Product Disclosure Statement (PDS)

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Date of preparation: 8th January 2010

What is a Product Disclosure Statement ('PDS')?

A PDS explains in detail, everything you need to know about the financial products we can offer you. It is provided to assist you in determining whether the products we offer meet your requirements and it explains the terms and conditions associated with our products.

This PDS will also help you in comparing features of other similar products you may be investigating.

It should be noted that the PDS is general in nature and does not take into account your particular objectives and financial needs. It does not constitute any financial advice or a recommendation.

If, in any case, you are not confident about any of the products included in this PDS, it is recommended that you seek further independent advice before entering into any contract.

The information in this PDS is subject to change. You will be issued with a new PDS if the changes are materially adverse to the information provided in this PDS. Changes that are not materially adverse will be posted on Tasman FX's website at www.tasmanfx.com.

Issuer:

Tasman Foreign Exchange Pty Ltd ('Tasman FX') is authorised to provide retail and wholesale clients both general and personal advice in regards with "Foreign Exchange (FX) Contracts" and "non cash payment products". Tasman FX is also authorised to make a market in FX Contracts, which allows us to quote market prices to you.

Types of FX contracts:

An FX contract is a binding agreement between Tasman FX and you, the client, to exchange one currency for another at an agreed exchange rate and on an agreed date. Request date refers to the day when the currency was ordered. Value date is the day when the client is required to make payment and the currency exchange actually occurs at the agreed exchange rate.

Tasman FX specialises in two types of FX contracts:

SPOT Contract – This is a basic tool for exchanging currencies and the settlement date is between 1 and 2 days after the trade date.

Benefits:

The Spot Contract is the simplest way to manage FX risk, and is an efficient way to make an overseas payment or convert foreign currency receivables into local currency.

Risks:

You are legally obligated to honour the contract i.e. exchange currency at the agreed exchange rate on the agreed date. As such, you will not be able to take advantage if the rate is preferential on the Value Date[1].

You do not have a cooling off period i.e. once the contract is entered into, it cannot be cancelled. If the contract is to buy a currency, it can be only be cancelled by selling it at the prevailing market rate at the time and vice versa.

1 Value date is the day when the client is required to make payment and the currency exchange actually occurs at the agreed exchange rate

You do have a counterparty risk as you are relying on Tasman FX's financial ability to fulfil its obligation under the contract. You can request a free copy of latest financial report to help you asses this risk.

How does it work?

In order to arrange a SPOT contract you need to advise us of the amount of money you want to exchange, the two currencies involved and the currency you want to buy or sell. You will then be quoted a SPOT rate. Once you have accepted the rate, you are bound to the transaction. You will receive an email or fax confirming the transaction. Once we have received cleared funds from you, we will transfer the currency you have bought into a bank account nominated by you.

Example 1

John is buying a house in Italy and needs to transfer Euro 200,000 to complete the purchase of the house. He calls Tasman FX and asks for a quote to buy Euro (EUR) against the Australian Dollar (AUD). He is quoted 0.5625 to buy Euro 200,000 and he accepts the rate following which he is emailed a confirmation of the transaction. John transfers AUD 355,555.56 plus $25 telegraphic transfer fee into Tasman FX's settlement account and advises where the Euros are to be sent. Once Tasman FX receives cleared funds from John, the Euro funds are transferred to the overseas account nominated by John.

Note: Each telegraphic transfer may incur bank fees by the foreign bank, which is beyond Tasman FX's control. Clients are advised to enquire with their beneficiary's about such fees and, if applicable, add the fee to the amount being sent so that the beneficiary receives the full amount.

Forward Exchange Contract ('FEC') – Similar to SPOT contract except that the settlement date is between 3 days to 3 months. It is a great tool for businesses to hedge their FX risk. The customer agrees to buy currency at a future date (e.g. GBP) from Tasman FX at a rate of exchange that is quoted by a Tasman FX dealer, and makes a deposit, which is usually 10% but may be more depending upon the volatility in the FX market.

Benefits:

The Forward Exchange Contract provides a simple, effective way to hedge your future FX exposure and negate any adverse market movement in exchange rates.

As the actual exchange is agreed upon for a future date, cash flow can be efficiently managed knowing exactly when the payment is due and still managing FX exposure.

Risks:

Similar to a SPOT Contract, an FEC fixes a rate and delivery date and that means that you cannot take advantage of favourable rate movement on or before the value date.

You do not have a cooling off period.

Generally, an FEC is used to secure rates on a future payment or receipt. If the payment or receipt is cancelled for some reason, the contract has to be closed. In such circumstances, there may be a loss incurred due to a change in exchange rates for which you will be liable.

Credit requirements for a Forward Contract:

At any time over its life an FEC may, due to changes in the SPOT rate, be:

- In The Money (ITM): where the current SPOT rate is worse than contract rate.
- Out of The Money (OTM): where the current SPOT rate is better than contract rate.
- At The Money (ATM): where the current SPOT rate is equal to the contract rate.

To manage the market risk, Tasman FX may require an advanced deposit to secure an FEC.

Margin Call:

If the FEC moves Out of the Money in excess of the advance deposit made by you, Tasman FX may ask you to make an additional deposit/margin call to bring the market risk back to zero. In such case, you will be required to meet the additional margin call within 2 business days. Failure to do so may result in liquidation of some or all of your contract and you will be liable to Tasman FX for all costs/losses associated with the termination of the FEC. The costs will be calculated based upon the rate on the forward contract and the prevailing market rate.

How does it work?

In order to enter into an FEC you need to advise us of the amount of money you want to exchange, the two currencies involved, the currency you want to buy or sell and the value date. Tasman FX will then determine and quote you the forward rate based on the currencies and the value date. Once you have accepted the rate, you are bound to the transaction. We will need a 10% advanced deposit of the sale currency to secure the FEC. On the value date, upon receipt of the balance payment of 90%, the funds will be transferred to your nominated bank account.

Example 2

Lisa from A1 Importers Pty Ltd needs to pay an Import bill in 2 months time. She needs to buy GBP 100k and want to secure the rate now to eliminate any FX risk. She calls for a quote to buy GBP 100k against AUD to be payable after 2 months. She is quoted a forward rate of 0.4878, which she accepts. Total amount required to buy GBP 100k at the rate of 0.4878 is AU$ 205,000. The rate has been booked and she pays AU$ 20,500 (10% deposit) to secure the contract. At the end of two months, she pays the balance amount of AU$ 184,500 plus $25 telegraphic transfer fee into Tasman FX's settlement account and the GBP is transferred to her supplier's account.

Note: Each telegraphic transfer may incur bank fees by the foreign bank, which is beyond Tasman FX's control. Clients are advised to enquire with their beneficiary's about such fees and, if applicable, add the fee to the amount being sent so that the beneficiary receives full amount.

How does Tasman FX generate income?

Tasman FX employees are remunerated on a salary basis with profit sharing incentives based on the overall financial performance of Tasman FX. On the products we issue, we earn income from the buy-sell-spreads built into the rate at which clients can buy or sell currency from us. These margins vary in accordance with the size of the transaction, the particular currency pair being transacted, current market volatility and the time zones involved in the trade. We do not charge for the general product advice we give to you. If personal financial product advice is given to you, we will provide you with information detailing any fees, commissions and other benefits your Tasman FX's representative could receive for recommending these financial products to you. This information will be provided to you in the form of a Statement of Advice[2] (SOA).

Other Costs:

- Telegraphic Transfer fee of AUD25.00 involved each time we transfer foreign currency on your behalf.
- Extension fee of AUD15.00 could be charged if we do not receive cleared funds before the value date. There also could be an adjustment to the exchange rate.
- Telegraphic Transfer Amendment fee of AUD15.00 if you need to make changes to a transfer after the original instruction has already been actioned upon.
- Telegraphic Transfer Trace fee of AUD25.00 if you want to trace any payment after it has been sent to an overseas bank.

Tax Implications:

As foreign exchange contracts are financial products, they may give rise to potential financial gains or losses. Hence, it may have Tax implications that will be specific to each individual's unique circumstances. It is recommended that you seek professional Tax advice to determine whether these products will have any tax implications for you.

Anti-money Laundering

Due to the nature of products offered by Tasman FX, it will conduct client verification and other risk assessments of potential clients to comply with The Anti money Laundering and Counter Terrorism Financing Act 2006. It may also, at its own discretion, conduct credit checks to comply with Tasman FX's financial risk management policies.

How is your money handled.

We will notify you of a nominated bank account to transfer your funds. These accounts are held by Tasman FX. There are processes in place to govern how your money is handled. All client monies are kept segregated from Tasman FX's funds.
Tasman FX will not use one client's money to offset another client's money that is in deficit.

[2] The SOA explains the advice given to you and the basis of that advice. It will also disclose fees, commissions and any other interests or associations that might reasonably have influenced the advice we have given to you.

Tasman FX recognises the importance of protecting the confidentiality of your personal information. We are bound by, and committed to the terms of the Privacy Act 1988 and the National Privacy Principles ('NNP') forming part of that Act.
For more details, you should ask for a copy of our Privacy Statement or visit our web site at www.tasmanfx.com/privacy.

If you wish to access your information please contact the Compliance Manager on +61 (0)2 8011 1846.

What should you do if you have a complaint?

Any complaints should firstly be logged directly with us by contacting your account manager on +61 (0)2 8014 8847 or emailing customerservices@tasmanfx.com.

If they are unable to resolve the complaint in a timely manner, the matter will be escalated to the Compliance Manager for resolution.

If you are dissatisfied with the outcome, you have the right to complain to the:

Financial Ombudsman Service (FOS)
GPO Box 3
Melbourne Vic 3001
Ph: 1300 78 08 08
Fax: 03 9613 6399
Website: www.fos.org.au
Email: info@fos.org.au

Contacting us:

If you require further information or would like to contact us, please do so by contacting:
By Mail:

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