

# VANILLA OPTIONS

## Convera Product Disclosure Statement

**Issued by Convera Australia Pty Ltd, NZ Branch  
(Company Number 3527631, FSP 168204)**

**20<sup>th</sup> August 2024**

This document replaces the Vanilla Options Product Disclosure Statement dated 26<sup>th</sup> May 2023.

This document provides important information about Vanilla Options to help you decide whether you want to enter into a Vanilla Options product. There is other useful information about this offer at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)

Derivatives are complex and high risk financial products that are not suitable for most retail investors. If you do not fully understand a derivative described in this document and the risks associated with it, you should not enter into it.

You can also seek advice from a financial adviser to help you make your decision. You should ask if that adviser has experience with these types of derivatives.

Convera Australia Pty Ltd, NZ Branch has prepared this document in accordance with the Financial Markets Conduct Act 2013.

## KEY INFORMATION SUMMARY

### What is this?

This is a product disclosure statement for Vanilla Option contracts provided by Convera Australia Pty Ltd, NZ Branch (We refer to ourselves as "Convera", "we", "our", or "ours").

Vanilla Options are derivatives, which are contracts between you and Convera that may require you or Convera to make payments or deliver currency. The amounts that must be paid or received (or both) will depend on the price or level of the underlying currency that is purchased or sold. The contract specifies the terms on which those payments must be made.

### Warning

#### Risks arising from issuer's creditworthiness

When you enter into derivatives with Convera, you are exposed to a risk that Convera cannot make payments as required. You should carefully read Section 3 of this PDS (risks of these derivatives), and consider Convera creditworthiness.

#### About Convera

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

#### Which derivatives are covered by this PDS?

This PDS covers Vanilla Options. A Vanilla Option is an agreement between two parties (you as 'the buyer' of the Vanilla Option and Convera as 'the seller' of the Vanilla Option) that gives the buyer the right but not the obligation to buy one currency in exchange for another currency at an agreed Exchange Rate on an agreed date (Expiry Date).

Vanilla Options enable you to protect a worst case Exchange Rate. They allow you to Hedge your currency exposure by providing protection against unfavourable currency movements between the time that you buy a Vanilla Option and the Expiry Date. At the same time you are also able to participate in any favourable currency movements that exist on the Expiry Date.

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## 2. Key features of the derivatives

### 2.1 Nature and Effect of Vanilla Options

A Vanilla Option is an agreement between two parties (you as 'the buyer' of the Vanilla Option and Convera as the 'the seller' of the Vanilla Option) that gives the buyer the right but not the obligation to buy one currency in exchange for another currency at an agreed Exchange Rate (the value of one currency for the purpose of conversion to another currency) on an agreed date (Expiry Date). A Vanilla Option may be a Put Option or a Call Option. A Put Option is an agreement that gives the buyer the right (but not the obligation) to sell a currency at a specified price at a specified time. A Call Option is an agreement that gives the buyer the right (but not the obligation) to buy a currency at a specified price at a specified time.

When you buy a Vanilla Option you nominate the following elements of the contract:

- The Currency Pair – the currency that is bought and the currency that is sold if the Vanilla Option is exercised.
- Notional Amount – the amount of currency to be purchased or sold if the Vanilla Option is exercised.
- Strike Rate – the Exchange Rate that will apply to the purchase or sale of the Notional Amount if the Vanilla Option is exercised.
- Expiry Date – the date that the Vanilla Option will expire.

Convera only offers "European" style Vanilla Options. This means that you may only Exercise the Vanilla Option on the Expiry Date. Convera, at its sole discretion, may allow you to close a Vanilla Option prior to the Expiry Date. This is explained further in Section 2.6 of this PDS.

When you enter into a Vanilla Option you will be required to pay a non-refundable fee, referred to as a Premium. This is described further in Section 2.3 of this PDS.

On the Expiry Date of a Vanilla Option the prevailing Spot Rate, which is the Exchange Rate for a foreign exchange transaction with a settlement date of up to two (2) Business Days that applies to the Currency Pair will either be less favourable than the Strike Rate or more favourable than the Strike Rate.

If the Spot Rate is less favourable than the Strike Rate it will be more advantageous for you to Exercise your Vanilla Option and exchange the Currency Pair. You will then be required to exchange currencies with Convera at the Strike Rate two (2) Business Days after the Expiry Date.

If the Spot Rate is more favourable than the Strike Rate it will be more advantageous for you to let your Vanilla Option lapse. This is because the Spot Rate on the day will provide you with a better Exchange Rate than the Strike Rate. As a result you may choose to exchange currencies at the more favourable Spot Rate.

If you elect to Exercise the Vanilla Option you must provide an Exercise Notice to Convera on the Expiry Date. An Exercise Notice must be provided through an Instruction, no later than 3.00 PM Wellington time (Expiry Time) on the Expiry Date.

Certain Currency Pairs can only have an Expiry Time of 3.00 PM Tokyo time. These currencies will be advised to you prior to you entering into a transaction and this will be reflected on your Confirmation.

You should note that when your Vanilla Option is In-The-Money (ITM), where the Strike Rate is more favourable than the market Spot Rate, Convera will Exercise the option if we are not in receipt of an Exercise Notice from you.

If a Vanilla Option is not exercised it will lapse at the Expiry Time.

Vanilla Options are not entered into on an authorised exchange such as a stock market. There is no official benchmark Exchange Rate for foreign currencies. The foreign exchange market is referred to as an "Over-The-Counter (OTC)" market, which means that Exchange Rates will often vary when compared between providers. Exchange Rates quoted in the media generally refer to Interbank Exchange Rates and will usually differ from Exchange Rates quoted to you.

Because Vanilla Options are traded OTC with Convera you will not be able to reverse your transaction with another provider. You will only be able to reverse or cancel your contract with Convera (as further described in Section 2.6 of this PDS).

### 2.2 Benefits of Vanilla Options

The following are key benefits of Vanilla Options:

- A Vanilla Option provides protection against unfavourable movements in the Exchange Rate during the term of the option.
- Vanilla Options are flexible. The Strike Rate, Expiry Date and Notional Amount can be tailored to your needs.
- Unless you Exercise your Vanilla Option you are not committed to exchange currencies. Consequently you are able to participate in all favourable Exchange Rate movements.

### 2.3 Amounts payable under a Vanilla Option

When you buy a Vanilla Option, you will be required to pay Convera a non-refundable Premium, in cleared funds, within two (2) Business Days of the Trade Date. Convera will accept Premium payments in either New Zealand Dollars (NZD) or either currency of the Currency Pair.

When calculating Premiums, Convera takes into account the following variables on a transaction-by-transaction basis:

- the Currency Pair;
- the Notional Amount;
- the Strike Rate - the more favourable the Strike Rate you require, the higher the Premium that will be payable;

- the Expiry Date - the longer the time period between the Trade Date and Expiry Date the higher the Premium that will be payable;
- the current market Exchange Rate of the underlying Currency Pair;
- the interest rate differential of the countries whose currencies make up the Currency Pair;
- the pace at which the Exchange Rate of the Currency Pair moves higher or lower (“Volatility”); and
- the ability to buy or sell a Currency Pair without impacting the price (“Liquidity”).

If you Exercise a Vanilla Option you will be required to deliver the currency that you are exchanging within two (2) Business Days of the Expiry Date. Upon receipt Convera will pay you or your nominated beneficiary the amount of currency that you have purchased. The amount that is paid by each party is determined by the Strike Rate that we have agreed.

In addition to the Premium and currency exchange obligations other fees or charges may apply for related services such as telegraphic transfers or drafts that are made or issued in connection with the Vanilla Option. Further details with respect to these costs are set out in Section 4 of this PDS.

## 2.4 Term of a Vanilla Option

The term of a Vanilla Option can range between Trade Date to one (1) year. A term longer than one (1) year may be considered by Convera on a case by case basis.

## 2.5 How to enter into a Vanilla Option

Before entering into a Vanilla Option you must first provide us with a completed Application for Foreign Exchange Trading. Further details with respect to this are set out in Section 9 of this PDS.

Upon acceptance of your application you may enter into a Vanilla Option with us by delivering an Instruction. An Instruction will only be effective once it has been accepted by Convera.

You may deliver an Instruction verbally over the phone or via email to your Convera Representative, or in any other manner set out in our Terms and Conditions. The commercial terms of a particular Vanilla Option will be agreed and binding from the time your Instructions are received and accepted by us.

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

Vanilla Option contract and the Confirmation it is important that you raise this with your Convera Representative as a matter of urgency.

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

## 2.6 Rights to alter or terminate a Vanilla Option

### 2.6.1 Close-out/Cancellation

You may ask us to close a Vanilla Option at any time up to the Expiry Time on the Expiry Date.

Convera will provide you with a quote for the cost of closing a Vanilla Option. Convera’ quote will be based on the cost of reversing or offsetting your Vanilla Option at the time of your request. The same variables that are relevant to the determination of the Premium will be relevant to determining this cost. These are set out in Section 2.3 of this PDS.

You need to be aware that if you accept the quote to close the Vanilla Option, our contract with you will be terminated and you may lose money as a result of an early termination.

### 2.6.2 Termination of a Vanilla Option

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

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

Where Convera terminates a Vanilla Option for any of these reasons you will be liable for any losses and expenses that Convera incurs as a result.

## 2.7 Examples of a Vanilla Option

The following examples are for illustrative purposes only and use rates and figures that we have selected to demonstrate how a Vanilla Option works. They provide an example of one situation only and do not reflect the special circumstances or obligations that may arise under a Vanilla Option that you enter into with us. In order to assess the merits of any particular Vanilla Option you should use the actual rates and figures quoted at the relevant time.

## 2.7.1 Vanilla Put Options

A New Zealand importer needs to pay USD100,000 in three (3) months' time for goods purchased overseas. The importer can buy the USD in three (3) months' time but cannot budget the right amount of NZD because the Exchange Rate in three (3) months' time is unknown.

If the importer did nothing, the amount of NZD needed to pay in three (3) months' time for the USD100,000 will depend on the prevailing Exchange Rate quoted at that time.

- If the NZD/USD Exchange Rate goes up (the NZD appreciates), less NZD will be required when it comes time to pay for the USD and the importer is in a more favourable position.
- If the NZD/USD Exchange Rate goes down (NZD depreciates), more NZD will be required when it comes time to pay for the USD and the importer is in a less favourable position.

The importer can eliminate its exposure to the Exchange Rate depreciating below a certain Exchange Rate by buying a NZD Put Option (an option to sell NZD against USD). This will allow the importer to protect a worst case Exchange Rate while giving it the opportunity to participate in favourable Exchange Rate movements.

The current Spot Rate is 0.7550 and the Forward Exchange Rate is 0.7480.

The importer enters into a NZD Put Option with the following terms (nominating the Strike Price, Notional Amount and Expiry Date):

- Currency Pair: NZD/USD;
- Option type: NZD Put Option;
- Strike Rate: 0.7500;
- Notional Amount: USD100,000;
- Expiry Date: Three (3) months after Trade Date;
- Expiry Time: 3.00 PM Wellington time;
- Settlement date: two (2) Business Days after the Expiry Date; and
- Premium: NZD3,660 (calculated by Convera and payable by the importer).

### Outcome on the Expiry Date

- i. If the Exchange Rate is greater than 0.7500, (say 0.7900), the importer will let the NZD Put Option lapse and may use NZD to buy USD at the Exchange Rate of 0.7900 for Settlement on the Settlement date (although there is no obligation to do so). If the importer purchases USD at 0.7900 (which would cost the importer NZD126,582.28 (USD100,000/0.7900)) then this is a new transaction independent of the NZD Put Option.

- ii. If the Exchange Rate is less than 0.7500, (say 0.7100), the importer would Exercise the NZD Put Option and exchange NZD for USD at the agreed Strike Rate of 0.7500 and will pay NZD133,333.33 (USD100,000/0.7500) on the Settlement date.

In the example above if the Strike Rate nominated by the importer had been lower the Premium payable would also have been lower.

## 2.7.2 Vanilla Call Options

A New Zealand exporter will receive USD100,000 in three (3) months' time for goods it has sold overseas. The exporter can sell the USD in three (3) months' time but does not know the amount of NZD it will receive because the Exchange Rate in three (3) months' time is unknown.

If the exporter did nothing, the amount of NZD received in three (3) months' time for the USD100,000 will depend on the prevailing Exchange Rate at that time.

- If the NZD/USD Exchange Rate goes up (the NZD appreciates), less NZD will be received when it comes time to sell the USD and the exporter is in a less favourable position.
- If the NZD/USD Exchange Rate goes down (NZD depreciates), more NZD will be received when it comes time to sell the USD and the exporter is in a more favourable position.

The exporter can eliminate its exposure to the Exchange Rate appreciating above a certain Exchange Rate by buying a NZD Call Option (an option to buy NZD against USD). This will allow the exporter to protect a worst case Exchange Rate while giving it the opportunity to participate in favourable Exchange Rate movements.

The current Spot Rate is 0.7550 and the Forward Exchange Rate is 0.7480.

The exporter enters into a NZD Call Option with the following terms (nominating the Strike Rate, Notional Amount and Expiry Date):

- Currency Pair: NZD/USD;
- Option type: NZD Call Option;
- Strike Rate: 0.7600;
- Notional Amount: USD100,000;
- Expiry Date: three (3) months after Trade Date;
- Expiry Time: 3.00 PM Wellington time;
- Settlement date: two (2) Business Days after the Expiry Date; and
- Premium: NZD3,370 (calculated by Convera and payable by the exporter).

## Outcome on the Expiry Date

- i. If the Exchange Rate is greater than 0.7600, (say 0.7800), the exporter would Exercise the NZD Call Option and exchange USD for NZD at the agreed Strike Rate of 0.7600 on the Settlement date and will receive NZD131,578.95 ( $\text{USD}100,000/0.7600$ ); or
- ii. If the Exchange Rate is less than 0.7600, (say 0.7400), the exporter will let the NZD Call Option lapse and may use USD to buy NZD at the prevailing Exchange Rate of 0.7400 for Settlement on the Settlement date (although there is no obligation to do so). If the exporter purchases NZD at 0.7400 (receiving NZD135,135.14 ( $\text{USD}100,000/0.7400$ )) then this is a new transaction independent of the NZD Call Option.

In the example above if the Strike Rate nominated by the exporter had been higher the Premium payable would have been lower.

## 3. Risks of these derivatives

Convera considers that Vanilla Options are only suitable for persons who understand and accept the risks involved in investing in financial products involving foreign exchange rates. Convera recommends that you obtain independent financial and legal advice before entering into a Vanilla Option, from an adviser that has experience with these types of derivatives.

### 3.1 Product Risks

The following are product risks associated with a Vanilla Option:

**Non-refundable Premium.** A Premium is payable when you purchase your Vanilla Option. This Premium is nonrefundable regardless of whether the Vanilla Option lapses or is terminated on or before the Expiry Date.

**Amendments/Cancellations.** Any request to Convera for close-out/cancellation of a Vanilla Option may result in significant financial cost to you.

**Opportunity Loss.** Depending on the Exchange Rate prevailing on the Expiry Date the total cost of the transaction (including the Premium you have paid and the ultimate currency exchange amount) may be more than if you had not purchased the Vanilla Option.

**Cooling-off.** There is no cooling-off period. This means that once your Instruction to enter into a Vanilla Option has been accepted by Convera you are unable to cancel your Vanilla Option without incurring a cost.

**Less Flexible.** You cannot amend or change the Expiry Date of a Vanilla Option. In that regard it is less flexible than some other foreign exchange hedging products.

## 3.2 Issuer Risks

When you enter into a Vanilla Option you are relying on Convera financial ability as Issuer to be able to perform its obligation to you. As a result you are exposed to the risk that Convera becomes insolvent and is unable to meet its obligations to you under a Vanilla Option.

To aid in your assessment of this risk a copy of Convera's latest audited financial statements are publicly available from the Offer Register at <http://www.business.govt.nz/disclose>.

There is also a risk that the counterparties with whom Convera contracts to mitigate its exposure when acting as principal to the Vanilla Options (by taking related offsetting or mitigating positions) (our "Hedging Counterparties") may not be able to meet their contractual obligations to Convera. This means that Convera could be exposed to the insolvency of its Hedging Counterparties and to defaults by Hedging Counterparties. If a Hedging Counterparty is insolvent or defaults on its obligations to Convera, then this could give rise to a risk that Convera defaults on its obligations to you.

Convera's creditworthiness has not been assessed by an approved rating agency. This means that Convera has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

## 3.3 Risks when entering or settling the derivatives

### 3.3.1 Operational risk

Operational risk arises through your reliance on Convera systems and processes to price, settle and deliver your transactions efficiently and accurately. In the event of a breakdown of our systems or processes you may incur loss as a result of delays in the execution and Settlement of your transactions. You are also exposed to operational risk through Convera's reliance on its Hedging Counterparties systems and processes to price, settle and deliver transactions efficiently and accurately. In the event of a breakdown of our Hedging Counterparties systems or processes you may also incur loss as a result of delays in the execution and Settlement of your transactions.

### 3.3.2 Conflicts of interest

Convera enters into transactions with a number of different clients and Hedging Counterparties that may be in conflict with your interests under the Vanilla Option(s) you have entered into with us. Convera is not required to prioritise your interests when dealing in Vanilla Options with you.

## 4. Fees

### 4.1 Premiums and payment on exercise of a Vanilla Option

Convera sets the Premiums it offers to you in purchasing a Vanilla Option by applying a Retail Mark Up to the Interbank Premium it receives from its wholesale commercial relationships. Convera determines the Retail Mark Up by taking account of a number of factors, including:

- the size of the transaction (measured in currency amount) where the smaller the transaction size the larger the Retail Mark Up;
- the Currency Pair where the less Liquidity in the pair the greater the Retail Mark Up;
- market Volatility where high Volatility will result in an increased Retail Mark Up;
- the time zone you choose to trade in, so that trading on public holidays or weekends may see increased Retail Mark Ups; and
- the frequency with which you trade with Convera, where the more frequently you transact the Retail Mark Up may be reduced.

When you Exercise a Vanilla Option you agree to make a physical payment of one currency to Convera in exchange for the physical receipt of another currency. The amount that you pay to us is determined by the Strike Rate that we agree upon at the Trade Date.

### 4.2 Other Fees

You will not be charged any additional entry fees for a Vanilla Option at the Trade Date but other fees or charges may apply for related services such as telegraphic transfers or drafts that are made or issued in connection with the Vanilla Option.

Transaction fees for telegraphic transfers or drafts are in addition and are separate to the Premium that you pay and the Exchange Rate conversion that will apply to converting one foreign currency to another when you Exercise a Vanilla Option. These fees are payable at the time we process a telegraphic transfer for you or issue you or your nominated beneficiary with a draft.

The transaction fee we charge you will depend upon:

- the amount and type of foreign currency to be transferred (more exotic currencies usually incur higher fees);
- the number and frequency of transactions you conduct through Convera (an existing relationship may result in reduced fees); and
- the country that the funds are sent to (some countries are more expensive than others to deal with).

In addition to the fees charged by Convera for sending payments by telegraphic transfer or for issuing drafts for Vanilla Options, any Correspondent, Intermediary or

Beneficiary Bank(s) which facilitates the sending or payment of telegraphic transfers/drafts may impose their own additional fees or charges, which may be deducted from the amount paid to you or your beneficiary.

For more information in relation to the cost of telegraphic transfers/drafts in connection with delivery of your Vanilla Option that may be applicable, contact your Convera Representative using the details contained in Section 6 of this PDS.

## 5. How Convera treats funds and property received from you

The Premium payable with respect to a Vanilla Option is money that is due and owing to Convera and is not held for you.

Convera does not collect any margin or collateral with respect to Vanilla Options and does not otherwise hold client money or property with respect to Vanilla Options.

## 6. About Convera

Convera is a global leader in providing foreign exchange products and services and payment solutions and does business in New Zealand through Convera Australia Pty Ltd, NZ branch (company number 3527631 and FSP 168204).

Convera contact details are as follows:

Address: Spaces Commercial Bay Level 17, PWC Tower,  
Unit 18-05, 15 Customs Street West, Auckland, 1010  
Phone: 0800 436 739.

Principal Contact: Compliance Department  
Email: [CustomerServiceNZ@convera.com](mailto:CustomerServiceNZ@convera.com)  
Website: <https://www.convera.com/en-nz>

## 7. How to complain

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

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



All complaints are logged at each stage of the process. Convera Complaints Handling Policy requires us to investigate and provide a resolution to you within 40 Business Days from you first making the complaint. Convera takes complaints seriously and strives to ensure efficient and fair resolution.

If you have any enquiries about our dispute resolution process, please contact your Convera Representative using the contact details in Section 6 of this PDS.

If you are dissatisfied with the resolution of a complaint you have the right to refer the complaint for investigation and resolution to the following approved independent dispute resolution scheme:

Financial Services Complaints Ltd

PO Box 5967

Lambton Quay

Wellington, 6145

Toll Free number: 0800 347 257

Website: [www.fscl.org.nz](http://www.fscl.org.nz)

Email: [info@fscl.org.nz](mailto:info@fscl.org.nz)

Financial Service Complaints Ltd will not charge a fee to you to investigate or resolve a complaint.

## 8. Where you can find more information

Further information relating to Convera and the derivatives we offer is available from the Offer Register, including a copy of our latest audited financial statements. A copy of the information on the Offer Register is available on request to the Registrar at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

Copies of this PDS are available free of charge. You can download a copy of this PDS from our website <https://www.convera.com/en-nz/compliance-legal/compliance> or request a copy by either email at [CustomerServiceNZ@convera.com](mailto:CustomerServiceNZ@convera.com) or by phone 0800 436 739.

A separate PDS is available for Forward Exchange Contracts, Structured Options and Leveraged Structured Options. Please contact us if you require one of these PDS's, using contact information contained in Section 6 or download from our website at <https://www.convera.com/en-nz/compliance-legal/compliance>

Convera's Terms and Conditions are available on our website at <https://www.convera.com/en-nz/compliance-legal/compliance> or by contacting your Convera Representative.

Convera is committed to complying with all privacy laws and regulations. Further information about Convera's privacy practices can be found at <https://convera.com/en-nz/compliance-legal/compliance/>

You have a right to ask us to see and get a copy of your information, for which we may charge a small fee. You

can also correct, erase or limit our use of the information which is incomplete, inaccurate or out of date. If you would like further information about the way that Convera manages the handling of personal information, please contact our privacy officer:

Email: [privacymatters@convera.com](mailto:privacymatters@convera.com)

Mail: Attention Privacy Officer

Address: Spaces Commercial Bay, Level 17, PWC Tower, Unit 18-05, 15 Customs Street West, Auckland, 1010

Phone: 0800 436 739.

Principal Contact: Compliance Department

## 9. How to enter into client agreement

Each Vanilla Option you enter into will be subject to the Terms and Conditions for doing business with Convera. You will be required to sign these as part of our Application for Foreign Exchange Trading before entering into a Vanilla Option with us for the first time.

The Terms and Conditions are a master agreement and set out all of the terms of the relationship between you and Convera that are applicable to the Vanilla Options described in this PDS. The Terms and Conditions are important and you should read them carefully before entering into any transactions with Convera. They cover a number of important terms including how transactions are executed, our respective rights and obligations, events of default and rights of termination.

In addition to the Terms and Conditions you will also need to provide us with the following signed document together with other "Know Your Customer" information (including credit related information) that Convera may require:

- Direct Debit Request form.

A copy of this form can be obtained by contacting your Convera Representative. Upon completion of these documents Convera will conduct an accreditation process. Accreditation and acceptance of a Customer is at Convera's sole discretion.

The main checks that are relevant to the accreditation of a Customer are:

- verification of a Customer's identity in accordance with relevant AML/CFT laws;
- a successful credit check conducted through a third party credit agency;
- an AML/CFT risk assessment considering relevant factors such as the nature of a Customer's business and the country where the Customer will make or receive payments; and
- a check of a Customer's principal officers and beneficial owners (if applicable) against relevant government issued sanction lists.

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

## 10. Key Terms

**AML/CFT** means Anti-Money Laundering and Counter Financing of Terrorism.

**Application for Foreign Exchange Trading** means the Terms and Conditions and any other application forms and identity documents that a Customer must complete and provide to Convera before Convera establishes a Customer trading facility, as determined by Convera.

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

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

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

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

**Correspondent Bank** means a financial institution that provides services on behalf of another equal or unequal, financial institution, which performs services for Convera in connection with telegraphic transfers or drafts provided by Convera.

**Currency Pair** means the currency that is bought and the currency that is sold in a foreign exchange contract.

**Customer/Client** means the entity or person who signs Convera's Terms and Conditions.

**Direct Debit Request** a type of preauthorized payment under which a Client authorises its bank to pay amounts to Convera for Settlement of Vanilla Option obligations.

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

**Exercise** means an election by the buyer of a Vanilla Option to buy or sell currency (as applicable) at the Strike Rate on the Expiry Date.

**Exercise Notice** means an Instruction by the buyer of a Vanilla Option to the seller of the Vanilla Option of its intent to Exercise.

**Expiry Date** means the date on which the Vanilla Option expires.

**Expiry Time** is the time of day on the Expiry Date that the Vanilla Option expires.

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

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

**Hedge** means activity initiated in order to mitigate or reduce currency exposure to adverse unfavourable price or currency movements, by taking a related offsetting or mitigating position, such as a Vanilla Option.

**Hedging Counterparties** the counterparties with whom Convera contracts to mitigate its exposure when acting as principal to the Vanilla Options by taking related offsetting or mitigating positions.

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

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

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

**Interbank Premium** means the wholesale Premium that Convera receives from the foreign exchange Interbank Market.

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

**Issuer** has the meaning of s11 of the Financial Markets Conduct Act 2013 and in this PDS is Convera.

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

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

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

**NZD** means New Zealand Dollars.

**Offer Register** means the register maintained at <http://www.business.govt.nz/disclose> which includes offers of financial products, including Leveraged Structured Options issued by Convera.

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

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

**PDS** means Product Disclosure Statement.

**Premium** means the amount payable by the buyer to the seller of the Vanilla Option on the Trade Date.

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

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

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

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

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

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

**Spot Rate** means the Exchange Rate applicable to a foreign exchange transaction with a Value Date of up to two (2) Business Days from the date the transaction was entered.

**Strike Rate** is the Exchange Rate at which the parties have agreed to exchange the Currency Pair on the Value Date if the Vanilla Option is Exercised on the Expiry Date.

**Structured Options** means an agreement to exchange a specified amount of one currency for another currency at a

foreign Exchange Rate created through the concurrent sale and purchase of two or more Call Options and/or Put Options as described in the Convera Structured Options PDS.

**Terms and Conditions** means Convera Australia Pty Ltd, NZ Branch's Terms and Conditions as amended from time to time and located at <https://www.convera.com/en-nz/compliance-legal/compliance>

**Trade Date** is the day you and Convera agree to a Vanilla Option.

**USD** means United States Dollars.

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

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

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

**Convera** is Convera Australia Pty Ltd, NZ Branch, Company Number 3527631, FSP 168204.

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

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