



PRODUCT DISCLOSURE STATEMENT
MARGIN FOREIGN EXCHANGE

Issued 03 July 2017

by

FOREX FINANCIAL SERVICES PTY LTD

ABN 84 129 217 812

AFSL 323193

IMPORTANT NOTE

Financial Services are provided by, and this PDS has been prepared and issued by, Forex Financial Services Pty Ltd ABN 84 129 217 812 AFSL 323193 ("FFS"). Please note that the information contained in this Product Disclosure Statement ("PDS") does not constitute a recommendation, advice or opinion and does not take into account your individual objectives, financial situation, needs or circumstances. This is an important document and should be read in its entirety. Before entering into a FFS Margin Foreign Exchange ("Margin FX") transaction, you should obtain independent advice to ensure this is appropriate for your particular financial objectives, needs and circumstances.

We recommend that you also obtain independent taxation and accounting advice in relation to the impact of foreign exchange gains and losses on your particular financial situation. The taxation consequences of Margin FX transactions can be complex and will differ for each individual's financial circumstances and your tax adviser should be consulted prior to entering into a Margin FX transaction.

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

All clients shall be bound by the contents of this PDS. The information in this PDS is current as at 11 July 2016, and may be updated from time to time where that information is not materially adverse to clients. Updated information shall be provided on our website www.forexfs.com. FFS may issue a supplementary or replacement PDS as a result of certain changes, which shall be available on our website or shall be distributed in electronic form as required.

This PDS does not constitute an offer or invitation in any place outside Australia where or to any person to whom it would be unlawful to make such an offer or invitation. The distribution of this PDS (electronically or otherwise) in any jurisdiction outside Australia may be restricted by law and persons who come 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.

If you received this PDS electronically, we can provide a paper copy free of charge upon request. For information regarding our full range of products and services, please read our Financial Services Guide and visit our website. If you have any queries regarding this PDS, please contact FFS.

WARNING Margin FX products are considered speculative products which are highly leveraged and carry significantly greater risks than non-gearred investments, such as shares. You should not invest in Margin FX products unless you properly understand the nature of margin FX products and are comfortable with the attendant risks. You should obtain financial, legal, taxation and other professional advice prior to entering into a Margin FX transaction to ensure this is appropriate for your objectives, needs and circumstances.

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1. PURPOSE AND CONTENTS OF THIS PRODUCT DISCLOSURE STATEMENT (“PDS”)

This PDS is designed to provide you with important information regarding margin foreign exchange (Margin FX) transactions including the following information:

- Who we are
- How you can contact us
- Which products we are authorised to offer or utilise
- Key features/risk/benefits of these products
- Applicable fees and charges for these products
- Any (potential) conflicts of interest we may have and
- Our internal and external dispute resolution process.

The information in this PDS is subject to change from time to time. Where changes are material, we will issue a revised or supplementary PDS to all clients. This PDS does not constitute an offer or solicitation to anyone outside the authorised jurisdiction.

Defined terms used in this PDS are defined in the Glossary in section 21 or elsewhere in this PDS. If you would like further information, please ask us. Further details about our services are available on our website.

2. NAME & CONTACT DETAILS OF ISSUER/SERVICE PROVIDER

The Issuer/Service Provider is Forex Financial Services Pty Ltd ABN 84 129 217 812 (“FFS”).

FFS holds an AFSL Number 323193 and is authorised to provide general and/or personal financial product advice in relation to, and to deal in (i) derivatives and (ii) foreign exchange contracts, AND to make a market in derivatives and foreign exchange contracts for retail and wholesale clients.

You can contact our office by any of the means listed below:

Writing to us at: Forex Financial Services Pty Ltd
Suite 201, Level 2,
23-25 Hunter Street Sydney NSW 2000

Calling us: (612) 9151 4240

Sending us a fax: (612) 9232 3599

Sending an email to: info@forexfs.com

Visiting our website: www.forexfs.com

3. TERMS & 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 Account Application Terms & Conditions. You must complete, sign and return the Application, and have your account approved by FFS. FFS reserves the right to refuse to open a Margin FX account for any person.

FFS only accepts Margin FX transaction order instructions via the electronic trading platform. 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.

FFS will provide all clients, via the electronic trading platform, 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 we encourage you to contact us.

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

Please note that the examples given in this PDS are only provided for illustrative purposes and do not necessarily reflect current or future market or product movements, the values that FFS will apply to a trade or 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 the way in which FFS may exercise its powers or discretions. Those examples do not constitute general or personal financial product advice to any person reading this PDS.

4. ADVICE

FFS is authorised to buy and sell Margin FX contracts and to give advice in relation thereto. We will only provide you with personal advice regarding Margin FX transactions if specifically requested and agreed, in which case a Statement of Advice will be issued to you.

The information contained in this PDS is general advice only, and does not take into account your particular financial objectives, needs and circumstances. In general, we only provide general advice and we neither collect, nor take into consideration, information regarding your financial circumstances and needs, and we recommend that you obtain your own professional advice to ensure you fully understand the nature and risks of these products and determine their suitability for your situation.

If we agree to provide you with personal advice which does take into account your personal financial needs, circumstances and objectives, then we will issue you with a Statement of Advice.

5. FFS MARGIN FX SUMMARY TABLE

The following summary table is provided for ease of reference. However, please ensure that you read this PDS in its entirety.

Item	Summary	PDS Section Reference
Who is the issuer of this PDS and the Margin FX products?	Forex Financial Services Pty Ltd	2
What is Margin FX?	Margin FX is an over-the-counter derivative product which enables traders to leverage a small margin deposit for a much greater market effect in relation to currencies. A foreign exchange contract involves the exchange of one currency for another. Margin FX differs from spot and forward foreign exchange trading in that they are legally classified as derivatives rather than foreign exchange contracts, and are cash settled (ie no physical delivery is available). Margin FX trading generally involves taking forward positions in a foreign currency and instead of those contracts being settled by exchange of the relevant currencies, the positions are "closed out". Closing out involves entering into equal and opposite position with us, which generates a profit or loss on the transaction, which is then settled between us. The resulting profit or loss of the trade is the net result of the difference between the opening and closing exchange rates of each transaction, adjusted for transaction costs.	6
What fees and charges are payable in respect of a Margin FX contract?	<p>FFS profit margin is built into the terms of the derivative price (which is unknown prior to the date of issue and cannot be properly ascertained until after the trade is closed).</p> <p>FFS also charges clients who choose to trade via Direct Market Access (DMA) accounts a commission of US\$ 3.5 per 1 lot (USD 100,000) for each trade. The total commission of US\$ 7 per 1 lot trade (includes US\$ 3.5 for opening trade and US\$ 3.5 for closing trade) is applied to the client's trading account at the time a trade is opened.</p> <p>When a client trades currency pairs with the different base currency (first currency in the pair) from USD, then the commission is calculated as 7 units of the base currency of the trade.</p> <p>1st Example; 1 lot (100,000) trade of AUDUSD or AUDCAD etc, then AU\$ 7 commission will be applied, for the 1 lot (100,000) trade.</p>	11

	<p>2nd Example; 1 lot (100,000) trade of EURUSD or EURAUD etc, then €7 commission will be applied, for the 1 lot (100,000) trade.</p> <p>3rd Example; 1 lot (100,000) trade of GBPUSD or GBPAUD etc, the £7 commission will be applied, for the 1 lot (100,000) trade and so on for all other currency pairs.</p> <p>The commission is charged in the currency of the client's account. For example, if a client has an account in Australian dollars, then the commission will be charged in Australian dollars, for US dollar accounts in US dollars and for Euro accounts, the charge will be in Euros.</p> <p>You will also be liable for fees for related services that may be charged directly by our nominated third-party service providers depending upon the type of service you utilise.</p>	
How do I open a Margin FX account?	Prior to transacting in Margin FX, you must read and understand our Financial Services Guide, this PDS and the Account Application Terms & Conditions, detailing the applicable terms and conditions, which will be provided to you by FFS. You must complete, sign and return the Account Application Terms & Conditions and have your account approved by FFS. FFS reserves the right to refuse to open a Margin FX account for any person.	3
How do I place a Margin FX transaction order with FFS?	FFS accepts Margin FX order transaction instructions electronically, via our online trading platform.	3
What is Margin?	<p>Your Initial Margin is the amount FFS debits from your account as soon as you open a new Margin FX position or place an order to open a new Margin FX position. This acts as collateral or a security buffer and protects us in the event of a default by you. Typically we will require an Initial Margin calculated as a percentage of the contract value.</p> <p>The Variation Margin is the unrealised profit or loss on your open position. This is the difference between the value of the product when it was bought or sold and its current market price. Should your position move in your favour we may refund part or all of the Variation Margin to you.</p> <p>If you do not meet a Margin Call in a timely manner or within the time frame specified in the Margin Call, positions will be reduced or closed out by FFS without further reference to you in accordance with the terms of the Application Terms & Conditions. A Margin Call will not be considered to have been met unless and until cleared funds have been received in the nominated account and FFS has updated the trading platform.</p>	12
How are payments made in and out of your account?	<p>You may transfer funds to us using any of the following methods:</p> <ul style="list-style-type: none"> • Bank transfer • RTGS Bank transfer • Cheque or • Credit Card. <p><i>In no circumstances do we accept cash deposits.</i></p>	14

	You will only be able to withdraw moneys available to you after your Margin obligations have been met. All transfers from FFS to you will be made to the bank account nominated in your Application Terms & Conditions.	
Do I pay or receive any financing charges?	In the event of you holding a Margin FX position overnight you may be paid or have to pay interest depending whether you are long or short the high yielding currency. You will be required to pay a financing charge if you are short the high yielding currency. You will receive interest if you are long the high yielding currency. Interest calculations are based on the total notional value of your open position, and are calculated at LIBOR or LIBID plus or minus a margin. Interest is calculated daily and posted to your account at the end of each day.	11
What are the key risks of Margin FX transactions?	Investment in Margin FX products carries a high level of risk and returns are volatile. You should obtain independent professional advice and carefully consider whether they are appropriate for you in light of your knowledge, experience and financial needs and circumstances. Some of the key general and significant risks are set out in Section 10.	10
What are the tax implications of Margin FX trading?	Margin FX transactions may have tax implications. The taxation consequences of trading in Margin FX can be complex and will differ for each individual's financial circumstances. We recommend that you obtain independent taxation and accounting advice in relation to the impact of Margin FX transactions on your particular financial situation.	17
FFS's powers in the event of default	FFS has extensive powers under the terms of the Application Terms & Conditions to take action in response to a range of default events. FFS may terminate your account and close out all or any of your Margin FX positions, including cancelling any outstanding orders.	15
How do I obtain further information?	You can contact our head office as per contact details in this PDS.	2

6. MARGIN FX CONTRACTS OFFERED BY FFS

Margin FX contracts provided by FFS are available in close to 60 pairs of currencies. This means that all major currency pairs are available. However, some of the minor or more exotic currency pairs cannot be traded with FFS.

FFS Margin FX products do not result in the physical delivery of the currency but are cash adjusted or closed by the Client taking an offsetting opposite position **i.e. there is not a physical exchange of one currency for another**. Margin FX products are derivatives, not foreign exchange contracts. Positions will always be closed and the client's account will be either credited or debited according to the profit or loss of the trade.

FFS TRADING AS PRINCIPAL

FFS will regularly state, via the electronic trading platform, the price at which it is prepared to deal with you as principal. When dealing in Margin FX contracts, as with all over-the-counter derivatives, FFS is acting as a principal. Accordingly each transaction agreed and entered into with you will be entered into

as principal, not as agent. Should you decide to transact with FFS then FFS will enter into a legally binding contract with you (as principal) i.e. it will be the counterparty to the transaction and each contract purchased (or sold) by you will be an individual agreement made between you and FFS.

LONG & SHORT POSITIONS

You can open both long and short Margin FX positions with FFS. Should you open a long position, your intention would be to profit from a rise in the price of the underlying currency, and you would suffer a loss should the price of the underlying currency fall. Conversely, should you open a short position, your intention would be to profit from a fall in the price of the underlying currency, and you would suffer a loss should the price of the underlying currency rise.

In order to close an open long or short position, you would open an equivalent offsetting position. The closure of a position will generally result in a profit or loss being realised in your account. Should you wish to close only part of your open long or short position, you can do so by entering into an equivalent offsetting position of a lesser amount than your current open position.

Many Margin FX products do not have an expiry date. They remain open until they are closed in accordance with the terms of the Application Terms & Conditions. A Margin FX position can only be closed by contacting FFS. To close a Margin FX position, you must access the electronic trading platform to determine the current market price for the underlying currency, with the view to close the position (or part of it). FFS will confirm the current market price and you will then decide whether to accept the price, and if so, you will instruct FFS to close your open position in accordance with your instructions.

You should note that FFS is not obliged to accept your orders. Typically this would occur should you exceed the limits imposed on your account by FFS, or where there are insufficient funds in your account to meet your Margin obligations.

FFS cannot predict future exchange rates and our rate quotations are not a forecast of where we believe a foreign exchange rate will be at a future date. FFS calculates foreign exchange rates taking into consideration the current spot "inter bank" exchange rates and the amount of currency that you wish to buy or sell.

The rates quoted by FFS include a spread favouring FFS. This spread is not an additional charge or fee payable by you. These spreads will differ depending on the currency pairs traded.

When trading FFS products you should always be aware of the risks and benefits as detailed in this PDS.

ELECTRONIC PLATFORM

FFS provides an electronic trading platform which enables clients to trade in our products i.e. clients are provided direct access to currency rates over the internet. The terms of use applicable to utilising our electronic trading platform, are detailed in the Account Application Terms & Conditions you are required to execute prior to trading. Some of the key provisions include the following:

- FFS reserves the right, in its sole discretion, to institute or change any policies at any time relating to the use of our electronic trading platform. Any such changes will be advised to you directly via our electronic trading platform.
- Clients are granted a non-exclusive and non-transferable licence to use the electronic trading platform subject to the terms of the Application Terms & Conditions.
- Clients shall only use our electronic trading platform for its internal business or investment purposes.
- Clients shall not permit any third party to copy, use, modify, disassemble, translate or convert in connection with use of our electronic trading platform or distribute the platform to any third party.
- Our electronic trading platform may be used to transmit, receive and confirm the execution of orders, subject to market conditions and applicable rules and regulations.
- FFS consents to the Client's access and use in reliance upon the Client having adopted procedures to prevent unauthorised access to and use of the electronic trading platform, in any event, the Client agrees to any financial liability for trades executed through the electronic trading platform.
- Where a Client is granted access to the electronic trading platform, the Client acknowledges and warrants that it has received a password granting it access to the electronic trading platform; is the sole owner of the password provided; and accepts full responsibility for any transaction that may occur on an account opened, held or accessed through the use of the password provided to the Client by FFS.
- Clients agree to accept full responsibility for the use of the electronic trading platform and for any orders transmitted through the electronic trading platform. FFS must be notified immediately should a Client become aware of any unauthorised use, loss or theft of the Client's, username, password or account numbers; or inaccurate information with respect to the content of statements including, cash balances, open positions or transaction history.
- The electronic trading platform is provided on an "as-is" basis and FFS makes no express or implied representations or warranties to the Client regarding its operation or usability.
- FFS does not warrant that access to or use of the electronic trading platform will be uninterrupted or error-free, or that the service will meet any particular criteria with respect to its performance or quality nor do we make any warranty as to the timeliness, sequence, accuracy, completeness, reliability or content of any information, service or transaction provided through the use of the electronic trading platform or the results obtained from its use. FFS expressly disclaims all implied warranties, including without limitation warranties of merchantability, title, fitness for a particular purpose, non-infringement, compatibility, security or accuracy.
- Under no circumstances, including negligence, will FFS be liable for any direct, indirect, incidental, special or consequential damages including, without limitation, business interruption or loss of profits that may result from the use of, unavailability of, or inability to use the electronic trading platform.
- Clients agree that the use of the electronic trading platform is at the Client's risk and the Client assumes full responsibility for any losses resulting from the use of or materials obtained via the electronic trading platform.
- Please note that stop-outs (automatic closing of a position when Margin Calls have not been met) are implemented on our electronic trading platform at the sole discretion of FFS, and no

liability for the direct or indirect consequences thereof shall be accepted by FFS in relation thereto.

PRICING

When you trade margin FX products you are normally quoted a spot price. This means that if you take no further steps, your trade will be automatically rolled over after one Business Day unless you initiate an equal and opposite transaction to close the position. Alternatively, you may wish to swap the trade forward to a later date. This may be anywhere from a week up to several months depending on the time frame of the investment.

Although a forward trade is for a future date, the position can be closed out at any time - the closing part of the position is then swapped forward to the same future value date.

When you trade, you may trade a combination of two currencies. For example, you will buy US dollars and sell Euro. Or buy Euro and sell Japanese yen, or any other combination of widely traded currencies. But there is always a long (bought) and a short (sold) side to a trade, which means that you are speculating on the prospect of one of the currencies strengthening and one of them weakening.

When trading US dollars against Japanese yen, the normal way to trade is buying or selling a fixed amount of US dollars, i.e. USD 1,000,000. When closing the position, the opposite trade is done, again USD 1,000,000. The profit or loss will be apparent in the change of the amount of yen credited and debited for the two transactions. In other words, your profit or loss will be denominated in Japanese yen that are known as the price currency. As part of our service, FFS will automatically exchange your profits and losses into your Base currency.

This way of trading is different to the exchange traded derivative markets (futures markets), for example, where the Euro and yen are the fixed trade currencies, resulting in a US dollar denominated profit or loss.

7. PURPOSE OF TRADING MARGIN FX CONTRACTS

People who trade in Margin FX contracts may do so for a variety of reasons. Some trade for **speculation**, that is, with a view to profiting from fluctuations in the price or value of the underlying instrument or currency. For example, Margin FX traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the underlying currency. Margin FX traders may have no need to sell or purchase the underlying currency themselves, but may instead be looking to profit from market movements in the currency concerned.

Others trade Margin FX to **hedge** their exposures to the underlying currency. Foreign exchange exposures may arise from a number of different activities.

Companies or individuals, that are dependent on overseas trade, are exposed to currency risk. This can be to purchase (or sell) physical commodities (such as machinery) or even financial products (such as

investing in securities listed on an international stock exchange). An exporter who sells its product priced in foreign currency has the risk that if the value of that foreign currency falls then the revenues in the exporter's home currency will be lower; or An importer who buys goods priced in foreign currency has the risk that the foreign currency will appreciate thereby making the cost, in local currency terms, greater than expected.

A person going on a holiday to another country has the risk that if that country's currency appreciates against their own, their trip will be more expensive.

In each of the above examples, the person or the company is exposed to currency risk.

Currency risk is the risk that arises from international business which may be adversely affected by fluctuations in exchange rates. FFS offers its clients the facility to buy or sell foreign exchange products to manage this risk.

This enables clients to protect themselves against adverse currency swings, yet secure enhanced exchange rates when offered, thereby protecting the profit margin made by the corporate during the business transaction relating to the foreign currency trade or protecting the cost of the client's international holiday in the case of the traveller.

Note: The risk of loss in trading in derivatives and/or leveraged products can be substantial. A client should carefully consider whether trading such products is appropriate for them in light of their financial circumstances and objectives.

8. ASIC REGULATORY GUIDE 227 DISCLOSURE BENCHMARKS

ASIC Regulatory Guide 227 requires issuers of over-the-counter (OTC) derivatives to publish certain information addressing a range of disclosure benchmarks. There are 7 disclosure benchmarks required to be addressed. FFS's compliance with each benchmark is addressed in the following table:

Benchmark description	How does FFS meet this benchmark?
Client qualification	<p>FFS maintains and applies a written policy which sets out the minimum qualification criteria that prospective retail investors will need to demonstrate before we will open a trading account for you. FFS also maintains a written policy/procedure to ensure such criteria are properly applied, and unsuitable investors are not accepted. We also maintain records of our assessments.</p> <p>FFS does not accept retail investors unless they are able to satisfactorily answer the questionnaire included in our trading account application form which addresses the following criteria:</p> <ul style="list-style-type: none"> • Previous trading experience in financial products • Understanding of, and experience with, leverage, margins and volatility • Size and volume of previous leveraged trades • Understanding of the key features of the product

	<ul style="list-style-type: none"> • Understanding the trading process and relevant technology • Ability to monitor and manage the risks of trading • Understanding that only risk capital should be traded • Funding source for trading, and plan for covering losses.
Opening Collateral	<p>FFS only permits clients to open an account and trade with cleared funds (ie transfer of cash from your banking account to your trading account).</p> <p>FFS does not accept other financial products as collateral for opening or trading an account, due to the potential for 'double leverage' in such circumstances.</p>
Counterparty risk - hedging	<p>FFS maintains and applies a written policy to manage our exposure to market risk from client positions. This includes strict risk management controls to assess and monitor our hedging counterparties (to ensure they are of sufficient financial standing, are licensed by a comparable regulator, and are of sound reputation).</p> <p>FFS provides its clients with a Direct Market Access (DMA) via a Prime Brokerage solution. The FFS MT4 platform is connected to multi-bank and non-bank liquidity of major global banks and financial institutions.</p> <p>Our Hedging Counterparties Policy provides more detail on the current counterparties we use and the methods we use mitigate counterparty risk. You can find a copy of the policy at http://forexf.com/Content/Media/Policy/Hedging_Counterparties_Policy.pdf</p>
Counterparty risk – financial resources	<p>FFS maintains and applies a written policy to ensure the ongoing maintenance of adequate financial resources. We further maintain a detailed Risk Register, in which the key risks of our business are addressed and reviewed. Please note that we have designated staff to monitor our compliance with our license conditions and ASIC RG 166 (financial) obligations, as well as review and input from our independent external legal and accounting advisers. Further, our external independent auditor conducts an audit at the conclusion of every financial year, a copy of which can be provided to you upon written request.</p> <p>Please note we do not undertake stress testing in relation to unhedged market exposures as all transactions with clients are fully hedged.</p>
Client money	<p>FFS maintains and applies a clear policy with regard to the use of client money. Please note that money you deposit into your trading account is co-mingled with other client money in our client trust account. Such monies are only applied to client trades/settlement obligations and to pay agreed fees etc, in line with the Corporations Act requirements.</p> <p>Please note that monies deposited into your trading account to meet margins, deposits, fees, transaction settlements, or other costs shall be immediately on-forwarded (where applicable) to our liquidity providers, and applied against your margin, exchange, fee and settlement obligations. Client monies, which are held pending future transactions and payments, are retained in our segregated account in accordance with the Corporations Act. It is important to note that holding your money in one or more segregated accounts may not afford you absolute protection.</p> <p>FFS enters into arrangements with third party liquidity providers for the facilitation of transactions and settlements, and avails monies received for margin calls and settlements to</p>

	<p>such providers for this purpose. Accordingly, clients are indirectly exposed to the financial risks of our counterparties and organisations with whom FFS holds client funds. If the financial condition of FFS or assets of our counterparties or the parties with which we hold client assets deteriorate, then clients could suffer loss because the return of the client capital could become difficult.</p> <p>Client trades can only be placed when there are cleared funds in the client's account. Accordingly, no scenario is anticipated which would result in a shortfall in the client trust account, and one client's money is not used to cover the obligations of another.</p>
Suspended or halted underlying assets	<p>An underlying financial product may be placed in a trading halt on the relevant exchange in various circumstances. Additionally, it may be suspended or delisted in certain circumstances.</p> <p>Should our liquidity providers stop providing pricing and clearing in a certain product or underlying asset due to a suspension or trading halt, then FFS will be unable to process orders which have not yet been opened, and will suspend trading on open positions until such time as pricing becomes available again.</p>
Margin calls	<p>FFS maintains and applies a written policy detailing our margining practices. 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 margin 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.</p> <p>All contracts will be subject to Margin obligations. Accordingly, you are responsible for meeting all margin payments required by FFS. It is your sole responsibility to monitor and manage your open positions and exposures, and ensure Margin Calls are met as required.</p> <p>Margin Calls will be notified via email, the trading platform, and you are required to log-in to the system on a daily basis when you have open positions to ensure you receive notification of any such Margin Calls.</p> <p>Please note that if you do not check the trading platform for Margin Call notifications, and hence do not meet them in a timely manner, positions will be closed out by FFS, without further reference to you, in accordance with the executed Account Application Terms & Conditions.</p> <p>FFS seek to provide you with timely and sufficient notice of margin calls, to facilitate your ability to meet them. However, please note that certain market conditions or events may trigger extreme volatility, requiring urgent funds to be applied to retain your open positions.</p> <p>We reiterate that trading in OTC derivative products 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 ie money you can afford to lose, and which is excess to your financial needs/obligations.</p>

9. KEY BENEFITS OF TRADING MARGIN FX CONTRACTS

Margin FX products provide an important risk management tool for those who manage foreign currency exposures. The significant benefits of using Margin FX products as a risk management tool are to **protect your exchange rate and provide cash flow certainty**. Other benefits of using these products apply

equally for a client as a risk management tool or for the client who is a trader or speculator and these are described below.

PROTECT AN EXCHANGE RATE

FFS provides an electronic trading platform, enabling clients to trade in over-the-counter (as opposed to exchange-traded) derivatives such as Margin FX contracts over the internet. This facility provides clients with direct access to our system to enable them to buy and sell currency rates to protect themselves against adverse market swings.

FFS also offers 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 loss 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.

PROVIDE CASH FLOW CERTAINTY

By agreeing a rate now for a time in the future you will determine the exact cost of that currency, thereby giving certainty over the flow of funds. Any profit (or loss) you make using the FFS product would be offset against the higher (or lower) price you physically have to pay for the foreign currency.

In addition to using Margin FX products as a risk management tool, clients can benefit by using Margin FX products offered by FFS to speculate on changing exchange rate movements. You may take a view of a particular market or the markets in general and therefore invest in our products according to this belief in anticipation of making a profit.

TRADE IN SMALL AMOUNTS

The electronic trading platform enables you to make transactions in small amounts. You can start using the electronic trading platform even with an opening balance as little as AUD \$500. When trading in a Margin FX contract offered by FFS you may deposit the sum that suits you, or the amount which is in line with the amount you are willing to risk. With FFS you are in full control of your funds.

ACCESS TO THE FOREIGN EXCHANGE MARKETS AT ANY TIME

When using FFS you gain access to a highly advanced and multi-levelled system which is active and provides you with the opportunity to trade 24 hours a day on any global 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 the EURUSD declines, for example, it is because the US dollar gets stronger against the Euro and vice versa. So, if you think the EURUSD will decline (that is, that the Euro will

weaken versus the dollar), you would sell EUR now and then later you buy Euro back at a lower price and take your profits. The opposite trading scenario would occur if the EURUSD appreciates.

SUPERIOR LIQUIDITY

The foreign exchange 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 players.

REAL TIME STREAMING QUOTES

The electronic trading platform uses the latest highly sophisticated technologies in order to offer you up-to-the-minute quotes. You may check your accounts and positions in real time and you may do so 24 hours a day (in most circumstances) on any global market which is open for trading and make a trade based on real-time information. FFS believes it is highly important for you to be able to control your funds whenever you wish and base your deals on real-time information.

10. KEY RISKS OF TRADING MARGIN FX CONTRACTS

Trading in Margin FX products carries a high level of risk and returns are volatile. The risk of loss in trading can be substantial, and you can lose capital invested. You should obtain independent professional advice and carefully consider whether Margin FX products are appropriate for you in light of your knowledge, experience and investment objectives, financial needs and circumstances.

It is also important that you read and understand the terms and conditions of trading in the Application Terms & Conditions and this PDS before entering into any Margin FX transactions.

Some of the key significant risks involved in Margin FX trading include, but are not limited to, the following:

Macro-economic Risk – the general state of the Australian and international economies as well as changes in taxation policy, monetary policy, interest rates and statutory requirements are some of the factors which may influence the progress of currency markets.

Market Risk- This is the risk that the markets move in a direction not anticipated. External market forces can cause markets and prices to change quickly, such forces include changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the marketplace. As the price of your Margin FX position is based on an underlying currency these factors may affect your position and our ability to execute, settle or close out transactions on your behalf.

Gapping - In fast moving or illiquid markets “gapping” may occur. Gapping occurs when market prices do not follow a “smooth” or continuous trend and are typically caused by external factors such as world,

political, economic and corporate related events. Should gapping occur in the underlying currency on which your Margin FX product 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.

Variation Margins - Should the price of the underlying currency on which your Margin FX product is based move against you, you may receive a Margin Call from us and, at short notice, be required to deposit a Variation Margin into your account in order to maintain your position. Should we make a Margin Call which may be substantial, you must deposit the amount of funds that we request into your account immediately. In the event of you failing to make Margin payments we may reduce or close all your open positions without further notice and you will be liable for any shortfall. Positions are marked-to-market on a daily basis, with payments being settled daily to account for market movements. You must be in a position to fund such requirements at all times. Initial and Variation Margin must be paid immediately after the call. The general policy of FFS is that payment of the call must be received within 24 hours of the call although in times of extreme price volatility this may mean as little as 1 hour. In rare circumstances, the markets could move against your position giving FFS no time to make a Margin Call on you to request additional funds for FFS to protect its positions.

Leverage – As Margin FX products are highly leveraged a small price movement in the underlying currency on which they are based can result in substantial profits or losses exceeding your Initial Margin. In addition you could be required to pay further funds representing losses and other fees on your open and closed positions. The prices of our products may be volatile and fluctuate rapidly over wide ranges. Price fluctuations may be as a result of uncontrollable events or changes in a variety of conditions as described above in Market Risk.

Liquidity – Under certain conditions, it may be difficult or impossible to close out a position. This can occur when there is significant change in the price of the underlying currency over a short period of time.

Stop Loss Orders unavailable - Certain Margin FX products can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. Stop losses are instructions placed by the client with FFS to close out an open position if a market trades through a specific level. Stop loss orders are often used to attempt to limit the amount which can be lost on a position. We note that stop losses are not guaranteed and the execution of such orders will depend on market volatility and liquidity. So whilst stop losses generally allow you to control potential losses should the market move against you, please be aware that stop loss orders may not always limit your losses the way you anticipate. The operation of these order types should be discussed with your FFS representative.

Powers of FFS – Should you fail to pay any amounts due and payable, including Margin Calls, or maintenance of minimum account balances, FFS have extensive powers to close out positions and charge default interest. Under the Application Terms & Conditions you also indemnify FFS and its employees, agents and representatives against certain losses and liabilities. You should read the Application Terms & Conditions carefully to ensure you understand these powers and responsibilities.

Electronic Trading platform risk – You shall be responsible for providing and maintaining the means by which to access the electronic trading platform, which may include 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 will mean you may be unable to trade in a Margin FX product offered by FFS when desired and you may suffer a loss as a result. Should the system be unavailable, clients will not be able to place any new orders but they will be able to make changes or close existing orders via telephone or email with a representative of FFS. Furthermore, in unforeseen and extreme market situations, such as an event like September 11, or a global catastrophe, FFS reserves the right to suspend the operation of the electronic trading platform or any part or sections of it. In such an event, FFS may, at its sole discretion (with or without notice), close out your open contracts at prices it considers fair and reasonable at such a time. FFS may impose volume limits on client accounts, at its sole 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.

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, as may any regulatory action taken against FFS.

FFS Risk - the risk of FFS being unable to operate its business as a result of a regulatory impediment such as FFS ceasing to hold an Australian Financial Services Licence or because ASIC impose a stop order on the PDS issued by FFS or FFS ceasing to exist.

No cooling off- There are no cooling-off arrangements for Margin FX contracts. This means that when FFS arranges 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.

Additional risks to be carefully considered are as follows:

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 FFS 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 FFS adds to all calculations and quotes, **no Margin FX product offered by FFS, or any other financial services provider, may be considered as a safe trade.**

However, FFS offers clients a way of managing volatility by working orders. Certain Margin FX products can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. Stop losses are instructions placed by the client with FFS to close out an open position if a market trades through a specific level. Stop loss orders are often used to attempt to limit the amount which can be lost on a position. **We note that stop losses are not guaranteed and the execution of such orders will depend on market volatility and liquidity.** The operation of these order types should

be discussed with your FFS representative. You should refer to our Application Terms & Conditions with respect to the operation of these order types.

Under certain conditions it could become difficult or impossible for you to close a position. For example, this can happen when there is a significant change in prices over a short period. Lack of liquidity in foreign exchange markets due to extreme volatility or uncertainty of trading in those markets may also affect the ability of FFS to open or close a position thereby reducing profits or increasing losses.

A “spread” position (i.e. the holding of a bought contract for one specified date and a sold contract for another specified date) is not necessarily less risky than a simple long (i.e. bought) or short (i.e. sold) position. Furthermore, a “spread” may be larger at the time you close out the position than it was at the time you opened it.

You should be aware that if you acquire a Margin FX product offered for trading or speculative purposes (that is where you do not have a currency risk you need to protect yourself from), you will be fully exposed to movements in price between the currencies.

The risk of loss will be increased where you borrow to acquire the product as the total loss which may be incurred will be the loss on the Margin FX product together with the amount you borrowed.

Forex FS strives to provide clients with the best execution and competitive spreads available via direct market access. However, there may be times when market conditions (extreme volatility or volume) cause spreads to widen beyond our typical spreads - this market condition is known as a ‘fast market’. Fast market conditions may be caused by various factors including, but not limited to, news releases such as US non-farm payroll numbers, order imbalances-significantly greater orders of one type (e.g., "buys") than another type (e.g., "sells"). Liquidity withdrawal is a common measure used by Liquidity Providers at or right before the moment of key data releases such as the USA NFP. In the event of a fast market, spreads will widen as the market ascertains the correct value of a currency and prices can gap - a price gap occurs when the price of a market jumps from its last bid/offer quote to a new quote, without ever trading at prices in between those quotes. For example, EURUSD could trade 1.3510/12 ahead of an economic data release or news event with the first quote following the event being 1.3060/80 if the data or news reflected such a shift in sentiment. In these instances, stop losses, entry orders and margin calls will be executed at the best price available after the gap given the underlying market liquidity. Customers may experience a delay in execution, re-quoted prices different to their requested trade price, or execution of orders at different levels depending on size and reflecting the underlying market liquidity. Fast market conditions can occur at any time but are most common during economic data releases or news events especially where liquidity is at a premium (for example national holidays) or after a week-end as the market reopens. Wider spreads during fast market conditions or a market gap can significantly decrease the equity on your account and can trigger a margin call or equity stop loss level (liquidation of the least profitable positions).

COUNTERPARTY AND CREDIT RISK

Given you are dealing with FFS as counterparty to every transaction, you will have an exposure to us in relation to each transaction. This is common to all OTC financial market products.

You are subject to FFS's credit risk. If we were to become insolvent, we may be unable to meet our obligations to you. FFS enters 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.

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

FOREIGN EXCHANGE RISK

Your account is maintained in the currency you have nominated, that is, the Base currency. Where you deal in a Margin FX product that is denominated in a currency other than the Base currency, all Initial and Variation Margins, option premiums, profits, losses, rollover fees, interest rate payments/receipts and financing credits and debits in relation to that product are calculated using the currency in which the product is denominated.

Accordingly, your profits or losses may be affected by fluctuations in the relevant foreign exchange rate between the time the order is placed and the time the position is closed, liquidated, offset or exercised.

Upon closing a position that is denominated in a currency other than the Base currency of your account, the foreign currency balance will be converted to the base currency at the market rate at the time of the position being closed without any conversion fee. Until the foreign currency balance is converted to the Base currency, fluctuations in the relevant foreign exchange rate may affect the unrealised profit or loss made on the position.

MARKET INFORMATION

FFS may make available to you through one or more of its services, a broad range of financial information that is generated internally or obtained from agents, vendors or partners (third party providers). This includes, but is not limited to, financial market data, quotes, news, analyst opinions and research reports, graphs or data (Market Information).

Market Information provided by us by email or through our website is not intended as advice. FFS does not endorse or approve the Market Information and we make it available to you only as a service for your own convenience. FFS and its third party providers do not guarantee the accuracy, timeliness, completeness or correct sequencing of the Market Information or warrant any results from your use or reliance on the Market Information.

Market Information may quickly become unreliable for various reasons including, for example, changes in market conditions or economic circumstances. Neither FFS nor the third party providers are obligated to update any information or opinions contained in any Market Information and we may discontinue offering Market Information at any time without notice.

OPERATIONAL RISK

Operational Risk is inherent in every Margin FX transaction, for example, disruption to FFS's operational processes such as communications, computers, networks or external events may lead to delays in the execution of or settlement of a transaction.

FFS relies on a number of technology solutions to provide you with efficient foreign exchange services - FFS has outsourced the operation of this trading platform to a third party, and in doing so FFS relies upon this third party to ensure the systems are updated and maintained.

A disruption to the FFS electronic trading platform may mean you are unable to trade in a Margin FX product offered by FFS when desired and you may suffer a loss as a result. An example of disruption includes the "crash" of our computer based trading system.

RISK CAPITAL

You could lose all of the Initial Margin that you deposit to establish or maintain a Margin FX position.

All derivatives involve risk and there is no trading strategy that can eliminate it. The placing of contingent orders (such as a stop-loss order) may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders

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, if lost, would alter your standard of living.

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 Margin FX products would breach those borrowing and charging restrictions;
- The purpose of dealing in Margin FX 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 a Trustees of a complying superannuation fund to be familiar with the risk involved in dealing in Margin FX 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.

11. FEES & CHARGES

The calculation of the price to be paid (or the payout to be received) for Margin FX products offered by FFS, at the time the contract is purchased or sold, will be based on our best estimate of market prices and 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.

The calculation will include a spread in favour of FFS. The contract prices (or the payout amounts) offered to clients hedging, trading or speculating on market prices may differ from prices available in the primary or underlying markets where contracts are traded. This is due to the spread favouring FFS in the price calculation. Different spreads are used depending on the currency pair traded. We act as a market maker and not a broker and make our earnings from the spreads that are embedded in the currency rates. However, FFS doesn't hold any proprietary positions and immediately hedges all risks with its counterparties/Liquidity Providers.

FFS earns its income from the business spread (or margin) that we apply to our Margin FX products. This is the difference between the rate at which we buy and sell the financial instruments (i.e. between the wholesale price achieved by FFS and your trade price). This spread is incorporated into the rates quoted to you and is not an additional charge or fee payable by you. These spreads will differ depending on the currency pairs traded. Accordingly, the decision to transact at a particular rate will always be your decision. However, once you agree to a particular exchange rate that is the total amount payable by you to FFS.

FFS does not provide a market amongst or between clients for investments or speculations. As stated above, each product purchased (or sold) by you is an individual agreement made between you and FFS as principal and is not transferable, negotiable or assignable to or with any third party.

FFS also charges clients who choose to trade via Direct Market Access (DMA) accounts a commission of US\$ 3.5 per 1 lot (USD 100,000) for each trade. The total commission of US\$ 7 per 1 lot trade (includes US\$ 3.5 for opening trade and US\$ 3.5 for closing trade) is applied to the client's trading account at the time a trade is opened.

When a client trades currency pairs with the different base currency (first currency in the pair) from USD, then the commission is calculated as 7 units of the base currency of the trade.

1st Example; 1 lot (100,000) trade of AUDUSD or AUDCAD etc, then AU\$7 commission will be applied, for the 1 lot (100,000) trade.

2nd Example; 1 lot (100,000) trade of EURUSD or EURAUD etc, then €7 commission will be applied, for the 1 lot (100,000) trade.

3rd Example; 1 lot (100,000) trade of GBPUSD or GBPAUD etc, the £7 commission will be applied, for the 1 lot (100,000) trade and so on for all other currency pairs.

The commission is charged in the currency of the client's account. For example, if a client has an account in Australian dollars, then the commission will be charged in Australian dollars, for US dollar accounts in US dollars and for Euro accounts, the charge will be in Euros.

Fees must be paid to us immediately upon execution of the trade and will be deducted from your account in accordance with the Application Terms & Conditions.

FINANCING CHARGES

In the event of you holding a Margin FX position overnight you may be paid or have to pay interest depending whether you are long or short the high yielding currency. You will be required to pay a financing charge if you are short the high yielding currency. You will receive interest if you are long the high yielding currency. Interest calculations are based on the total notional value of your open position, and are calculated at LIBOR or LIBID plus or minus a margin. Interest is calculated daily and posted to your account at the end of each day. Interest calculations are based on the total notional value of your open position, and are calculated as set out below using either LIBOR (London Interbank Offer Rate) or LIBID (London Interbank Bid Rate) plus or minus a margin. Interest is calculated on a daily basis and debited from and credited to your account at the end of each calendar month.

The LIBOR and LIBID rates change frequently and are the most widely used benchmark or reference rate for short term interest rates world-wide. LIBOR is calculated daily by the British Bankers Association and published on their website with a 1 week rolling delay.

Standard overnight interest rates applicable to long and short positions are LIBOR + 3.00% for long positions and LIBID-2.5% on short positions.

The amount of interest paid/received by FFS will vary each day, depending upon factors such as the price of the underlying currency on which the Margin FX transaction is based, changes to holdings within your portfolio and/or changes to LIBOR or LIBID.

No interest is paid or received if you open and close a position in the same trading day.

12. MARGINS

Where you enter a transaction you will be required to pay an initial margin (an initial deposit/up-front payment). An initial margin means an amount of collateral that is required from you as security to enter into a margin position. In addition, in order to maintain your position, you may be required to pay additional margin in the event of adverse market movements against your position. Such payments are not costs but are cleared funds required by FFS to cover our risk and as security for your obligations. The amount is determined by the relevant third party service provider, however FFS in its absolute discretion, can impose margin requirements above and beyond those set by service providers.

The current margin rates applicable to each type of transaction are provided on the electronic trading platform prior to entering into a trade.

The Margin amounts are payable into the FFS client trust account and are held, used and withdrawn in accordance with the Corporations Act requirements and our agreed terms and conditions specified in the Account Application Terms & Conditions. In particular, FFS will utilise client deposits to meet margin calls, and other payment/settlement obligations.

All contracts will be subject to Margin obligations. Accordingly, you are responsible for meeting all margin payments required by FFS. It is your sole responsibility to monitor and manage your open positions and exposures, and ensure Margin Calls are met as required. Margin Calls will be notified via the trading platform, and you are required to log-in to the system on a daily basis when you have open positions to ensure you receive notification of any such Margin Calls. Please note that if you do not check the trading platform for Margin Call notifications, and hence do not meet them in a timely manner, positions will be closed out by FFS, without further reference to you, in accordance with the executed Account Application Terms & Conditions. A Margin Call will not be considered to have been met UNLESS AND UNTIL cleared funds have been received by FFS in the nominated account AND FFS has updated the electronic trading platform (generally around 10am on the following Business Day).

Positions will be monitored by FFS on a mark to market basis to account for any market movements. If the value of the position moves against you then you will be required to “top up” the Initial Margin and, if so, you will be subject to a Margin Call i.e. to pay additional Margin or alternatively to close the position in order to reduce your Initial Margin to a level acceptable to FFS. The Variation Margin liability is incurred at the time of the occurrence of any movement in the market that results in an unrealised loss, regardless as to when the call to pay is made by FFS on you.

You must be in a position to fund such requirements at all times. Initial and Variation Margin must be paid immediately after the call. The general policy of FFS is that payment of the call must be received within 24 hours of the call although in times of extreme price volatility this may mean as little as 1 hour. In rare circumstances, the markets could move against your position giving FFS no time to make a Margin Call on you to request additional funds for FFS to protect its positions.

If you fail to meet any Margin Call i.e. if we fail to receive cleared funds, we may reduce or close all your open positions without further notice or in the rare circumstances where FFS does not have time to make a Margin Call due to exceptional market movements, then FFS may in its absolute discretion and without creating an obligation to do so, close out, without notice, all or some of your open positions (or transactions) and deduct the resulting realised loss from the Initial Margin (and other excess funds held in your account with FFS).

In either case, any losses resulting from FFS closing your position will be debited to your account and may require you to provide additional funds to FFS.

Margin FX products can be highly volatile and you should ensure that you are always contactable by FFS. If you are unable to be contacted for the purpose of FFS making a Margin Call, we may close out your open positions without actually speaking to you.

Margin calls will be made on net account basis i.e. should you have several open positions, then Margin Calls are netted across the group of open transactions. In other words, the unrealised profits of one

transaction can be used or applied as Initial or Variation Margins or to offset the unrealised losses of another transaction.

You will only be allowed to deal in and maintain positions on the basis of cleared funds being provided for your Margin obligations or your net balance is in credit. Margin calls can be made by FFS at any time and you are responsible for ensuring that they are met.

FFS has the right to limit the size of your open positions, whether on a net or gross basis under any appropriate circumstances as determined by FFS. FFS also has the right to refuse any request made by you to place an order to establish a position at any time at FFS's discretion without having to give you notice.

13. TRADING EXAMPLES

Example: Client has a trading account with FFS and a balance of \$ 10,000

Client buys AUDUSD 1 lot (100,000) at a rate of 1.00000.

Leverage: Based on standard leverage of 1:200, the client will be required to place down \$ 500.

Margin Call: Client will receive a margin call when the margin level reaches 150%. Margin level calculates as follows:

$$ML\% = \text{Equity}/\text{Margin} * 100\%$$

Based on \$10,000 account balance and were you to open a 1 lot position it would require \$500 margin and therefore your margin level will be:

$$ML\% = 10,000/500 * 100 = 2000\%$$

Should the market move approximately 925 points against you, then your open trade will have a floating loss of \$9,250. Your new margin level will be:

$$ML\% = (10,000 - 9,250)/500 * 100 = 150\%$$

On this 150% level you will receive a margin call.

Should the market move further against you and your floating loss reach \$9,700 then your margin level will be:

$$ML\% = (10,000 - 9,700)/500 * 100 = 60\%$$

At this level your position will be liquidated automatically at the market rate.

14. FUNDING YOUR ACCOUNT

You may transfer funds to us using any of the following methods:

- Bank transfer
- RTGS Bank transfer
- Cheque or

- Credit Card.

In no circumstances do we accept cash deposits.

When transferring funds to FFS you must ensure that the funds are appropriately referenced with your account number to enable us to easily identify your funds and apply them to your account promptly. All payments made to FFS must be free of any withholding tax or deduction.

FFS will only act on funds that have cleared, so we recommend that you maintain sufficient Margin in your account at all times to maintain your open positions.

FFS does not accept funds transferred from third parties, so it is your obligation to ensure that all funds transferred to us are from the bank account you have nominated in your Application. We may, in our absolute discretion, without creating an obligation to do so, return any funds transfer or cheque received from a third party back to the account from which it was transferred.

FFS will not accept any liability or responsibility for any losses that you may suffer as a result of, or arising out of, or in connection with, us returning any transfer of moneys or cheque from a third party, including any losses incurred by you because you are subsequently in default of your obligations under the Account Application Terms & Conditions.

15. APPLICATION TERMS & CONDITIONS

In order to open an account, you are required to sign our Application Terms & Conditions. This is an important legal document containing the terms and conditions which govern our relationship with you. It is provided to you separately by FFS.

We recommend that you consider seeking independent legal advice before entering into the Application Terms & Conditions, as the terms and conditions detailed therein are important and affect your dealings with us.

We note the following key terms in the Account Application Terms & Conditions, some of which have been summarised throughout this PDS:

- Client acknowledgements regarding knowledge and suitability of Margin FX products
- Client representations and warranties
- Client account operating details
- Margin FX trading requirements
- Margin requirements and FFS's rights in respect thereof
- Client obligations regarding confirmations (discrepancies)
- Process for closing out a trade, and FFS's rights in relation to price calculation
- Interest payable/receivable on open positions
- Requirements regarding the appointment of authorised persons by the client
- Default events
- FFS rights following a default event
- Amendment and termination rights

- Client Indemnity in favour of FFS
- FFS's limitation of liability
- Fees and charges
- Restrictions on assignment of agreement
- Telephone recordings
- Provision of general advice
- Governing law (NSW) and
- Electronic trading platform conditions/process.

16. CLIENT MONIES

All money deposited into your account by you or a by person acting on your behalf, or which is received by FFS on your behalf, will be held by FFS in one or more segregated accounts it must maintain pursuant to the Corporations Act. Please note that individual client accounts are not separated from each other, but may be co-mingled into one segregated account (which is separate to FFS's monies/assets).

Please note that monies provided by you to meet margins, deposits, fees, transaction settlements, or other costs shall be immediately on-forwarded by FFS to our licensed third party clearing and execution providers, and applied against your margin, exchange, fee and settlement obligations. Client monies, which are held pending future transactions and payments, are held by our licensed third party providers in our segregated account in accordance with the Corporations Act. It is important to note that holding your money in one or more segregated accounts may not afford you absolute protection.

FFS does not accept payments from or make payments to any third parties. In accordance with Australian anti-money laundering regulations, FFS reports, where necessary, any suspect transactions to AUSTRAC.

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

17. TAXATION

Margin FX products may have tax implications. The taxation consequences of trading in Margin FX products can be complex and will differ for each individual's financial circumstances. Margin FX profits will generally be subject to income tax and capital gains tax. We recommend that you obtain independent taxation and accounting advice in relation to the impact of Margin FX transactions on your particular financial situation.

18. DISCLOSURE OF INTERESTS

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

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

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 FFS.

19. PRIVACY

Your privacy is important to us. The information you provide FFS 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 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 from our website, www.forexf.com.

20. DISPUTE RESOLUTION

FFS has an internal dispute resolution process in place to resolve any complaints or concerns you may have, quickly and fairly. Any complaints or concerns should be directed to the Complaints Officer (by telephone, facsimile, or letter) at the address and telephone/fax numbers provided in Section 2 of this PDS.

We will provide acknowledgement of receipt of written complaints within 5 business days, and seek to resolve and respond to complaints within 30 business days of receipt. We will investigate your complaint, and provide you with our decision, and the reasons on which it is based, in writing.

If you are dissatisfied with the outcome, you have the right to lodge a complaint with the Financial Ombudsman Service [contact details below], an approved external dispute resolution scheme, of which FFS is a member.

Financial Ombudsman Service

Address: GPO Box 3 MELBOURNE VIC 3001
Telephone: 1300 780 808
Facsimile: 03 9613 6399
Website: www.fos.org.au
Email: info@fos.org.au

21. GLOSSARY

Below is a list and the meaning of some words used in this PDS.

Term	Definition
Account	Account of the client dealing in the products issued by FFS, which is established in accordance with the terms and conditions of the Application Terms & Conditions.
AFSL	Australian Financial Services Licence
Base Currency	Your account is maintained in the currency you have nominated, that is, the base currency. In relation to quoting of currency pairs; the base currency is the first currency of the pair. When quoting AUDUSD, then AUD is the base currency. When quoting USDJPY, then USD is the base currency.
Business Day	A day (other than a Saturday or Sunday or public holiday) on which trading banks in Sydney Australia are open for business.
Account Application Terms & Conditions	The agreement provided to you by FFS, detailing the applicable terms and conditions as amended, supplemented or updated from time to time. You must complete, sign and return a Account Application Terms & Conditions, and have your account approved by FFS set up an account with FFS to deal in products issued by FFS.
Confirmation	Document or documents confirming evidence exchanged between FFS and the client, confirming the terms of the Margin FX product transaction.
Corporations Act	Corporations Act 2001 (Cth) which governs the provision of financial services.
Deal	Has the same meaning as provided in the Corporations Act.
EST	Eastern Standard Time, Australia
FOS	Financial Ombudsman Service Ltd
FSG	FFS's financial services guide as amended, supplemented or updated from time to time.
Initial Margin	An amount required to be deposited by the client with FFS to open a Margin FX position.
LIBID	LIBID stands for London Interbank Bid Rate The rate charged by one bank to another for a deposit in the wholesale money markets in London.
LIBOR	LIBOR stands for London Interbank Offer Rate. It's the rate of interest at which banks offer to lend money to one another in the wholesale money markets in London.
Margin	The Initial Margin or Variation Margin or both.
Margin Call	A demand for additional funds made to the client by FFS to meet any additional margin requirement.
Margin FX	Margin foreign exchange
PDS	Product Disclosure Statement
Term Currency	In relation to quoting of currency pairs; the term currency is the second currency of the pair. When quoting AUDUSD, then USD is the term currency. When quoting USDJPY, then JPY is the term currency.
Variation Margin	The amount deposited by the client with FFS including any increase or reduction arising from settlement of a closed position.
We, Us or FFS	Forex Financial Services Pty Ltd