



Product Disclosure Statement

Forward Exchange Contracts (FECs)

Issuer: HiFX Limited trading as Xe New Zealand (Xe NZ)

Xe NZ is a registered Financial Service Provider under the Financial Services Providers (Registration and Dispute Resolution) Act 2008 – FSP Number FSP94961

Regulated by the Financial Markets Authority in New Zealand

This is a replacement PDS, which replaces the PDS dated 12 September 2018

The information contained in this document is general in nature and has been prepared without taking into account your specific objectives, financial situation or risk management requirements. Before acquiring a financial product offered under this document, you should consider whether it is appropriate, relative to your own financial and risk management objectives.

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1 Key Information Summary

What is This?

This is a Product Disclosure Statement (PDS) for Forward Exchange Contracts (FECs) provided by Xe NZ. The purpose of this PDS is to provide relevant information for you to determine whether a FEC is an appropriate foreign exchange risk management product for your particular risk management requirements and financial circumstances. This PDS explains the features, risks and costs of the FECs offered by Xe NZ. This PDS should be read carefully before entering an FECs product and a copy should be retained for future reference.

The Offer under this PDS is available to persons receiving the PDS within New Zealand only. The distribution of this PDS in jurisdictions outside New Zealand may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. This PDS does not constitute an offer to any person to whom, or in any place in which, it would be illegal to make that offer.

Information in this PDS may change from time to time. If there is any material adverse change to the information contained in this PDS, then Xe NZ will issue a supplementary or replacement PDS. However, if the change is not materially adverse, then Xe NZ will give you a copy of the updated information without charge on request. If you have received this PDS electronically, then Xe NZ will also give you a paper copy of the PDS free of charge, on request. Xe NZ's contact details appear in section 12.

Capitalised terms used in this PDS have the meaning given to them in the Glossary in section 13 unless the context requires otherwise.

Warning

Your Liability to make Margin Payments

Xe NZ may require you to make additional payments (being margin payments) to contribute towards your future obligations under an FEC. These payments may be required at short notice and can be substantial. You should carefully read section 3.8.1, about your obligations.

Risks arising from issuers creditworthiness

When you enter a derivatives contract with Xe NZ, you are exposed to risk that Xe NZ cannot make payments or deliver a currency as required. You should carefully read section 5.2 of this PDS and consider Xe NZ's creditworthiness. If Xe NZ runs into financial difficulty, the Margin you provide may be lost.

About Xe NZ

Xe NZ is a provider of various foreign exchange products including non-derivative products (such as spot foreign exchange contracts) and derivative products (such as FECs, FX Options and FX Swaps) delivered via its online transactional platform, by email or over the telephone.

Which Derivatives are Covered by this PDS?

This PDS covers FECs.

An FEC is an agreement to exchange a fixed amount of one currency for another, at a fixed future date, at a fixed exchange rate. It is used for risk management purposes to protect (or hedge) against adverse currency movements.

Xe NZ's FECs involve the physical delivery of the underlying currencies i.e., you deliver the Sold Currency to Xe NZ and Xe NZ delivers the Bought Currency to you.

Xe NZ does not permit the use of its products for speculative purposes, as set out in Xe NZ's Standard Terms.

2 About Xe NZ

HIFX Limited is a New Zealand incorporated company (company no.: 1121503) with its registered office at Level 4, 32 Mahuhu Crescent, Auckland, 1010, New Zealand, trading under registered business name: 'Xe New Zealand' or 'Xe NZ' (Xe NZ).

Xe NZ's vision is based around how Foreign Exchange (FX) should be done. Xe NZ takes great pride in helping clients achieve their unique foreign exchange operational and risk management goals. Xe NZ empowers individuals and businesses to make smarter financial decisions through access to premier foreign exchange transaction and risk management solutions.

Xe NZ holds a New Zealand Market Services Licence (MSL) No. FSP94961 and is authorised as a derivatives issuer, including providing forward FX contracts and trading financial products or FX on behalf of other persons. Xe NZ also holds an Australian Financial Services License (AFSL) No. 240914 and is authorised to provide financial product advice in respect of, deal in, and make a market for FX and derivative products for retail and wholesale clients. Xe NZ offers a full suite of FX services and hedging solutions.

Xe NZ's foundation is built on many years of foreign exchange market experience and professional knowledge. Xe NZ has helped thousands of individuals and businesses enjoy greater success with their foreign exchange needs.

Xe NZ was established in March 2001 and operates from Auckland, New Zealand. Xe NZ (together with affiliate entities trading as "Xe NZ" or "Xe NZ.com") (Xe Group) form part of the Euronet Worldwide, Inc. (NASDAQ: EFTT) (EWI) group of companies, specialising in electronic payment processing and distribution services. EWI was founded in 1994 and listed on the NASDAQ (EFTT) since 1997. Xe NZ Group operates as a global payment service provider as part of EWI's "money transfer division".

Xe NZ's approach and technical sophistication provides clients with foreign exchange solutions typically reserved for large multi-national corporations.

Further information about Xe NZ can be found at <https://www.xe.com/mt/nz-money-transfer/>.

3 Forward Exchange Contracts (FECs)

3.1 What is the purpose of FECs?

An FEC lets you buy or sell a fixed amount of one currency against another, for settlement at a future date (more than two business days following the deal date at a fixed price). FECs can be used to facilitate management of foreign exchange risk for those with foreign currency exposure, such as importers and exporters, to protect against adverse exchange rate movements.

These products enable future exchange risk to be hedged, eliminating the uncertainty of fluctuating exchange rates by locking in an exchange rate at the outset of the transaction. This hedging instrument is ideally used for protecting your future cash flow against negative currency fluctuations and eliminates some of the uncertainty of transacting internationally.

3.2 How does an FEC work?

FECs are traded 'Over-The-Counter' (**OTC**), meaning that they are created and traded off market rather than on an exchange. When entering an FEC with Xe NZ, you can tailor the terms of the contract to meet your requirements. Specifically, before entering an FEC we will agree the following with you:

- The currency and the amount of that currency that you would like to buy or sell (**Notional Amount**).
- The currency being exchanged for the Notional Amount.

- The exchange rate of the currencies that will be traded on the Settlement Date (defined below) (**Forward Exchange Rate**).
- The date in the future that the contract will mature (**Settlement Date**).

Once we have agreed the terms of the FEC with you, you will receive a Confirmation from us containing all relevant details.

On the Settlement Date you will be required to deliver the currency that you are exchanging in accordance with the terms of your FEC. Upon receipt by Xe NZ of cleared funds in the currency that you are exchanging, Xe NZ will pay you, or your nominated recipient, the amount of the currency that you have purchased.

3.3 Determining FEC Rates

In determining the Exchange Rate applicable to an FEC, Xe NZ applies Forward Points to the underlying spot exchange rate available in the market, and an FX profit margin.

As FECs are traded OTC, there is no official benchmark for exchange rates achieved on an FEC. As a result, exchange rates will often vary when compared between providers.

3.3.1 Underlying Spot Exchange Rate

An exchange rate is the rate at which one currency will be exchanged for another. For example, the exchange rate for the New Zealand Dollar (NZD) and the United States Dollar (USD) could be quoted as NZD / USD 0.7350, meaning that one NZD is equal to 73.50 US cents. The USD in this case is known as the Quote Currency, as it is being quoted as a fraction of one New Zealand dollar. Please note, this example is for illustration purposes only and is not an indication of future exchange rates.

An underlying exchange rate (Spot Rate) is quoted on the interbank market, which is a wholesale market for registered exchange dealers. This market is restricted to registered exchange dealers and banks that constantly quote to each other at wholesale exchange rates and in minimum parcel sizes.

Spot Rates fluctuate according to supply and demand. The factors that influence the supply and demand of currency include, but are not limited to, the following:

- Investment inflows / outflows.
- Market sentiment or expectations.
- Economic and political influences including geo-political influences.
- Import / export of goods and services.

Exchange rates quoted in the media generally refer to interbank exchange rates and can differ from the exchange rates quoted to you.

3.3.2 Forward Points

Forward Points are a fraction of the quote currency that are added to, or subtracted from, the Spot Rate to create the exchange rate applicable to your specific FEC. For example, 50 Forward Points in an NZD/USD exchange rate quote, would equal 0.50 cents of the Quote Currency (USD). The calculation of the Forward Points is based on several factors including, but not limited to, the following:

- The differing interest rates prevailing in the two currencies nominated in the FEC.
- The volatility and unpredictability of the exchange rates of the two currencies in the FEC.
- The transaction size and Xe NZ's ability to offset the transaction in the interbank market.

Once you have committed to an FEC, you will receive a Confirmation with all relevant details.

The Confirmation will be distributed via email to the address which Xe NZ has on record.

Example

You need to make a payment of USD 100,000.00 to an offshore supplier in 12-months. You need to sell NZD and buy USD to make this payment.

You wish to enter an FEC with Xe NZ today to fix an exchange rate at which you will buy USD 100,000.00 and sell NZD in 12 months.

Assume the following:

- The NZD/USD spot exchange at the outset of the contract is 0.7024.
- Xe NZ offers you a forward Foreign Exchange Rate of 0.6932.

If you enter the FEC with Xe NZ, then you must buy USD 100,000.00 from Xe NZ in exchange for NZD 144,258.51 ($\text{USD } 100,000.00 \div 0.6932$) on the Settlement Date.

In this scenario, you could realise an FX gain or an FX loss vs the Spot Rate on the Settlement Date.

- If the Spot Rate at the Settlement Date was less favourable than the FEC exchange rate, then you would realise an FX gain vs the Spot Rate. For example, assume the spot exchange rate was 5 cents lower at the Settlement Date. In this case, the cost to buy USD 100,000.00 at the spot exchange rate of 0.6432 would be NZD 155,472.64. In this scenario, you would be NZD 11,214.13 better off having taken the FEC.
- If the Spot rate at the Settlement Date was more favourable than the FEC exchange rate, then you would realise an FX loss vs the Spot Rate. For example, assume the spot exchange rate was 5 cents higher at the Settlement Date. In this case, the cost to buy USD 100,000.00 at the spot exchange rate of 0.7432 would be NZD 134,553.28. In this scenario, you would be NZD 9,705.23 worse off having taken the FEC.

This example is used for illustrative purposes only, it uses rates and amounts selected to demonstrate how the Forward Exchange Rate work.

3.3.3 FX Profit Margin

The Forward Exchange Rate quoted to you by Xe NZ will include a Mark-up which is applied on top of the wholesale exchange rates that we receive from the liquidity providers. The Mark-up is determined by Xe NZ using a number of factors including, but not limited to, the following:

- The size of the transaction (smaller Notional Amounts may mean a larger Mark-up).
- The two currencies to be traded (where the two currencies are illiquid, the Mark-up may be larger).
- The time between entering the FEC and the Settlement Date (the longer the time between the dates, the larger the Mark-up may be).
- Market volatility (higher volatility may result in a larger Mark-up).
- The frequency with which you trade with Xe NZ (the more frequently you transact with Xe NZ, the smaller the Mark-up may be).
- The complexity of your requirements or derivatives offered (the more complex, the higher the Mark-up may be).

3.4 Other Features of an FEC

3.4.1 HRREs

At any time up to the Settlement Date, you may ask Xe NZ to extend the Settlement Date of your FEC. This is referred to as a Historical Rate Rollover Extension (HRRE). All HRRE's are subject to prior approval by Xe NZ and may be declined at Xe NZ's sole discretion. Xe NZ will only consider approving HRREs where there is a valid underlying purpose.

If Xe NZ agrees to extend your Settlement Date, the exchange rate of your FEC will also be altered. The new exchange rate will be impacted by the same factors as outlined in section 3.3 above. It will also reflect any funding implications where your FEC is either 'In-The-Money' (ITM) or 'Out-of-The-Money' (OTM). This is determined by Xe NZ comparing the value of your FEC with the prevailing market Spot Rate. If the value of your FEC is greater than the prevailing market Spot Rate, you will have an ITM position; if the value of your FEC is less than the prevailing market Spot Rate you will have an OTM position.

If the HRRE is agreed upon, Xe NZ will send you a Confirmation detailing the amendment. The Confirmation will be distributed via email to the address which Xe NZ has on record.

3.4.2 Pre-delivery of an FEC

After entering an FEC, you may wish to bring the agreed Settlement Date forward on some or all the contracted Notional Amount. This is called pre-delivery.

If Xe NZ agrees to the pre-delivery, Xe NZ may carry out an adjustment to the original rate on the contract based on the same factors outlined in section 3.3. You should note that while in normal trading conditions an adjustment for pre-deliveries or extensions may be somewhat marginal, in times of elevated market volatility that adjustment can be significant.

Any agreement to affect a pre-delivery is at Xe NZ's sole discretion. When pre-delivering, it is also possible that an adjustment is made to any Margin Payments held by Xe NZ (refer to section 3.8 below).

If a contract is only partially pre-delivered, then the balance of the Notional Amount will remain due for delivery at the original Settlement Date.

3.5 Settlement and Delivery of an FEC

On the Settlement Date of your FEC, you are required to deliver the currency that you are exchanging in accordance with the exchange rate determined by Xe NZ and agreed by you at the time the FEC was entered. Upon receipt of cleared funds, Xe NZ will pay you or your nominated beneficiary the amount of currency that you have purchased.

3.6 Risks of an FEC

The specific risks associated with an FEC include the following:

- Foreign exchange movements are highly unpredictable, even during a single trading day. The rate agreed to on an FEC may be less favourable than market rates within a very short period.
- Entering an FEC locks in the exchange rate for the future delivery date, which precludes any potential financial benefit resulting from subsequent Foreign Exchange Rate movements for the Notional Amount of currency agreed to on the contract.
- If the purpose for entering the FEC changes, and you seek to change or cancel the FEC, losses may be incurred.
- Xe NZ may require additional margin payments as outlined in section 3.8. This may place unforeseen strain on your cashflow. Failure to maintain required margin payments, can result in your contracts with Xe NZ being terminated at a cost to you.

3.7 Benefits of an FEC

Some of the benefits of utilising an FEC for hedging purposes are as follows:

- An FEC is a simple method of mitigating foreign exchange risk, protecting against unfavourable movements in exchange rates.

- An FEC gives you a degree of certainty over the exchange rate, which can allow you to overcome problems in budgeting as you can now budget at a fixed rate of exchange.
- You can choose to settle the whole amount of the contract on one date, or you can take parts of the amount throughout the contract period.

3.8 Credit and Trading Limits

Over the life of an FEC, as the Spot Rate moves, the FEC may be 'In-the-Money' (ITM) or 'Out-of-the-Money' (OTM) or 'At-the-Money' (ATM). That is, if the FEC had to be cancelled at any time, it would result in an FX gain (ITM) or a FX loss (OTM) or breakeven (ATM).

To manage the market risk when an FEC is entered, Xe NZ may initially take an advance partial prepayment/ cash deposit from you (Initial Margin). Alternatively, Xe NZ may apply this market risk against your trading limit (refer to section 3.8.2 below).

3.8.1 Initial Margin and Margin Calls

To secure or continue an FEC contract, Xe NZ may require you to make Margin Payments, known as either Initial Margin or Margin Calls.

The Initial Margin represents an advance pre-payment of the FEC and is taken to secure Xe NZ's potential exposure resulting from adverse OTM currency movements. Your Initial Margin will reduce the final payment that you are required to make on the Settlement Date. The Initial Margin that Xe NZ requires will be determined as a percentage of the value of the FEC that you have entered and is generally about 10% of the value of the transaction. Xe NZ may determine this percentage at its sole discretion based on several factors including the value of your outstanding FECs, your current financial position/credit rating and the prevailing market conditions. The Initial Margin must be paid within two Business Days, unless otherwise agreed in writing by both parties.

Should an FEC (or the net position of your portfolio) move OTM, Xe NZ may seek to offset this increased market risk through an additional partial prepayment called a Margin Call. A Margin Call is required from you to offset the risk of non-settlement. Payment of the Margin Call must be made within two Business Days of the request, unless otherwise agreed in writing by both parties.

In the event that either the Initial Margin or Margin Call payments are not received within the required period, Xe NZ may close out your account and terminate the contract as well as terminate and close out any other pending transactions with you and set off amounts owed to you (including any gains on contracts closed out (terminated) against any losses incurred and amounts then owing to Xe NZ by you). In such circumstances, you will be liable to Xe NZ for all costs associated with terminating the relevant contracts.

3.8.2 Credit Limits

Xe NZ may choose to waive the requirement for either Initial Margin or Margin Call payments by applying the required Margin Payment against a Credit Limit. The Credit Limit is offered to the client at Xe NZ's sole discretion and is only offered after Xe NZ conducts a review of your capacity to honour any commitments on FX contracts. Xe NZ's review may include, but is not limited to:

- Your credit history/rating
- Strength of your financial performance and position

Should Xe NZ offer you a Credit Limit, the terms of this Credit Limit will be outlined in a Credit Addendum, which will be provided to you on Xe NZ's completion of a credit application.

Even if Xe NZ were to offer you a Credit Limit, it is still possible that under those terms you are required to make some form of Margin Payments. Failure to meet those payments with the required period may cause Xe NZ to close out your account and terminate the contract as well as terminate and close out any other pending transactions with you and set off amounts owed to you (including any gains on contracts closed out (terminated) against any losses incurred and amounts then owing to Xe NZ by you). In such circumstances, you will be liable to Xe NZ for all costs associated with terminating the relevant contracts.

3.9 Instructions and Confirmations

The terms of an FEC will be agreed and binding at the time of dealing. This may occur verbally over the phone, electronically or in any other manner set out in the Xe NZ's Standard Terms for doing business with Xe NZ.

Shortly after entering an FEC, Xe NZ will send you a Confirmation outlining the terms of the deal. The Confirmation will be distributed via email to the address which Xe NZ has on record. This Confirmation is intended to reflect the transaction that you have entered with Xe NZ. 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 an FEC and that you will be bound once your original instruction has been accepted by Xe NZ regardless of whether you sign or acknowledge a Confirmation. If there is a discrepancy between your understanding of the FEC and the Confirmation, it is important that you raise this with Xe NZ as a matter of urgency.

4 Entering an FEC

The following steps outline the process of entering an FEC with Xe NZ.

The terms of each FEC transaction are agreed between you and Xe NZ. To transact with Xe NZ, you will first need to establish an Account. Once an Account is opened, you will need to provide Xe NZ with the following information:

- the currency you are selling.
- the currency you are buying.
- the amount you are selling or buying; and
- the date you wish to acquire the Bought Currency (Settlement Date).

Xe NZ will then provide you with an indicative exchange rate. If you agree to accept this exchange rate, then Xe NZ executes the transaction and sends through Confirmation.

4.1 Via Xe NZ's Online Platform

- Log onto Xe NZ's online platform using the security information provided.
- Enter the required information as outlined in section 4 above.

Xe NZ's online platform will automatically provide you with the exchange rate Xe NZ can deliver to you.

- Upon acceptance of the rate, a binding FEC is entered.
- A Confirmation is subsequently sent by email and forms written confirmation of the FEC executed.
- The Confirmation provides all details of the agreed FEC. It is your obligation to review the Confirmation immediately to ensure all details are accurate (including the name of your beneficiary you wish to pay) and to report any discrepancies immediately.

4.2 Over the Phone

- Contracts can be entered over recorded phone line with an Xe NZ Dealer by an authorised user of associated account.
- An Xe NZ dealer will provide you with an exchange rate, after you have provided them with the required information as outlined in section 4 above.
- Upon acceptance of the rate, a binding FEC is entered.
- A Confirmation is subsequently sent by email and forms written confirmation of the FEC executed. The Confirmation provides all details of the agreed FEC. It is your obligation to review the Confirmation immediately to ensure all details are accurate (including the name of your beneficiary you wish to pay) and to report any discrepancies immediately.

4.3 By email request

- Send Xe NZ your instruction to enter an FEC by email, providing the required information as outlined in section 4 above. Following receipt, Xe NZ will enter your requested FEC. Upon processing of your email, a binding FEC is entered. You acknowledge that, if you choose to book an FEC via email it may not be processed immediately and there may be a short delay – particularly if you send your email outside of our business hours.
- A Confirmation is subsequently sent by email and forms written confirmation of the FEC executed. The Confirmation provides all details of the agreed FEC. It is your obligation to review the Confirmation immediately to ensure all details are accurate (including the name of your beneficiary you wish to pay) and to report any discrepancies immediately.

5 Risks

Whenever you choose to purchase Xe NZ products, you are moving your money out of your secure banking environment, and are subjecting that money to various risks, some of which are summarised below. It is important that you carefully consider whether trading Xe NZ products is appropriate for you considering your objectives, financial situation, and needs.

In addition to the risks set out in the sections of this PDS dealing with specific products, the following risks may also be applicable:

5.1 Foreign exchange risk

Once you have entered an FEC with Xe NZ, you will have locked in an exchange rate, so your transaction will not be affected by subsequent exchange rate movements. While you will be protected from adverse exchange rate movements, equally, you will not benefit from favourable exchange rate movements. This risk can be significant.

Foreign exchange currency markets are subject to many influences which may result in rapid currency fluctuations. Those influences are unpredictable and often entirely unforeseen. They include such things as changes in a country's political situation, changes in the global economic climate and natural disasters, any of which may substantially affect the price or availability of a given currency.

5.2 Counterparty risk

You are dealing with Xe NZ as a counterparty to every transaction, so you will have an exposure to Xe NZ in relation to each transaction. In all cases, you are reliant on Xe NZ's ability to meet its obligations to you under the terms of each transaction. This risk is sometimes described as counterparty risk.

Xe NZ may choose to limit its exposure to you by entering opposite transactions as principal in the wholesale market. There is therefore also a risk that any parties with whom Xe NZ contracts to mitigate its exposure when acting as principal to the FEC (by taking related offsetting or mitigating positions) may not be able to meet their contractual obligations to Xe NZ. This means that Xe NZ could be exposed to the insolvency of these counterparties and to defaults by these counterparties. If a counterparty is insolvent or defaults on its obligations to Xe NZ, then this could give rise to a risk that Xe NZ defaults on its obligations to you.

Xe Group has in place policies and procedures requiring various internal teams (including Legal, Risk and relevant business heads) to review and conduct appropriate due diligence on all Third-Party Providers and Banking Counterparties, prior to appointment. Any third-party is also reviewed by relevant teams at our parent company level, who specialise in due diligence and record all appropriate steps taken prior to onboarding.

In addition, Xe NZ must comply with the financial requirements imposed by the Financial Markets Authority in New Zealand.

Please see section 6 for additional information as to how Xe treats Client Money. This is also set out in clause 12 of Xe NZ's Standard Terms.

5.3 Margin Payments

Margin Payments may be required to enter an FEC, as outlined in section 3.8, and the risks of failing to pay margin are outlined in this section.

5.4 System risks

Xe NZ relies on technology to provide its trading facilities to you. A disruption to the facility may mean you are unable to trade when you want to. Alternatively, an existing transaction may be aborted because of a technology failure.

5.5 Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. It is possible that process problems at Xe NZ may lead to delays in the execution and settlement of a transaction.

5.6 Transactions are not transferable

As each transaction you enter with Xe NZ is a transaction between you and Xe NZ and is not traded on an exchange or market, you will not be able to sell, transfer or assign the transaction to any other person without Xe NZ's prior consent.

5.7 Abnormal market conditions or force majeure

Xe NZ reserves the right to close out some or all your open transactions between you and Xe NZ if an event occurs that is beyond your or Xe NZ's control, where such event either wholly or partially prevents, hinders, obstructs, delays or interferes with your ability to meet your obligations.

5.8 Our discretionary powers

Under Xe NZ's Standard Terms, Xe NZ has several discretionary powers which may affect your trading activities. Xe NZ refers you to the Xe NZ's Standard Terms which set out these powers and you should fully understand them.

5.9 Legal, Tax and Regulatory risk

Legal, tax and regulatory changes could occur during the terms of an FEC. You should seek independent advice before entering an FEC as required.

5.10 Other Risks

The risks listed above are not exhaustive. There may be other risks that are relevant when entering an FEC. Xe NZ recommends that you obtain independent advice before entering an FEC on the suitability to you.

6 Client Money

6.1 How we treat your money

Xe NZ receives funds from clients into nominated bank accounts held with its New Zealand based banking counterparties. This mechanism ensures that the funds are segregated from Xe NZ's own funds. These accounts are referred to as **"Security Trust Accounts"** or **"STAs"** - they are not statutory trust accounts.

In accordance with Xe NZ's obligations under sections 240(1) and 241 of the Financial Markets Conduct Regulations 2014 (NZ) (**Regulations**), Xe NZ transfers all Derivative Investor Money (**DIM**) to statutory trust accounts (**DIMs Accounts**) on a daily basis. The money is segregated from Xe NZ's own funds and held on trust for each client. Xe NZ does not use DIM monies for hedging activities.

The DIMs received by Xe NZ is funds from NZ retail clients paid for the purpose of meeting initial margin or margin call obligations under derivatives (e.g. transactions settling after 3 business days, not spot and same day trades). Xe NZ does not receive DIMs which is money received from clients not on its own account (e.g. dealing as a broker), as it provides all of its products as principal.

Xe NZ determines the amount of DIMs received from its customers via a daily automated report from the company's data base of outstanding contracts and margin payments received from NZ Retail Clients. This informs Xe NZ as to the DIM amount required to be paid into, or transferred out of, the DIM account from the STAs, to ensure that the DIMs Accounts holds the appropriate amount in accordance with the Regulations.

7 Complaints Resolution

If you have a complaint about any aspect of Xe NZ's services or products, please write to Xe NZ at:

By Post: **Attn: Complaints Officer**
 HiFX Limited (trading as 'Xe New Zealand')
 PO Box 7646
 Wellesley Street, Auckland
 New Zealand

By Email: compliance.apac@xe.com

By Telephone: **+64 9 306 3700**

By Facsimile: **+64 9 306 3701**

Xe NZ is a member of, and participates in, an independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL) and approved by the Ministry of Consumer Affairs.

If Xe NZ is unable to adequately resolve your complaint after 40 days of the complaint having been made, you have the right to refer the complaint to FSCL either verbally, via email or in writing. FSCL does not charge a fee to you to investigate or resolve a complaint. FSCL's contact details are as follows:

Address: Financial Services Complaints Limited
PO Box 5967
Wellington 6145
New Zealand

Telephone: 0800 347 257

Facsimile: (04) 472 3728

Email: complaints@fscl.org.nz

Time limits may apply to complain to FSCL. Please act promptly and consult FSCL's website to find out if or when the time limit relevant to your circumstances expires.

8 Privacy

Xe NZ is committed to complying with all applicable privacy laws and regulations. Further information about our privacy policy and practices is available at https://transfer.xe.com/docs/pd_xemtnz.pdf.

9 How to Enter into a Client Agreement

If you wish to open an account, you must (include but not limited to the following):

- Read and agree to Xe NZ's Standard Terms (please refer to Section 11 of this PDS)
- Understand the information contained in this PDS and believe that FECs are suitable for you

Note, the documents above are available on Xe NZ's website [here](#).

- Approval of a Customer is at Xe NZ's sole discretion. The main checks that are relevant to the accreditation of a Customer include but not limited to the following:
 - verification of a Customer's identity in accordance with relevant AML/CFT laws;
 - 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.

We reserve the right to request further documentation, where deemed necessary.

9.1 Assessing whether FECs are Suitable for You

As with all derivatives, FECs carry a high degree of risk and you should consider whether they are suitable for you. You should think about your familiarity with currency markets, how much you understand about the risks of trading in financial markets and in particular, FECs.

Should you wish to open an account with Xe NZ and trade FECs, we will consider whether FECs are suitable for you by reviewing the information you have provided to us, which takes into consideration your previous experience in financial markets, your ability to understand the risks of this product as well as your financial means to meet your requirements.

We reserve the right to refuse to open an account or allow you to trade FECs should we believe that you do not meet our standards.

Xe NZ may be required to suspend or cancel your accounts or delay the processing of transactions. If this occurs, Xe NZ is not liable to you of any consequences of losses whatsoever and you agree to indemnify Xe NZ if Xe NZ is found to be liable to a third party in connection with the freezing or blocking of your account.

10 Taxation

Taxation law is complex and changes over time as does the way it is interpreted, and its application will depend on circumstances. When determining whether an FEC are suitable, you should consider the impact it will have on your taxation position and seek professional advice on the tax implications entering the FEC may have.

11 Xe NZ's Standard Terms

Each FEC you enter will be subject to the Xe NZ's Standard Terms, available on Xe NZ's website [here](#).

Xe NZ's Standard Terms are a master agreement and set out all the terms of the relationship between you and Xe NZ that are applicable to the FECs described in this PDS.

Xe NZ's Standard Terms are important, and you should read them carefully before entering any FEC. They cover several important terms including how transactions are executed, Xe NZ and your respective rights and obligations, events of default and rights of termination.

Xe NZ recommends that you seek your own professional advice to fully understand the consequences of entering an FEC.

12 Contact Details

General enquiries:	HiFX Limited (trading as 'Xe New Zealand') PO Box 7646 Wellesley Street, Auckland New Zealand
Telephone:	+64 (0) 9 306 3700
Email:	transfers.apac@xe.com
Website:	https://www.xe.com/mt/nz-money-transfer/

13 Glossary

In this document, unless the context requires otherwise, the following words have the following meaning:

“Account” means a running account maintained by Xe NZ for the purpose of recording credits and debits in relation to Foreign Exchange Contracts and other financial requirements.

“Margin Call” means a margin payment to Xe NZ as an advance pre-payment of the FEC to protect against Xe NZ’s potential exposure resulting from a client defaulting on their obligations under the contract.

“ATM” or “At-the-Money” means an FEC that would breakeven (no profit or loss) if closed out against the current Spot Rate.

“Bought Currency” means the amount of currency to be received by the client in return for the Sold Currency.

“Business Day” means a business day as defined in the Xe NZ’s Standard Terms.

“Confirmation” means Xe NZ’s electronic or other written notification sent to the client setting out the details of a FX Transaction, or onward payment on behalf of the client.

“DIM” and “DIMs Accounts” has the meaning set out in section 6 of this document.

“FEC” has the meaning given to it in section 3.

“Forward Points” has the meaning given to it in section 3.3.2.

“HRRE” or Historical Rate Rollover Extension, has the meaning given to it in section 3.4.1

“ITM” or “In-the-Money” means an FEC which would produce a profit if closed out at market rates.

“Initial Margin” means a margin payment to Xe NZ as an advance pre-payment of the FEC to protect against Xe NZ’s potential exposure resulting from a client defaulting on their obligations under the contract.

“Xe NZ’s Standard Terms” means the terms and conditions, including all documents required thereby, or included therein, that govern the relationship between Xe NZ and the counterparty entering foreign exchange transactions with Xe NZ.

“NZ Retail Client” means a client of Xe NZ that resides in New Zealand and who is not a “Wholesale Investor” for the purposes of the Financial Markets Conduct Act 2013.

“Notional Amount” means the amount of underlying currency to be bought or sold.

“OTM” or “Out-of-the-Money” means an FEC, which cost money if closed out against the current spot Rate.

“Mark-up” means an FX profit margin applied to the wholesale exchange rates that Xe NZ receives from the interbank rate.

“Settlement Date” means the date at which the Notional Amount is delivered.

“Sold Currency” means the amount of currency to be paid by the client in return for the Bought Currency.

“Spot Rate” means the exchange rate applied to transactions settled within two Business Days.

“STA” has the meaning as set out in section 6 of this document.

“Xe NZ” means HiFX Limited (New Zealand Company number 1121503) (trading as ‘Xe New Zealand’ or ‘Xe’).