

## Product Disclosure Statement

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### 1. Key information

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World First Australia Pty Limited (World First, us, we, our) ACN 132 368 971 is the issuer of the products described in this Product Disclosure Statement (PDS). Should you have any queries about this document, please do not hesitate to contact us. Our contact details are at the top of this PDS.

This PDS explains everything you need to know about the products we can offer you. It is designed to:

- Provide you with the information you need to determine whether the products we offer are appropriate for you needs;
- Explain the terms and conditions, rights and obligations associated with our products; and
- Help you to compare products.

#### About us

World First is authorised to give both retail and wholesale clients general and personal advice in relation to “non-cash payment products”, “derivatives” and “foreign exchange contracts”. Put

simply, this involves advising you about different types of money transfer or currency exchange services.

World First is also authorised to deal in relation to those same products. This means that we can help you use our

service fully and fill out the forms and undertake and complete the transactions for you.

World First is also authorised to “make a market” for foreign exchange and derivatives contracts. This allows us to quote market prices to you.

World First Pty Ltd is a wholly owned subsidiary of World First UK Limited.

#### Introduction and purpose of foreign exchange contracts

Foreign exchange contracts help you transfer one currency into another currency. They are also are a risk

management tool used to obtain protection against adverse exchange rate movements. They involve an agreement between you and us to exchange one currency for another on a pre-agreed date.

World First specialises in three types of foreign exchange contracts:

#### a. Spot Contracts

This is a foreign exchange contract for buying and selling currency where the settlement date is between 1 and 2 days after the date of entering the contract.

#### b. Forward Contracts

This contract is similar to a spot foreign exchange contract, except that a Forward Contract allows you to buy or sell one currency against another for settlement at a later date (between 2 days to a year). Forward Contracts are generally used by businesses or individuals who would like to fix the exchange rate for a future date in order for them to manage their exposure to currency movements and manage cash flows.

#### c. Forward Contracts

Options Contracts can be quite complex. In their simplest form they are a financial instrument where the owner has the right but not the obligation to exchange one currency into another currency at a pre-agreed exchange rate on a specified date.

### 2. Spot Contracts

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Foreign exchange spot contracts are a basic tool for exchanging currency.

#### a) Significant benefits you are entitled to are:

Spot contracts are the simplest method of managing foreign exchange risk. They are an efficient way to repatriate overseas earnings or to make a foreign currency payment.

#### b) The significant risks related to using the foreign exchange spot contracts are:

- i) There is a risk that your money may be delayed or lost due to an event or incident of a sovereign, strategic, political or governmental nature in any of the countries in which World First operates. In such an event, World First would make every attempt to recover your money. If World First executed the transfer, with knowledge that such an event or incident had occurred, and did not notify you of the additional risk when making the transfer, then

World First would refund your transfer, less the transfer costs.

- ii) There is a risk that your money may be delayed or lost due to unforeseen circumstances. World First will not provide a refund due to “*force majeure*” as defined in the case law of Australia. This includes catastrophic disasters, terrorist attacks and other events that affect our services.
- iii) The spot exchange rate can be volatile even over a short period of time such as 1 trading day. Therefore, you may fix the rate with a spot contract at 9am for example and you may lose money by not fixing the rate at a later time of the same day.
- c) **How do the foreign exchange spot contracts work?**

To exchange currencies at the current foreign exchange rate, you advise us of the following information:

- the amount of money you wish to exchange;
- the two currencies involved;
- which currency you would like to buy or sell; and
- the date by which your currency will arrive in the World First bank account

We will then quote you a spot rate.

If you accept the rate over the phone, then you are bound to the transaction. We will then send you by email a transaction confirmation. You send the agreed amount to our nominated bank account on the agreed date. On receipt of your funds, we make the currency conversion at the agreed foreign exchange rate which was based on the prevailing spot exchange rate at the time of the transaction.

We then arrange for your bought currency to be sent to your nominated bank account.

For example, Mr. Smith is buying a boat from Europe and needs to send EUR 100,000 to the boat builder’s bank account in France immediately.

Assuming Mr. Smith has an account with World First, he telephones World First and asks for a quote to buy EUR 100,000 and sell Australian dollars for settlement in 2 working days’ time. World First quotes him a rate 1.8000.

Mr. Smith accepts the rate of 1.8000 and World First sends him a transaction confirmation. Mr. Smith makes a bank payment the next day to World First’s Australian bank account for AUD

180,000 and informs World First where to send the Euros.

World First receives the AUD 180,000 the next day.

The next day (2 days after agreeing to the rate), World First sends EUR 100,000 to the beneficiary in France that Mr. Smith has specified.

### 3. Forward Contracts

Forward Contracts allow you to buy or sell one currency against another for settlement between 2 working days and 1 year. Forward Contracts are used by companies or individuals who would like to fix the exchange rate for a future date in order to manage their foreign exchange exposure and manage future cash flows.

#### a) The significant benefits you are entitled to are:

- Forward contracts are a simple way of managing future currency exchange risk and negating any unfavourable movements in exchange rates.
- You can fix an exchange rate now for delivery of currency in the future. This means that you know what you will have to pay in the future so you will be better able to manage your cash flows and costs.
- If you are not sure of the exact date which you will need the funds on you will still be able to specify a special delivery period. This means you will be able to draw down on the funds within an agreed period of time.

#### b) The significant risks related to using the Forward Contracts?

- The forward exchange contract fixes a rate and a delivery date. This means it does not allow you to take advantage of a favourable movement in the exchange rate.
- If you use the forward exchange contract to cover an obligation that ceases to exist, or changes, prior to the delivery then the contract may need to be closed out. This means you may incur a loss or be required to take out further currency protection to cover the changed exposure.
- Only a relatively small margin (usually around 10%) of the total transaction is required to enter into a forward exchange contract. This means that the contract is leveraged. A leveraged contract is susceptible to small movements in the market leading to large losses or gains. This means there could be a significant impact on the funds you have deposited and you may be required, on short notice, to provide additional funds to cover margin payments and your position. A failure

to meet the margin call can result in the enforced liquidation of your exchange position as well as additional losses.

### c) How do Forward Contracts work?

To conduct a forward foreign exchange contract, you advise us of the following factors:

- amount of money you wish to exchange;
- the two currencies involved;
- which currency you would like to buy or sell; and
- the date by which your currency will reach a World First bank account

We will then quote you a forward rate and tell you what deposit you will need to send us in order to enter into this forward contract.

If you accept the rate over the phone, then you are bound to the transaction. We will then send you a transaction confirmation by email. You send the agreed margin amount so it reaches our nominated bank account on the agreed margin settlement date. On the settlement date of the forward contract, you send the balance of the forward contract to our nominated bank account. On receipt of your funds, we make the currency conversion at the agreed foreign exchange rate which was based on the prevailing "forward exchange rate" at the time that the transaction was originally entered into. We then arrange for the purchased currency to be sent on the pre-agreed settlement date of the contract to your nominated bank account.

For example, An Australian company, BC Importers, is importing a boat from Europe and needs to send EUR 100,000 to the boat builder's bank account in France in 3 months' time when they are due to take delivery of the boat.

Assuming BC Importers has an account with World First, the authorised company employee (the Finance Director for example) telephones World First and asks for a quote to buy EUR 100,000 and sell Australian dollars for settlement in 3 months' time. World First quotes him a rate 1.8300 and informs him that we will require a AUD 10,000 margin to be paid within 2 days.

BC Importers accepts the rate of 1.8300 and World First sends a transaction confirmation. The employee makes a bank payment the next day of AUD 10,000 which is a margin payment that guarantees him the exchange rate of 1.8300 that World First has quoted him.

In 3 months time, BC Importers sends World First the balance of AUD 173,000 and informs World First where to send the Euros.

World First receives the AUD 173,000 3 months later and so, in total, has received AUD 183,000 from BC Importers.

The day after that World First sends EUR 100,000 to the beneficiary in France that BC Importers has specified.

## 4. Options Contracts

World First offers a number of different Options Contracts. A reference to an "Options Contract" in this PDS can be a reference to a number of options contracts, or options strategies. There is no limit in the different variations and combinations of Options Contracts. Generally, however, they work in two ways:

- a. They provide protection by guaranteeing a "worst case rate". This worst case rate will always be inferior to the forward contract rate and the difference between the two effectively pays for you to participate in a favourable move in the rate which can be unlimited. There is generally no premium (up-front cost) for these strategies.
- b. Like an insurance policy, they provide protection by guaranteeing a worst case rate which can be higher or lower than the forward contract rate for which you pay a premium.

Four common Options Contracts which we offer are:

- The Protection Option
- The Risk Reversal
- The Participating Forward
- The Convertible Forward

We may also, from time to time, offer variations on these strategies, or create different combinations of Options Contracts.

- a. **The significant benefits you are entitled to are:**
  - i) Foreign exchange options give you flexibility when hedging foreign currency exposures.
  - ii) They can provide you with protection via a worst case rate but also allow you to benefit should the exchange rate move in your favour.
  - iii) Foreign exchange options can provide you with a worst case rate like a forward contract. This means that you know the maximum amount you will have to pay in the future so you will be better able to manage your cash flows and costs.
  - iv) Foreign exchange options can be used to produce hedging strategies that are tailored to fit your exposure, currency forecast and risk level.

**b. The significant risks related to using the foreign exchange options contracts are:**

- i) When you enter into a protection option, you will have to pay a premium unlike when you enter into a forward contract.
- ii) When you enter into either a protection option, a risk reversal, a participating forward or a convertible forward, if the rate is worse for you at expiry of the option, you would have got a better hedge rate if you had entered into a forward contract.
- iii) When you enter into either a Protection Option, a Risk Reversal or a Participating Forward, if the rate moves in your favour, you would have got a better rate if you had not entered into the Option Contract and instead used a spot contract on the payment date.
- iv) If you use an Option Contract to cover an obligation that ceases to exist, or changes, prior to the delivery then the contract may need to be closed out. This means you may incur a loss or be required to take out further currency protection to cover the changed exposure.
- v) A margin (usually between 5 - 10%) of the total transaction is required to enter into the option contract. This means that the contract is leveraged. A leveraged contract is susceptible to small movements in the market leading to large losses or gains. This means there could be a significant impact on the funds you have deposited and you may be required, on short notice, to provide additional funds to cover margin payments and your position. A failure to meet the margin call can result in the enforced liquidation of your exchange position as well as additional losses. A margin payment is required for a Risk Reversal, a Participating Forward and a Convertible Forward.

**c. How do the foreign exchange options contracts work?**

The Protection Option for importers

The Protection Option provides you with the right to buy a currency on a pre-determined date at a pre-determined rate. However, at expiry, you can elect not to exercise the Protection Option and buy in the spot market if the spot rate is more advantageous. The **protection option** combines the certain protection provided by a forward contract and the flexibility of being able to leave an exposure unhedged. A premium is payable for a protection option.

For example, a client imports furniture from the US, and needs to buy US and sell AUD 1 million in six months' time to pay a supplier.

The forward rate for six months is 0.63 and the client doesn't want to get a worse rate than 0.6000.

The client would purchase a protection option at 0.6 maturing in six months' time. A premium of AUD 40,000 would be payable to World First for the protection option. If, at maturity, the exchange rate is trading below 0.6000, the client would simply exercise the protection option and buy the US dollars at 0.6000. If, at maturity, the exchange rate is trading at 0.7000, the client simply transacts in the spot market and achieves a rate of 0.7000 and the protection option expires worthless.

The **advantages** are that the client has:

- certainty of a worst case exchange rate.
- 100% protection if the rate moves against him.
- 100% flexibility if the rate moves in his favour.

The **disadvantages** are that an upfront premium is payable (in this example 4% of the notional amount = AUD 40,000

The Risk Reversal for importers

The Risk Reversal provides you with the right to buy a currency on a pre-determined forward date at a worst case rate. It also provides you with an obligation to buy a currency on a pre-determined forward date at a best case rate. If the spot rate at expiry is better than the best case rate, your hedge rate is limited to the best case rate. If the spot rate at expiry is worse than the worst case rate, your hedge rate is protected at the worst case rate. If the spot at expiry is between the worst case rate and the best case rate, you can buy your currency at the spot rate at expiry.

For example, a client buys white goods from China and forecasts that he will need to buy USD 1 million in six months' time to pay for a shipment.

The forward rate for six months is 0.6300. The client would like to give himself a worst case rate but he is worried that if he enters into a forward contract, the rate might move up and he will be unable to benefit from the move. However, he does not want to pay a premium for this. We inform him that he can have a worst case rate of 0.5850 and for him to have this he must limit his best case rate to 0.6700

**Possible scenarios:**

- i) **Scenario 1:** AUD/USD strengthens and at maturity the exchange rate is 0.7000. The client is obliged to buy USD1 million at 0.6700.
- ii) **Scenario 2:** AUD/USD weakens and at maturity the exchange rate is 0.5000. The client is protected and buys USD 1 million at 0.5850.
- iii) **Scenario 3:** AUD/USD is trading between 0.5850 – 0.6700 at maturity. The client can buy his USD 1 million at the prevailing spot rate at maturity.

The **advantages** are that the client:

- Has certainty of a worst case rate.
- Has 100% protection if the rate moves against him.
- Can benefit if the rate moves with him up to a best case rate.
- Pays no premium.

The **disadvantages** are that:

- If AUD/USD trades lower, it would have been better if the client had entered into a forward contract.
- If AUD/USD is trading above 0.6700 at expiry, it would have been better if he had remained unhedged.

The Participating Forward for exporters

The Participating Forward protects you by providing you with a worst case rate for your full exposure, like a forward contract. However, it allows you to participate in any favourable exchange rate move for 50% of your currency exposure. There is no premium payable for a Participating Forward.

For example, a client sells wine to the UK and forecasts that he will need to repatriate £1 million into Australian dollars in six months' time. The GBP/AUD forward rate for six months is 2.5000. The client would like to give himself a worst case rate but he is worried that if he enters into a forward contract, the rate might move up and he will be unable to benefit from the move. However, he does not want to pay a premium for this. We inform him that he can have a worst case rate of 2.4000 but benefit by selling half his pounds at the prevailing spot rate two days before settlement if it is above 2.4000.

**Possible scenarios:**

- i) **Scenario 1:** GBP/AUD strengthens and at maturity the exchange rate is 2.8000. The client is obliged to sell £500,000 at 2.4000. However, the remaining £500,000 can be sold in the spot market at 2.8000. This will give the client an average rate of 2.6000.
- ii) **Scenario 2:** GBP/AUD weakens and at maturity, the exchange rate is 2.2000. The client sells £1 million at 2.4000

The **advantages** are that the client:

- Has certainty of a worst case rate.
- Has 100% protection if the rate moves against him.
- Can partially benefit if the rate moves with him.
- Pays no premium.

The **disadvantages** are that:

- If the rate moves down, it would have been cheaper to have entered into a forward contract.
- If the rate moves up, it would have been cheaper to have not entered into the Options Contract and instead sold the pounds in the spot market on the settlement date.

The Convertible Forward for exporters

The Convertible Forward enables you to fix a worst case rate for the currency that you are looking to sell on a pre-determined date in the future. However, you can benefit 100% in any favourable move down to a pre-determined best case exchange rate. If the best case rate is hit or exceeded at any time during the life of the trade, you are obliged to deal at the protected 'worst case' rate. Therefore this strategy may be suitable for you only if you believe that the spot exchange rate will not hit or exceed the best case rate during the life of the trade.

For example, a client exports shower curtains to America and she forecasts having to repatriate USD 1 million in six months' time.

The forward rate for six months is 0.6500 and the client wants to take advantage of the recent strength of the US dollar. She would like to take advantage of this forward rate but she feels that AUD/USD might move slightly lower over the next six months. Therefore, she accepts a worse case rate of 0.6750. This enables the client to benefit from a favourable move in 100% of her exposure down to the best case rate of 0.5500. If the exchange rate of 0.5500 is hit at any time before the contract matures, the rate that the client

achieves reverts back up to 0.6750, regardless of subsequent movements in the spot exchange rate.

**Possible scenarios:**

- i) **Scenario 1:** AUD/USD strengthens up to 0.7000. On the settlement date, the client achieves the worst case rate of 0.6750.
- ii) **Scenario 2:** AUD/USD weakens, and trades at or below 0.5500 at any time during the life of the contract. The client is obliged to sell dollars at 0.6750.
- iii) **Scenario 3:** AUD/USD weakens and at maturity the exchange rate is 0.5850 (0.5500 has not traded during the life of the contract). The client can sell dollars at maturity in the spot market at 0.5850.

The **advantages** are that the client:

- Has certainty of a worst case rate.
- Achieves 100% protection on her exposure.
- Can benefit from favourable currency moves down to a pre-agreed limit rate (in this instance 0.5500).
- Pays no premium.

The **disadvantages** are that:

- If the best case rate is hit at any time during the life of the contract, she deals at the worst case rate (in this instance 0.6750). In this instance, it would have been better if she had entered into a forward contract or left the exposure unhedged.
- If the rate is above 0.6750 at maturity, a forward contract would have been a better strategy.

## 5. How we are paid

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For all transactions, we earn income on the margin between the wholesale cost of currency, and the cost at which we offer the currency to you. The margin that is charged is determined according to a complex calculation, taking into account the availability of the currency you are buying or selling, market volatility, the pre-agreed settlement date and the value of the transaction.

We also receive some fees, which are explained below.

## 6. Costs of the products

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**a. For all contracts:**

For transactions under AUD 25,000 we may charge you a transfer fee of AUD 25, which is payable before you enter into the relevant transaction with us.

There is also a margin (described above) which is built in to the cost of the currency which we quote to you. It is not in addition to the quoted price. The margin that is charged generally ranges between 0.1% and 4% per transaction. The size of the margin will depend on the current interest rates, the availability of the currency you are buying or selling, market volatility, our relationship with you and the value of the transaction.

Other banks that receive your funds or act as an intermediary may charge you fees which are often unknown or out of the control of World First.

**b. For Forward Contracts**

We may require you to pay a deposit (eg. 10%) before entering into the transaction. We may also require you to make further deposits (margin calls) if we, at our discretion, require you to. We would typically require further deposits if there was an adverse movement in the currency.

**c. For Options Contracts**

We may require you to pay a deposit (say, 10%) before entering into the transaction. We may also require you to make further deposits ("margin calls") if we, at our discretion, require you to. We would typically require further deposits if there was an adverse movement in the currency.

## 7. Terms and Conditions

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Our terms and conditions are provided to you at the beginning of the registration process and must be read and signed before a contract is entered into.

In addition to the terms set out in this PDS, when you use our services you will be bound to World First's terms and conditions as amended from time to time. To the extent permitted by law, those terms and conditions will override any variance to terms and conditions described in this document.

World First may choose to provide you with general advice. For example, this PDS may include some general advice. That means that, unless stated otherwise, we do not take into account your financial objectives, financial situation or needs, and you will need to decide yourself whether the product is appropriate for you. You should read this document in detail to help you form that decision. In the event that you do receive personal advice that does take into account your objectives, financial situation and needs, then you will receive a separate Statement of Advice (SOA).

There is no cooling off period for any product offered by World First.

World First is not liable for any loss that arises from incorrect identification information being provided by you.

You will be required to indemnify World First for any loss that occurs as a result of World First acting in good faith on your verbal or written instructions.

You must provide all information to us which we reasonably require of you to comply with any law in Australia or any other country. In particular, you must provide adequate identification before you can use our products or services.

World First may delay, block or refuse to enter, adjust or complete a transaction if World First believes on reasonable grounds that making the payment may breach any law in Australia or any other country, and World First will incur no liability if it does so.

World First may disclose any information that you provide to the relevant authority where required by any law in Australia or any other country.

Unless you have disclosed to World First that you are acting in trustee capacity or on behalf of another party, you warrant that you are acting on your own behalf when purchasing this product from World First.

When you use our services, you are promising that you will not breach any law in Australia or any other country.

We accept payment from you via electronic transfer, or cheque. We reserve the right to refuse cheques. We do not accept cash. Money is considered to be "received" by us when it has cleared in one of our designated accounts.

Information in this PDS that is not materially adverse to users of our products is subject to change and may be updated via our company website (see contact details on page 1). You can access that information by visiting the website, or telephoning us and asking for an electronic or paper copy. You can also access the website which may contain, from time to time, other information about our products.

## **8. Providing instructions by telephone**

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When providing instructions by telephone, you will need to provide World First with adequate identification information.

## **9. How we handle your money**

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We will notify you of a number of nominated bank accounts where you should transfer your money. Those accounts are owned by World First. We have processes in place to govern how that money is handled. For example, any client money we receive is usually segregated from World First money.

## **10. Stopping or cancelling a payment**

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Should you wish to cancel or alter any exchange contract you have entered into with World First it will be the company's discretion. If, at your request, World First cancels or alters your contract you will have to pay any costs and/or exchange rate losses that are incurred by World First.

## **11. Tax implications**

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Using foreign exchange contracts can create tax implications. These are often complex, and may be specific to your circumstances. You should discuss any taxation questions you may have with your tax adviser before using our products or services.

## **12. What are our different roles?**

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World First is the product issuer. This means that we provide the facility you use to transfer money, and do not act on behalf of anyone else.

World First is also the service provider. Our representatives can give you general or personal advice and help you use the money transfer service. This role is undertaken on behalf of the product issuer.

## **13. Would you like more information?**

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You can find out more about this product by contacting us using the details at the beginning of this document. You can also look at our website for more information (see Page 1).

## **14. What should you do if you have a complaint?**

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In the event you have a complaint about the service provided, you can:

- a. Contact your World First representative and discuss your complaint.

- b. If your complaint is not satisfactorily resolved within 6 weeks, please contact by telephone or in writing:

Nick Robinson

World First Australia Pty Limited

See Page 1 for contact details.

- c. If the complaint cannot be resolved to your satisfaction you have the right to refer the matter to the Financial Ombudsman Service (FOS) which is an external complaints service, of which World First is a member. You can contact the FOS on 1300 780 808 or in writing at GPO Box 3, Melbourne, Victoria 3001. You can also contact the FOS through their website: [www.fos.org.au](http://www.fos.org.au)
- d. The Australian Securities and Investments Commission (ASIC) also has an Infoline phone (1300 300 630) which you may call to obtain information about your rights.

## 15. Glossary

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### **AUD**

Australian dollars

### **Foreign Exchange Rate**

This is the price at which one currency can be bought or sold in exchange for another contract.

### **GBP**

Great British Pounds

### **PDS**

Product Disclosure Statement

### **Representative**

Includes a director or employee of World First, and a director or employee any company related to World First.

### **Settlement date**

This is the date that World First instructs a payment from a bank account to the client's nominated bank account