

FOREIGN EXCHANGE FACILITY

Target Market Determination

16 October 2023

Prepared by Bank of Queensland Limited (BOQ) ABN 32 009 656 740
Australian Credit Licence and AFSL 244616, the issuer of this product.



BUSINESS

What is a Target Market Determination?

A Target Market Determination (TMD) describes:

- the class of customers that comprise the Target Market for the product
- any conditions or restrictions on how the product is distributed to retail customers
- events or circumstances where we will review the TMD for the product.

Why does BOQ need to make this TMD publicly available?

We are required to produce this TMD by law. The law is intended to help customers obtain appropriate financial products by requiring issuers and distributors to have a customer centric approach to the design and distribution of products.

This document is not a substitute for the product's terms and conditions or other disclosure documents. Customers must refer to these documents when making a decision about this product. These documents can be found on our website or you can obtain a copy upon request.

The TMD will undergo a periodic review as follows:

EFFECTIVE DATE
16 October 2023
NEXT REVIEW DUE
16 October 2025
REVIEW
At least every two years from the effective date of this TMD

Target Market

The Target Market for this product is customers who are engaging or proposing to engage in foreign currency denominated transactions (whether importing, exporting or otherwise), where a payment or receipt is in a foreign currency and they want to manage the foreign currency exchange risk.

Foreign exchange (FX) facilities are offered to enable parties to fix exchange rates over a range of time horizons. This TMD excludes foreign cash transactions which are settled immediately. Importers, exporters and investors commonly use foreign exchange facilities to manage and hedge foreign currency cash flows.

Activities that foreign exchange facilities may be useful for include:

- importing or exporting, where the invoice is quoted in a foreign currency
- foreign currency transactions
- repatriating overseas profits or interest in foreign currencies back to Australia.

These customers are likely to have the following objectives, needs, financial situation and knowledge and experience and must meet the eligibility criteria for this product.

Objectives

The customers' likely objective is to manage or hedge foreign currency transactions or foreign currency exchange movements to meet their cash flow, risk management or profitability objectives.

Needs

The customers' likely need is a product that manages foreign currency transactions and the financial risk from foreign currency movements. This may include:

- buying or selling a foreign currency
- managing foreign currency exchange risk.

Financial situation

This product is suited to customers with a wide range of financial situations dealing with foreign currencies. The customer needs to be able to protect themselves against changes in the value of their payments or receipts due to foreign currency exchange changes. They have a low risk appetite for adverse exchange rate movements during the term. They will also need to satisfy BOQ's credit assessment criteria.

Knowledge and experience

The likely customer will generally have experience in foreign currency transactions and knowledge of these financial products. The Target Market will have a range of knowledge and experience that will likely indicate whether they fall within the Target Market for each of the product's features and attributes. This is set out in the product description section.

Eligibility criteria for this product

Customers must satisfy the following criteria to acquire this product:

- be an Australian citizen, permanent resident, or resident with acceptable residency status, 18 years or older, or
- be an Australian registered corporation or association, or
- be a trustee of an Australian family, statutory, superannuation, unit or hybrid trust (the beneficiary and the Trustee must meet the eligibility criteria of an individual or a corporation), and
- hold a BOQ Australian dollar Bank Account in the same name to enable transfers of foreign currency into Australian currency as required, and
- have an acceptable credit history, and
- demonstrate their capacity to service the facility.

Excluded customer class

This product is not designed to be distributed to customers who need a foreign exchange product for foreign currency or exchange trading, investment or speculative purposes, or where the customer has a basic payment need requiring the transaction to be settled immediately, or settled within two business days. These products may be unsuitable for people who are unfamiliar with foreign currency or foreign currency exchange (FX) dealings.

Product description

A foreign exchange facility suitable for customers who need to exchange one foreign currency for another at a certain (current or future) value date, and who want protection against unfavourable exchange rate movements from the transaction date to the value date or a future date more generally.

The product provides the following types of contracts or instruments that BOQ and the customer can enter into:

- forward exchange contract – suitable for customers who need to exchange one foreign currency for another at a future value date, and who want protection against unfavourable exchange rate movements from the transaction date to the value date
- foreign exchange swap contract – a contract in which one party borrows one currency from, and simultaneously lends another to, the second party. Each party uses the repayment obligation to its counterparty as collateral and the amount of repayment is fixed at the foreign currency forward rate as of the start of the contract.

These instruments give customers protection against currency exchange movements in different ways. These attributes are further described in the Product Disclosure Statement. The following table indicates for each contract type, the likely Target Market's profile:

PRODUCT ATTRIBUTES		TARGET MARKET			
Contract type	Key attributes	Knowledge and Experience with the financial product	Objective	Needs	Financial situation
forward exchange contract	Cash settles on future date Longer term (1 month to 18 months)	Advanced	Hedging	<ul style="list-style-type: none"> • Manage FX risk • Longer term • Buy or sell foreign currencies 	Has financial capacity to settle contract value
foreign exchange swap contract	Combines two FX contracts involving simultaneous borrowing and selling of currencies Short term	Comprehensive	Hedging	<ul style="list-style-type: none"> • Manage FX risk • Short term 	The client can bear no losses of contract value

Why the product is likely to be consistent with the likely objectives, needs and financial situation of the Target Market

The product's attributes are designed to support the Target Market's objectives, needs and financial situation. The customers' need to secure a forward exchange rate for a future payment, or receipt and manage foreign currency exchange risk, can be met by the features such as agreed exchange rate and agreed value date.

Distribution conditions

The product can be distributed to retail clients by the BOQ Financial Markets team who are licensed and accredited to do so, and through BOQ's online system BOQ SmartFX®.

This product can be distributed through BOQ's direct channels on a spot-and-refer basis to the BOQ Financial Markets team, including:

- branch network (including owner managers)
- Customer Contact Centre
- Business Bankers
- BOQ Specialist Bankers
- BOQ Finance Bankers.

The customer must be on-boarded with BOQ Financial Markets before this product is provided. This product can also be distributed by accredited aggregators or brokers on a spot-and-refer basis to the BOQ Financial Markets team.

This product can only be distributed to retail customers in accordance with BOQ's customer acceptance requirements.

Why the distribution conditions will make it likely that the customers who acquire the product are in the Target Market

BOQ considers that the distribution conditions and restrictions support BOQ's assessment that the product will likely be distributed to the Target Market because of the following key controls:

- non Financial Markets team distribution channels are restricted to spot-and-refer activity and are not authorised to sell this product to retail customers
- controls to ensure applying customers meet BOQ eligibility and credit assessment requirements
- customer suitability analysis and checklists are applied to align customer needs and financial circumstances with this product
- monitoring and supervision of customer suitability and on boarding processes.

Review triggers

We will review this TMD if any of the following trigger events and information being monitored reasonably suggest that the TMD may no longer be appropriate:

- **there is an increase in complaints received in relation to the product and its features that exceeds internally set tolerances**
- we identify a material adverse customer experience in relation to product appropriateness
- there is a material change to the product attributes, fees, charges, terms and conditions or the manner of distribution
- there is a Significant Dealing in this product which is inconsistent with the Target Market.

Information reporting requirements

All distributors who distribute this product must provide the following information to BOQ:

TYPE OF INFORMATION	DESCRIPTION	REPORTING PERIOD
Customer complaints received about this product	Customer complaints (including number of complaints, complaints record verbatim, product name and distributor name) in relation to this product that may indicate the TMD may no longer be appropriate for this product	As well as agreed in writing, quarterly and in any case within 10 business days from the end of the reporting period
Significant Dealings	The date or date range of when the Significant Dealing occurred and a description of why it may not be consistent with this TMD	As soon as practicable, and in any case within 10 business days after becoming aware
Incidents/Issues (including regulatory breaches)	Incidents and breaches that may indicate product is no longer appropriate for the Target Market or is being distributed outside the Target Market	As soon as practicable, and in any case within 10 business days after becoming aware

Note: Record keeping

BOQ and its distributors will keep records of the reasonable steps they have taken to ensure that this product is sold in a manner consistent with this TMD.

BOQ will also keep complete and accurate records of our decisions, and the reasons for those decisions about:

- all Target Market determinations for this product
- identifying and tracking review triggers
- setting review periods, and
- the matters documented in this TMD.

