

Target **Market** Determination

Foreign Currency Products

Effective date: 5 October 2021

About this document

When to use this target market determination

This target market determination (TMD) seeks to offer clients, distributors and staff with an understanding of the class of clients for which these products have been designed, having regard to the client's objectives, financial situation and needs.

This document is not intended to provide financial advice. Clients must refer to the Product Disclosure Statement (PDS), any supplementary documents and other relevant policy documents which outline the relevant terms and conditions under the products when making a decision about these products.

Product to which this target market determination applies

This TMD applies to the following Foreign Currency products which are provided under a Risk Management Facility:

- Foreign Exchange Spot
- Foreign Currency Swap
- Forward Foreign Exchange Contract (including Par forward Contract)
- Foreign Currency Option - Call, Put and Collar

(the *Foreign Currency Products*) and as referred to in the following documents:

- Risk Management Facility Product Disclosure Statement and Master Agreement
- Rabobank Australia Limited Financial Services Guide

Date from which this target market determination is effective

5 October 2021.

Class of clients that fall within this target market

The information below summarises the overall class of clients that fall within the target market for these products, based on the products' key attributes and the objectives, financial situation and needs of the client that it has been designed to meet.

Class of clients

Foreign Currency Products are for clients who have an exposure to foreign currency exchanges and are seeking to manage the risk associated with exchange rate volatility.

Product description and key attributes

Foreign Exchange Spot

The Foreign Exchange Spot consists of an exchange of two currencies at a rate fixed at the date of the transaction and settled two working days after the trade date (spot date).

Key attributes of this product are:

- Access to most major traded currencies
- Transactions may be closed out early by the client subject to agreement and the payment of a calculated profit or loss where applicable

- Transactions are settled by delivery of one currency against another
- The minimum value of the contract is AUD 100,000. Smaller amounts available at Rabobank's discretion
- There are no upfront fees to enter into a transaction, although Rabobank derives financial benefit from incorporating a margin within the rate provided
- Must also hold a Foreign Currency Call Account with Rabobank

Foreign Currency Swap

The Foreign Currency Swap involves an agreement to simultaneously purchase and sell amounts of two currencies with two different value dates. A Foreign Currency swap consists of a Foreign Exchange Spot leg and a Forward Foreign Exchange Contract leg which are executed simultaneously for the same quantity and therefore offset each other. The agreement consists of swapping the principal and interest payments on a loan made in one currency for principal and interest payments of a loan of equal value in the second currency

The key attributes of this product are:

- The expiry of the product can be constructed to match the cash flows of the underlying commercial transactions
- Access to most major traded currencies
- Contract durations of up to 3 years, subject to the individual's needs and Rabobank Australia Limited's internal policy
- Transactions may be closed out early by the client subject to agreement and the payment of a calculated profit or loss where applicable
- Transactions are settled by delivery of one currency against another
- The minimum contract value is AUD 100,000. Smaller amounts available at Rabobank's discretion
- There are no upfront fees to enter into a transaction, although Rabobank derives financial benefit from incorporating a margin within the rate provided
- Clients must also have a Rabobank All in One Account

Forward Foreign Exchange Contract

A Forward Foreign Exchange Contract (FEC) is a contract where Rabobank and its client agree to exchange one currency for another at a predetermined exchange rate for settlement on a set future date (longer than two business days). The Forward Exchange Rate for an FEC is calculated by using the Spot Exchange Rate as a base and adjusting it by a Forward Margin which takes into account interest rate differences

The key attributes of this product are:

- The expiry of the product can be constructed to match the cash flows of the underlying commercial transactions
- Access to most major traded currencies
- Contract durations of up to 3 years, subject to the individual's needs and Rabobank Australia Limited's internal policy
- Transactions may be closed out early by the client subject to agreement and the payment of a calculated profit or loss where applicable
- Transactions are settled by delivery of one currency against another
- There is no minimum contract value
- There are no upfront fees to enter into a transaction, although Rabobank derives a financial benefit from incorporating a margin within the rate provided
- A series of Forward contracts with different settlement dates occurring at regular intervals may be contracted with the same predetermined exchange rate (a Par Forward contract)
- Clients must also have a Rabobank All in One Account

Foreign Currency Option (Purchase Call, Purchase Put)

A Foreign Currency Option consists of a right but not the obligation to buy or sell a specified amount of one currency in exchange for another currency at a predetermined rate on a future date

The key attributes of this product are:

- The terms of the product (including expiry, currencies and amount) can be constructed to match the cashflows of the underlying commercial transactions
- Access to most major traded currencies
- Contract durations of up to 3 years, subject to the individual's needs and Rabobank Australia Limited's internal policy
- Transactions may be terminated early by the client subject to agreement and the payment of a calculated termination fee where applicable
- Transactions are settled by exercise. The client has the right to exercise, but not the obligation. If exercised, this will be delivered by exchange of one currency for another.
- The minimum value of the contract is AUD 100,000
- An up-front non-refundable premium (the Option Premium) is normally payable and calculated on a transaction-by-transaction basis
- Clients must also have a Rabobank All in One Account

Foreign Currency Option (Collar)

A Foreign Currency Option (Collar) is a combination of Put and Call Options which are used to establish a best case and worst case exchange rate

The key attributes of this product are:

- The expiry of the contract can be constructed to match the cashflows of the underlying commercial transactions
- Access to most major traded currencies
- Contract durations of up to 3 years, subject to the individual's needs and Rabobank Australia Limited's internal policy
- Transactions may be terminated early by the client subject to agreement and the payment of a calculated termination fee where applicable
- Transactions are settled by exercise, however in the case of an FX Collar, the transaction may not be exercised by either party if either leg is out-of-the-money (OTM). If exercised, this will be delivered by exchange of one currency for another
- The minimum value of the contract is AUD 100,000
- An up-front premium (the Option Premium) may be payable subject to strike rate parameters and is calculated on a transaction-by-transaction basis
- If the sold option is exercised, clients may experience opportunity loss through being obligated to buy/sell at an agreed strike rate that could be worse than the spot rate
- Clients must also have a Rabobank All in One Account

Needs, objectives and financial situation

These products have been designed for clients who have the following needs, objectives and financial situation:

Product	Needs	Objectives	Financial Situation
Foreign Exchange Spot	<ul style="list-style-type: none"> The ability to exchange two currencies at a rate fixed at the date of the transaction and settled two working days after the trade date The ability to protect against negative exchange rate fluctuations Access to most major currencies 	Seeking to manage risks associated with exchange rate fluctuations	<ul style="list-style-type: none"> Able to withstand and accepting of the risk of financial opportunity loss resulting from unfavourable Foreign Currency price movements Able to pay a close out calculated loss if required
Foreign Currency Swap	<ul style="list-style-type: none"> Protection against an unfavourable movement in Foreign Currency rates by temporarily exchanging one currency for another Access to most major currencies 	Seeking to manage risks associated with exchange rate fluctuations	<ul style="list-style-type: none"> Able to meet Rabobank's credit requirements Able to meet the minimum transaction value Able to withstand and accepting of the risk of financial opportunity loss resulting from unfavourable Foreign Currency price movements Able to pay a close out calculated loss if required
Forward Foreign Exchange Contract	<ul style="list-style-type: none"> The ability to exchange two currencies at a rate fixed at the date of the transaction and settled more than two working days after the trade date The ability to protect against negative exchange rate fluctuations The ability to construct a series of Forward contracts with different settlement dates occurring at regular intervals which may be contracted with the same predetermined exchange rate (a Par Forward contract) Access to most major currencies 	Seeking to manage risks associated with exchange rate fluctuations	<ul style="list-style-type: none"> Able to meet Rabobank's credit requirements Able to withstand opportunity loss resulting from unfavourable Foreign Currency price movements and/or financial loss as a result of commercial contract failure or production loss Able to pay a close out calculated loss if required
Foreign Currency Option: (Put, Call)	<ul style="list-style-type: none"> The right but not the obligation to exchange one currency for another at a pre-agreed exchange rate on a specified date The ability to protect against negative exchange rate fluctuations as well as benefit from positive fluctuations Access to most major currencies 	Seeking to manage risks associated with exchange rate fluctuations	<ul style="list-style-type: none"> Able to meet the minimum transaction value Able to pay the Option premium Able to pay a termination fee if required
Foreign Currency Option: (Collar)	<ul style="list-style-type: none"> The ability to obtain more favourable exchange rates subject to the levels of the worst and best case strike rates Access to most major currencies 	Seeking to manage risks associated with exchange rate fluctuations	<ul style="list-style-type: none"> Able to meet the minimum transaction value Able to pay the option premium if required Able to meet Rabobank's credit requirements Able to withstand opportunity loss or financial loss as a result of an obligation to buy/sell at an agreed strike rate that could be worse than the Spot rate Able to pay a termination fee if required

Consistency between target market and product

These products are likely to be consistent with the likely objectives, financial situation and needs of the class of clients in the target market. This is based on an analysis of the key terms, features and attributes of these products, and a finding that these are consistent with the likely objectives, financial situation and needs of the identified class of clients.

Applications are subject to Rabobank Approval

Applications for the Foreign Currency Products are open to clients who meet the following requirements:

- Meet Rabobank's lending requirements
- Be an existing client of Rabobank Australia
- Farmers and / or food and agribusinesses only
- Must have an understanding of the products
- Must have an underlying commercial requirement and not be speculative in nature
- Clients must be at least 18 years old

We may waive any of these requirements at our discretion.

How these products are to be distributed

Distribution conditions

These products have been designed to be distributed through the following means:

- Directly via Rabobank Australia Limited. Transactions can be entered into by calling the Rabobank Markets Team

These products should only be distributed under the following circumstances:

- Where clients meet Rabobank's credit criteria and have signed the Master Agreement for Risk Management Facilities

Adequacy of distribution conditions and restrictions

By distributing the products through our qualified Markets Team, we are able to provide the client with relevant information about the products so that they are able to determine whether it meets their financial situation, needs and objectives. This makes it more likely that clients who acquire the products are in the target market.

We have therefore determined that the distribution conditions and restrictions are appropriate and will make it likely that clients who purchase the products are in the class of clients for which they have been designed.

Reviewing this target market determination

We will review this target market determination in accordance with the below:

Initial review

October 2022

Periodic reviews

At least every two years from the previous review

Review triggers or events

Any event or circumstances arise that Rabobank considers would suggest the TMD is no longer appropriate. This may include (but is not limited to):

- A material change to the design or distribution of the products, including related documentation;
- Occurrence of a significant dealing in the products which is not consistent with the product's TMD;
- Distribution conditions are found to be inadequate;
- External events such as adverse media coverage or regulatory attention; and/or
- Significant changes in metrics, including, but not limited to, complaints

Where a review trigger has occurred, this target market determination will be reviewed within 10 business days.

Distribution Reporting Requirements

The following reporting information is collected and monitored by Rabobank when it engages in retail product distribution in relation to these products:

Information	Description	Reporting Period
Complaints	The number of complaints, substance of complaints and general feedback relating to the product and its performance.	As soon as practicable, and in any case within 10 business days of the end of the relevant reporting period. The relevant reporting period is monthly by calendar month.
Significant dealing(s)	The date or date range of the significant dealing(s), a description of the significant dealing(s) including why it is not consistent with the TMD.	As soon as practicable, and in any case within 10 business days after becoming aware.