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Product Disclosure Statement For Foreign Exchange Transactions

Convera Europe Financial S.A., Austria Branch

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Contents

1 Important Information about this Product Disclosure Statement

This Product Disclosure Statement (**PDS**) provides you with a detailed description of the types and characteristics of the products and financial instruments Convera Europe Financial S.A., Austria Branch (**Convera**) offers as well as the associated risks and costs. The PDS sets out information designed to assist you in deciding whether to acquire any of the products set out in this document.

We recommend that this PDS should be read in full before you make a decision to acquire a product this PDS relates to. All information provided in this PDS is general in nature and does not take into account your individual objectives, financial situation or specific needs. We recommend that after reading this PDS you consider whether the features of our products, including the advantages and disadvantages, will meet your individual objectives, financial situation or specific needs.

A separate Financial Services Guide (FSG) will provide further information about Convera and the products and services we offer. Please contact us using the details on the final page of this PDS to get a free copy of these documents.

References to **we**, **the Licensee**, **our**, **us**, or **Convera** are references to Convera Europe Financial S.A., Convera's subsidiaries, affiliates, successors and/or assigns, as well as its officers, directors, employees and agents. References to **you**, **your**, **the customer** are references to the reader, the reader's business, and any person authorised by you to transact on your behalf with Convera. Our role is to issue our own Foreign Exchange products.

In this PDS, we use examples where the Euro (EUR) is measured against the US Dollar (USD), with the EUR as the base currency: EUR/USD 1.0000 or 1.00. This means one Euro would buy one US Dollar. This is called a "Currency Pair".

Information in this PDS that is not materially adverse to users of our products is subject to change and may be updated via our company website (see contact details on the final page of this PDS). You can access that information by visiting the website or contacting us and asking for an electronic or paper copy. You can also access further information on our products on our website.

1.1 Structure of this PDS

We have divided this PDS into two parts: The first section provides an overview of all of the key features, benefits and risks of each of our Foreign Exchange products. The second section describes factors which are common to all of our Foreign Exchange products, including significant risks, costs and significant taxation implications associated with those products.

1.2 Your Contract with Us

When acquiring a Foreign Exchange product, you are entering into a contract with Convera Europe Financial S.A., Austria Branch in relation to the product. The contract consists of:

- the application form;
- the description of key features and benefits of our Foreign Exchange products in this part of the PDS;
- the terms and conditions provided to you.

It is important that you understand clearly the terms of the contract between you and Convera. If you are unsure about any aspect of your contract with us, we suggest you seek appropriate professional advice.

2 Overview Of Our Foreign Exchange Products

A Foreign Exchange transaction may be used if you have a need to exchange one currency for another currency at an agreed exchange rate. The requirement to enter into a Foreign Exchange transaction can arise in various situations. For example an importer may need to buy an overseas currency, by paying for it in Euro to pay their supplier for the goods that they are importing. Conversely an exporter may be paid by an overseas client in a foreign currency for goods being exported to an overseas country and wish to convert the foreign currency back to Euro. In doing so, you may use such Foreign Exchange transaction instruments as a spot Foreign Exchange (for settlement within the next two business days) or a Forward Foreign Exchange Contract (for settlement at maturity dates from three business days to in principle two years) to assist you to manage your Foreign Exchange exposures.

This PDS outlines the following Foreign Exchange products and services that we provide:

- Foreign Exchange Forward Contracts (please see section 2.1 below); and
- Non-Deliverable Forward Contract (please see section 2.2 below).

Any fees described in this PDS are inclusive of taxes, where taxes are applicable.

Whilst there are benefits to using these instruments there are also a number of significant risks to consider in the context of your situation. It is important that you have a good understanding of these instruments and Foreign Exchange markets generally. In this PDS, we assume that you have a basic knowledge of the Foreign Exchange markets. You should not use any products described in this PDS unless you have a comprehensive understanding how they work, including the risks and the costs involved. We suggest that you seek independent advice and carefully consider your needs and circumstances prior to trading in Foreign Exchange instruments.

2.1 Foreign Exchange Forward Contracts

Convera's financial instrument of a Forward Contract contains of a non-standardized contract between the client and a service provider that gives the client the right to buy or sell an amount at a rate predetermined at the moment of issue and for use at a specified date. A Forward Contract allows you to lock in at a specific exchange rate today, for a currency to be purchased, or sold, in the future. This action protects you from Foreign Exchange fluctuations. Convera's Forward Contracts can have a life span of 3 business days up to in principle 24 months and cannot have a value of less than € 15.000. Forward Contracts are presented in two forms:

a) Fixed Forward – A contract allowing for control of future disbursement at a determined rate involving a sum and a fixed date (the date of maturity).

b) Open Forward – A contract allowing for several regulations at a determined rate between the opening date and the date of maturity. This contract is used when the client has to pay or receive several payments during one period while precise dates remain unknown. This type of forward contract allows clients to have an envelope of foreign currencies available during the period of their choice for all foreign currency payments.

2.1.1 How does a Forward Contract work?

When you have a foreign payable or receivable that has a term of say 30, 60, 90 days or more, there is a likelihood that the price of that foreign currency will change during the term – either upwards or downwards. If you are an importer, an upward movement in the exchange rate would result in lower costs. However, if you are an exporter, this would result in foreign currency receipts being worth less. By using a Forward Contract, you can lock in an exchange rate determined today ('forward exchange rate') for settlement at a future date to match the terms of your payable or receivable.

2.1.2 Forward Exchange Rate–Margin

A forward exchange rate is one which is set today where one currency is sold against another for delivery on a specified future date (maturity). The forward exchange rate differs from today's spot rate as it will also include a forward margin which reflects the interest rates relevant to the two currencies involved calculated between today's date and the forward maturity date. Please also refer to section 3.3 *Our Foreign Exchange Rates-Margin*.

2.1.3 Costs and fees

Forward Exchange Rate–Margin

Convera makes a margin on any Foreign Exchange transaction. Please refer to section 3.3 *Our Foreign Exchange Rates-Margin* of this PDS for further information about how we calculate our Foreign Exchange rates and the 'margin'.

2.1.4 Forward Margin Deposits

Convera may require a deposit amount when clients agree to enter into a Forward Contract. This deposit is usually up to 10 per cent of the EUR equivalent value of the contract. Factors that may cause us to require you to pay a deposit are:

- your company has only recently commenced business with limited operating experience; or,

- the credit rating is not of a high or satisfactory level as assessed Convera; or,
- the contract amount requested is considered by Convera to be a higher Foreign Exchange risk than normally acceptable; or,
- the maturity date and/or currencies involved are considered by Convera to represent a higher than normal credit risk in case the transaction had to be cancelled during the currency of or at maturity of the contract; together with,
- no history of trading with you.

Example: The deposit is calculated as follows - if you entered into a Forward Contract to buy USD 100,000 against EUR at a rate of 1.3500 this would equate to EUR 74,074.07. You would need to make a deposit of EUR 7,407.40, being 10% of the EUR equivalent, at the commencement of the transaction. Interest is not paid on these deposits.

Whilst deposits are refundable to you at maturity they are more commonly applied to the last payment on the contract at maturity. All deposits are required to ensure that we have sound risk management policies in the event of an adverse rate move.

Convera may offer a "no deposit" forward exchange contract facility for clients who have either built a satisfactory trading history with Convera or have had a satisfactory credit assessment determined by the Convera credit section. Forward exchange contracts simply reflect time and the difference in the interest rates between any two national currencies.

Margin deposit funds can regularly be held by third party institutions on behalf of Convera. Convera undertakes the following steps to ensure the protection of the margin deposits: Convera works with highest skill, care and diligence in the selection, appointment and periodic review of the credit institutions where the funds are placed and the arrangements for the holding of those funds. To safeguard the clients' rights, Convera takes into account the expertise and market reputation of the institutions as well as any legal requirements or market practices related to the holding of clients' funds that may affect clients' rights. Convera keeps records and accounts as necessary to distinguish without delay any assets held by individual clients, the amount of the margin deposits are also provided to clients on a daily basis through their individual Convera online access or the CRM.

2.1.5 Examples of Forward Contract

For example, buying a product from a supplier in USA for USD 100,000 may cost EUR 74,075 at the time the contract is entered into. During the 30 day period allotted for the USD invoice, the exchange rate could adversely fluctuate.

If the value of the Euro declines against the USD, and you did not enter into a Forward Contract, you will be forced to pay more than the original EUR 74,075 for the USD 100,000. However if you did enter into a Forward Contract at the start of the 30 day period, you would retain protection from the prevailing exchange rate declining more than your contracted rate at maturity.

However, if during that 30 day period, the value of the Euro rose against the USD and you did not enter into a Forward Contract, you will benefit from that rise. **Conversely, if you had entered into a Forward Contract you would not benefit from that rise if, at maturity, the prevailing exchange rates had risen above your contracted forward exchange rate.**

2.1.6 Pre-Delivery of the Forward Exchange Contract

You may also draw down or pre-deliver a portion or the total value of the contract prior to the expiry of the contract. This might occur where your supplier has contracted to deliver goods to you at various times over the period of the Forward Contract. This may result in an adjustment of the exchange rate based on time and the difference in interest rates between the two national currencies. Remaining balances of the transaction must be completed by the final day of the contract (called the "maturity date").

2.1.7 Extension of a Forward Exchange Contract

You may extend the "maturity" of the Forward Contract only if agreed to by Convera. For example this may be considered if there was a delay in the receipt of goods expected from your overseas supplier beyond the original delivery date. These can be transacted in either of two ways:

- We can cancel the remaining balance of the original Forward Contract and establish a new Forward Contract to the new extended maturity date. We will quote you a rate that takes into account the current Spot Exchange rate and the forward margin for the adjusted time frame. **However by cancelling the**

remaining balance of the original Forward Contract a profit or loss to you would result depending on the current exchange rates compared to the original Forward Contract rates. This profit or loss would have to be settled at this time.

- We can extend the remaining balance of the Forward Contract by quoting you an extension margin onto your original Forward Contract exchange rate. This method factors the profit or loss of the method above into the new Forward Contract for the extended period (rather than settling this at the time of extension). This is known as a Historical Rate Extension (HRE). When quoting an HRE rate, Convera incorporates an interest charge on the above profit or loss in the new Forward Contract. This charge is associated with funding or borrowing that profit or loss for the term of the extension period.

2.1.8 Cancellation of a Forward Exchange Contract

Although the terms of the contract that you enter into with Convera are legally binding, you may ask Convera to cancel your forward exchange contract at any time up to and including the maturity date. This may have eventuated because your underlying transaction is cancelled. Cancelation for speculative purposes is not permitted.

Convera, at its sole discretion, may cancel your contract with us only in certain circumstances which include the following:

- if you give us incorrect information, fail to make the Advance Payment or otherwise breach the Forward Contract between you and us;
- if you are subject of insolvency, liquidation or similar proceedings;
- our reasonable suspicion of fraud or misappropriation of funds or our services;
- it is determined that the transaction is in relation to a criminal offence or terrorist financing activity or otherwise illegal;
- if we are prevented from executing the Forward Exchange Contract by force majeure;
- if you dispute validity or existence of a Forward Exchange Contract.

Please note that the force majeure may include limited availability of the Foreign Exchange markets necessary for us to execute a Forward Contract.

Convera will provide you with a quote for cancelling your Forward Contract. This quote will incorporate any damages, costs or loss caused by movement in the exchange rates as well as some of the components when pricing your original forward exchange contract but will be adjusted for prevailing market rates over the remaining term of the forward exchange contract. The quote will also include Convera's costs (break costs) connected to such cancellation. Depending on the market rates at the time of cancellation this may result in either a gain or loss to you. Exit costs are summarised on our fee schedule and will be disclosed to you prior to entering into a transaction.

2.1.9 Synthetic Forwards

A Synthetic Forward Contract uses option contracts to replicate a standard Forward Contract as above. It entails buying a Put (giving the right to sell a currency) and selling a Call (resulting in an obligation to buy a currency) or buying Call (giving the right to buy a currency) and selling a Put (resulting in the obligation to sell a currency), at a specified rate on a specified date in the future. At expiry, there will be an obligation to exchange the notional amount at that rate regardless of where the underling Spot Rate is trading.

Unlike a standard Forward Contract, a Synthetic Forward can only be set for a fixed date in the future, it is not possible to specify an Open contract. As a result of this reduced flexibility, Convera does not market Synthetic Forwards as a standalone product; however, a Synthetic Forward may be used to facilitate the Pre-Delivery of another Option Structure or as part of an Option Restructure. In these cases, a Synthetic Forward will usually be entered into in order to offset a future cashflow arising from the existing hedge effectively cancelling that transaction. It may also be used in conjunction with another option structure to adapt the potential outcomes at expiry to better meet your specific requirements.

2.1.10 Example of a Synthetic Forward

A UK Importer has an existing option structure that obligates him to sell GBP and buy USD 100,000 in 3 months' time at a rate of $1.5000. Due to additional short-term requirements, he requests to bring forward this cash flow to today. In order to facilitate this pre-delivery, he enters into a Synthetic Forward selling USD 100,000 and buying GBP in 3 months' time at a rate of $1.5000 and simultaneously enters into a spot position to sell GBP and buy USD 100,000 today at the original option price adjusted for interest rate differentials.

The importer sends his GBP to settle the position and Convera sends out the USD per his instructions. Then, in 3 months' time at the expiry date of his option and Synthetic Forward, the importer has an obligation to sell GBP and buy USD 100,000 at $1.5000 resulting from the option structure and an obligation to Sell USD 100,000 and buy GBP also at $1.5000. These obligations net off against each other without the need for any cash flows, meaning the Importer has no further obligations from these transactions.

2.1.11 Advantages of Forward Exchange Contracts

Forward Contracts allow you to:

- determine the cost of foreign payments at the time you make a purchase;
- protect profit margins on products and services sold abroad against adverse foreign currency fluctuations;
- gain a competitive edge by quoting and/or selling products or services denominated in the local currency;
- identify and reduce the possible hidden costs of unprotected cash flow requirements.

2.1.12 Disadvantages and Risks of Forward Exchange Contracts

- **by entering into a Forward Contract, you lose the ability to take advantage of market movements that may be favourable to you during the term of the Forward Contract;**
- **fixing Foreign Exchange rates with Forward Contracts can lead to a currency risk if the underlying business contract (e.g. purchase or delivery of goods) is cancelled;**
- **fixing Foreign Exchange rates with Forward Contracts can lead to a business risk if competitors are able to pass on price benefits caused through exchange rate movements to customers;**
- **there is no cooling off period;**
- **a deposit, if requested, may affect your cash flow positions; and**
- **cancellations, extensions or pre-deliveries of a forward exchange contract may result in a financial loss to you.**

2.2 Non-Deliverable Forward Contracts

2.2.1 Summary

ISSUER	**Convera**
Purpose	A Non-Deliverable Forward (**NDF**) is a foreign exchange product designed to assist you in reducing your foreign exchange risk when physical delivery of the underlying currency is not possible. In contrast to a standard Forward Contract, this product is cash-settled.
Suitability	An NDF may be suitable if you have a good understanding of foreign exchange markets/ products and have a genuine commercial need to manage currency risk associated with a particular Currency Pair. It should not be used for trading or speculative purposes.
Costs	There are no up-front out of pocket costs with an NDF – the cost is included within Convera's margin (see section 2.3 below for more details) and therefore priced into the NDF.

	The eventual payment under an NDF (see "**Cash Settlement Amount**" below) is the net difference between the Contract Settlement Currency Amount and the Fixing Settlement Currency Amount. You may be either a payer or receiver of the Cash Settlement Amount. See the section titled "Costs of an NDF" at section 2.2.12 below for more information.
Key Benefits	**Protection** – An NDF provides you with protection against unfavourable exchange rate movements. **Coverage** – NDFs are available for a wide range of currencies. Please contact us to confirm whether your desired currency is covered. Our contact details are set out on page 6 of this PDS. **Managing foreign currency risk** – Where physical delivery of the underlying currency is not possible, NDFs provide a means of reducing foreign exchange risk. **Flexibility** – Key variables, including the Currency Pair, the Settlement Date and the Reference Currency amount, can be tailored to meet your particular needs. See the section titled "Key Benefits" at section 2.2.13 below for more information.
Key Risks	**Opportunity loss** – You will not receive the benefit of favourable exchange rate movements. **Variation / Early termination** – You can vary or terminate an NDF early but there may be a cost if you do so. **No cooling off period** – There is no cooling off period. **Counterparty and operational risk** – Convera has performance obligations under an NDF. You need to form a judgment of our ability to meet those obligations. **Currency restrictions** – Some currencies may be subject to legal and regulatory obligations. **Use of agent and correspondent bnks** – Convera may use agents and correspondent banks to deliver some currencies. See the section titled "Key Risks" at section 2.2.14 below and the section titled "Terminating an NDF before the Settlement Date" at section 2.2.9 below for more information.
Term	3 days to 1 year after the Trade Date. (A Settlement Date later than 1 year after the Trade Date may be available on request depending upon the specific Currency Pair.)
Minimum Transaction Amount	The minimum transaction amount is equivalent to USD 50,000.
How to Apply	Contact your existing Convera representative. Alternatively, you can contact us at the details listed at section 3.12 below.

2.2.2 General Product Information

An NDF is an agreement between you and Convera which protects you against unfavourable exchange rate movements. It is a cash settled transaction, meaning that there is no exchange of currencies at maturity as there is with a typical foreign exchange transaction. Rather, there is a single amount payable by either you or Convera. A Contract Rate is agreed up-front, together with the source of the Fixing Rate and the Fixing Date. The Contract Rate and Fixing Rate are used to calculate the Cash Settlement Amount payable on the nominated Value Date.

An NDF may be useful in managing the currency risk associated with exporting or importing goods purchased in foreign currency, investing or borrowing overseas, repatriating profits, converting foreign currency denominated dividends, or settling other foreign currency contractual arrangements.

It is particularly useful where physical exchange is not required on the Value Date or in cases where a foreign central bank limits offshore access to its domestic cash markets.

An NDF should only be used where you have a genuine commercial need to manage currency risk associated with a particular Currency Pair. It should not be used for trading or speculative purposes.

2.2.3 How an NDF works

When you enter into an NDF, you nominate the amount of the transaction, denominated in units of the Non-Deliverable Currency (the Notional Principal Amount), and the two currencies involved (the Settlement Currency and the Non-Deliverable Currency). Combined, these currencies are known as the Currency Pair and must be acceptable to Convera.

You also nominate the Value Date on which you want cash settlement to occur. Convera will then determine the Contract Rate and the source of the Fixing Rate, depending on the Value Date you select. More information on how these rates are determined is set out below.

Finally, you will also nominate if you wish to sell or buy the Non-Deliverable Currency:

- If you are concerned about the Non-Deliverable Currency weakening against the Settlement Currency (i.e. you are effectively receiving the Non-Deliverable Currency in the future), you will enter into an NDF where you elect to sell the Non-Deliverable Currency and purchase the Settlement Currency on the Value Date.
- If you are concerned about the Non-Deliverable Currency strengthening against the Settlement Currency (i.e. you are effectively paying the Non-Deliverable Currency in the future), you will enter into an NDF where you elect to purchase the Non-Deliverable Currency and sell the Settlement Currency on the Value Date.

In each case, there are two possible outcomes on Value Date:

- if the Contract Rate is more favourable for you than the Fixing Rate, Convera will pay you the difference in the Settlement Currency.
- if the Contract Rate is less favourable for you than the Fixing Rate, you will pay Convera the difference in the Settlement Currency.

2.2.4 How Convera determines the Contract Rate

The Contract Rate is a nominal Foreign Exchange Rate determined by Convera. When determining the Contract Rate, Convera takes several factors into account, including but not limited to:

- the Currency Pair and the time zone you choose to trade in;
- the Value Date set by you;
- inter-bank Foreign Exchange Rates;
- the Notional Principal Amount;
- market volatility;
- liquidity;
- Convera's margin (see section 3.3 below for more details); and
- inter-bank interest rates of the countries of the Currency Pair.

It is important to note that the Contract Rate does not represent a forecast that Convera has made, nor is it a guarantee of future exchange rates.

2.2.5 How Convera determines the Fixing Rate

The Fixing Rate for each particular exotic currency against USD is sourced from independent market rate sources used by the financial markets industry – please contact us to confirm these sources using the contact details set out in section 3.12 of this PDS.

Where an NDF is booked with USD against a deliverable currency, Convera will use a standard benchmark fixing rate as the NDF's contract fixing rate. For example, if you are located in the UK and trade a GBP/USD NDF, the fixing time on the fixing date will be 10am NY and the fixing source will be WMR. Convera offers deliverable currency NDF's against USD for AUD, CAD, CHF, EUR, GBP, JPY, and NZD.

Where the Currency Pair does not contain USD, it is called a cross currency NDF, so named because to arrive at a rate we cross both the constituent currencies against USD. Convera offers cross currency NDF's for AUD, CAD, CHF, EUR, GBP, JPY, and NZD which are typically crossed with exotic currencies where available, or one another.

The Cash Settlement Amount for cross currency NDF's is calculated slightly different than an NDF against USD depending on the currencies involved. The difference is in the Fixing Source and Fixing Time, which for the deliverable currencies above will use a standard market benchmark rate on the day of the agreed Fixing Date, depending on the region you, the client, are located in.

For example, if you are located in the UK and trade a GBP/IDR NDF, the GBP will be fixed against USD on the Fixing Date at 10am NY using the WMR benchmark rate. This rate is then crossed against the USD/IDR Fixing Rate, the source agreed to in the contract, to arrive at the contracts Fixing Rate. It is important to note that the Fixing Times for GBP/USD and USD/IDR, using this example, will occur at different times, though both on the same Fixing Date.

If an NDF Currency Pair consists of two of the aforementioned deliverable currencies, the standard market benchmark fixings on the Fixing Date against USD will be crossed to arrive at the Fixing Rate. For example, if you are located in the UK and trade a GBP/AUD NDF, then the GBP/USD and AUD/USD 10am NY WMR benchmark rates on the Fixing Date will be crossed to arrive at the contracts Fixing Rate. Please note that both currencies will fix at the same Fixing Time on the Fixing Date.

Fixing Times and sources can be requested from your dealer. The specific Fixing Times and sources for a particular trade can be found on the confirmation issued for the trade.

The Fixing Date is the date that the Fixing Rate is determined.

2.2.6 How Convera determines the Cash Settlement Amount

Convera calculates the Cash Settlement Amount using the Notional Principal Amount, the Contract Rate and the Fixing Rate.

The Cash Settlement Amount will be the net difference between the Contract Settlement Currency Amount and the Fixing Settlement Currency Amount, where:

- "Contract Settlement Currency Amount" = Notional Principal Amount converted at the Contract Rate; and
- "Fixing Settlement Currency Amount" = Notional Principal Amount converted at the Fixing Rate.

Depending on the terms of your NDF (in particular whether you are buying or selling the non-deliverable currency) the difference between these amounts will be payable by you to Convera or by Convera to you.

Where you are effectively selling the Non-Deliverable Currency to Convera on the Value Date:

- if the Contract Settlement Currency Amount is greater than the Fixing Settlement Currency Amount, Convera pays you the difference
- if the Contract Settlement Currency Amount is less than the Fixing Settlement Currency Amount, you pay Convera the difference.

Where you are effectively buying the Non-Deliverable Currency from Convera on the Value Date:

- if the Contract Settlement Currency Amount is less than the Fixing Settlement Currency Amount, Convera pays you the difference
- if the Contract Settlement Currency Amount is greater than the Fixing Settlement Currency Amount, you pay Convera the difference

2.2.7 Examples of an NDF

Example 1: *A deliverable market exists for the currency pair*

An Austrian multinational company has a foreign subsidiary in which the functional currency is USD whereas the Austrian company reports in EUR. Fluctuations in the value of the dollar therefore impact the EUR value of the subsidiary and its assets which is then reflected in the company's balance sheet. In order to limit or eradicate these fluctuations, the company can hedge the EUR value of its overseas asset using a non-deliverable forward.

By using an NDF to fix the EUR/USD rate the company can ensure the EUR value of its subsidiary does not change as the settlement value of the NDF will offset any change in the asset value.

The company therefore enters into a EUR/USD NDF with the Value Date set for 1 year.

The Austrian company sets the Notional Principal Amount of the trade to be USD 2,500,000 (the value of the overseas assets at the start of the financial year). Convera gives a Contract Rate of EUR/USD 1.10 to buy EUR and sell USD, equating to a Contract Settlement Currency Amount of EUR 2,272,272.27. In doing so, the Austrian Company has effectively hedged its EUR/USD exchange rate.

The possible outcomes on the Fixing Date are:

1) If the Fixing Rate on the Fixing Date is less favourable to the Austrian company than the Contract Rate, Convera will pay it the Cash Settlement Amount in EUR on the Value Date.

For example, if the Fixing Rate for EUR/USD is 1.20, the Fixing Settlement Currency Amount, as determined by the Fixing Rate, will be EUR 2,083,333.33 (= USD 2,500,000/1.20), while the Contract Settlement Currency Amount remains EUR 2,272,272.27(=USD 2,500,000/1.10) as agreed.

Accordingly, the difference (EUR 188,938.94), being the Cash Settlement Amount, will be payable by Convera to the Austrian company on the Value Date.

The Cash Settlement Amount will help the Austrian Company mitigate for the loss of value of the foreign balance sheet.

2) If the Fixing Rate on the Fixing Date is more favourable to the Austrian company than the Contract Rate, the Austrian company will pay the Cash Settlement Amount in EUR to Convera on the Value Date.

For example, if the Fixing Rate for EUR/USD is 1.05, the Fixing Settlement Currency Amount, as determined by the Fixing Rate, will be: EUR 2,380,952.4 (=USD 2,500,00 /1.05), while the Contract Settlement Currency Amount remains EUR 2,272,272.27(=USD 2,500,000 /1.10) as agreed.

Accordingly, the difference (EUR 108,680.13), being the Cash Settlement Amount, will be payable by the British company to Convera on the value date.

The cash settlement amount the Austrian company will pay Convera will diminish the extent to which the Austrian company would have benefited through the increased value of the foreign balance sheet.

All Foreign Exchange Rates shown above are indicative only.

Example 2: *There is no deliverable market for the currency pair*

An Austrian company importing products from India expects to make a payment in INR in three months. The amount of INR paid for the product is based on the price of goods on the day of purchase, so if INR strengthens, this will mean that the importer will be required to pay more EUR for the equivalent amount of INR.

To therefore protect itself against the EUR depreciating against the INR, and so limit the amount of EUR it has to pay in three months' time, the Austrian company enters into a EUR/INR NDF with the Value Date set for three months' time.

The Austrian company sets the Notional Principal Amount of the trade to be INR 8,000,000. Convera gives a Contract Rate of EUR/INR 80.00, equating to a Contract Settlement Currency Amount of EUR 100,000. In doing so, the Austrian Company has effectively hedged its EUR/INR exchange rate. The Contract Rate is determined by crossing the two currency pairs against USD:

- EUR/USD 1.10
- USD/INR 72.72

The possible outcomes on the Fixing Date are:

1) If the Fixing Rate on the Fixing Date is less favourable to the Austrian company than the Contract Rate, Convera will pay it the Cash Settlement Amount in EUR on the Value Date.

For example, if the Fixing Rate for EUR/INR is 76, the Fixing Settlement Currency Amount, as determined by the Fixing Rate, will be EUR 105,263.16 (= INR 8,000,000 /76), while the Contract Settlement Currency Amount remains GBP 100,000.00 (=INR 8,000,000 /80) as agreed. The fixing rate is determined by crossing the fixings of the two currency pairs:

- EUR/USD – 1.08
- USD/INR – 70.37

Accordingly, the difference (EUR 5,263.16), being the Cash Settlement Amount, will be payable by Convera to the Austrian company on the Value Date.

The Cash Settlement Amount will help compensate the Austrian company for the higher EUR amount it will need to pay for its goods.

2) If the Fixing Rate on the Fixing Date is more favourable to the Austrian company than the Contract Rate, the Austrian company will pay the Cash Settlement Amount in EUR to Convera on the Value Date.

For example, if the Fixing Rate for EUR/INR is 84, the Fixing Settlement Currency Amount, as determined by the Fixing Rate, will be EUR 95,238.09 (=INR 8,000,000 /84), while the Contract Settlement Currency Amount remains EUR 100,000 (=INR 8,000,000 /80) as agreed. The fixing rate is determined by crossing the fixings of the two currency pairs:

- EUR/USD – 1.12
- USD/INR – 75.00

Accordingly, the difference (EUR 4,761.90), being the Cash Settlement Amount, will be payable by the Austrian company to Convera on the Value Date.

The cash settlement amount the Austrian company will pay Convera will represent the extent to which the Austrian company would have benefitted from the currency fluctuation and means their net rate remains equal to the Fixing Rate.

All Foreign Exchange Rates shown above are indicative only.

2.2.8 Maturity

NDFs are cash-settled. This means that at maturity, no actual currency exchange occurs. Instead, as outlined above, one party pays the other a cash amount in the Settlement Currency.

These payments are due on the Value Date.

- If Convera pays you, it will do so by either depositing the funds into your holding account or transferring the funds to your bank account upon your request, in the Settlement Currency.
- If you pay Convera, you will need to transfer the funds in the Settlement Currency agreed to in the contract to a designated Convera account. If the Cash Settlement Amount is denominated in a foreign currency amount, you can pay us by transferring funds to a Convera currency account. Alternative arrangements can be made with Convera's agreement.

2.2.9 Terminating an NDF before the Settlement Date

You may ask us to terminate the NDF at any time up to and including the Fixing Date. We will then provide you with a termination quote, where possible. If you accept the termination quote, we will cancel the NDF.

Our termination quote will incorporate the same variables (the Contract Rate, currencies, term, Notional Principal Amount, Fixing Rate and Value Date) used when pricing the original NDF.

These will be adjusted for the prevailing market rates over the remaining term of the NDF. We will also need to consider the cost of reversing or offsetting your original transaction. When doing this we take into account the current market rates that apply to any offsetting transactions.

2.2.10 Bringing the Value Date forward

You may want to bring the Value Date forward of an existing NDF, perhaps because a supplier has contracted to deliver goods to you at various times over the period of an NDF. Where possible we will try to meet your request.

To achieve this, Convera will cancel the original NDF and we will enter into a new NDF with the revised Value Date. There will also be a new Contract Rate (and therefore a new Contract Settlement Currency Amount), since by cancelling the remaining balance of the original NDF, a profit or loss to you will result depending on the current Foreign Exchange Rates compared to the Contract Rate of the original NDF – this profit or loss will be built into the new Contract Rate.

2.2.11 Extending the Value Date

At any time up to the Fixing Date, you may ask Convera to extend the Value Date of your transaction.

All extensions will be subject to Convera's Credit Approval process. If Convera agrees to extend your original Value Date, Convera will cancel the original NDF and we will enter into a new NDF with the revised Value Date. There will also be a new Contract Rate (and therefore a new Contract Settlement Currency Amount), since by cancelling the remaining balance of the original NDF, a profit or loss to you will result depending on the current Foreign Exchange Rates compared to the Contract Rate of the original NDF – this profit or loss will be built into the new Contract Rate.

If you accept the extension, we will send you an amended confirmation.

2.2.12 Costs of an NDF

There are no up-front out of pocket costs with an NDF. Once the Non-Deliverable Currency (and whether you wish to purchase or sell the Non-Deliverable Currency), Settlement Currency and Value Date are nominated by you, Convera will determine the Contract Rate. When determining that rate, Convera takes several factors into account – see "How Convera determines the Contract Rate" at section 2.2.4 above for more information.

While there are no up-front costs with NDFs, Convera still derives a financial benefit by incorporating a margin into the Contract Rate. This means that this rate will be different to the market rate prevailing at that time. In effect you pay for the NDF by accepting the Contract Rate quoted by Convera.

Convera requires a deposit amount when clients agree to enter into a NDF (as security for the NDF) unless the relevant NDF is covered by an OTM Facility (as defined in the FX Derivative Contract Addendum) which Convera may extend to you. This deposit is usually up to 10 per cent of the value of the contract.

Convera may require you to make Margin Call payments, as described in section 3.9 of this PDS. Please also refer to our explanatory pamphlet on Margin Calls which is available on our website or which Convera can provide to you upon request.

2.2.13 Key Benefits

Protection – NDFs provide you with protection against unfavourable foreign exchange movements between the time you enter into an NDF and the Value Date. This can assist you in managing your foreign currency exposures. You exchange the uncertainty of exchange rate fluctuations for the certainty of an agreed cash flow.

Coverage – NDFs are available for a number of currencies.

Managing risk – where exchange restrictions do not allow physical delivery of currency, NDFs provide a means of negating foreign exchange risk.

Flexibility – NDFs are flexible. The Value Date and the contract amount can be tailored to meet your particular requirements.

2.2.14 Key Risks

Opportunity loss – you will forego any benefit of a favourable exchange rate movement between the time you enter into an NDF and the Value Date.

Variation / Early termination – cancellations or adjustments may result in a cost to you – see the sections titled "Terminating an NDF before the Settlement Date" (section 2.2.9 above), "Bringing the Value Date forward" (section 2.2.10 above) and "Extending the Value Date" (section 2.2.11 above) for more information.

Cooling off period – there is no cooling off period.

Counterparty and operational risk – Convera has performance obligations under an NDF. If we are unable to perform our obligations under your NDF, you may be exposed to market exchange rate fluctuations as if you had not entered into an NDF. Our ability to fulfil our obligations is linked to our financial wellbeing and to the effectiveness of our internal systems, processes and procedures. The first type of risk (our financial wellbeing) is commonly referred to as credit or counterparty risk. The second type of risk (the effectiveness of our internal systems, processes and procedures) is commonly referred to as operational risk.

You must make your own assessment of our ability to meet our obligations.

2.2.15 Key Terms

To help you to understand this PDS, the meanings of some words used in this PDS are set out below.

Cash Settlement Amount means the amount payable by one of the parties on the Value Date, as determined by Convera.

Contract Rate means the agreed exchange rate which will be used to calculate the Cash Settlement Amount.

Contract Settlement Currency Amount means the Notional Principal Amount converted at the Contract Rate.

Currency Pair means the Settlement Currency and the Non-Deliverable Currency applying in respect of an NDF. The Currency Pair must be acceptable to Convera.

Fixing Date means the date the Fixing Rate is determined and the Cash Settlement Amount is calculated.

Fixing Rate means the rate displayed on the independent market rate source at the agreed time on the Fixing Date. The Fixing Rate is used to calculate the Cash Settlement Amount.

Fixing Settlement Currency Amount means the Notional Principal Amount converted at the Fixing Rate.

Foreign Exchange Rate means the price of one currency in terms of another currency for delivery on a specified date after taking into account Convera's costs and its profit margin.

INR means Indian Rupee.

Margin Call has the meaning set forth in section 3.9 below.

Notional Principal Amount means the face value amount of the NDF.

Non-Deliverable Currency means the currency nominated as the non-deliverable currency which along with the Settlement Currency makes up the underlying Currency Pair of the NDF.

Settlement Currency means the currency nominated as the settlement currency. This is the currency that the Cash Settlement Amount must be paid in.

Value Date means the date the Cash Settlement Amount is payable.

3 Factors Which Are Common To All Of Our Foreign Exchange Products

3.1 No speculation

Convera does not offer to enter into any of the Foreign Exchange products described in this PDS with persons whose intention is merely to speculate on the possible movements in exchange rates.

Our customers must have a genuine interest in exchanging one currency for another. Often that interest will arise in order to make payment to or from a foreign trading partner, although each of our customers circumstance will be particular.

3.2 Significant risks of foreign exchange transactions

- **Market risk.** Foreign Exchange markets are subject to volatility. Entering a Foreign Exchange transaction exposes you to changes in the Foreign Exchange markets.
- **Operational risk.** Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Possible disruptions in Converas processes may lead to delays in the execution and settlement of your transaction.
- **Counter party risk.** In each Foreign Exchange transaction you enter into with us, we are your counter party. This means that you will be relying on our ability to meet our financial obligations in the transaction.
- **Exchange Rate Risk.** In the case of Forward Foreign Exchange Contracts (and Spot Foreign Exchange Contracts not settled immediately), the date upon which you enter into a contract with us and the date on which that contract must be settled will be different. You must be aware when acquiring a product from us, that exchange rates may fluctuate between those dates. If you enter into a Forward Contract with us, and the exchange rate for your Foreign Exchange contract goes down, you must still settle your contract on the settlement date using the exchange rate which you agreed upon at the date of entry into your contract. Your agreed Foreign Exchange rate may, because of fluctuations in exchange rates, be significantly higher, or lower, than the prevailing exchange rate.

3.3 Our Foreign Exchange Rates-Margin

With the exception of Forward Contract Advance Payments, we do not charge upfront costs or premiums. We are able to offer our Foreign Exchange products without charging upfront costs or premiums because we obtain gross revenue through a 'margin'.

The margin is the difference between the wholesale exchange rate we are able to obtain and the exchange rate we then offer to each customer. The exchange rate we offer to you is dependent on a number of factors including:

- the value of the transaction and the currency involved where the ability of Convera to cover this amount is dependent on supply and demand for the relevant currencies and amounts in the Foreign Exchange market at the time you may wish to enter into a Foreign Exchange transaction;
- The costs that we incur by entering into the transaction with you – such as cost of credit or operating costs – which will be influenced by the terms of the trade and your credit rating.
    - Note: these will be disclosed to you both before and after your transaction.
- the volatility in the Foreign Exchange market at that time – generally, when the Foreign Exchange market is volatile our margin may be wider reflecting underlying conditions and the increased risk to us; and,
- the differing interest rates applicable to the currency pair involved in the forward exchange transaction – these are an integral part of any Forward Contract rate calculation relevant to the period of the Forward Contract.

The exchange rates quoted in the media generally reflect the wholesale rates which Convera will obtain from the Foreign Exchange interbank market. Please note, that wholesale exchange rates are constantly changing, and any such rates are generally only obtained by trading significant values. They also do not take into account any Transaction Costs such as cost of credit, operating costs etc.

Example: This example is indicative only and uses selected rates and figures to demonstrate how we obtain gross revenue through the "margin" of a Foreign Exchange contract. The rates shown are for illustrative purposes only.

You wish to buy USD 100,000 to pay to an overseas supplier. You wish to pay EUR for this USD purchase.

- Rate quoted to you for this transaction is EUR/USD 1.3500. Therefore the EUR converted amount is EUR 74,074.07. This is the amount of EUR you would have to pay to buy the USD 100,000 to remit to your supplier.
- Convera will cover the above USD 100,000 transaction in the Foreign Exchange market. For this example, the rate is 1.3520 which equates to EUR 73,964.50. This is the EUR amount that Convera will have to pay to another institution to buy the USD 100,000 to cover this transaction on a back to back basis.
- In this example the 'margin' is represented by the difference in the two exchange rates, 0.0015 or EUR 109.57. This amount is the gross revenue earned on this transaction by Convera.

If you request us to cancel a transaction before settlement, it is likely that the relevant exchange rate for that transaction will have changed. If that occurs, you may be required to make an additional payment which will reflect the change in exchange rates. We will notify you of any amounts you will be required to pay at the time you request to cancel the transaction.

3.4 Terms and Conditions

Our relationship with you, and each transaction you enter into with us, will be governed by Convera Terms and Conditions. It is recommended that the Terms and Conditions are read carefully.

It sets out significant matters, such as:

- the representations and warranties that you make to us;
- the indemnities that you give to us;
- our right to amend the Terms and Conditions;
- our right to request that a client provides a deposit and/or a margin deposit on any forward exchange contract to offset credit risk or a mark to market valuation which reflects an out of the money value beyond a limit set by Convera;
- the procedures relating to transactions entered into with us; and

- our right to charge default interest (at the rate of 5% above the prevailing 3-month Bank Bill swap reference rate) if you fail to pay an amount payable under one of our Foreign Exchange products.

You will be required to sign the application including our Terms and Conditions agreement to acknowledge your acceptance of these Terms and Conditions. Each Foreign Exchange transaction you enter into with Convera is subject to these Terms and Conditions. You can obtain a copy of the Terms and Conditions by contacting one of our branches or viewing them on our website.

3.5 No Cooling Off Period

There is no cooling off regime which applies to any of our products described in this PDS.

You must therefore be aware that when you enter into a Foreign Exchange transaction, even though settlement may not occur until a later date, you are obligated to the terms of that contract.

3.6 Taxation

The taxation implications for you of obtaining one of our Foreign Exchange products will vary accordingly to your personal circumstances. In particular, transactions may give rise to taxable gains or losses. The treatment of those transactions for taxation purposes will depend on your individual circumstances and we recommend that you seek appropriate tax advice. Any fees described in this PDS are inclusive of taxes, where taxes are applicable.

3.7 Confirmation

Shortly after entering into each of the products described in this PDS, we will send you a confirmation outlining the commercial terms of the relevant transaction. The confirmation will also describe costs and charges included in the transaction. Unless stated otherwise, these are for informational purposes only and do not require additional payment. This confirmation is extremely important and we recommend that you check the confirmation to make sure that it accurately records the terms of the transaction. However, failure of Convera to provide confirmation to you shall not invalidate the transaction.

3.8 Credit Requirements

Before entering into a Foreign Exchange transaction, Convera may carry out a credit check as part of its assessment to determine whether or not any credit requirements you have sought are satisfied. You will be advised of the outcome of this review as promptly as possible. The credit check may also be relevant in assessing whether a line of credit will be provided to you by Convera.

3.9 Margin Calls

As part of its risk management processes Convera carries out a mark to market revaluation of all outstanding Forward Contracts on a regular basis.

If during this process your Forward Contract moves out of the Money (**OTM**) beyond an agreed amount or percentage of the face amount we may seek from you a Margin Deposit as an offset to bring your Forward Contract or contracts' risk exposure back to an agreed level. It may be necessary for further Margin Deposit payments to be made by you should the revaluation continue to move further Out of the Money during the term of the Forward Contract.

We will sometimes vary our margin deposit requirements, depending on a number of factors, including your credit limits and credit worthiness (including your financial position). We will usually send you a written statement outlining any such requirements before you enter into a relevant trade with us. We may vary those written statements over time, depending on factors including prevailing market conditions and your ongoing credit worthiness.

Whilst Margin Deposits are refundable to you at maturity of the contract they can alternatively be applied to the last payment on the contract at maturity.

3.10 Definitions

"**Credit Limit**" means a limit on the total amount of credit that Convera will provide to the customer;

"**Customer**" (client) means the person or entity signing the relevant application to use Convera Foreign Exchange services;

"**Forward Margin**" means that reflecting the differing interest rates relative to the two currencies involved in the forward exchange contract and is usually expressed as forward points;

"**Mark to Market**" means the daily revaluation of a Forward Contract to reflect its current market value rather than its original contract value

"**Out of the money**" means the value of the original contracted Forward Contract rate is less favourable than the current Mark to Market value;

3.11 Complaints

Our primary goal is to provide superior customer service. To achieve this goal we would like to hear from you if you are dissatisfied with any products you have purchased from us or any service you have received from us. We would also like to hear from you if you would like to compliment one of our employees for providing exceptional customer service.

We have established procedures and policies to ensure that any complaint you may have is properly considered and appropriate measures are taken to address any issues. If you have a complaint, you can raise it with us by: (i) e-mail at: CustomerServiceCE@convera.com; or (ii) telephone at +43 1 928 055 616; (iii) visiting us in person at our offices (please see Section 3.12 below for our office address), or (iv) writing to us at our office address.

Any complaint you make will be handled in accordance with our complaints handling policy, copies of which are available on our website or upon request from your usual contact.

3.12 Contact Information

Convera Europe Financial S.A.

Registered Office Address: 6b rue du Fort Niedergrunewald, L-2226 Luxembourg

National Identification Number: B264303

Tel: +352 800 81 634

E-mail: CustomerServiceEU@convera.com

Website: http://convera.com

Office hours: 09:00 CET till 17:00 CET

Branch in Austria

Address: Kohlmarkt 8-10/1. OG, 2.OG, 1010 Wien

Tel: +43 1 928 055 616

E-mail: CustomerServiceCE@convera.com

Website: http://convera.com

Office hours: 09:00 CET till 17:00 CET

Regulatory Information

Convera is authorized and regulated by the Luxembourg Commission de Surveillance du Secteur Financier and has exercised its freedom of establishment rights to offer services through its branch in Austria.

For further information,
please contact us.

CustomerServiceCE@convera.com