

# Foreign Exchange Forward Contracts



This document provides information about Foreign Exchange Forward Contracts (**Forwards**) to help you decide whether this product is suitable for your needs.

In this document, **Westpac, us or we** means Westpac Banking Corporation ABN 33 007 457 141 acting through its New Zealand branch and **you** means the customer receiving this document.

Investment decisions are very important. They often have long-term consequences. We recommend you read this document carefully. If you are unsure about anything, we're happy to answer any questions. We also recommend you seek advice if there is anything that you don't understand in this document.

## Key features of Forwards.

### What is a Forward?

A Forward is an agreement with us to exchange one currency for another on an agreed date in the future at an agreed exchange rate.

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

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

### Key terms of Forwards.

When you enter into a Forward, you nominate:

<b>Currency pair</b>	The two currencies to be exchanged.
<b>Contract amount</b>	The amount of one of the currencies in the currency pair.
<b>Value date</b>	The date you want the exchange of currencies to take place.

We will then determine the rate of exchange we are prepared to offer. The **contract rate** is the rate at which the currencies will be exchanged on the value date.

The contract rate is a fixed rate that is determined before you enter into the Forward. The contract rate does not represent a forecast that we have made, nor does it guarantee what future exchange rates will be. Rather, we determine the contract rate (including our profit margin for the Forward) taking into account factors like the contract amount, value date, difference in global interest rates for your currencies, your creditworthiness and our costs.

### What happens at the value date?

On the value date the currency exchange must occur at the applicable contract rate. One of us will pay the contract amount and the other will pay an amount of the other currency determined by either multiplying or dividing the contract rate by the contract amount.

The calculation for each currency pair will depend on how the relevant exchange rate is quoted and the currency of the contract amount.

Depending on the terms agreed with you, on the value date you will need to provide us with either foreign currency or New Zealand dollars (**NZD**). You must provide funds that are immediately available on settlement.

When we receive the funds that are due from you under a Forward, we will deposit the amounts we owe you in the account previously agreed with you.

### **Variation or termination.**

You may ask us to vary or terminate a Forward at any time prior to the value date. If we agree to vary or terminate a Forward, we will quote to you the terms of any variation or termination, including any amounts payable by you or us or adjustment to the contract rate. Our quote will incorporate the same variables used when pricing the Forward, adjusted for the prevailing conditions and current market rates along with any costs for reversing or offsetting your original transaction. We will not vary or terminate a Forward unless you agree to those terms.

### **Term.**

The term of a Forward is the period between the trade date and the value date. The term will be agreed with you before the Forward is entered into. If you are a “retail investor” within the meaning of the Financial Markets Conduct Act 2013 (FMCA), Forwards are only available for terms of up to 12 months. Longer terms may be available for “wholesale investors” within the meaning of the FMCA.

### **Fees.**

There are usually no upfront costs with a Forward but we incorporate a profit margin into the applicable contract rate. This means that this rate may be different to the market rate prevailing at that time. The factors that are relevant to determining a contract rate (including our profit margin) are explained in ‘Key terms of Forwards’ above.

## **Key benefits of a Forward.**

### **Protection.**

A Forward can help provide you with protection against unfavourable foreign exchange rate movements for the term of your Forward by giving you certainty that at the value date you will receive the contract rate for the contract amount.

### **Cash flow certainty.**

The contract rate provided under a Forward also gives you certainty of cash flows. This may assist you in settling contractual arrangements denominated in a foreign currency.

### **Tailored terms.**

Key variables, including the value date and the contract amount can be tailored to meet your particular needs.

## **Key risks of a Forward.**

### **Opportunity cost.**

By entering into a Forward you will forgo any benefit of a favourable exchange rate movement between the time you enter into the Forward and the value date. The exchange rate you receive under a Forward may not be as favourable as the exchange rate you could have received if you had not entered into a Forward at all.

### **Variation/early termination.**

Termination or variation of your Forward may result in a cost to you.

### **No cooling-off period.**

There is no cooling-off period. This means that, except in certain circumstances, once you enter into Forward, you cannot terminate or vary the Forward without our consent even if you no longer need the Forward or have changed your mind.

### **Breach of obligations.**

Failure to make any payment to us under your Forward will be a breach of your master dealing agreement with us. If you do not comply with your payment obligations or any other obligation under your master dealing agreement, we may choose to exercise our right to terminate your Forward and/or any other derivative transactions with us under your master dealing agreement. This may result in a cost to you.

## Counterparty and operational risk.

We have performance obligations to you under a Forward. If we are unable to perform our obligations under your Forward, you will be exposed to exchange rate fluctuations as if you had not entered into a Forward.

Our ability to fulfil our obligations is linked to our financial wellbeing and to the effectiveness of our internal systems and procedures.

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

Further information about Westpac, including copies of our disclosure statements and Westpac’s annual reports, is available at [westpac.co.nz](http://westpac.co.nz).

## Use of agents and correspondent banks.

To deliver some currencies (other than NZD), we may use agents and/or correspondent banks.

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

## Documentation and eligibility.

### Master dealing agreement.

You will need to have a signed master dealing agreement if you want to enter into a Forward. This agreement governs the dealing relationship between us and will either be our own specific dealing agreement or an industry standard dealing agreement.

We will provide you with a copy of the master dealing agreement and any other onboarding forms for you to sign and we strongly recommend that you fully consider their terms before signing. You should obtain independent advice if you do not understand any aspect of the document.

If there is any inconsistency between this document and the master dealing agreement, the master dealing agreement prevails.

## Credit requirements.

Before entering into a Forward, we will assess your financial position to determine whether you satisfy our credit requirements and we will advise you of the outcome as soon as possible. Depending on our assessment of your creditworthiness, we may ask you to complete additional documentation.

## Confirmations.

The commercial terms of a particular Forward will be agreed at the time of dealing. This may occur over the phone or electronically. Once we reach an agreement, we are both bound by those terms.

Shortly after entering into a Forward, we will send you a confirmation outlining the commercial terms of the transaction. You will need to sign this confirmation or otherwise confirm the terms are agreed. This confirmation evidences the Forward that we entered into with you.

It is extremely important that you check your confirmation to make sure that it accurately records the terms of your Forward. If there is a discrepancy between your understanding and the confirmation, please contact your Westpac financial markets dealer as a matter of urgency.

## Eligibility.

Any offer by Westpac of Forwards is limited to investors who are:

- “wholesale investors” within the meaning of the FMCA, or others to whom disclosure under the FMCA is not required; or
- “retail investors” within the meaning of the FMCA but only where the term of the Forward is no greater than 12 months.

## Examples.

The examples below are illustrative only and use rates and figures selected to demonstrate how the product works. In order to assess the merits of any Forward, you would need to use the actual rates and figures quoted to you at the time. Note that the calculations below do not take into account any tax consequences and may include rounding of decimal places.

### Scenario 1: Exporter – Foreign Currency Receipt – Value date in three months.

You are a New Zealand based exporter due to receive 100,000 United States dollars (**USD**) in three months' time for goods that you have sold overseas. At that time, you need to convert the USD 100,000 into NZD.

Assume our present NZD/USD market foreign exchange rate is 0.6500 USD per NZD.

#### If you do nothing, what exchange rate risks do you face?

If you did nothing, the amount of NZD you will receive from us if you converted your USD in three months will depend on our NZD/USD market foreign exchange rate applicable at that time.

If the NZD appreciates (meaning it becomes stronger) against the USD, the fixed USD 100,000 you receive will generate relatively less NZD when it comes time to exchange. Assume in this example that our NZD/USD market foreign exchange rate is 0.7000 USD per NZD, then you will receive:

$$\frac{\text{USD } 100,000}{0.7000} = \text{NZD } 142,857.14$$

If the NZD depreciates (meaning it becomes weaker) against the USD, the opposite occurs and the fixed USD 100,000 you receive will generate relatively more NZD when it comes time to exchange. Assume our NZD/USD market foreign exchange rate is 0.6000 USD per NZD, then you will receive:

$$\frac{\text{USD } 100,000}{0.6000} = \text{NZD } 166,666.67$$

### How can a Forward change this?

To protect yourself against the NZD appreciating against the USD, you can enter into a Forward today and fix your exchange rate. Continuing with the above example, assume that based on current market rates you enter into a Forward with a contract rate of 0.6490.

On the value date, regardless of what our NZD/USD market foreign exchange rate is at that time, you must exchange your USD on the full contract amount at the contract rate. You will receive:

$$\frac{\text{USD } 100,000}{0.6490} = \text{NZD } 154,083.20$$

By entering into a Forward you have removed the uncertainty of exchange rate fluctuations. However, in exchange for this cash flow certainty you have also lost the opportunity to take advantage of any favourable exchange rate movements.

### Scenario 2: Importer – Foreign Currency Purchase – Value date in three months.

You are a New Zealand based importer due to pay USD 100,000 in three months' time for goods that you have bought overseas. At that time you will need to convert your NZD into USD.

Assume that our present NZD/USD market foreign exchange rate is 0.6500 USD per NZD.

#### If you do nothing, what exchange rate risks do you face?

If you did nothing, the amount of NZD you will need to buy the fixed amount of USD 100,000 in three months' time will depend on our NZD/USD market foreign exchange rate applicable at that time.

If the NZD appreciates (meaning it becomes stronger) against the USD, you will need less NZD when it comes time to pay for the fixed amount of USD 100,000. Assume that our NZD/USD market foreign exchange rate is 0.7000 USD per NZD, then you will pay:

$$\frac{\text{USD } 100,000}{0.7000} = \text{NZD } 142,857.14$$

If the NZD depreciates (meaning it becomes weaker) against the USD, the opposite occurs and you will need more NZD when it comes time to buy the fixed amount of USD 100,000. Assume that our NZD/USD market foreign exchange rate is 0.6000 USD per NZD, then you will pay:

$$\frac{\text{USD } 100,000}{0.6000} = \text{NZD } 166,666.67$$

### How can a Forward change this?

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In three months' time, regardless of what our NZD/USD market foreign exchange rate is at that time, you must exchange your NZD on the full contract amount at the contract rate. In order to receive USD 100,000, you will pay:

$$\frac{\text{USD } 100,000}{0.6490} = \text{NZD } 154,083.20$$

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## General.

### Telephone conversations are recorded.

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

### Taxation.

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

### Other disclosure.

This document is only intended for customers in New Zealand. The information set out in this document is general in nature. We have not taken into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs.

By providing this document, we don't intend to provide financial advice or any financial recommendations. You should read and consider this document, in its entirety, carefully and seek independent expert advice before making a decision about whether or not this product is suitable for you.

This document is not a "product disclosure statement" (as defined in the FMCA) and each offer of a Forward is not part of any "regulated offer" (as defined in the FMCA) by Westpac. From 19 September 2025, this document replaces all previous product disclosure statements and other disclosure documents you have received from Westpac in relation to Forwards.