchange Contracts; (ii) Vanilla Options; and (iii) Structured Options. Please contact us if you require any of these PDSs using contact information contained in Section 3.1 “WUBS Contact Details” of this PDS or download from our website at <http://business.westernunion.com.hk/About/Compliance-Legal>

## 2.4 Financial Amounts

All financial amounts expressed in this PDS are in Hong Kong Dollars (HKD) unless otherwise stated.

## 2.5 Glossary of Terms

Words in **BOLD** used in this PDS, other than headings, have defined meanings. These meanings can be located in Section 16 Glossary of Terms” of this PDS.

## 2.6 Counterparty Credit Risk

When you enter into a Structured Option with WUBS, you are exposed to **Counterparty** credit risk against WUBS. That is, you have the risk that WUBS will not meet its obligations to you under the relevant Structured Option. To assess our financial ability to meet our obligations to you, you can obtain a copy of our financial statements, free of charge by emailing: [hkhedging@westernunion.com](mailto:hkhedging@westernunion.com)

## 2.7 Disclaimer

Any information that is provided in this PDS does not take account of your financial situation, objectives or circumstances. Because of this, before you act on it, you should consider its appropriateness having regard to your own objectives, financial situations or circumstances.

## 3. ISSUER

Western Union Business Solutions (Hong Kong) Limited doing business as Western Union Business Solutions issues the Structured Options described in this PDS.

This PDS was prepared by:

Western Union Business Solutions (Hong Kong) Limited

Company Number 1474270

Central Entity Number BGY438

### 3.1 WUBS Contact Details

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### 3.2 WUBS Services

WUBS is a specialist provider in foreign exchange and international payments products and services. We work with individuals and companies of all sizes, to create solutions that assist their business payments and foreign exchange process challenges to manage risk and costs.

### 3.3 How to Access WUBS Services

After agreeing to our Terms and Conditions and after your application has been approved by us, you will have access to our Structured Options and will be able to provide us **Instructions** by:

- Phone- where you can call us and speak to one of WUBS Representatives and provide us with Instructions to transact your currency needs; or
- Email- where you can email us to provide your account details and Instructions.

### 3.4 Representatives Remuneration

Our employees and directors are remunerated by way of salary and other employee benefits. They may also, subject to any prohibitions under legislation, be eligible for a discretionary bonus which is based on achievement of predetermined business objectives such as contribution to profit, client service, risk management and leadership/team contribution. Bonuses may be calculated as a portion of the net amount charged to our Clients after deducting Retail Mark Ups as explained in Section 8.3 “Exchange Rates” of this PDS, and transaction fees charged to clients.

We have commercial business arrangements with affiliated companies within the Western Union Group (WU). WU companies provide us from time to time with support in relation to information technology, treasury, finance, compliance and other services. These arrangements are governed by formal agreements between us.

Any fees and charges that you pay to us may ultimately benefit directors and employees of WU companies, who may receive a bonus, and shareholders of the Western Union Company may receive a dividend, linked in part to such amounts received from us.

### 3.5 Additional Information

Our website provides additional general information that may be useful including information about currency transactions and payment solutions.

## 4. FOREIGN EXCHANGE OVERVIEW

Foreign Exchange refers to the purchase of one currency and the sale of another currency at an agreed **Exchange Rate** simultaneously. Separate from the Exchange Rate, you will need to consider the relevant fees associated with your transaction. Our fees for Structured Options are described in Section 8 “Cost of a Structured Option” of this PDS.

### 4.1 The Foreign Exchange Market

Structured Options are not entered into on an authorised exchange such as a stock market. There is no official benchmark Exchange Rate for Structured Options. The foreign exchange market is referred to as an “**Over-The-Counter (OTC)**” market, which means that Exchange Rates will often vary when compared between providers.

Exchange Rates are quoted on the **Interbank Market**, which is a wholesale market for **Authorised Institutions**, with **Interbank Exchange Rates** fluctuating according to supply and demand. This market is restricted to **Authorised Exchange Dealers** and banks that constantly quote to each other at wholesale Exchange Rates and in minimum parcel sizes.

Factors that influence supply and demand (and therefore the Exchange Rate quoted to you) include:

- investment inflows/outflows;
- market sentiment or expectations;
- economic and political influences including geopolitical influence; and
- import/export of goods and services.

Exchange Rates quoted in the media generally refer to Interbank Exchange Rates and will usually differ from Exchange Rates quoted to you.

Because Structured Options are traded OTC you will not be able to sell or transfer your transaction, with another provider. You will only be able to reverse or cancel your Structured Option with WUBS.

### 4.2 Currency Limitations

While WUBS endeavours to ensure that you are provided with access to the **Currency Pair** of your choice, WUBS does not guarantee that it will offer Structured Options in all Currency Pairs. This may arise for a number of reasons including restrictions that are imposed on WUBS or WUBS not having access to certain currencies through its **Correspondent Banks**.

## 5. WHAT IS A STRUCTURED OPTION?

A Structured Option describes a group of foreign exchange products that have been developed as foreign exchange risk management alternatives to **Forward Exchange Contracts (FEC)** and **Vanilla Options**.

A Structured Option is an agreement to exchange a specified amount of one currency for another currency at an Exchange Rate that is determined by reference to agreed mechanisms within each particular Structured Options product.

A Structured Option is created through the concurrent sale and purchase of two or more **Call Options** and/or **Put Options**. A Call Option is an agreement that gives the buyer the right (but not the obligation) to buy a currency at a specified price at a specified time. A Put Option is an agreement that gives the buyer the right (but not the obligation) to sell a currency at a specified price at a specified time. In any structure you may be both ‘the Buyer’ of an option (i.e. you are buying an option from WUBS) and ‘the Seller’ of an option (i.e. you are selling an option to WUBS). Notwithstanding the use of these terms WUBS is always the Issuer of the Structured Options product.

Depending on the Structured Option that is created, there may be certain conditions attached to one or more of the Put Options or Call Options within the structure that are triggered if an agreed Exchange Rate trades in the spot foreign exchange market during the term of the Structured Option. We refer to these as **Trigger Rates**. A Trigger Rate may be either a **Knock-In Rate** or a **Knock-Out Rate**. A Knock-In Rate is an Exchange Rate that must be traded (at or beyond) in the spot foreign exchange market for the buyers’ right pursuant to a Call Option or a Put Option to become effective (i.e. the Call Option or Put Option is contingent on the Knock-In Rate being triggered). A Knock-Out Rate is an Exchange Rate

that if traded (at or beyond) in the spot foreign exchange market will result in the buyers' right pursuant to a Call Option or Put Option terminating (i.e. the Call Option or Put Option terminates if the Knock-Out Rate is triggered).

Our default position is that where a Trigger Rate is applicable it will apply for the term of the Structured Option. It is possible however to apply a shorter term to the Trigger Rate. We refer to these shorter terms as **Windows**.

Typical trigger Windows include "last month" (where the Trigger Rate is only effective in the last month of the Structured Option), "last week" (where the Trigger Rate is only effective in the last week of the Structured Option), "last day" (where the Trigger Rate is only effective on the last day of the Structured Option), and "at Expiry" (where the Trigger Rate is only effective at the **Expiry Time** on the **Expiry Date (Expiry)** of the Structured Option).

You can ask WUBS to provide you with a Window at any time before you enter into a Structured Option. Windows can open after the Trade Date and close prior to Expiry Date of the Structured Option. If a Window is nominated the **Spot Rate**, which is the Exchange Rate for a foreign exchange transaction with a **Settlement** date of up to two (2) **Business Days**, may trade at or beyond the Trigger Rate before the trigger is live without you being knocked-in or knocked-out. The Spot Rate will only be compared to the Trigger Rate during the Window. By choosing a Window, the Trigger Rate will be less favourable to you than if there were no Window in place. The **Protection Rate**, which is the agreed worst case Exchange Rate that applies to a Structured Option, will also be less favourable to you than if there were no Window in place. These rates will be less favourable the shorter the period of the Window.

Set out below is a description of each of the seventeen (17) Enhanced Structured Options products that we provide.

## 6. WUBS STRUCTURED OPTIONS

The examples that are used within the description of each Structured Option product in this Section 6 are for information purposes only and use rates and figures that we have selected to demonstrate how each product works from the perspective of Hong Kong based importers. WUBS will provide Hong Kong based exporter examples of the Structured Option on request. In order to assess the merits of any particular Structured Option you should use the actual rates and figures quoted at the relevant time.

Each of the examples below assumes the following:

- An importer is buying goods from Europe and is scheduled to make a payment of **EUR 100,000 (Notional Amount)** in three (3) months' time.
- The current Spot Rate EUR/HKD is 8.7000.
- The three (3) month **Forward Exchange Rate** is 8.7600.

### 6.1 Leveraged Collar

A Leveraged Collar has the same basic features as the Collar, described in section 6.1 of WUBS Structured Options PDS.

A Leveraged Collar however offers either an enhanced Protection Rate and or Participation Rate relative to the Collar. The reason for this is that you may be required to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

A Leveraged Collar is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated worst case Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate between the Protection Rate and the best case Exchange Rate that can potentially be achieved known as the **Participation Rate**.

A Leveraged Collar is structured by entering into two concurrent options.

- i. You buy a Call Option from WUBS at the Protection Rate.
- ii. You sell a Put Option to WUBS, which will obligate you to exchange the Notional Amount multiplied by the Leverage Ratio with WUBS at the Participation Rate if the Spot Rate is more favourable than the Participation Rate at Expiry.

#### 6.1.1 Example of a Leveraged Collar

The importer enters into a Leveraged Collar with the following terms:

- Notional Amount: EUR 50,000
- Protection Rate: 8.8700
- Participation Rate: 8.6000
- Expiry Date: 3 months
- Leverage Ratio: 2:1

#### 6.1.2 Possible Outcomes at Expiry

- If the Spot Rate is less favourable than the Protection Rate (8.8700), say 9.8000, the importer will buy EUR50,000 at 8.8700.

- If the Spot Rate is more favourable than the Participation Rate (8.6000), say 8.4500, the importer will be obligated to buy EUR100,000 at 8.6000.
- If the Spot Rate lies between the Protection Rate (8.8700) and the Participation Rate (8.6000), say 8.7000, the importer will be able to buy EUR at 8.7000 (although there is no obligation to do so).

### 6.1.3 Benefits of a Leveraged Collar

The following are specific benefits of a Leveraged Collar:

- There is protection at all times with a known worst case Exchange Rate (Protection Rate).
- An ability to participate in favourable Exchange Rate movements to the level of Participation Rate.
- An ability to achieve a more favourable Protection Rate/Participation Rate compared to a standard Collar structure.

### 6.1.4 Risks of a Leveraged Collar

The following are specific risks of a Leveraged Collar:

- Participation in favourable currency movements is capped at the level of the Participation Rate.
- Due to the Leverage Ratio, there is less protection compared to the Collar, Forward Exchange Contract and other unleveraged Structured Option products.
- If the Spot Rate at Expiry is more favourable than the Participation Rate you will be obligated to trade up to twice the Notional Amount at the less favourable Participation Rate.
- If the Spot Rate at Expiry is less favourable than the Protection Rate you will be protected for only the Notional Amount.

## 6.2 Leveraged Participating Collar

A Leveraged Participating Collar has the same basic features as the Participating Collar, described in section 6.2 of WUBS Structured Options PDS.

A Leveraged Participating Collar however offers either an enhanced Protection Rate and/or Participation Rate and/or **Participation Percentage** relative to the Participating Collar. The reason for this is that you may be required to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

The Leveraged Participating Collar is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate on a portion of your exposure between the Protection Rate and the Participation Rate at Expiry. If the Spot Rate at Expiry is more favourable than the Participation Rate you will be obligated to trade a multiple of the Notional Amount at the Participation Rate and a percentage of the Notional Amount at the Protection Rate (the "**Obligation Percentage**").

A Leveraged Participating Collar is structured by entering into three concurrent options.

- i. You buy a Call Option from WUBS at the Protection Rate.
- ii. You sell a Put Option to WUBS at the Protection Rate. The Put Option that you sell to WUBS will be for a percentage of the Notional Amount of your Call Option (the Obligation Percentage).
- iii. You sell a Put Option to WUBS at the Participation Rate. The Notional Amount of this Put Option will be calculated by applying the Leverage Ratio to the Notional Amount of the Call Option in (i) and subtracting the Notional Amount of the Put Option in (ii).

### 6.2.1 Example of a Leveraged Participating Collar

The importer enters into a Leveraged Participating Collar with the following terms:

- Notional Amount: EUR 50,000
- Protection Rate: 8.7700
- Participation Rate: 8.6000
- Participation Percentage: 50%
- Expiry Date: 3 months
- Leverage Ratio: 2:1

### 6.2.2 Possible Outcomes at Expiry

- If the Spot Rate is less favourable than the Protection Rate (8.7700), say 9.6000, the importer will buy EUR 50,000 at 8.7700.

- If the Spot Rate is more favourable than the Protection Rate (8.7700), and less favourable than the Participation Rate (8.6000), say 8.6500, the importer will be obligated to buy EUR 25,000 at 8.7700. The importer will then be able to buy the remaining EUR 75,000 at 8.6500 (although there is no obligation to do so).
- If the Spot Rate is more favourable than the Participation Rate (8.6000), say 8.4000, the importer will be obligated to buy EUR 25,000 at 8.7700, and will be obligated to buy EUR 75,000 at 8.6000.

### 6.2.3 Benefits of a Leveraged Participating Collar

The following are specific benefits of a Leveraged Participating Collar:

- The Protection Rate is more favourable than the Protection Rate applicable to a comparable non-leveraged Participating Collar.
- There is the ability to partially participate in favourable Exchange Rate movements up to the level of the Participation Rate.
- There is protection at all times with a known worst case Exchange Rate ("Protection Rate").

### 6.2.4 Risks of a Leveraged Participating Collar

The following are specific risks of a Leveraged Participating Collar:

- The Protection Rate will be less favourable than the Forward Exchange Rate applicable to a comparable Forward Exchange Contract.
- Due to the Leverage Ratio, there is less protection compared to the Participating Collar, Forward Exchange Contract and other unleveraged Structured Option products.
- If the Spot Rate is more favourable than the Protection Rate you will be obligated to trade a percentage of the Notional Amount at the less favourable Protection Rate.
- If the Spot Rate is more favourable than the Participation Rate you will be obligated to trade a multiple of the Notional Amount at the less favourable Participation Rate.

## 6.3 Knock-Out

The Knock-Out is a Structured Option that gives you limited protection at an Exchange Rate that is more favourable than the Exchange Rate that would apply to a comparable Forward Exchange Contract (the "Enhanced Rate") provided that a specified Exchange Rate (the "Knock-Out Rate") is not triggered before Expiry (or during a Window). If this occurs the contract ceases to exist. A Knock-Out gives you an Enhanced Rate relative to a comparative FEC. A Knock-Out is structured by entering into two concurrent options.

- You buy a Call Option from WUBS at the Enhanced Rate. This option has a Knock-Out Rate, which means it will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window).
- You sell a Put Option to WUBS at the Enhanced Rate. This option has a Knock-Out Rate, which means it will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window).

### 6.3.1. Example of a Knock-Out

The importer enters into a Knock-Out with the following terms:

- Notional Amount: EUR 100,000
- Enhanced Rate: 8.6600
- Knock-Out Rate: 9.0000
- Expiry Date: 3 months

### 6.3.2. Possible Outcomes at Expiry

a) If the Knock-Out Rate (9.0000) has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate (8.6600), say 8.9000, the importer will buy EUR 100,000 at 8.6600.
- If the Spot Rate is more favourable than the Enhanced Rate (8.6600), say 8.2000, the importer will be obligated to purchase EUR 100,000 at 8.6600.

b) If the Knock-Out Rate (9.0000) has been triggered the structure is terminated and there is no obligation on either party

### 6.3.3. Benefit of a Knock-Out

The following is a specific benefit of a Knock-Out:

- A Knock-Out provides an enhanced Exchange Rate (Enhanced Rate) relative to a comparative FEC.

### 6.3.4. Risks of a Knock-Out

The following are specific risks of a Knock-Out:



- If the Knock-Out Rate is triggered before Expiry, there is no foreign exchange protection and you may potentially have to transact at a less favourable Exchange Rate.
- If the Spot Rate is trading at an Exchange Rate that is more favourable than the Enhanced Rate at Expiry (and the Knock-Out Rate has not been triggered) you will be obligated to trade at the less favourable Enhanced Rate.

#### 6.4. Leveraged Knock-Out

A Leveraged Knock-Out has the same basic features as the Knock-Out described in section 6.3 above. A Leveraged Knock-Out however offers either a better Enhanced Rate and/or Knock-Out Rate relative to the Knock-Out. The reason for this is that you may be required to trade a multiple of the Notional Amount at the Enhanced Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

A Leveraged Knock-Out is a leveraged Structured Option that gives you limited protection at an Enhanced Rate provided that a specified Knock-Out Rate has not been triggered before Expiry (or during a Window). If this occurs the contract ceases to exist.

A Leveraged Knock-Out is structured by entering into two concurrent options.

- You buy a Call Option from WUBS at the Enhanced Rate. This option has a Knock-Out Rate, which means it will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window).
- You sell a Put Option to WUBS at the Enhanced Rate. The Notional Amount of this Put Option will be calculated by applying the Leverage Ratio to the Notional Amount of the Call Option in (i). This option has a Knock-Out Rate, which means it will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window).

##### 6.4.1 Example of a Leveraged Knock-Out

The importer enters into a Leveraged Knock-Out with the following terms:

- Notional Amount: EUR 50,000
- Enhanced Rate: 8.6150
- Knock-Out Rate: 9.0000
- Expiry Date: 3 months
- Leverage Ratio: 2:1

##### 6.4.2 Possible Outcomes at Expiry

a) If the Knock-Out Rate (9.0000) has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate (8.6150), say 8.9000, the importer will buy EUR 50,000 at 8.6150.
- If the Spot Rate is more favourable than the Enhanced Rate (8.6150), say 8.4000, the importer will be obligated to buy EUR 100,000 at 8.6150.

b) If the Knock-Out Rate (9.0000) has been triggered the leveraged structure is terminated and there is no obligation on either party.

##### 6.4.3 Benefit of a Leveraged Knock-Out

The following is a specific benefit of a Leveraged Knock-Out:

- An ability to achieve a more favourable Enhanced Rate relative to a comparative standard Knock-Out.

##### 6.4.4 Risks of a Leveraged Knock-Out

The following are specific risks of a Leveraged Knock-Out:

- If the Knock-Out Rate is triggered, you can be left with no protection against unfavourable currency movements.
- Due to the Leverage Ratio, there is less protection compared to the Knock-Out, Forward Exchange Contract and other unleveraged Structured Option products.
- If the Knock-Out Rate is not triggered and the Spot Rate is more favourable than the Enhanced Rate at Expiry, you will be obligated to trade a multiple of the Notional Amount at the less favourable Enhanced Rate.

#### 6.5. Knock-Out Collar

The Knock-Out Collar is a Structured Option which gives you limited protection at an Enhanced Rate whilst giving the ability to participate in favourable currency movements in the Spot Rate between the Enhanced Rate and a Participation Rate.

The protection that it provides and the ability to participate in favourable currency movements are contingent upon the Knock-Out Rate not being triggered before Expiry (or during a Window). If this occurs the contract ceases to exist.

A Knock-Out Collar gives you a more favourable Enhanced and/or Participation Rates relative to a comparative standard Collar described in section 6.1 of WUBS Structured Options PDS.

A Knock-Out Collar is structured by entering into two concurrent options.

- i. You buy a Call Option from WUBS at the Enhanced Rate. This option has a Knock-Out Rate, which means it will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window).
- ii. You sell a Put Option to WUBS at the Participation Rate. This option has a Knock-Out Rate, which means it will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window).

### 6.5.1. Example of a Knock-Out Collar

The importer enters into a Knock-Out Collar with the following terms:

- Notional Amount: EUR 100,000
- Enhanced Rate: 8.7800
- Participation Rate: 8.5800
- Knock-Out Rate: 9.0000
- Expiry Date: 3 months

### 6.5.2. Possible Outcomes at Expiry

a) If the Knock-Out Rate (9.0000) has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate (8.7800), say 8.9000 the importer will buy EUR 100,000 at the Enhanced Rate of 8.7800.
- If the Spot Rate is more favourable than the Participation Rate (8.5800), say 8.4000, the importer will be obligated to buy EUR 100,000 at the Participation Rate of 8.5800.
- If the Spot Rate lies between the Enhanced Rate (8.7800) and the Participation Rate (8.5800), say 8.6500, the importer will be able to buy EUR at 8.6500 (although there is no obligation to do so).

b) If the Knock-Out Rate (9.0000) has been triggered the structure is terminated and there is no obligation on either party.

### 6.5.3. Benefits of a Knock-Out Collar

The following are specific benefits of a Knock-Out Collar:

- A Knock-Out Collar provides enhanced Participation and/or Enhanced Rates relative to a comparative standard Collar.
- Provided that the Knock-Out Rate is not triggered there is an ability to participate in favourable Exchange Rate movements up to the Participation Rate.

### 6.5.4. Risks of a Knock-Out Collar

The following are specific risks of a Knock-Out Collar:

- If the Knock-Out Rate is triggered prior to Expiry, there is no protection and you may have to transact at a less favourable Exchange Rate.
- If the Spot Rate is trading at an Exchange Rate that is more favourable than the Participation Rate at Expiry (and the Knock-Out Rate has not been triggered) you will be obligated to trade at the less favourable Participation Rate.

## 6.6. Leveraged Knock-Out Collar

A Leveraged Knock-Out Collar has the same basic features as a Knock-Out Collar, described in section 6.5 above. A Leveraged Knock-Out Collar however offers either a better Enhanced Rate and/or Knock-Out Rate relative to the Knock-Out Collar or an enhanced Participation Rate. The reason for this is that you may be required to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

A Leveraged Knock-Out Collar is a Structured Option which gives you limited protection against the risk that the Spot Rate will be less favourable than the Enhanced Rate. It also enables you to participate in favourable movements in the Spot Rate between the Enhanced Rate and the Participation Rate provided a specified Knock-Out Rate is not triggered before Expiry (or during a Window). If this occurs the contract ceases to exist.

A Leveraged Knock-Out Collar is structured by entering into two concurrent options.

- i. You buy a Call Option from WUBS at the Enhanced Rate. This option has a Knock-Out Rate, which means it will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window).
- ii. You sell a Put Option to WUBS at the Participation Rate. The Notional Amount of this Put Option will be calculated by applying the Leverage Ratio to the Notional Amount of the Call Option in (i). This option has a Knock-Out Rate, which means it will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window).

### 6.6.1. Example of a Leveraged Knock-Out Collar

The importer enters into a Leveraged Knock-Out Collar with the following terms:

- Notional Amount: EUR 50,000
- Enhanced Rate: 8.7500
- Participation Rate: 8.5500
- Knock-Out Rate: 9.0000
- Expiry Date: 3 months

### 6.6.2. Possible Outcomes at Expiry

a) If the Knock-Out Rate (9.0000) has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate (8.7500), say 8.9500 the importer will buy EUR 50,000 at 8.7500.
- If the Spot Rate is more favourable than the Participation Rate (8.5500), say 8.4000, the importer will be obligated to buy EUR 100,000 at 8.5500.
- If the Spot Rate lies between the Enhanced Rate (8.7500) and the Participation Rate (8.5500), say 8.6000, the importer will be able to buy EUR at 8.6000 (although there is no obligation to do so).

b) If the Knock-Out Rate (9.0000) has been triggered, the leveraged structure is terminated and there is no obligation on either party.

### 6.6.3. Benefits of a Leveraged Knock-Out Collar

The following are specific benefits of a Leveraged Knock-Out Collar:

- An ability to achieve enhanced Exchange Rates relative to a comparable standard Knock-Out Collar.
- An ability to participate in favourable Exchange Rate movements up to the Participation Rate provided that the Knock-Out Rate has not been triggered.

### 6.6.4. Risks of a Leveraged Knock-Out Collar

The following are specific risks of a Leveraged Knock-Out Collar:

- If the Knock-Out Rate is triggered prior to Expiry (or during a Window), there is no protection and you may have to transact at a less favourable Exchange Rate.
- If the Spot Rate is trading at a level that is more favourable than the Participation Rate at Expiry (and the Knock-Out Rate has not been triggered), you will be obligated to trade a multiple of the Notional Amount at the less favourable Participation Rate.
- Due to the Leverage Ratio, there is less protection compared to the Knock-in Reset, Forward Exchange Contract and other unleveraged Structured Option products.

## 6.7 Leveraged Knock-Out Participating

A Leveraged Knock-Out Participating has the same basic features as the Knock-Out Participating, described in section 6.11 of WUBS Structured Options PDS

A Leveraged Knock-Out Participating however offers either an enhanced Protection Rate relative to the Knock-Out Participating or an enhanced Participation Percentage. The reason for this is that you may be required to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

The Leveraged Knock-Out Participating is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate on a percentage of your Notional Amount provided that a Knock-Out Rate has not been triggered during the term of the structure.

A Leveraged Knock-Out Participating is constructed by entering into three concurrent options.

- i. You buy a Call Option from WUBS at the Protection Rate.
- ii. You sell a Put Option to WUBS at the Protection Rate. The Notional Amount of this Put Option will be for a percentage of the Notional Amount of your Call Option in (i), (the "Obligation Percentage").
- iii. You sell a Put Option to WUBS at the Protection Rate. This Put Option has a Knock-Out Rate, which means it will cease to exist if the Knock-Out Rate is triggered. The Notional Amount of this Put Option will be equal to the Notional Amount of the Call Option outlined in (i) multiplied by the Leverage Ratio, less the Notional Amount of the Put Option outlined in (ii).

### 6.7.1 Example of a Leveraged Knock-Out Participating

The importer enters into a Leveraged Knock-Out Participating with the following terms:

- Notional Amount: EUR 50,000
- Protection Rate: 8.7700
- Knock-Out Rate: 8.8400
- Obligation Percentage: 50%
- Expiry Date: 3 months
- Leverage Ratio: 2:1

### 6.7.2 Possible Outcomes at Expiry

a) If the Knock-Out Rate has not been triggered:

- If the Spot Rate is more favourable than the Protection Rate (8.7700), say 8.6000, the importer will be obligated to buy EUR 100,000 at 8.7700.
- If the Spot Rate is less favourable than the Protection Rate (8.7700), say 8.8200, the importer will buy EUR 50,000 at 8.7700.

b) If the Knock-Out Rate has been triggered:

- If the Spot Rate is less favourable than the Protection Rate (8.7700), say 9.0000, the importer will buy EUR 50,000 at 8.7700.
- If the Spot Rate is more favourable than the Protection Rate (8.7700), say 8.4000, the importer will be obligated to buy EUR 25,000 at 8.7700. The importer may also buy the remaining EUR at 8.4000 (although there is no obligation to do so).

### 6.7.3 Benefits of a Leveraged Knock-Out Participating

The following are specific benefits of a Leveraged Knock-Out Participating:

- An ability to participate in favourable Exchange Rate movements on a portion of your exposure if the Knock-Out Rate is triggered.
- Protection at all times with a known worst case Exchange Rate.
- The Protection Rate and/or the Obligation Percentage are more favourable than the Exchange Rates applicable to a comparable standard Knock-Out Participating.

### 6.7.4 Risks of a Leveraged Knock-Out Participating

The following are specific risks of a Leveraged Knock-Out Participating:

- The Protection Rate may be less favourable than the Exchange Rate applicable to a comparable FEC.
- If the Spot Rate at Expiry is more favourable than the Protection Rate and the Knock-Out Rate has not been triggered, you will be obligated to trade a multiple of the Notional Amount at the less favourable Protection Rate.
- If the Spot Rate at Expiry is more favourable than the Protection Rate and the Knock-Out Rate has been triggered you will be obligated to trade the Obligation Percentage at the less favourable Protection Rate.
- Due to the Leverage Ratio, there is less protection compared to the Knock-In Reset, Forward Exchange Contract and other non-leveraged Structured Option products.

## 6.8 Leveraged Knock-Out Reset

A Leveraged Knock-Out Reset has the same basic features as the Knock-Out Reset, described in section 6.12 of WUBS Structured Options PDS

A Leveraged Knock-Out Reset however offers a better Enhanced Rate and/or Reset Rate relative to the Knock-Out Reset. The reason for this is that you may be required to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

The Leveraged Knock-Out Reset is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "**Enhanced Rate**") provided that the Spot Rate remains within a specified range during the Tenor of the structure. A Leveraged Knock-Out Reset will always provide you with a guaranteed worst case Exchange Rate. If the Knock-Out Rate is triggered protection will exist at the Reset Rate.

A Leveraged Knock-Out Reset is structured by entering into the following four concurrent options:

- i. You buy a Call Option from WUBS at the Enhanced Rate. This Call Option has double Knock-Out Rates, which means that the option will cease to exist if either Knock-Out Rate is triggered before Expiry (or during a Window).
- ii. You sell a Put Option to WUBS at the Enhanced Rate. This Put Option has double Knock-Out Rates, which means this option will cease to exist if either Knock-Out Rate is triggered before Expiry (or during a Window).

The Notional Amount of this Put Option is calculated by applying the Leverage Ratio to the Notional Amount of the Call Option in (i).

- iii. You buy a Call Option from WUBS at the Reset Rate. This Call Option has double Knock-In Rates, which means that the option is contingent upon either Knock-In Rate being triggered prior to Expiry (or during a Window). The Notional Amount of this Call Option is equal to or less than the Notional Amount of the Call Option in (i).
- iv. You sell a Put Option to WUBS at the Reset Rate. This Put Option has double Knock-In Rates, which means that this option is contingent upon either Knock-In Rate being triggered before Expiry (or during a Window). The Notional Amount of this Put Option is calculated by applying the Leverage Ratio to the Notional Amount of the Call Option in (iii).

### 6.8.1 Example of a Leveraged Knock-Out Reset

The importer enters into a Knock-Out Reset with the following terms:

- Notional Amount: EUR 50,000
- Enhanced Rate: 8.6400
- Reset Rate: 8.8400
- Knock-In/Out Rates: 9.0000 and 8.4500
- Expiry Date: 3 months
- Leverage Ratio: 2:1

### 6.8.2 Possible outcomes at Expiry

- a) If the higher Knock-In Rate/Knock-Out Rate (9.0000) or the lower Knock-In Rate/Knock-Out Rate (8.4500) has not been triggered:
  - If the Spot Rate is more favourable than the Enhanced Rate (8.6400), say 8.5000, the importer will be obligated to buy EUR100,000 at 8.6400.
  - If the Spot Rate is less favourable than the Enhanced Rate (8.6400), say 8.9000, the importer will buy EUR50,000 at 8.6400.
- b) If the higher Knock-In Rate/Knock-Out Rate (9.0000) or the lower Knock-In Rate/Knock-Out Rate (8.4500) has been triggered:
  - If the Spot Rate is more favourable than the Reset Rate (8.8400), say 8.3000, the importer will be obligated to buy EUR100,000 at 8.8400.
  - If the Spot Rate is less favourable than the Reset Rate (8.8400), say 9.25000, the importer will buy EUR50,000 at 8.8400.

### 6.8.3 Benefits of a Leveraged Knock-Out Reset

The following are specific benefits of a Leveraged Knock-Out Reset:

- Ability to achieve an enhanced Exchange Rate relative to a comparable Forward Exchange Rate and a non-leveraged Knock-Out Reset.
- Protection at all times with a known worst case Exchange Rate (Reset Rate).

### 6.8.4 Risks of a Leveraged Knock-Out Reset

The following are specific risks of a Leveraged Knock-Out Reset:

- If either the Knock-In Rate or the Knock-Out Rate is triggered your protection rate (the Reset Rate) will be less favourable than the relative Forward Exchange Rate.
- If the Knock-In/Knock-Out Rate has been triggered you may be obligated to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate at Expiry.
- Due to the Leverage Ratio, there is less protection compared to the Knock-in Reset, Forward Exchange Contract and other unleveraged Structured Option products.

## 6.9 Leveraged Knock-Out Convertible

A Leveraged Knock-Out Convertible has the same basic features as the Knock-Out Convertible, described in section 6.13 of WUBS Structured Options PDS located on our Compliance & Legal webpage as set out in section 2.1 above.

A Leveraged Knock-Out Convertible however offers an enhanced Protection Rate and/or Knock-Out Rate relative to the Knock-Out Convertible. The reason for this is that if the Spot Rate does not trigger the Knock-Out Rate you may be obligated to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing

Spot Rate at Expiry. The amount that you may be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

A Leveraged Knock-Out Convertible is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate provided that a Knock-Out Rate is triggered during the term of the structure.

A Leveraged Knock-Out Convertible is structured by entering into two concurrent options.

- i. You buy a Call Option from WUBS at the Protection Rate.
- ii. You sell a Put Option to WUBS at the Protection Rate. This Put Option has a Knock-Out Rate, which means this option ceases to exist if the Knock-Out Rate is triggered before Expiry (or during a Window). The Notional Amount of this option will be for the same Notional Amount as the Call Option outlined in (i) multiplied by the Leverage Ratio.

### 6.9.1 Example of a Leveraged Knock-Out Convertible

The importer enters into a Leveraged Knock-Out Convertible with the following terms:

- Notional Amount: EUR 50,000
- Protection Rate: 8.8100
- Knock-Out Rate: 8.8400
- Expiry Date: 3 months
- Leverage Ratio: 2:1

### 6.9.2 Possible outcomes at Expiry

- a) If the Knock-Out Rate (8.8400) has not been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.8100), say 8.8300, the importer will buy EUR 50,000 at 8.8100
  - If the Spot Rate is more favourable than the Protection Rate (8.8100), say 8.5000, the importer will be obligated to buy EUR 100,000 at 8.8100.
- b) If the Knock-Out Rate (8.8400) has been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.8100), say 9.0000, the importer will buy EUR 50,000 at 8.8100.
  - If the Spot Rate is more favourable than the Protection Rate (8.8100), say 8.4000, the importer may buy EUR at 8.4000 (although there is no obligation to do so).

### 6.9.3 Benefits of a Leveraged Knock-Out Convertible

The following are specific benefits of a Leveraged Knock-Out Convertible:

- An ability to participate in favourable Exchange Rate movements if the Knock-Out Rate has been triggered.
- Protection at all times with a known worst case Exchange Rate.

### 6.9.4 Risks of a Leveraged Knock-Out Convertible

The following are specific risks of a Leveraged Knock-Out Convertible:

- The Protection Rate may be less favourable than the Exchange Rate applicable to a comparable FEC.
- If the Spot Rate at Expiry is more favourable than the Protection Rate and the Knock-Out Rate has not been triggered, you will be obligated to trade at the less favourable Protection Rate.
- Due to the Leverage Ratio, there is less protection compared to the Knock-in Reset, Forward Exchange Contract and other unleveraged Structured Option products.

### 6.10 Leveraged Extendible Forward

A Leveraged Extendible Forward has the same basic features as the Extendible Forward, described in section 6.4 of WUBS Structured Options PDS located on our Compliance & Legal webpage as set out in section 2.1 above.

A Leveraged Extendible Forward offers an enhanced Exchange Rates relative to the Extendible Forward. The reason for this is that if the Spot Rate does trigger the Knock-In Rate during the Window, you will be obligated to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1

A Leveraged Extendible Forward is a Structured Option, which allows you to protect against the risk that the Spot Rate will be less favourable than the nominated Exchange Rate (the Enhanced Rate) whilst giving you the potential to have

additional protection for a portion of your exposure, which we refer to as the '**Extendible Amount**', for a further period of time after the first Expiry Date, depending on the level of the Spot Rate on the first Expiry Date (or during a Window).

An Extendible Forward is structured by entering into four concurrent options.

- i. You buy a Call Option from WUBS, at the Enhanced Rate on the first Expiry Date.
- ii. You sell a corresponding Put Option to WUBS, giving WUBS the right to sell the Notional Amount to you at the Enhanced Rate on the first Expiry Date. The Notional Amount of this Put Option is equal to the Notional Amount of the Call Option outlined in (i) above.
- iii. You buy a Call Option from WUBS, giving you the right to buy the Extendible Amount on the second Expiry Date at the Enhanced Rate. The Extendible Amount will be the same value as the Notional Amount of the Call Option outlined in (i) above multiplied by the Leverage Ratio. This option has a Knock-In Rate, which means that this option is contingent upon the Spot Rate triggering the Knock-In Rate on the first Expiry Date (or during a Window).
- iv. You sell a Put Option to WUBS, giving WUBS the right to sell the Extendible Amount to you on the second Expiry Date at the Enhanced Rate. The Extendible Amount will be the same value as the Extendible Amount in the third option above. This option has a Knock-In Rate, which means that the option is contingent upon the Spot Rate triggering the Knock-In Rate on the first Expiry Date (or during a Window).

#### **6.10.1 Example of a Leveraged Extendible Forward**

The importer enters into an Extendible Forward with the following terms:

- Enhanced Rate: 8.6500
- Notional Amount: EUR 50,000
- Knock-In Rate: 8.6500
- Extendible Amount: EUR 100,000
- First Expiry Date: 3 months from Trade Date
- Second Expiry Date: 4 months from Trade Date
- Leverage Ratio: 2:1

#### **6.10.2 Possible Outcomes of the Leveraged Extendible Forward**

On the first Expiry Date and the second Expiry Date

a) If the Knock-In Rate has not been triggered:

- The importer will buy EUR 50,000 at 8.6500 on the first Expiry Date.
- There will be no obligations on the second Expiry Date as the third and fourth options will cease to exist.

b) If the Knock-In Rate has been triggered:

- On the first Expiry Date, the importer will buy EUR 50,000 at 8.6500.
- On the second Expiry Date, the importer will be obligated to buy an additional EUR 100,000 at 8.6500. If the Spot Rate is less favourable than the Enhanced Rate, the importer will Exercise the third option and if the Spot Rate is more favourable than the Enhanced Rate, WUBS will Exercise the fourth option.

#### **6.10.3 Benefits of a Leveraged Extendible Forward**

The following are specific benefits of a Leveraged Extendible Forward:

- There is protection out to the first Expiry Date at a known worst case Enhanced Rate.
- A Leveraged Extendible Forward provides an Enhanced Rate relative to a comparative FEC and standard Extendible Forward for both the first Expiry Date and the second Expiry Date.

#### **6.10.4 Risks of a Leveraged Extendible Forward**

The following are specific risks of a Leveraged Extendible Forward:

- If the Spot Rate is more favourable than the Enhanced Rate at the first Expiry Date, you will be obligated to trade at the less favourable Exchange Rate.
- You will have an obligation to trade at a multiple of the Notional Amount at a potentially unfavourable Spot Rate at the second Expiry Date if the Knock-In Rate is triggered on the First Expiry Date (or during a Window).
- If the Knock-In Rate is not triggered on the first Expiry Date (or during a Window) you will not be protected for the Extendible Amount.

## 6.11. Leveraged Knock-In Improver

The Leveraged Knock-In Improver has the same basic features as the Knock-In Improver, described in section 6.5 of WUBS Structured Options PDS located at WUBS Compliance & Legal webpage as set out in section 2.1 above.

A Leveraged Knock-In Improver offers an enhanced Protection Rate relative to the Knock-In Improver. The reason for this is that if the Spot Rate triggers either of the Knock-In Rates or the Knock-Out Rates before Expiry (or during a Window) you may be obligated to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

A Leveraged Knock-In Improver is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than the nominated Exchange Rate (the Protection Rate) whilst giving you the potential to take advantage of favourable currency movements, or improve the Protection Rate should either the Knock-In Rates or the Knock-Out Rates not trade prior to Expiry (or during a Window).

A Leveraged Knock-In Improver is structured by entering into three concurrent options.

- i. You buy a Call Option from WUBS at the Protection Rate.
- ii. You sell a Put Option to WUBS at the Protection Rate. This Put Option has two (2) Knock-In Rates, which means that this option is contingent upon the Spot Rate triggering either Knock-In Rate prior to Expiry (or during a Window). The Notional Amount of this option will be for the same Notional Amount as the Call Option outlined in (i) multiplied by the Leverage Ratio.
- iii. You buy a Call Option from WUBS at the Protection Rate for the same Notional Amount of the Call Option in i above. This Call Option also has two (2) Knock-Out Rates, which means that the option is contingent upon the Spot Rate not triggering at least one of the Knock-Out Rates prior to Expiry (or during a Window). We refer to this option as the “improving” option because if: (i) the Knock-Out Rates have not been triggered prior to Expiry (or during a Window); and (ii) the Spot Rate is less favourable than the Protection Rate at Expiry, this Call Option is closed out at market. The **In-The-Money (ITM)** value from this Put Option is used to improve the overall Protection Rate at Expiry of the first Call Option.

### 6.11.1. Example of a Leveraged Knock-In Improver

The importer enters into a Leveraged Knock-In Improver with the following terms:

- Notional Amount: EUR 50,000
- Protection Rate: 8.7300
- Knock-In Rates: 9.0000 and 8.5000
- Knock-Out Rates: 9.0000 and 8.5000
- Expiry Date: 3 months
- Leverage Ratio: 2:1

### 6.11.2. Possible Outcomes at Expiry

a) If the Knock-In Rates and the Knock-Out Rates have not been triggered:

- If the Spot Rate is more favourable than the Protection Rate (8.7300) say 8.6500 the importer is able to buy EUR at 8.6500 (although there is no obligation to do so).
- If the Spot Rate is less favourable than the Protection Rate (8.7300) say 8.8300 the importer will buy EUR 50,000 at 8.6300 (Protection Rate (8.7300) adjusted to include the ITM amount from the “improving” third option that was closed out at 8.8300).

b) If either the Knock-In Rate or the Knock-Out Rate (9.0000 or 8.5000) has been triggered:

- If the Spot Rate is more favourable than the Protection Rate (8.7300) say 8.3500, the importer will be obligated to buy EUR 100,000 at 8.7300.
- If the Spot Rate is less favourable than the Protection Rate (8.7300) say 9.0000 the importer will buy EUR 50,000 at 8.7300.

### 6.11.3. Benefits of a Leveraged Knock-In Improver

The following are specific benefits of a Leveraged Knock-In Improver:

- Protection at all times at a known worst case Protection Rate.
- An ability to transact at the market Spot Rate at Expiry (should either the Knock-In Rate or the Knock-Out Rate not be triggered).
- An ability to see the overall Protection Rate improve if the Spot Rate is less favourable than the Protection Rate and either Knock-In Rate or the Knock-Out Rate is not triggered.



- An ability to achieve a Protection Rate that is significantly enhanced than would be achievable under a Forward Exchange Contract (if either the Knock-In Rate or the Knock-Out Rate has not been triggered).

#### **6.11.4. What are the Risks of a Leveraged Knock-In Improver**

The following are specific risks of a Leveraged Knock-In Improver:

- If the Spot Rate is more favourable at Expiry than the Protection Rate, and either the Knock-In Rate or the Knock-Out Rate is triggered, you will be obligated to trade a multiple of the Notional Amount at a less favourable Exchange Rate than the market Spot Rate at Expiry.
- If either the Knock-In Rate or Knock-Out Rate is triggered you will be obligated to trade at a potentially unfavourable Protection Rate.
- Due to the Leverage Ratio, there is less protection compared to the Knock-In Reset, Forward Exchange Contract and other unleveraged Structured Option products.

#### **6.12. Ratio Forward**

A Ratio Forward is a Structured Option that gives you the ability to trade at an enhanced Exchange Rate relative to a comparative FEC. A Ratio Forward will always provide you with a guaranteed worst case Exchange Rate (the Enhanced Rate) allowing you to protect against the risk that the Spot Rate is less favourable on Expiry of the contract. A Ratio Forward always provides you with partial protection at the Enhanced Rate.

As there is a ratio component associated with a Ratio Forward you may be required to trade a multiple of the Notional Amount at the Enhanced Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

A Ratio Forward is structured by entering into two concurrent options.

- You buy a Call Option from WUBS at the Enhanced Rate.
- You sell a Put Option to WUBS at the Enhanced Rate. The Notional Amount of this option will be the same as the Notional Amount of the Call Option outlined in (i) above multiplied by the Leverage Ratio.

##### **6.12.1. Example of a Ratio Forward**

The importer enters into a Ratio Forward with the following terms:

- Notional Amount: EUR 50,000
- Enhanced Rate: 8.7000
- Expiry Date: 3 months
- Leverage Ratio: 2:1

##### **6.12.2. Possible Outcomes at Expiry**

- If the Spot Rate is less favourable than the Enhanced Rate (8.7000), say 9.5000, the importer will buy EUR 50,000 at 8.7000.
- If the Spot Rate is more favourable than the Enhanced Rate (8.7000), say 8.2000, the importer will be obligated to buy EUR 100,000 at 8.7000.

##### **6.12.3. Benefits of a Ratio Forward**

The following are specific benefits of a Ratio Forward:

- Protection at all times with a known worst case Exchange Rate.
- An ability to achieve an Enhanced Rate relative to the comparative Forward Exchange Rate.

##### **6.12.4. Risks of a Ratio Forward**

The following are specific risks of a Ratio Forward:

- You will be obligated to trade a multiple (Leverage Ratio) of the Notional Amount at the Enhanced Rate if the Spot Rate is more favourable than the Enhanced Rate at Expiry.
- You are unable to participate in favourable currency movements beyond the Enhanced Rate. If the Spot Rate is more favourable than the Enhanced Rate you will be obligated to trade the Notional Amount multiplied by the Leverage Ratio at the less favourable Enhanced Rate.

#### **6.13 Leveraged Knock-In**

A Leveraged Knock-In has the same basic features as the Knock-In, described in section 6.6 of WUBS Structured Options PDS located at our Compliance & Legal webpage as set out in section 2.1 above.

A Leveraged Knock-In however offers an enhanced Protection Rate and/or Knock-In Rate relative to the Knock-In. The reason for this is that if the Spot Rate triggers the Knock-In Rate you will be obligated to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1

A Leveraged Knock-In is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than your nominated Exchange Rate (the "Protection Rate") whilst giving you the potential to take advantage of favourable currency movements to the level of the Knock-In Rate. If the Knock-In Rate is triggered at any time before Expiry (or during a Window) you will be obligated to trade at the Protection Rate on Expiry.

A Leveraged Knock-In is structured by entering into two concurrent options.

- i. You buy a Call Option from WUBS at the Protection Rate.
- ii. You sell a Put Option to WUBS at the Protection Rate. This Put Option has a Knock-In Rate (that will only come into existence if the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window)). The Notional Amount of this option will be for the same Notional Amount as the Call Option outlined in (i) multiplied by the Leverage Ratio.

### 6.13.1 Example of a Leveraged Knock-In

The importer enters into a Leveraged Knock-In with the following terms:

- Notional Amount: EUR 50,000
- Protection Rate: 8.7400
- Knock-In Rate: 8.4200
- Expiry Date: 3 months
- Leverage Ratio: 2:1

### 6.13.2 Possible Outcomes at Expiry

- a) If the Knock-In Rate (8.4200) has not been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.7400), say 9.0000, the importer will buy EUR 50,000 at 8.7400.
  - If the Spot Rate is more favourable than the Protection Rate (8.7400), say 8.5000, the importer will be able to buy EUR at 8.5000 (although there is no obligation to do so).
- b) If the Knock-In Rate (8.4200) has been triggered:
  - If the Spot Rate is more favourable than the Protection Rate (8.7400), say 8.3000, the importer will be obligated to buy EUR 100,000 at 8.7400.
  - If the Spot Rate is less favourable than the Protection Rate (8.7400), say 9.0000, the importer will buy EUR 50,000 at 8.7400.

### 6.13.3 Benefits of a Leveraged Knock-In

The following are specific benefits of a Leveraged Knock-In:

- An ability to participate in favourable Exchange Rate movements to the level of the Knock-In Rate.
- Protection at all times with a known worst case Exchange Rate (Protection Rate).
- An ability to achieve an enhanced Protection Rate comparative to a standard Knock-In structure

### 6.13.4 Risks of a Leveraged Knock-In

The following are specific risks of a Leveraged Knock-In:

- Participation in favourable Exchange Rate movements is capped at the Knock-In Rate.
- If the Knock-In Rate is triggered during the term and the Spot Rate is more favourable than the Protection Rate at Expiry, you will be obligated to trade the Notional Amount multiplied by the Leverage Ratio at the less favourable Protection Rate.
- Due to the Leverage Ratio, there is less protection compared to the Knock-In Reset, Forward Exchange Contract and other unleveraged Structured Option products.

## 6.14 Leveraged Knock-In Collar

A Leveraged Knock-In Collar has the same basic features as the Knock-In Collar, described in section 6.7 of WUBS Structured Options PDS located on our Compliance & Legal webpage as set out in section 2.1 above.

A Leveraged Knock-In Collar however offers an enhanced Protection Rate, Participation Rate and/or Knock-In Rate relative to the Knock-In Collar. The reason for this is that if the Spot Rate triggers the Knock-In Rate you may be obligated to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing

Spot Rate at Expiry. The amount that you may be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

The Leveraged Knock-In Collar is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the Protection Rate) whilst giving you the potential to take advantage of favourable currency movements to the level of a Knock-In Rate. If the Knock-In Rate is triggered before Expiry (or during a Window) you are knocked in to a collar structure.

A Leveraged Knock-In Collar is structured by entering into two concurrent options.

- i. You buy a Call Option from WUBS at the Protection Rate.
- ii. You sell a Put Option to WUBS at the Participation Rate. This Put Option has a Knock-In Rate and will only come into existence if the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window). The Notional Amount of this option will be for the same amount as the Notional Amount of the Call Option outlined in (i) multiplied by the Leverage Ratio.

#### **6.14.1 Example of a Leveraged Knock-In Collar**

The importer enters into a Leveraged Knock-In Collar with the following terms:

- Notional Amount: EUR 50,000
- Protection Rate: 8.8800
- Knock-In Rate: 8.5000
- Participation Rate: 8.6000
- Expiry Date: 3 months
- Leverage Ratio: 2:1

#### **6.14.2 Possible Outcomes at Expiry**

- a) If the Knock-In Rate (8.5000) has not been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.8800), say 9.7000, the importer will buy EUR 50,000 at 8.8800.
  - If the Spot Rate is more favourable than the Protection Rate (8.8800), say 8.5500, the importer will be able to buy EUR at 8.5500 (although there is no obligation to do so).
- b) If the Knock-In Rate (8.5000) has been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.8800), say 9.7000, the importer will buy EUR 50,000 at 8.8800.
  - If the Spot Rate is more favourable than the Participation Rate (8.6000), say 8.0000, the importer will be obligated to buy EUR 100,000 at 8.6000.
  - If the Spot Rate lies between the Protection Rate (8.8800) and the Participation Rate (8.6000) say 8.7000, the importer will be able to buy EUR at 8.7000 (although there is no obligation to do so).

#### **6.14.3 Benefits of a Leveraged Knock-In Collar**

The following are specific benefits of a Leveraged Knock-In Collar:

- An ability to participate in favourable Exchange Rate movements to the level of the Knock-In Rate. When the Knock-In Rate has been triggered participation in favourable movements up to the Participation Rate remains possible.
- Protection at all times with a known worst case Exchange Rate.

#### **6.14.4 Risks of a Leveraged Knock-In Collar**

The following are specific risks of a Leveraged Knock-In Collar:

- The Protection Rate will be less favourable than the comparable Forward Exchange Rate and the comparable standard Knock-In structure.
- Participation in favourable movements in the Exchange Rate is capped to the level of the Participation Rate.
- If the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window) and the Spot Rate is more favourable than the Participation Rate at Expiry you will be obligated to trade the Notional Amount multiplied by the Leverage Ratio at the less favourable Participation Rate.

#### **6.15 Leveraged Knock-In Participating Forward**

A Leveraged Knock-In Participating Forward has the same basic features as the Knock-In Participating Forward, described in section 6.8 of WUBS Structured Options PDS located at WUBS Compliance & Legal webpage as set out in section 2.1 above.

A Leveraged Knock-In Participating Forward however offers either an enhanced Protection Rate relative to the Knock-In Participating Forward or an enhanced Participation Percentage. The reason for this is that you may be required to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

The Leveraged Knock-In Participating Forward is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to potentially participate in favourable movements in the Spot Rate on a portion of your exposure provided that the Knock-In Rate is not triggered before Expiry (or during a Window).

A Leveraged Knock-In Participating Forward is structured by entering into three concurrent options.

- i. You buy a Call Option from WUBS at the Protection Rate.
- ii. You sell a Put Option to WUBS at the Protection Rate. The Notional Amount of this Put Option will be for a percentage of the Notional Amount of the Call Option outlined in (i) above (the "Obligation Percentage").
- iii. You sell a Put Option to WUBS at the Protection Rate. This Put Option has a Knock-In Rate and will only come into existence if the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window). The Notional Amount of this option will be calculated by applying the Leverage Ratio to the Notional Amount of the Call Option in (i) above and subtracting from that amount the Notional Amount of the Put Option outlined in (ii) above.

### 6.15.1 Example of a Leveraged Knock-In Participating Forward

The importer enters into a Leveraged Knock-In Participating Forward with the following terms:

- Notional Amount: EUR 50,000
- Protection Rate: 8.7300
- Knock-In Rate: 8.4000
- Obligation Percentage: 50%
- Expiry Date: 3 Months
- Leverage Ratio: 2:1

### 6.15.2 Possible outcomes at Expiry

- a) If the Knock-In Rate (8.4000) has not been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.7300), say 9.5000, the importer will buy EUR 50,000 at 8.7300.
  - If the Spot Rate is more favourable than the Protection Rate (8.7300), say 8.5000, the importer will be obligated to buy EUR 25,000 at 8.7300. The importer will then be able to buy the remaining EUR at 8.5000 (although there is no obligation to do so).
- b) If the Knock-In Rate (8.4000) has been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.7300), say 9.5000, the importer will buy EUR 50,000 at 8.7300.
  - If the Spot Rate is more favourable than the Protection Rate (8.7300, say 8.2000, the importer will be obligated to buy EUR 100,000 at 8.7300.

### 6.15.3 Benefits of a Leveraged Knock-In Participating Forward

The following are specific benefits of a Leveraged Knock-In Participating Forward:

- There is the ability to participate in favourable Exchange Rate movements on a percentage of your exposure, provided that the Knock-In Rate has not been triggered.
- There is protection at all times with a known worst case Exchange Rate ("Protection Rate").
- An ability to achieve an enhanced Protection Rate and/or Obligation Percentage relative to a Knock-In Participating Forward.

### 6.15.4 Risks of a Leveraged Knock-In Participating Forward

The following are specific risks of a Leveraged Knock-In Participating Forward:

- Part of your exposure must be traded at the Protection Rate at Expiry ("Obligation Percentage"). If the Spot Rate at Expiry is more favourable than the Protection Rate you will be obligated to trade at the less favourable Protection Rate.
- If the Knock-In Rate has been triggered and the Spot Rate is more favourable than the Protection Rate at Expiry you will be obligated to trade a multiple of the Notional Amount at a less favourable Exchange Rate.
- Due to the Leverage Ratio, there is less protection compared to the Knock-in Reset, Forward Exchange Contract and other unleveraged Structured Option products.

## 6.16 Leveraged Knock-In Reset

A Leveraged Knock-In Reset has the same basic features as the Knock-In Reset, described in section 6.9 of WUBS Structured Options PDS located at WUBS Compliance & Legal webpage as set out in section 2.1 above.

A Leveraged Knock-In Reset however offers an enhanced Reset Rate relative to the Knock-In Reset. The reason for this is that if the Knock-In Rate is triggered you may be required to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

The Leveraged Knock-In Reset is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate provided that a Knock-In Rate is not triggered. If the Knock-In Rate is triggered before Expiry (or during a Window) then you may be obligated to trade a multiple of the Notional Amount at the Reset Rate on Expiry.

A Leveraged Knock-In Reset is structured by entering into three concurrent options.

- i. You buy a Call Option from WUBS at the Protection Rate. This Call Option has a Knock-Out Rate, and will cease to exist if the Spot Rate triggers the Knock-Out Rate before Expiry (or during a Window).
- ii. You buy a Call Option from WUBS at the Reset Rate. This Call Option has a Knock-In Rate and will only come into existence if the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window).
- iii. You sell a Put Option to WUBS at the Reset Rate. This Put Option has a Knock-In Rate and will only come into existence if the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window). The Notional Amount of this Put Option is calculated by applying the Leverage Ratio to the Notional Amount of the Call Option outlined in (ii) above.

All Options will have the same Knock-Out and Knock-In Rates.

### 6.16.1 Example of a Leveraged Knock-In Reset

The importer enters into a Leveraged Knock-In Reset with the following terms:

- Notional Amount: EUR 50,000
- Protection Rate: 8.7800
- Reset Rate: 8.7100
- Knock-In Rate: 8.4000
- Knock-Out Rate: 8.4000
- Expiry Date: 3 months
- Leverage Ratio: 2:1

### 6.16.2 Possible Outcomes at Expiry

- a) If the Knock-In Rate/Knock-Out Rate (8.4000) has not been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.7800), say 9.6000, the importer will buy EUR 50,000 at 8.7800.
  - If the Spot Rate is more favourable than the Protection Rate (8.7800), say 8.5000, the importer will be able to buy EUR at 8.5000 (although there is no obligation to do so).
- b) If the Knock-In Rate/Knock-Out Rate (8.4000) has been triggered:
  - If the Spot Rate is less favourable than the Reset Rate (8.7100), say 9.4000, the importer will buy EUR 50,000 at the Reset Rate of 8.7100.
  - If the Spot Rate is more favourable than the Reset Rate (8.7100), say 8.1000, the importer will be obligated to buy EUR 100,000 at the Reset Rate of 8.7100.

### 6.16.3 Benefits of a Leveraged Knock-In Reset

The following are specific benefits of a Leveraged Knock-In Reset:

- There is the ability to participate in favourable Exchange Rate movements on the full Notional Amount, provided the Knock-In Rate/Knock-Out Rate has not been triggered.
- There is protection at all times with a known Protection Rate.
- If the Knock-In Rate/Knock-Out Rate is triggered, the Reset Rate will provide protection at an Exchange Rate that is more favourable to you than the Protection Rate or the Reset Rate for a comparable Knock-In Reset.

### 6.16.4 Risks of a Leveraged Knock-In Reset

The following are specific risks of a Leveraged Knock-In Reset:

- The Protection Rate may be less favourable than the Exchange Rate applicable to a comparable Forward Exchange Contract.
- Due to the Leverage Ratio, there is less protection compared to the Knock-In Reset, Forward Exchange Contract and other non-leveraged Structured Option products.
- If the Knock-In Rate/Knock-Out Rate is triggered you will be obligated to trade at a multiple of the Notional Amount at an Exchange Rate that is less favourable to you than the prevailing Spot Rate at Expiry.

### 6.17 Leveraged Knock-In Convertible

A Leveraged Knock-In Convertible has the same basic features as the Knock-In Convertible, described in section 6.10 of WUBS Structured Options PDS located on our Compliance & Legal webpage as set out in section 2.1 above.

A Leveraged Knock-In Convertible however offers an enhanced Protection Rate relative to the Knock-In Convertible. The reason for this is that if the Knock-In Rate is triggered (and the Knock-Out Rate is not triggered) you may be required to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable than the prevailing Spot Rate at Expiry. The amount that you will be required to trade will depend on the Leverage Ratio that you have agreed to. The maximum Leverage Ratio that WUBS offers is 2:1.

The Leveraged Knock-In Convertible is a Structured Option, which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate") whilst giving you the potential to take advantage of favourable currency movements to the level of a Knock-In Rate. If the Knock-In Rate is triggered before Expiry (or during a Window), you will be obligated to trade at a multiple of the Notional Amount at the Protection Rate on Expiry unless a Knock-Out Rate has also been triggered. If the Knock-Out Rate is triggered, you are left with a Vanilla Option giving you the right but no obligation to trade at the Protection Rate. A PDS for Vanilla Options is available on the Compliance & Legal webpage of the website as set out in section 2.1 above.

A Leveraged Knock-In Convertible is structured by entering into two concurrent options.

- You buy a Call Option from WUBS at the Protection Rate.
- You sell a Put Option to WUBS at the Protection Rate. This Put Option has a Knock-In Rate and a Knock-Out Rate, which will obligate you to trade the Notional Amount at the Protection Rate, that is contingent upon the Spot Rate triggering the Knock-In Rate prior to Expiry that will cease to exist if the Spot Rate triggers the Knock-Out Rate prior to Expiry (or during a Window). The Notional Amount of this Put Option is calculated by applying the Leverage Ratio to the Notional Amount of the Call Option outlined in (i) above.

#### 6.17.1 Example of a Leveraged Knock-In Convertible

The importer enters into a Leveraged Knock-In Convertible with the following terms:

- Notional Amount: EUR 50,000
- Protection Rate: 8.7100
- Knock-In Rate: 8.5000
- Knock-Out Rate: 9.0000
- Expiry Date: 3 months
- Leverage Ratio: 2:1

#### 6.17.2 Possible Outcomes at Expiry

- If the Knock-Out Rate (9.0000) has not been triggered and the Knock-In Rate (8.5000) has been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.7100), say 8.9000, the importer will buy EUR 50,000 at 8.7100.
  - If the Spot Rate is more favourable than the Protection Rate (8.7100), say 8.4000, the importer will be obligated to buy EUR 100,000 at the Protection Rate (8.7100).
- If the Knock-Out Rate (9.0000) has not been triggered and the Knock-In Rate (8.5000) has not been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.7100), say 8.9000, the importer will buy EUR 50,000 at 8.7100.
  - If the Spot Rate is more favourable than the Protection Rate (8.7100), say 8.6000, the importer will be able to buy EUR at 8.6000 (although there is no obligation to do so).
- If the Knock-Out Rate (9.0000) has been triggered:
  - If the Spot Rate is less favourable than the Protection Rate (8.7100), say 9.5500, the importer will buy EUR 50,000 at 8.7100.
  - If the Spot Rate is more favourable than the Protection Rate (8.7100), say 8.0000, the importer will be able to buy EUR at 8.0000 (although there is no obligation to do so).

#### 6.17.3 Benefits of a Leveraged Knock-In Convertible

The following are specific benefits of a Leveraged Knock-In Convertible:

- Protection at all times with a known worst case Exchange Rate (Protection Rate).
- An ability to achieve an enhanced Protection Rate relative to a Knock-In Convertible.
- An ability to participate in favourable currency movements up to the Knock-In Rate (provided that the Knock-Out Rate has not been triggered).

#### 6.17.4 Risks of a Leveraged Knock-In Convertible

The following are specific risks of a Leveraged Knock-In Convertible:

- If the Knock-Out Rate has not been triggered participation in favourable movements is capped at the Knock-In Rate.
- Due to the Leverage Ratio, there is less protection compared to the Knock-in Convertible, Forward Exchange Contract and other unleveraged Structured Option products.
- If the Knock-Out Rate has not been triggered and the Spot Rate triggers the Knock-In Rate before Expiry (or during a Window) and the Spot Rate is more favourable than the Protection Rate at Expiry you will be obligated to trade at the less favourable Protection Rate.

## 7. CREDIT REQUIREMENTS FOR A STRUCTURED OPTION

When you enter into a Structured Option with WUBS, you immediately create a liability to us (at the **Trade Date** not the Expiry Date), which can increase with unfavourable market movements. Over the life of a Structured Option, as the Spot Rate moves, the **Marked to Market** value of the contract may be **In-The-Money (ITM)**, **Out-of-The-Money (OTM)** or **At-The-Money (ATM)**. That is, if the contract had to be cancelled at any time, it would result in a gain (if ITM), a loss (if OTM) or breakeven (if ATM). To manage this **Market Risk** WUBS will initially secure the Structured Option contract by requiring you to pay an **Initial Margin**. During the term of the Structured Option contract WUBS may also require you to pay a **Margin Call** to further secure your Structured Options contracts and other FECs you hold with us.

All payments made in respect of your Structured Option as described in this Section 7 will be applied to satisfy your payment obligation on the Expiry Date, if applicable.

### 7.1 Initial Margins

An Initial Margin is an amount of money that is payable to WUBS, calculated as a percentage of the Notional Amount of your Structured Option. We will notify you the amount of the Initial Margin at the time you enter into the Structured Option.

An Initial Margin is taken to secure WUBS's potential risk exposure resulting from adverse currency movements that negatively impact the value of the funds you may be required to purchase from us. An Initial Margin is a prepayment by you of your potential payment obligations on the Expiry Date and will be applied to the Settlement of your Structured Option if applicable. An Initial Margin is not a deposit and WUBS does not pay interest on an Initial Margin.

WUBS will determine the Initial Margin percentage that is payable by you at its discretion. If you also are accredited to trade in Options Contracts with us, this will be set at a minimum of 5% of the Notional Amount of your Structured Option. Factors that influence the level of Initial Margin that we require include:

- your financial standing, as assessed by WUBS;
- Currency Pair and amount you are transacting (more exotic currencies or those currencies that are not commonly exchanged may require a larger Initial Margin);
- the Expiry Date of your Structured Option (the longer the Expiry Date from the Trade Date the higher the Initial Margin);
- foreign exchange market **Volatility** (Currency Pairs that are exhibiting high Volatility or lack of **Liquidity** may require a higher Initial Margin)
- external economic conditions (in times of economic downturn WUBS may require a higher Initial Margin); and
- the frequency with which you transact with WUBS (where your credit history with WUBS dictates the Initial Margin required).

### 7.2 Margin Calls

A Margin Call is an amount of money that you are required to pay to WUBS to reduce its risk exposure to you to an acceptable level. We will monitor the Marked to Market value of all of your foreign exchange exposures with us on an ongoing basis. Should your Structured Option(s) (and any FECs you may hold with us) move OTM in excess of the Initial Margin, WUBS may secure the resulting increased risk through a Margin Call. If you are accredited to trade in Options Contracts WUBS will require you to pay a Margin Call equivalent to at least 3% of the Notional Amount of your Structured Option before the Marked to Market Value of your Structured Option is in excess of the Initial Margin and any Margin Call amounts that we hold at any time.

If you are required to pay a Margin Call, WUBS will advise you immediately.

**Payment of a Margin Call must be made within one (1) Business Days of WUBS' request. If you fail to pay a Margin Call, WUBS may at its discretion, choose to close some or all of your Structured Options (or any FECs**

**that you are a party to by applying the prevailing market foreign Exchange Rate. In such circumstances you will be liable to WUBS for all costs associated with terminating the relevant contracts.**

In the absence of default by you of your payment obligations to WUBS all Margin Call amounts will be applied at the Value Date to the Settlement of your Structured Options contacts or FECs (as applicable). A Margin Call is not a deposit and WUBS does not pay interest on a Margin Call.

### **7.3 Client Money**

All Initial Margin and Margin Call funds are held by us as **Client Money** in accordance with the **Hong Kong Securities and Futures (Client Money) Rules**.

Consistent with the Hong Kong Securities and Futures (Client Money) Rules, Client Money will be held separately from our money, in one or more separate trust account(s) maintained by us with an Hong Kong Authorised Institution, however, we may withdraw, deduct or apply Initial Margin and Margin Call funds in connection with meeting your obligations for Settlement or margin requirements in Structured Options with us. We may also withdraw or deduct Initial Margin and Margin Call funds where money is due and owing to us (for instance in the event that you default on any of your obligations to us and we close out your Structured Option(s) and/or FECs and incur a cost in doing so) or for any other reason authorised by the Hong Kong Securities and Futures (Client Money) Rules. This means that WUBS may make payments out of the **Segregated Account** in the following circumstances:

- paying WUBS money to which it is entitled. Once money withdrawn to pay WUBS is paid to WUBS, that money is WUBS's own money (and is not held for you);
- making a payment to, or in accordance with, the written direction or Instruction of a person entitled to the money;
- making a payment that is otherwise authorised by law or pursuant to the operating rules of licensed market; and
- as otherwise permitted under the WUBS Terms and Conditions or any other agreement put in place between WUBS and you.

Refer to the WUBS Terms and Conditions for further information on how we deal with Client Money.

### **7.4 Client Money Risk**

WUBS practice of placing Client Money in a Segregated Account will not provide you with absolute protection in all circumstances.

## **8. COST OF A STRUCTURED OPTION**

### **8.1 Interest**

Because WUBS does not typically pay interest to you for amounts that we hold as Initial Margin or Margin Call there will be an interest cost to you if you are required to pay an Initial Margin or a Margin Call. That cost will be equivalent to the interest that you would have otherwise earned if you had held those amounts in your own bank account.

### **8.2 Premium**

WUBS, in consultation with you, sets the variables associated with any Structured Option at particular levels in order to create a "No Premium" cost structure. When setting those variables, WUBS takes into account a variety of factors, similar to those used in calculating **Premiums**:

- The Notional Amount, the term, and any other rates applicable to a particular structure (Participation Rate, Knock-In/Out Rates etc.).
- Current market foreign Exchange Rates and the interest rates of the countries whose currencies are being contracted.
- Market Volatility.

Where a "No Premium" structure is created, there is no up-front Premium payable for a Structured Option. If however, you wish to nominate an improved Protection Rate or any other Exchange Rate or variable associated with a particular Structured Option, an up-front non-refundable Premium may be payable. WUBS will calculate the amount of the Premium and advise you of the amount before you enter into the transaction. Where applicable, Premiums must be paid in cleared funds within two (2) Business Days of the Trade Date.

### **8.3 Exchange Rate**

WUBS sets its Exchange Rate to you by applying a **Retail Mark Up (Mark Up)** to the Interbank Exchange Rate that it receives from its **Hedging Counterparties**. The Mark Up is how WUBS makes a profit. WUBS determines this Mark Up by taking account of a number of factors, including:

- the size of the transaction measured by Notional Amount, where the smaller the Notional Amount the larger the Mark Up may be;
- the Currency Pair where the less Liquidity in the pair the greater the Mark Up may be;
- Market Volatility where high Volatility may result in an increased Mark Up;



- the Time Zone you choose to trade in where if trading on public holidays or weekends may see increased Mark Ups; and
- the frequency with which you trade with WUBS, where the more frequently you transact the Mark Up may be reduced.

#### 8.4 Transaction Fees

You may be charged some transaction fees upon Settlement or delivery of a Structured Option at Expiry, if this is carried out via a **Telegraphic Transfer** or **Draft**. Transaction fees for Telegraphic Transfers and Drafts are in addition to the costs detailed above. More information on Telegraphic Transfers or Drafts is available in “WUBS Forward Exchange Contracts PDS”. For a copy of this PDS contact your WUBS Representative.

WUBS will advise you of any transaction fees before you establish a trading relationship. WUBS may vary these fees from time to time and will provide you with notice prior to doing so.

In addition to the fees charged by WUBS for sending payments by Telegraphic Transfer, any Correspondent, **Intermediary Bank(s)** or **Beneficiary Bank(s)** which facilitates the sending or payment of a Telegraphic Transfer may impose their own additional fees or charges which may be deducted from the amount paid to you or your Beneficiary.

### 9. BENEFITS OF STRUCTURED OPTIONS

We have described the particular benefits that attach to each Structured Option that WUBS provides in Section 6 “WUBS Structured Options” above. In addition the following are general key benefits of Structured Options:

- Structured Options help you manage the risk inherent in currency markets by predetermining the Exchange Rate and **Value Date** on which you will purchase or sell a given amount of foreign currency against another currency. This can provide you with protection against unfavourable foreign Exchange Rate movements between the Trade Date and the Value Date. This may also assist you in managing your cash flow by negating the uncertainty associated with Exchange Rate fluctuations for the certainty of a specified cash flow.
- Options are flexible. Value Dates and Notional Amounts can be tailored to meet your requirements. You also have additional flexibility to participate in certain favourable Exchange Rate movements and may be able to achieve an enhanced Exchange Rate comparable to the equivalent Forward Exchange Rate depending on the Structured Option that you enter.

### 10. RISKS OF STRUCTURED OPTIONS

We have described the particular risks that attach to each Structured Option that WUBS provides in Section 6 “WUBS Structured Options” above. We also refer you to the Risk Disclosure Statement set forth in the Schedule to Terms and Conditions.

In addition the following are general risks of Structured Options:

- **Market Volatility.** The foreign exchange markets in which WUBS operates are OTC and can change rapidly. These markets are speculative and volatile with the risk that prices will move quickly. When this occurs the value of your Structured Option may be significantly less than when you entered into the contract. WUBS cannot guarantee that you will not make losses, (where your Structured Option is OTM) or that any unrealised profit or losses will remain unchanged for the term of the Structured Option. You need to monitor your Structured Options with WUBS carefully providing WUBS with Instructions before unacceptable losses occur.
- **Issuer Risk.** When you enter into a Structured Option you are relying on WUBS’s financial ability as Issuer to be able to perform its obligation to you. As a result you are exposed to the risk that WUBS becomes insolvent and is unable to meet its obligations to you under a Structured Option. To assess our financial ability to meet our obligations to you, you can obtain a copy of our financial statements, free of charge by emailing [hkhedging@westernunion.com](mailto:hkhedging@westernunion.com)
- **Counterparty Risk.** There is also a risk that the Hedging Counterparties with whom WUBS contracts to mitigate its exposure when acting as principal to the Structured Options (by taking related offsetting or mitigating positions) may not be able to meet their contractual obligations to WUBS. This means that WUBS could be exposed to the insolvency of its Hedging Counterparties and to defaults by Hedging Counterparties. If a Hedging Counterparty is insolvent or defaults on its obligations to WUBS, then this could give rise to a risk that WUBS defaults on its obligations to you.
- **Amendments/Cancellations.** Pre-Deliveries or the close-out/cancellation of a Structured Option may result in a financial loss to you. WUBS will provide a quote for such services based on market conditions prevailing at the time of your request.
- **Cooling-off.** There is no cooling-off period. This means that once your Instruction to enter into a Structured Option has been accepted by WUBS you are unable to cancel your Structured Option without incurring a cost.
- **Default Risk.** If you fail to pay an Initial Margin or a Margin Call in accordance with the Terms and Conditions or fail to provide Settlement on the Value Date we may terminate your Structured Option. In the event that we do you will be liable for all costs that we incur including the payment of any OTM position that exists with respect to your Structured Option.

- **Conflicts of Interest.** WUBS enters into transactions with a number of different Clients and Hedging Counterparties that may be in conflict with your interests under the Structured Option(s) you have entered into with us. WUBS is not required to prioritise your interests when dealing in Structured Options with you.

## 11. ORDERS, INSTRUCTIONS, CONFIRMATIONS AND TELEPHONE CONVERSATIONS

The commercial terms of a particular Structured Option will be agreed and binding from the time your Instructions are received and accepted by us. This may occur verbally over the phone, electronically or in any other manner set out in our Terms and Conditions.

Shortly after entering into a Structured Option, we will send you a **Confirmation** outlining the agreed commercial terms of the transaction. This Confirmation is intended to reflect the transaction that you have entered into with WUBS. It is important that you check the Confirmation to make sure that it accurately records the terms of the transaction. You should note however, that there is no cooling-off period with respect to Structured Options and that you will be bound once your original Instruction has been accepted by WUBS regardless of whether you sign or acknowledge a Confirmation. In the event that there is a discrepancy between your understanding of the Structured Option and the Confirmation it is important that you raise this with WUBS as a matter of urgency.

Conversations with our dealing room are recorded in accordance with standard market practice. We do this to ensure that we have complete records of the details of all transactions. Recorded conversations are retained for a limited time and are usually used when there is a dispute and for staff monitoring purposes. If you do not wish to be recorded you will need to inform your WUBS Representative. WUBS will not enter into any transaction over the telephone unless the conversation is recorded.

## 12. RIGHTS TO ALTER OR TERMINATE A STRUCTURED OPTION

### 12.1 Pre-Delivery/Partial Pre-Delivery of a Structured Option

After entering into a Structured Option you may wish to bring the agreed Value Date forward on all, or a portion of the Notional Amount of your Structured Option. This is called a **Pre-Delivery**.

If WUBS agrees to the Pre-Delivery we may carry out an Exchange Rate adjustment to the original Structured Option to reflect this earlier delivery or Value Date. You should note that while in normal trading conditions an adjustment for Pre-Deliveries may be marginal, in times of Volatility in the foreign exchange market the adjustment may be significant.

It should be also noted that there is a contract to effect full delivery of the Structured Option no later than the Value Date and any agreement to effect a Pre-Delivery is at WUBS' sole discretion. A Pre-Delivery is also only available with respect to certain Structured Options and in certain circumstances.

### 12.2 Close-out/Cancellation of a Structured Option

WUBS may agree to close a Structured Option in the event that you no longer require the currency that you have agreed to purchase on the Value Date. WUBS decision to agree to a close-out is at all times discretionary and in each case will be subject to payment by you of any costs that we incur in terminating and unwinding your Structured Option, including any OTM position in relation to your Structured Option.

### 12.3 Termination of a Structured Option

Once entered into a Structured Option may only be terminated by WUBS in limited circumstances, which are set out in full in our Terms and Conditions. These circumstances include:

- Failure to pay an Initial Margin or Margin Call;
- If you are insolvent, appoint a receiver or administrator to your business or cease to carry on your business;
- If you dispute the validity of a Structured Option; or
- For any other reason set out in the Terms and Conditions.

When WUBS terminates a Structured Option for any of these reasons you will be liable for any losses and expenses that WUBS incurs as a result.

## 13. TERMS AND CONDITIONS AND OTHER DOCUMENTATION

### 13.1 Terms and Conditions

Each Structured Option contract you enter into will be subject to the Terms and Conditions. You will be required to sign these before entering into a Structured Option contract with us for the first time.

The Terms and Conditions are a master agreement and set out all of the terms of the relationship between you and WUBS that are applicable to the Structured Options described in this PDS.

The Terms and Conditions are important and you should read them carefully before entering into any Structured Option. They cover a number of important terms including how transactions are executed, our respective rights and obligations, events of default and rights of termination.

We recommend that you seek your own professional advice in order to fully understand the consequences of entering into a Structured Option.

### 13.2 Other Information.

In addition to our Terms and Conditions you will also need to provide us with signed documentation together with such other "Know Your Customer" information (including financial information and a **Direct Debit Request** form) that WUBS may require.

A copy of these forms can be obtained by contacting your WUBS Representative.

The main checks that are relevant to the accreditation of a **Customer** may include, but are not limited to:

- verification of a Customer's identity, a beneficial owner of a Customer and a person purporting to act on behalf of a Customer in accordance with the **AMLO**;
- a risk assessment considering relevant factors such as the nature of a Customer's business and the country where the Customer will make or receive payments; and
- a check of a Customer's, Customer's principal officers, beneficial owners and persons purporting to act on Customer's behalf against relevant government issued sanction lists.

After your application has been accepted you may apply for a Structured Option in accordance with the Terms and Conditions.

## 14. DISPUTE RESOLUTION.

You should address any complaint relating to the Structured Options described in this PDS to your WUBS Representative in the first instance.

If your complaint is unable to be resolved the matter will be automatically escalated to the relevant business unit manager. If a resolution is not reached within a reasonable time period, the matter will be further escalated to the **WUBS Compliance Manager** who will refer the matter to **Senior Management** for resolution.

All complaints are logged at each stage of the process. WUBS

Complaints Handling Policy requires us to investigate and provide a resolution to you within sixty (60) days from you first making the complaint. WUBS takes complaints seriously and strives to ensure efficient and fair resolution.

If you have any enquiries about our dispute resolution process, please contact your WUBS Representative using the contact details in Section 3.1 "WUBS Contact Details" of this PDS.

If you are dissatisfied with the resolution of a complaint you may be eligible to refer the complaint to:

Financial Dispute Resolution Centre

Address: Unit 3701-4, 37/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong

Phone: +852 3199 5199

Email address: [fdrc@fdrc.org.hk](mailto:fdrc@fdrc.org.hk)

Website: [www.fdrc.org.hk](http://www.fdrc.org.hk)

## 15. PRIVACY

In the course of providing foreign exchange services to you we will collect information about you. The information that we obtain from you or other people associated with your request is for the purpose of processing your foreign exchange transactions, providing you the services you have asked for, including processing your Structured Options, compliance and legal duties, administration and to help validate your details. Certain information may be required by us in order to comply with laws and regulations, including the AMLO and taxation laws. We may disclose your personal information, including without limitation your name, customer ID number, address and bank account information, (i) if we are required to do so by domestic or foreign law or legal process or (ii) to law enforcement authorities of other government officials (including those in this country, the United States or elsewhere) for purposes such as detecting, investigating, prosecuting and preventing crimes, including money laundering and related criminal activity, and the recipients may further disclose the information for these and other related purposes.

We may use your information to send you details about WUBS products and services. If you do not wish to receive such information please notify us. We may also disclose information about you to third party service providers (such as credit checking agencies), including to countries other than the country in which the information was originally collected or created, who assist us in our business operations and service provision, including the USA for the purposes described.

You have a right to ask us to see and get a copy of your information, for which we may charge a small fee. You can also correct, erase or limit our use of the information which is incomplete, inaccurate or out of date.

WUBS is committed to complying with all privacy laws and regulations. Further information about WUBS's privacy practices can be found at <http://business.westernunion.com.hk/About/Compliance-Legal>.

If you would like further information about the way that WUBS manages the handling of personal information, or you wish to exercise your rights, please contact our privacy officer:

[Email: privacy.anz@westernunion.com](mailto:privacy.anz@westernunion.com)

Mail: Attention: Privacy Officer

Unit 2210-2218, 22/F, Tower 1, Millennium City One, 388 Kwun Tong Road, Kowloon, Hong Kong

Phone: +852 2853 9888

## 16. GLOSSARY OF TERMS

**AMLO** means the Anti-Money Laundering and Counter-Terrorism Financing (Financial Institutions) Ordinance and related regulations which may be amended from time to time.

**At-The-Money** or **(ATM)** means where the entry price of the Structured Option is at the current market price level.

**Authorised Institution** means an authorised institution as defined in section 2(1) of the Banking Ordinance.

**Authorised Exchange Dealers** means any type of financial institution that has received authorisation from a relevant regulatory body to act as a dealer involved with the trading of foreign currencies.

**Beneficiary Bank** means the bank identified in a payment order in which an account for the beneficiary is to be credited pursuant to the order.

**Business Day** means a day that banks are open for business in Hong Kong, but does not include a Saturday, Sunday or public holiday.

**Call Option** means an agreement that gives a Client the right (but not the obligation) to buy a currency at a specified price at a specific time.

**Client Money** means money paid to which Section 3 of the Hong Kong Securities and Futures (Client Money) Rules applies.

**Confirmation** means written or electronic correspondence from WUBS that sets out the agreed commercial details of a Structured Option.

**Correspondent Bank** means a financial institution that performs services for WUBS in connection with Telegraphic Transfers or Drafts provided by WUBS.

**Counterparty(s)** means each party to a contract.

**Currency Pair** means the currency that is bought and the currency that is sold in a Structured Option.

**Customer/Client** means the entity or person who acknowledges WUBS' Terms and Conditions.

**Direct Debit Request** means a type of preauthorized payment under which a Client authorises its bank to pay amounts to WUBS for Settlement of Structured Option(s) obligations.

**Draft** means a written order to pay a specified sum issued by or through WUBS.

**Enhanced Rate** means the Exchange Rate applicable to a Structured Option that is more favourable than the equivalent Forward Exchange Rate at the Expiry Date.

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

**Expiry Date** or **Expiry** means the date on which a Structured Option expires.

**EUR** means currency of the European Union.

**Expiry Time** means the time of day on the Expiry Date that a Structured Option expires.

**Forward Exchange Contract** or **FEC** means a legally binding agreement between a Client and WUBS to exchange one currency for another at an agreed Exchange Rate on a Value Date more than two (2) Business Days after the Trade Date.

**Forward Exchange Rate** means the Exchange Rate at which WUBS agrees to exchange one currency for another at a future date when it enters into a FEC.

**Hedging Counterparties** means the parties with whom WUBS contracts to mitigate its exposure when acting as principal to Structured Options by taking related offsetting or mitigating positions.

**HKD** means Hong Kong Dollars.

**Hong Kong Securities and Futures (Client Money) Rules** means all laws and regulations applicable to Client Money including but not limited to the Securities and Futures (Client Money) Rules.

**Initial Margin** means an amount of money which shall be determined by WUBS in its sole discretion and deposited with WUBS as security in connection with a Structured Option.

**Instructions** means a request by a Client for WUBS to provide services, including any request for services made by mail, electronic mail, telephone, or other means which request may be accepted or rejected in WUBS' absolute discretion.

**Interbank Exchange Rate** means the wholesale Spot Rate that WUBS receives from the foreign exchange Interbank Market.

**Interbank Market** means the wholesale markets for transacting in foreign exchange restricted to Authorised Exchange Dealers and banks.

**Intermediary Bank** means any bank through which a payment must go to reach the Beneficiary Bank.

**In-The-Money** or **(ITM)** means where the current market price Exchange Rate for the Currency Pair in a Structured Option is less favourable than the contractual price/Exchange Rate for the Structured Option.

**Knock-In Rate** means, where applicable, the Exchange Rate that must be traded at or through in the spot foreign exchange market before the Expiry Time for the buyer's right pursuant to a Call Option or Put Option to become effective.

**Knock-Out Rate** means where applicable, the Exchange Rate that must be traded at or through in the spot foreign exchange market before the Expiry Time for the buyer's right pursuant to a Call Option or Put Option to terminate.

**Liquidity** means the ability to buy or sell a Currency Pair without a real effect on the price.

**Margin Call** means an additional payment required by WUBS as security in connection with a Structured Option.

**Marked to Market** means the market value of the Structured Option prior to Expiry Date.

**Market Risk** means the risk of adverse movements in the value of a transaction due to movements in Exchange Rates over time.

**Notional Amount** means the predetermined HKD or foreign currency amount to be bought or sold pursuant to a Structured Option.

**Obligation Percentage** means 100% of the Notional Amount value less the Participation Percentage of a Structured Option.

**Out-of-The-Money** or **(OTM)** means when the current market price/ Exchange Rate of the Currency Pair in a Structured Option is more favourable than the contractual price/Exchange Rate of the Structured Option.

**Over-The-Counter Market** or **(OTC)** means a decentralised market, without a central physical location, where market participant's trade with one another through various communication modes.

**Participation Percentage** means the Notional Amount that will be able to participate in favourable currency movements at Expiry of the Structured Option.

**Participation Rate** means the most advantageous Exchange Rate that can potentially be achieved in a Structured Option as agreed by WUBS and you.

**PDS** means Product Disclosure Statement.

**Pre-Delivery** means where after entering into an Structured Option the agreed Value Date is brought closer to the Spot Rate Value Date.

**Premium** means, where applicable, the amount that is payable by you to WUBS on the Trade Date of a Structured Option.

**Protection Rate** means the worst case Exchange Rate that can be achieved in a Structured Option as agreed by WUBS and you.

**Put Option** means an agreement that gives the buyer the right (but not the obligation) to sell a currency at a specified price at a specific time.

**Reset Rate** means the Exchange Rate that will apply to the exchange of a Currency Pair where an applicable Knock-In or Knock-Out Rate has been triggered in a Structured Option.

**Retail Mark Up or (Mark Up)** means an amount added to the Interbank Price to obtain the Retail Price.

**Retail Price** means the sum of the Interbank Price and Retail Mark Up.

**Segregated Account** means a bank account maintained by WUBS to keep Client Money separate from WUBS money.

**Senior Management** means a group of high level executives, determined by WUBS from time to time, that actively participate in the daily supervision, planning and administrative processes.

**Settlement** means the total amount, including the cost of currency acquisition as well as any fees and charges, Client owes to WUBS.

**Spot Rate** means the Exchange Rate for Settlement on a Value Date of up to two (2) Business Days from the date the transaction was entered.

**Structured Options** means an agreement to exchange a specified amount of one currency for another currency at a foreign Exchange Rate created through the concurrent sale and purchase of two or more Call Options and/or Put Options as described in this PDS.

**Telegraphic Transfer** means an electronic way of transferring funds overseas.

**Tenor** means the period of time from the Trade Date of a Structured Option to the Expiry Date.

**Terms and Conditions** means the Application for Western Union Business Solutions Services, the terms and conditions of doing business with WUBS and any exhibits, attachments, schedules and/or addenda (each as amended from time to time) and located at <http://business.westernunion.com.hk/About/Compliance-Legal>.

**Time Zone** means any one of the world's 24 divisions that has its own time.

**Trade Date** means the day you and WUBS agree to a Structured Option.

**Trigger Rate** means a Knock-In or Knock-Out Rate as applicable.

**Value Date** means the day where payment for currency is made.

**Vanilla Options** means a Call Option or Put Option that has standardised terms and no special or unusual features as described in the WUBS Vanilla Options PDS.

**Volatility** means the pace at which prices move higher or lower.

**Western Union Group** means the group of companies and entities whose ultimate parent company is the Western Union Company.

**Window** has the meaning set out in Section 5 of this PDS.

**WUBS** means Western Union Business Solutions (Hong Kong) Limited, of Unit 2210-2218, 22/F, Tower 1, Millennium City One, 388 Kwun Tong Road, Kowloon, Hong Kong, Company Number 1474270 Central Entity Number BGY438

**WUBS Compliance Manager** means a senior member of the compliance department who actively participates in the daily supervision, planning and administrative processes of the compliance function.

**WUBS Representative** means a person designated to act on behalf of WUBS in the provision of financial services specifically Structured Options.