PRODUCT DISCLOSURE STATEMENT

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ABOUT THIS PRODUCT DISCLOSURE STATEMENT | EIGHTCAP PTY LTD

This ***Product Disclosure Statement*** ("**PDS**") is dated 15th of January of 2017 and has been prepared and issued by ***EightCap Pty Ltd*** ("**EightCap**", "**we**" or "**us**") to help clients decide whether dealing in ***Margin Foreign Exchange*** ("**Margin FX**"), ***Contracts for Differences*** ("**CFDs**") and any other margin trading products offered by us is appropriate for your financial objectives, situation or needs. It has not been prepared to take into consideration your current financial needs or objectives. **The information contained in this PDS does not constitute a recommendation, advice or opinion, and does not take into account your individual objectives, financial situation, needs or circumstances – it is general information only**.

Terms used in this document have defined meanings – you should refer to *'Interpretation'* in the last section of this document.

Margin FX and CFDs are speculative products which are highly leveraged and carry significantly greater risks on your initial investment than non-geared investments, such as conventional share trading. You should not invest in Margin FX and CFD products unless you properly understand the nature of Margin FX and CFD products, and are comfortable with the attendant risks. We strongly recommend you obtain independent financial, legal, taxation and other professional advice prior to applying to open an account with us or entering into a transaction with us to ensure this is appropriate or suitable for your particular financial objectives, needs and circumstances. The prices of the underlying instruments, securities or currencies may fluctuate rapidly and widely because of events or conditions which may not be foreseeable and cannot be controlled.

Please note that no aspect of the products have been endorsed or approved by the ***Australian Securities and Investments Commission*** ("**ASIC**") or any party or market referred to in this PDS. It has not been lodged with ASIC and is not required under the ***Corporations Act*** to be lodged with ASIC – ASIC takes no responsibility for the contents of this PDS. Further note that nothing in this PDS should be considered as a recommendation to trade in Margin FX, CFDs or any particular product in any way. It is an important document and should be read in its entirety before entering into a financial product with us.

EightCap does not guarantee the investment performance of Margin FX and CFD products or the investment performance of the underlying markets or instruments. Past performance is no indication or guarantee of future performance.

Use of Examples

Examples in this PDS are provided for illustrative purposes only and do not necessarily reflect our actions or determinations, or an investor's personal circumstances.

Electronic Version of this PDS

This PDS is available electronically on the internet at *www.eightcap.com*. Any person requesting this documentation in paper copy format will be sent a full set of documentation that includes our ***Financial Services Guide*** ("**FSG**"), ***Client Agreement***, and an account application form from EightCap.

Updated Information

All clients shall be bound by the information in this PDS. Information which is not materially adverse to investors may be subject to change from time to time and will be updated on our website. If you require a paper copy of any updated information, please contact us. Please note that we may also issue a supplementary or replacement PDS as a result of certain changes which will be available on our website free of charge, or distributed in electronic format as required.

Restrictions on the Distribution of this PDS

The distribution of this PDS (electronically or otherwise) in any jurisdiction outside Australia may be restricted by law. Any person who comes into possession of this PDS should seek advice on, and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable law.

Treatment of Overseas Applicants

This PDS is not intended to, and does not constitute an offer or invitation, or recommendation to trade Margin FX and CFDs in any place outside Australia where, or to any person to whom, the making of such offer would be unlawful under the laws of that jurisdiction. The offer to which this PDS relates is available to persons receiving the PDS (electronically or otherwise) in Australia, who are Australian residents and provide an Australian address for service when making their application – application forms which do not specify an Australian address for service (or which are accompanied by payment drawn from a foreign bank account) may be rejected and returned.

Trading Account Applications

If you wish to apply for a Margin FX or a CFD's trading account, you must complete and return the account application form agreeing to be bound by the information held in this PDS. Where this PDS is made available on the internet, you must print a copy of the application form and complete and return it, or complete the online form agreeing to the information held in this PDS.

Products Covered in this PDS

This is a PDS for Margin FX and CFD products provided by EightCap. Note these are ***over-the-counter*** ("**OTC**") contracts.

Foreign Exchange is essentially exchanging one currency for another. The exchange rate is the price of one currency in terms of another currency such as the price of the ***Australian Dollar*** ("**AUD**") in terms of the ***United States Dollar*** ("**USD**"). For example, if the current exchange rate for the AUD as against the USD is AUD/USD 0.7000, this means that 1 AUD is equal to, or can be exchanged for, 0.7000 USD or 70 US cents.

A *CFD* is an agreement by which you can make a profit or loss from changes in the market price of the underlying product of a CFD without actually owning that financial product or having any indirect interest in the financial product. Because the value of a CFD is (in part) derived from the value of the underlying product, a CFD is a derivative product.

Please note that our products do not result in the physical delivery of the currency or the underlying, including some products which are deemed to be foreign exchange or commodity contracts. Furthermore, all of the foreign exchange or CFD products are *cash adjusted* or closed out by the client – there is not a physical exchange of one product for another.

Call Recordings

Please note that your call may be recorded for training and monitoring purposes.

Any advice provided to you by our representative is *general advice* only, and does not take into account your objectives, financial situation or needs.

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1 | ABOUT US AND HOW TO CONTACT US

1.1. About Us

EightCap Pty Ltd is a company incorporated and registered in Australia (**ABN 73 139 495 944**). We hold an ***Australian Financial Services Licence*** ("**AFSL**") number **391441** and are regulated by ASIC.

1.2. How to Contact Us

Address: **EightCap Pty Ltd**
Level 11, 356 Collins St
Melbourne, VIC 3000, Australia

Telephone: **(03) 8373 4800**

Email: ***customerservice@eightcap.com***

Website: ***www.eightcap.com***

2 | TERMS AND CONDITIONS

Information provided to you in our FSG and PDS is ***important*** and is ***binding*** on you.

Additional legal terms governing our relationship are detailed in the ***Client Agreement***. If you are applying online, you must complete the application form in its entirety and then electronically submit the application to us for processing. If you complete a hardcopy application form, you must complete the application in its entirety, sign and return the application form via email, fax or post, and then have your application approved by us.

Please note that EightCap reserves the right to refuse to open a Margin FX or CFD trading account for any person. We also reserve the right to suspend or terminate your trades at any point in time without notice. We may take any action we deem reasonable to recoup losses incurred as a result of ***'toxic trading'*** with the use of electronic algorithmic trading systems or any other means utilised to exploit technical deficiencies or palpable errors.

EightCap does not guarantee the performance, return of capital from, or any particular rate of return, of a Margin FX or CFD product or transaction. Clients may lose more than the amount of funds in their trading account, and should only invest ***'risk capital'*** (that is, capital you can afford to lose). Please note that the historical financial performance of any Margin FX, CFD or underlying instrument/market is no guarantee or indicator of future performance.

Please also note that the examples provided in this PDS are for illustrative purposes only and do not necessarily reflect current or future market or product movements, the values that EightCap will apply to a trade, nor how such trades impact your personal circumstances. The figures used in the examples do not necessarily reflect your personal circumstances and do not restrict in any manner or the way in which we may exercise our powers or discretions. Those examples do not constitute general or personal financial product advice to any person reading this PDS.

EightCap accepts Margin FX and CFDs' order instructions primarily via the electronic online trading platform and will also accept order instructions via the telephone.

You are required to access the electronic trading platform on a daily basis to confirm that any order instructions have in fact been received by us, reconfirm all orders that you place with us, review order confirmations we provide, to ensure their accuracy and monitor your margin obligations. Any order discrepancies identified must be reported to us immediately.

EightCap will provide all clients, via the electronic trading platform or the website, with access to both daily and historical account statements allowing you to check your open positions, margin requirements and cash balances, and trading confirmations. Should you have any queries relating to your statements please do not hesitate to contact us.

3 | ADVICE

EightCap is authorised to buy and sell Margin FX and CFD products and to give advice in relation thereto.

It should be noted that we only provide you with *general advice* which does not take into account your particular needs, objectives and circumstances – no personal advice will be provided to any client under any circumstances.

This PDS does not take into account your investment objectives, financial situation or needs. Accordingly, nothing in this PDS should be construed as a recommendation by us or any other person to invest in Margin FX contracts and CFDs, or any other financial products. You are solely responsible for the selection of the currency pair for any Margin FX contract or CFD you transact with us. We make no representation about the performance of any currency or CFD. The performance of the Margin FX or CFD will depend on the investment decisions made by you.

4 | SUMMARY TABLE

Below you will find the summary of the key features and characteristics involved in dealing in our Margin FX contracts or CFDs.

ISSUE	SUMMARY
Who is the issuer of this PDS and the Margin FX contracts and CFDs?	EightCap is both the issuer of this PDS and the provider of Margin FX contracts and CFDs.
What financial products does EightCap provide?	Margin FX and CFDs.
What is a *'foreign exchange transaction'*?	*Foreign exchange* is about exchanging one currency for another. In a foreign exchange transaction, one currency can be bought or sold in exchange for another currency.
What is a *'Margin FX contract'*?	A *Margin FX contract* is an agreement under which you may make a profit or incur a loss arising from fluctuations in the price of the contract. The prices of our Margin FX contracts are based on the price of an underlying currency. It should be noted however that you do not own that underlying instrument or trade it on an exchange by owning a Margin FX contract. By entering into a Margin FX contract, you are either entitled to be paid an amount of money or required to pay an amount of money, depending on movements in the price of the contract. The amount of any profit or loss made on a Margin FX contract will be the *net* of: • the difference between the price of the contract when the position is opened and the price of the contract when the position is closed; • any margin adjustments made in respect of the contract; and • any swap charges or benefits relating to the contract Please note that the balance in your trading account will also be affected by other amounts you must pay to us in respect of your account, such as interest on Debit balances.
What are *'CFDs'*?	*Contracts for Differences or CFDs* are essentially agreements which allow you to make a profit or incur a loss arising from fluctuations in the price of the CFDs. The prices of our CFDs are based on the price of an underlying instrument for example a share on an exchange. It should be noted that clients do not own that underlying instrument or trade it on an exchange by owning a CFD. By entering into a CFD, you are either entitled to be paid an amount of money or required to pay an amount of money, depending on movements in the price of the CFD. The amount of any profit or loss made on a CFD will be the *net* of:

	➨ the difference between the price of the CFD when the position is opened and the price of the CFD when the position is closed; ➨ any adjustments made in respect of the CFD; and ➨ any rollover and financing charges or benefits relating to the CFD Please note that the balance in your trading account will also be affected by other amounts you must pay to us in respect of your account, such as exchange fees and interest on Debit balances.
What is a *'position'*?	A *position* is a Margin FX contract or CFD entered into by you under the Client Agreement.
A Margin FX contract or CFD is issued *'over-the-counter'*. What does this mean?	*Over-the-counter* or *OTC* means that you do not trade in Margin FX contracts or CFDs through an exchange or market; rather, it is a transaction between you and EightCap. This means you can only enter into transactions in relation to our products with us. You do not have the protection normally associated with trading on a regulated market. It is not possible to close a Margin FX or CFD contract by giving instructions to another provider, broker or Australian financial services licensee.
What charges are payable when dealing in Margin FX contracts or CFDs?	The common fees and charges you will incur when dealing in Margin FX contracts or CFDs may incorporate any or all of the following: ▸ payment of margins; ▸ international transfer fees; ▸ margin adjustments or financing charges; ▸ currency conversion calculation fees; ▸ swap or rollover charges or credits at the applicable swap or rollover rates; ▸ interest charges applied to Debit balances in your account; ▸ administration charges; ▸ mark to market payments; ▸ spreads; ▸ default interests; ▸ variation of fees and costs; ▸ interest on account balances; and ▸ other fees and costs In addition, we will apply a bid/offer spread in respect of our financial products which will also affect the profits or losses you make when dealing in these contracts.
How do I open a trading account with EightCap?	To successfully open a trading account with EightCap, clients must read this PDS, the FSG, our Client Agreement as well as our Terms and Conditions and then complete an application form. Clients can obtain these documents by: ➨ telephoning us on +61 3 8373 4800; or ➨ going to our website and complete the online application form
What is the minimum balance to open an account?	The standard minimum opening account balance is ***$100*** or your trading account currency equivalent. Unless otherwise specified, all dollar amounts referred to in this PDS are denominated in Australian Dollars.
How do you deal in Margin FX or CFDs with us?	You may place orders to deal in Margin FX contracts or CFDs in two ways: ➨ by telephoning us on +61 3 8373 4800; or ➨ via our electronic online trading platform which you can access using your computer or mobile platforms Please note that we will not accept orders or instructions from you through any other means, such as email, unless we have previously agreed with you to do so. Furthermore, it is also possible for a third party to place orders on your behalf provided that a written *Power of Attorney* or similar authority has been received and accepted by us.
What are *'long'* and *'short'* positions?	Essentially, you go *long* when you buy a Margin FX contract or CFD, or place an order to open a position in the expectation that the price of the underlying instrument will increase, which would have the effect that the position price will increase. On the other hand, you go *short* when you sell a Margin FX contract or CFD, or place an order to open a position in the expectation that the price of the underlying instrument will decline, which would have the effect that the position price will decline. If this occurs, because you have sold a Margin FX contract or CFD (rather than bought a Margin FX contract or CFD), you would make a profit if you close the position at this point, subject to our fees and charges.

How do I *'close out'* a position?	You may *close* a position in a Margin FX contract or CFD by taking an equal and opposite position with us either by *single position closing* or *opposite position closing*.
How does EightCap deal with client's money?	Money which you deposit with us will be regulated in accordance with the requirements of the *Corporations Act*.
What is my *'total equity'*?	Your *total equity* is the aggregate of: ➨ the current cash balance in your account; and ➨ your current unrealised profits and losses
What is my *'free equity'*?	Your *free equity* is your total equity *less* your current total margin requirement – it is the amount that you may withdraw from your account or use to cover additional margin requirements.
What is *'Margin'*?	*Margin* is essentially the amount of money that you must have in your account to enter into a Margin FX contract or CFD with us. The level of margin required to open and maintain these contracts is called the ***'initial margin requirement'***. The sum of your margin requirements for all of your open positions is called the ***'total margin requirement'***. Margin requirements will fluctuate with the value of the underlying instrument on which the contract is based. Further, where you deal in a contract that is denominated in a currency other than the base currency of your account, your margin requirement may also be affected by fluctuations in the relevant foreign exchange rate.
What is a *'Margin Call'*?	A *margin call* is a demand for additional funds to be deposited into your account to meet your total margin requirement because of adverse price movements on your open positions.
How are payments made in and out of my trading account?	Funds can be deposited into your account using *electronic bank transfer* or *credit/debit card*. Please keep in mind that all funds must be *cleared funds* in your account before they are treated as satisfying a margin call or can be made available for you to use in dealing in Margin FX contracts or CFDs. We will pay you through electronic transfer or cheque.
Do I receive interest on moneys held in my account or pay interest on moneys I owe?	**We do not pay interest on credit balances** on your account. We will, however, charge interest on any Debit balances on your account. Any amounts of interest payable to us will be deducted from any amounts payable to you.
Do I pay any *'financing'*, *'swap'* or *'rollover'* charges?	You may be required to pay a *financing* or *swap* or *rollover charge* on long positions that remain open overnight. However, you should note that on occasions when you have long positions in Margin FX contracts or CFDs you may in fact receive swap or rollover benefits.
Do I receive any *'financing'*, *'swap'* or *'rollover'* benefits?	You may receive a *financing* or *swap* or *rollover benefit* on short positions that remain open overnight. However, you should note that on occasions when you have short positions in Margin FX contracts or CFDs you may in fact pay swap or rollover charges.
What are the key benefits of trading Margin FX and CFDs?	Some of the key benefits of trading Margin FX and CFDs are set out in Section 5 and 6 respectively in this PDS.
What are the risks of trading Margin FX and CFDs?	***Margin FX and CFDs are derivative products that are speculative, highly leveraged, and carry significantly greater risk than non-geared investments such as conventional share trading***. Clients may incur losses to the extent of their total exposure to EightCap and any additional fees and charged that apply. These losses may be far greater than the money that you have deposited into your account or are required to deposit to satisfy margin requirements. Clients should obtain their own independent financial, legal, taxation and other professional advice as to whether Margin FX and CFDs are an appropriate investment for them.
What procedures are in place to deal with client's complaints?	We provide a complaints handling and dispute resolution process for our clients and we are a member of the ***Financial Ombudsman Scheme*** ("**FOS**"), an external complaints resolution body.
What are the taxation implications of entering into a Margin FX contract or CFD?	The taxation consequences of Margin FX and CFD transactions depend on your personal circumstances. They can be quite complex and will differ for each individual's financial circumstances. We strongly recommend that you obtain independent taxation and accounting advice in relation to the impact of Margin FX and CFD transactions and products on your particular financial situation.

What is EightCap's trading and office hours?	Our trading hours will depend on the relevant underlying instrument market hours of operation – this is normally set out on our website. Our office hours are 24 hours from Monday to Friday, subject to public holidays.
What if I need further information?	For further information, we suggest that you speak to your financial advisor or alternatively, you can contact us by phone, email or live chat via our website.
What additional fees and charges are payable in respect of a Margin FX contract or CFD?	Whilst we endeavour to include all fees and charges in the spread quoted, in some circumstances you may incur fees and charges which are set out in Section 10 in this PDS.

5 | MARGIN FOREIGN EXCHANGE

5.1. Margin FX Explained

Margin FX transactions are *over-the-counter* derivatives. It generally refers to trading in foreign exchange products (currency) in the spot (cash) markets.

Margin FX products can be differentiated from foreign currency as they allow investors an opportunity to trade foreign exchange on a margined basis as opposed to paying for the full value of the currency. In other words, investors are required to lodge funds as ***security*** ("**Initial Margins**") and to cover ***all net debit adverse market movement*** ("**Variation Margins**"). For example, positions are monitored on a *mark-to-market* basis to account for any market movements. When clients are making a loss to an extent that they no longer meet the margin requirements, they are required to *'top up'* their accounts or to *'close out'* their positions. It is essentially about exchanging one currency for another at an agreed rate.

Accordingly, in every exchange rate quotation, there are two currencies.

The exchange rate is the price of one currency (the "**Base Currency**") in terms of another currency (the "**Term Currency**"), such as the price of the AUD in terms of the USD.

Margin FX contracts allow you to gain exposure to movements in currency rates. When opening a Margin FX contract, we will quote a bid and offer price for an exchange rate. For example, we might quote the AUD against the USD as 0.7999/0.8001. If you thought the AUD was going to rise against the USD, you would *buy* the Margin FX contract at 0.8001. However, if you thought the AUD was going to fall against the USD you'd then *sell* the Margin FX contract at 0.7999 – you can close your position in the same way.

Margin FX contracts do not require the physical exchange of one currency for another. Margin FX contracts will always be *cash settled* and the Margin FX account either *credited* or *debited* according to the profit or loss of the trade.

Margin FX contracts provide an alternative short to medium term trading strategy giving you many of the benefits of trading foreign exchange without having to physically hold the currencies. Investors who trade in Margin FX contracts do so for a variety of reasons, two of which are:

- ***Speculation*** – an attempt to profit from fluctuations in the price of the base currency against the term currency; and
- ***Hedging*** – an attempt to counteract the risk of currencies moving against you.

Please note that EightCap only offers *Spot Margin FX* contracts. A spot Margin FX contract is an agreement under which you will either buy or sell a Margin FX contract at a fixed price where the *value date* (being the date that both parties agree to exchange payments) is *within two (2) business days* after the date of opening the Margin FX contract.

While holding a position overnight, your account is *debited* or *credited* using the applicable ***overnight tom-next rate*** (swap charge or swap credit).

The Margin FX contract is a contract between you and us, which means both parties act as principals to the transaction and have a direct credit exposure to each other. You do not trade through an exchange and are not afforded the protection normally associated with exchange-traded derivatives, such as guarantee arrangements.

5.2. How the Exchange Rate is calculated

We cannot predict future exchange rates and our quotations are not a forecast of where we believe a foreign currency rate will be at a future date.

The decision to transact at a particular exchange rate will generally be the client's decision. However, for example, we may close out a client's open position if the client fails to meet the margin requirements. In this situation, the decision to transact at a particular exchange rate would be at EightCap's discretion. The price to be paid or received for Margin FX products offered by us, at the time the product is purchased or sold, will be based on the price we are quoted from our hedging counterparties which is a complex calculation based on estimates of market prices and the expected level of interest rates, implied volatilities and other market conditions during the life of the Margin FX product.

5.3. Profit and Loss Calculation

The profit or loss from a Margin FX transaction is calculated by keeping the units of one of the currencies *constant* – the base currency – and determining the difference in the number of units of the other currency – the term currency.

The profit or loss will be expressed in the units of the currency which is not kept constant.

5.4. Leverage

With a Margin FX contract, you are only required to provide a margin in order to secure an exposure to the base currency – the subject of the Margin FX contract. You are not required to provide the amount of the term currency to which the Margin FX contract relates.

Below is an example of how leveraging can work for clients (assuming that the Margin FX contract is not rolled over to a new value date). It compares a long Margin FX contract for the purchase of USD 100,000 with ***Japanese Yen*** ("**JPY**") with the actual purchase of USD for JPY through a foreign exchange dealer.

	Long Margin FX Contract	Physical FX Dealer Trade
Amount of USD (base currency)	100,000	100,000
Buy Price in JPY (term currency)	84.5	84.5
Margin Requirement (assumed to be 1%/purchase price payable)	84,500	8,450,000
Total Outlay	84,500	8,450,000
Sell Price	84.53	84.53
Gross Profit/Loss	3,000	3,000
GST	-	-
Net Profit/Loss	3,000	3,000
Return on Investment	3.550%	0.036%

(*) Please note that leveraging has the effect of magnifying any profits but also magnifies any losses and consequently carries significantly high risk. The above example is for illustrative purposes only – it assumes the Margin FX contract was opened and closed out on the same day and therefore does not show the effect of a mark-to-market payment or a swap charge. It also does not take into account the effect of spread or the currency conversion calculation fee.

5.5. Benefits of Trading Margin FX Contracts

Margin FX contracts can provide important risk management tools for those who manage foreign currency exposures.

We offer clients the ability to buy and sell foreign currency using Margin FX contracts. This enables you to protect yourself against adverse currency market swings. Essentially, the significant benefits of trading Margin FX contracts offered by us as a risk management tool are to protect your exchange rate and provide cash flow certainty. The other benefits are as follows:

- ***Protect an exchange rate***
  EightCap provides an electronic online trading platform to enable clients to deal in Margin FX contracts over the internet. This facility provides clients with direct access to the system to enable them to buy and sell currency rates to protect themselves against adverse market swings. We also offer clients a way of managing volatility by using ***'stop-loss orders'*** that enable clients to protect themselves against adverse market swings yet secure enhanced market rates when offered – clients can eliminate downside risk by the use of *stop orders* if the exchange rate reaches a particular level. In addition, clients may also use *limit orders* which allow clients the opportunity to benefit from favourable upside market movements.

  Stop Orders can be used by placing instructions with us to open or close out a Margin FX contract if the price of a base currency (against the term currency) reaches a pre-determined level. These are often used to attempt to limit the amount which can be lost on a Margin FX contract.

  Limit Orders can be used by placing instructions with us to open or close out a Margin FX contract where the relevant base currency (against the term currency) reaches a specified price or better.

  Please be noted however that limit orders and stop orders are not guaranteed and the execution of such orders will depend on market volatility and liquidity.
- ***Trade in small amounts***
  Our trading system enables you to make transactions in small amounts. Clients can start using EightCap even with an opening balance as little as AUD 500. When dealing in a Margin FX contract offered by us, clients can deposit the sum that suits them, or the amount which is more in line with the amount they are willing to risk – in other words, you are in full control of your funds. We allow trading with as little as $2 margin requirements.
- ***Access to markets in real-time***
  EightCap lets you gain access to a trading system that is active and provides you with the opportunity to trade in real-time on any global FX market which is open for trading. This gives you a unique opportunity to react instantly to breaking news that is affecting the markets. It should be noted however, that trading in the various currency crosses may be restricted to hours where liquidity is available for any given currency cross.
- ***Profit potential in falling markets***
  Since the market is constantly moving, there are always trading opportunities, whether a currency is strengthening or weakening in relation to another currency. When you trade currencies, they literally work against each other. If you think one currency will weaken relative to another, you would ideally sell it and then later, if your view has proven to be correct, buy it back at a lower price and take your profits.
- ***Liquid markets***
  The FX market is so liquid that there are always buyers and sellers to trade with. The liquidity of this market, particularly with respect to that of the major currencies, helps ensure price stability and low spreads. The liquidity comes mainly from large and smaller banks that provide liquidity to investors, companies, institutions and other currency market traders.
- ***Real-time streaming quotes and tradable prices***
  Our market execution system uses the latest, highly sophisticated technologies in order to offer you *up-to-the-minute* quotes. You may check your account(s) and positions in real-time and you may do so 24 hours a day on any global market which is open for trading and make a trade based on real-time information. Subject to satisfying the execution limits, all orders are automatically accepted without intervention from us. The execution limits are set out on our website or are available by calling us. Please note that the execution limits are subject to change at any time.

5.6. Risks of Trading Margin FX Contracts

Trading in Margin FX contracts carries a high level of risk and returns are volatile. We strongly recommend that you obtain independent professional advice and carefully consider whether Margin FX contracts are appropriate for you in light of your financial needs and circumstances. Trading in Margin

FX contracts should not be undertaken unless you understand and are comfortable with the risks of geared investments.

This section does not detail all risks applicable to Margin FX contracts but rather seeks to highlight the key significant risks involved in trading in Margin FX contracts.

5.6.1. Derivatives Risk

The risk of loss in trading derivatives can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. In considering whether to trade, you should be aware of the following:

- You could sustain a total loss greater than the amount that you deposit with us to establish or maintain a contract.
- If the derivatives market moves against your position, you may be required to immediately deposit additional funds as additional margin in order to maintain your position – note these additional funds may be substantial. If you fail to provide these additional funds, we may close out your open positions as a result and you will also be liable for any shortfall resulting from that closure.
- Under certain market conditions, it could become difficult or impossible for you to manage the risk of open positions by entering into opposite positions in another contract or close out existing positions.
- Under certain market conditions, the prices of contracts may not maintain their usual relationship with the underlying foreign currency market.
- The Margin FX contracts offered by us involve risk. However, the placing of *contingent orders* such as a stop order will potentially limit your loss. A stop order will be executed at or near the exchange rate requested by the client but is not guaranteed at the exact level. Accordingly, stop orders may not limit your losses to the exact amounts specified. A contract of this nature will be executed as soon as the exchange rate is identical to the order given by you. Stop orders are offered at our discretion and we make no guarantee that these orders will be available at all times or at all price levels.

5.6.2. Leverage

A high degree of leverage is obtainable in trading Margin FX contracts because of the small margin requirements which can work against you as well as for you. The use of leverage can lead to large losses as well as large gains. The impact of leverage is that even a slight fluctuation in the market could mean substantial gains when these fluctuations are in your favour, but that could also mean considerable losses if the fluctuations are to your detriment.

Below is an example of how leveraging can work against you (assuming that the Margin FX contract is not rolled over to a new value date). It compares a long Margin FX contract for the purchase of USD 100,000 with JPY with the actual purchase of USD for JPY through a foreign exchange dealer.

	Long Margin FX Contract	Physical FX Dealer Trade
Amount of USD (base currency)	100,000	100,000
Buy Price in JPY (term currency)	84.5	84.5
Margin Requirement (assumed to be 1%/purchase price payable)	84,500	8,450,000
Total Outlay	84,500	8,450,000
Sell Price	84.47	84.47
Gross Profit/Loss	(3,000)	(3,000)
GST	-	-
Net Profit/Loss	(3,000)	(3,000)
Return on Investment	-3.550%	-0.036%

(*) Please note that the above example is for illustrative purposes only – it assumes the Margin FX contract was opened and closed out on the same day and therefore does not show the effect of a mark-to-market payment or a swap charge. It also does not take into account the effect of spread or the currency conversion calculation fee.

5.6.3. Our Risk/Counterparty Risk

Since we act as an agent, you will have an exposure to our counterparties in relation to each contract as is common to all OTC financial market products.

You are therefore exposed to the financial and business risks, including credit risk, associated in dealing with us and our counterparties and reliant on our ability to meet our counterparty obligations to you to settle the relevant contract. Our ability to fulfil our obligations is linked to our financial wellbeing, which is commonly referred to as ***credit*** or ***counterparty risk***. You must make your own assessment of our ability to meet our obligations. We have not been rated by an external credit rating agency. If we were to become insolvent, we may be unable to meet our obligations to you. We may also become unable to operate our Margin FX market as a result of a regulatory impediment. For example, we cease to hold an AFSL or because ASIC imposes a stop order on the PDS issued by us.

Please note that we may enter into arrangements with third party execution and clearing providers for the facilitation of transactions and settlements, and avails monies received for margin calls and settlements to such providers for this purpose. Accordingly, clients are indirectly exposed to the financial risks of our counterparties and organisations with which we hold clients' funds. If our financial condition or assets of our counterparties or the parties with which we hold clients' assets deteriorate, then clients could suffer loss because the return of the client capital could become difficult.

You are reliant on our ability to meet our counterparty obligations to you to settle the relevant contract. We may choose to limit this exposure by entering into opposite transactions as principal in the wholesale market in relation to our exposures with clients. In addition, we must comply with the financial requirements imposed under our AFSL.

5.6.4. ASIC Benchmark – Counterparty Risk

We have a Counterparty Risk policy which includes carefully selecting hedging counterparties. Before engaging additional liquidity provider counterparties, EightCap will conduct due diligence. Prospective counterparties are subject to a review which addresses all pertinent factors such as: (a) legal power of counterparty to enter into the contract; (b) sufficient or enforceable legal documentation; (c) compliance with regulatory requirements; and (d) management and security of documents.

One factor in our selection of hedging counterparties is whether it is of sufficient financial standing. Criteria taken into account by EightCap when determining financial standing are as follows:

- whether the counterparty is appropriately licensed and regulated by an independent body in the relevant jurisdiction;
- whether the counterparty has strong financial and compliance (including risk management) resources;
- whether the counterparty has been independently rated by a rating's house (for example Standard & Poor's); and
- whether the counterparty has a proven track record in relation to OTC products

Essentially, the hedging counterparty must meet at least 3 out of the 4 criteria listed above and all other due diligence processes must have been undertaken.

EightCap's counterparty due diligence processes include:

- the due-diligence process to the *'Know Your Customer'* obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act);
- up-to-date company financials;
- EightCap's exposure limits reflecting a mix of economic and financial indicators;
- non-financial indicators such as management quality, business strategy; reputational risk and any evidence from prior business relationships

EightCap also recognises that it is essential to have an ongoing understanding of the health of our counterparties at all times. As such, to ensure ongoing sufficient financial standing, EightCap undertakes proactive measures, including annual due diligence on all existing counterparties.

Our key hedging counterparties are ***ADS Securities L.L.C.*** (licensed by the *Central Bank of the United Arab Emirates*), ***CFH Clearing Limited*** (authorised and regulated by the *Financial Conduct Authority in the United Kingdom*) and GO Markets Pty Ltd (authorised and regulated by ASIC in Australia). We can provide a copy of our hedging policy to clients and prospective clients free of charge upon request.

You should note that this policy is updated regularly. We may appoint new counterparties, or change our counterparties, from time to time.

We also have a written policy relating to maintaining adequate financial resources. This policy sets out how we monitor compliance with our financial requirements, as well as how we conduct stress testing to ensure we hold sufficient liquid funds to withstand significant adverse market movements. You can obtain a summary of our latest financial statements by contacting us via the details provided in this PDS.

5.6.5. Market Volatility

Foreign exchange currency markets are subject to many influences which may result in rapid currency fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility. Given the potential levels of volatility in the foreign exchange markets, it is therefore recommended that you closely monitor your positions with us at all times. Foreign exchange currency markets are highly volatile and are very difficult to predict. Due to such volatility, in addition to the spread that we add to all calculations and quotes, no such Margin FX contract offered by us, or any other financial services provider, may be considered as a *safe trade*.

All derivatives involve risk and there is no trading strategy that can eliminate it – you could lose all of the initial margin that you deposit to establish or maintain a Margin FX position.

In cases where you are speculating, we suggest that you do not risk more capital than you can afford to lose. A good general rule is never to speculate with money which is, if lost, would alter your standard of living.

5.6.6. Foreign Exchange Risk

Your profits and losses may be affected by fluctuations in the relevant foreign exchange rate between the time the order is placed and the time the Margin FX contract is closed out. For example, what may appear as a profit from the Margin FX contract, may actually constitute as a loss in the chosen base currency due to currency fluctuations. Until the foreign currency balance is converted to the base currency, fluctuations in the relevant foreign exchange rate may affect the *'unrealised profit/loss'* made on the Margin FX contract.

Foreign currency markets can also change rapidly. Exchange rates depend on a number of factors including interest rates, currency supply and demand, and actions of government. In some situations, exchanges of currency may even be suspended.

In addition, there is always operational risk associated with the currency conversion calculation process that is undertaken for Margin FX contracts. For example, disruptions in our operational processes such as communication, computers or computer networks, and external events that may lead to delays in the execution and settlement of a transaction.

5.6.7. Clients' Money

Your funds are held in our client trust account and are co-mingled with the funds of all of our other clients.

Subject to the *Corporations Act*, your funds kept in our client trust account can be used for the purposes of covering payments for other clients and meeting our margin requirements with our OTC derivative providers. This means that you may potentially suffer losses as a result of default by another client where money from the client trust account is applied to cover that client's payment obligations. Moreover, you may not receive all the money held by us on your behalf in the client trust account if there is a deficit in the client trust account and we become insolvent or are otherwise unable to pay the deficiency.

5.6.8. Margin Requirements

Each open Margin FX contract requires you to maintain a certain amount of margin with us. In this case, the margin is calculated as *a percentage of the contract value of the Margin FX contract at any time*.

Please note that if the price of the base currency moves against you, you may be required, at short notice, to deposit with us additional cash in order to maintain your Margin FX contract. Due to the highly volatile nature of the global foreign exchange markets, the time in which you are required to deposit additional cash may vary significantly – we cannot give you definite timeframes for you to meet your margin requirements. In some circumstances, we may need to close out your open Margin FX contracts immediately if you fail to meet margin requirements in order to minimise our risk exposure.

Under the *Client Agreement*, a failure to meet our margin requirements is an event of default and we have the right to immediately close out your Margin FX contracts. You must regularly monitor your own margin requirements.

In order to manage the risk that you would not have sufficient funds in your account to maintain your open Margin FX positions, we may take the following measures:

- if the margin required to maintain your Margin FX positions open takes up 100% of the funds shown in your account, you are regarded as being on *margin call*;
- if the funds available in your account only covers 80% or less of the margin requirements for your open Margin FX contracts, you will receive a *visual message* automatically on your online trading platform for you to consider taking appropriate action which can include depositing further funds or reducing exposure; and
- if the funds available in your account only covers 50% of the margin requirements for your open Margin FX contracts, your *worst offending Margin FX contract* (the contract with the largest margin requirements) will automatically be closed out

However, irrespective of the steps we take, it is your *sole responsibility* to ensure that you have paid to us sufficient funds in order to satisfy our margin requirements. If you fail to have sufficient margin at any time, your Margin FX contracts may be closed out by us, without notice, at a loss to you and you may be charged default interest – we have sole discretion to determine how much margin is required.

Next is an example of us closing out Margin FX contracts due to clients breaching margin requirement. It assumes that the applicable margin percentage rate is 1% of the contract value of your open Margin FX contracts.

The Margin FX account balance is AUD 1,500.

The client buys (long) 1 standard lot of AUD/USD (100,000) at 0.9040 and the margin requirement is AUD 1,000. The margin percentage currently held is 150% (Margin FX account balance/Margin 100) – the client has 1.5 times the margin requirement.*

If AUD/USD falls to 0.8994, the account balance becomes AUD 988.55 whilst the margin requirement is still AUD 1,000. The client's account balance is calculated by deducting the loss of USD460 or AUD 511.45 from AUD 1,500. The margin percentage is now 98.85% and is deemed to be in 'margin call' as the account balance covers less than 100% of margin requirement.

If AUD/USD continues to fall and reaches 0.8976, the account balance is now AUD 786.99 and margin percentage is now 78.70%. As the account balance is below 80%, the client will see a visual reminder on the online trading platform.

If the AUD/USD falls further and reaches 0.8949, the account balance falls to AUD 483.13 and margin percentage is now 48.31%. As the account balance is below 50% margin coverage, the position will be closed out at the first available opportunity. In the case that the client has a number of open Margin FX contracts, the Margin FX contract with the largest margin requirement will be automatically closed first. Other Margin FX contracts in order of the largest margin requirement will also be closed until the margin percentage is restored above 50%.

Please note that our margin requirements are subject to change as a result of our ongoing assessment of our risk of loss from a failure to recover losses. If we change our margin requirements, we will contact you directly via email or by calling you.

5.6.9. Stop Orders and Limit Orders

The placing of a stop order can potentially limit your loss, however, we **do not guarantee** that a stop order will do so. Similarly, a limit order can maximise your profit but there is also no guarantee of this. This is because foreign exchange markets can be highly volatile and unforeseeable events can occur which mean that it is possible that stop orders and limit orders may not be accepted, or may be accepted at a price different to that specified by you.

Clients should anticipate being stopped out at, or limited at, a price worse than the price you set – you may suffer losses as a result.

5.6.10. Interest, Swap Charges and Swap Credits

Financing costs, *swap charges* and *swap credits* can impact on the overall return of a Margin FX contract. Please see Section 10 for an explanation of swap charges and swap credits.

5.6.11. Gapping

In fast-moving or illiquid markets ***'gapping'*** may occur. This typically occurs when market prices do not follow a smooth or continuous trend, and are normally caused by external factors such as world, political, economic and corporate related events.

Should gapping occur on the currency pair of your Margin FX contract, you may not be able to close out your position or open a new position at the price at which you have placed your order.

5.6.12. Failure to Manage Risk

It could become difficult or impossible for you to manage the risk of an open Margin FX contract by entering into an opposite position in another Margin FX contract to close out the existing Margin FX contract. This is because:

- we have discretion to refuse or to accept an order requested by you – for example, we may refuse to accept an order when there is a significant change in prices over a short period or a lack of liquidity in foreign exchange markets due to significant volatility or uncertainty of trading; or
- the relevant currency pair may no longer be on our list of available currency pairs – we may decide to cease offering a currency pair if, amongst other things:
  - our OTC derivative providers are not able to get quotes from the banks and institutions in respect of the relevant currency or currency pairs;
  - liquidity for the currency is poor and/or that trading in that currency would no longer be prudent as spreads could be wide; and
  - government's interference in the currency market in order to peg a currency or convert currencies to a single currency for example the European Monetary Union

We will inform you via our website and notifications on our online trading platform within one month of making a decision to cease trading in a currency pair or becoming aware that the currency pair will not otherwise be available for trading.

5.6.13. Operational Risks

There are operational risks in dealing in Margin FX contracts.

The operation of your Margin FX account and the transaction of Margin FX contracts is reliant on the continuing operation of, among other things, our online trading platform, our computers, the internet and your personal computer. Disruptions, failures or delays in any of these may lead to delays in the execution and settlement of Margin FX transactions.

While we endeavour to provide you with access to trade on the online trading platform generally 24 hours a day, from Monday to Friday while the markets are open, there may be disruptions in the availability of the platforms. To the maximum extent permitted by law, no responsibility is taken for any liability incurred in connection with any disruption, failure or delay of the online trading platform or any related infrastructure. We have outsourced the operation of our online trading platform to a third party and we rely on this third party to ensure the systems are updated and maintained.

5.6.14. Consequences of Your Default

If you fail to maintain the required margin, pay other amounts payable to us, or fail to perform any obligation under your Margin FX contracts, we have extensive powers under our *Client Agreement* with you to take steps to protect our position including, for example, the power to close out your Margin FX contracts, and to charge default interest.

Under the *Client Agreement* you also indemnify us for certain losses and liabilities, including, for example, any default by you under the *Client Agreement*. Further our liability to you is expressly limited – you should read the *Client Agreement* carefully and obtain advice to make sure you understand these matters.

5.6.15. Our Right to Exercise Certain Discretions

You should note that there are a number of provisions in the *Client Agreement* that confer discretion on us which could affect your Margin FX contracts. These include:

- setting the price of the base currency used to open and close out a Margin FX contract – the price of the base currency is set with reference to the current market price offered to us from our hedging partners however, in certain circumstances, the price we set may be different from the current market price, in particular:
  - we may not hedge a client's position, or post the trade ***'straight through'*** (known as ***Straight Through Processing*** or **STP**) and instead, we set the prices at which we are prepared to deal with you – in some cases, clients' trades are hedged by passing the equivalent volume of instrument traded through a liquidity partner, thereby mitigating client risk resulting from adverse market movements;
  - we also conduct regular surveillance of our *client-to-liquidity-provider* exposure to ensure any discrepancies that may arise are corrected as appropriate – this may from time to time involve bulk purchases of a given currency, security or index with a liquidity partner which are generally infrequent and immaterial in size (it is imperative to mitigate counterparty risk – we source liquidity from Tier 1 or 2 partners in an effort to reduce this risk);
  - if we cannot determine a price because trading in a currency is limited, then the price will be the price:
    - immediately preceding such limitation; or
    - determined by us in our absolute discretion, acting reasonably, but having regard to the prevailing market conditions affecting trading as a whole or trading in such currency;
- closing out all or part of your Margin FX contracts, limiting the total value of the Margin FX contracts you can open, refusing an order, or terminating the agreement between us if certain circumstances arise, including where we:
  - decide in our absolute discretion, provided that we give you prior written notice of such decision; or
  - reasonably consider it necessary for the protection of our rights under the *Client Agreement*

Note: *You do not have the power to direct us in the exercise of our discretions*.

5.6.16. Information We Make Available

We may make information available to you that is generated by us or obtained from third parties. This includes, but is not limited to, market information such as financial market data, quotes, news, analyst opinions and research reports, graphs or data.

This market information:

- is not intended to be advice;
- is not endorsed or approved by us, and we do not guarantee the accuracy, timeliness, completeness or correct sequencing of the market information;

- is available as a service for your own convenience only;
- may quickly become unreliable for various reasons including, for example, changes in market conditions or economic circumstances; and
- is not necessarily up to date

Except as required by law, we do not warrant any results from your use or reliance on the market information. In addition, we may discontinue offering this market information at any time without notice.

5.6.17. Execution Risk

A delay in execution may occur for various reasons, such as technical issues with your internet connection to our trading servers.

Our online trading platform may not be maintaining a constant connection with our trading servers. In these circumstances, the price offered by us may change before we receive your order. If you place an order and the price changes before the order is received, the order will be accepted by us at the new price. This means the price at which your order is accepted may be different from the price you were quoted.

Please note that we cannot predict future price movements and our quotations are not a forecast of where we believe currency prices will be at a future time.

5.6.18. Electronic Trading Platform Risk

It should be noted that you are responsible for providing and maintaining the means by which to access our electronic trading platform, which may include, and without limitation, a personal computer, modem and telephone or other access line.

While the internet and the World Wide Web are generally reliable, technical problems or other conditions may delay or prevent access thereto. If you are unable to access the internet and thus, the electronic trading platform, it means you may be unable to trade in Margin FX contracts offered by us when desired, and you may suffer a loss as a result. Should the system be unavailable, clients may place their orders via telephone with one of our representatives.

Furthermore, in unforeseen and extreme market situations, such as an event like September 11, or a global catastrophe, we reserve the right to suspend the operation of the electronic trading platform or any part or sections of it. In such an event, we may, at our sole discretion, with or without notice, close out your open positions at prices we consider fair and reasonable at such a time. We may also impose volume limits on clients' accounts at our discretion.

Please note that such measures would only be implemented in extreme market conditions, and such discretion only reasonably exercised in the best interests of the client.

5.6.19. Regulatory Risk

Changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in Margin FX contracts, as may any regulatory action taken against us.

5.6.20. No Cooling-Off

Please note that there are no *cooling-off* arrangements for Margin FX contracts.

This means that when we arrange for the execution of a Margin FX contract, you do not have the right to return the product, nor request a refund of the money paid to acquire the product.

5.6.21. Superannuation Funds

It should be noted that complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities which are contained in the *Superannuation Industry Supervision Act 1993*, and associated regulations and regulatory guidance material.

Without being an exhaustive list, following are some of the issues that should be considered by a trustee of a complying superannuation fund:

- Restrictions on borrowing and charging assets, and whether dealing in OTC derivative products would breach those borrowing and charging restrictions;
- The purpose of dealing in OTC derivative products in the context of a complying superannuation fund's investment strategy as well as the fiduciary duties and other obligations owed by trustees of those funds;
- The necessity for the trustees of a complying superannuation fund to be familiar with the risk involved in dealing in OTC derivative products and the need to have in place adequate risk management procedures to manage the risks associated in dealing in those products; and
- The consequences of including adverse taxation consequences if a superannuation fund fails to meet the requirements for it to continue to hold complying status.

5.7. Examples of Margin FX Contracts

5.7.1. Long Margin FX Contract

You are of the opinion that AUD will appreciate against USD – you will attempt to benefit from this by *buying* AUD/USD.

Our quote on the AUD/USD is *bid 0.8500* and *ask 0.8502*.

You purchase AUD 100,000 at the ask rate of 0.8502.

Assuming the initial margin requirement is 1%, you are required to hold 1% of the value of the open contract in your account before we accept the order. In this case, the value of the contract when it is opened is AUD 100,000 (USD 85,020). You would be required to have AUD 1,000 (representing 1% of AUD 100,000) in equity in your account in order to enter this transaction. If you do not have the initial margin requirement, the order will not be accepted by us.

The position will remain open until:

- you instruct us to close out the position;
- your account becomes margin deficient and we exercise our discretion to close out the open position; or
- the equity in your account falls to, or below 50% of the margin requirement and your open positions are automatically closed out – in this example, the open position would automatically be closed out if the equity in the account is less than AUD 500 (being 50% of AUD 1,000)

▸ If the AUD increases in value (or the USD decreases in value) and you close out your position, *you make a profit*. For example, if the AUD rises and the AUD/USD is now quoted at bid 0.8600 and ask 0.8602, you sell the AUD at the bid price of 0.8600 and make the following profit: *USD 980* (100,000 multiplied by (0.8600 minus 0.8502)).

	Long Margin FX Contract
Amount of AUD (base currency)	100,000
Buy Price in USD (term currency)	0.8502
Margin Requirement (assumed to be 1%/purchase price payable)	AUD 1,000 = (USD 850.2)
Sell Price	0.8600
Gross Profit/Loss	USD 980
Profit will show on your account summary as a converted AUD amount i.e. US$980/0.8600 = $1,139.53	

▸ If the AUD decreases in value (or the USD increases in value) and you close out your position, *you make a loss*. For example, if the AUD falls and the AUD/USD is now quoted at bid 0.8480 and ask 0.8482, you sell the AUD at the bid price of 0.8480 and make the following loss: *USD 220* (100,000 multiplied by (0.8480 minus 0.8502)).

	Long Margin FX Contract
Amount of AUD (base currency)	100,000
Buy Price in USD (term currency)	0.8502
Margin Requirement (assumed to be 1%/purchase price payable)	AUD 1,000 = (USD 850.2)
Sell Price	0.8480
Gross Profit/Loss	USD (220)
Profit will show on your account summary as a converted AUD amount i.e. US$(220)/0.8480 = $(259.43)	

Please note that once a position is closed out, no further margin is required.

5.7.2. Short Margin FX Contract

You are of the opinion that AUD will depreciate against USD – you will attempt to benefit from this by *selling* AUD/USD.

Our quote on the AUD/USD is *bid 0.8500* and *ask 0.8502*.

You sell AUD 100,000 at the ask rate of 0.8500.

Assuming the initial margin requirement is 1%, you are required to hold 1% of the value of the open contract in your account before we accept the order. In this case, the value of the contract when it is opened is AUD 100,000 (USD 85,000). You would be required to have AUD 1,000 (representing 1% of AUD 100,000) in equity in your account in order to enter this transaction. If you do not have the initial margin requirement, the order will not be accepted by us.

The position will remain open until:

- you instruct us to close out the position;
- your account becomes margin deficient and we exercise our discretion to close out the open position; or
- the equity in your account falls to, or below 50% of the margin requirement and your open positions are automatically closed out – in this example, the open position would automatically be closed out if the equity in the account is less than AUD 500 (being 50% of AUD 1,000)

▸ If the AUD decreases in value (or the USD increases in value) and you close out your position, *you make a profit*. For example, if the AUD falls and the AUD/USD is now quoted at bid 0.8450 and ask 0.8452, you buy the AUD at the ask price of 0.8452 and make the following profit: *USD 480* (100,000 multiplied by (0.8500 minus 0.8452)).

	Short Margin FX Contract
Amount of AUD (base currency)	100,000
Buy Price in USD (term currency)	0.8500
Margin Requirement (assumed to be 1%/purchase price payable)	AUD 1,000 = (USD 850)
Buy Price	0.8452
Gross Profit/Loss	USD 480
Profit will show on your account summary as a converted AUD amount i.e. US$480/0.8452 = $567.91	

▸ If the AUD increases in value (or the USD decreases in value) and you close out your position, *you make a loss*. For example, if the AUD rises and the AUD/USD is now quoted at bid 0.8550 and ask 0.8552, you buy the AUD at the ask price of 0.8552 and make the following loss: *USD 520* (100,000 multiplied by (0.8500 minus 0.8552)).

	Short Margin FX Contract
Amount of AUD (base currency)	100,000
Buy Price in USD (term currency)	0.8500
Margin Requirement (assumed to be 1%/purchase price payable)	AUD 1,000 = (USD 850)
Buy Price	0.8552
Gross Profit/Loss	USD (520)
Profit will show on your account summary as a converted AUD amount i.e. US$(520)/0.8552 = $(608.04)	

Please note that depending upon amount of funds held, this may also have triggered an automatic close out due to margin requirements. Once a position is closed out, no further margin is required.

6 | CONTRACTS FOR DIFFERENCES

6.1. CFDs Explained

Contracts for Differences or *CFDs* are an agreement between two parties which allow you to make a profit or loss by reference to fluctuations in the price of an underlying share or other instrument, without actually owning the underlying product. Essentially, CFDs allow you to trade on the upward or downward price movements of financial markets around the world without buying or selling the underlying asset directly.

CFDs provide the opportunity to make profits (or losses) from a wide range of markets including indices and commodities – they are a flexible alternative to traditional trading.

It should be noted that ***you do not own or have any rights to the underlying asset***.

We offer CFDs to our Australian resident clients on individual shares, stock indices, stock options, currencies, commodities and such other CFDs as may be notified to you from time to time. Most CFDs will be traded in AUD, however, some CFDs may be denominated in a *'home'* currency, such as a CFD on IBM stock in USD.

By entering into a CFD transaction, you are either entitled to be paid an amount of money, or required to pay an amount of money, depending on the movements in the price of the CFD. Normally, the amount of any profit or loss made on a CFD will be the net of:

- the difference between the price when the CFD is opened and the price when it is closed; and
- where applicable, any financing and rollover charges or benefits related to the CFD

The balance in your account may also be affected by other amounts you may be required to pay to us in respect of your account such as exchange fees and/or interest on Debit balances.

The CFD is a contract between you and us, which means both parties act as principals to the transaction and have a direct credit exposure to each other. You do not trade through an exchange and are not afforded the protection normally associated with exchange-traded derivatives, such as guarantee arrangements.

6.2. How to Open A CFD

A position is opened by *'buying'* or *'selling'* a CFD:

- ***Buying*** – if you expect an instrument (be it a share, currency, commodity, index price or other) to rise, you buy the CFD.
- ***Selling*** – if you expect an instrument (be it a share, currency, commodity, index price or other) to fall, you sell the CFD.

6.3. How to Close A CFD

To close a *'bought'* or *'long'* CFD, you **sell**, and to close a *'short'* or *'sold'* CFD, you **buy**. With CFDs, you can go short (i.e. sell) just as easily as you can go long (i.e. buy). With most CFDs, you can hold the position for as long as you like – this may be for less than a day, or for months.

Some CFDs have a set expiry date, upon which the position will be closed automatically. These CFDs can be closed before the expiry date, provided you do so before the last time for dealing. Last times for dealing for all products are available on our website or upon request from our dealers.

Please note that it is your responsibility to make yourself aware of the last time for dealing for any CFDs in which you deal. If a CFD with a set expiry date has not been closed prior to the last time for dealing, it will be closed by us once we have ascertained the *closing level* of the CFD.

The closing level will be: *the last traded price at or prior to the close or the applicable official closing quotation or value In the relevant underlying market as reported by the relevant exchange; minus any commission or spread which is applied to the CFD when it is closed*.

6.4. Leverage

When dealing in CFDs, you are only required to provide a margin in order to secure an exposure to the underlying subject of the CFD. You are not required to provide the amount of the contract value to which the CFDs relates.

6.5. Benefits of Trading CFDs

The use of our CFDs provide a number of benefits, which must, of course, be weighed up against the risk of using them. The benefits including the following:

- ***Hedging***
  You can use CFDs to counteract the risk of an investment moving against you. Essentially, they can be used to hedge against rising or falling in asset prices. For example, if you own a particular share and anticipate its price falling, rather than selling the share you may elect to open a short CFD position over that share. If the price of the share does fall, any losses incurred from ownership of the share will be partially or wholly offset by the profit made on the CFD position.
- ***Leverage***
  CFDs enable you to obtain full exposure to a share, currency or commodity for a fraction of the price of buying the underlying financial instrument itself. This is because CFDs require you to outlay only a relatively small initial margin as a trading deposit. However, it is important to note that as well as working for you, this leverage may work against you.

  The risk of loss from trading in CFDs and any leveraged products can be substantial and you should carefully consider these risks in light of your specific financial objectives, needs and circumstances.
- ***Market position and strategy***
  You can use CFDs as part of your trading strategies to profit from both rising and falling markets. It should be noted however, due to the uncertainty of market movements, there is no guarantee that the employment of CFDs as part of your trading strategies will lead to profits, and from time to time the employment may actually lead to losses. In addition, it is important to note that some trading strategies are more complex than the others and may have different levels of risk associated with them.

- ***Speculation***
  You may use CFDs to speculate on the price of the underlying financial instrument, for example a currency or a commodity, with a view to profiting from fluctuations in its price without the need to buy or sell the underlying financial instrument itself.
- ***Trade in small amounts***
  Our trading system enables you to make transactions in small amounts. Clients can start using EightCap even with an opening balance as little as AUD 500. When dealing in CFDs offered by us, clients can deposit the sum that suits them, or the amount which is more in line with the amount they are willing to risk – in other words, you are in full control of your funds. We allow trading with as little as $10 margin requirements.
- ***Real-time streaming quotes and tradable prices***
  Our market execution system uses the latest, highly sophisticated technologies in order to offer you up-to-the-minute quotes. You may check your account(s) and positions in real-time and you may do so 24 hours a day on any global market which is open for trading and make a trade based on real-time information. Subject to satisfying the execution limits, all orders are automatically accepted without intervention from us. The execution limits are set out on our website or are available by calling us. Please note that the execution limits are subject to change at any time.

6.6. Risks of Trading CFDs

Before you apply to begin trading CFDs with us, you must carefully consider whether using CFDs is appropriate for you in the light of your circumstances and financial position. You should be aware that CFD trading is a high-risk geared investment strategy and we do not consider it suitable for many members of the public. You should not deal in CFDs unless you understand the nature of the contract you are entering into and the extent of your exposure to risk from that contract.

This section does not detail all risks applicable to CFDs but rather seeks to highlight the key significant risks involved in trading CFDs. We strongly recommend that you obtain independent professional advice and carefully consider whether CFD trading is appropriate for you in light of your knowledge, experience and financial needs and circumstances.

CFDs involve different levels of exposure to risk and, in deciding whether to trade in such instruments, you should be aware of the following points:

- Trading in CFDs carries a high degree of risk. The 'gearing' or 'leverage' involved in trading CFDs means that a small initial margin payment can potentially lead to large losses. The geared nature of CFDs also means that CFD trading can carry greater risks than conventional share trading, which is generally not geared.
- A relatively small market movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you.
- Most CFDs are off-exchange derivatives. This might be considered to involve greater risk than an on-exchange derivative as there is no exchange market on which to close out an open position – you are only able to open and close your positions with us.
- Foreign markets will involve different risks to Australian markets. The potential for profit or loss from CFDs relating to a foreign market or denominated in a foreign currency will be affected by fluctuations in foreign exchange rates. It is possible to incur a loss if exchange rates change to your detriment, even if the price of the instrument to which the CFD relates remains unchanged.
- CFDs are contingent liability transactions which are margined and require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately, and they may only be settled in cash.
- You may sustain a total loss of the margin that you deposit with us to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice. If you fail to do so within the required time, your position may be liquidated at a loss and you will be liable for any resulting deficit. You will be deemed to have received a notice requiring the payment of such funds, even if you are not at home or do not receive the messages we leave for you, if the notices are delivered to your nominated contact points.
- Even if a CFD is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered into the contract.
- Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that trading in the underlying market is suspended or restricted.
- Our '*stop-loss orders*' system potentially limits the extent of your liability, but you may sustain the loss in a relatively short time. Placing a stop order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order if the underlying market moves straight through the stipulated price.
- We will not provide you with personal financial product advice relating to CFDs and we will not make CFD recommendations of any kind. The only advice we will give you will be as to how CFDs work.
- There is no clearing house for CFDs, and the performance of a CFD offered by us is not 'guaranteed' by an exchange or clearing house.
- Our insolvency or default may lead to your positions being liquidated or closed out without your consent. As all deposits lodged with us are held on trust for you in a regulated trust account, in such circumstances those deposits would attract all the legal protections afforded to trust money.
- Although by dealing with us you will not be dealing in securities, you need to be aware that you may still be subject to the *Corporations Act 2001* and, in particular, the market manipulation and insider trading provisions of the Act.
- The obligations to you under the *Client Agreement* and the CFDs are considered *unsecured obligations*, meaning that you are an unsecured creditor of ours.

6.6.1. Derivative Markets

Derivative markets can be highly volatile The prices of CFDs and the underlying securities, currencies, commodities, financial instruments or indices may fluctuate rapidly and over wide ranges and in reflection of unforeseen events or changes in conditions, none of which can be controlled by you.

The prices of CFDs will be influenced by unpredictable events including, amongst other things, changing supply and demand relationships, governmental, agricultural, and commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the relevant marketplace.

6.6.2. Clients' Money

Any money that you deposit with us, including your net running profits, will be held separately from our money, in our client trust account, and held and dealt with in accordance with the governing legislation and the *Client Agreement*. As permitted under governing legislation, your money may be co-mingled into one or more trust accounts with our other customers' money, which is also held on trust – we will not be liable for the solvency or any act or omission of any bank holding the trust accounts.

In addition, and subject to the *Corporations Act*, your funds kept in our client trust account can be used for the purposes of covering payments for other clients and meeting our margin requirements with our OTC derivative providers. This means that you may potentially suffer losses as a result of default by another client where money from the client trust account is applied to cover that client's payment obligations. Moreover, you may not receive all the money held by us on your behalf in the client trust account if there is a deficit in the client trust account and we become insolvent or are otherwise unable to pay the deficiency.

Please note that withdrawals from client money will only be made to you (or a third party where compliant with regulations) on your instruction, into your bank account, or to us where it is due and payable or where it an excess to the Client Money Trust account. In practice, this means your money is held on trust and not used by us, and is only withdrawn to be paid to you on request or by instruction, or to us when due and payable.

6.6.3. Foreign Exchange or Currency Risk

Your profits and losses may be affected by fluctuations in the relevant foreign exchange rate between the time the order is placed and the time the CFD position is closed out. For example, what may appear as a profit from the CFD may actually constitute as a loss in the chosen base currency due to currency fluctuations. Until the foreign currency balance is converted to the base currency, fluctuations in the relevant foreign exchange rate may affect the *'unrealised profit/loss'* made on the CFD position.

Foreign currency markets can also change rapidly. Exchange rates depend on a number of factors including interest rates, currency supply and demand, and actions of government. In some situations, exchanges of currency may even be suspended.

In addition, there is always operational risk associated with the currency conversion calculation process that is undertaken for CFDs. For example, disruptions in our operational processes such as communication, computers or computer networks, and external events that may lead to delays in the execution and settlement of a transaction.

6.6.4. Our Risk/Counterparty Risk

Since we are the market maker or the issuer or agent of the CFDs offered in this PDS, we are the counterparty to every contract – you will have an exposure to us in relation to each contract as is common to all OTC financial market products.

You are therefore exposed to the financial and business risks, including credit risk, associated in dealing with us and our counterparties and reliant on our ability to meet our counterparty obligations to you to settle the relevant contract. Our ability to fulfil our obligations is linked to our financial wellbeing, which is commonly referred to as ***credit*** or ***counterparty risk***. You must make your own assessment of our ability to meet our obligations. We have not been rated by an external credit rating agency. If we were to become insolvent, we may be unable to meet our obligations to you. We may also become unable to operate our CFD market as a result of a regulatory impediment. For example, we cease to hold an AFSL or because ASIC imposes a stop order on the PDS issued by us.

Please note that we may enter into arrangements with third party execution and clearing providers for the facilitation of transactions and settlements, and avails monies received for margin calls and settlements to such providers for this purpose. Accordingly, clients are indirectly exposed to the financial risks of our counterparties and organisations with which we hold clients' funds. If our financial condition or assets of our counterparties or the parties with which we hold clients' assets deteriorate, then clients could suffer loss because the return of the client capital could become difficult.

You are reliant on our ability to meet our counterparty obligations to you to settle the relevant contract. We may choose to limit this exposure by entering into opposite transactions as principal in the wholesale market in relation to our exposures with clients. In addition, we must comply with the financial requirements imposed under our AFSL. If we default on our obligations, investors may become *unsecured creditors* in an administration or liquidation and will not have recourse to any underlying assets in the event of our insolvency.

6.6.5. Advice

We will not give you any personal financial product advice. Any general financial product advice that we may give you will have been prepared without taking into account your personal objectives, financial situations or needs. Accordingly, you should consider carefully trading with us and the appropriateness of any general advice having regard to your personal objectives, financial situation and needs, and obtain financial and legal advice before you open an account and trade with us.

Nothing in this PDS should be taken to be a recommendation to trade in CFDs or trade in any particular share, stock, index, commodity or currency by way of CFDs, and any reference to a particular share, stock, index, commodity or currency is for illustration only.

Our *Client Agreement* contains a provision by which you agree that you enter into all CFDs in reliance on your own judgment, and that we will not be liable for any losses, costs, expenses or damages suffered by you arising from any inaccuracy or mistake in any information we give to you in the absence of fraud, wilful default or gross negligence or as required by legislation.

6.6.6. Use of Third Party Plug-ins

Our online trading platform lets you plug in third party applications to help you trade. Often called ***Expert Advisors*** ("**EAs**") or ***Mirror Trading Plug-ins***, these third party applications can be very risky.

Essentially, they enable clients to mirror trades made by third party asset managers and claim to exploit price latency across platforms or markets, promising exceptional returns. Some of these plug-ins are free of charge and approved by us, but most charge specific fees and normally not approved by us. Regardless, please be noted that we are not responsible for, and will not indemnify you from, reliance on any statements made by their makers or promoters, or any loss incurred in connection with third party plug-ins that you use.

Some of the key risks for using third party plug-ins are:

- you can lose control of your trades and suffer financial loss;
- the plug-in may stop working at any time, and you may be stuck with open positions and suffer financial loss as a result;
- you can lose more money than your initial margin;
- it may result you in being *'margin call'* and your positions liquidated as a result;
- some of these plug-ins are offered by fraudulent or illegal/underground entities in remote parts of the world

A good general rule is that if the promoters of these plug-ins sound too good to be true, then it is best to avoid using these plug-ins.

In addition, you should never provide your trading account username or password to a third party – to do so would be a breach of your contract with us. You are wholly responsible for managing the risks (including the risk of loss) associated with using third party plug-ins.

6.6.7. Margin Requirements

We operate an automated *'margin call'* mechanism in an effort to mitigate the risk of a client account falling into negative equity. In order to maintain a position/trade, your cash balance after running losses (equity) must not fall below 50% of the required margin. A breach of this threshold will result in the closure of your position(s), with the largest losing trade closed first. Before your trade(s) is closed, a warning will be issued on your trading platform if your account equity breaches 80% of your margin required, by means of red highlighting on your trade(s).

While this automated margin call process acts as a protection for both clients and providers, market volatility, particularly surrounding news events, may result in additional losses. Holding a trade over the weekend may increase the risk of a *'gap'* in price action, thereby triggering a margin call event at a lower level than the 50% threshold.

Each open CFD requires you to maintain a certain amount of margin with us. In this case, the margin is calculated at *1% of the contract value of the CFD at any time*.

Please note that if the price of the CFD moves against you, you may be required, at short notice, to deposit with us additional cash in order to maintain your CFD position. Due to the highly volatile nature of the global markets, the time in which you are required to deposit additional cash may vary significantly – we cannot give you definite timeframes for you to meet your margin requirements. In some circumstances, we may need to close out your open CFD positions immediately if you fail to meet margin requirements in order to minimise our risk exposure.

Under the *Client Agreement*, a failure to meet our margin requirements is an event of default and we have the right to immediately close out your CFD positions. You must regularly monitor your own margin requirements.

In order to manage the risk that you would not have sufficient funds in your account to maintain your open CFD positions, we may take the following measures:

- if the margin required to maintain your CFD positions open takes up 100% of the funds shown in your account, you are regarded as being on *margin call*;
- if the funds available in your account only covers 80% or less of the margin requirements for your open CFD positions, you will receive a *visual message* automatically on your online trading platform for you to consider taking appropriate action which can include depositing further funds or reducing exposure; and
- if the funds available in your account only covers 50% of the margin requirements for your open CFD positions, your *worst offending CFD* (the contract with the largest margin requirements) will automatically be closed out

However, irrespective of the steps we take, it is your *sole responsibility* to ensure that you have paid to us sufficient funds in order to satisfy our margin requirements. If you fail to have sufficient margin at any time, your CFDs may be closed out by us, without notice, at a loss to you and you may be charged default interest – we have sole discretion to determine how much margin is required.

On the next page, you will see an example of us closing out CFD positions due to clients breaching margin requirement. It assumes that the applicable margin percentage rate is 1% of the contract value of your open CFDs.

The CFD account balance is USD 1,500.

The client buys (long) 1 standard contract of CL-Oil (1,000 barrels) at $100 and the margin requirement is AUD 1,000. The margin percentage currently held is 150% (CFD account balance/Margin 100) – the client has 1.5 times the margin requirement.*

If the price of CL-Oil falls to $99.40, the account balance becomes USD $1,000 whilst the margin requirement is now AUD 994 (contract value now $99,400 due to fall in the price of CL-Oil). The client's account balance is calculated by deducting the loss of USD600 from 1,500. The margin percentage is now 90.54% and is deemed to be in 'margin call' as the account balance covers less than 100% of margin requirement.

If the price of CL-Oil continues to fall and reaches $99.25, the account balance is now $750 and margin percentage is now 75.56%. As the account balance is below 80%, the client will see a visual reminder on the trading platform.

If CL-Oil falls further and reaches $98.79, the account balance falls to $290 and margin percentage is now 29.35%. As the account balance is below 50% margin coverage, the position will be closed out at the first available opportunity. In the case that the client has a number of open CFD positions, the CFD with the largest margin requirement will be automatically closed first. Other CFDs in order of the largest margin requirement will also be closed until the margin percentage is restored above 50%.

Please note that our margin requirements are subject to change as a result of our ongoing assessment of our risk of loss from a failure to recover losses. If we change our margin requirements, we will contact you directly via email or by calling you.

6.6.8. Interest, Rollover Charges and Rollover Credits

Financing costs, *rollover charges* and *rollover credits* can impact on the overall return of a CFD. Please see Section 10 for an explanation of rollover charges and rollover credits.

6.6.9. Gapping

In fast-moving or illiquid markets ***'gapping'*** may occur. This typically occurs when market prices do not follow a smooth or continuous trend, and are normally caused by external factors such as world, political, economic and corporate related events.

Should gapping occur in the underlying product on which your CFD is based, you may not be able to close out your position or open a new position at the price at which you have placed your order.

6.6.10. Failure to Manage Risk

It could become difficult or impossible for you to manage the risk of an open CFD position by entering into an opposite position in another CFD to close out the existing CFD. This is because:

- we have discretion to refuse or to accept an order requested by you – for example, we may refuse to accept an order when there is a significant change in prices over a short period or a lack of liquidity in foreign exchange markets due to significant volatility or uncertainty of trading; or
- the relevant financial instrument may no longer be on our list of available tradable CFDs – we may decide to cease offering a financial product if, amongst other things:
  - our OTC derivative providers are not able to get quotes from the banks and institutions in respect of the relevant financial instrument; and
  - liquidity for the financial product is poor and/or that trading in that product would no longer be prudent as spreads could be wide

We will inform you via our website and notifications on our online trading platform within one month of making a decision to cease trading in a financial product or becoming aware that the product will not otherwise be available for trading.

6.6.11. Operational Risks

There are operational risks in dealing in CFDs.

The operation of your CFD account and the transaction of CFDs is reliant on the continuing operation of, among other things, our online trading platform, our computers, the internet and your personal computer. Disruptions, failures or delays in any of these may lead to delays in the execution and settlement of CFD transactions.

While we endeavour to provide you with access to trade on the online trading platform generally 24 hours a day, from Monday to Friday while the markets are open, there may be disruptions in the availability of the platforms. To the maximum extent permitted by law, no responsibility is taken for any liability incurred in connection with any disruption, failure or delay of the online trading platform or any related infrastructure. We have outsourced the operation of our online trading platform to a third party and we rely on this third party to ensure the systems are updated and maintained.

6.6.12. Consequences of Your Default

If you fail to maintain the required margin, pay other amounts payable to us, or fail to perform any obligation under your CFDs, we have extensive powers under our *Client Agreement* with you to take steps to protect our position including, for example, the power to close out your CFD positions, and to charge default interest.

Under the *Client Agreement* you also indemnify us for certain losses and liabilities, including, for example, any default by you under the *Client Agreement*. Further our liability to you is expressly limited – you should read the *Client Agreement* carefully and obtain advice to make sure you understand these matters.

6.6.13. Our Right to Exercise Certain Discretions

You should note that there are a number of provisions in the *Client Agreement* that confer discretion on us which could affect your CFDs. These include:

- setting the price of the base currency used to open and close out a CFD – the price of the base currency is set with reference to the current market price offered to us from our hedging partners however, in certain circumstances, the price we set may be different from the current market price, in particular:
  - we may not hedge a client's position, or post the trade ***'straight through'*** (known as ***Straight Through Processing*** or **STP**) and instead, we set the prices at

which we are prepared to deal with you – in some cases, clients' trades are hedged by passing the equivalent volume of instrument traded through a liquidity partner, thereby mitigating client risk resulting from adverse market movements;
    - we also conduct regular surveillance of our *client-to-liquidity-provider* exposure to ensure any discrepancies that may arise are corrected as appropriate – this may from time to time involve bulk purchases of a given currency, security or index with a liquidity partner which are generally infrequent and immaterial in size (it is imperative to mitigate counterparty risk – we source liquidity from Tier 1 or 2 partners in an effort to reduce this risk);
    - if we cannot determine a price because trading in a financial instrument is limited, then the price will be the price:
        - immediately preceding such limitation; or
        - determined by us in our absolute discretion, acting reasonably, but having regard to the prevailing market conditions affecting trading as a whole or trading in such currency, index or commodity;
- closing out all or part of your CFDs, limiting the total value of the CFD positions you can open, refusing an order, or terminating the agreement between us if certain circumstances arise, including where we:
    - decide in our absolute discretion, and provided that we give you prior written notice of such decision; or
    - reasonably consider it necessary for the protection of our rights under the *Client Agreement*

Note: *You do not have the power to direct us in the exercise of our discretions*.

6.6.14. Information We Make Available

We may make information available to you that is generated by us or obtained from third parties. This includes, but is not limited to, market information such as financial market data, quotes, news, analyst opinions and research reports, graphs or data.

This market information:

- is not intended to be advice;
- is not endorsed or approved by us, and we do not guarantee the accuracy, timeliness, completeness or correct sequencing of the market information;
- is available as a service for your own convenience only;
- may quickly become unreliable for various reasons including, for example, changes in market conditions or economic circumstances; and
- is not necessarily up to date

Except as required by law, we do not warrant any results from your use or reliance on the market information. In addition, we may discontinue offering this market information at any time without notice.

6.6.15. Execution Risk

A delay in execution may occur for various reasons, such as technical issues with your internet connection to our trading servers.

Our online trading platform may not be maintaining a constant connection with our trading servers. In these circumstances, the price offered by us may change before we receive your order. If you place an order and the price changes before the order is received, the order will be accepted by us at the new price. This means the price at which your order is accepted may be different from the price you were quoted.

Please note that we cannot predict future price movements and our quotations are not a forecast of where we believe currency prices will be at a future time.

6.6.16. Electronic Trading Platform Risk

It should be noted that you are responsible for providing and maintaining the means by which to access our electronic trading platform, which may include, and without limitation, a personal computer, modem and telephone or other access line.

While the internet and the World Wide Web are generally reliable, technical problems or other conditions may delay or prevent access thereto. If you are unable to access the internet and thus, the electronic trading platform, it means you may be unable to trade in CFDs offered by us when desired, and you may suffer a loss as a result. Should the system be unavailable, clients may place their orders via telephone with one of our representatives.

Furthermore, in unforeseen and extreme market situations, such as an event like September 11, or a global catastrophe, we reserve the right to suspend the operation of the electronic trading platform or any part or sections of it. In such an event, we may, at our sole discretion, with or without notice, close out your open positions at prices we consider fair and reasonable at such a time. We may also impose volume limits on clients' accounts at our discretion.

Please note that such measures would only be implemented in extreme market conditions, and such discretion only reasonably exercised in the best interests of the client.

6.6.17. Regulatory Risk

Changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in CFDs, as may any regulatory action taken against us.

6.6.18. No Cooling-Off

Please note that there are no *cooling-off* arrangements for CFDs.

This means that when we arrange for the execution of a CFD, you do not have the right to return the product, nor request a refund of the money paid to acquire the product.

6.6.19. Superannuation Funds

It should be noted that complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities which are contained in the *Superannuation Industry Supervision Act 1993*, and associated regulations and regulatory guidance material.

Without being an exhaustive list, following are some of the issues that should be considered by a trustee of a complying superannuation fund:

- Restrictions on borrowing and charging assets, and whether dealing in OTC derivative products would breach those borrowing and charging restrictions;
- The purpose of dealing in OTC derivative products in the context of a complying superannuation fund's investment

strategy as well as the fiduciary duties and other obligations owed by trustees of those funds;
- The necessity for the trustees of a complying superannuation fund to be familiar with the risk involved in dealing in OTC derivative products and the need to have in place adequate risk management procedures to manage the risks associated in dealing in those products; and
- The consequences of including adverse taxation consequences if a superannuation fund fails to meet the requirements for it to continue to hold complying status.

6.7. Examples of CFDs

6.7.1. Long Position – SPI200

You are of the opinion that SPI200 Index will rise in the coming days – you will attempt to benefit from this by *buying* SPI200.

Our quote on the SPI200 is *bid 3,200* and *ask 3,201*.

You purchase 100 contracts at the ask rate of 3,201.

Assuming the initial margin requirement is 1%, you are required to hold 1% of the value of the open contract in your account before we accept the order. In this case, the value of the contract when it is opened is AUD 320,100. You would be required to have AUD 3,201 (representing 1% of AUD 320,100) in equity in your account in order to enter this transaction. If you do not have the initial margin requirement, the order will not be accepted by us.

The position will remain open until:
- you instruct us to close out the position;
- your account becomes margin deficient and we exercise our discretion to close out the open position; or
- the equity in your account falls to, or below 50% of the margin requirement and your open positions are automatically closed out – in this example, the open position would automatically be closed out if the equity in the account is less than AUD 1,600.50 (being 50% of AUD 3,201)

▸ If the SPI200 increases in value and you close out your position, *you make a profit*. For example, if the SPI200 rises and it is now quoted at bid 3,251 and ask 3,252, and you sell the SPI200 at the bid price of 3,251, you will make the following profit: *AUD 5,000* (100 multiplied by (3,251 minus 3,201)).

6.7.2. Short Position – SPI200

You are of the opinion that SPI200 Index will fall in the coming days – you will attempt to benefit from this by *selling* SPI200.

Our quote on the SPI200 is *bid 3,200* and *ask 3,201*.

You sell 100 contracts at the bid rate of 3,200.

Assuming the initial margin requirement is 1%, you are required to hold 1% of the value of the open contract in your account before we accept the order. In this case, the value of the contract when it is opened is AUD 320,000. You would be required to have AUD 3,200 (representing 1% of AUD 320,000) in equity in your account in order to enter this transaction. If you do not have the initial margin requirement, the order will not be accepted by us.

The position will remain open until:
- you instruct us to close out the position;
- your account becomes margin deficient and we exercise our discretion to close out the open position; or
- the equity in your account falls to, or below 50% of the margin requirement and your open positions are automatically closed out – in this example, the open position would automatically be closed out if the equity in the account is less than AUD 1,600 (being 50% of AUD 3,200)

▸ If the SPI200 falls in value and you close out your position, *you make a profit*. For example, if the SPI200 falls and it is now quoted at bid 3,150 and ask 3,151, and you buy the SPI200 at the bid price of 3,150, you will make the following profit: *AUD 5,000* (100 multiplied by (3,200 minus 3,150)).

6.7.3. Long Position – CL-Oil

You are of the opinion that Crude Oil will appreciate in value – you will attempt to benefit from this by *buying* CL-Oil.

Our quote on the CL-Oil is *bid 75.45* and *ask 75.50*.

You purchase 10 (10,000 barrels of oil) contracts at the ask rate of 75.50.

Assuming the initial margin requirement is 1%, you are required to hold 1% of the value of the open contract in your account before we accept the order. In this case, the value of the contract when it is opened is USD 755,000. You would be required to have USD 7,550 (representing 1% of USD 755,000) in equity in your account in order to enter this transaction. If you do not have the initial margin requirement, the order will not be accepted by us.

The position will remain open until:
- you instruct us to close out the position;
- your account becomes margin deficient and we exercise our discretion to close out the open position; or
- the equity in your account falls to, or below 50% of the margin requirement and your open positions are automatically closed out – in this example, the open position would automatically be closed out if the equity in the account is less than USD 3,775 (being 50% of USD 7,550)

▸ If the price of CL-Oil increases in value and you close out your position, *you make a profit*. For example, if CL-Oil rises and is now quoted at bid 76.00 and ask 76.05, and you sell the CL-Oil at the bid price of 76.00, you will make the following profit: *USD 5,000* (10,000 multiplied by (76.00 minus 75.50)).

6.7.4. Short Position – CL-Oil

You are of the opinion that Crude Oil will fall in value – you will attempt to benefit from this by *selling* CL-Oil.

Our quote on the CL-Oil is *bid 75.50* and *ask 75.55*.

You sell 10 (10,000 barrels of oil) contracts at the bid rate of 75.50.

Assuming the initial margin requirement is 1%, you are required to hold 1% of the value of the open contract in your account before we accept the order. In this case, the value of the contract when it is opened is USD 755,000. You would be required to have USD 7,550 (representing 1% of USD 755,000) in equity in your account in order to enter this transaction. If you do not have the initial margin requirement, the order will not be accepted by us.

The position will remain open until:

- you instruct us to close out the position;
- your account becomes margin deficient and we exercise our discretion to close out the open position; or
- the equity in your account falls to, or below 50% of the margin requirement and your open positions are automatically closed out – in this example, the open position would automatically be closed out if the equity in the account is less than USD 3,775 (being 50% of USD 7,550)

▸ If the price of CL-Oil falls in value and you close out your position, *you make a profit*. For example, if CL-Oil falls and is now quoted at bid 74.95 and ask 75.00, and you buy the CL-Oil at the ask price of 75.00, you will make the following profit: *USD 5,000* (10,000 multiplied by (75.50 minus 75.00)).

7 | REGULATORY BENCHMARK DISCLOSURE

ASIC has developed seven (7) disclosure benchmarks for OTC derivative providers that can help retail investors properly understand the complexity and risks associated with Margin FX and CFD products, assess their potential benefits and decide whether investment in Margin FX or CFDs is suitable for them.

More information about the disclosure benchmarks can be found in *Regulatory Guide 227*.

The table below sets out which benchmarks we meet and refers to related disclosure information which describes how we meet the benchmarks.

Disclosure Benchmark	Meet Benchmark?	Related Information
Client Qualification Addresses the issuer's policy on investors qualification for OTC derivatives trading	Yes	We operate and maintain a client qualification policy that is intended to ensure that all prospective clients are adequately qualified to trade in any product offered through us. Due to the significant risks involved, trading in Margin FX and CFDs is not suitable for all investors. Clients will need to demonstrate that they understand the nature and risks of trading derivative products before we can open an account. In order to assess whether a potential client in fact understands the nature and risks of trading Margin FX and CFDs, we require the client to meet one of the following criteria: ➨ the client completes our online qualification test and obtains a pass score of 70% or more; or ➨ the client can successfully demonstrate that: ✖ he/she has previous trading experience in financial products; ✖ he/she has an understanding of leverage, margins and volatility; ✖ he/she has an understanding of the trading process and relevant technology; ✖ he/she has an ability to monitor and manage the risks of trading; and ✖ he/she has an understanding that only risk capital should be traded ▸ *Further information can be found in Section 8 of this PDS.*
Opening Collateral Addresses the issuer's policy on the types of assets accepted from investors as opening collateral	Yes	We only permit clients to open an account and trade with *cleared funds*. These can be a cash transfer from your bank account or through credit card payment (only to a maximum amount of $1,000 for initial funding if payments made by credit card). Please note that funds deposited with us may take up to three (3) business days or more to clear – it is your responsibility to ensure that the amounts transferred to us are cleared in sufficient time to meet all the payment obligations that you have under the *Client Agreement*. A failure to do so could result in your orders being cancelled or closed out and your account being charged default interest. If you are not sure how long it will take for your payments to clear, you should contact your financial institution. Please also note that no other financial products will be accepted as collateral to open an account with us, although we may accept such as collateral to meet subsequent margin calls in special agreed circumstances. ▸ *Further information can be found in Section 8 of this PDS.*
Counterparty Risk – Hedging	Yes	We maintain and apply a written Counterparty Hedging policy which is available on our website.

Addresses the issuer's practices in hedging its risk from client positions and the quality of this hedging		Essentially, we may not hedge a client's position or post the trade *straight through* and instead, we set the prices at which we are prepared to deal with you. In some cases, clients' trades are hedged by passing the equivalent volume of instrument traded through to a liquidity partner, thereby mitigating client risk resulting from adverse market movements. We also conduct regular surveillance of our *client-to-liquidity-provider* exposure to ensure any discrepancies that may arise are corrected as appropriate. This may from time to time involve bulk purchases of a given currency, security or index with a liquidity partner which are generally infrequent and immaterial in size. Further, in order to mitigate our counterparty risk, we source liquidity from Tier 1 or 2 partners. ▸ ***Glossary*** i. ***Hedging/Hedge*** – the buying or selling of a tradable instrument, matching the client's trade size and instrument ii. ***Liquidity Partner*** – a financial institution, bank or provider who accepts order flows directly from us, otherwise known as a *'counterparty'*, *'hedging partner'* or *'liquidity provider'* iii. ***Client Risk*** – an inadvertent exposure to a given currency, security or index through a client's exposure including the potential for the client to default on their margining obligations with us iv. ***Counterparty Risk*** – an inadvertent exposure to the financial health of a counterparty, hedging partner or liquidity partner/provider ▸ *Further information can be found in Section 5 and 6 of this PDS.*
Counterparty Risk – Financial Resources Addresses whether the issuer holds sufficient liquid funds to withstand significant adverse market movements	Yes	We maintain and apply policies to ensure we meet all financial regulatory obligations including the requirements of an *Australian Financial Services Licensee* – these detail the specific financial requirements of our AFSL and other regulatory financial obligations, the procedures we have in place and the oversight we conduct in order to comply with those obligations. In effect, we have a dedicated *Compliance Officer* who monitors our compliance with our licence conditions and ASIC RG 166 (financial) obligations. In addition, we have independent, external legal and accounting advisers who ensure we meet ASIC requirements and conduct an audit at the end of each financial year. As part of our policy to ensure we meet liquid capital requirements set out by ASIC, and also our obligations to clients, we: ➨ execute daily adjusted liquid surplus funds calculation; and ➨ perform daily calculation on all client funds accounts In practice, our capital requirement and surplus position is monitored and reported internally on a daily basis by our accounts department in real time. All client money is maintained in a segregated client trust account which is also monitored by the accounts department (this is in turn monitored and overseen by our *Chief Financial Officer* ("**CFO**")). Client positions, margin calls and liquidation similarly are all monitored by selected risk staff – our market risk is monitored on a daily basis against set limits, our free margin levels with our hedging counterparties are displayed at all times, showing how much market movement or increase in client position size can be sustained with the current level of margin funds. Further, the risk exposure that our clients face is maintained by our risk and compliance staff, along with all other key risks of the business – we maintain a risk register which is reviewed at each compliance committee meeting. In the event that a financial resources obligation is not met, an internal escalation process will be adopted along with any regulatory breach reporting obligations. ▸ *Further information can be found in Section 5 and 6 of this PDS.*
Client Money	Yes	We have a detailed and clear policy with regard to the use of client money.

Addresses the issuer's policy on client money		In essence, any money that clients deposit with us, including net running profits, will be held separately from our money, in a dedicated client trust account, and held and dealt with in accordance with the *Corporations Act's* requirements (we hold client funds in dedicated client bank account(s) with ***National Australia Bank*** (**NAB**)). Please note that client money is separated from money belonging to the business – we do not use client money for any business purpose – it is solely used for the purpose of maintaining margin that is needed to cover positions opened by clients. It should be further noted that one of the risks of holding client funds in dedicated account(s) is that market movements may cause a client's account to go into negative equity and we may be unable to redeem these funds, thus creating a deficit in the other client's money. To reduce this risk, we run an automated margin stop out system, designed to prevent any client from falling into a negative balance. Additionally, we bring these negative balances onto our own balance sheet as a cost of business. In practice, all client cash transactions are reconciled daily and double reconciled monthly. Money is only withdrawn from the client account to: ➨ make a payment to, or in accordance with the written direction of, a person entitled to the money – we do not transfer money from one account into the other if it is not in the same name of the client; ➨ defray brokerage or other proper charges; and ➨ pay to us money to which we are entitled Your funds kept in our client trust account(s) may also be used to meet the payment obligations of our other clients. This means you may also potentially suffer a loss as a result of default by another client where money from the client account is applied to meet the payment obligations of that client and there is a deficiency in the client account. In the event of our insolvency, your entitlements as a creditor will rank equally with all other clients and you may not receive all the money we held for you on your behalf if there is a deficit in the client account. ▸ *Further information can be found in Section 5, 6, 8 and 9 of this PDS*
Suspended or Halted Underlying Assets Addresses the issuer's practices in relation to investor trading when trading in the underlying asset is suspended or halted	Yes	We do not allow new positions to be opened when the underlying market is halted or suspended – an underlying financial instrument may be placed in a trading halt on the relevant exchange and even suspended or delisted in certain circumstances. We may, in our absolute discretion, cancel your order in respect of a Margin FX or CFD transaction which has not yet been opened, or close any open positions where the underlying financial product is the subject of a trading halt, suspension or delisting. When clients place a transaction order with us, it is likely that we will place a corresponding order to purchase or sell the relevant product to hedge our market risk. We have the discretion as to when and if we will accept an order. Without limiting this discretion, it is likely that we will elect not to accept an order in circumstances where our corresponding order cannot be filled. Accordingly, we may, at any time, determine in our absolute discretion that we will not permit the entry into Margin FX or CFDs over one or more underlying instruments. ▸ *Further information can be found in Section 8 of this PDS.*
Margin Calls Addresses the issuer's practices in the event of client accounts entering into margin call	Yes	We maintain and apply a written policy in relation to margin call practices and our discretions relating to close outs. This details how we monitor client accounts to ensure you receive as much notice as possible regarding margin calls, our rights regarding the levying of margins calls and closing out of positions when such calls are not met in a timely manner, and what factors we consider when exercising such close out rights. In practice, all open positions are monitored on a real-time basis, intraday, 5 days per week, to ensure changing margin requirements are identified in a timely manner. We seek to provide you with

		timely and sufficient notice of margin calls to facilitate your ability to meet them however it should be noted that certain market conditions or events may trigger extreme volatility, requiring urgent funds to be applied to retain your positions. Typically, all margin calls will be communicated to clients via email and/or the online trading platform – it is your obligation to ensure you are always available to receive and action such margin calls when you have open positions with us. Please further note that we reserve the full rights to immediately close out your positions when margin calls have not been met in order to protect against exposure to further losses in the positions. We reiterate that trading in Margin FX and CFDs carries a high level of risk and returns are volatile. The risk of loss in trading can be substantial, and you can incur losses in excess of the capital you have invested. Accordingly, you should only trade with risk capital or money that you can afford to lose and which is excess to your financial needs or obligations. *Further information can be found in Section 5, 6 and 9 of this PDS.*

8 | TRADING ACCOUNT

8.1. Applying to Open an Account

Before you begin dealing with us you must complete an *Application Form* either online or by hard copy and be approved by us. Before completing any application form you should read this *PDS*, our *FSG*, and our *Client Agreement*. If you choose to apply online, you will be directed to these documents during the time of your application – you will need to agree and confirm online that you have read and understood the PDS, FSG and Client Agreement before you can submit your application to us.

Trading Margin FX and CFDs is considered a high risk geared investment strategy and we do not consider it suitable for everyone. Investors applying for a trading account must qualify through a set of assessment criteria which are set out in detail in our *Client Qualification Policy*. The assessment is required to be completed as part of the account opening process when applying for an account, and will be determined according to this policy. The assessment may be conducted online or by telephone depending on the application channel, type and other relevant factors.

A trading account will be opened for applicants who pass the assessment however those applicants who fail the assessment will not have an account opened – both will be notified accordingly. In addition, those applicants who fail the assessment may be offered education to assist with understanding the risks and nature of the products offered by us. Applicants who initially fail the assessment may re-apply for an account and re-sit the assessment.

Please note that the application form also requires you to disclose personal information. You should refer to our Client Agreement and the privacy notice on our website which explains how we collect personal information and then maintain, use and disclose that information between our associated companies, and privacy issues specific to your use of our website. Fundamentally, you warrant that the information (including financial information about yourself) provided to us in your application form (and at any time thereafter) is true and accurate in all respects. You acknowledge that we will rely upon the information you so provide to us in making a judgement about you as a potential client. Further, we will only deal with you, if in our sole judgement, we consider that you have sufficient experience, knowledge and understanding of Margin FX, CFDs, share and other financial markets and trading. If in our sole judgement we consider that you have such sufficient experience, knowledge and understanding to deal with you (having regard to the information in your application form) and we deal with you, we will not be liable in any way to you or have any dealings or transactions between us set aside modified or varied if such experience, knowledge and understanding is found to be insufficient or that we were in error in making our judgement.

Under the terms of the governing legislation you will be classified as a ***'retail'*** client unless your Margin FX and CFDs are of a value as would bring you within the category of ***'wholesale'*** client. The governing legislation also contemplates certain categories of clients as satisfying certain criteria being categorised as wholesale clients (irrespective of the value of your transactions) by applying to us to be so categorised.

If you download and sign an electronic application form from our website, you should note that you will be deemed by us to have acknowledged that you have either downloaded or read the electronic versions of this PDS, our FSG, T&C and Client Agreement, or received personally and read the paper copies of those documents.

We reiterate that the distribution of this PDS may be restricted in certain jurisdictions outside Australia. This PDS does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

It should also be noted that we may refuse to open an account for any person.

8.2. Margin FX/CFD Account Explained

A *Margin FX/CFD account* is a record, or a series of records, maintained by us (or on our behalf) that shows, at any point in time, the net position of the payments that you have made or are required to make to us, and the payments we have made or are required to make to you.

The Margin FX/CFD account is *not* a deposit account with us and no money is held in the account. Money paid by you will be deposited in our dedicated client trust account and held and dealt with in accordance with the *Corporations Act's* requirements (please see Section 8.4 for further details).

Fundamentally, under the *Client Agreement*, you authorise us to:

- credit your Margin FX/CFD account with any amounts deposited by you in our trust account and the amounts we are required to credit to you;
- debit your Margin FX/CFD account with the amounts set out by you and any amounts withdrawn by you; and
- designate the amounts in your Margin FX/CFD account as either ***'free balance'*** or margin depending on the amount of funds you have deposited with us, your orders, open contracts and market movements

8.3. Security of Your Account

We are unable to verify your voice on the telephone or your person via the internet or email. For this reason, we will use your account number and password to identify you when you contact us. You are responsible for maintaining the security of your account details, including your account number and password. It is extremely important that you keep your account number and password confidential. If you are aware or suspect that these details are no longer confidential then you should contact us as soon as practicable so that they may be changed. We will deem any Margin FX or CFD opened or closed by any person using your account number and password to be binding upon you.

8.4. Balance on Your Account

The balance on your account will fluctuate according to the money you have deposited in your account, the trading conducted on your account and positions held. During the day your account balance(s), including all open positions, are valued against our current quote. Therefore your balance is constantly calculated in line with market movements. The balance is calculated at the end of the day using our current price to close your open positions. This balance is used to assess your available funds for use as margin requirement against current positions and to meet margin requirements on any new positions you may wish to take. The balance is used to establish if there is a requirement for additional margin. It is your responsibility to ensure that your account is sufficiently funded at all times, especially during volatile periods. If the balance on your account falls below the required deposit limit, you will only be allowed to close or reduce open positions, until the balance on your account is back in excess of the required margin percentage for all open positions. If any of your positions are denominated in a currency other than the base currency of your account, they will be continually valued at the applicable interbank mid-market spot exchange rate (this may be found on information services such as Bloomberg or Reuters). Your statement will then value all your positions in your chosen base currency.

'Free Balance' means the cash balance in your account plus (or minus) any unrealised profit/loss less any margin requirements. You can, subject to our terms and conditions withdraw funds up to the amount, if any, of your free balance's unrealised profit/loss is profit or loss that has been made or lost but is not yet realised through a transaction.

For example if you purchase 1 Margin FX lot or GBP/AUD at 1.6500 and it rises to 1.6550 but you have not yet closed the position, you will have an unrealised profit of $500. Once the trade is closed, the unrealised profit would be realised and reflected in the cash balance – the unrealised profit/loss is not included in the margin for a Margin FX contract/CFD.

Another example is if you have cash balances of $5,000 in your account of which $3,000 is needed to meet your margin requirements for your open positions and an unrealised profit of $1,000. In that case, your free balance is $3,000 and you will be able to withdraw up to this amount from your account.

8.5. Profits/Losses on Your Account

Profits made on your trading activities increase the balance on your account. Any surplus funds may be withdrawn from your account, on request. Losses made on your trading activities decrease the balance on your account, and therefore the margin available for opening new positions or keeping existing positions open.

8.6. Making Payments to Your Account

You may deposit funds, as opening and ongoing collateral, through *electronic or telegraphic bank transfer* or *credit/debit card*. Unless agreed otherwise by us, payments will be required in the same currency as the base currency of your account.

Please note that all funds must be ***'cleared funds'*** in our bank account before they will be counted towards the balance on your account. Essentially, *cleared funds* are amounts deposited or credited to your account which are able to be withdrawn by us for the purposes of acquiring Margin FX or CFDs and making margin or other payments.

Funds deposited with us may take up to three (3) days or more to clear – it is your responsibility to ensure that the amounts transferred to us are cleared in sufficient time to meet all the payment obligations you have under the *Client Agreement*. A failure to do so could result in your orders being cancelled and your positions being closed out and your account being charged default interest. If you are not sure how long it will take for your payments to clear, you should contact your financial institution.

You should also note that, other than in highly exceptional circumstances, we will only accept payments into an account from the account holder and not from any third party. Furthermore, money on your account with us may be set off against losses that you incur to other Associated Companies of ours.

8.7. Payments Made by Us

You may request that money standing to the credit of your account be remitted to you. Payment of any such amounts will be subject to you leaving enough funds in your account to cover any margin requirements or any other charges that might arise for any reason. You should note that, other than in highly exceptional circumstances, all payments out of an account held with us must go directly to the account holder.

8.8. How Payments are Held

Any payments you make to us may, for a period, be held separately from our money in a dedicated client trust account or invested by us. Such money will be held, dealt with and invested in accordance with the *Corporations Act* and the terms of the *Client Agreement*.

Specifically, under the terms of the *Client Agreement*, you agree that:

- your money in our client trust account is not kept separate from the money of our other clients;
- we may withdraw, at any time, your money from the trust account in any of the following circumstances:
  - making a payment to, or in accordance with your written directions for purposes of entering into contracts (including, but not limited to, mark-to-market payments);
  - defraying brokerage and other proper charges;
  - paying to us money to which we are entitled;
  - making a payment that is otherwise authorised by law;
  - paying to us money to which we are entitled pursuant to the operating rules of a financial market; and
  - making a payment to another licensee provided that the receiving licensee is notified that the money has been withdrawn from the trust account and pays it directly into their trust account;
- amounts withdrawn from the client trust account under the above clause:
  - belong to us; and
  - will no longer be your funds or be held for you;
- we are entitled to invest the money in the client trust account in accordance with the *Corporations Act*;
- unless otherwise agreed in writing with you:
  - we are solely entitled to any interest or earnings derived from your money being deposited in our client trust account, the trust account of our OTC derivative providers, or invested by us in accordance with the *Corporations Act* – such interest or earnings are payable to us from the relevant trust account or investment account, as the case requires, as and when we determine;
  - upon realisation of an investment of your funds, the initial capital invested must either be invested in another investment permitted by the *Corporations Act* or deposited by us into the client trust account operated in accordance with the *Corporations Act*;
  - in the event that the amount received upon realisation of an investment of your funds is less than the initial capital invested, we must pay an amount equal to the difference into the client trust account for your benefit, except where any such difference is the result of amounts paid out of the investment to us in accordance with the *Client Agreement*; and
  - we will not charge a fee for investing the money in the client trust account;
- we may use the money in the trust account for the purpose of meeting obligations incurred by us in connection with margining, guaranteeing, securing, transferring, adjusting, or settling dealings in derivatives offered by us (including dealings with our OTC derivative providers) and dealings on behalf of other clients – if used for this purpose, the money will be held in one or more accounts in the OTC derivative providers' names in accordance with the *Corporations Act*

Please note that holding your money in one or more client trust accounts may not afford you absolute protection. The purpose of a client trust account is to segregate our clients' money, including your money, from our own funds. If the amount held in a trust account for you does not satisfy or fully satisfy money we owe to you and we become insolvent, you will be an *'unsecured creditor'* in relation to the balance of the money owing to you.

Additionally, your funds will be kept together with the funds of other clients in our client trust account. Your funds kept in our client trust accounts can be used to meet the payment obligations of our other clients. This means that you may also potentially suffer a loss as a result of default by another client where money from the client trust account is applied to meet the payment obligations of that client and there is a deficiency in the client trust account. In the event of our insolvency, your entitlements as a creditor will rank equally with all other clients and you may not receive of all the money held by us on your behalf if there is a deficit in the client trust account.

We are entitled to retain all interest earned on client money held in segregated accounts with a bank or *approved deposit-taking institution*. The rate of interest earned by us on this account is determined by the provider of the deposit facility.

8.9. Operating Your Account

8.9.1. Opening and Closing a Position

A position in Margin FX or CFD may be opened in your account by:

- placing an order on our online trading platform; or
- calling us

In practice, to open a Margin FX or CFD position, you will need to provide us with specific information, such as the currency pair, the quantity of the base currency, the type of orders requested and whether you intend to be long or short party – we will then provide you with a quote for the price of the base currency as against the term currency.

Likewise, a Margin FX or CFD position can be closed out by you by placing an order for a Margin FX contract or CFD that is an offsetting opposite position to an existing Margin FX or CFD position, and that order is accepted by us.

The order to close out a Margin FX or CFD position can be placed through our online trading platform or by calling us. Prior to placing an order, we will provide you with a quote for the price of the base currency as against the term currency.

If we accept your order to close out a Margin FX or CFD position, the existing Margin FX or CFD position will be closed out, and:

- we determine any Debit or Credit required to your account; and
- a confirmation will be sent to you

There are some circumstances, as set out in the *Client Agreement*, in which we may close out a Margin FX or CFD position in our sole discretion for example, we may do this where you fail to maintain your required margin (see Section 9 for further details).

Please note that all quotes are indicative and no positions will be entered into until your order is accepted in accordance with the *Client Agreement*. Additionally, due to transmission delays which may occur between when you send us your order and our trading server accepting your order, the price offered by us may change before we receive your order. If you place an order and the price changes before the order is received, the order will be accepted by us at the new price. This means the price at which your order is accepted may be different from the price you were quoted initially.

You should further note that we cannot predict future price movements and our quotations are not a forecast of where we believe currency prices will be at a future time.

8.9.2. Types of Orders

You may place any of the following orders with us:

- ***Market Order*** – an instruction to buy or sell a Margin FX contract or CFD at the current bid or offer price of the underlying security or trading instrument quoted by us. We may, in our absolute discretion, choose to accept or reject your market order.
- ***Limit Order*** – an instruction to buy or sell a Margin FX contract or CFD at the price threshold you have specified or at the price that is more favourable than the price threshold you have specified for the specified contract. Note that there is a possibility that this type of order may not be filled.
- ***Stop Order*** – an instruction to close out or enter into a Margin FX contract or CFD at the best available price after a pre-determined price threshold is reached. Putting a stop order on your positions will allow you to potentially limit potential losses from adverse market fluctuations by closing your position at the best available price after the market price passes the price threshold you have set.
- ***Contingent Order*** – an instruction to place a limit order or a stop order to open a new position, while at the same time, another order is placed (second order). Note however, the second order will only be effective if the parent order is executed. Further, this type of order cannot be attached to an existing open position – it must be placed when you open your position.
- ***Order-Cancels-Order*** ("**OCO**") – an instruction to place two separate stop or limit orders which are then linked together and placed as one order. Note when one of the linked orders is executed, the other order is automatically cancelled.

In addition, the following orders may be applied to you:

- ***Day Only*** ("**DO**") – means the order you place will be cancelled at 9:00am AEST. If you want to maintain that order in the market after that time, you will have to re-submit that order.
- ***Good 'til Cancelled*** ("**GTC**") – means the order you place will remain in the market until it is either executed according to the terms of that order, or is cancelled by you.

8.9.3. Acceptance of Orders

If we accept your order and the Margin FX or CFD position is opened, we will send a confirmation to you as follows:

- If you have entered an order through the online trading platform, it will automatically give you a summary of the main elements of your order which can then be printed by you so you can check if the order is correct. Please note that this summary is not a confirmation. Once your order has been executed, you can access your ***'Trades Booked'*** statement online. The statement *is* your confirmation – you will be asked to accept this *'standing facility'* method of receiving confirmations in the *Client Agreement*.
- If you have placed an order by calling us, you can access your *'Trades Booked'* statement online which is your confirmation as set out above.

You should note that we have absolute discretion in choosing whether to accept or reject an order. In general, we will use reasonable endeavours to accept an order. However, we may not accept an order if, for example, it is not reasonably practicable for us to do so.

8.9.4. Value Date of an Open Position

Where a Margin FX or CFD position is held at the close of business on the day before its value date, it will be rolled over to a new value date on the terms set out in the *Client Agreement*. A Margin FX or CFD position will be continuously rolled over until it is closed out.

8.9.5. Online Trading Platform

We will provide you with access to an online trading platform which will enable you to open positions in our Margin FX contracts or CFDs over the internet.

The online trading platform will enable you to:

- trade Margin FX contracts or CFDs generally 24 hours a day when the markets are open; and
- access information on a wide range of global markets generally 24 hours a day

The significant features of our online trading platforms are as follows:

- *Real-time Prices* – however, due to transmission delays between when your order is sent to us and when the order is automatically accepted by our trading server, your order may be accepted at a different price than what was quoted at the time of your order;
- *Real-time newsfeeds*;
- *Technical analysis*;
- *Account summaries*;
- *Support*; and
- *A secure website*

8.10. Account Deficit

You will not be allowed to deal in Margin FX or CFDs (other than to close or reduce your open positions) when there is a shortfall in the balance on your account until such time as the balance is in excess of your margin requirements.

8.11. Account Statements and Confirmations

Margin FX or CFD positions opened or closed by telephone will be confirmed during your conversation with our dealer. Margin FX or CFD positions opened or closed via the internet will be confirmed on-screen.

Either way, we will provide you with information about your account or Margin FX and CFDs by providing you with a *'statement'*. Statements will be posted to our online trading platform (and emailed or posted if requested). If you elect to receive statements by post we reserve the right to levy an administration charge.

'*Confirmations*' will give the details of any Margin FX or CFDs that you open or close with us. Your statements will include a summary of the financial position of your account and details of all transactions on your account for the statement period.

Clients should note that we make every effort to ensure that all details are correct. However, it is very important that you read your statements and contact us if you disagree with the contents or if you do not receive your statements. You need to be aware of your account balance, your margin requirements for open positions, and whether you are approaching your margin call level. Your statement will also show whether your account has any excess funds available. When we send you a confirmation or a statement you must review it and advise us of any mistakes or inaccuracies within the following time limits or you will be deemed to have accepted them, and they will be binding on you:

- if you receive your statements and confirmations by email, within one (1) day of receiving your statements or confirmations or no later than two (2) business days after the date on which your statements and confirmations were emailed to you; or
- if you receive your statements and confirmations by post, within one (1) day of receiving your statements or confirmations or no later than five (5) business days after the date on which your statements and confirmations should have been received by you

Any queries about your account statements and confirmations should be made to our Support Department. Any failure to advise us of a mistake or inaccuracy will not preclude your right to make a complaint in accordance with our dispute resolution procedures (see Section 11) but we reserve the right to rely upon the terms of the *Client Agreement*.

8.12. Monitoring Your Account

You are solely responsible for monitoring your account and positions as well as maintaining the required margin percentage at all times. You may be required to make margin payments to cover your open positions at short notice, and you must be able to meet those obligations at all times.

For this reason, you must be contactable at all times. If you are going away on holiday and have positions open, you must make arrangements to keep in touch with us. This is so we can contact you if your margin has fallen into deficit.

8.13. Other Important Considerations

8.13.1. No Interest on Account Balance

Please note that we do not pay interest to clients on money held by us in a separate account or on money paid to us as margin. This may be regarded as a cost, as you will have lost the opportunity to obtain interest (or some other return) on that money elsewhere.

8.13.2. Public Holidays

We are not obliged to quote prices or accept orders or instructions in respect of any markets on which we offer Margin FX and CFDs on a public holiday in any jurisdiction which, in our reasonable opinion, affects the relevant underlying markets.

8.13.3. Out of Hours Trading

Although we are open 24 hours a day, we are not obliged to quote prices or accept orders or instructions in respect of any markets on which we offer Margin FX and CFDs to which '*Out of Hours Trading*' applies during any time when the relevant exchange is closed for business. We will designate from time to time the markets on which we offer Margin FX and CFDs to which out of hour trading applies on our website.

8.13.4. Joint Accounts

If you have opened a joint account with us:

- the liabilities of each of you will be joint and several;
- we may act upon instructions received from any person who appears to be an account holder; and
- any notice or other communication given by us to one account holder will be deemed to have been given to all account holders

8.13.5. Specialist Language Services

If you have been dealing with us in a language that is not English, for example using some of our Chinese specialist or other foreign language speakers, then please note that these foreign language services may not be available at all times.

English is the primary language in which our services are provided and the binding language of all our contractual documents. There may be occasions where you must take action in relation to your account and a representative who is fluent in that foreign language is not available. It is your responsibility to be able to monitor your positions and your account at all times.

9 | TRADING MARGIN

9.1. Trading Margin Explained

Upon opening a Margin FX contract or CFD, you will be immediately required to lodge and maintain a specified amount of cash, normally referred to as the ***'margin'***, with us.

The amount of margin required is either a set value or a percentage of the contract value of the transaction (normally calculated as the rate at which a single unit of the base currency may be bought with or, as the case may be, sold in, units of the term currency, multiplied by the amount of the base currency to be traded) as determined by us at our sole discretion, at any point in time.

This PDS does not specify the margin percentage rates because the rates applicable to a currency pair or a CFD are determined by us by reference to a number of variable factors including the liquidity and volatility of the currencies or underlying instruments. The current margin percentage rates for any particular underlying instrument are published on our website, or can be obtained by calling us.

Generally, the applicable margin percentage rates are 1% to 20% of the contract value of your open position. For example, if the contract value of the Margin FX contract for the Margin FX contract to buy 100,000 AUD is USD 89,000 and the applicable margin percentage rate is 2%, the amount of initial margin is USD 1,780, being 2% of USD 89,000 (or $2,000 which is USD 1,780 divided by 0.8900 to convert to AUD).

9.2. Initial Margin Requirements

The initial margin requirements must be placed on your account before a position is opened.

Generally for Margin FX and CFDs, the initial margin requirement is calculated as a percentage of the value of the opening the contract.

9.3. Further Margin Payments

For as long as a Margin FX or CFD position is open, you are required to keep sufficient money on your account to meet the margin value requirement. Where margin is a floating amount rather than a fixed amount, we will dynamically recalculate the amount of margin that you are required to pay.

We will specify the margin value required on your position at the time that you open the Margin FX or CFD position. However, we reserve the right to alter that value at any time during which the position remains open (including, for example but not by way of limitation, under volatile market conditions). In extreme conditions or situations value or per-contract margin requirements higher than those shown in our contract details may apply. This happened in the market crash of October 1987, the Kobe earthquake of 1995 and the aftermath of 11 September 2001. If any such event should occur, and we increase the required margin levels as a result, we will take steps to notify you if you already have an open position, or, if you wish to open a new position. We will notify you if we change the margin value on an open Margin FX or CFD, and the further amount of money required from you to keep the Margin FX or CFD open.

9.4. Making Margin Payments

It is your responsibility to constantly monitor your open positions to ensure that you retain the correct margin value on open positions. To assess whether you are due to pay margin, you must add up the margin requirements for all open positions on your account. If the cash on your account and the value of your open positions is less than the margin requirement on your account, you will be required to fund the shortfall.

The amount for which you will be liable to pay will be sufficient to ensure that you have completely covered the margin requirement for all open positions on your account.

Your current margin position (and any deficit) will be displayed via the online trading online platform provided to you, or can be obtained from our representatives by telephone. We may also call you to inform you that you are liable to make an additional margin payment (a *'margin call'*), however our failure to make a margin call in no way negates your obligation to monitor your margin position and pay any shortfall. If you do not pay us any shortfall immediately, the *Client Agreement* gives us significant rights against you that you should be fully aware of. These rights include, but are not limited to, closing your open positions without prior notice to you. We have these rights as soon as you have a margin shortfall – however large or small.

Payments of margin are not a cost, per se, but you should be aware that we will not pay interest on margin payments.

Further, margin payments are required in the form of cleared funds in our bank account. We may agree to accept other assets as collateral in fulfilment of your margin requirements but, if we agree to do this, the holding of these assets will be subject to a further written agreement between you and us. This agreement will set out how your assets will be held by us and the circumstances in which they may be realised.

We may, at certain circumstances, agree to accept margin call payments using a *'Proof of Payment'* service whereby you can have *'yet to be cleared'* funds allocated to your account in order to cover the margin. It must be noted however that this is a manual process and not an instantaneous credit so if you are using this service your account will remain in margin and your positions in danger of being closed out until the process is complete.

9.5. Margin Call Practices and Our Discretions

Client accounts are monitored by an automated close out process which highlights accounts entering into a margin call. The close out process is designed with the objective to minimise client losses and allows us to be proactive, identify accounts that breach the deposit ratio level and endeavour to take action (as deemed appropriate by us) before the market moves further against open trades.

In all events, the close out process does not guarantee to prevent an account from running into negative equity. Trading leveraged products carries a risk of incurring losses in excess of the deposited funds. In normal circumstances we endeavour to notify you of margin call by automated email which is generated and sent to your registered email address as soon as your account enters into margin call. This email serves as a notice that your account has breached the minimum required level of funds and any open trades are at risk of being closed out. You are responsible for monitoring your own account and ensuring adequate funds are maintained at all times. We are not under any obligation to keep you informed and provide notification, and this service is provided to you on a best endeavours basis. Further, we do not provide notification when an account is approaching a margin call and you are responsible for monitoring your account at all times.

In order to manage the risk that you would not have sufficient funds in your account to maintain your positions open, we may take the following measures:

- If the margin required to keep your positions open takes up to 100% of the funds shown in your account, you are regarded as being on *'Margin Call'*;
- If the funds available in your account only covers 80% or less of the margin required to maintain your open positions, you will receive a visual warning automatically on your online trading platform so you can consider taking appropriate action which can include depositing further funds or reducing exposure; and
- If the funds available in your account only covers 50% f the margin required to maintain your open positions, your worst offending contract (i.e. the contract with the largest margin requirements) will be automatically closed out to bring you back above 50%.

It is your responsibility to notify us immediately of any change in your contact details and to provide us with alternative contact details and ensure that our calls for margin will be met if you will be uncontactable at the contact address or telephone number notified to us (for example because you are travelling or are on holiday, or you are prevented from being in contact because of a religious holiday). We will not be liable for any losses, costs, expenses or damages incurred or suffered by you as a consequence of your failure to do so.

We will be entitled, at any time, to increase or decrease the margin required from you on open positions. You agree that, regardless of the normal way in which you and we communicate, we will be entitled to notify you of a change to margin levels by any of the following means: telephone, post, fax, email, text message or by posting notice of the increase on our website. Any increase in margin levels will be due and payable immediately on our demand. We will only increase margin requirements where we reasonably consider it necessary, for example but without limitation, in response to or in anticipation of any of the following:

- a change in the volatility and/or liquidity in the underlying market or in the financial markets more generally;
- economic news;
- a company whose instruments represent all or part of your transaction becoming insolvent, being suspended from trading or undertaking a *Corporate Event*;
- you changing your dealing pattern with us and/or an associated company of ours;
- your credit circumstances changing;
- your exposure to us and/or to an associated company of ours being concentrated in a particular underlying market or sector

10 | PRODUCT COSTS AND OTHER CONSIDERATIONS

10.1. Mark-to-Market Payments

At the close of business on each business day during the term of the Margin FX contract or CFD, we will determine the contract value of the position.

The contract value is normally calculated as the rate at which a single unit of the base currency may be bought with or, as the case may be, sold in, units of the term currency multiplied by the amount of the base currency to be traded. If the new contract value at the close of business is, in monetary terms: (1) less than the contract value determined for the previous day and you hold a short position; or (2) greater than the contract value determined for the previous day and you hold a long position, then we will credit the difference to you. This difference is referred to as the ***'mark-to-market payment'***. The mark-to-market payment is credited to your account on the same business day it is calculated.

10.2. Spreads

We offer two types of account, the standard account which has zero commission and the raw account which has a small and varied commission charged per contract.

The calculation of the price to be paid (or the payout to be received) for a Margin FX contract or CFD, at the time the position is opened or closed, will be based on market prices available at the time, the expected level of interest rates, implied volatilities, and other market conditions during the life of the financial contract and is based on a complex arithmetic calculation. It will include a spread in favour of us and will differ depending on the currency pairs or underlying products traded.

'Spread' practically means *the difference between the bid price (price offered) and the ask price (price requested)*. Our spread is incorporated into the price of the Margin FX contract or CFD quoted to you and is not an additional fee or charge payable by you. The spreads we quote are generally wider than the spreads available in the physical market and the additional spread represents spreads paid to us. In other words, we:

- add an amount to the market ask price when you open a long position; and
- subtract an amount from the market bid price when you open a short position

This means you pay more to buy a position in Margin FX or CFD, and receive less when you sell a position. You can find our current spreads online on our website, or by calling us.

The spreads we quote are a number of pips/points between the bid price and the ask price. A ***'pip'*** or a ***'point'*** is the last decimal place to which a Margin FX contract or CFD is quoted. The spreads we quote are in most cases, determined by our OTC derivative providers unless we are not posting trades straight through, in which case they are determined by us. The spreads will be influenced by estimated current spot and futures prices, the size of your transaction, the frequency of which you enter into positions with us, expected levels of interest rates, implied volatilities and other market conditions during the life of the transaction along with the time zone in which you choose to trade.

The spreads we quote are determined by our OTC derivative providers unless we are not posting trades *'straight through'*, in which case they are determined by us. The spread will be influenced by estimated current spot *'inter-bank'* exchange rates (for gold and silver, our best estimate of current spot price of gold and silver), the size of your transaction, the frequency of which you enter into Margin FX or CFD contracts with us, expected levels of interest rates, implied volatilities and other market conditions during the life of the Margin FX or CFD contract and the currency pair and the time zone in which you choose to trade.

The spreads we publish are our best possible target spreads used in normal market conditions. The spreads range from between 0.5 pips to 600 pips. In quiet market conditions, the spread may be even narrower than the spreads quoted. But in periods of volatile markets, the spread may be increased. We will quote *5* decimal places for most currency pairs (but the 4th decimal place is classed as the *'pip'*) and *2* decimal places for most CFDs.

10.3. Default Interest

We do not pay interest on credit balances on your account. However, we will charge interest on any default interest on your account. Any amounts of interest payable to us will be deducted from any amounts payable to you.

If you fail to pay when due any amount payable under the *Client Agreement*, we may *Debit* from your account default interest on that amount.

Default interest will be charged from and including the due date to the date of actual payment (after as well as before judgment). All such interest will be calculated using an interest rate which is central bank target cash rate for that currency or underlying product plus 3% per annum. Default interest is charged in arrears at the end of each business day. For example, assume that your actual margin is $1,000 less than your required margin. If the $1,000 is not deposited with us then, assuming a default interest rate of 8.5% per annum (3% per annum above central bank target cash rate for that currency or underlying product assuming that rate is 5.5% per annum), default interest of $0.23 per day would be charged and added to the amount owing to us.

Please note that default interest rates are subject to change at any time. The default interest rate that applies at current time is published on our website and will be shown on your daily statements. You may also contact us for details of the applicable interest rate.

10.4. Swap Credits/Charges – Margin FX

Where a Margin FX contract is held at the close of business on a trading Day, a ***'Swap Credit'*** or a ***'Swap Charge'*** will be made to your unrealised profit/loss. Practically, contracts are automatically rolled over to the next trading day at the same time that the swap charge/credit is calculated.

Each currency has an interest rate component attached to it, and because Margin FX contracts are traded in currency pairs, every trade involves not only two different currencies but also two different interest rates. The swap credit/charge accounts for the difference in the interest rates between the base currency and the term currency when a Margin FX contract is held overnight (i.e. rolled over to the next business day).

Generally, a *Credit* will be made to your unrealised profit/loss (i.e. your unrealised profit will increase or your unrealised loss will decrease) if at the close of business on the relevant trading day:
- you have a long Margin FX contract and the interest rate that applies to the currency you buy is higher than the interest rate that applies to the currency you sell; or
- you have a short Margin FX contract and the interest rate that applies to the currency you sell is lower than the interest rate that applies to the currency you buy

On the other hand, a *Debit* will be made to your unrealised profit/loss (i.e. your unrealised profit will be reduced or your unrealised loss will be increased) if, at the close of business on the relevant trading day:
- you have a long Margin FX contract and the interest rate that applies to the currency you buy is lower than the interest rate that applies to the currency you sell; or
- you have a short Margin FX contract and the interest rate that applies to the currency you sell is higher than the interest rate that applies to the currency you buy

Note that when you close out your Margin FX contract, the net amount of the swap charges/credits (which forms a part of your unrealised profit/loss) will be credited or debited from your Margin FX account. No swap charge is payable to us and no swap credit is paid by us if you open and close out a Margin FX contract in the same day.

For the purpose of determining the interest rates for a currency, the interest rate that applies to the currency you buy is the relevant central bank target cash rate for that currency minus a margin of no more than 0.5% and the interest rate that applies to the currency you sell is the relevant central bank target cash rate for that currency plus a margin of no more than 0.5%.

You should further note that interest rates are subject to change. The interest rate that applies to a particular open Margin FX contract will be published on our website and shown on your daily statements – you may also contact us for details of the applicable interest rate.

In addition, we receive a transaction fee for providing the swap charges/credits to you. Our transaction fee can be up to 1% of the value of the swap charge/credit. For example, if you enter into a Margin FX contract for AUD/USD and the contract value is AUD 100,000 and the swap charge charged to you is 0.0001% (i.e. 1 Pip) and if we take 1% of this as a transaction charge, then the transaction charge we will charge you will be AUD 0.001.

10.5. Rollover Credits/Charges – CFDs

Where a CFD is held at the close of business on a trading day, a ***'Rollover Credit'*** or a ***'Rollover Charge'*** will be made to your unrealised profit/loss. Your positions are automatically rolled over to the next trading day at the same time that the rollover charge/credit is calculated.

Each CFD has an interest rate component attached to it. The rollover credit/charge accounts for the difference in the interest rates between the base currency and the term currency when a CFD is held overnight (i.e. rolled over to the next business day).

Generally, a *Credit* will be made to your unrealised profit/loss (i.e. your unrealised profit will increase or your unrealised loss will decrease) if at the close of business on the relevant trading day:
- you have a long CFD position and the interest rate that applies to the position you buy is higher than the interest rate that applies to the position you sell; or
- you have a short CFD position and the interest rate that applies to the position you sell is lower than the interest rate that applies to the position you buy

On the other hand, a *Debit* will be made to your unrealised profit/loss (i.e. your unrealised profit will be reduced or your unrealised loss will be increased) if, at the close of business on the relevant trading day:
- you have a long CFD position and the interest rate that applies to the position you buy is lower than the interest rate that applies to the position you sell; or
- you have a short CFD position and the interest rate that applies to the position you sell is higher than the interest rate that applies to the position you buy

Note than when you close out your CFD position, the net amount of the rollover charges/credits (which forms a part of your unrealised profit/loss) will be credited or debited from your CFD account. No rollover charge is payable to us and no rollover credit is paid by us if you open and close out a CFD position in the same day.

The interest rate that applies to a particular CFD will be published on our website and shown on your daily statements – you may also contact us for details of the applicable interest rate.

Likewise in Margin FX, we receive a transaction fee for providing the rollover charges/credits to you. Our transaction fee can be up to 1% of the value of the rollover charge/credit.

10.6. Currency Conversion Calculation Fee

Funds can be deposited to us and held in the following currencies: *Australian Dollars* ("**AUD**"), *United States Dollars* ("**USD**"), British Pound Sterling ("**GBP**"), and Euros ("**EUR**") – your trading account can be denominated in any of the stated currencies.

Under the *Client Agreement*, we are entitled to charge you a *'conversion calculation fee'* of up to 0.5 per cent for converting amounts into your nominated currency when you deal in a Margin FX contract or CFD denominated in a currency other than the stated currencies, and:

- funds are transferred from our client trust account and converted at the current spot rate for the conversion of the relevant funds into your nominated currency (being either AUD, USD, GBP or EUR); or
- realised profits and losses are converted to your nominated currency (being either AUD, USD, GBP or EUR) immediately on closing the Margin FX contract or CFD

For example, if following the termination of a position, you realise a profit of 100,000 JPY and your account is denominated in AUD, and the exchange rate is 1 JPY – 77 AUD, you will receive AUD 1,298.70 and we will charge you a conversion calculation fee of AUD 6.49.

Currently, we have waived the conversion calculation fee for all currency conversions. However, we may, at our discretion, charge the conversion calculation fee by giving you 30 days prior notice. All mark-to-market payments, margins, spreads, swap or rollover charges and interest charges in relation to a Margin FX contract or CFD will be calculated using the term currency. To show the effect of these transactions on your account, we will notionally convert these transactions to your account currency at the current spot rate – no conversion calculation fee is charged to you for these notional conversions.

10.7. Margin

You are required to pay and maintain a margin as set out in Section 9. Note that the margin is not a fee but rather a security deposit that you are required to keep with us.

10.8. International Transfer Fees

When depositing funds to your trading account internationally, both the transferring and receiving financial institutions may place a *'transfer'* fee on your transaction.

When reconciling your international payment, our accounts department will note the transfer amount, which includes the transferring bank's charge. Subsequently, we will note the bank's charge from our bank account. The net sum will then be transferred to your trading account.

Likewise, when you withdraw funds from your trading account, the amount you receive in your bank account may differ from the sum withdrawn. While we aim to cover the fee for withdrawals with our bank, your financial institution and/or intermediary bank may also apply charges. These charges depend on your account/credit card type, and/or the location of which the receiving bank is located and other considerations such as alliances with the transferring bank and/or intermediary institution.

It should be noted that although we do our utmost to negotiate transfer fees with our bank, we are unable to ascertain, control or negotiate transfer costs with your financial institution and/or credit card provider.

10.9. Additional Fees/Costs

Under the *Client Agreement*, we may charge you an additional fee and/or spread, or increase the current fee and/or spread as set out in this PDS provided we have given you thirty (30) days prior notice.

11 | DISPUTE RESOLUTION

We have internal as well as external dispute resolution procedures to resolve complaints from clients. In the event that you are dissatisfied with any aspect of our service, please give us the opportunity to investigate and answer your questions.

Generally, all complaints will be handled and investigated internally to resolve any complaints or concerns you may have, as quickly and fairly as possible in the circumstances.

If you wish to lodge a complaint about the financial services provided to you, you will need to firstly compile all documents that relate to your complaint and any questions that you wish to have answered. Your complaints or concerns should then be directed to our Support Department and/or your account manager (by telephone, email, or post) at the address and telephone numbers provided in Section 1 of this PDS. Please note that if you phone your complaint in then we may ask you to email us the full details as well. Our team will then attempt to review the situation and resolve within two (2) business days if possible – we will investigate your complaint, provide you with our decision, and the reasons on which it is based, in writing. Your complaints will first be investigated by our Support Department and, if they are unable to resolve the dispute to your satisfaction, by our Compliance Department.

If the matter is not resolved, or should you feel dissatisfied with the outcome after two (2) business days, as per this PDS and the ***Financial Ombudsman Service*** ("**FOS**") procedures, we then have forty five (45) days to further investigate and resolve. We will communicate with you throughout this time period and may ask for further information.

If after the forty five (45) days period and once you have our response you are still not satisfied with the outcome, you then have the right refer the matter or escalate your concerns to an external body for a resolution or FOS, an approved and independent external dispute resolution scheme. You should note that FOS will not consider a complaint until we have had the opportunity to address it internally within the timeframe stated above.

If you would like more information on how complaints are handled, please contact our support department. FOS can be contacted at – GPO Box 3, Melbourne, VIC 3001; toll free on 1300 78 08 08; by email: *info@fos.org.au* or at *www.fos.org.au*

12 | TAXATION CONSIDERATIONS

12.1. Introduction

It should be noted that we do not provide any taxation advice. The information contained in this section is of general nature only and is not intended to constitute legal or taxation advice, and should not be relied upon as such. Taxation laws are complex in nature and their interpretation and administration may change over the term of your transacting. We will not advise you of any changes in taxation laws should they occur. You take full responsibility for the taxation implications arising from your own transacting, and any changes in those taxation implications during the course of your transacting.

It is important to note that the ultimate tax implications to you will depend on your personal circumstances and, as such, you should consult an independent taxation advisor. Further, this PDS represents our understanding of the current view of the taxation laws and our interpretation of Public Ruling TR2005/15. It is important to note that our views have not been endorsed by the *Australian Taxation Office* ("**ATO**") and that tax laws and their interpretation are always subject to change.

The following is a summary of the Australian taxation implications of dealing in Margin FX, CFDs or any margin trading derivative products, and is based on the taxation laws as at the date of this PDS, and in particular Public Ruling TR2005/15 issued by the ATO on 31 August 2005 under Part IVAAA of the Taxation Administration Act 1953.

Furthermore, the summary represents our view of the current taxation treatment of gains and losses arising from trading Margin FX and CFDs as an Australian Tax Resident as at the date of this PDS. Taxation treatment will depend on your circumstances, and we strongly recommend that you consult an independent, professional taxation advisor before deciding to open an account to deal in Margin FX and CFDs offered by us.

12.2. Profit or Loss

12.2.1. Income Tax

An Australian resident taxpayer generally calculates their taxable income by including assessable income and after allowing for losses incurred in gaining or producing assessable income.

Margin FX contracts and CFDs can be characterised as cash settled *over-the-counter* ("**OTC**") derivative products, in that your dealings with us under the *Client Agreement* do not provide for a party to make or accept delivery of the underlying instrument. The ATO takes the view that Margin FX and CFDs are in law categorised as contracts of gaming and wagering, however this alone is not determinative of the tax treatment of gains and losses.

12.2.2. Gains

The ATO has taken the view that gains from trading Margin FX and CFDs will be assessable income where:

(i) the Margin FX or CFD is entered into as an ordinary incident of carrying on a business;
(ii) the profit was obtained in a business operation;
(iii) the profit was obtained in a commercial transaction for the purpose of profit making; or
(iv) the profit is made in carrying on or out a profit making scheme

Further, the ATO has taken the view that even an isolated Margin FX or CFD transaction can be considered to produce assessable income for the taxpayer. It should be noted that the ATO's interpretation of what would fall within these parameters is very broad and appears likely to include all Margin FX and CFD trading, whether frequent or not.

However, the Ruling also contemplates that a gain from a Margin FX contract or CFD entered into for the purpose of recreation by gambling (and not for a profit-making purpose) will not be assessable as income (or capital gain). The Ruling acknowledges that a taxpayer who enters into a Margin FX contract or CFD only once, or very occasionally, who has no expertise in the price of the underlying by which the gain or loss of the Margin FX contract or CFD will be calculated, does not engage in any income producing activities of a character bearing some association or connection with the Margin FX contract or CFD or its underlying, and in particular who gambles in the ordinary recreational way and who has entered into the Margin FX contract or CFD in circumstances such that the Margin FX contract or CFD may be seen to be part of that recreation, may establish that the gain or loss is a product of recreational gambling (and not the result of a profit making endeavour).

12.2.3. Losses

The Ruling also concludes that a loss from a Margin FX or CFD transaction where the gain would have been assessable is an allowable deduction.

12.2.4. Capital Gains Tax

While gains or losses would most often be on revenue account because it is expected that Margin FX and CFD is usually entered into for a profit-making purpose, where it can be said that there was never any such purpose, then in that event (unless it is for recreational gambling – see above), the gain or loss would be an assessable capital gain.

The ATO's view is that a Margin FX contract or CFD falls within the definition of a *capital gains tax* asset (a "**CGT**" asset) under section 108-5 ITAA 1997. However, pursuant to section 118-20 ITA 1997, to the extent a non-CGT provision includes an amount in the taxpayer's assessable income as a result of a CGT event, a capital gain arising from a CGT event is reduced. This means that, to the extent that profits made from trading Margin FX or CFDs are included in your assessable income, you will not be required to include the amount of the transaction in the calculation of any capital gains tax liability.

The ATO has also expressed the view that losses incurred in trading Margin FX or CFDs can be regarded as capital losses for the purposes of capital gains tax to the extent that they are not otherwise excluded by law. Accordingly, such losses can be set off against any capital gains tax liabilities. However pursuant to subsection 110-55(4) of the ITAA 1997, to the extent that a loss of a Margin FX contract or CFD is deductible under section 8-1 or section 25-40, the reduced cost base of the asset is reduced thereby reducing the amount of the capital loss. Paragraph 118-37(1) (c) of the ITAA 1997 provides that capital gains and capital losses arising from '*gambling, a game or a competition from prizes*' are to be disregarded. The ATO's position is that capital gains and capital losses from trading Margin FX or CFDs do not qualify for this or any other exemption in the ITAA 1997.

12.2.5. Taxation of Financial Arrangements

New rules were introduced with general application from July 1, 2010 which set out the method by which gains and losses from financial arrangements will be brought to account for tax purposes (referred to as the *Taxation of Financial Arrangements* ("**TOFA**") rules). The TOFA rules apply to financial arrangements held by certain investors whose assets or aggregated turnover exceeds specified thresholds. The TOFA rules also apply to investors who have made an election to apply to TOFA rules to their financial arrangements. You should obtain independent advice as to whether the TOFA rules apply to you in relation to the taxation treatment of Margin FX and CFD transactions.

12.3. Goods and Services Tax ("GST")

According to the GST Determination GSTD2005/3 issued on 22 June 2005, the provision, acquisition or disposal of a Margin FX contract or CFD is considered a *'financial supply'* under the provisions of the *A New Tax System (Goods and Services) Tax 1999* ("**GST Act**") and the GST Regulations, and is input taxed, with no GST imposed.

You should, however, seek independent advice from external accountant or financial adviser confirming this before acting in reliance thereon.

13 | OTHER INFORMATION

13.1. Privacy Policy

Clients' privacy is important to us.

The information you provide to us and any other information provided by you in connection with your account will primarily be used for the processing of your account application and for complying with certain laws and regulations.

We may also use this information to send you details of other services or provide you with information that we believe may be of interest to you. Full details of our privacy policy are available on our website, or by calling us.

13.2. Disclosure of Interests

You should note that we do not have any relationships or associations which might influence us in providing you with our services. However, we may share fees and charges with our associates or other third parties, or receive remuneration from them with respect to your dealings with us.

In particular, we are a market-maker, not a broker, and accordingly will always act as the principal for our own benefit in respect of all Margin FX or CFD transactions with you. We may conduct transactions to hedge our liability to you in respect of your Margin FX or CFD positions by undertaking transactions in the underlying products. Such trading activities may impact (positively or negatively) the prices at which you may trade Margin FX or CFD products.

Additionally, you may have been referred to us by a service provider who may receive financial or non-financial benefits from us. These should have been disclosed to you by the service provider in question. Please note that such benefits will not impact fees or the rates you will be offered for financial products or services undertaken with us.

13.3. Anti-Money Laundering and Counter-Terrorism Financing

By applying for a trading account, you acknowledge you agree to the following terms:

- You are not aware and have no reason to suspect that:
  - the money used to fund your account has been or will be derived from or related to any money laundering, terrorist financing or other activities deemed illegal under the applicable laws or otherwise prohibited under any international convention or agreement ('*illegal activities*'); or
  - the proceeds of your account will be used to finance illegal activities;
- You agree to promptly provide us with all information that we reasonably request in order to comply with our obligations under all applicable laws.

Please note that we do not accept payments from, or make payments to, any third parties. Further, in no circumstances do we accept cash deposits. In accordance with applicable laws, we report, where necessary, any suspicious matters to *AUSTRAC*.

14 | CLIENT AGREEMENT

This PDS should be read in conjunction with our *Client Agreement* which sets out the terms and conditions between you and us for the Margin FX and CFD products we offer. This is an important legal document which governs our relationship with you – it is provided to you separately by us. We recommend that you consider seeking independent legal advice before opening an account, as the terms and conditions detailed in our *Client Agreement* are important and affect your dealings with us.

We note the following key terms in the *Client Agreement*, some of which have been summarised throughout this PDS:

- Client acknowledgments (regarding knowledge and suitability of financial products);
- Client representations and warranties;
- Client account operating details;
- Trading requirements;
- Margin requirements and our rights in respect thereof;
- Client obligations with regards to confirmations (discrepancies)
- Process for closing out a trade and our rights in relation to price calculation;
- Interest payable/receivable on open positions;

- Requirements regarding the appointment of authorised persons by the client;
- Default events and our rights following a default event;
- Amendment and termination rights;
- Client indemnity in favour of EightCap;
- Our limitation of liability;
- Fees and charges;
- Restrictions on assignment of agreement;
- Telephone recordings;
- Provision of general advice;
- Governing law and jurisdiction;
- Electronic trading platform conditions/process

15 | INTERPRETATION

In this PDS:

'Act' means the Corporations Act 2001;

'Account' means account of the client dealing in the products issued by us, which is established in accordance with the terms and conditions of the *Client Agreement*;

'AEST' means Australian Eastern Standard Time;

'AFSL' refers to the Australian Financial Services Licence issues by ASIC;

'ASIC' refers to Australian Securities & Investment Commission;

'Base Currency' means the first currency in a currency pair – it is assigned a value of 1 when calculating exchange rates;

'CFD' refers to Contracts for Differences;

'Cleared Funds' means amounts deposited or credited to your account which are able to be withdrawn by us for the purposes of acquiring Margin FX contracts or CFDs, making margin or other payments;

'Client Agreement' refers to the agreement between you and us in respect of your trading in your account – both you and we are bound by the terms of the Client Agreement;

'Closing a Position' means to enter into and execute an equal and opposite position in respect of an opened Margin FX or CFD position;

'Contingent Order' is a combination of two types of orders, with the second order only becoming active should the first one be executed;

'Contract Details' means the section of the public pages of our website designated as the contract details as amended from time to time;

'Contract Value' means the number of shares, contracts or other units of the instrument that you are notionally buying or selling multiplied by our then current quote for closing the transaction;

'Currency Pair' includes a base currency and a term currency;

'Deal' or **'Dealing'** means dealing as defined in section 766C of the Corporations Act;

'Derivative' is an instrument which derives its value from the value of an underlying instrument (i.e. shares, commodities, currencies, etc.);

'Day Only' or **'DO'** means that the order you place will be cancelled at 09:00am AEST – to maintain the order in the market after that time, you will have to resubmit that order;

'Free Balance' refers to the cash balance in your trading account plus (or minus) any unrealised profit/loss less any margin requirements – these can be withdrawn, subject to our terms and conditions;

'Good 'til Cancelled' or **'GTC'** means that the order you place will remain in the market until it is either executed according to the terms of that order, or is cancelled by you;

'Hedging' refers to a strategy employed to manage exposure to the risk of foreign exchange fluctuations by taking a position in Margin FX or CFDs to eliminate or reduce that risk;

'Limit Order' is an order to enter into a position or to close out an open position, where the relevant base currency as against the term currency reaches a specified price or better;

'Long Contract' means purchasing a Margin FX or CFD in anticipation that it will rise in value;

'Margin' refers to a specified amount of cash you are required to deposit with us in respect of each open position;

'Margin Call' is a demand for additional funds to be deposited into your account to meet your total margin requirements because of adverse price movements on your open positions;

'Margin FX Contract' refers to Margin Foreign Exchange Contract;

'Margin Percentage' refers to the account balance/margin requirement x 100;

'Mark-to-Market Payments' are payments credited to or deducted from your account each business day representing the unrealised profit/loss on your open positions at the close of business on that date;

'Market Order' is an order to enter into a position or to close out an open position, at the current price set by us;

'One-Cancels-the-Other' or **'OCO'** is a combination of both a limit and a stop order – it can be used to take a profit if the market moves favourably to the open position, or to limit the loss if the market moves against the open position; it may also be used to open a new position. The execution or cancellation of one order will automatically cancel the other order;

'Opening a Position' means to either purchase or sell a Margin FX contract or CFD;

'OTC Derivative Providers' refers to the party with whom we enter into a position with, on our own behalf, when we enter in a position with you to hedge our exposure under the position between you and us;

'PDS' means this Product Disclosure Statement;

'Pips' or **'Points'** means the smallest increment in Margin FX or CFD trading – our Margin FX products are mostly quoted to the fourth decimal place (0.0001) while our CFDs are quoted to the second decimal place (0.01);

'Position' is a Margin FX contract or CFD entered into by you under the Client Agreement;

'Rollover Charge' or **'Rollover Credit'** means while holding a position overnight, your account is debited or credited using the applicable overnight *tom-next* rate;

'Short Contract' means selling a Margin FX contract or CFD in anticipation that it will fall in value;

'Spot Contract' is an agreement under which you will either buy or sell a Margin FX contract at a fixed price where the value date (being the date that both parties agree to exchange payments) is within two (2) business days after the date of opening the Margin FX contract;

'Standard Lot' means 100,000 units in the base currency;

'Stop Order' is an order to enter into a position or to close out an open position where the relevant base currency as against the term currency reaches a specified price or worse;

'Swap Charge' or **'Swap Credit'** means while holding a position overnight, your account is debited or credited using the applicable overnight *tom-next* rate;

'Term Currency' is the second currency in a currency pair – your transactions will be settled in the term currency;

'Tom-next Rate' refers to a position being closed out at the daily close rate and re-entered at the new opening rate the next trading day;

'Total Margin Requirement' means the sum of your margin requirements for all of your open positions;

'Trading Day' is Monday to Saturday including public holidays;

'Underlying Instrument' is a security, such as stock, commodity or other type of financial product, whose value determines the value of a derivative investment or product;

'Unrealised Profit/Loss' is a profit or loss that has been made or lost but is not yet realised through a transaction – it is not included in the margin for your Margin FX contract or CFD;

'Value Date' refers to the date that both parties agree to exchange payments for the Margin FX contract or CFD;

'We', **'us'**, **'our'** or **'EightCap Pty Ltd'** means EightCap Pty Ltd;

'You' or **'Client'** means the person who accepts the terms of, and agrees to the Client Agreement.