



INVESTOR INFORMATION STATEMENT

EXCHANGE-TRADED TREASURY BONDS



Australian Government

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TREASURY BONDS

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SECTION 1

INTRODUCTION

What are Exchange-traded Treasury Bonds (eTBs)?

Exchange-traded Treasury Bonds (eTBs) offer a convenient and readily accessible way to invest in Treasury Bonds.

Treasury Bonds are debt securities issued by the Australian Government which pay Coupon Interest Payments every six months at a fixed Coupon Interest Rate. On the Maturity Date, the last Coupon Interest Payment and the Face Value amount of the Treasury Bond are paid to the bond holder. The Australian Government is liable to make these payments.

Institutional and other large investors choose to own Treasury Bonds because they provide stable, regular income paid by the Australian Government and are liquid (easy to buy and sell).

Treasury Bonds are not traded on an exchange and are typically traded in large parcels, putting them beyond the reach of many investors. *eTBs* have the appeal and convenience of being electronically traded and settled through the Australian Securities Exchange (ASX) in small or large parcels.

- An *eTB* Holder has beneficial ownership of Treasury Bonds in the form of CHESS Depository Interests (CDIs)¹. This means obtaining all of the economic benefits (including coupon and principal payments) attached to legal ownership of the Treasury Bonds over which the CDIs have been issued.
- A one unit holding of an *eTB* provides beneficial ownership of \$100 Face Value of the Treasury Bond over which it has been issued.

A list of the *eTBs* currently available to investors can be viewed on the Australian Government Bonds Website (www.australiangovernmentbonds.gov.au).

See Section 2 for further details of the benefits of holding *eTBs*.

Can I lose money from investing in eTBs?

If you purchase *eTBs* for a price greater than \$100 or sell them prior to their Maturity Date it is possible for capital losses to be realised.

Prices of *eTBs* will fluctuate. The Australian Government does not guarantee the investment performance of *eTBs* and will not compensate investors for investment losses.

¹ A CDI is a financial product quoted on the ASX that confers a beneficial interest in the security or financial product to which it relates. Further information about CDIs can be obtained on the ASX website at www.asx.com.au/documents/settlement/CHESS_Depository_Interests.pdf.

How will my Coupon Interest Payments be made?

Coupon Interest Payments are made every six months. If the Coupon Interest Payment Date is not a Business Day, the payment will be made on the next Business Day.

The Australian Government's preferred method of payment to all investors is by direct credit into an Australian dollar bank account with a financial institution in Australia. Australian, United States, Great Britain, New Zealand and Canadian resident investors must nominate a valid Australian bank account, otherwise payments will be withheld until such time as a valid account is provided. Payments to investors that reside outside the above-mentioned jurisdictions will be made by paper cheque where a valid account has not been provided. Investors are required to supply their payment instructions no later than the Record Date in order to receive their payment.

How can I trade *eTBs*?

eTBs can be traded on the ASX in the same way as listed shares.

Investors should contact their financial adviser or broker to buy or sell *eTBs*. Brokerage charges may be incurred.

What about tax?

Assessable income derived by way of interest or capital gain will be liable to tax according to the provisions of the laws of the Commonwealth and the Australian States.

Coupon Interest Payments on *eTBs* are exempt from non-resident interest withholding tax.

If an investor does not provide details of their Tax File Number (TFN) or Australian Business Number (ABN) to the Registrar, tax may be deducted from Coupon Interest Payments. You will have an opportunity to provide your TFN or ABN when you invest in *eTBs*.

For more information regarding taxation matters, please contact the Australian Taxation Office or a tax adviser.

What is the Coupon Interest Rate and how is this different from the yield?

The Coupon Interest Rate on a Treasury Bond is set when the bond is first issued by the Australian Government, and remains fixed for the life of the bond. For example, a Treasury Bond with a 5% Coupon Interest Rate will pay investors a fixed amount of \$5 a year on each \$100 Face Value amount in instalments of \$2.50 every six months. These instalments are called Coupon Interest Payments.

In contrast, the yield to maturity is the rate of return on a bond (expressed as an annual rate) if purchased at the current market price and held until the Maturity Date. (The calculation of the yield assumes all Coupon Interest Payments are reinvested at the same rate). The yield will vary through time with changes in the price and remaining term to maturity of the bond.

How are eTB holdings recorded?

All eTBs must be held in your CHESS Account of your sponsoring broker. Your CHESS Account has a Holder ID Number (HIN). It is not possible to hold eTBs as an issuer sponsored holding. Whenever you buy or sell an eTB during any month period, you will receive a CHESS Holding Statement indicating the holding balance for that particular eTB. You will also receive a CHESS Holding Statement following the maturity of any eTB which was held.

Who should I contact about my eTB holdings?

In the first instance you should contact your financial adviser or broker.

Computershare Investor Services Pty Limited (ACN 078 279 277) has been engaged to maintain the Register of eTB Holders and provide services to investors in relation to their holdings.

The Registrar can be contacted at:

Telephone

+61 3 9415 4026
1800 674 428 (within Australia)

Email

austgovtbonds@computershare.com.au

Mail

Australian Government Bond Registrar
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
AUSTRALIA

Where can I find information about the Australian Government's finances, budget projections and economic forecasts for the Australian economy?

The website www.budget.gov.au has current and past Australian Government Budget Papers, and updates to the economic and fiscal outlook.

Monthly financial statements for the Australian Government are available at www.finance.gov.au/publications/commonwealth-monthly-financial-statements/.

Annual consolidated financial statements for the Australian Government are available at www.finance.gov.au/publications/commonwealth-consolidated-financial-statements/.

Where can I find further information about eTBs?

Further information about eTBs is available on the Australian Government Bonds Website (www.australiangovernmentbonds.gov.au)

SECTION 2

BENEFITS AND RISKS OF INVESTING IN EXCHANGE-TRADED TREASURY BONDS

Before investing in *eTBs*, a prospective investor should consider whether they are a suitable investment for them. This should include consideration of benefits and risks.

Benefits of investing in *eTBs*

Some of the benefits associated with investing in *eTBs* are:

Secure, regular income	Semi-annual Coupon Interest Payments made by the Australian Government.
Fixed interest rate	The opportunity to earn interest at a fixed rate for the life of the investment.
Liquid investment	<i>eTBs</i> can be sold any time the ASX market is open. This means that if you need access to cash you can seek to sell your <i>eTBs</i> on the ASX at the market price.
Diversification	<i>eTBs</i> provide an opportunity to diversify an investment portfolio.

Risks of investing in *eTBs*

There are risks associated with investing in *eTBs*. Below is a summary of some risks which prospective investors should consider when deciding whether to invest in *eTBs*. It is not an exhaustive list and risks will vary between investors.

Changes in market price	The market price of <i>eTBs</i> will vary over time in response to a variety of influences, particularly in response to changes in the general level of interest rates. In general, if interest rates increase the price of an <i>eTB</i> is likely to fall. Conversely, if interest rates fall the price of an <i>eTB</i> is likely to increase. If <i>eTBs</i> are purchased for a price greater than \$100 or sold prior to their Maturity Date it is possible for capital losses to be realised.
Conversion by Australian Government	<p>The Australian Government may at any time, subject to a minimum period of three months' notice, convert holdings of <i>eTBs</i> to the underlying Treasury Bonds directly registered in the Commonwealth Stock Register. If this occurred, investors would continue to receive the same Coupon Interest Payments and Face Value amounts they were entitled to with the <i>eTBs</i> but would not be able to sell their investment in Treasury Bonds on the ASX.</p> <p>For example, the Australian Government could decide to convert holdings of <i>eTBs</i> to the underlying Treasury Bonds if the agreement between the Australian Government and ASX for the trading of Australian Government Bonds on the ASX is terminated.</p>

SECTION 3

TERMS AND CONDITIONS

This section contains the terms and conditions of *eTBs*.

Before investing, potential investors should review and become familiar with the following:

- the terms and conditions applying to the *eTBs*. These terms and conditions and a summary of the material terms of the underlying Treasury Bonds are set out below. Full terms and conditions of the underlying Treasury Bonds are contained in the Information Memorandum available at the Australian Government Bonds Website (www.australiangovernmentbonds.gov.au);
- the key commercial terms (for example the Coupon Interest Rate, Coupon Interest Payment Dates and Maturity Date) for the specific series of Treasury Bonds underlying the *eTBs* they are planning to invest in, which are detailed in the Term Sheet for the Treasury Bonds available on the Australian Government Bonds Website.

To the extent that any term or condition contained in this Investor Information Statement is inconsistent with the terms and conditions applying to any underlying Treasury Bonds which are the subject of *eTBs*, the terms and conditions of this Investor Information Statement shall be taken to modify the terms and conditions applying to those Treasury Bonds.

Security Type	A CHESS Depository Interest. A one unit holding of an <i>eTB</i> provides beneficial ownership of \$100 Face Value of the Treasury Bond over which it has been issued.
Depository Nominee	CHESS Depository Nominees Pty Ltd (ABN 75 071 346 506) has been appointed the Depository Nominee and holds title to the Treasury Bonds over which <i>eTBs</i> have been issued through the Austraclear System.
Registrar	Computershare Investor Services Pty Limited (ACN 078 279 277)
Currency	Australian dollars
Minimum investment amount	One unit. Holdings of <i>eTBs</i> may only be in whole units.
Coupon Interest Rate, Coupon Interest Payment Dates and Maturity Date	<p>The Coupon Interest Rate, Coupon Interest Payment Dates and Maturity Date are those applicable to the specific series of Treasury Bonds over which the <i>eTB</i> has been issued.</p> <p>Term Sheets containing these details for each specific series of Treasury Bonds can be downloaded at the Australian Government Bonds Website (www.australiangovernmentbonds.gov.au).</p>

Coupon Interest Payments	<p>Coupon Interest Payments on Treasury Bonds are made semi-annually at half the annual amount in arrears on each Coupon Interest Payment Date up to and including the Maturity Date. Coupon interest will cease to accrue on Treasury Bonds from the Maturity Date.</p> <p>The first Coupon Interest Payment will be for a full semi-annual period.</p> <p>If the Coupon Interest Payment Date is not a Business Day, payment will be made on the next Business Day without payment of additional interest.</p> <p>Coupon Interest Payments will be rounded to the nearest cent (0.5 cent being rounded up).</p>
Coupon Interest Entitlement and Ex-interest Settlement Date	<p><i>eTB</i> Holders registered at the Record Date (the close of business eight calendar days prior to the Coupon Interest Payment Date) will be entitled to the next Coupon Interest Payment. If this day is not a Business Day, the preceding Business Day is the Record Date.</p> <p>The ex-interest settlement period for <i>eTBs</i> is the period after the Record Date up to and including the next Coupon Interest Payment Date. Transactions settled during the ex-interest settlement period are not entitled to the next Coupon Interest Payment.</p> <p><u>Example 1:</u> The 6.00% 15 February 2017 Treasury Bond makes a Coupon Interest Payment on Friday 15 August 2013. The Record Date for this Coupon Interest Payment is Thursday 7 August 2013.</p> <p><u>Example 2:</u> The 4.75% 15 June 2016 Treasury Bond makes a Coupon Interest Payment on Monday 15 December 2014. The Record Date for this Coupon Interest Payment is Friday, 5 December 2014 (ten days prior to the Coupon Interest Payment Date, since the date eight days prior to the Coupon Interest Payment Date falls on a weekend).</p>
Title and Transfer	<p>Subject to the ASX Settlement Operating Rules. All transfers including off-market transfers must be processed through an ASX Settlement Participant.</p>
Fees	<p>Coupon Interest Payments and repayments at maturity will be made free of any fees, charges, deductions or levy of the Australian Government, except to the extent required by law.</p>
Stamp Duty	<p>Transfers of <i>eTBs</i> through CHESS will be free of stamp duty imposed by the Commonwealth and the Australian States and Territories.</p>
Taxation	<p>Assessable income derived by way of interest or capital gain in connection with <i>eTBs</i> will be liable to tax according to the provisions of the laws of the Commonwealth and the Australian States.</p> <p>The actual taxation consequences of acquiring, holding and disposing of <i>eTBs</i> will vary depending on the particular circumstances of the holder. Therefore a prospective holder of <i>eTBs</i> is encouraged to consult a professional tax adviser in relation to their specific circumstances.</p>

<p>Taxation</p> <p><i>(continued)</i></p>	<p><i>eTB</i> Holders are not required to advise the Registrar of their Tax File Number (TFN) or ABN. However, if the holder does not provide a TFN or ABN and does not claim an exemption from providing a TFN or ABN, the Registrar is required by law to withhold an amount from Coupon Interest Payments equal to the top marginal rate of income tax plus the Medicare levy.</p> <p>Coupon Interest Payments on <i>eTBs</i> are eligible for exemption from non-resident interest withholding tax provided the Treasury Bonds over which the <i>eTBs</i> have been issued satisfy the 'public offer test' under section 128F of the <i>Income Tax Assessment Act 1936</i>. Unless otherwise announced at the time of issue, the Commonwealth will seek to issue Treasury Bonds in a manner that satisfies the 'public offer test'.</p>
<p>Conversion and Exchange Change</p>	<p>Only designated market makers appointed by the ASX, or the Australian Government may apply for Treasury Bonds lodged in the Austraclear System to be converted to <i>eTBs</i> and for <i>eTBs</i> to be converted to Treasury Bonds in the Austraclear System.</p> <p>The Australian Government may at any time:</p> <ol style="list-style-type: none"> a. convert holdings of <i>eTBs</i> to the underlying Treasury Bonds directly registered in the Commonwealth Stock Register and make any arrangements it considers appropriate to make or allow that conversion to occur (Conversion); and b. make arrangements to allow for interests in Treasury Bonds equivalent to <i>eTBs</i> to be traded on an exchange other than ASX in addition to or in place of ASX (Exchange Change). <p>A Conversion or Exchange Change will take place on a date set by the Australian Government. The date will be at least three months after notice of the Conversion or Exchange Change is sent to <i>eTB</i> Holders.</p> <p>Each <i>eTB</i> Holder, for valuable consideration, irrevocably appoints each of AOFM and its officers (each an Authorised Person) severally to be the attorney of the <i>eTB</i> Holder and the agent of the <i>eTB</i> Holder with power in the name and on behalf of the <i>eTB</i> Holder to sign all documents and transfers, give all instructions to any person and do any other thing as may in the Authorised Person's opinion be necessary or desirable to be done in order to effect a Conversion or Exchange Change, and may delegate its power and authority to any other person appointed by it in writing.</p>
<p>Early repayment and purchase by Australian Government</p>	<p>The Australian Government does not have the right to repay <i>eTBs</i> or Treasury Bonds over which <i>eTBs</i> have been issued before the Maturity Date of the Treasury Bonds. However, the Australian Government may at any time offer to purchase <i>eTBs</i> from holders. Any <i>eTBs</i> purchased by the Australian Government may be held, resold or cancelled.</p>

<p>Payments</p>	<p>Coupon Interest Payments and repayment of the Face Value at maturity in respect of Treasury Bonds the subject of <i>eTBs</i> will be made by or on behalf of the Australian Government to <i>eTB</i> Holders.</p> <p>The Australian Government's preferred method of payment to all investors is by direct credit into an Australian dollar bank account with a financial institution in Australia. Australian, United States, Great Britain, New Zealand and Canadian resident investors must nominate a valid Australian bank account, otherwise payments will be withheld until such time as a valid account is provided. Payments to investors that reside outside the above-mentioned jurisdictions will be made by paper cheque where a valid account has not been provided. Investors are required to supply their payment instructions no later than the Record Date in order to receive their payment.</p> <p>If any date for payment is not a Business Day, payment will be postponed to the first following Business Day. No additional interest is payable in respect of any delay in payment.</p>
<p>Governing law</p>	<p><i>eTBs</i> are subject to the law in force in New South Wales. Treasury Bonds over which <i>eTBs</i> have been issued are subject to the law in force in the Australian Capital Territory.</p>
<p>Modifications and notices</p>	<p>The terms of <i>eTBs</i> and the underlying Treasury Bonds may be modified without the consent of <i>eTB</i> Holders as described in section 4.</p> <p>Notices by the Australian Government in respect of <i>eTBs</i> may be given by being sent in the post, published in a newspaper or by such other means as the Australian Government decides.</p>

SECTION 4

IMPORTANT NOTICES

Investor Information Statement

This document is an information statement for the purposes of Division 5C of Part 7.9 of the *Corporations Act 2001*.

A financial adviser or other regulated person (as defined in section 1011B of the *Corporations Act 2001*) who provides financial product advice (as that term is defined in the *Corporations Act 2001*) that consists of, or includes, a recommendation that a person (the client) acquire an *eTB* must provide a copy of the current information statement for that *eTB* and the Term Sheet for the relevant Treasury Bond to the client before, or at the time of giving the advice. The current version of this document and Term Sheets for Treasury Bonds can be obtained at www.australiangovernmentbonds.gov.au.

Currency of information

The information in this Investor Information Statement is correct as at the date of the cover page. The distribution of this Investor Information Statement or any offer or issue of *eTBs* after that date does not imply that there has been no change since that date in the affairs or financial conditions of the Australian Government or any other person or entity or that the information is correct any time after that date.

Privacy

The Australian Office of Financial Management and the Registrar collect and hold personal information about *eTB* Holders for the purposes of administering *eTBs*. Holders may request access to any personal information held about them by contacting the Registrar and may also request correction of any personal information held about them.

Use of Investor Information Statement

This Investor Information Statement is intended for use only in connection with the offer of *eTBs* in Australia and must not be sent to any person outside Australia in any jurisdiction in circumstances in which the offer of *eTBs* or use of this Investor Information Statement would be unlawful.

Modification of Investor Information Statement

The Australian Government may without the consent of *eTB* Holders or holders of the underlying Treasury Bonds modify any of the conditions or provisions of the Investor Information Statement or Information Memorandum in respect of the underlying Treasury Bonds which (a) in its opinion is of a formal, minor or technical nature or is made to correct a manifest error or (b) which (i) is made to comply with mandatory provisions of law or (ii) any other modification provided that (in each of (i) and (ii)) such modification is not in the opinion of the Australian Government materially prejudicial to the interests of *eTB* Holders or holders of the underlying Treasury Bonds.

Authorised material

Only information in this Investor Information Statement or as otherwise authorised in writing by the Australian Government may be relied on as having been authorised by or on behalf of the Australian Government.

No investment advice

This Investor Information Statement does not provide financial product or investment advice and does not take into account any particular needs of an individual investor. A prospective investor in *eTBs* should read all the information in this Investor Information Statement carefully and consider the risks that could affect the performance of *eTBs* before deciding whether to invest in *eTBs*.

eTBs are a type of fixed income product and a prospective investor who does not understand the concepts and risks discussed in this Investor Information Statement should consult a licensed financial adviser or other professional adviser.

Defined words and expressions

Some words and expressions in this Investor Information Statement are capitalised as they have defined meanings. The glossary on pages 14 and 15 of this Investor Information Statement contains the definitions of capitalised words and expressions.

GLOSSARY

The following definitions apply throughout this document unless the context requires otherwise:

“**ABN**” means Australian Business Number.

“**ASX**” means ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires.

“**ASX Settlement**” means ASX Settlement Pty Limited (ABN 49 008 504 532).

“**ASX Settlement Operating Rules**” means the operating rules of ASX Settlement.

“**Austraclear System**” means the system for the clearance and settlement of debt securities operated by Austraclear Limited (an ASX subsidiary).

“**Australian Government Bonds Website**” means the website located at www.australiangovernmentbonds.gov.au.

“**Australian Office of Financial Management (or AOFM)**” means the Australian Government agency with responsibility for management and administration of Australian Government debt.

“**Business Day**” means a day not being a Saturday or Sunday on which banks are open for general banking business in Sydney.

“**CHESS**” means the Clearing House Electronic Subregister System operated by ASX Settlement and another ASX subsidiary.

“**CDI**” means a CHESS Depository Interest issued under the ASX Settlement Rules.

“**Commonwealth**” means Commonwealth of Australia.

“**Coupon Interest Payments**” means, for Treasury Bonds, the payments paid or due to be paid on the Coupon Interest Payment Date.

“**Coupon Interest Payment Date**” means a date, as specified on the Australian Government Bonds Website, on which a Coupon Interest Payment is due to be made in respect of a specific series of Treasury Bonds and includes the Maturity Date.

“**Coupon Interest Rate**” means the interest rate (expressed as a percentage per annum), as specified on the Australian Government Bonds Website, payable in respect of a specific series of Treasury Bonds.

“**Depository Nominee**” means the entity appointed under the ASX Settlement Operating Rules to hold beneficial title to Treasury Bonds that are, or are to be, held in the form of *eTBs*. CHESS Depository Nominees Pty Ltd (ABN 75 071 346 506) has been appointed the Depository Nominee for *eTBs*.

“**Dollars**” and “**\$**” means the lawful currency of Australia.

“**eTB**” means *Exchange-traded Treasury Bond* or a CDI issued over Treasury Bonds.

“eTB Holder” means in respect of any *eTB*, the person whose name from time to time is entered into the Register as the holder of that *eTB*.

“Face Value” means the principal or par value of a Treasury Bond on which Coupon Interest Payments are calculated.

“Maturity Date” means the date on which a Treasury Bond is to be repaid.

“Record Date” means the close of business on the eighth day before the relevant Coupon Interest Payment Date or Maturity Date or, if this is not a Business Day, the preceding Business Day.

“Register” means the *eTB* register and “registered” has a corresponding meaning.

“Registrar” means Computershare Investor Services Pty Limited (ACN 078 279 277) or such other person appointed by the Commonwealth to maintain a register in respect of *eTBs* and perform such payment and other duties specified in that agreement.

“Term Sheet” means an information statement, which can be obtained at the Australian Government Bonds Website, which contains details of the Coupon Interest Rate, Coupon Interest Payment Dates, Maturity Date and other information for a specific series of Treasury Bonds.

