

# Interest Rate Swaption.

**Product information statement.**

Issued by BankSA – A Division of Westpac Banking Corporation ABN 33 007 457 141 and Australian Financial Services Licence No. 233714.

Effective date: 31 May 2023

## You've got questions? We've got time to talk.

For more information, please contact our team of interest rate specialists below.

### Interest Rate Hub

 **(02) 8253 4463**

 [irhubsbg@stgeorge.com.au](mailto:irhubsbg@stgeorge.com.au)

 **Level 3, 275 Kent Street, Sydney NSW 2000**

### Accessibility support.

At any time, you can inform us how you would prefer to be contacted. If you are deaf and/or find it hard hearing or speaking with people who use a phone, you can reach us through the National Relay Service (NRS). To use the NRS, you can register by scanning the QR Code or visiting [infrastructure.gov.au/national-relay-service](https://infrastructure.gov.au/national-relay-service)

Visit [banksa.com.au/accessibility](https://banksa.com.au/accessibility) for further information on our accessible products and services for people with disability.

## Important information.

A Product Information Statement (**PIS**) is an information document. The purpose of a PIS is to provide you with information intended to assist you in making a decision about a product's suitability for your needs. A PIS is also a tool for comparing the features of other products you may be considering. If you have any questions about this product, please contact us on the details provided above.

You should read and consider this PIS, in its entirety, carefully and seek independent expert advice before making a decision about whether or not this product is suitable for you.

If you decide to enter into an Interest Rate Swaption, you should keep a copy of this PIS and any associated documentation. You should also promptly tell us if at any time you experience financial difficulties.

This PIS is issued by us and is current as at the date of this document. The information in it is subject to change. We may issue a replacement PIS, or post updated information on our website.

Nothing in this PIS is, or may be relied upon as, a representation as to the future performance of the Interest Rate Swaption.

The offer of the Interest Rate Swaption is being made to persons located in Australia only. Receipt of this PIS in jurisdictions outside of Australia may be restricted by local law and applications from outside Australia will not be accepted.

The information set out in this document is general in nature. It has been prepared without taking 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 PIS, we do not intend to provide financial advice or any lending recommendations.

An Interest Rate Swaption (SWP) is an agreement between you and us to enter into an Interest Rate Swap (IRS) at some agreed future point in time. The buyer of the option has the right but not the obligation, to enter into an IRS at a pre-defined Fixed Rate upon the agreed expiry of the option, unless cash settled.

Key Facts	
<b>Eligibility</b>	Wholesale client only
<b>Minimum Transaction Amount</b>	AUD \$1,000,000
<b>Term</b>	1 Year to 10 Years
<b>Currency</b>	AUD
<b>Coupon Payment Frequencies</b>	Monthly, Quarterly, Semi-Annual

## Description.

- An SWP is an agreement between you and us to enter into an Interest Rate Swap (IRS) at some agreed future point in time at a pre-defined Fixed Rate (known as the Strike Rate) on the expiry of the option. You may be either the buyer or seller of the SWP, depending on your objectives.
- An IRS is a financial instrument in which one party swaps a stream of floating interest payments for another party's fixed interest payments. The key difference between an IRS and an SWP is that the SWP allows the buyer to either enter into the IRS after the option expiry date or let the option lapse. For this right, the buyer pays an amount known as a Premium.
- Buyers can use an SWP as an interest rate risk management tool to manage their Fixed Rate or Floating Rate liabilities over a period of time so they are no longer exposed to changes in interest rates during the period. Sellers of an SWP can use the premium earned to reduce the cost of any initial hedging strategies.
- You can tailor your SWP by selecting from a range of Fixed Rates, Coupon Payment frequencies, Reset Dates, Commencement Dates, Payment Dates and by having different Notional Amounts over the Term.
- An SWP is not a lending facility.

## Suitability.

- An SWP may be suitable if you have a good understanding of interest rate markets and would like to change your interest rate exposure, based on your underlying liabilities, interest rate view, hedging and/or cashflow requirements.
- If you are not confident about your understanding of these things, this product may not be suitable for you and we strongly suggest you seek independent advice before making a decision about this product.
- An SWP is a useful interest rate risk management tool for a future hedging strategy that is no longer required at the time of the option expiry.
- An SWP should only be used where you have a genuine commercial need to manage interest rate risk. It should not be used for speculative purposes.

## Key Benefits.

- **Flexibility** – You can tailor your SWP to your interest rate view, hedging, financing and/or cashflow requirements.
- **Certainty** – You can manage your interest rate exposure when you lock-in an SWP as a hedge against your floating liabilities or to reliably meet cashflow requirements.

## Key Risks.

- **Interest Rate Risk** – For buyers of an SWP, interest rates may not move in line with your view and your SWP may expire worthless at the option expiry date. Conversely, for sellers of an SWP, if you are the seller of the option, your Fixed Rate at expiry may be higher than otherwise may be the case, or you may have to pay a cash settlement.
- **Early Termination/Variation** – You can vary or terminate an SWP early, at our discretion, however there may be a cost if you do.
- **Counterparty and operational risk** – We have a performance obligation under an SWP. You need to form a judgement on our ability to meet those obligations.
- **Negative Interest Rates** – For SWP buyers that exercise their SWP to hedge a floating rate debt facility, if benchmark interest rates fall below zero and your debt facility includes a zero interest rate floor you may be exposed to an ineffective hedge. This arises when you are made to pay both the fixed leg of your IRS and the absolute value of the negative floating rate. Please refer to page 3 for further information.

## Costs.

- **No Fees** – While there are no fees or charges to enter an SWP, the buyer of the SWP pays a non-refundable premium to the Seller, payable upfront at the Transaction Date or amortised over the Term of the SWP, where agreed with us.
- **Other Costs** – While there are no upfront out of pocket costs with establishing an SWP, we derive a financial benefit incorporating a margin into the Premium.

## What is an Interest Rate Swaption?

An SWP is an agreement between you and us to enter into an IRS at some agreed future point in time. The buyer of the option has the right but not the obligation, to enter into the IRS at a pre-defined Fixed Rate (known as the Strike Rate) on the expiry of the option.

For this right, the buyer pays an amount known as the Premium that is payable at the Transaction Date or as agreed or it can be amortised over the Term of the SWP. Conversely, the seller of an SWP earns the Premium.

## Types of Interest Rate Swaptions.

There are two types of Swaptions available:

- A payer's SWP is where the buyer has the right to pay a Fixed Rate and receive a Floating Rate.
- A receiver's SWP is where the buyer has the right to receive a Fixed Rate and pay a Floating Rate.

For this right, the buyer of the SWP pays the seller of the SWP a Premium.

## What occurs at the option expiry date?

At the expiry of the option the following outcomes may occur depending on the type of SWP:

- If the current market rate of the IRS is higher than the Strike Rate, a payer's SWP will have a positive market value and the receiver's SWP will have no value and will expire worthless.
- If the current market rate of the IRS is lower than the Strike Rate, a receiver's SWP will have a positive market value and the payer's SWP will have no market value and will expire worthless.

At that point the SWP will have either of:

- No market value and will lapse or expire worthless;
- Have a positive market value and can be either cash settled or physically settled. Physical settlement refers to the conversion into an IRS the day after the option expiry.

The decision between whether to cash settle or physically settle is made at the Transaction Date. Your preference as to the settlement methodology will determine whether any cash benefit is paid to your nominated account or whether the SWP will be Exercised (or converted) into an IRS and the agreed Strike Rate will become the Fixed Rate for the agreed Term.

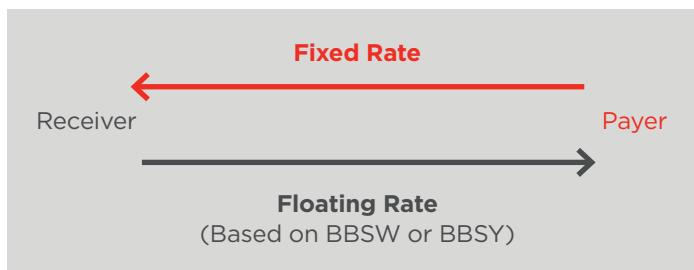
## What is an Interest Rate Swap?

If your preference was for a physical settlement at the option expiry the SWP will be converted into an IRS, commencing the next business day. An IRS is an agreement between you and us where one party agrees to pay the other (in cash) the difference between a fixed interest rate (the Fixed Rate) and a series of variable interest rates (the Floating Rate) over an agreed period of time.

## Fixed Rates and Floating Rates.

Each IRS involves a fixed interest rate and a floating interest rate at inception.

Under the terms of the SWP, where you were previously the buyer of the payer's SWP, you become the Fixed Rate payer under the IRS. If you were the previously the buyer of the receiver's SWP, you become the Fixed Rate receiver under the IRS.



The Fixed Rate is established at the beginning of the transaction, while the Floating Rate is based on a **Reference Rate** determined on periodic **Reset Dates** over the life of the transaction. The commonly used variable Reference Rates are '**BBSW**' or '**BBSY**'.

An IRS is based on an agreed notional amount (the Notional Amount), however, the notional amount can vary over the Term depending on your interest rate view, hedging and/or cashflow requirements.

## Who are the Payers and Receivers under an IRS?

You may be the Payer or the Receiver. In every IRS transaction:

- The **Payer** **pays** the Fixed Rate (and receives the Floating Rate); while
- The **Receiver** **receives** the Fixed Rate (and pays the Floating Rate).

For example, under an SWP, a Fixed Rate Payer and Fixed Rate Receiver will have different motivations:

Who	Pays?	Receives?	Why?
<b>Payer</b>	Fixed Rate	Floating Rate	Hedges a Floating Rate liability, effectively fixing it.
<b>Receiver</b>	Floating Rate	Fixed Rate	Hedges a Fixed Rate liability, effectively opening it up to floating rate fluctuations.

## Netted Payments.

The parties do not in reality, make two corresponding payments on each Payment Date – instead, a single, net payment is made in one direction or the other.

## How is an IRS designed?

After considering your circumstances carefully, you decide:

- The Notional Amount (subject to a minimum of AUD \$1,000,000);
- The Commencement Date;
- The Term of your SWP (one to ten years);
- The Coupon Payment frequency (monthly, quarterly or semi-annually);
- Whether you are a Payer or a Receiver;
- The Reset Dates and Payment Dates of your SWP; and
- If you want to vary the Notional Amount during the Term.

We then determine the relevant Fixed Rate, payable at the end of each interest rate period (in arrears) on each Payment Date. The Floating Rate will be set at the beginning of each interest rate period (on the Reset Date) and is also payable in arrears on the Payment Date. The payments of the Fixed Rate and the Floating Rate will be netted on the Payment Dates.

You can tailor an SWP by selecting from a range of Coupon Payment frequencies, Reset Dates and Payment Dates and by having the option to structure.

## How does an IRS work?

At each Payment Date:

- If the Floating Rate is greater than the Fixed Rate, the Payer will receive a cash payment from the Receiver; or
- If the Floating Rate is less than the Fixed Rate, the Receiver will receive a cash payment from the Payer.

In each case, the cash payment will be determined by the difference between the Floating Rate and the Fixed Rate. If, however, the Floating Rate and the Fixed Rate are the same, no cash payment is made.

The Floating Rate will have been set on the preceding Reset Date, or the Commencement Date in the case of the first interest rate period.

## How is the Floating Rate determined?

The Floating Rate used to determine the Floating Rate Coupon Payments will be based on:

- Australian Bank Bill Swap Rate ('**BBSW**'); or
- Australian Bank Bill Swap Bid Rate ('**BBSY**').

These are defined below and the calculation methodology relating to BBSW can be found at [asx.com.au](http://asx.com.au). Note, that BBSY is the Bid Rate which is 0.05% higher than the BBSW Rate.

Reference Rates are available for Designated Maturities of:

- One month (1m BBSW or 1m BBSY);
- Three months (3m BBSW or 3m BBSY); or
- Six months (6m BBSW or 6m BBSY).

The tenor of the Reference Rate will be the same as the Coupon Payment frequency you have chosen. For example, if you choose a quarterly Coupon Payment frequency, the Reference Rate will be 3m BBSW or 3m BBSY.

BBSW and BBSY are widely used as Australian Bank Bill interest rate reference rates by investment banks, fund managers and retail banks. They refer to a daily calculation made by the ASX on the yields on bank bills of various maturities.

Reference Rate	Price	Description
<b>BBSW</b>	Mid	Bank Bill Swap Rate means the primary short-term rate used in the financial markets for the pricing and valuation of Australian dollar securities and as a lending reference rate as calculated and published daily by its administrator, the ASX.
<b>BBSY</b>	Bid	Bank Bill Swap Bid Rate means the primary short-term rate used in the financial markets for the pricing and valuation of Australian dollar securities and as a lending reference rate as calculated and published daily by its administrator, the ASX.

It is important to understand that BBSW and BBSY are NOT the Reserve Bank of Australia's ('RBA') Cash Rate. BBSW and BBSY do not necessarily reflect nor follow movements in the RBA Cash Rate.

## How is the Fixed Rate determined?

The Fixed Rate takes into account a variety of factors, including:

- The length of the Term;
- Prevailing market interest rates;
- Market volatility;
- The Coupon Payment frequency;
- Whether you are a Payer or a Receiver;
- The Reset Dates and Payment Dates; and
- Any variation in the Notional Amount during the Term.

## Negative Interest Rates.

Over recent years, markets have faced an unprecedented period of low and negative interest rates across global markets. These market developments have increased the focus on zero interest rate floors in lending documentation.

A zero interest rate floor is a provision that states if the benchmark reference rate (BBSW or BBSY Bid Rate) falls below zero on any given rate reset date, then the interest rate in the document for that interest period is deemed to be zero.

If by exercising the SWP you enter into an IRS as part of a strategy to hedge the floating interest rate risk on

your debt facility, but you have a zero interest rate floor in your debt facility document, you may be exposed to an ineffective hedge when the benchmark reference rate resets below zero. This ineffective hedge will arise when your variable rate debt facility is floored at zero percent, yet the floating leg of your IRS continues below zero. In this case, you will not only be paying the fixed leg of your IRS as usual, but also paying the absolute value of the negative floating rate.

Given the above if the benchmark interest rate was to set below zero on a rate reset date, a hedger with an IRS will be paying:

- Zero percent (plus any lending facility margin, line fee etc) on the floating rate debt facility;
- The positive fixed rate leg of the IRS; and
- The absolute value of the negative floating rate of the IRS.

For a customer that is not utilising an SWP as a hedge, and that SWP has been exercised, you would be paying the following if the benchmark interest rate was to set below zero on a rate reset date:

- The positive fixed rate leg of the IRS; and
- The absolute value of the negative floating rate of the IRS.

If you are considering interest rate hedging with an SWP, where your debt facility documentation contains a zero interest rate floor, you should carefully think about your hedging strategy.

You may also need to consider whether such a mismatch affects the hedge accounting treatment of your transactions.

## How much will the Coupon Payments be?

The Fixed Rate Coupon Payments will be:

- Calculated using the same Fixed Rate each time; and
- Paid in arrears on each Payment Date (in respect of the period since the previous Payment Date, or the Commencement Date, as the case may be).

The Floating Rate Coupon Payments may change each Payment Date. This is because the Floating Rate is variable and is set on each Reset Date for the period until the next Payment Date.

If you choose to vary the Notional Amount during the Term of your IRS, your Coupon Payments for a particular interest rate period will be calculated on the Notional Amount for that interest rate period.

In each case, both your Fixed Rate Coupon Payment and your Floating Rate Coupon Payment can be calculated using the following formula:

$$A = B \times C \times (D/365)$$

Where:

**A** = your Coupon Payment;

**B** = your Notional Amount for that period;

**C** = either the Fixed Rate expressed as a percentage, or the Floating Rate expressed as a percentage, as determined on the preceding Reset Date (or the Commencement Date, as the case may be); and

**D** = the number of days since (but not including) the previous Payment Date, or in the case of the first Payment Date, the number of days since (but not including) the Commencement Date.

Please note that your Coupon Payments will not be compounded and cannot be reinvested in your SWP.

## There is no exchange of Notional Amount - only exchange of Coupon Payments.

Neither party to an SWP agrees to pay over the Notional Amount itself. This is just the nominal reference amount for calculating the Coupon Payments.

## When are Coupon Payments made?

You can choose the Coupon Payment frequency (monthly, quarterly or semi-annual) to best suit your cash-flow requirements.

- At the beginning of each interest rate period (on each Reset Date), the Floating Rate will be set.
- At the end of each interest rate period (on each Payment Date) the respective Fixed Rate and Floating Rate Coupon Payments will be netted and paid in arrears.

The particular Reset Dates and Payment Dates for your SWP will be set out in your Confirmation.

If you are making a payment, you must do so in clear funds according to our instructions. We will make all payments to the bank account, in your name, nominated by you. Alternative arrangements can be made with our agreement.

## Can I vary Notional Amounts during the term of the IRS?

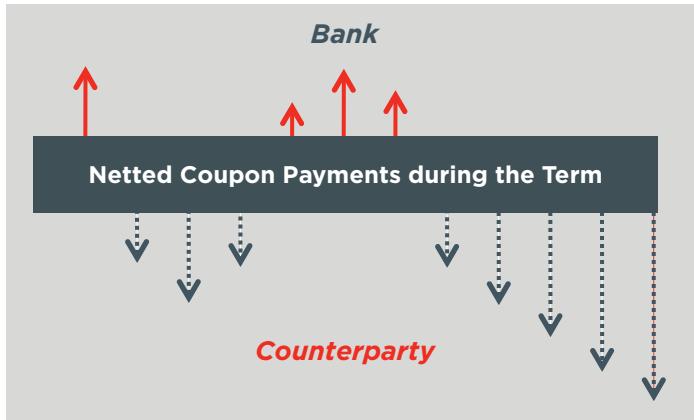
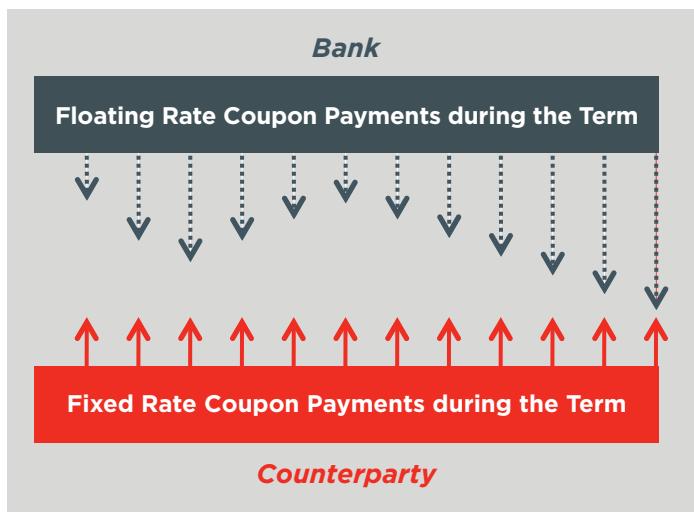
Yes. At inception of the SWP you decide the Notional Amount. You can also decide at that time if you want us to structure your SWP to vary the Notional Amount over the Term depending on your underlying liabilities, interest rate view, hedging and/or cash-flow requirements.

## Payment flow diagrams.

The diagrams used below are for illustrative purposes only and represent the timing and nature of the payments relating to an SWP. The diagrams are not intended to represent the amount of, or variation in, the payment flows.

The first diagram below shows an example of the payment flows that occur during the Term of an SWP, assuming we are the Receiver and you (as the Counterparty) are the Payer.

The Floating Rate Coupon Payments that are received during the Term will vary in accordance with movements in the Reference Rate.



## Calculation Methodology.

The methodology used to calculate the Fixed Coupon Payments and Floating Rate Coupon Payments under an IRS can be either a simple interest in arrears basis or on a discounted or Bank Bill basis.

## Early Termination/Variation.

At our discretion, you can terminate or vary your SWP or IRS early but there may be a cost to you resulting in a possible early termination or variation payment.

You may, however, realise a net benefit depending on the prevailing market conditions upon variation or early termination. With these risks in mind, please consider your circumstances carefully when selecting the terms of your SWP.

## What Documentation is required?

### Master dealing agreement.

You will need to sign a master dealing agreement.

This agreement will either be our own specific master dealing agreement or an industry standard master dealing agreement.

We will advise you which master dealing agreement you need to sign.

The master dealing agreement governs the dealing relationship between you and us and sets out the terms and conditions that will apply to all transactions that we

enter into with you that are covered by the agreement. In particular, they document the situations where those transactions can be terminated and the way the amount to be paid following termination is calculated.

You will be provided with a copy of the relevant master dealing agreement and we strongly recommend that you fully consider its 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 PIS and the master dealing agreement, the master dealing agreement prevails.

### Email or facsimile authority or indemnity.

If you would like to provide us with email or facsimile instructions in relation to an SWP, we will require you to complete an email and facsimile authority and indemnity. The purpose of the email and facsimile authority and indemnity is to protect us against the consequences of acting upon instructions which may not represent your genuine wishes, but which appear to us to be genuine.

### Other documentation.

You may be requested to complete additional documentation before you enter into an SWP. We will inform you if any further documentation is required at that time.

### Credit Approval.

Before entering into an SWP, we will assess your financial position to determine whether or not your situation satisfies our normal credit requirements. We will advise you of the outcome of its review as soon as possible.

### Confirmation.

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

Shortly after entering into an SWP, we will send you a Confirmation outlining the commercial terms of the transaction, including:

- The Notional Amount of your SWP;
- The Commencement Date;
- The Maturity Date;
- The Strike Rate or Fixed Rate;
- The Reference Rate;
- Whether you are a Payer or Receiver;
- Whether you are a buyer or seller;
- The Reset and Payment Dates; and
- The variation (if any) of the Notional Amount during the Term.

It is extremely important that you check the Confirmation to make sure that it accurately records the terms of the transaction. If so, please sign and return the Confirmation as directed. In the case of a discrepancy, you will need to raise the matter with our representative as a matter of urgency.

# General information.

## **Anti-Money Laundering and Counter-Terrorism Financing Act 2006 Obligations.**

### **What we need from you:**

To open an SWP, we'll need some important details from you. Depending on the legal nature of your business (company, trustee, partnership etc.) you will be required to provide certain documents and information to us.

### **If this is your first account with us:**

Under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* ('AML/CTF Laws'), it is a requirement that the account holder and all signatories to the account must be identified. So if you're opening an account for the first time this applies to you. It also applies to any signatory who is not an existing customer.

The identification requirements can be met by completing our Customer Identification Procedure which involves providing identity documentation to us. For information on documents required under our Customer Identification Standards please contact any branch or refer to our website.

If the account holder or any of the signatories to an account are not identified in terms of the AML/CTF Laws, the account will be blocked for all withdrawals, until they are identified. If you are an existing customer, an account signatory (or any other cardholder), identification requirements may have previously been satisfied so you don't need to provide it again, unless you are asked to do so by us.

## **Regulatory and Compliance Controls and Monitoring.**

We are bound by laws that impose regulatory and compliance obligations, including obligations in relation to the prevention of money laundering and the financing of terrorism, which are the AML/CTF Laws. In order for us to meet its regulatory and compliance obligations, we perform certain control and monitoring activities.

Upon entering into an SWP with us, you agree to provide the following undertakings and agree to indemnify us against any potential loss arising from any breach by you of such undertakings that:

- you are not and will not enter into any agreement with us under an assumed name;
- any funds used by you to enter into an agreement with us have not been derived from or related to any criminal activities;
- any payments received from us will not be used in relation to any criminal activities;
- if we ask, you will provide us with additional information we reasonably require from you for the purposes of meeting our regulatory and compliance obligations, including the obligations under AML/CTF Laws (including information about the source of funds used to settle the transaction); and

- you and your SWP with us will not initiate, engage or effect a transaction that may be in breach of Australian law or sanctions (or the law or sanctions of any other country).

You should be aware that:

- we may obtain information about you or any beneficial owner of an interest in an agreement with us from third parties if we believe this is necessary to comply with our regulatory and compliance obligations, including AML/CTF Laws;
- transactions may be delayed, blocked, frozen or refused where we have reasonable grounds to believe that they breach Australian law or sanctions or the law or sanctions of any other country;
- where transactions are delayed, blocked, frozen or refused, we and other members of the Westpac Group are not liable for any loss you suffer (including consequential loss) in connection with a deposit; and
- where legally obliged to do so, we may disclose information that we hold about you to our related bodies corporate or service providers, other banks, or relevant regulatory and/or law enforcement agencies (whether in or outside of Australia).

## **Telephone conversations.**

The terms of an SWP are usually discussed over the telephone. Conversations with our dealing room and settlement departments are recorded. This is standard market practice. Recorded conversations are retained for a limited period and are usually used where there is a dispute and for staff monitoring purposes. You will need to advise our staff if you do not wish to be recorded.

## **Dispute resolution.**

Sometimes you may want to talk about problems you are having with us. Fixing these problems is very important to us. We've put in place ways of dealing with your issues quickly and fairly.

## **Please talk to us first.**

We aim to resolve your complaint at your first point of contact with us. You can contact us on the details provided on the inside cover page of this PIS.

## **What to do if you're still unhappy.**

If you are not satisfied with our response, you may lodge a complaint with the Australian Financial Complaints Authority:

**Online:** [www.afca.org.au](http://www.afca.org.au)

**Email:** [info@afca.org.au](mailto:info@afca.org.au)

**Phone:** 1800 931 678

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

## **Privacy Statement.**

All personal information and credit-related information (if applicable) we collect about you is collected, used and disclosed by us in accordance with our Privacy Statement which is available at [westpac.com.au/privacy/privacy-statement](http://westpac.com.au/privacy/privacy-statement), [stgeorge.com.au/privacy/privacy-statement](http://stgeorge.com.au/privacy/privacy-statement), [bankofmelbourne.com.au/privacy/privacy-statement](http://bankofmelbourne.com.au/privacy/privacy-statement) or [banksa.com.au/privacy/privacy-statement](http://banksa.com.au/privacy/privacy-statement). You do not have to provide us with any personal information or credit information (if applicable) but, if you don't, we may not be able to process an application or request for a product or service.

Where individuals engage with us in relation to products and services for our business, corporate or institutional customers (for example, as representative, administrator, director, corporate officer, signatory, beneficiary or shareholder of one of our customers) our Privacy Statement will be relevant to those individuals where we collect and handle their personal information. For example, where we collect their personal information to verify their identity or collect their signature as a signatory on a corporate account.

## **Privacy Obligations.**

To the extent that it applies to you, you must comply with the *Privacy Act 1988* (Cth) in relation to any personal information you provide to us in connection with this PIS, and if you engage in activities in a jurisdiction other than Australia, you must comply also with the applicable privacy laws in that jurisdiction.

## **Foreign Tax Residents.**

We are required under domestic and international laws to collect and report financial and account information relating to individuals and organisations who are, or may be, foreign tax residents. We may ask you whether you or any shareholder, beneficiary, settlor or controlling person are a foreign tax resident from time to time, such as when you open an account with us, or if your circumstances change. If you do not provide this information to us we may be required to limit the services we provide to you.

Unless you tell us otherwise, by completing any application, you certify that any shareholder, named beneficiary, settlor or controlling person is not a foreign tax resident. You must tell us if you, or any shareholder, named beneficiary, settlor or controlling person is, or becomes, a foreign tax resident (unless an exemption applies, such as for shareholders of listed companies). Where there are no named beneficiaries (e.g. for beneficiaries identified only as a class) you must tell us if a beneficiary is a foreign tax resident immediately when any decision is made to identify and make a distribution to them. You may contact us to provide foreign tax residence information by calling 1300 720 314 Option 1.

We cannot give tax advice, so please contact your independent tax adviser if you need help finding out whether any person is a foreign tax resident.

## **Taxation.**

Taxation law is complex and its application will depend on a person's individual circumstances. When determining whether or not this product is suitable for you, you should consider the impact it will have on your own taxation position and seek professional advice on the tax implications it may have for you.

## **External service providers.**

We may subcontract any of our rights and obligations to another person in Australia or overseas.

We may disclose or share any information you provide to us with any such person. With respect to any personal information, details of the countries where the overseas recipients are likely to be located is contained in our Privacy Statement which is available at [westpac.com.au/privacy/privacy-statement](http://westpac.com.au/privacy/privacy-statement), [stgeorge.com.au/privacy/privacy-statement](http://stgeorge.com.au/privacy/privacy-statement), [bankofmelbourne.com.au/privacy/privacy-statement](http://bankofmelbourne.com.au/privacy/privacy-statement) or [banksa.com.au/privacy/privacy-statement](http://banksa.com.au/privacy/privacy-statement) (as updated from time to time).

# Glossary.

**'We', 'our' and 'us'** refers to Westpac Banking Corporation ABN 33 007 457 141 Australian Financial Services Licence No. 233714 (and includes the Bank of Melbourne, St.George and BankSA brands).

**Bank Bill** is a Bill of Exchange as defined in the *Bills of Exchange Act 1909* (Commonwealth) which is, or is taken to be, accepted under a Bank Bill facility (whether or not it physically exists).

**BBSW** or Bank Bill Swap Rate means the primary short-term rate used in the financial markets for the pricing and valuation of Australian dollar securities and as a lending reference rate as calculated and published daily by its administrator, the ASX or any successor administrator. If such a rate is not published, then a rate will be determined by us, acting in good faith and in a commercially reasonable manner. Investors can access information on the calculation methodology and the previous day's BBSW rate in the ASX Benchmark Rates section of the ASX website located at [asx.com.au](http://asx.com.au)

**BBSY** or Bank Bill Swap Bid Rate means the primary short-term rate used in the financial markets for the pricing and valuation of Australian dollar securities and as a lending reference rate as calculated and published daily by its administrator, the ASX or any successor administrator. If such a rate is not published, then a rate will be determined by us, acting in good faith and in a commercially reasonable manner. Investors can access information on the calculation methodology and the previous day's BBSY rate in the ASX Benchmark Rates section of the ASX website located at [asx.com.au](http://asx.com.au)

**Calculation Period** refers to the number of days in the relevant period from one Reset Date until the next Reset Date.

**Commencement Date** means the date on which your IRS commences. This will be referred to as the 'Effective Date' in your Confirmation.

**Confirmation** means the document issued to you by us following receipt (and subject to acceptance) of your completed Documentation and Credit approval.

**Coupon Payment** means the net payment made on each Payment Date in respect of the Notional Amount. Designated Maturity refers to the designated term the Reference Rate used in your IRS.

**Designated Maturity** refers to the designated term the Reference Rate used in your IRS.

**Exercised** means to put into effect the right specified under a contract.

**Fixed Rate** means the fixed interest rate applying to your Notional Amount during the Term.

**Floating Rate** means the floating or variable interest rate applying to your Notional Amount during the Term, expressed as a percentage and based on the Reference Rate.

**Floating Rate Option** means the ISDA term for either BBSW or BBSY.

**ISDA** stands for International Swaps and Derivatives Association and is a shorthand reference to the ISDA Master Agreement, one of the two standard master dealing agreements used to document your SWP.

**Master Agreement** means the Master Agreement for Derivative Transactions, one of the two standard agreements used to document your SWP.

**Maturity Date** means the date on which your IRS expires. This will be referred to as the Termination Date in your Confirmation.

**Notional Amount** means the amount left at the beginning of each coupon period during the Term and on which the Fixed Rate Coupon Payments and Floating Rate Coupon Payments are calculated. The Notional Amount does not have to be a fixed amount for the full Term, it can vary over the Term.

**Payer** refers to the payer of the Fixed Rate.

**Payment Date** refers to each date on which a Coupon Payment will be made by us in respect of your Notional Amount. The specific Payment Dates applying to your IRS will be specified in your Confirmation. If a Payment Date does not fall on a business day, the payment will be processed on the following business day.

**PIS** means Product Information Statement.

**Premium** refers to the payment the buyer of the option makes to the seller of that option.

**Receiver** refers to the receiver of the Fixed Rate.

**Reference Rate** means either the Australian Bank Bill Swap Rate with a Designated Maturity of one month (1m BBSW), three months (3m BBSW) or six months (6m BBSW), or the Australian Bank Bill Swap Bid Rate with a Designated Maturity of one month (1m BBSY), three months (3m BBSY) or six months (6m BBSY). The Reference Rate will be defined in your Confirmation.

**Reset Date** refers to each date on which the Floating Rate is set. The Specific Reset Dates applying to your IRS Cap will be specified in your Confirmation. If a Reset Date does not fall on a business day, the Floating Rate will be set on the following business day.

**Strike Rate** refers to the maximum effective interest rate expressed as a percentage p.a. payable under the IRS.

**Term** means the period between the Commencement Date and the Maturity Date.

**Transaction date** means the original date that the contract is agreed.

**Westpac Group** means Westpac and its related bodies corporate.



