KNOCK-OUT STRUCTURED OPTIONS

Convera Product Disclosure Statement

Issued by Western Union Business Solutions (Australia) Pty Limited (NZ Branch) (Company Number 3527631, FSP 168204), doing business as Convera.

26th June 2017

This document provides important information about Structured Options to help you decide whether you want to enter into a specific Structured Options product. This Product Disclosure Statement replaces the prior version of this document dated the 26th of June 2017. There is other useful information about this offer at 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..

Western Union Business Solutions (Australia) Pty Limited (NZ Branch), which does business in New Zealand under the name and brand of Convera, has prepared this document in accordance with the Financial Markets Conduct Act 2013. Western Union Business Solutions is not affiliated with The Western Union Company.

1. KEY INFORMATION SUMMARY

What is this?

This is a product disclosure statement for Knock-Out Structured Option contracts provided by Western Union Business Solutions (Australia) Pty Ltd (NZ Branch), which does business in New Zealand under the name Convera. (We refer to ourselves as "Convera", "we", "our", or "ours").

Knock-Out Structured 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

Risk that you may owe money under the derivative

If the price or level of the underlying currency changes you may suffer losses. In particular, unlike most other kinds of financial products, you may end up owing significant amounts of money. You should carefully read Section 2 of this PDS on how payments are calculated.

Your liability to make Initial Margin and Margin Call payments

Convera may require you to make additional payments (referred to as margin) to contribute towards your future obligations under these derivatives. These payments may be required at short notice and can be substantial. You should carefully read Section 2.3 of this PDS about your obligations.

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 the PDS (risks of these derivatives), and consider Convera creditworthiness.

If Convera runs into financial difficulty the margin you provide may be lost.

About Convera

Convera is a specialist provider of foreign exchange and international payments products 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 Knock-Out Structured Options. A Knock-Out Structured Option is a binding agreement between you and Convera to exchange a specified amount of one currency for another currency at an Exchange Rate determined in accordance with the mechanisms set out in the structure at an agreed time (Expiry Time) on an agreed date (Expiry Date).

Structured Options help you manage the risk inherent in currency markets by predetermining the Exchange Rate and Value Date on which you will purchase or sell a given amount of foreign currency against another currency. This can provide you with protection against unfavourable Exchange Rate movements between Trade Date and Expiry Date.

Structured Options are also flexible; Expiry Date and Notional Amounts can be tailored to meet your requirements. You also have additional flexibility to participate in certain favourable Exchange Rate movements and may be able to achieve an enhanced Exchange Rate comparable to the equivalent Forward Exchange Rate depending on the Structured Option that you enter into.

TABLE OF CONTENTS

2. KEY FEATURES OF THE DERIVATIVES

2.1. Nature and effect of Knock-Out Structured Options

A Knock-Out Structured Option describes a group of foreign exchange products that have been developed as foreign exchange risk management alternatives to Forward Exchange Contracts and Vanilla Options.

A Knock-Out Structured Option is an agreement to exchange a specified amount of one currency in exchange for another currency at a foreign Exchange Rate (the value of one currency for the purpose of conversion to another currency) that is determined by reference to agreed mechanisms within each particular Knock-Out Structured Option product. Convera offers ten (10) Knock-Out Structured Options products, four (4) of which are described further in this PDS.

A Knock-Out Structured Option is created through the concurrent sale and purchase of two or more Call Options and/or Put Options. 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. 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. In any particular structure you may be referred to as both the 'Buyer" of the Option and/or the 'Seller" of the Option. Notwithstanding the use of these terms Convera is always the Issuer of the Knock-Out Structured Options product.

Depending on the Knock-Out Structured Option product that is created there will be certain conditions attached to one or more of the Put Options or Call Options within the structure that are triggered if an agreed Exchange Rate trades in the spot foreign exchange market during the term of the Knock-Out Structured Option. We refer to these as Trigger Rates. A Trigger Rate will be a Knock-Out Rate, which is an Exchange Rate that if traded (at or beyond) in the spot foreign exchange market will result in the buyer's right pursuant to a Call Option or Put Option terminating (i.e. the Put Option or Call Option terminates if the Knock-Out Rate is triggered).

Our default position is that where a Trigger Rate is applicable it will apply for the term of the Knock-Out Structured Option. It is possible however to apply a shorter term to the Trigger Rate. We refer to these shorter terms as Windows.

Typical trigger Windows include 'last month" (where the Trigger Rate is only effective in the last month of the Knock-Out Structured Option), 'last week" (where the Trigger Rate is only effective in the last week of the Knock-Out Structured Option), 'last day" (where the Trigger Rate is only effective in the last day of the Knock-Out Structured Option), and 'at Expiry" (where the Trigger Rate is only effective at the Expiry Time on the Expiry Date of the Knock-Out Structured Option).

You can ask Convera to provide you with a Window at any time before you enter into a Knock-Out Structured Option. If a Window is nominated the Spot Rate, which is the Exchange Rate for a foreign exchange transaction with a settlement date of up to two (2) Business Days, may trade at or beyond the Trigger Rate before the trigger is live without you being knocked out. The Spot Rate will only be compared to the Trigger Rate during the Window. By choosing a Window the Trigger Rate will be less favourable to you than if there were no Window in place. The Protection Rate, which is the agreed worst case Exchange Rate that applies to a Knock-Out Structured Option, will also be less favourable to you than if there were no Window in place. These Rates will be less favourable the shorter the period of the Window.

Knock-Out Structured 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.

Set out below is a description of four (4) of the Knock-Out Structured Options products that we provide. The products outlined in this PDS come within the category of 'Knock-Out without protection', meaning that if the Knock-Out Rate is triggered prior to Expiry, all protection and obligation on both parties are removed as the structure will cease to exist. This means that these products, are more higher risk products, as they could potentially leave you in an unhedged position.

2.1.1. Knock-Out

a) How a Knock-Out works

The Knock-Out is a Structured Option that gives you limited protection at an Exchange Rate that is more favourable than the Exchange Rate that would apply to an equivalent Forward Exchange Contract (an 'Enhanced Rate") provided that a specified Exchange Rate (the 'Knock-Out Rate") is not triggered before the Expiry Date (or during a Window). If this occurs the contract ceases to exist. A Knock-Out gives you an Enhanced Rate relative to a comparative FEC.

A Knock-Out is structured by entering into two concurrent Options. In the first you buy a Put Option from Convera at the Enhanced Rate with a Knock-Out Rate (an Option to sell that ceases to exist if the Spot Rate triggers the Knock-Out Rate before the Expiry Date (or during a Window)). In the second you sell a Call Option to Convera at the Enhanced Rate with the same Knock-Out Rate.

Your ability to enter into a Knock-Out with us is subject to our prior approval and agreement.

On Expiry of a Knock-Out:

i. If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate you will trade at the Enhanced Rate.
- If the Spot Rate is more favourable than the Enhanced Rate you will be obligated to trade at the Enhanced Rate.

ii. If the Knock-Out Rate has been triggered the structure is terminated.

b) Benefits of a Knock-Out

- A Knock-Out provides an enhanced Exchange Rate (Enhanced Rate) relative to a comparative FEC.

2.1.2. Leveraged Knock-Out

a) How a Leveraged Knock-Out works

A Leveraged Knock-Out is a Leveraged Structured Option that gives you limited protection at an Enhanced Rate provided that a specified Knock-Out Rate has not been triggered before the Expiry Date (or during any Window). If this occurs the contract ceases to exist.

The Enhanced Rate applicable to a Leveraged Knock-Out will be more favourable than a comparable standard Knock-Out structure.

Because there is a leverage component associated with a Leveraged Knock-Out you may be obligated to exchange an amount of currency that is greater than the Notional Amount (i.e. the contract Notional Amount multiplied by a Leverage Ratio).

A Leveraged Knock-Out is structured by entering into two concurrent Options. In the first you buy a Put Option from Convera at an Enhanced Rate with a Knock-Out Rate (an Option to sell that ceases to exist if the Knock-Out Rate is triggered prior to the Expiry Date (or during any Window)). In the second you sell a Call Option to Convera at the Enhanced Rate with a Knock-Out Rate (an Option to buy that ceases to exist if the Knock-Out Rate is triggered prior to the Expiry Date (or during any Window)). The Notional Amount of the Call Option that you sell to Convera will be equal to the Notional Amount of the Put Option that you have bought multiplied by the Leverage Ratio.

Your ability to enter into a Leveraged Knock-Out with us is subject to our prior approval and agreement.

On the Expiry Date of a Leveraged Knock-Out:

i. If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate you will trade the Notional Amount at the Enhanced Rate.
- If the Spot Rate is more favourable than the Enhanced Rate you will be obligated to trade a multiple of the Notional Amount at the Enhanced Rate.

ii. If the Knock-Out Rate has been triggered the structure is terminated.

b) Benefits of a Leveraged Knock-Out

- An ability to achieve a more favourable Enhanced Rate relative to a comparative standard Knock-Out structure.

2.1.3. Knock-Out Collar

a) How a Knock-Out Collar works

The Knock-Out Collar is a Structured Option which gives you limited protection at an Enhanced Rate and the ability to participate in favourable movements in the Spot Rate between an Enhanced Rate and a Participation Rate. The protection that it provides and the ability to participate in favourable Exchange Rate movements is contingent upon the Knock-Out Rate not being triggered before the Expiry Date (or during a Window). If this occurs the contract ceases to exist. A Knock-Out Collar gives you more favourable Enhanced and/or Participation Rates relative to a comparative standard Collar.

A Knock-Out Collar is structured by entering into two concurrent Options. In the first you buy a Put Option from Convera at the Enhanced Rate with a Knock-Out Rate (an Option to sell that ceases to exist if the Spot Rate triggers the Knock-Out Rate prior to the Expiry Date (or during a Window)). In the second you sell a Call Option to Convera at the Participation Rate with a Knock-Out Rate (an Option to buy that ceases to exist if the Spot Rate triggers the Knock-Out Rate prior to the Expiry Date (or during a Window)).

Your ability to enter into a Knock-Out Collar with us is subject to our prior approval and agreement.

On the Expiry of a Knock-Out Collar:

i. If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate you will trade at the Enhanced Rate.
- If the Spot Rate is more favourable than the Enhanced Rate but less favourable than the Participation Rate you may trade at the Spot Rate.
- If the Spot Rate is more favourable than the Participation Rate you will be obligated to trade at the Participation Rate.

ii. If the Knock-Out Rate has been triggered the structure is terminated.

b) Benefits of a Knock-Out Collar

- A Knock-Out Collar provides an enhanced Participation Rate and/or Enhanced Rate relative to a comparative standard Collar.
- Provided that the Knock-Out Rate is not triggered you have the ability to participate in favourable Exchange Rate movements up to the Participation Rate.

2.1.4. Leveraged Knock-Out Collar

a) How a Leveraged Knock-Out Collar works

A Leveraged Knock-Out Collar is a Leveraged Structured Option which gives you limited protection against the risk that the Spot Rate will be less favourable than an Enhanced Rate and the ability to participate in favourable movements in the Spot Rate between the Enhanced Rate and a Participation Rate.

The protection it provides and the ability to participate in favourable movements is contingent upon a specified Knock-Out Rate not being triggered between the Trade Date and the Expiry Date (or during any Window). If this occurs the contract ceases to exist.

Because there is a leverage component associated with a Leveraged Knock-Out Collar you may be obligated to exchange an amount of currency that is greater than the Notional Amount (i.e. the contract Notional Amount multiplied by a Leverage Ratio).

A Leveraged Knock-Out Collar is structured by entering into two concurrent Options. In the first you buy a Put Option from Convera at an Enhanced Rate with a Knock-Out Rate (an Option to sell that ceases to exist if the Knock-Out Rate is triggered between the Trade Date and the Expiry Date (or during any Window)). In the second you sell a Call Option to Convera at a Participation Rate with a Knock-Out Rate (an Option to buy that ceases to exist if the Knock-Out Rate is triggered between the Trade Date and the Expiry Date (or during any Window)). The Notional Amount of the Call Option that you sell to Convera will be equal to the Notional Amount of the Put Option that you have bought multiplied by the Leverage Ratio.

Your ability to enter into a Leveraged Knock-Out Collar with us is subject to our prior approval and agreement.

On the Expiry Date of a Leveraged Knock-Out Collar

i. If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate you will trade the Notional Amount at the Enhanced Rate.
- If the Spot Rate is more favourable than the Participation Rate you will be obligated to trade a multiple of the Notional Amount at the Participation Rate, which will be less favourable to you.
- If the Spot Rate lies between the Enhanced Rate and the Participation Rate you may trade at the Spot Rate.

ii. If the Knock-Out Rate has been triggered the structure is terminated.

b) Benefits of a Leveraged Knock-Out Collar

- An ability to achieve enhanced Exchange Rates relative to a comparable standard Knock-Out Collar structure.
- An ability to participate in favourable Exchange Rate movements up to the Participation Rate provided that the Knock-Out Rate has not been triggered.

2.2. Benefits under Knock-Out Structured Options

We have described the particular benefits that attach to each Knock-Out Structured Option that Convera provides above. In addition, the following is a general key benefit of Knock-Out Structured Options:

- Knock-Out Structured Options are flexible. Value Dates and Notional Amounts can be tailored to meet your requirements. You also have additional flexibility to participate in certain favourable Exchange Rate movements and will be able to achieve an enhanced Exchange Rate comparable to the equivalent Forward Exchange Rate.

2.3. Amounts payable under a Knock-Out Structured Option

Convera, in consultation with you, sets the Enhanced Rate, any Participation Rate and the Knock-Out Rates associated with any Knock-Out Structured Option at particular levels in order to create a “No Premium” cost structure.

When setting those Rates, Convera takes into account a variety of factors on a case by case basis, including:

- the currency that is bought and the currency that is sold (the “Currency Pair”);
- the Notional Amount;
- the Participation and Enhanced Rates;
- the Knock-Out Rate;
- the Expiry Date;
- the Leverage Ratio;
- 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”).

Where a “No Premium” structure is created, there is no up front Premium payable for a Knock-Out Structured Option. If however, you wish to nominate an improved Participation or Enhanced Rate or any other Exchange Rate associated with a particular Knock-Out Structured Option, an up-front non refundable Premium may be payable. Convera will calculate the amount of the Premium and advise you of the amount before you enter into the transaction. Where applicable, Premiums must be paid in cleared funds within two (2) Business Days of the Trade Date.

The amounts to be exchanged pursuant to a Knock-Out Structured Option will depend on the particular structure, movement in the applicable Spot Rate during the term of the Knock-Out Structured Option and the Spot Rate at the Expiry Date. We have described potential outcomes on the Expiry Date with respect to each Knock-Out Structured Option in Section 2.1 above and have included worked examples to illustrate this in Section 2.7 below.

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

When you enter into a Knock-Out Structured Option with Convera, you immediately create a liability to us (at the Trade Date not the Value Date), which can increase with adverse Exchange Rate movements. Over the life of a Knock-Out Structured Option, as the Spot Rate moves, the Marked to Market value of the contract may be In-The-Money (ITM) or Out-of-The-Money (OTM) or At-The-Money (ATM). That is, if the contract had to be cancelled at any time, it would result in a gain (if ITM), a loss (if OTM) or breakeven (if ATM). To manage this Market Risk, Convera may initially secure the contract by requiring you to pay an amount of money, which shall be determined by Convera at its sole discretion and deposited with Convera as security in connection with a Knock-Out Structured

Option. We call this an Initial Margin. During the term of the contract Convera may also require you to make additional payments to further secure your Knock-Out Structured Options(s), other Structured Options, including Leveraged Structured Options and any Forward Exchange Contracts you hold with us. We call these payments Margin Calls. Alternatively Convera may apply a Credit Limit against the Market Risk or a combination of a Credit Limit, Initial Margin and/or Margin Call.

All Initial Margin and Margin Call payments will be applied to satisfy your payment obligation on the Value Date.

Initial Margin

An Initial Margin is an amount of money that is payable to Convera, calculated as a percentage of the Notional Amount of your Knock-Out Structured Option. If you are required to pay an Initial Margin we will notify you at the time you enter into a Knock-Out Structured Option.

An Initial Margin is taken to secure Convera potential risk exposure resulting from adverse currency movements that negatively impact the value of the funds you have agreed to purchase from us. An Initial Margin is a prepayment by you of your payment obligations on the Value Date and will be applied to the Settlement of your Knock-Out Structured Option. An Initial Margin is not a deposit and Convera does not pay interest on an Initial Margin.

Convera may determine the Initial Margin percentage at its discretion. Factors that influence this include:

- your credit standing, as assessed by Convera;
- Currency Pair and amount you are transacting, (more exotic currencies or those currencies that are not commonly exchanged may require a larger Initial Margin);
- the Leverage Ratio;
- the Expiry Date of your Knock-Out Structured Option (the longer the Expiry Date from the Trade Date the higher the Initial Margin);
- foreign exchange market Volatility (Currency Pairs that are exhibiting high Volatility or lack of Liquidity may require a higher Initial Margin);
- external economic conditions (in times of economic downturn Convera may require a higher Initial Margin); and
- the frequency with which you transact with Convera (where your credit history with Convera dictates the Initial Margin required).

Margin Call

We will monitor the Marked to Market value of all of your foreign exchange positions with us on an ongoing basis. Should your contracts move OTM in excess of the Initial Margin or your Credit Limit, or a combination of both, Convera may secure the resulting increased risk through a Margin Call.

A Margin Call is an amount of money that you are required to pay to Convera to reduce its risk exposure to a level acceptable to Convera. If a Margin Call is required, Convera will advise you immediately. In the absence of default by you of your payment obligations to Convera all Margin Call amounts will be applied at the Value Date to the Settlement of your Knock-Out Structured Option. A Margin Call is not a deposit and Convera does not pay interest on a Margin Call.

Payment of a Margin Call must be made within two (2) Business Days of Convera' request. If you fail to pay a Margin Call, Convera may at its discretion, choose to close some or all of your Structured Options by applying the prevailing market foreign Exchange Rate. In such circumstances you will be liable to Convera for all costs associated with terminating the relevant contracts.

Credit Limits

Convera may choose to waive the requirement of an Initial Margin (or subsequent Margin Call), by allocating a Credit Limit. A Credit Limit is dependent upon your credit history/rating, strength of financial statements, as well as other factors determined at Convera' sole discretion. Convera may review and amend your Credit Limit at any time.

Convera may apply a Credit Limit against each individual Knock-Out Structured Option that you enter into or against your entire portfolio of Structured Options, Leveraged Structured Options and Forward Exchange Contracts (where applicable). Please refer to the Convera Terms and Conditions for further information on Credit Limits.

2.4. Term of a Structured Option

The term of a Knock-Out Structured Option can range between Trade Date and one (1) year depending on your needs and your credit terms with Convera. A term longer than one (1) year may be considered by Convera on a case-by-case basis.

Convera at its sole discretion will determine whether it will offer you a facility to be able to transact in Knock-Out Structured Options including the maximum time frame (Trade Date to Expiry Date). Generally we will take into account a number of factors including but not limited to:

- your current financial position;
- period of incorporation (if applicable);
- a credit check through third party agencies; and
- previous history as a client of Convera (if applicable).

2.5. How to enter into a Knock-Out Structured Option

Before entering into a Knock-Out Structured 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 Knock-Out Structured 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 Knock-Out Structured Option will be agreed and binding from the time your Instructions are received and accepted by us.

Shortly after buying a Knock-Out Structured 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 Knock-Out Structured Option 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 Knock-Out Structured 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 Knock-Out Structured Option

2.6.1. Close-out/Cancellation of a Knock-Out Structured Option

Convera may agree to close a Knock-Out Structured Option in the event that you no longer require the currency that you have agreed to purchase on the Value Date. Convera's decision to agree to a close-out is at all times discretionary and in each case will be subject to payment by you of any costs that we incur in terminating and unwinding your Knock-Out Structured Option including any OTM position in relation to your Knock-Out Structured Option.

2.6.2. Termination of a Knock-Out Structured Option

Once you have entered into a Knock-Out Structured Option it 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 an Initial Margin or Margin Call;
- 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 Knock-Out Structured Option; or
- For any other reason set out in the Terms and Conditions.

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

2.7. Example of Knock-Out Structured Options

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

2.7.1. Knock-Out

The importer enters into a Knock-Out with the following terms:

- Enhanced Rate: 0.7300.
- Knock-Out Rate: 0.6650.
- Expiry Date: 6 Months.

On Expiry:

a) If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate, say 0.6900, the importer will buy USD100,000 at 0.7300;
- If the Spot Rate is more favourable than the Enhanced Rate, say 0.7800, the importer will be obligated to buy USD100,000 at 0.7300.

b) If the Knock-Out Rate has been triggered the structure is terminated and there is no obligation on either party.

2.7.2. Leveraged Knock-Out

The importer enters into a Leveraged Knock-Out with the following terms:

- Notional Amount: USD50,000.
- Contingent Amount: USD50,000.
- Enhanced Rate: 0.7370.
- Knock-Out Rate: 0.6550.
- Expiry Date: 6 months.
- Leverage Ratio: 1:2

On Expiry:

a) If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate, say 0.6800, the importer will buy USD50,000 at 0.7370.
- If the Spot Rate is more favourable than the Enhanced Rate, say 0.7600, the importer will be obligated to buy USD100,000 at 0.7370.

b) If the Knock-Out Rate has been triggered the structure is terminated and there is no obligation on either party.

2.7.3. Knock-Out Collar

The importer enters into a Knock-Out Collar with the following terms:

- Enhanced Rate: 0.7100.
- Participation Rate: 0.7500.
- Knock-Out Rate: 0.6650.
- Expiry Date: 6 months.

On Expiry

a) If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate, say 0.6900 the importer will buy USD100,000 at the Enhanced Rate of 0.7100;
- If the Spot Rate is more favourable than the Participation Rate, say 0.7800, the importer will be obligated to buy USD100,000 at the Participation Rate of 0.7500;
- If the Spot Rate lies between the Enhanced Rate and the Participation Rate, say 0.7250, the importer will be able to buy USD100,000 at 0.7250 (although there is no obligation to do so).

b) If the Knock-Out Rate has been triggered the structure is terminated and there is no obligation on either party.

2.7.4. Leveraged Knock-Out Collar

The importer enters into a Leveraged Knock-Out Collar with the following terms:

- Notional Amount: USD50,000.
- Contingent Amount: USD50,000.
- Enhanced Rate: 0.7150.
- Participation Rate: 0.7550.
- Knock-Out Rate: 0.6650.
- Expiry Date: 6 months.
- Leverage Ratio: 1:2

On Expiry:

a) If the Knock-Out Rate has not been triggered:

- If the Spot Rate is less favourable than the Enhanced Rate, say 0.6700, the importer will buy USD50,000 at the Enhanced Rate of 0.7150.
- If the Spot Rate is more favourable than the Participation Rate, say 0.7900, the importer will be obligated to purchase USD100,000 at the Participation Rate of 0.7550.
- If the Spot Rate lies between the Enhanced Rate and the Participation Rate, say 0.7400, the importer will be able to purchase USD at 0.7400 (although there is no obligation to do so).

b) If the Knock-Out Rate has been triggered the leveraged structure is terminated and there is no obligation on either party.

3. RISKS OF THESE DERIVATIVES

Convera considers that Knock-Out Structured Options are only suitable for persons with a very good understanding of the risks involved in investing in foreign exchange Rate derivatives. Convera recommends that you obtain independent financial and legal advice from an adviser that has experience with these types of derivatives, before buying a Knock-Out Structured Option.

3.1. Product Risks

Risks of a Knock-Out

- If the Knock-Out Rate is triggered before the Expiry Date, there is no foreign exchange protection and you may have to transact at a less favourable Exchange Rate.
- If the Spot Rate is trading at an Exchange Rate that is more favourable than the Enhanced Rate on the Expiry Date (and the Knock-Out Rate has not been triggered) you will be obligated to trade at the less favourable Enhanced Rate.

Risks of a Leveraged Knock-Out

- If the Knock-Out Rate is triggered, you can be left with no protection against unfavourable currency movements.
- If the Knock-Out Rate is not triggered and the Spot Rate is more favourable than the Enhanced Rate at Expiry you will be obligated to trade a multiple of the Notional Amount at the less favourable Enhanced Rate.

Risks of a Knock-Out Collar

- If the Knock-Out Rate is triggered before the Expiry Date, there is no foreign exchange protection and you may have to transact at a less favourable Exchange Rate.
- If the Spot Rate is trading at an Exchange Rate that is more favourable than the Participation Rate on the Expiry Date (and the Knock-Out Rate has not triggered) you will be obligated to trade at the less favourable Participation Rate.

Risks of a Leveraged Knock-Out Collar

- If the Knock-Out Rate has been triggered you can be left with no protection against unfavourable Exchange Rate movements.
- If the Spot Rate is trading at a level that is more favourable than the Participation Rate at Expiry (and the Knock-Out Rate has not been triggered), you will be obligated to trade a multiple of the Notional Amount at an Exchange Rate that is less favourable to you.

Market Volatility. The foreign exchange markets in which Convera operates are OTC and can change rapidly. These markets are speculative and volatile with the risk that prices will move quickly. When this occurs the value of your Structured Option may be significantly less that than when you entered into the contract. Convera cannot guarantee that you will not make losses, (where your Structured Option is OTM) or that any unrealised profit or losses will remain unchanged for the term of the Structured Option. You need to monitor your Structured Options with Convera carefully providing Convera with Instructions before unacceptable losses occur.

Amendments/Cancellations. Pre-Deliveries or the close-out/cancellation of a Structured Option may result in a financial loss to you. Convera will provide a quote for such services based on market conditions prevailing at the time of your request.

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

Default Risk. If you fail to pay an Initial Margin or a Margin Call in accordance with the Terms and Conditions or fail to provide Settlement on the Value Date we may terminate your Structured Option. In the event that we do you will be liable for all costs that we incur including the payment of any OTM position that exists with respect to your Structured Option.

3.2. Issuer Risks

When you enter into a Knock-Out Structured Option you are relying on Convera's 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 Knock-Out Structured 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 Knock-Out Structured 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 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 your Knock-Out Structured Option. Convera is not required to prioritise your interests when dealing in Knock-Out Structured Options with you.

4. FEES

There is no up front Premium payable for a Knock-Out Structured Option. If however, you wish to nominate an improved Participation Rate, Enhanced Rate or Knock-Out Rate or variable associated with a particular Knock-Out Structured Option, an up-front non refundable Premium may be payable. Convera will calculate the amount of the Premium and advise you of the amount before you enter into the transaction.

Where applicable, Premiums must be paid in cleared funds within two (2) Business Days of the Trade Date.

4.1. Retail versus wholesale Exchange Rates

Convera sets its Exchange Rate to you by applying a Retail Mark Up to the Interbank Exchange Rate that it receives from its Hedging Counterparties. Convera determines this Mark Up by taking account of a number of factors, including:

- the size of the transaction measured by Notional Amount, where the smaller the Notional Amount the larger the Mark Up may be;
- the Currency Pair where the less Liquidity in the pair the greater the Mark Up may be;
- Market Volatility where high Volatility may result in an increased Mark Up;
- the Time Zone you choose to trade in where if trading on public holidays or weekends may see increased Mark Ups; and
- the frequency with which you trade with Convera, where the more frequently you transact the Mark Up may be reduced.

The Retail Mark Up is how Convera makes a profit. Convera does not otherwise charge you any fees for transacting in Knock-Out Structured Options with us.

4.2. Cost of a Knock-Out Structured Option

Because Convera does not pay interest to you for amounts that we hold as Initial Margin or Margin Call there will be an interest cost to you if you are required to pay an Initial Margin or a Margin Call. That cost will be equivalent to the interest that you would have otherwise earned if you had held those amounts in your own bank account.

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

Transaction fees for telegraphic transfers or drafts are in addition and are separate to the Exchange Rate conversion that will apply to converting one foreign currency to another. 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 Knock-Out Structured 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 Knock-Out Structured 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

All Initial Margin and Margin Call funds are held by us as Client Money in accordance with the New Zealand Client Money Rules.

Consistent with the New Zealand Client Money Rules, Client Money will be held separately from our money, in one or more Segregated Accounts.

Convera undertakes a calculation on a daily basis to determine the amount of Initial Margin and Margin Call to be paid to Convera by its Customer and amounts that are to be repaid by Convera to its Customers and transfers an amount of NZD to or from our Client trust account equivalent to the net amount. This process is handled by Convera's Treasury team.

Separately on a daily basis a member of our Accounting team reconciles our records of Initial Margin and Margin Call funds with amounts that are held in our Client trust account and to the extent that there is a shortfall will notify our Treasury team and arrange for that shortfall to be immediately rectified while further investigations continue. We maintain a buffer in our Client trust account such that the likelihood of this occurring is very low.

We may withdraw or deduct Initial Margin and Margin Call funds where money is due and owing to us (for instance on Settlement or in the event that you default on any of your obligations to us and we terminate your Knock-Out Structured Option(s) and incur a cost in doing so) or for any other reason authorised by the New Zealand Client Money Rules. This means that Convera may make payments out of the Segregated Account in the following circumstances:

- paying Convera money to which it is entitled. Once money withdrawn to pay Convera is paid, that money is Convera's own money (and is not held for you);
- making a payment to, or in accordance with, the written direction or Instruction of a person entitled to the money;
- making a payment that is otherwise authorised by law; and
- as otherwise permitted under the Convera Terms and Conditions or any other agreement put in place between Convera and you.

Please refer to the Convera Terms and Conditions for further information on how we deal with Client Money.

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 Western Union Business Solutions (Australia) Pty Ltd, NZ branch (company number 3527631 and FSP 168204) ("Convera"). Convera is not affiliated with The Western Union Company and plans to change its name to Convera Australia Pty Ltd, NZ Branch in 2022. The Western Union Company or its affiliates own all rights in the Western Union name.

Convera contact details are as follows:

Address: Level 5, Zurich House,
21 Queen St, Auckland, 1010.
Phone: +64 9 300 3567.
Principal Contact: Compliance Department.
Email: CustomerServiceNZ@convera.com

Website: https://www.convera.com/en-nz

7. HOW TO COMPLAIN

You should address any complaint relating to the Knock-Out Structured 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 automatically 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 allows for 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
Email: info@fscl.org.nz

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

7. 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 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 at https://www.convera.com/en-nz/compliance-legal/compliance or by phone +64 9 300 3567.

A separate PDS is available for Forward Exchange Contracts, Vanilla Options, 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 Terms and Conditions are available on our website at https://www.convera.com/en-nz/compliance-legal/compliance or by contacting Convera Representatives as outlined in Section 6 of this PDS.

To assess our financial ability to meet our obligations to you, you can obtain a copy of our financial statements, free of charge by contacting us through our website at https://www.convera.com/en-nz .

Information on credit and authorisation limits is available from our website at https://www.convera.com/en-nz/compliance-legal/compliance

or by contacting Convera Representatives as outlined in Section 6 of this PDS.

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.

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

For information about the way that Convera manages the handling of personal information, please contact our privacy officer:

Email : privacymatters@convera.com
Mail: Attention Privacy Officer

Address: Level 5, Zurich House,
21 Queen St, Auckland, 1010
Phone: +64 9 300 3567
Principal Contact: Compliance Department

9. HOW TO ENTER INTO CLIENT AGREEMENT

Each Knock-Out Structured Option you enter into will be subject to the Terms and Conditions for doing business with Convera. You will be required to agree to these as part of our Application for Foreign Exchange Trading before entering into a Knock-Out Structured 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 Knock-Out Structured 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 documentation 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' 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 Knock-Out Structured 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.

At-The-Money or **(ATM)** where the entry price of the Knock-Out Structured Option is at the current market price level.

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.

Client Money means money paid to which Subpart 7 in Part 6 of the Financial Market Conduct Act 2013 applies.

Confirmation means written or electronic correspondence from Convera that sets out the agreed commercial details of a Knock-Out Structured Option.

Convera is Western Union Business Solutions (Australia) Pty Limited (NZ Branch) Company number: 3527631, FSP number: 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 Knock-Out Structured Options.

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.

Credit Limit means a Client facility provided by Convera, at its sole discretion, for transacting in Knock-Out Structured Options without the need for providing Initial Margin and/or Margin Calls, at the Trade Date or throughout the tenor of the Knock-Out Structured Option.

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 Knock-Out Structured Option obligations.

Enhanced Rate means the Exchange Rate applicable to a Knock-Out Structured Option that is more favourable than the equivalent Forward Exchange Rate at the Expiry Date.

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

Expiry Date or **Expiry** means the date on which the Knock-Out Structured Option expires.

Expiry Time is the time of day on the Expiry Date that the Knock-Out Structured Option expires.

Forward Exchange Contract or **(FEC)** is a legally binding agreement between a Client and Convera to exchange one currency for another 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 a Convera agrees to exchange one currency for another at a future date when it enters into an FEC.

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

Initial Margin means an amount of money which shall be determined by Convera in its sole discretion and deposited with Convera as security in connection with a Knock-Out Structured Option.

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

Intermediary Bank is any bank through which a payment must go to reach the Beneficiary Bank.

In-the-Moneyor **(ITM)** means where the current market price/ Exchange Rate for the Currency Pair in a Knock-Out Structured Option is less favourable than the contractual price/Exchange Rate for the Knock-Out Structured Option.

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

Knock-Out Rate means, where applicable, the Exchange Rate that if traded at or through in the spot foreign exchange market before the Expiry Time will result in the buyer's right pursuant to a Call Option or a Put Option to terminate.

Leverage Ratio means the multiple used to increase the Notional Amount obligation at Expiry in a Leveraged Structured Option (e.g. 1:2).

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

Margin Call is an additional payment required by Convera as security in connection with a Knock-Out Structured Option.

Marked to Market refers to the market value of a Knock-Out Structured Option prior to Expiry Date.

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

New Zealand Client Money Rules means all laws and regulations applicable to Client Money including but not limited to Subpart 7 in Part 6 of the Financial Market Conduct Act 2013 and the Financial Market Conduct Regulations 2014 as may be amended from time to time.

Notional Amount means the predetermined NZD or foreign currency amount to be bought or sold pursuant to a Knock-Out Structured 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 Knock-Out Structured Options issued by Convera.

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

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

Participation Rate means the most advantageous Exchange Rate that can potentially be achieved in a Knock-Out Structured Option as agreed by Convera and you.

PDS means Product Disclosure Statement.

Pre-Delivery is where after entering into an Knock-Out Structured Option the agreed Value Date is brought closer to the Spot Rate Value Date.

Premium means the amount that is payable by the buyer to the seller on the Trade Date for enhanced variables of a Knock-Out Structured Option.

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 Exchange Rate to obtain the Retail Price.

Retail Price means the sum of the Interbank Exchange Rate and Retail Mark Up.

Segregated Account is a bank account maintained by Convera with a registered Bank to keep Client Money separate from Convera money.

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 for Settlement on a Value Date of up to two (2) Business Days from the date the transaction was entered.

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 this PDS.

Terms and Conditions means the Western Union Business Solutions (Australia) Pty Limited (NZ Branch) Terms and Conditions as amended from time to time and located at https://www.convera.com/en-nz/compliance-legal/compliance

Time Zone is any one of the world's 24 divisions that has its own time.

Trade Date is the day you and Convera agree to a Knock-Out Structured Option.

Trigger Rate means a Knock-Out Rate.

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 the Convera Vanilla Options PDS.

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

Window has the meaning set forth in Section 2.1 of this PDS.