

[14.13] **September 1992 Australian Addendum No. 8 - Synthetic Agreements for Forward Exchange**

**Care! Commencing 1 January 2002 AFMA no longer recommends using this Addendum. See [14.06A].**

**SEPTEMBER 1992**  
**AUSTRALIAN ADDENDUM No. 8 -**  
**SYNTHETIC AGREEMENTS FOR FORWARD EXCHANGE**

**ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF**  
**INTERNATIONAL SWAP DEALERS ASSOCIATION, INC.**

(1) **Application**

By incorporating this Addendum in their ISDA Master Agreement, the parties agree that every SAFE between them entered into after that time is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated.

This applies whether or not the parties:

- (a) refer to the ISDA Master Agreement or this Addendum; or
- (b) state that a SAFE is governed by the terms of any other master agreement

when entering into or confirming the SAFE.

If a SAFE is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated, then the terms of any other master agreement do not apply to it even if the parties state that the SAFE is governed by the terms of any other master agreement when entering into or confirming the SAFE.

(2) **Definitions**

In this Addendum and in any Confirmation:

**"Broken Date SAFE"** means a SAFE for which the Forward Period is not based on the conventional value dates applicable to each subsequent month for the currencies concerned in the Sydney foreign exchange market on the Trade Date.

**"Business Day"** means any day (other than a Saturday or Sunday) on which banks are open for business in each of Sydney, Melbourne, Singapore and New York.

**"Buyer"** means the party who, under the Notional Forward, would notionally receive the Primary Currency on the Maturity Date.

**"Contract Amounts"** means the amounts (respectively the First Contract Amount and the Second Contract Amount) of the Primary Currency which are the subject of the SAFE.

**"Contract Forward Spread"** means the premium or discount agreed between the parties on the Trade Date as the premium or discount at which the parties would, as at the Trade Date, be prepared to enter into a forward foreign exchange transaction equivalent in all respects to the Notional Forward.

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**"ERA"** means an agreement under which two parties agree to compensate each other at the near (settlement) date for any difference between the forward margin agreed at the dealing date and the notional forward margin prevailing on the fixing date for a specified contract period.

**"First Contract Amount"** means the amount of the Primary Currency which would notionally be exchanged on the Settlement Date, as described in paragraph (a) of the definition of Notional Forward.

**"Fixing Date"** means the Business Day which is two Business Days before the Settlement Date.

**"Forward Period"** means the period of the Notional Forward as determined by agreement between the parties on the Trade Date and being the period from (but excluding) the Settlement Date to (and including) the Maturity Date.

**"FXA"** has the same meaning as an ERA except that, unlike an ERA, a notional outright forward spread is also agreed for the settlement date.

**"Maturity Date"** means the date agreed between the parties to be the date on which the Notional Forward would notionally be completed (by means of the second exchange referred to in paragraph (b) of the definition of Notional Forward).

**"Notional Forward"** means a notional forward foreign exchange transaction between the parties under which, if it were to take place:

- (a) the Seller would, on the Settlement Date and in exchange for an amount of the Primary Currency equal to the First Contract Amount, pay to the Buyer an amount in the Secondary Currency determined as follows:
  - (i) in the case of an ERA, by reference to the SAFE Settlement Spot Rate;
  - (ii) in the case of an FXA, by reference to the Outright Exchange Rate, and
- (b) the Seller would, on the Maturity Date, pay to the Buyer an amount of the Primary Currency equal to the Second Contract Amount in exchange for an amount of the Secondary Currency determined as follows:
  - (i) in the case of an ERA, by application of the Contract Forward Spread applied to the SAFE Settlement Spot Rate;
  - (ii) in the case of an FXA, by application of the Contract Forward Spread to the Outright Exchange Rate.

**"Outright Exchange Rate"** means the rate as agreed between the parties on the Trade Date for Primary Currency against Secondary Currency for value on the Settlement Date (and expressed in units of Secondary Currency per unit of Primary Currency).

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**"Primary Currency"** means the currency agreed to be such by the Buyer and Seller and being the currency in which the Contract Amounts are expressed.

**"SAFE"** means a transaction between parties seeking to protect themselves against future movements in foreign exchange forward spreads.

**"SAFE Designated Banks"** means the banks on the panel of not less than eight banks authorised to quote for the purpose of establishing the SAFE Settlement Forward Spread.

**"SAFE Interest Settlement Rate"** means, in respect of a Forward Period, the rate calculated on the basis of the offered rates for deposits in US Dollars for a period equivalent to the Forward Period which appear on the Reuters page specified below at the time specified below on the Fixing Date for Settlement Date value. The Reuters pages specified below are to be reviewed in the order they appear. The first of the pages which shows at least two rates is the page to be used for setting the rate. The rate for the Forward Period is the arithmetic mean of the rates on the page.

- First - Reuters Screen SIBO page at 11.00 am Singapore time
- Second - Reuters Screen LIBO page at 11.00 am London time
- Third - Reuters Screen NYNO page at 11.00 am New York time

If none of those pages shows at least two rates at the relevant time, paragraph (5) applies.

**"SAFE Settlement Forward Spread"** means, in respect of a Forward Period, the spread calculated, and published, by the information vendor for the time being designated by Australian Financial Markets Association to make such calculation. The information vendor is to calculate such spread by taking the premia or discounts quoted to it by the SAFE Designated Banks as the mid market premium or discount for foreign exchange forwards equivalent to the Notional Forward as at 12 noon Sydney time on the Fixing Date for Settlement Date value, expressing each premium as a negative number and each discount as a positive number, and eliminating the two highest and the two lowest (or, in the event of equality, two of the highest or lowest as appropriate), taking the average of the remaining four rates and then (if necessary) rounding the resultant figure to four decimal places. Paragraph (5) applies if the spread is not published by this method for any reason.

**"SAFE Settlement Spot Rate"** means, in respect of a Forward Period, the rate calculated on the basis of the spot rates of exchange for the exchange of the Primary Currency against the Secondary Currency which appear on the Reuters Screen OZZU Page as of 12 noon Sydney time on the Fixing Date for Settlement Date value. If at least eight rates appear on the Reuters Screen OZZU Page, the rate for that Forward Period will be the arithmetic mean of such rates after eliminating the two highest and the two lowest (or, in the event of equality, two of the highest or lowest as appropriate) and rounding the resultant figure to four decimal places. If fewer than eight rates appear, paragraph (5) applies.

**"Secondary Currency"** means the currency agreed by the Buyer and Seller as that which, under the Notional Forward, would notionally be exchanged for the Primary Currency.

**"Second Contract Amount"** means the amount of the Primary Currency which in the Notional Forward would notionally be exchanged on the Maturity Date, as described in paragraph (b) of the definition of Notional Forward.

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"**Seller**" means, the party who, under the Notional Forward, would notionally receive the Primary Currency on the Settlement Date.

"**Settlement Amount**" means an amount in the Secondary Currency determined in accordance with the following formula:

$$A2 \times \frac{(OER - SSR) + (CFS - SFS)}{1 + \frac{[L \times D]}{[100 \times B]}} - (A1 \times (OER - SSR))$$

where:

A1 = First Contract Amount

A2 = Second Contract Amount

CFS = Contract Forward Spread

SFS = SAFE Settlement Forward Spread

OER = Outright Exchange Rate

SSR = SAFE Settlement Spot Rate

L = SAFE Interest Settlement Rate for the Secondary Currency (expressed as a number and not as a percentage)

D = Number of calendar days in the Forward Period

B = 360, or, if interest rates in respect of the Secondary Currency are calculated on a 365 day year basis, 365.

"**Settlement Date**" means the date agreed between the parties to be the date on which the Notional Forward would notionally be initiated (by means of the first exchange referred to in paragraph (a) of the definition of Notional Forward) provided that if the Settlement Date originally agreed upon proves not to be a Business Day, then the Settlement Date is the immediately succeeding day which is a Business Day.

"**Settlement Rate**" means the SAFE Interest Settlement Rate, the SAFE Settlement Forward Spread or the SAFE Settlement Spot Rate.

"**Trade Date**" means the date on which the SAFE is entered into by the parties.

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(3) **Settlement**

On the Settlement Date:

- (a) if the Settlement Amount is negative (that is, less than zero), the Seller must pay the Settlement Amount to the Buyer; or
- (b) if the Settlement Amount is positive (that is, greater than zero), the Buyer must pay the Settlement Amount to the Seller.

(4) **Broken Dates**

If the parties enter into a Broken Date SAFE, the definitions of SAFE Interest Settlement Rate, SAFE Settlement Forward Spread and SAFE Settlement Spot Rate set out in paragraph (2) do not apply. Instead the parties must agree, when entering into the Broken Date SAFE, an alternative meaning for those terms.

(5) **Non-availability of Settlement Rates**

If circumstances described in a Settlement Rate definition occur which result in this paragraph (5) applying, the Settlement Rate is to be the average of not less than three rates provided to the chairman of the Australian Foreign Exchange Brokers Association by members of that Association nominated by its chairman. A certificate from the chairman specifying the rate is conclusive evidence of the rate.

(6) **Payment**

All payments must be made for value on the Settlement Date, in the Secondary Currency and in immediately available, freely transferable and freely convertible funds by credit to the account of the recipient specified by it for such purposes.