# PRODUCT DISCLOSURE STATEMENT

## MARGIN FX CONTRACTS

## FUTURES & OPTIONS CONTRACTS

## BINARY OPTIONS & CONTRACTS FOR DIFFERENCE

**DIRECT FX TRADING Pty Ltd**

ACN 120 189 424

AFSL No. 305 539

Level 11, Suite 2, 10 Bridge Street

SYDNEY NSW 2000

# PRODUCT DISCLOSURE STATEMENT

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## INTRODUCTION

This Product Disclosure Statement (**PDS**) is dated September 27th 2016 and was prepared by Direct FX Trading Pty Ltd ACN 120 189 424 Australian Financial Services License ("**AFSL**") 305539 (**"Direct FX Trading**" "**our" "we**") is required to give you this PDS because it is deemed to be the issuer of financial products which are derivatives. This PDS document seeks to explain to you the significant features of our financial products, including their risks, benefits and costs, in a clear and concise manner. Through reading this PDS we hope to provide you with sufficient information to make an informed decision regarding acquiring our financial products. AFS License only authorities the licensee (Direct FX Trading PTY LTD) to carry on a financial services business in Australia, limited to providing the financial services covered by the license. The AFS license and Australian regulation only applies to the financial services provided to Australian investors only.

This document is our PDS for Margin Foreign Exchange Contracts ("**Margin FX Contracts**"), Futures and Options Contracts, Binary Options and Contracts for Difference ("**CFD**"). Under the Corporations Act 2001, a retail client must receive a PDS from a financial services licensee before acquiring a financial product.

If you have any questions regarding our products or this PDS, please contact us, or visit our website at www.directfx.com. If you have any questions regarding the Australian government's regulation of Margin Foreign Exchange Contracts, Futures and Options Contracts, Binary Options or Contracts for Difference, please visit their website at http://www.asic.gov.au

## DIRECT FX TRADING GENERAL INFORMATION

Direct FX Trading holds an Australian Financial Services license ("**AFSL**") AFSL no. 305 539 and is an issuer of Derivatives: Exchange traded and Over the Counter (**OTC**) Futures and Options contracts Margin FX Contracts, Binary Options and CFD products.

Direct FX Trading can be contacted at:

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| | Level 11<br>Suite 2<br>10 Bridge Street<br>Sydney NSW 2000<br>Australia |
| Telephone: | +61(02)9114-8544 |
| Email: | support@directfx.com |
| Website: | www.directfx.com |
| Facsimile: | +130 858 065 |
| Complaints Officer: | John Martin<br>compliance@directfx.com |

## PERSONAL FINANCIAL POSITION DISCLAIMER

The information and any general advice in this PDS does not take into account your personal objectives, financial situation and needs. Before trading in the products referred to in this PDS, you should read this PDS and be satisfied that any trading you undertake in relation to these products is appropriate in view of your objectives, financial situation and needs as well as considering the risks associated with dealing in these products. You should read all sections of this PDS before making a decision to acquire the financial products described herein. This PDS is subject to the provisions of the Client Agreement. Before making a decision about acquiring our financial products you should also read our Financial Services Guide ("FSG") and Client Agreement in their entirety.

## NOTICE OF RISK

**Margin FX Contracts, Futures and Options Contracts, Binary Options and CFDs are considered speculative products which are highly leveraged and carry significantly greater risks than non-geared investments, such as shares. You should not invest in Margin FX Contacts, Futures and Options Contracts, Binary Options or CFD products unless you properly understand the nature of these 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 Contract, Futures and Options Contracts, Binary Options or CFD to ensure this is appropriate for your objectives, needs and circumstances.**

## TAX IMPLICATIONS DISCLAIMER

We recommend that you obtain independent taxation and accounting advice in relation to the impact of Margin FX, Futures and Options Contracts, Binary Options, or CFD gains and losses on your particular financial situation. Trading in Margin FX Contracts, Futures and Options Contracts, Binary Options and CFD products has the potential for generating substantial profits and the potential for generating substantial losses. Generally, if you make a gain attributable to an exchange rate or price fluctuation then that part of the gain is included in your assessable income. Conversely, if you make a loss attributable to an exchange rate or price fluctuation then that part of the loss is deducted from your assessable income. These resultant tax implications can be complex and depend upon your financial circumstances. Your tax adviser should be consulted prior to entering into Margin FX Contracts, Futures and Options Contracts, Binary Options, or CFDs.

Information regarding income tax and capital gains tax consequences of dealing in Margin FX, Futures and Option Contracts, Binary Options and CFD products may be found at the Australian Taxation Office's website
www.ato.gov.au.

## FINANCIAL ADVICE

OTC and exchange traded contracts can be highly leveraged and speculative with a high degree of risk. Potential investors and traders should be experienced in Margin FX, Futures and Options Contracts, Binary Options and CFD products or understand and accept the risks of investing in OTC contracts.

We recommend that you consult your financial adviser or obtain other independent advice before trading in the products referred to in this PDS. Direct FX Trading does not and will not give you personal financial product advice and this PDS does not constitute a recommendation or opinion that the products referred to in this PDS are appropriate to you.

## ELECTRONIC VERSION OF THIS PDS

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 ("FSG") and visit our website at www.directfx.com. If you have any questions regarding this PDS, please contact us.

## MODIFICATION OF PDS

The information in this PDS is subject to change from time to time and is up to date as of the date of this document. If there is any material change to this information, we will issue a new or supplementary PDS with the new information. You will be able to find the updated information on our website at www.directfx.com or by contacting us. Upon request, we will send you a paper copy of the information.

## JURISDICTION

The offer to which this PDS relates is available only to persons receiving this PDS in Australia. This PDS does not constitute an offer or invitation in any place which, or to any person to whom, it would not be lawful 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 laws.

## TERMS OF BUSINESS

This PDS is an important legal document and its terms are binding on you. Additional legal terms governing our relationship are detailed in the Direct FX Trading's "**Terms and Conditions**".

Direct FX Trading's **Terms and Conditions** are set out at the bottom of this PDS and must be read and agreed to before a contract is entered into. When you use our services you will be bound to our **Terms and Conditions**. However, in the event of inconsistency, the terms in the legal documents described below will rank according to the following priority, to the extent of any inconsistency:

- This PDS
- Terms and Conditions
- Account Opening Form

In order to open an account, you are required to complete, sign, and return an Application. The Application is provided to you separately by Direct FX Trading. Your Application to open an account must be approved by Direct FX Trading. Direct FX Trading reserves the right to refuse to open an account for any person.

Direct FX Trading accepts Margin FX Contract, Futures and Options Contracts, Binary Options and CFD order instructions via the electronic trading platform(s) You are required to access the electronic trading platform(s) on a daily basis to confirm that any order instructions you submitted have in fact been received by us, to re-confirm all orders that you placed with us, to review order confirmations we provided to ensure their accuracy and monitor your Margin obligations. Any order discrepancies identified must be reported to us immediately.

Direct FX Trading 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.

Direct FX Trading does not guarantee the performance, return of capital from, or any particular rate of return of a Margin FX Contract, Futures and Options Contracts, Binary Options or CFD product. You may lose more than the amount of funds in your 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 Contract, Futures and Options Contracts, Binary Options or CFDs or underlying instrument/market is no guarantee or indicator of future performance.

### USE OF THIRD PARTY MONEY MANAGERS,SOFTWARE OR PLUGINS

The Client acknowledges and agrees, and will ensure that each Authorised User acknowledges and agrees, that:

Direct FX Trading is authorised to deduct fees from the Client Account, upon receipt by Direct FX Trading of confirmation that the Client has elected to subscribe to a particular third party Money Manager, software or plugin.

Direct FX Trading is entitled to refuse to allow or terminate, refuse access or otherwise impose limitations on certain third party Money Managers, software or plugins at any time, without reason.

The Client is wholly responsible for managing the risks (including the risk of financial loss) associated with using third party Money Managers, software or plugins, however they are characterised.

**DFX does not authorise or endorse any third party Money Manager(s), software or plugins**. The Client is aware of the risks associated with third party Money Managers, software or plugins, all of which may result in substantial financial loss. Risks include: loss of control of trades; loss of money, loss due to latency, loss due to technical error, potentially misleading claims made by Money Managers, software vendors; software not working with Direct FX Trading's Online Platform(s); being subject to a Margin Call or Forced Liquidation; and fraudulent or other illegal activity by Money Manager or software vendors.

The Client will assist Direct FX Trading by providing any requested documents, if Direct FX Trading chooses to investigate a third party Money Managers, software or plugin vendor.

The act by Direct FX Trading of deducting fees from a Client Account on behalf of a third party or referring to a third party asset manager, software vendor or plugin on Direct FX Trading's website or elsewhere, is not an endorsement of that third party or its software. Direct FX Trading takes no responsibility whatsoever for any losses incurred by the Client or its employees, agents or assigns, in connection with a third party or its software.

Direct FX Trading reserves the right in its absolute discretion to cancel, unwind, close out, repair, reinstate or take other action with respect to open or closed trades where the Client is using or has otherwise engaged third party software or plugins, if in Direct FX Trading's view, there has been an actual, suspected or potential breach of this Agreement, or Direct FX Trading believes acting in such a way is necessary to protect its own interests, or the interests of clients.

## REGULATORY GUIDE 227

Guide 227 (RG227) issued by ASIC sets out 7 disclosure benchmarks for OTC products that are aimed at helping you understand the risks associated with OTC products, their potential benefits and whether trading in OTC products is suitable for you.

More information about the disclosure benchmarks contained in this PDS can be found in RG227.
The following table outlines the disclosure benchmarks and how Direct FX Trading meets each one:

| Benchmark | Meets | Additional Information |
|---|---|---|
| 1. Client Qualification | Yes | Direct FX Trading assesses a potential client's qualification when they apply to open an account. Should a client not meet the predetermined criteria, they will have the opportunity to gain knowledge from Direct FX Trading and retake the assessment.<br><br>Please see page 8 for more information |
| 2. Opening Collateral | Yes | This benchmark states that an issuer should<br>generally only accept cash or cash equivalents as opening collateral when establishing an account and where credit cards are used then no more than $1000 should be accepted as the initial payment.<br><br>. |
| 3. Counterparty Risk - Hedging | Yes | Direct FX Trading maintains and applies a written policy to manage its exposure to market risk due to client positions.<br><br>See page 11 for more information. |

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|---|---|---|
| 4. Counterparty Risk-Financial Resources | Yes | Direct FX Trading maintains and applies a written policy to ensure the ongoing maintenance of adequate financial resources as required under its AFSL.<br><br>See page 12 for more information. |
| 5. Client Money | Yes | Direct FX Trading maintains and applies a clear policy with regards to the use of Client money. Direct FX Trading keeps Client money in a segregated bank account with a reputable Australian bank. |
| 6. Suspended or Halted Underlying Assets | Yes | Direct FX Trading does not allow Clients to open new positions when there is a trading halt in an underlying asset.<br><br>See page 12 for more information |
| 7. Margin Calls | Yes | Direct FX Trading will contact the Client in regards to a Margin Call. Direct FX Trading reserves the right to Close Out positions when it deems it necessary at its own discretion.<br><br>See page 13 for more information |

## ESTABLISHING YOUR TRADING ACCOUNT

You need to establish an Account by completing the application form on Direct FX Trading's website or contacting Direct FX Trading directly.

Since trading OTC derivatives may not be suitable for all investors due to the significant risk involved, all applicants of Direct FX Trading are required to demonstrate a satisfactory understanding of the different aspects of trading. This will be done by the applicant completing a "suitability test" via a series of questions before they can begin trading. You will be required to complete the test at the time you go to open an account. The test allows prospective clients to demonstrate their understanding and experience of the features and risks of OTC derivatives.

Once the "suitability test" is completed, successful clients will be permitted to open an account and trade in it. Those who fail the test will not have an account open at that time, but have the opportunity to retake the test whenever they choose. Direct FX Trading will suggest that you obtain further experience and education before opening an account.

Since all records of the assessments are kept on file, our account managers will have access to them and help anyone who failed to better understand *OTC derivatives* before they retake these tests.

By opening an Account, you agree to the Account Terms.

Before you enter into a transaction, Direct FX Trading will require you to deposit an Initial Margin. This is paid to Direct FX Trading (and is not held on your behalf).After you make a transaction, Confirmation of the transaction will be given (such as being reported online or in an online account statement or record).

## FUNDING YOUR ACCOUNT

Once your application has been approved you may fund your account in a number of ways.

Clients may deposit funds, as opening and ongoing collateral. Direct FX Trading accepts the following forms of payments:

- credit cards;
- BPay;
- bank transfer; and
- cheques.

**Direct FX Trading does not accept ―cash equivalents‖ as opening collateral (e.g. no securities as deposits).**

All deposits must be cleared funds before they will be available to you for trading. This can take up to 48 hours, or longer over non-banking days. Payments using BPAY are not cleared funds in your Account at the time of use of BPAY. Generally, cleared funds are received in your Account up to two days after depositing via BPAY.

When transferring funds to Direct FX Trading 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 Direct FX Trading must be free of any withholding tax or deduction.

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

Direct FX Trading 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 transferred or cheque received from a third party, back to the account from which it was transferred.

Direct FX Trading 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.

## CONFIRMATIONS OF TRANSACTIONS

The confirmation of your transactions, as required by the Corporations Act, may be obtained by accessing the daily statement online, which you can print. Once you have entered an order into the online trading platform, the system may report the main features of your transaction in a “pop-up” window. This is a preliminary notification for your convenience and is not designed to be a Confirmation as required by the Corporations Act.

If you provided Direct FX Trading with an e-mail or other electronic address, you consent to Confirmations being sent electronically, including by way of the information posted to your Account in the online trading platform. It is your obligation to review the Confirmation immediately to ensure its accuracy and to report any discrepancies within forty-eight hours.

## CLIENT MONIES

Direct FX Trading maintains and applies a clear policy in relation to the use of client money. **Please be aware** that any money deposited into your trading account is deposited with other client moneys in our segregated client account and co-mingled with other client deposits. This money is applied to client or settlement obligations to pay for agreed fees, margins and other costs as required under the

Corporations Act.
You should be aware that, for client accounts Direct FX Trading is permitted by law to use client moneys in the account to meet obligations incurred by Direct FX Trading in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives (not just these Margin FX, Binarys, Futures and Options and CFDs) by Direct FX Trading, including dealings on behalf of people other than the client whose moneys were deposited into the account.

Monies deposited into your trading account to meet margins, deposits, fees, transactions settlement, or other costs may be forwarded (if applicable) to our licensed third party clearing and execution providers, and applied against your margin, exchange, fee and settlement obligations.

Client monies held for future transactions will be kept in the segregated client account as required by the Corporations Act. Although funds are kept in a segregated account you may not be afforded absolute protection.

Direct FX Trading enters into arrangements with third party execution and clearing providers to facilitate transactions and settlements and uses monies received for Margin Calls and settlements for this purposes. Clients need to be aware that they are indirectly exposed to the financial risks of these counterparties and other organizations Direct FX Trading hold client monies with.

If Direct FX Trading or our counterparties financial condition deteriorates then this places at risk the ability to return client monies and you may suffer unrecoverable losses.

As client funds are co-mingled with funds from other clients in the segregated client account there is a likelihood that your funds may be used to cover payment obligations of other clients and you may suffer losses due to defaults by other clients. In the event of our insolvency your entitlements as a creditor will rank equally with all other clients

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

Direct FX Trading 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 Direct FX Trading on this account is determined by the provider of the deposit facility.

## 1 COUNTERPARTY RISK – HEDGING

Direct FX Trading maintains a written policy to manage its exposure to market risk from clients open positions. This includes a risk management and compliance system in place to manage (hedge) our trading exposure and assessing any new and current hedge counterparties.

Given that you are dealing with Direct FX Trading as counterparty to every OTC transaction, you will have an exposure to us in relation to each transaction. This is common to all OTC financial market products. You are reliant on Direct FX Trading's ability to meet its counterparty obligations to you to settle the relevant contract. Direct FX Trading 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, Direct FX Trading must comply with the financial requirements imposed under its AFS License.

With respect to FX Contracts, the hedging counterparty is reliant on the performance of counterparties ("liquidity providers") with which it offsets its exposure. An assessment of the hedge counterparty takes into account the risks involved when dealing with them, and ensures that the hedge counterparty is of creditable financial standing, licensed by a comparable regulator, and are of sound reputation. The hedging counterparty will use only liquidity providers which are substantial banks or substantial counterparties. Direct FX Trading does take on the risk that our counterparties may become insolvent or fail to meet their obligations to Direct FX Trading. You can find a list of current hedge Counter Parties at www.directfx.com "Hedge Policy".

Direct FX Trading deals with some of the most respected institutions in the industry as liquidity providers to limit the counterparty risks. Currently our liquidity providers are Goldman Sachs, Morgan Stanley, HSBC, Commerzbank, Credit Suisse, Lucid, UBS AG, Barclays, Citibank, JP Morgan, and Deutsche Bank. Our Providers may change on a regular basis.
It is possible that Direct FX Trading's hedging counterparty may become insolvent or it is possible that other clients of the hedge counterparty may cause a default which reduces the financial resources or capacity for the hedge counterparty to perform its obligations owed to Direct FX Trading under the hedge contracts.
If Direct FX Trading defaults on its obligations, investors may become unsecured creditors in an administration or liquidation and will not have recourse to any underlying assets in the event of Direct FX Trading's insolvency.

It is therefore possible that Direct FX Trading might not fully recover from its hedge counterparty due to reasons not arising from your own positions, or it may incur costs in seeking the recovery or choose to terminate recovery efforts early, thereby reducing the proceeds available to Direct FX Trading to allocate in its discretion to you under the contract issued to you. It is important to understand that you have no rights or beneficial interest in any contract which Direct FX Trading has with its hedge counterparty and you cannot force Direct FX Trading to make any decision about seeking recovery against its hedge counterparty. You are dependent on Direct FX Trading taking that action to seek recovery and how it pursues that action, although Direct FX Trading would act honestly, fairly and efficiently in deciding if and how to pursue that recovery action.

## 2 COUNTER PARTY RISK - FINANCIAL RESOURCES

Direct FX Trading maintains and applies a written policy to ensure the ongoing maintenance of adequate financial resources. We further maintain a detailed Risk Register, in which key risks of our business are identified, reviewed and controls implemented.

Steps taken on a daily basis to ensure Direct FX Trading's financial requirements are maintained include, but are not limited to, monthly monitoring of adjusted surplus liquid funds calculation, conducting a daily client cash segregation calculation and transferring money owed to clients to segregated client accounts if needed.

The credit risk which you have on Direct FX Trading depends on its solvency generally as well as on the amount (and kind) of its capitalisation, its cash flow, all of its business risks, its client and financial product concentration risks, its counterparty risks for all of its business and transactions, its risk management systems and actual implementation of that risk management.

Your credit risk will fluctuate throughout the day and from day to day, including due to the implied credit risk on hedging counterparties, whose credit risk to Direct FX Trading (and so indirectly to you) cannot be assessed or verified on a continuous basis or perhaps at all.

We have a designated Compliance Officer whose role is to monitor our compliance in relation to our licence conditions, Corporations Act and ASIC RG 166 obligations who reports to our Responsible Manager.

We receive input and reviews from our external accountants and legal providers, our accounts are independently audited at the end of the financial year.

Direct FX Trading conducts stress tests for adverse movements in market conditions of between 5% and 10% of total client equity.

## 3 SUSPENDED OR HALTED UNDERLYING ASSETS

Direct FX Trading meets this benchmark as we do not permit the opening of any new positions where there is trading halt over the underlying asset or trading in the underlying asset has been suspended on the relevant Exchange upon which the underlying asset is listed, such as Futures and Options. Clients need to be assured that other currency and commodity products they trade with Direct FX Trading are not traded on any central exchange, thus the trading will not be halted nor suspended.

You will not be able to enter into any new transactions where there is a trading halt or suspension in the underlying asset:

If trading in the underlying asset is suspended or halted by the relevant Exchange (or the relevant index is suspended), the position, where possible, will be valued by Direct FX Trading for your account.

Foreign exchange markets trade continuously. They open at 05:00pm American EST Sunday evening (Monday morning AU time) and close at 05:00pm, American EST on Friday (Saturday morning AU time). They are open 24 hours during this period. Prices are continuously streamed during this period. Because foreign exchange is not an exchange-traded product, it is not possible to suspend or halt the streaming of these prices.

# 4 MARGIN CALLS

Direct FX Trading meets this benchmark as we have a written policy that outlines how we margin our clients. There are two types of margin calls.

- Initial Margin. This is the initial deposit required by Direct FX to cover our risk and will be used to meet the clients obligation before opening a new position
- Variation Margin. This is the margin that has to be met by the client should there be adverse market movements. If the client wishes to keep the position open, then the variation margin call MUST be met to avoid Direct FX from exercising its right to close the open position.
- Maintenance Margin – to maintain the margin cover in light of adjustments to the percentage of value of the underlying allowed as margin cover or other trading platform adjustments not related to the price movements of the financial products.

Direct FX Trading monitors all open positions of its clients on mark to market basis. In case of adverse movements in the markets that cause a loss to a client, the client will be notified to fund the account by phone, email or text message to the client. Our MT4 and CQG platforms send electronic notification to all clients who trade on it.

**Liquidation**
Direct FX Trading's first warning is sent when client equity falls below 50% of required margin, to notify clients that they are getting close to automatic trade liquidation. Clients are stopped out if their account balance falls below 30% of margin requirements their positions may be liquidated without further reference to the client.

When a margin call is triggered on an account then individual positions will be liquidated until the remaining equity is sufficient to support existing position(s). In deciding what positions will be individually liquidated the largest losing position will be closed first during liquidation.

# RATES, FEES AND COSTS

The calculation of the price to be paid (or the payout to be received) for Margin FX, Binary's or CFD products offered by Direct FX Trading, 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 favor of Direct FX Trading. 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 favoring Direct FX Trading in the price calculation. We act as a market maker and not a broker and make our earnings from the spreads that are embedded in the currency rates. Different spreads are used depending on the currency pair traded.

Direct FX Trading earns its income from the business spread (or margin) that we apply to our Margin FX Contracts, and CFD 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 Direct FX Trading 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 or value of the CFD's underlying asset. 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 Direct FX Trading.
By using or continuing to use our services, you agree that:

- All fees and charges received by Direct FX Trading as described in this PDS and the FSG (other than third party fees and charges) are a benefit given to us by you, in exchange for the market making and dealing services provided by Direct FX Trading.
- Direct FX Trading do not charge volume-based or asset-based fees for any advice we provide.
- You understand, consent to, authorise and direct us to charge you in this way.

Direct FX Trading 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 Direct FX Trading as principal and is not transferable, negotiable or assignable to or with any third party.

The costs associated with Binary Options are the price of the Binary Option itself. You will not be charged a fee or commission when you acquire any Binary Option product. Direct FX absorbs all of its costs regarding its hedging, trading and dealing and never passes these onto clients. Instead, Direct FX derives its income from options purchased by clients that expire ‗out of the money'. An option trade expires out-of-the-money when the expiry price of the underlying market is below the strike price for a c all binary option and above the strike price for a put binary option.

Direct FX reserves the right to pass on administration charges such as (but not limited to) credit card merchant fees and bank wire transfer fees. Full details on such fees are available from our website.

DFX charges fees on each Futures and Futures Option contract executed on your behalf. Our fees vary depending on the type and level of service required, the exchange upon which the Transaction is to be conducted, and the frequency and volume of Transactions executed. DFX may charge a fee or commission for a Futures Option exercised or expiring out of the money. The fees are paid to us immediately upon execution of the trade, and will be deducted from your Trading Account in accordance with your agreement.

Fees charged by an exchange vary from exchange to exchange and can be found on that particular exchange's website.

You are responsible for any stamp duty, transaction duty, GST or similar goods and services or value added tax payable in respect of trading in Transactions (except for any income tax payable by Direct FX Trading). Bank charges and fees imposed on Direct FX Trading to clear your funds or in respect of your payments will also be charged to your Trading Account.

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.

Direct FX Trading does reserve the right to charge the following fees:

- Telegraphic transfer fees (in the base currency): A$40
- Telegraphic transfer fees (in the international base currency): A$40
- Stop-Payment cheque fees: A$25
- Telephonic transfer fees (when the electronic order system is operational, fee is waived when non-operational): A$5

## FINANCING CHARGES

In the event of you holding a Margin FX Contract, or CFD position overnight you may be paid or have to pay interest depending upon your position.

For example if you are "long" a foreign exchange contract overnight you may receive an interest payment whereas if you are "short" a foreign exchange contract overnight you will be charged interest.

If you are "long" an index CFD overnight you will be charged interest whereas if you are "short" an index CFD overnight you may be paid interest.

Interest calculations are based on the total notional value of your open position, and are calculated at LIBOR (London Interbank Offer Rate) or LIBID (London Interbank Bid Rate) 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 or LIBID plus or minus a margin. Interest is calculated on a daily basis and debited from or credited to your account at the end of each business daily.

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

The amount of interest paid/received by Direct FX Trading will vary each day, depending upon factors such as changes to holdings within your portfolio and/or changes to LIBOR or LIBID and changes to the price of the underlying currency or asset upon which the Margin FX Contract or CFD is based, no interest is paid or received if you open and close a position in the same trading day.

## DISCLOSURE OF INTERESTS

We do not have any relationships or associations which might influence us in providing you with our services. However, Direct FX Trading 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, Direct FX Trading is a market maker, not a broker, and accordingly will always act as principal for its own benefit in respect of all Margin FX Contracts, or CFDs with you. Direct FX Trading may conduct transactions to hedge its liability to you in respect to your positions by undertaking transactions in the underlying currencies or commodities. Such trading activities may impact (positively or negatively) the prices at which you may trade Margin FX Contracts or CFD 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 will not result in additional costs to you for financial products or services undertaken with Direct FX Trading.

**Please refer to our current FSG for a description of how DFXT, its employees and related parties are paid, including illustrations and examples. You can find this information in the current FSG which is available on our website. You can download or obtain a free hard copy of the FSG by contacting us using the details at the start of this PDS.**

## PRIVACY POLICY

Your privacy is important to us. The information you provide Direct FX Trading 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.directfx.com.

## DISPUTE RESOLUTION

Direct FX Trading 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 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 ("FOS"), an approved external dispute resolution scheme, of which Direct FX Trading is a member.

FOS can be contacted using the details below:

*Postal address:*
GPO Box 3
Melbourne VIC 3001
Australia

*Telephone:* +61 3 9613 7366
*Fax:* +61 3 9613 6399
*Website:* www.fos.org.au

## COOLING-OFF ARRANGEMENTS

There are no cooling-off arrangements for the Margin FX Contracts Futures and Options Contracts, Binary Options or CFDs offered by Direct FX Trading. This means that when you enter a transaction with Direct FX Trading you do not have a right to return the product and you do not have the right to request Direct FX Trading to repay the money you have paid to acquire the product. Should you change your mind after entering into a transaction with Direct FX Trading, you should close out your position by entering into an offsetting and opposite transaction.

## TRADING HOURS

Direct FX Trading provides trading facilities via its Trading Platform from Sunday at 5.00pm New York time (Monday morning Sydney time) to Friday at 5.00pm New York time (Saturday morning Sydney time). In the event that the Trading Platform is unavailable due to a systems disruption, then the services will be provided by us via the telephone.

This means that you are able to view live prices and place live orders during these hours. Outside these hours, you may still access the Trading Platform and view your account, market information, research and our other services. However, there will not be any live prices quoted and thus, you will not be able to enter into transactions. Any changes to operating hours will be displayed on the website.

## ABOUT OUR PRODUCTS

Direct FX Trading will act as Principal on each Over-the-Counter (OTC) transaction agreed and entered into between you and Direct FX Trading, regardless of the product. Direct FX Trading regularly states the price at which it is prepared to deal with you, and thereby make a market for the product.

When you prepare to purchase products offered by Direct FX Trading, you should be aware of the risks and benefits associated with the products. The risks are spelled out in the sections below discussing each product. Examples that demonstrate how the products work and that illustrate the risks and benefits of the products are contained in this PDS.

## DIRECT FX TRADING COMPENSATION ARRANGEMENTS

Direct FX Trading is covered by compensation arrangements which satisfy the requirements of section 912B of the Corporations Act. Subject to its terms and conditions, these arrangements cover certain clients for loss or damage suffered as a result of breaches of the relevant obligations of Direct FX Trading, its employees and representatives in relation to its AFSL.

Subject to its terms and conditions, the compensation arrangements also cover certain breaches by the employees and representatives of Direct FX Trading at the relevant time.
If the insurance policy is insufficient or the insurer fails to performance obligations, Direct FX Trading may not be able to make the payments it owes to you.

### *What is an OTC Contract?*

Unlike financial products traded on an exchange, Margin FX contracts, Binarys and CFDs are Over-the-Counter (OTC) contracts which are not standardised but are individually tailored to the particular requirements of the parties involved in the contract—in this case, you and Direct FX Trading— but subject to minimum contract values.

The terms involved in the negotiation of the contract (or transaction) are:

1. the underlying assets to be traded;
2. the amount of such assets;
3. the maturity date of the contract; and,
4. the price at which the asset is to be traded.

## *Margin Obligations To Direct FX*

Futures and Options contracts, FX contracts and CFDs offered by Direct FX Trading will be subject to margin requirements and clients must deposit funds for security / margining purposes. Accordingly, you are responsible to meet all margin requirements required by Direct FX Trading. When you place a Futures, CFD or FX transaction and while that transaction remains open you need to have sufficient free margin in your account to satisfy the margin amount for the relevant number of Futures contracts, FX Contracts or CFDs you hold. Margin requirements may vary between customers and Direct FX Trading reserves the right to change margin requirements on a per customer basis. Margin requirements can be changed for regulatory reasons, changes in your account size, currency pair or position traded, volatility, acts of God, or any unknown factors that Direct FX Trading may presume in the marketplace that could negatively impact its current margin risk assessment. Please note that an increased margin requirement may mean that you are required to transfer additional funds into your account before an order for a Futures, Foreign Exchange or CFD contract will be accepted by the Direct FX Trading platforms. Also, please note that the increased margin requirement may result in a margin call or possible liquidation.

Direct FX Trading currently offers **two trading platforms: Metatrader 4 and CQG** The trading platforms will calculate in real time both the margin requirement and the remaining free margin in your account. For Metatrader 4 you can see the margin requirements and remaining free margin in the "Trade" section of the "platform" under the columns "Margin" (Used Margin), and "Free Margin"(Usable Margin). For CQG you can see these items stated in the "Account Summary" window of the platform under the columns "Margin Excess""(Usable Margin). When trading on Metatrader 4 or CQG, if the "Margin Level" column reaches 30%, a Margin Call will be applied on the account, and all open positions will be triggered for liquidation.

Margin requirements can fluctuate from intraday, to overnight, to over the weekend. Examples of the calculation of the margin are listed below.

Your "Usable Margin" is the difference between:

Your Account Equity; and Any Used Margin set aside to fund open positions. Usable

Margin = Account Equity - Used Margin

## MARGIN FX CONTRACTS

### *What is a Margin FX Contract ("Margin FX Contract")?*

A Margin FX Contract is a product offered by Direct FX Trading based on the exchange of one currency for another. An exchange rate is the price of one currency in terms of another currency. For example, if the exchange rate for the Australian Dollar against the Japanese Yen is AUD 1/JPY 83, this means that one Australian Dollar is equal to, and can be exchanged for, 83 Japanese Yen.

A Margin FX Contract does not result in the physical delivery of the currency. The foreign exchange products offered by Direct FX Trading are closed out by either you or us in certain circumstances, (**See below Important Features of Margin FX Contracts**) by taking an offsetting position. The profit or loss that results from the position being closed out will be credited to or debited from your account. If a transaction is held until the nominated maturity date, it will be cash adjusted or cash settled according to the closing price of the applicable currency, as quoted by us.

## *How do the Margin FX Contracts work?*

A Margin FX Contract is a rolling spot foreign exchange contract between you and Direct FX Trading in relation to an agreed currency pair. When you propose to enter into any Margin FX Contract you will be asked to nominate an amount and the two currencies to be exchanged. In every Margin FX Contract there are two currencies as follows:

1 fixed unit of a currency = X variable units of another currency.

The fixed currency is called the "base" currency and the variable currency is called the "terms" currency. Together, these are known as the currency pair. The currencies involved in any Margin FX Contract must be currencies which are offered by Direct FX Trading. As at the date of this PDS, Direct FX Trading offers fifteen different currency pairs. To find out more about the different currency pairs Direct FX Trading offers, please view our website at www.directfx.com.

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 increasing in value and one of them decreasing in value. **The Margin FX Contracts offered by Direct FX Trading do not result in the physical delivery of the currency**. The Margin FX Contracts are closed out by either you or us by taking an offsetting position or are cash adjusted or cash settled at the maturity date.

## *What exchange rate will apply?*

Direct FX Trading prices will be the same price at which it is offered by its counterparty, so all transactions where Direct FX Trading is the market maker will be entered into on a "matched book" basis or "back to back" basis.

## *Examples of How Margin FX Contracts are Quoted*

***Example 1: Going Short and making a profit***

*You anticipate that the Australian Dollar is to fall against the US Dollar because of unfavorable economic data.*

*You sell 50,000 AUD at an AUD/USD rate of 1.0532.*

Open Position

| | |
|---|---|
| Quantity sold | $50,000 AUD |
| Price | $1.0532 US |
| Contract Value | $52,660 US |
| Initial Margin | $2,500[1] AUD |
| Commission/fees | Nil |

The Australian Dollar weakens against the US Dollar and you close out your position @ 1.0500

Close Position

| | |
|---|---|
| Quantity bought | $50,000 AUD |
| Price | $1.0500 US |
| Contract Value | $52,500 US |
| Commission/fees | Nil |
| Gross Profit | $160 US |
| Commission/fees (sold and bought) | Nil |
| **Net Profit** | **$1,270 US** |

***Example 2: Going Short and incurring a loss***

*You anticipate that the Australian Dollar is to fall against the US Dollar because of unfavorable economic data*

You sell 50,000 AUD at an AUD/USD rate of 1.0532

Open Position

[1] This is based on a 5% Initial Margin of the Contract Value

| | |
|---|---|
| Quantity sold | $50,000 AUD |
| Price | $1.0532 US |
| Contract Value | $52,660 US |
| Initial Margin | $2,500[2] AUD |
| Commission/fees | Nil |

The economic data turns out to be favorable and the Australian Dollar strengthens against the US Dollar. You decide to close out your position @ 1.0550

Close Position

| | |
|---|---|
| Quantity bought | $50,000 AUD |
| Price | $1.0550 US |
| Contract Value | $52,750 US |
| Commission/fees | Nil |
| Gross Loss | $90 US |

| | |
|---|---|
| Commission/fees (sold and bought) | Nil |
| **Net Loss** | **$90 US** |

***Example 3: Going Long and making a profit***

You anticipate the Australian Dollar to increase against the US dollar because of favorable economic data. You buy 50,000 AUD at an AUD/USD rate of 1.0532

Open Position

| | |
|---|---|
| Quantity bought | $50,000 AUD |
| Price | $1.0532 US |
| Contract Value | $52,660 |
| Initial Margin | $2,500[3] |
| Commission/fees | Nil |

The economic data turns out to be favorable and the Australian Dollar strengthens against the US Dollar. You decide to close out your position @ 1.0550

[2] This is based on a 5% Initial Margin of the Contract Value
[3] This is based on a 5% Initial Margin of the Contract Value

Close Position

| | |
|---|---|
| Quantity sold | $50,000 AUD |
| Price | $1.0550 |
| Contract Value | $52,750 US |
| Commission/fees | Nil |
| Gross Profit | $90 US |
| Commission/fees (sold and bought) | Nil |
| **Net Profit** | **$90 US** |

***Example 4: Going Long and incurring a loss***

You anticipate the Australian Dollar to increase against the US Dollar because of favourable economic data. You buy 50,000 AUD at an AUD/USD rate of 1.0532

Open Position

| | |
|---|---|
| Quantity bought | $50,000 AUD |
| Price | $1.0532 US |
| Contract Value | $52,660 |
| Initial Margin | $2,500[4] |
| Commission/fees | Nil |

Your anticipation proves to be incorrect and the Australian Dollar actually falls against the US Dollar. You close out your position at 1.0500

Close Position

| | |
|---|---|
| Quantity sold | $50,000 AUD |
| Price | $1.0500 |
| Contract Value | $52,500 |
| Commission/fees | Nil |
| Gross Loss | $160 US |

[4] This is based on a 5% Initial Margin of the Contract Value

| | |
|---|---|
| Commission/fees (sold and bought) | Nil |
| **Net Loss** | **$160 US** |

**NOTES TO ALL EXAMPLES IN THIS PDS:**

1. Please see Rates, Fees & Costs on page 13 for details on costs involved with transactions.
2. The above examples are to illustrate the impact of key variables on the outcome of a FX Transaction. They are not forecasts nor projections of any particular FX Transaction.
3. These examples are not intended to be exhaustive and document every trading strategy.
4. The examples use simplifying assumptions by not taking into account a client's tax rate or overall tax position, potential changes in interest rates charged to or earned on the Account or the time value of money. W hile these variables will undoubtedly change the outcome of a FX Transaction, they are normal market variables which cannot now be predicted and so must be taken into consideration by a potential client in FX Transactions.
5. Margin requirements, interest rates and external charges may of course change at any time.

## *How Are Orders Executed and Confirmed?*

Prior to entering into a transaction, you must open an account with us and deposit a minimum of $250.

When you propose to enter into a transaction, you will access the MetaTrader 4 or CQG Trading Platform ("Trading Platform") and determine which Margin FX Contract you wish to trade and consider the prices being quoted by us. Should you decide to accept our price you will follow the steps on the Trading Platform. You must have sufficient money in your account to meet the relevant initial margin for the proposed transaction.

### *What Margin is Required?*

Each Margin FX Contract product requires you to pay an initial margin. In addition, you may also be required to pay (or be entitled to receive from Direct FX Trading) Variation Margin, which is the unrealised loss or profit on your open Margin FX Contract position.

### *What is the Initial Margin?*

The Initial Margin is the up-front deposit you are required to provide to Direct FX Trading when you enter into a transaction with us and which must be maintained throughout the term of the relevant transaction. The amount of the Initial Margin applicable to each transaction is determined by Direct FX Trading in its sole discretion and current levels for each FX product are available on www.directfx.com. It is typically 2% to 5 % of the transaction value but may be as high as 100% depending on the volatility of the relevant underlying market and the liquidity of the underlying asset. Direct FX Trading may vary the Initial Margin rate at any time in its sole discretion.

### *Adjustment of Differences/Variation Margin*

In addition to your Initial Margin, you may have to deposit an additional margin, called Variation Margin. Open positions are accounted for in real time on a mark-to-market basis to account for any market movements and to determine the current value of the Margin FX Contract on which the underlying currency is normally quoted. Based on this determination, your account will either be debited in relation to any unrealised losses or credited in relation to any unrealised profits.

If you hold a long (or bought) position and the current value increases, Direct FX Trading will credit an amount equal to the increase in value. If the current value decreases, Direct FX Trading will debit you an amount equal to the decrease in value.

If you hold a short (or sold) position and the current value increases, you will be debited an amount equal to the increase in value to Direct FX Trading. If the current value decreases Direct FX Trading will credit your account with an amount equal to the decrease in value.

These amounts owing by you to us in order to “top up” the Initial Margin are what is known as the variation margin.

### *Margin Calls*

During the period your contract remains open with Direct FX Trading, you must maintain your Initial Margin Requirement. If your account is not properly margined, Direct FX Trading may Liquidate All Open Positions in the account without further notice, which may mean you will suffer losses.

If you open a position with Initial Margin, and the position moves against you and your Free Margin falls to “0”, your account will be placed on Margin Call and all positions will be triggered for liquidation or closing out by Direct FX Trading at the next available price. If the account equity falls below margin requirements, the MT4 or CQG system for instance will trigger an order to close some or all of the open positions. If the Free Margin column reaches zero, the positions with the largest losses will typically be closed first in order to free up additional margin. In normal circumstances Direct FX Trading will endeavour to notify you of margin call by email when you are close to receiving a margin call. This email serves as a notice that your account has breached the minimum required level of funds and any open positions 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 have no obligation to provide notification and this service is provided to you on a best endeavours basis. Direct FX Trading reserves the right to change accounting practices at any time and it also reserves the right to offer different accounting practices.

It is your responsibility to actively monitor and manage your open positions and your obligations, including ensuring that you meet your margin requirement and that your Free Margin exceeds "0". It is also your responsibility to ensure you are aware of any changes in the margin requirements or when the Free Margin is approaching "0". Direct FX is under no obligation to contact you in the event of any change to the margin requirement.

Direct FX Trading will attempt to notify you via email, but Direct FX Trading is under no obligation to notify you when:

1. Your account becomes insufficiently margined, and/or
2. Your account is close to liquidation.

Direct FX Trading can close your open positions and cancel all orders with or without giving you notice. You must ensure that you maintain an e-mail address at all times and keep us up to date and informed of your current email address. Direct FX Trading will not use any other means of communication to tell you when your account reaches these risk levels unless otherwise agreed upon.
You must monitor your account so that you know whether or not your Account is in risk of being liquidated. All the information you need in order to make these calculations is available on our trading platforms MT4 and CQG.

You may increase the amount of Free Margin available in your account by:

Closing out or reducing one or more of your open position(s) in order to reduce your Used Margin amount; and/or depositing additional funds into your account. If you choose to deposit additional funds into your account, these additional funds must be cleared funds before they will be available. These steps may not be necessary if there is an increase in the value of your open positions due to a further market fluctuation.

For example: you opened a short (sell) position in a FX contract, and the price of the FX contract subsequently rose. As a result, your Free Margin available is close to reaching "0" and you decide to increase the Free Margin available by closing out your short position at a higher price (thereby reducing your Margin Requirement), and depending on the amount of Free Margin for the original short position, that amount would then be available for trading i.e. it is no longer required to fund an open position.

Direct FX Trading does not represent or warrant, or give any assurance that your open positions will be closed out at any particular level. Accordingly, your losses may be higher than what they would have been had Direct FX Trading exercised its right to place a liquidation order. Furthermore, you will be liable for all losses incurred, despite Direct FX Trading having had the right to close out your position at a time before you incurred those additional losses. Any such loss may result in you losing all moneys that you have deposited in your account with Direct FX Trading, but you will not be liable for debit balances in your account in excess of the moneys that you have deposited that is not directly resulting from trading activity.

**While Direct FX Trading will endeavor to notify you when your account is close to receiving a margin call, it is nonetheless your responsibility to ensure that your Free Margin does not fall below the margin call liquidation trigger level of "0", and to ensure that you do not rely on Direct FX to close out your positions should they be nearing, or exceed, the Margin Call level. You may do this by reviewing your account detail on the Direct FX Trading Platforms with a view to monitoring your Free Margin, bearing in mind that any additional funds that you deposit into your account will not contribute towards your account equity balance until those funds become cleared funds. You may also contact our Support staff should you have any queries about your current margin requirement obligations.**

When a margin call is triggered on an account then individual positions will be liquidated until the remaining equity is sufficient to support existing position(s). In deciding what positions will be individually liquidated the largest losing position will be closed first during liquidation.

Financing of Forex Trades - Position Based
Each business day at 5:00 pm EST (9:00 am EST), a debit or credit will be applied to your account to account for the interest payment or receipt due as a result of the positions held in your account. This procedure will occur daily until you close out the Currency position. Delivery is not available if you are trading on a position based system. All positions will remain open until closed by you.

### *How are profits and Losses on Margin FX Contracts Calculated?*

The amount of any profit or loss made on the Margin FX Contract will be calculated by keeping the units of one of the currencies constant (the Base Currency) and determining the difference in the number of units of other currency (the Terms Currency). The profit or loss is given in the units of the base currency.

### *What Happens if the Market is Adverse?*

Where Clients experience adverse market movements against their open positions, they can close out the open position, top up the account or wait for Direct FX Trading to automatically close out or force liquidate the trade. Direct FX Trading has a “no negative balance policy” which is intended to ensure that your position is closed out before the value of a trade declines below the required margin to hold the position. Direct FX Trading enables you to manage both adverse and favourable movement by using Stop Loss Order and Stop Limit Orders as part of their risk-management strategy.

### *Why Would I Use A Margin FX Contract?*

Margin FX Contracts are generally used for one of two purposes – hedging or speculating. Margin FX Contracts can provide those who are dependent on overseas trade (and are therefore exposed to currency risk) with a tool for managing the risks associated with changing prices for those currencies. This strategy is known as hedging. Margin FX Contracts are also traded by speculators, who trade in the anticipation of profiting purely from changing relative values in the currency pairs.

Generally, trading Margin FX Contracts allows you to leverage your positions to take a much greater exposure than if you had to pay the full price of holding the physical currency. **Trading in Margin FX Contracts does, however, involve significant risk**. Traders and investors must understand the nature of the risks inherent in such transactions prior to entering into these transactions.

### *How is the Foreign Exchange Rate Determined?*

The calculation of the price to be paid (or the payout to be received) for Margin FX Contract offered by Direct FX Trading at the time the product is purchased or sold will be the same as the price Direct FX Trading is quoted from its hedging counterparty. Price quotes are based on, and with reference to, the underlying foreign exchange market on which the Margin FX Contract is based.

Direct FX Trading cannot predict future market prices of underlying currencies and our quotations are not a forecast of what we believe an underlying currency’s value will be at a future date. The decision to transact at a particular rate will always be your decision.

### *Significant Risks of Margin FX Contracts Explained*

You should be aware that trading in the foreign exchange products offered by Direct FX Trading involves risks. It is important that you carefully consider whether trading our products is appropriate for you in light of your investment objectives, financial situation and needs.

**Substantial or Total Losses** – Despite trying to close out open positions, your loss on a transaction could be very substantial, or even total. If the price or value of one of the underlying currencies moves against your Margin FX Contract position, you will be required to “top up” your account with sufficient funds to maintain your position. The amount required may be substantial. If you fail to maintain the required account balance, your position may be closed out by Direct FX Trading.

**Market Risk –** There is a risk that the value of your Margin FX Contract position will change as a result of a movement in the underlying currency price. You will suffer a loss if the price of the underlying currency moves unfavourably. Prices of currencies (from which the value of the Margin FX Contract is derived) depend on a number of factors including for example, interest rates, supply and demand and even the actions of governments. This will directly affect the Margin FX Contract value. Given the potential levels of volatility in the markets, it is recommended that you closely monitor your open positions at all times.

**Unregulated Market** – The Margin FX Contract products offered by Direct FX Trading are OTC derivatives and are not covered by the protections for exchange-traded derivatives arising from any domestic or international exchange rules (such as guarantee or compensation funds). Contingent-liability transactions which are not traded on or under the rules of a regulated or designated exchange may expose you to substantially greater risks.

**Credit or Counterparty Risk** – Given that you are dealing with Direct FX Trading 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 reliant on Direct FX Trading's ability to meet its counterparty obligations to you to settle the relevant contract. Direct FX Trading 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, Direct FX Trading must comply with the financial requirements imposed under its AFS License.

**Leverage** – The Margin FX Contracts offered by Direct FX Trading carry a substantial leverage risk. The high degree of leverage that is obtainable in trading the foreign exchange products offered by Direct FX Trading because of the small margin requirements 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. Trading in the foreign exchange products offered by Direct FX Trading may result in the total loss of the amount you deposited with Direct FX Trading. Leverage could lead to large losses greater than the clients initial deposit and margin payment.Given the possibility of losing an entire investment speculation in Margin FX Contracts should be conducted only with risk capital that, if lost, will not significantly affect your financial stability.

**Margin risk** –You could sustain a loss, greater than and not limited to, an initial Margin that you have paid to us to establish or maintain a trading position. If the Reference Security's value moves against your trading position, you are responsible for monitoring and meeting the Margin cover requirements. If you fail to provide those additional funds within the required time, your entire position may be liquidated at a loss and you will be liable for any shortfall in your Account resulting from that failure.
If a position is Closed Out, all of it may be closed not just a proportion of it.
There is no limit on the amount of Margin which may be called in order to meet a revised valuation of your transaction.

**Current account balance** – This is an important determinant of exchange rates. Currencies with increasing current account surpluses or decreasing current account deficits tend to strengthen against currencies with decreasing current account surpluses or increasing current account deficits. It is the change in the current account deficit or surplus which is relevant.

**Current account surplus** – A diminishing current account surplus will tend to cause a currency to depreciate, while a shrinking current account deficit will tend to cause the currency to appreciate. However, in practice exchange rates do not always move to reflect current account figures. While over time the relationship holds true there may be sustained periods during which exchange rates move in the opposite direction.

**Inflation Rates** – These impact upon the ability to purchase goods and services. Over a period of time, the inflationary impact on prices tends to result in price increases for goods and services to offset the impact of inflation. This means that exchange rates should change so as to reflect the relative purchasing power of two currencies.

**Interest Rates** - How interest rates affect the forward rates has already been described. They can also affect the flow of currencies between countries. Over a period of time it is possible for currencies with a trend towards high local interest rates to attract capital inflows, and vice versa.

## FUTURES AND OPTIONS CONTRACTS

### *What are Futures and Options Contracts?*

**Exchange traded futures contracts** (both deliverable and cash-settled, "Futures Contracts")
A Futures Contract is an agreement, traded on a Futures Exchange, either to buy or to sell a specific quantity or a specific product ("Underlying Instrument") for settlement on a specified date. Settlement can be via physical delivery or cash settlement. The Underlying Instrument may be, but is not limited to, a security (such as a share), index, commodity, currency or other financial product.

**Exchange traded options** ("Options Contracts")
From the buyer's viewpoint, an Option Contract gives the buyer the right, not the obligation, to acquire the Underlying Instrument at the prescribed Exercise (Strike) Price of the Option Contract in return for payment of a Premium. From the seller's viewpoint, the seller has no right other than a right to the Premium. On ASX 24, the Underlying Instrument may be a Futures Contract (commonly known as a futures option), where the seller will be under an obligation to enter into a Futures Contract at the Exercise Price of the Option Contract if the Option Contract is validly exercised by the buyer. If a futures option is exercised, it results in the establishment of a futures contract (bought in the case of a call option or sold in the case of a put option).
Future Contracts and Option Contracts are derivatives that are traded on Australian and overseas Futures Exchanges. Some stock exchanges also offer Future Contracts and Option Contracts. Direct FX Trading deals in Futures Contracts and Option Contracts traded on a number of Futures Exchanges, including the Chicago Mercantile Exchange, the Chicago Board of Trade, the New York Board of Trade and the London International Financial Futures Exchange. Further documents and publications concerning Futures Contracts and Option Contracts can be found on the ASX website (asx.com.au) in the Education and Resources section. If you cannot access the website, please contact us so we can provide you with a copy of the information to you.

### *How do Futures Contacts work?*

There are two main types of Futures Contracts.

**Deliverable Futures Contracts** – where the seller agrees to deliver to the buyer and the buyer agrees to take delivery of, the quantity of the Underlying Instrument (such as a security) at the time the Futures Contract expires. **Cash settled Futures Contracts** – where the two parties make a cash adjustment between them at the time the Futures Contract expires according to whether the price of the Underlying Instrument (such as a security, financial instrument or index) has risen or fallen since the time the arrangement was made.

A Futures Contract's terms are generally set out in the operating rules of the relevant Futures Exchange on which the contract was made, which might be in Australia or overseas. The material in this document is intended to refer to any Futures Contract traded on any exchange, but there may be differences in procedure and regulation of markets from one country to another and one exchange to another.

Futures Contracts are made for periods of up to several years in the future, although the vast majority are for settlement within six months of the agreement being made. Part of the standardization of contracts is that the time of the delivery or settlement is one of a series of standardized maturity times.

Futures Contracts traded on a Futures Exchange are standardized and interchangeable, meaning that Futures Contracts of a particular class are perfect substitutes for each other A result of contract standardisation is that price is the only factor that is to be determined in the marketplace.

Price discovery can occur by means of an open outcry system, under which brokers on the trading floor state aloud the prices at which they are prepared to buy or sell, giving other brokers with an interest in that commodity an equal chance of deciding whether to accept a bid (buying price) or offer (selling price) or by means of an electronic trading system. Futures prices represent a consensus of market opinion as to what the price of the commodity should be at the specified time.

Since all Futures Contracts for a given future month in the same market are interchangeable, they can be "Closed Out" against an opposite position in the same contract. A trader who has bought a given Futures Contract can cancel the position by selling the same contract. The net result is that the trader no longer holds a position.
Similarly, a trader who has sold a given Futures Contract can cancel the position by buying the same contract. In either case there will be a profit or loss equal to the difference between the buying and selling prices multiplied by the standard contract amount – minus any transaction costs. In practice, the vast majority of Futures Contracts are offset in this manner ahead of the Settlement Date, the remainder being fulfilled by delivery or cash settlement at the Settlement Date.

Futures Exchanges generally have a Clearing House. Clearing Houses clear and settle Futures Contracts executed on the Futures Exchange. The primary role of the Clearing House is to guarantee the settlement of obligations arising under the Futures Contracts registered with it.

The clearing house provides this guarantee by assuming as principal the opposite side of all contracts. Thus in practical terms, the clearing house is able to substitute a new buyer as the contract party when an existing buyer sells to close out his position. This can be represented by the following example:

For example, if A was to sell to B at $100 per unit, the Clearing House would become the buyer to A and the seller to B. If B sells to C for $120 per unit, the Clearing House is now novated as the buyer to B and the seller to C. A would therefore have an open sold position and C would have an open bought position. B no longer has a position and has therefore realised a profit of $20 per unit (ignoring transaction fees). The Futures Contracts which B held (one to buy and one to sell) have been settled in cash between B and the Clearing House. B simply receives the net profit. Any profit due to B is paid out by the cash, even though the original seller (A) remains in the market.

The Clearing House ensures that it is able to pay such profits by calling for Initial Margins (deposits) and Variation Margins to cover any unrealized losses in the market. Variation Margins must be deposited by any client (as far as the clearing house is concerned the clearing participant) whose contract is showing a loss; i.e. if the market falls after a purchase or rises after a sale. For example, if the client enters into a Futures Contract to buy 100 ounces of gold in September at $400 an ounce, and the price for delivery in September falls to $380 an ounce, the client will be required by the broker to pay a Variation Margin of $20 an ounce or $2,000. This Variation Margin ensures that the Clearing House will have cash on hand to pay equivalent profit to the clearing participant holding an opposite position. If the market fails to recover before the client's contract matures, this Variation Margin will not be recovered; it would then become a realised loss.

In addition, Direct FX Trading, the Futures Exchange or Clearing House has the ability to amend or cancel a trade as stated in our Client Services Agreement. This could cause a loss or increased loss to be suffered. Any unilateral close out by a Clearing House, Futures Exchange or its regulator in accordance with the rules, regulations, customs and usages of the market will be accepted by you and settled based on that close out and you will accept any costs involved in the reestablishment of a position if the consequence of such a close out is a new position.

**Settlement**

If you have a deliverable Futures Contract open at the close of trading on the last day of trading in respect of that Futures Contract, you will be under an obligation to deliver, or take delivery of and pay the contract price in full for, the Underlying Instrument described in the Futures Contract. Direct FX Trading's policy is not to permit its clients to make or take delivery under a deliverable Futures Contract. If you wish us to vary our policy, and you specifically wish to make or take delivery you must obtain our prior written consent. It is your responsibility to monitor your open positions as the deliverable Futures Contract approaches Settlement Date and to Close Out any open position at least two weeks prior to the Settlement Date. Direct FX Trading reserves the right, in its absolute discretion, to Close Out any open position you hold in a deliverable Futures Contract if you have not Closed Out that Futures Contract. If you have a cash-settled Futures Contract open at the close of trading on the last day of trading in respect of the relevant Futures Contract, you will be under an obligation to pay or have a right to receive an amount of money depending on the price movement.

**Profit and Loss**
The examples below sets out profit and loss situations when trading Futures Contracts.

**PROFITABLE TRADES**: BUY LOW-SELL HIGH, or SELL HIGH-BUY LOW
**LOSING TRADES**: SELL LOW-BUY HIGH, or BUY HIGH-SELL LOW

## *How Are Orders Executed and Confirmed?*

Prior to entering into a transaction, you must open an account with us and deposit funds. When you propose to enter into a transaction, you will access Trading Platform ("Trading Platform") and determine which Futures or Options Contract you wish to trade and consider the prices being quoted by us. Should you decide to accept our price you will follow the steps on the Trading Platform. You must have sufficient money in your account to meet the relevant initial margin for the proposed transaction.

### *What Margin is Required?*

**Initial Margin** amounts are set by the exchange and act as a deposit for the Futures Contract that has been entered into by the client. Direct FX Trading generally charges the margins set by the exchange but is entitled to demand or "call" (which means a demand for payment) a higher Initial Margin than the minimum set in order to protect its own obligation incurred when dealing on a client's behalf. Liability for Initial Margin occurs at the time of the trade and should be paid to Direct FX Trading before any trading is conducted on the client's behalf.

In the case of Derivative Transactions, the Initial Margin immediately payable is typically 10% to 20% but may be as high as 100%. We may call more margin from you, in addition to the amount that must be paid to the Clearing House. In extreme market volatility or at any other time this requirement can be increased by Direct FX Trading without having to give you prior notice. The liability of a client under a Futures Contract is not limited to the Initial Margin which that client paid when the contract was first opened. If, after paying the Initial Margin, the price may moves against the client, **Variation Margin** will be called and must be deposited on demand. Margin requirements can be changed without having to give you prior notice. You must be in a position to fund such requirements at all times and you have to maintain the margin cover required by Direct FX Trading.

Writers of options must pay margin to the exchange. The margin acts as a deposit for the Futures Contract that has been entered into by the client. If the price of your sold option moves against you, you will be asked to pay a margin which represents the adverse movement. The margin cover is usually provided by you paying cash to Direct FX Trading. If you do not ensure you maintain the required level of margin cover, all your positions may be closed out and the resulting realized loss deducted from any proceeds. If you are trading through an online trading platform, you must read the rules of the platform particularly carefully. In some cases all of your positions can be closed out automatically.

## *Adjustment of Differences/Variation Margin*

In addition to your Initial Margin, you may have to pay an additional margin, called **Variation Margin**. Variation margin is determined by reference to the market value of the particular position at the close of business each day. Each contract is effectively marked to market on at least a daily basis. Marked to market means that an open position is revalued on a daily basis to the current market price. The difference between the current day's valuation compared to the previous day's valuation is the amount which is debited or credited to your account. If you hold a long (or bought) position and the current value increases, Direct FX Trading will credit an amount equal to the increase in value. If the current value decreases, Direct FX Trading will debit you an amount equal to the decrease in value. If you hold a short (or sold) position and the current value increases, you will be debited an amount equal to the increase in value to Direct FX Trading. If the current value decreases Direct FX Trading will credit your account with an amount equal to the decrease in value. The valuations are calculated using the settlement price (at the close of trading on each day) of the Futures Contract or Option Contract (in the case of sold Option Contracts) as determined by the relevant Futures Exchange or relevant Clearing House.

## Margin Calls

During the period your contract remains open with Direct FX Trading, you must maintain your Initial Maintenance Margin Requirement. If your account is not properly margined, Direct FX Trading may Liquidate All Open Positions in the account without further notice, which may mean you will suffer losses.

If you open a position with Initial Margin, and the position moves against you, your account will be placed on Margin Call and all positions will be triggered for liquidation or closing out by Direct FX Trading at the next available price. If the account equity falls below margin requirements, the MT4 or CQG system for instance will trigger an order to close some or all of the open positions.

If you fail to meet any Margin Call, then Direct FX Trading may in its absolute discretion and without creating an obligation to do so, Close Out, without notice, all or some of your open positions and deduct the resulting realised loss from the Initial Margin value (and any other excess funds held in your account with Direct FX Trading). Any losses resulting from Direct FX Trading Closing Out your position will be debited to your account and may require you to provide additional funds to Direct FX Trading.

In normal circumstances Direct FX Trading will endeavour to notify you of margin call by email when you are close to receiving a margin call. This email serves as a notice that your account has breached the minimum required level of funds and any open positions 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 have no obligation to provide notification and this service is provided to you on a best endeavours basis. Direct FX Trading reserves the right to change accounting practices at any time and it also reserves the right to offer different accounting practices.

It is your responsibility to actively monitor and manage your open positions and your obligations, including that you meet your margin requirement. It is also your responsibility to ensure you are aware of any changes in the margin requirements. Direct FX Trading is under no obligation to contact you in the event of any change to the margin requirement.

Direct FX Trading will attempt to notify you via email, but Direct FX Trading is under no obligation to notify you when:

- Your account becomes insufficiently margined, and/or
- Your account is close to liquidation.

Direct FX Trading can close your open positions and cancel all orders with or without giving you notice. You must ensure that you maintain an e-mail address at all times and keep us up to date and informed of your current email address. Direct FX Trading will not use any other means of communication to tell you when your account reaches these risk levels unless otherwise agreed upon.

You must monitor your account so that you know whether or not your Account is in risk of being Liquidated. All the information you need in order to make these calculations is available on our trading platforms MT4 and CQG.

You may increase the amount of Free Margin available in your account by:

Closing out or reducing one or more of your open position(s) in order to reduce your Used Margin amount; and/or depositing additional funds into your account. If you choose to deposit additional funds into your account, these additional funds must be cleared funds before they will be available. These steps may not be necessary if there is an increase in the value of your open positions due to a further market fluctuation.

Direct FX Trading does not represent or warrant, or give any assurance that your open positions will be closed out at any particular level. Accordingly, your losses may be higher than what they would have been had Direct FX Trading exercised its right to place a liquidation order. Furthermore, you will be liable for all losses incurred, despite Direct FX Trading having had the right to close out your position at a time before you incurred those additional losses. Any such loss may result in you losing all moneys that you have deposited in your account with Direct FX Trading.

While Direct FX Trading will endeavor to notify you when your account is close to receiving a margin call, it is nonetheless your responsibility to ensure that your Free Margin does not fall below the margin call liquidation trigger level of “0”, and to ensure that you do not rely on Direct FX Trading to close out your positions should they be nearing, or exceed, the Margin Call level. You may do this by reviewing your account details on the Direct FX Trading Platforms with a view to monitoring your Free Margin, bearing in mind that any additional funds that you deposit into your account will not contribute towards your account equity balance until those funds become cleared funds. You may also contact our Support staff should you have any queries about your current margin requirement obligations.

## *What Happens if the Market is Adverse?*

Where Clients experience adverse market movements against their open positions, they can close out the open position, “top up” the account, or wait for Direct FX Trading to automatically close out or force liquidate the trade. Direct FX Trading has a “no negative balance policy” which is intended to ensure that your position is closed out before the value of a trade declines below the required Margin to hold the position. Direct FX Trading enables you to manage both adverse and favourable movement by using Stop Loss Order and Stop Limit Orders as part of their risk-management strategy.

### Stop Limit Order

A **stop limit order** is a particular kind of stop loss order. A stop limit order means that the Order will not get filled at all below the limit of the Order. This means that if the new or opening price gaps beyond your stop limit order, your Order will not be filled at all.

### Stop Loss Order

You would generally choose to place a **stop-loss** order to provide some risk protection. For example, if your open position moves towards making a loss based on a level chosen by you, the stop-loss order would be triggered in order to try to close your open position or to open a position, depending on the Futures Transaction you have.

These orders work in very similar ways as the limit order, except in the opposite direction. These orders are seldom used to enter a trade, and some brokers do not have this feature but Direct FX Trading does. Most stop orders are used to exit an existing trade.

## *How are Futures and Options Contracts Value Calculated?*

The calculation for determining the value of a Futures Contract is set out in the operating rules of the relevant Futures Exchange. As Futures Contracts are standardized, the Underlying Instrument for a particular Futures Contract will always be the same.

For example, assume it's now January, the July soybean futures contract is presently quoted at $6.00, and over the coming months you expect the price to increase. You decide to deposit the required initial margin of, say, $1,500 and buy one July soybean futures contract. Further assume that by April the July soybean futures price has risen to $6.40 and you decide to take your profit by selling. Since each contract is for 5,000 bushels, your 40-cent a bushel profit would be 5,000 bushels x 40 cents or $2,000 less transaction costs.

| | | Price per bushel | Value of 5,000 bushel contract |
|---|---|---|---|
| January | Buy 1 July soybean futures contract | $6.00 | $30,000 |
| April | Sell 1 July soybean futures contract | $6.40 | $32,000 |
| | Gain | $ .40 | $ 2,000 |
| | Minus sample commissions & fees | $26 per contract | $1,974 |

Suppose, however, that rather than rising to $6.40, the July soybean futures price had declined to $5.60 and that, in order to avoid the possibility of further loss, you elect to sell the contract at that price. On 5,000 bushels your 40-cent a bushel loss would thus come to $2,000 plus transaction costs.

| | | Price per bushel | Value of 5,000 bushel contract |
|---|---|---|---|
| January | Buy 1 July soybean futures contract | $6.00 | $30,000 |
| April | Sell 1 July soybean futures contract | $5.60 | $28,000 |
| | Loss | $ .40 | $ 2,000 |
| | Minus sample commissions & fees | $26 per contract | ($2,026) |

**In this example, if you had only deposited $1500, you would have lost more than your investment**

**NOTES TO ALL EXAMPLES IN THIS PDS:**

1. Please see Rates, Fees & Costs on page 13 for details on costs involved with transactions
2. The above examples are to illustrate the impact of key variables on the outcome of a Futures Transaction. They are not forecasts or projections of any particular Futures Transaction.
3. These examples are not intended to be exhaustive and document every trading strategy.
4. The examples use simplifying assumptions by not taking into account a client's tax rate or overall tax position, potential changes in interest rates charged to or earned on the Account or the time value of money. While these variables will undoubtedly change the outcome of a Futures Transaction, they are normal market variables which cannot now be predicted and so must be taken into consideration by a potential client in Futures Transactions.
5. Margin requirements, interest rates and external charges may of course change at any time.

## *Option Contracts*

There are two types of Option Contracts – **Call Options** and **Put Options**:

A Call Option gives the buyer the right to buy a specified quantity of the Underlying Instrument at a designated price at (in the case of a European Option) or before the Expiry Date of the Option Contract (in the case of American Option Contracts). The seller of a Call Option has the obligation to provide the Underlying Instrument if the Option Contract is exercised by the buyer.

A Put Option gives the buyer the right to sell (in the same market) a specified quantity of the Underlying Instrument at the Exercise Price. The seller of a Put Option has the obligation to purchase the Underlying Instrument if the Put Option is exercised by the buyer. Each Put Option or Call Option has a buyer and a seller.

### Exercising Options

The diagram below sets out the results from the buyer's and seller's position when the buyer exercises a Call Option or Put Option:

| Buyer | | Seller | |
|---|---|---|---|
| Bought Call Option -> | Bought Futures contract (at the Exercise Price of the option) | Sold Call Option -> | Sold Futures Contract (at the Exercise Price of the option) |
| Bought Put Option -> | Sold Futures Contract (at the Exercise Price of the Option Contract) | Sold Put Option -> | Bought Futures Contract (at the Exercise Price of the Option Contract) |

Provided the underlying futures market has moved in the buyer's favour, the holder of an option can profit by selling it later at a higher premium, or by exercising it and closing out the resulting future contract. The profit depends on the movement in the underlying futures market and is potentially unlimited. However if the conditions do not suit the buyer, then the options can be left to lapse and the buyer simply forgoes the premium paid. On the other hand, sellers (granters) of option contracts have limited profit potential (they cannot earn more than the premium for which the option is sold) and have similar potential liability to the holder of a Futures Contract (i.e., unlimited potential for loss).

An Option Contract is referred to as "in the money" when it has intrinsic value and "out of the money" when it does not. "At the money" means the current price is the same as the Strike (Exercise) Price. An out-of-the -money option is, in relation to a Call Option, if the Strike Price is higher than the current market price level of the Underlying Instrument and, in relation to a Put Option, if the Strike Price is below the market price level of the Underlying Instrument. A client contemplating purchasing a deep "out of the money" option (i.e. an Option with a Strike Price significantly above, in the case of a Call Option, or significantly below, in the case of a Put Option, the current price) should be aware that the chance of such an Option Contract becoming profitable is generally remote.
You should also note that:

a. When you buy an Option Contract you may lose the entire Premium paid as the Option Contract may expire without being exercised by you in which case the Option Contract is worthless.

b. When you sell an Option Contract, although you receive the Premium up-front, you are exposed to potential losses in the future in the event that the price of the Underlying Instrument moves against your position. Just because an Option Contract is out of the money at a particular point in time does not mean it does not have value. That is because it may still have time value (the time until the Expiry Date in which the price of the Underlying Instrument may move in your favour)

### *How is Option Premium Calculated?*

The price to be paid or received in relation to an Option Contract is the Premium. It is negotiated between the buyer and seller of the Option Contract via the market, and is payable by the buyer to the seller (through the Clearing House) at the time the Option Contract is entered into. The Premium is the compensation for the seller accepting the risk involved in selling the Option Contract. The full value of the Premium is payable immediately upon executing the Option Contract. This means that sufficient cleared funds must be deposited in your account with DFX before you can trade.

Paying the Premium will allow you to keep or hold the Option Contract until its Maturity Date (when it can either be exercised or it will expire) or to sell it at any given point of time prior to its Maturity Date i.e. Close Out the open position. The value of an Option Contract will fluctuate during the life of the Option Contract depending on a number of factors, including:

i. the price of the Underlying Instrument or level of the underlying index;
ii. the nominated Expiry Date and the time remaining to expiry;
iii. the nominated Exercise Price;
iv. volatility of the Underlying Instrument or index; and
v. interest rates, dividends and other distributions paid or payable in respect of the Underlying Instrument and general risks applicable to markets.

The Premium is comprised of two elements known as intrinsic value and time value:

**Intrinsic value** is the difference between the current price and the Exercise Price at any point in time (for American-style options). For example, a Call Option will have intrinsic value at a particular point in time when the current price is above the Exercise Price .Conversely, a Put Option will have intrinsic value only when the current price is below the Exercise Price.

**Time value** is when the Premium quoted of an Option Contract is greater than its intrinsic value, that is because it has time value. Time value is determined by five variables: the current (spot) price of the Futures Contract, the expected volatility of the Underlying Instrument, the Exercise Price, time to the Expiry Date, and the difference in the rates of interest that can be earned. Time value falls toward zero as the Expiry Date approaches. Interest rate differentials and temporary supply/demand imbalances can also have an impact on the amount of the Premium. The risk of the buyer of an Option Contract is limited to loss of the Premium paid.

### *Why would I invest Using Futures & Options Contracts?*

Futures and Options contracts are generally used for one of two purposes – hedging or speculating. Futures and Options can provide those who deal in the underlying asset with a tool for managing the risks associated with changing prices for those investments. This strategy is known as hedging. Transactions may assist with cash flow management Futures and Options are also traded by speculators, who trade in the anticipation of profiting purely from changing prices in the underlying asset.
Exchange traded Futures Transactions have the benefit of greater market liquidity and the regulations governing the market. In addition, there is limited counterparty risk when trading Futures Contracts and Option Contracts as the Clearing House for the relevant Futures Exchange stands behind the contract guaranteeing performance of the transaction.

Generally, trading Futures and Options allows you to leverage your positions to take a much greater exposure than if you were to purchase the underlying asset. **Trading in Futures and Options does, however, involve significant risk**. Traders and investors must understand the nature of the risks inherent in such transactions prior to entering into these transactions.

## *Significant Risks of Futures and Options Contracts Explained*

You should be aware that trading in Derivatives products offered by Direct FX Trading involves risks. It is important that you carefully consider whether trading our products is appropriate for you in light of your investment objectives, financial situation and needs.

**Substantial or Total losses** – Despite trying to Close Out open positions, your loss on a transaction could be very substantial. Stop loss orders are instructions placed by the client with DFX to Close Out an open position if a market trades at or through a specific level. Stop loss orders are often used to attempt to limit or minimise the amount which can be lost on an open position. Stop loss orders may not always be filled and, in any event, may not limit your losses to the amounts specified in the order

You could sustain a total loss of the amount that you deposit with Direct FX Trading to establish or maintain a Futures Contract or Option Contract. Your loss is not limited to that amount. You could lose additional money. In addition to the funds you have deposited with us. In this situation DFX will require those funds to be paid immediately.

**Market Risk–** There is a risk that the value of your Futures or Options Contract position will change as a result of a movement in the underlying market price. You will suffer a loss if the price of the underlying market moves unfavourably. Prices and the markets in general are subject to many influences which may result in rapid fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility. There may be underlying markets (commodity, FX), whose combined volatility may significantly increase the complexity of movements in pricing of your Transactions. It is recommended that you closely monitor your open positions at all times.

If the market moves against your position, you will be required to deposit additional funds in order to maintain your position. Those additional funds may be substantial. If you fail to provide those additional funds, DFX may Close Out some or all of your open positions. 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 other contracts or Closing Out existing positions.

**Leverage**– Futures and Option contracts are leveraged. This can lead to large losses, significantly disproportionate to your initial deposit, margin payments or other moneys credited to your Trading Account. Leverage could lead to large losses greater than the clients' initial deposit and margin payment. Please note that it is possible to lose more than what you have actually invested.

**Under or Over Hedge:** If you have not correctly hedged your exposure by giving orders to us to enter into contracts, you may decide under your own risk management policies to add or to close out some of those contracts (to match your exposure).

**Limited lifespan of options** – All options (including Option Contracts) have a limited lifespan and their value erodes as the option approaches its Expiry Date. It is therefore important to ensure the option selected meets your investment objectives.

A Client contemplating purchasing a deep "out of the money" option should be aware that the chance of such an option becoming profitable is generally remote

# BINARY OPTIONS

## *What are Binary Options?*

Binary Options are over-the-counter (OTC) options that pay a pre-determined, fixed amount, depending on whether or not a financial event occurs by a certain time. Binary Options can have only one of two simple possible outcomes: "Yes or No"

A Binary Option (also known as a "digital option" or "all-or-nothing option") is termed a "Derivative", which is a financial instrument whose value, or price, is derived from an underlying Market. Examples of underlying markets are; gold, silver, currencies, securities, indices, etc. fundamentally, any instrument that is tradeable. It is in effect a synthetic instrument completely constructed to obtain value from movements in a financial market. Binary Options give the Holder the right to profit from moves in the underlying Market. A Call Binary Option enables the Holder to profit from an underlying Market that is going up. On the other hand, a Put Binary Option enables the Holder to profit from a downward movement of the underlying Market.

Binary Options are over-the-counter (OTC) options that pay a pre-determined, fixed amount, depending on whether or not a financial event occurs by a certain time. Binary Options can have only one of two possible outcomes and allow you to take a simple "Yes or No" approach. For example, will the EUR/USD finish above the current price at the end of the hour? If "Yes", the binary option settles In-the-Money; if "No", the binary option settles "Out of the Money".

The Binary Option is a contract between you and DFX 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 protections normally associated with exchange-traded derivatives, such as guarantee arrangements.

The Deposit Requirement for a Binary Option is an amount equal to your maximum loss on that Binary Option.

Binary Options: Can DFX change the payouts on Binary Options? - Yes, we reserve this right.
Does DFX Allow EAs - yes, but we reserve the right to disable these on a client by client basis

## *How do Binary Options work?*

Binary Options may be either American style or European style:

European options can be exercised only on the Expiry Time, not before American options can be exercised at any time up to and including the Expiry Time.

Binary Options are non-deliverable, which means they are cash settled. You close out a position in a Binary option by taking an equal and opposite position

**"UP" Binary Option**:

An "UP" Binary Option (call option) yields a profit to the trader when the bid price (as shown in the Binary Option ticket window) of the underlying market is greater than the opening price of the transaction. For example, if the trader speculates that the EURUSD pair will be above 1.3331 in 60 seconds, she can elect to enter into an "UP" Binary Option with 60 second expiry. If the trader chooses an investment of 25, her account will be debited $25USD. Upon conclusion of the trade, if the EURUSD bid price (as shown in the Binary Option ticket window) is above the opening price of 1.3331, the trader will receive back her original investment of $25USD, in addition to 75% of the original investment amount, or $18.75, for a total of $43.75USD. If at the conclusion of the trade, the EURUSD bid price (as shown in the Binary Option ticket window) is equivalent to the opening price of the trade, the trade is considered a draw and the original investment of $25 is returned to the trader. If at the conclusion of the trade the EURUSD bid price (as shown in the Binary Option ticket window) is less than the opening price of the trade, the trader will lose their entire $25USD investment.

**“DOWN” Binary Option**:

A “DOWN” Binary Option (put option) yields a profit to the trader when the bid price (as shown in the Binary Option ticket window) of the underlying market is less than the opening price of the transaction. For example, if the trader speculates that the EURUSD pair will be below 1.3331 in 60 seconds, she can elect to enter into a —DOWN Binary Option with 60 second expiry. If the trader chooses an investment of $ 25, her account will be debited $25USD. Upon conclusion of the trade, if the EURUSD bid price (as shown in the Binary Option ticket window) is below the opening price of 1.3331, the trader will receive back her original investment of $25USD, in addition to 75% of the original investment amount, or $18.75, for a total of $43.75USD. If at the conclusion of the trade, the EURUSD bid price (as shown in the Binary Option ticket window) is equivalent to the opening price of the trade, the trade is considered a draw and the original investment of $25 is returned to the trader. If at the conclusion of the trade the EURUSD bid price (as shown in the Binary Option ticket window) is greater than the opening price of the trade, the trader will lose their entire $25 USD investment.

## *Why Trade Binary Options?*

There are many benefits associated with trading Binary Options including (but not limited to):

Options and derivatives in general can be complex and are primarily geared towards professional and institutional investors. Binary Options are much more transparent and easy to understand than traditional options and derivatives since the trader is speculating on a simple probability of directional movement. Hedging: An investor can use Binary Options to hedge exposure of a current holding in an Underlying Market. Speculation: Unlike buying the actual commodity, security, currency, etc, where the investor expects the price to rise, Binary Options allow investors to speculate on whether the Underlying Market price will increase or decrease in value without the need to buy or sell the underlying itself, i.e. investors can go “long“ or “short“ by buying a Binary Option.

Risk Control: The maximum loss a person suffers with Binary Options is capped at the initial amount invested. There is no possibility of the Holder losing more than their initial investment in the purchase of a Binary Option and so the level of risk is always certain, in contrast to CFDs, Futures, Sold Options and other derivatives where losses can increase exponentially. Therefore, there are no margin calls or the need to worry about stop losses with trading Binary Options.

## *Significant Risks of Trading Binary Options*

You should be aware that trading in the Binary products offered by Direct FX Trading involves risks. It is important that you carefully consider whether trading our products is appropriate for you in light of your investment objectives, financial situation and needs.

**Market Risk–** There is a risk that the value of your Options Contract position will change as a result of a movement in the underlying market price. You will suffer a loss if the price of the underlying market moves unfavorably. Prices and the markets in general are subject to many influences which may result in rapid fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility. Due to the “all or nothing” payout, an investment in Binary Options involves the risk that the Binary Option may expire with no value at all. It is recommended that you closely monitor your open positions at all times.

**Leverage** – The Binary Options offered by Direct FX Trading carry a substantial leverage risk. The high degree of leverage that is obtainable in trading the Binary Options offered by Direct FX Trading because of the small Margin requirements 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 favor, but that could also mean considerable losses if the fluctuations are to your detriment. Trading in the Binary Options offered by Direct FX Trading may result in the total loss of the amount you deposited with Direct FX Trading. Given the possibility of losing an entire investment speculation in Binary Options should be conducted only with risk capital that, if lost, will not significantly affect your financial stability.

**Substantial or Total losses-** European style binary options, cannot be "closed out" or sold prior to the Expiry Time. Therefore, for European style Binary Options clients are not allowed the flexibility to take advantage of movements in the Underlying Market and thus take advantage of a profitable situation and close out, realizing a profit prior to expiry.

**Credit or Counterparty Risk–** Given that you are dealing with Direct FX Trading 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 reliant on Direct FX Trading's ability to meet its counterparty obligations to you to settle the relevant contract. Direct FX Trading 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, Direct FX Trading must comply with the financial requirements imposed under its AFS License.

**Unregulated Market –** The Binary products offered by Direct FX Trading are OTC derivatives and are not covered by the protections for exchange-traded derivatives arising from any domestic or international exchange rules (such as guarantee or compensation funds). Contingent liability transactions which are not traded on or under the rules of a regulated or designated exchange may expose you to substantially greater risks.

# CONTRACTS FOR DIFFERENCE ("CFDs")

## *What is a Contract for Difference?*

A Contract for Difference ("CFD") is a contract whereby you make a profit or take a loss from market price changes in the underlying asset. However, you do not own or have any interest in the underlying asset. A CFD is a derivative asset in that the value of the CFD is derived from the value of the underlying asset. A CFD allows you to receive many of the benefits of owning the underlying asset without actually owning it.

Direct FX Trading offers CFD products on commodities such as gold, silver and crude oil. Direct FX Trading may offer additional CFD products based on other commodities or market indices in the future. If Direct FX Trading offers such additional products, we may amend this PDS and FSG or we may notify customers electronically, on our website, or otherwise, as required by regulatory bodies.

A CFD is an agreement between Direct FX Trading and you to trade the difference in changes in the price or value of an underlying asset. CFDs have no fixed size or expiration dates. When you enter into a CFD, you will be paid the amount of money (profit) or be required to pay the amount of money (loss) arising from the change in value of the underlying asset.

Trading a CFD does not mean that you are the owner of the underlying asset. Understand that you have none of the rights to the underlying asset that an owner would have.

CFDs can be traded only during the operating hours for the market upon which that underlying asset is traded.

## *How Are Orders Executed and Confirmed?*

Prior to entering into a transaction, you must open an account with us and deposit a minimum of $250.

When you propose to enter into a transaction, you will access the MetaTrader 4 or CQG Trading Platform ("Trading Platforms") and determine which CFD product you wish to trade and consider the prices being quoted by us. Should you decide to accept our price you will follow the steps on the Trading Platform. You must have sufficient money in your account to meet the relevant Initial Margin for the proposed transaction.

## *What Margin is Required?*

Each CFD product requires you to pay an Initial Margin. In addition, you may also be required to pay (or be entitled to receive from Direct FX Trading) Variation Margin, which is the unrealised loss or profit on your open CFD position.

## *What is the Initial Margin?*

The Initial Margin is the up-front deposit you are required to provide to Direct FX Trading when you enter into a transaction with us and which must be maintained throughout the term of the relevant transaction. The amount of the Initial Margin applicable to each transaction is determined by Direct FX Trading in its sole discretion and current levels for each CFD product are available on www.directfx.com. It is typically 2% to 5% of the transaction value but may be as high as 100% depending on the volatility of the relevant underlying market and the liquidity of the underlying asset. Direct FX Trading may vary the Initial Margin rate at any time in its sole discretion.

### *Adjustment of Differences/Variation Margin*

In addition to your Initial Margin, you may have to pay an additional margin, called Variation Margin. Open positions are accounted for in real time on a mark-to-market basis to account for any market movements and to determine the current value of the CFD on which the underlying asset is normally quoted. Based on this determination, your account will either be debited in relation to any unrealised losses or credited in relation to any unrealised profits.

If you hold a long (or bought) position and the current value increases, Direct FX Trading will credit an amount equal to the increase in value. If the current value decreases, Direct FX Trading will debit you an amount equal to the decrease in value.

If you hold a short (or sold) position and the current value increases, you will be debited an amount equal to the increase in value to Direct FX Trading. If the current value decreases Direct FX Trading will credit your account with an amount equal to the decrease in value.

These amounts owing by you to us in order to "top up" the Initial Margin are what is known as the Variation Margin.

### *How are profits and losses on CFDs calculated?*

The amount of any profit or loss made on the CFD will be calculated by reference to the difference between the price or value of the CFD's underlying asset when the CFD is opened and the price or value of the CFD's underlying asset when the CFD is closed out, multiplied by the number of the CFDs held. The calculation of profit or loss is also affected by funding charges and any other charges.

### *What Happens if the Market is Adverse?*

Where Clients experience adverse market movements against their open positions, they can close out the open position, " top up" the account, or wait for Direct FX Trading to automatically close out or force liquidate the trade. Direct FX Trading has a "no negative balance policy" for OTC trades which is intended to ensure that your position is closed out before the value of a trade declines below the required Margin to hold the position. Direct FX Trading enables you to manage both adverse and favorable movement by using Stop Loss Order and Stop Limit Orders as part of their risk-management strategy.

**Stop Limit Order**

A stop limit order is a particular kind of stop loss order. A stop limit order means that the Order will not get filled at all below the limit of the Order. This means that if the new or opening price gaps beyond your stop limit order, your Order will not be filled at all.

**Stop Loss Order**

You would generally choose to place a stop-loss order to provide some risk protection. For example, if your open position moves towards making a loss based on a level chosen by you, the stop loss order would be triggered in order to try to close your open position or to open a position, depending on the CFD transaction you have.

These orders work in very similar ways as the limit order, except in the opposite direction. These orders are seldom used to enter a trade, and some brokers do not have this feature but Direct FX Trading does. Most stop orders are used to exit an existing trade.

## *Why Would I Invest Using CFDs?*

CFDs are generally used for one of two purposes – hedging or speculating. CFDs can provide those who deal in the underlying asset with a tool for managing the risks associated with changing prices for those investments. This strategy is known as hedging. CFDs are also traded by speculators, who trade in the anticipation of profiting purely from changing prices in the underlying asset.

Generally, trading CFDs allows you to leverage your positions to take a much greater exposure than if you were to purchase the underlying asset. **Trading in CFDs does, however, involve significant risk**. Traders and investors must understand the nature of the risks inherent in such transactions prior to entering into these transactions.

## *Significant Risks of CFD Products Explained*

You should be aware that trading in the CFD products offered by Direct FX Trading involves risks. It is important that you carefully consider whether trading our products is appropriate for you in light of your investment objectives, financial situation and needs.

**Substantial or Total Losses** – Despite trying to close out open positions, your loss on a transaction could be very substantial, or even total. If the price or value of the underlying asset moves against your CFD position, you will be required to "top up" your account with sufficient funds to maintain your position. The amount required may be substantial. If you fail to maintain the required account balance, your position may be closed out by Direct FX Trading.

**Market Risk –** There is a risk that the value of your CFD position will change as a result of a movement in the underlying market price. You will suffer a loss if the price of the underlying asset moves unfavorably. Prices of assets (from which the value of the CFD is derived) depend on a number of factors including for example, interest rates, supply and demand, and even the actions of governments. This will directly affect the CFD value. Given the potential levels of volatility in the markets, it is recommended that you closely monitor your open positions at all times.

**Unregulated Market** – The CFD products offered by Direct FX Trading are OTC derivatives and are not covered by the protections for exchange-traded derivatives arising from any domestic or international exchange rules (such as guarantee or compensation funds). Contingent liability transactions which are not traded on or under the rules of a regulated or designated exchange may expose you to substantially greater risks.

**Credit or Counterparty Risk** – Given that you are dealing with Direct FX Trading 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 reliant on Direct FX Trading's ability to meet its counterparty obligations to you to settle the relevant contract. Direct FX Trading 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, Direct FX Trading must comply with the financial requirements imposed under its AFS License.

**Leverage** – The CFD products offered by Direct FX Trading carry a substantial leverage risk. The high degree of leverage that is obtainable in trading the CFD products offered by Direct FX Trading because of the small Margin requirements 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 favor, but that could also mean considerable losses if the fluctuations are to your detriment. Trading in the CFD products offered by Direct FX Trading may result in the total loss of the amount you deposited with Direct FX Trading. Leverage could lead to large losses greater than the clients' initial deposit and margin payment. Given the possibility of losing an entire investment speculation in CFDs should be conducted only with risk capital that, if lost, will not significantly affect your financial stability.

**Margin risk** –You could sustain a loss, greater than and not limited to, an initial Margin that you have paid to us to establish or maintain a trading position. If the Reference Security's value moves against your trading position, you are responsible for monitoring and meeting the Margin cover requirements. If you fail to provide those additional funds within the required time, your entire position may be liquidated at a loss and you will be liable for any shortfall in your Account resulting from that failure.
If a position is Closed Out, all of it may be closed not just a proportion of it.
There is no limit on the amount of Margin which may be called in order to meet a revised valuation of your transaction.

## *How is the CFD Value Calculated?*

The calculation of the price to be paid (or the payout to be received) for CFD products offered by Direct FX Trading at the time the product is purchased or sold will be the same as the price Direct FX

Trading is quoted from its hedging counterparty. Price quotes are based on, and with reference to the underlying futures contract on which the CFD product is based.

Direct FX Trading cannot predict future market prices of underlying assets and our quotations are not a forecast of what we believe an underlying asset's value will be at a future date. The decision to transact at a particular rate will always be your decision.

## CFD Trade Examples - Simple CFD calculations

Trading CFDs is like trading shares except you need a small amount of money up front to control the whole position. When trading CFD's you have the same rights to a share but you do not have ownership of the share

The CFD trade examples below are to try and enable you to go on to the business of trading CFDs.

The one stand out feature you'll find in the CFD trade examples below is that the percentage of profit and loss you can incur compared to your overall capital outlay are much higher than those when trading the actual share, thus creating higher risk.

**CFD Trade Examples:**

- Long CFD trade showing a profit
- Long CFD trade showing a loss
- Short Sell CFD trade showing a profit
- Short Sell CFD trade showing a loss.

**Long CFD trade (profit) – CFD trade example 1**

Purchase 1,000 BHP shares at $10.00

| Action | How to calculate | Result |
|---|---|---|
| Total Exposure | 1,000 CFDs @ $10.00 | $10,000 |
| Initial Margin | $10,000 * 5% | $500 |

| | | |
|---|---|---|
| Brokerage | Total exposure * 0.1% or $10 | $10 |
| Total Outlay | Initial margin + brokerage | $510 |

BHP rises over a 5 day period to $10.50 and you lock in profits via a limit to sell profit target)

| Action | How to calculate | Result |
|---|---|---|
| Sell price | $10.50 * 1,000 | $10,500 |
| Brokerage | $10,500 * 0.1% | $10.50 |
| CFD Finance | Total Exposure * (RBA + 2%)/365)<br>10,000*(7.25%+2%)/365)<br>5 days | Approx $2.53 per day<br>Approx $12.67 for 5 days (debit) |

Calculating a CFD Profit/Loss

| Action | How to calculate | Result |
|---|---|---|
| **CFD Profit** | (number of shares*(exit- entry) – trading costs | |
| | (1,000 * ($10.50 – $10.00 (profit) - $20.50 (brokerage) - $12.67 CFD Finance | |
| | **CFD Nett Profit/Loss** | **Profit $466.83** |
| **Return on Investment** | **(Nett Profit or Loss / Margin) * 100** | **91.54%** |

**Long CFD trade (loss) – CFD trade example 2**

Purchase 1,000 BHP shares at $10.00

| Action | How to calculate | Result |
|---|---|---|
| Total Exposure | 1,000 CFDs @ $10.00 | $10,000 |
| Initial Margin | $10,000 * 5% | $500 |

| | | |
|---|---|---|
| Brokerage | Total exposure * 0.1% or $10 | $10 |
| Total Outlay | Initial margin + brokerage | $510 |

BHP falls over a 5 day period to $9.70 and your **Stop Loss Order** gets hit.

| **Action** | **How to calculate** | **Result** |
|---|---|---|
| Sell price | $9.70 * 1,000 | $9,700 |
| Brokerage | $9,700 * 0.1% | $9.70 |
| CFD Finance | Total Exposure * (RBA + 2%)/365)<br>10,000*(7.25%+2%)/365)<br>5 days | Approx $2.53 per day<br>Approx $12.67 for 5 days (debit) |

Calculating a CFD Profit/Loss

| **Action** | **How to calculate** | **Result** |
|---|---|---|
| **CFD Profit** | (number of shares*(exit-entry) – trading costs | |
| | (1,000 * ($9.70 – $10.00 (loss) - $19.70 (brokerage) - $12.67 CFD Finance | |
| | **CFD Nett Profit/Loss** | **Loss $332.37** |
| **Return on Investment** | **(Nett Profit or Loss / Margin) * 100** | **-66.47%** |

**Short Sell CFD trade (profit) – CFD trade example 3**

Short Sell 1,000 BHP shares at $10.00 – Looking to profit from a falling share price

| **Action** | **How to calculate** | **Result** |
|---|---|---|
| Total Exposure | 1,000 CFDs @ $10.00 | $10,000 |
| Initial Margin | $10,000 * 5% | $500 |
| Brokerage | Total exposure * 0.1% or $10 | $10 |
| Total Outlay | Initial margin + brokerage | $510 |

BHP Drops (Falls in value) over a 5 day period to $9.50 and you lock in profits via a limit to buy profit target)

| **Action** | **How to calculate** | **Result** |
|---|---|---|
| Sell price | $9.50 * 1,000 | $9,500 |
| Brokerage | $9,500 * 0.1% | $9.50 |
| CFD finance | Total Exposure * (RBA - 2%)/365)<br>10,000*(7.25%-2%)/365)<br>5 days | Approx $1.44 per day<br>Approx $7.20 for 5 days (credit) |

Calculating a CFD Profit/Loss

| Action | How to calculate | Result |
|---|---|---|
| **CFD Profit** | (number of shares*(entry-exit) – trading costs | |
| | (1,000 * ($10.00 – $9.50 (profit) - $19.50 (brokerage) - $7.20<br><br>CFD Finance | |
| | **CFD Nett Profit/Loss** | **Profit $473.30** |
| **Return on Investment** | **(Nett Profit or Loss / Margin) * 100** | **94.66%** |

**Short Sell CFD trade (Loss) – CFD trade example 4**

Short Sell 1,000 BHP shares at $10.00 – Looking to profit from a falling share price

| Action | How to calculate | Result |
|---|---|---|
| Total Exposure | 1,000 CFDs @ $10.00 | $10,000 |
| Initial Margin | $10,000 * 5% | $500 |
| Brokerage | Total exposure * 0.1% or $10 | $10 |
| Total Outlay | Initial margin + brokerage | $510 |

BHP rises over a 5 day period to $10.30 and your **Stop Loss Order** gets hit.

| Action | How to calculate | Result |
|---|---|---|
| Sell price | $10.30 * 1,000 | $10,300 |
| Brokerage | $10.30 * 0.1% | $10.30 |
| CFD Finance | Total Exposure * (RBA - 2%)/365)<br>10,000*(7.25%-2%)/365)<br>5 days | Approx $1.44 per day<br>Approx $7.20 for 5 days (credit) |

Calculating your CFD Profit/Loss

| Action | How to calculate | Result |
|---|---|---|
| **CFD Profit** | (number of shares*(entry-exit) – trading costs | |
| | (1,000 * ($10.00 – $10.30 (profit) - $20.30 (brokerage) - $7.20 CFD Finance | |
| | **CFD Nett Profit/Loss** | **Loss $327.50** |
| **Return on Investment** | **(Nett Profit or Loss / Margin) * 100** | **-65.50%** |

1. Please see Rates, Fees & Costs on page 13 for details on costs involved with transactions
2. **CFD brokerage** is paid on the total exposure that you have. For instance in a $10,000 position you put in $500 which leaves a difference of $9,500. However, Direct FX Trading require brokerage to be paid on the full amount of $10,000.
3. **CFD Finance** is calculated daily based on your total exposure on that day. Markets fluctuate daily and as a result your financing amount will vary depending on how much your position is worth at close of business (usually New York 5pm) that day.
4. **RBA Rate:** Please note that the Reserve Bank of Australia (RBA) rate can and in fact does change regularly. The above calculations are examples ONLY and the rate does not reflect current rates.

## General Risk of Products

Direct FX Trading strongly recommends that, if you are not fully familiar with Derivatives, you obtain independent legal, financial and taxation advice before proceeding with a transaction. Further, Direct FX Trading recommends that you should consider the following:

- It is your responsibility to understand the nature and risks associated with each transaction.
- In entering into any transaction, neither Direct FX Trading nor any of its representatives will advise you, or is to be taken as advising you, as to any strategy, risk profile or financial result.
- Derivatives trading is highly speculative and volatile. There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged.
- Past performance of markets and currencies in particular, is never an assurance of future performance.
- The value of your account may fluctuate according to exchange rates and interest rates, as well as other market conditions which are outside of your control and which cannot be forecast.
- Trading with Direct FX Trading may give rise to actual or potential conflicts of interests, because Direct FX Trading is acting as principal in its OTC transactions with you and also because it may be transacting with other persons, at different prices or rates, or Direct FX Trading will be trading with banks and other market participants. The policy used by Direct FX Trading is that as principal it issues the products to you based on the price it gives you, not by acting as broker to you.
- Information about prices or rates may come from several sources and may not be current at the time given to you. Direct FX Trading does not take responsibility for information about rates or other financial market data or statements and Direct FX Trading relies on your acknowledgment that you do not rely on any such information given to you or discussed with you. Direct FX Trading only undertakes to perform the transaction agreed with you at the price or rate for that transaction, and not at any other price or rate available in the market.
- The CFDs, Margin FX and Binary Options are valued by Direct FX Trading. Typically this is by direct reference to the market value (or, if relevant, index level) of the relevant Reference Security on the relevant

Exchange. If the Exchange fails to provide that information (for example, due to a failure in the Exchange's trading system or data information service) or trading in the Reference Security is halted or suspend, Direct FX Trading may exercise its discretion to determine a value. Due to the nature of products, in common with industry practice for such financial products, Direct FX Trading's discretion is unfettered and so has no condition or qualification. You therefore have the risk of relying on whatever value is determined by Direct FX Trading in the circumstances permitted by the Account Terms & Conditions.

**Our powers on default, indemnities and limitations on liability** – If you fail to pay, or provide collateral for, amounts payable to Direct FX Trading or fail to perform any obligation under your transactions, Direct FX Trading has extensive powers under the Account Terms & Conditions with you to take steps to protect our position including, for example, the power to Close Out positions and to charge default interest. Under the Account Terms & Conditions you also indemnify Direct FX Trading for certain losses and liabilities, including, for example, in default scenarios.

- Further, Direct FX Trading's liability to you is expressly limited (to the extent permitted by law) to performing its obligations. You should read the Account Terms s& Conditions carefully to understand these matters.

**Volatility** – Under certain conditions, it may become difficult or impossible for you to close out a position. This can happen when there is a rapid change in the price or value of the underlying asset over a short period of time. This may result in large losses, however your loss is generally limited to the net amount deposited with Direct FX Trading to establish or maintain a contract, as Direct FX Trading maintains a "**no negative balance policy**" (on otc product offerings).

**Electronic Trading Platforms** – You should be aware that there are a number of risks associated with using internet-based trading platforms. These risks are not exclusive to our MetaTrader 4 or CQG Trading Platforms ("Trading Platforms") but also apply to other providers of trading platforms. Such risks include, but are not limited to, risks related to the use of software and/or telecommunications systems such as software errors and viruses, bugs, delays in telecommunications systems, connection or system failures, network downtime, interrupted service, data supply errors, and security breaches. A disruption to the MetaTrader 4 or CQG Trading Platform(s) could mean you are unable to trade in a products offered by Direct FX Trading and that you may suffer a financial loss or an opportunity loss as a result. The occurrence of disruptive events is outside the control of Direct FX Trading and, accordingly, you will have no recourse against Direct FX Trading relating to losses sustained as a result of software disruptions.

**Use and Access to the Website** – You are responsible for providing and maintaining the means by which you access the MetaTrader 4 or CQG 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. If you are unable to access the Internet and thus, the Trading Platform, it will mean you may be unable to trade in the products offered by Direct FX Trading and you may suffer a loss as a result. **Direct FX Trading cannot be held responsible for losses resulting from such service disruptions.**

- Furthermore, in unforeseen and extreme market situations, Direct FX Trading reserves the right to suspend the operation of the Trading Platform. In such an event, Direct FX Trading may, at its sole discretion (with or without notice), close out your open positions at prices or values it considers fair and reasonable at such a time and is not responsible for any loss that arises from such actions.

## Cyber Security Risk and Disclaimer of Liability:

DFXT cannot guarantee against third party interference to our website and trading facility or to the technology provided by third parties upon which we rely. This means that you may be exposed to issues arising from any third party interference which may occur. Examples include: unauthorised access to our or your IT systems or devices, data breaches, business interruption, errors in pricing feeds or inability to access your account or close positions. In the worst case scenario, financial loss may occur. We take this risk seriously and manage it by ongoing monitoring of our IT systems, protection and back up measures (including virus protection software). You can limit your risk by ensuring you have up to date software for the devices that you use to access our trading facilities and ensuring that you use strong passwords which are kept confidential and secure

**When Markets are Closed** – Due to the dynamic nature of our products and the underlying assets, it is possible that the value of your open positions will change outside trading hours, while the trading function of our Trading Platform is closed, and various markets may be closed, for example during weekends. In this case, you will not be able to trade in a product offered by Direct FX Trading (e.g. Open a new transaction or close out an open transaction) until trading hours resume and the trading function of the Trading Platform and the relevant market re-opens. You may suffer a financial loss or opportunity loss as a result.

**Regulatory Risk**– Changes in laws or regulations occur and may have a negative impact on your investment with Direct FX Trading. A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled. This could also result in a loss to you.

**Client Moneys Trust Account –** Moneys held on deposit with us can be held separately from our firm capital, in a trust account, and dealt with in accordance to the customer agreement and the governing legislation. As permitted by Government Legislation your monies can be co-mingled into a trust account or accounts, with other customer moneys, which are also held in trust.

- For so long as your moneys are held in the trust account, you have the risk that the moneys may be withdrawn and not be re-paid to you because the moneys may be used for purposes other than in respect of your trading position, namely: the risk of being withdrawn and not being re-paid to you because Direct FX Trading may use the moneys to pay itself for its hedge of your position; and the risk of being withdrawn and not being re-paid to you because Direct FX Trading may use the moneys in the trust account to meet obligations incurred by Direct FX Trading in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives by Direct FX Trading, including dealings on behalf of people other than the client whose moneys were placed into the trust account.

**Illiquid Markets-** A liquid market is generally one in which there is sufficient trading activity to satisfy both buyers and sellers. An illiquid market is generally one in which it is difficult to find bids and offers. Some commodity markets are extremely illiquid, and hence DFX reserves the right to postpone offering a price for a product until a more liquid market develops.

## No Cooling Off

There are no cooling-off arrangements for Derivatives. This means that when DFX arranges for the execution of a product, you do not have the right to return the product, nor request a refund of the money paid to acquire the product.

**Prices –** Under certain market conditions the prices of contracts may not maintain their usual relationship with the underlying asset. Direct FX Trading will select closing prices to be used in determining Margin requirements and in marking to market the positions in your account. Prices used may vary from those available to other participants in the market, and consequently Direct FX Trading may exercise considerable discretion in setting Margin requirements.

## GLOSSARY

**Account** - Account of the client dealing in the products issued by Direct FX Trading, which is established in accordance with the terms and conditions of the Application Terms & Conditions

**Account Application Terms & Conditions** - The agreement provided to you by Direct FX Trading, detailing the applicable terms and conditions as amended, supplemented or updated from time to time. You must complete, sign and return an Account Application Terms & Conditions, and have your account approved by Direct FX Trading before you can set up an account with Direct FX Trading to deal in products issued by Direct FX Trading.

**Application** – Your request to Direct FX Trading to establish an Account made using the Account Application Terms & Conditions.

**ASIC** - means the Australian Securities and Investments Commission

**Asterisk (*)** - The asterisk *, also called a "star," is used for a number of different purposed in mathematics. The most common usage is to denote multiplication so, for example, 2 *2 = 2 x 2 = 4.

**ASX** - The Australian Securities Exchange (operated by ASX Limited).

**Australian Dollars-** or **A$** means the lawful currency of the Commonwealth of Australia.

**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.

**Binary Options-** A derivative product that is derived from an Underlying Market and that pays a pre-determined, fixed amount, depending on whether or not a financial event occurs at the Expiry Time.

**Business Day-** A day (other than a Saturday or Sunday or public holiday) on which trading banks in Sydney, Australia are open for business.

**Call Option-** An Option Contract which gives the buyer the right, but not the obligation, to buy the Underlying Instrument from the seller at or before, a future point in time at a pre-defined price.

**Clearing House-** Generally means a clearing house, including ASX Clear or any other body or corporation appointed by the ASX to act as a Clearing House for ASX 24. It also means any Clearing House or clearing facility from time to time operating in or authorised or appointed by any Futures Exchange on which a broker may trade.

**Client or Customer or You** - (which terms are used interchangeably) means the party who accepts the terms of and agrees to the Client Agreement and PDS.

**Close Out, Closed Out** in relation to a CFD transaction mean discharging or satisfying the obligations of the parties under the CFD transaction and this includes:

(a) by delivering the amount or value of the Reference Security (including a dollar multiple of an index) required in accordance with the Account Terms,
as a result of the matching up of the CFD Transaction with a CFD Transaction of the same kind under which you have assumed an offsetting opposite position; and making adjustments for fees and charges.
(b) Close Out, in relation to futures and options: To close out an existing open position by entering into an equal and opposite offsetting position. To close out a bought or long position requires selling, and closing out a sold or short position requires buying.

**Confirmation** means any confirmation of a CFD or FX Margin Contract transaction issued by us or on our behalf to you and includes an electronically transmitted confirmation.

**Contract for Difference ("CFD")** - means an agreement between you and Direct FX Trading to trade the difference arising from movements in the price or value of an underlying asset.

**Corporations Act** - Corporations Act 2001 (Cth) which governs the provision of financial services.

**"Down" Binary Option (Put Option)-** A Binary Option that yields a profit to the buyer when the Strike Price at Expiry time is lower than the Expiry price

**Exchange-** means the Sydney Futures Exchange operated by Sydney Futures Exchange Limited (ABN 83 000 943 377), the Australian Securities Exchange operated by ASX Limited, the Options Clearing House operated by Australian Clearing House Pty Limited (ABN 48 001 314 503), or any other exchange or market in which You Trade participates from time to time, whether directly or through agents or other market participants.

**Exercise Price**- The price at which the buyer of an Option Contract may buy or sell the Underlying Instrument, as defined in the terms of the Option Contract.

**Expiry Date**- In relation to an Option Contract, the date on which the Option Contract expires or matures. This is also referred to as the Maturity Date.

**FSG** - Direct FX Trading's "Financial Services Guide" as amended, supplemented or updated from time to time.

**Futures Contract-** means a Futures Transaction which is exchange traded. An agreement either to buy or to sell a specific quantity or a specific product for settlement on a specified date.

**Futures Exchange**- A futures exchange is a financial market (including a stock exchange) where participants can trade Futures Contracts and Option Contracts,

**FX** – Foreign Exchange

**Initial Margin** - An amount required to be deposited by the client with Direct FX Trading to open a Margin FX position or establish a position in a Futures Contract.

**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.

**Limit to Buy** – An order to purchase a contract at or below a specified price. A buy limit order allows traders and investors to specify the price that they are willing to pay for a contract, such as a currency pair or a CFD. By using a buy limit order, the investor is guaranteed to pay that price or better, meaning that he or she will pay the specified price or less for the purchase of the contract.

While the price is guaranteed, the filling of the order is not. In other words, if the specified price is never met, the order will not be filled and the investor may miss out on the trading opportunity.

**Limit to Sell** - An order to sell a contract at or above a specified price. A sell limit order allows traders and investors to specify the price that they are willing to sell a contract for, such as a currency pair or a CFD. By using a sell limit order, the investor is guaranteed to receive that price or better, meaning that he or she will sell the contract at the specified price or higher.

While the price is guaranteed, the filling of the order is not. In other words, if the specified price is never met, the order will not be filled and the investor may miss out on the trading opportunity.

**Margin** - The Initial Margin or Variation Margin or both.

**Margin Call** - A demand for additional funds made to the client by Direct FX Trading to meet any additional margin requirement.

**Margin FX** - Margin foreign exchange.

**Margin Foreign Exchange Contract ("Margin FX Contract")** – means a rolling spot foreign exchange contract between a Client and Direct FX Trading in relation to an agreed currency pair.

**Over the Counter ("OTC") contract-** means a contract (or product) that is traded off-market as opposed to on an exchange such as a stock exchange or futures exchange.

**PDS**- Product Disclosure Statement.

**Put Option-** An Option Contract where the buyer has the right, but not the obligation, to sell the Underlying Instrument at or before a future point in time at a predefined price.

**Reference Security-** means the reference security, other financial product, currency, commodity, index or other item (or any combination of one or more of those) which is used as the basis for the calculations for your CFD or Margin FX Contract.

**Stop Limit Order-** is a particular kind of Stop Loss order. A stop limit order means that the order will not get filled at all below the limit of the order.

**Stop Loss Order-** is an order that you place which allows you to set a price at which you would like to exit the position should the price of the Reference Security move against you.

**Trading Platform** – The MetaTrader 4 and CQG Trading Platform(s) used by Direct FX Trading

**Underlying Instrument** – a security, (stock, commodity, or other type of financial product) whose value determines the value of a derivatives investment or product. Underlying Instrument: In the case of a Futures Contract, an underlying instrument is an asset, security, index, reference rate, commodity, currency or other type of financial product or any other thing whose price movement determines the value of the Futures Contract. In the case of an Option Contract, an underlying instrument is either: (i) a Futures Contract; or (ii) an asset, security, index, reference rate, commodity, currency or other type of financial product or any other thing, whose price movement determines the value of the Option Contract.

**"UP" Binary Option (Call Option) -** A Binary Option that yields a profit for the buyer when the Strike Price at Expiry is higher than the Expiry price

**Variation Margin** - The amount deposited by the client with Direct FX Trading including any increase or reduction arising from settlement of a closed position

**We, Us or Direct FX Trading** - Direct FX Trading Pty Ltd ACN 120 189 424.

# TERMS & CONDITIONS

**DIRECT FX TRADING Pty Ltd**

ACN 120 189 424

AFSL No. 305539

Level 11, Suite 2, 10 Bridge Street

SYDNEY NSW 2000

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# CONTENTS

## NOTICE

It is your responsibility to read these Terms & Conditions. Please read them carefully, as you agree to be bound by the terms herein by accessing the Direct FX Trading Pty Ltd **("DFXT")** website, by completing customer account paperwork, or by completing any transactions with DFXT. If you do not agree to by bound by these terms, do not access the website or otherwise conduct business with DFXT. You are presumed to have read these Terms & Conditions, PDS and all other legal and compliance documents, by continuing to access the website.

## TERMS

These Terms and Conditions cover the account you must have to manage your transactions. Even if the terms describe something in relation to your account, they are terms which apply to your transaction for a financial product.

In order to establish your account, you must complete an account application and that must be accepted by DFXT. DFXT may, in its absolute discretion, accept or decline to provide any one or more financial products that you have selected in your account application.

These Terms and Conditions will apply to you in respect of any financial product that you have selected in the account application from the earlier of (a) the time DFXT accepts your account application; (b) the time DFXT otherwise agrees to provide the financial products to you; and (c) the time you first place an order in respect of the financial products with DFXT or otherwise instruct us to provide a service in respect of the financial products.

Your account application may be the initial form you give us to open your account or it can be another form which you later give us to apply for other kinds of financial products, in either case in the form we choose to accept. Your forms are in electronic form or, as DFXT permits from time to time.

DFXT may in its discretion allow you to have two or more accounts from time to time. A reference in these terms to "account" is a reference to all of the accounts you have from time to time, unless the context requires a different meaning.

## MODIFICATION OR TERMS

These Terms & Conditions can be modified at the discretion of DFXT and without prior notice. Your use of this website is governed by the version of the Terms & Conditions in effect on the date the site was accessed by you. You should review the most current version of these Terms & Conditions by logging on to DFXT website on a regular basis. We will not notify you individually, however we will publish on our website that the Terms & Conditions have been modified. This website publication serves as notice of the modification, and you are presumed to have consented to the new terms by continuing to use, view or conduct business via the website.

## OTHER AGREEMENTS

These Terms and Conditions are to be read and interpreted along with all other agreements between you, the Client and DFXT, including but not limited to any customer or account agreements, or any other agreements that govern your use of contents, information, products and services available on and through the DFXT website. **These Terms & Conditions and the other agreements, primarily the Product Disclosure Statement ("PDS") and customer account application, form one agreement and should be read as such. . However, in the event of inconsistency, the terms in the legal documents described below will rank according to the following priority, to the extent of any inconsistency:**

- **PDS**
- **Terms & Conditions**
- **Account Opening Form**

### WEBSITE USE

Use of DFXT website is intended for your personal use, it is not to be used commercially unless a written agreement between you and DFXT states otherwise.

The content of this website is not to be distributed to, or used by, any person in any country or any jurisdiction where the use or distribution is considered unlawful and contrary to the local regulations. DFXT will not accept nor distribute its products and services to people residing in countries where the use of such services is contrary to local law.

This website is not in any way to be considered a solicitation to buy or offer to sell any product or service to people in any jurisdiction where such products and services are considered unlawful. Thus it is your responsibility as a user of this site to determine the terms of your jurisdiction and to comply with all local laws and regulations.

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**Direct FX Trading Pty Ltd.**
**AFSL:** 305539

## OUTSIDE ADVISE AND RISK

By accessing the DFXT website and agreeing to these terms, you acknowledge that you have had the opportunity to obtain independent taxation and financial advice. DFXT provides general and not personal advice. All information contained in DFXT website is geared towards the general user. DFXT does not provide information about taxes or any other legal matters, nor does it give investment advice.

It is your responsibility to determine if any investment or strategy used is appropriate to you based on your personal appetite for risk, and your personal objectives. Should you need special advice please consult your legal or tax professional who can tailor information to meet your needs.

By using this website, you are representing to DFXT that you have considered your own financial circumstances and that you understand the risks of the transactions you enter into with DFXT.

## RELIANCE ON AND USE OF INFORMATION ON THE DFXT WEBSITE

The DFXT website may have general advice, news, quotes, and financial research supplied by third parties, companies that are not affiliated with DFXT. The source of such information will be clearly identified on the website. Such material will be available in certain areas of the site or by a “hyperlink” to the third party. The contents of these links and publications are protected by applicable intellectual property laws and international treaties and is licensed from and owned by the third parties.

DFXT does not approve nor indorse such third-party contents. These contents are considered general advice. They are not to be used as personal or legal advice. The content is obtained from sources believed to be reliable, but cannot and is not guaranteed to be accurate.

DFXT website may contain links to other (third party) websites. While DFXT will work hard to provide accurate and timely information to its clients, the company will not, under any circumstances, guarantee the accuracy and timeliness of the information provided by third parties. Please be aware that DFXT DOES NOT control the contents of these sites, nor the accuracy of information on them. Neither does DFXT endorse the materials on these sites. DFXT WILL NOT be responsible for any of the information provided by third parties, and will not be held liable, nor will it indemnify, for losses sustained as a result of reliance upon third-party information.

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## YOUR RIGHTS AND OBLIGATIONS

DFXT grants you a non-exclusive, non-transferable and limited personal license to access and use its website. This license is conditional on your continued compliance with these terms and conditions.

You agree that you will make no changes or links to the website, nor will you resell or permit access to the website to others. You agree that you will not copy any materials appearing on the website for resale or for any other purpose without the prior written consent of DFXT.

You agree that all information on this website is to be used for the sole purpose of executing transactions inside and within the DFXT website.

You also agree to only use the site for the purpose of gaining access to the services it provides. Any other use of this website is considered unlawful, and will lead to termination of any agreements you have with DFXT. Other actions can and will be taken by DFXT if needed. Upon such violation, you are required to immediately cease the use of the DFXT website.

You must keep all passwords secret and ensure that unauthorised third parties do not obtain access to your account.

You agree to use ordinary care and reasonable diligence in protecting your personal account information, including login and password information, and agree to be responsible for any damages due to another's use of your personal account information.

## CLIENT INSTRUCTIONS

Transmission of an instruction by you will not constitute a binding contract with DFXT until confirmed by DFXT.

You must execute, or otherwise authorise DFXT to execute, all such agreements and other documents as required to enable the provision of the services and financial products contemplated by you. You appoint DFXT as your attorney to do all things necessary to enter into such agreements on your behalf.

## COMMUNICATIONS AND INFORMATION

Unless otherwise indicated any communications, information, or material of any kind that you e-mail or otherwise transmit through the DFXT website, including information, data, questions, comments or suggestions (your "Communications") will be treated as non-proprietary and non-confidential.

**By accepting these Terms and Conditions you grant a license to DFXT to use your Communications in any way, either on the website or elsewhere, with no liability or obligation to you. DFXT is free to use any idea, concept, know-how or technique or information contained in your Communications for any purpose including, but not limited to, developing and marketing products.**

DFXT is entitled, but not obligated, to review or retain your Communications. DFXT may monitor your Communications to evaluate the quality of service you receive, your compliance with these terms and conditions, the security of the web site, or for other reasons. You agree that such monitoring activities will not entitle you to any cause of action or other right with respect to the manner in which DFXT monitors your Communications. In no event will DFXT be liable for any costs, damages, expenses or any other liabilities incurred by you as a result of DFXT monitoring your activities.

## DISCLAIMER OF LIABILITY

DFXT will NOT be liable for any damages, including but not limited to: special, consequential, incidental, direct or indirect damages incurred from the use of its website. Such damages include but are not limited to, loss of profit from trading, loss of profits due to the use of the general information provided by third parties, inconvenience, delay, slippage in stops, technical difficulties when accessing the trading platforms, even if DFXT has prior knowledge of the possibility of such losses, expenses or damages.

No warranty of any kind, implied, express, statutory, or otherwise, including but not limited to: warranties of title, fitness, merchantability, freedom from defect or computer viruses, or non-infringement of third-party rights, is made or given by DFXT.

Unless otherwise required by law, DFXT will NOT be responsible or liable to you for any losses resulting from causes that DFXT has no direct control over. Such losses include but are not limited to failure of electronic communications and data transmission due to phone line or internet failure. DFXT is NOT liable for any viruses, theft, unauthorized access, fire, weather, war, terrorist acts, accidents, or actions of governments.

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## ANTI-TERROISM/MONEY LAUDERING

You acknowledge that:

(a) we are subject to various anti-money laundering and counter-terrorism financing laws (**AML/CTF Laws**) which may prohibit us from offering services or entering into or conducting transactions; and

(b) the AML/CTF Laws include prohibitions against any person dealing with the proceeds of or assets used in criminal activity (wherever committed) and from dealing with any funds or assets of, or the provision of finance to, any person or entity involved (or suspected of involvement) in terrorism or any terrorist act.

You agree that:

(c) we are not required to take any action or perform any obligation under or in connection with your account application if we are not satisfied as to your identity or if we suspect on reasonable grounds that by doing so we may breach the AML/CTF Laws;

(d) we may delay, block or refuse to make any payment or to provide any service if we believe on reasonable grounds that to do so may breach any law in Australia or any other country, and we will incur no liability to you if we do so; and

(e) we will not incur any liability to you for any loss you suffer (including consequential loss) however caused by reason of any action taken or not taken by us as contemplated in paragraph (a) or (b) above.

You agree to provide all information and documents to us which we reasonably require to comply with any law in Australia or any other country, including any AML/CTF Laws. You agree that we may disclose information which you provide to us, or about transactions you have with us or which you seek to conduct with us, if we are required to do so by any applicable laws in Australia or in any other country.

You represent and warrant to us that the payment of moneys by us in accordance with your account application, or any instructions given by you, will not breach any law in Australia or any other country.

## PRIVACY

Information which the Client provides DFXT and any other information provided by the Client in connection with your account will primarily be used for processing the Clients account application and for complying with certain laws and regulations. DFXT may use this information to send you details of other services or provide you with information that we believe may be of interest to the Client.

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You agree that your personal information can be used or disclosed by us as contemplated in your account application. You agree to take all reasonable steps to deliver information or documentation to DFXT, or cause information or documentation to be delivered to DFXT concerning transactions which are requested by a person having a right to request such information or documentation. You understand that if you do not provide any information requested by us or do not agree to us using your information as set out in this clause we may not be able to provide our services to you.

The Client acknowledges and agrees that DFXT is permitted to carry out an electronic database search and search credit reference agencies in order to verify the Client's identity and credit standing, before during and after an account is opened (since the insolvency or bankruptcy of the Client after cessation of the account or termination of your account application may continue to be relevant to DFXT). If such searches are carried out, DFXT may keep records of the contents and results of such searches in accordance with all current and applicable laws.

DFXT may provide all such information regarding the Client in relation to its obligations to, or requests (whether legally binding or not) by a relevant regulatory body.

## ILLIGALITY

If any event occurs which has the effect of making or declaring it unlawful or impracticable for DFXT to offer or to maintain transactions to you in accordance with the terms outlined in these terms, DFXT may immediately terminate these terms by providing you written notice of that. A termination of these terms will also result in the closure of all transactions. Any such termination will not relieve you of any obligations you may have to DFXT in accordance with these terms prior to the termination.

For this clause, events include any change in law, regulation, treaty, order, official directive or ruling or in their interpretation or application by any governmental authority or agent, and the introduction, implementation, operation or taking effect of, any law, regulation, treaty, order or official directive or ruling.

# TERMS OF BUSINESS

## DFXT SERVICES & RISK

In order to open an account, you are required to complete, sign, and return an Application.The Application is provided to you separately by DFXT. Your Application to open an account must be approved by DFXT. DFXT reserves the right to refuse to open an account for any person.

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Direct FX Trading only accepts Margin FX Contract, Futures and Options Contracts, Binary Options and CFD order instructions via the electronic trading platform(s). You are required toaccess the electronic trading platform(s) on a daily basis to confirm that any order instructions you submitted have in fact been received by us, to re-confirm all orders that you placed with us, to review order confirmations we provided to ensure their accuracy and monitor your Margin obligations. Any order discrepancies identified must be reported to us immediately.

DFXT will provide all clients, via the electronic trading platform(s), with access to bothdaily 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.

OTC and exchange traded contracts can be highly leveraged and speculative with a highdegree of risk. Potential investors and traders should be experienced in foreign exchange contracts Futures and Options Contracts, Binary Options and CFD products or understand and accept the risks of investing in Exchange traded and OTC contracts.

We recommend that you consult your financial adviser or obtain other independentadvice before trading in the products offered by DFXT. DFXT does not and will not give you personal financial advice.

If the Client does not fully understand the risks associated with DFXT's services, then they should not use DFXT's services

## CLIENT REPRESENTATION & WARRENTS

The Client represents and warrants to DFXT that each such representation and warranty is deemed repeated each time you open or close a contract by reference to thecircumstances prevailing at such time, that:

- Delivery and execution by the Client of this Agreement, and performance of all of the Client's obligations considered under this Agreement, does not violate any Law applicable to theClient.
- All information provided by the Client to DFXT is true, correct and complete, and the Client will notify DFXT promptly of any changes to such information.
- That information nor the Client's conduct or the conduct of anyone acting on its behalf in relation to the transactions contemplated bythis Agreement, was or is misleading, by omission or otherwise.
- The Client shall make ongoing disclosure to DFXT of any matters that may affect the operationof this Agreement or of the ability of the Client to pay Margin Calls or to remain solvent.

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## DISCLAIMER OF LIABILITY

DFXT will NOT be liable for any damages, including but not limited to: special, consequential, incidental, direct or indirect damages incurred from the use of its website. Such damages include but are not limited to, loss of profit from trading, loss of profits due to the use of the general information provided by third parties, inconvenience, delay, and slippage i n stops, technical difficulties when accessing the trading platforms, even if DFXT has prior knowledge of the possibility of such losses, expenses or damages.

The Client shall indemnify and hold DFXT harmless from any and all liabilities, claims, costs, expenses and damages of any nature, including, but not limited to, reasonable legal fees and any fees and expenses incurred in connection with litigation, arising out of or relating to the Client or an Authorised User's negligence, mistake or willful misconduct, the violation of any Law by the Client, or the breach by the Client of any provision of this Agreement.

The Client also agrees to promptly pay DFXT for all damages, costs and expenses, including reasonable legal fees and expenses, incurred by DFXT in the enforcement of any of the provisions of this Agreement. The Client's obligations under this Clause shall survive the termination of this Agreement.

## LIQUIDATION

The Client is required to maintain sufficient level of Margin Deposit. DFXT reserves its full rights to close out all Open Positions, if at any time the Margin Deposit held by DFXT is approaching or is no longer sufficient to cover the negative mark to market value of any or all Open Positions that the Client has open with DFXT.

DFXT shall have the right, at its sole discretion, to determine the mark to market value from time to time.

In addition to other remedies available to DFXT, if the Client fails to pay an amount when due under this Agreement, DFXT has the right to close out or terminate (by either buying or selling) any or all of the Client's Open Positions.

- In addition to other remedies available to DFXT, if the Client fails to pay any amount when due under this Agreement, DFXT offset, to the extent permitted by law, such amount against any amount payable by DFXT to the Client.

- DFXT is entitled to offset, to the extent permitted by law, against any amounts due to it by the Client, any amounts received by DFXT from or on behalf of the Client including but not limited to moneys received as Margin Deposits or Margin Calls. DFXT may determine the application of any amounts which are to be offset at its own discretion.

- A Client must not offset against any amounts the client owes to DFXT by any amounts DFXT owes to the Client.

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## THIRD PARTY SOFTWARE OR PLUGINS

The Client acknowledges and agrees, and will ensure that each Authorised User acknowledges and agrees, that:

- DFXT is authorised to deduct fees from the Client Account, upon receipt by DFXT of confirmation that the Client has elected to subscribe to a particular third party software or plugin.
- Client is wholly responsible for managing the risks (including the risk of financial loss) associated with using third party software or plugins.
- DFXT is entitled to refuse to allow or terminate, refuse access or impose limitations on certain third party software or plugins at any time, at its sole discretion.
- The Client is aware of the risks associated with third party software or plugins, all of which may result in substantial financial loss.Risks include: potentially misleading claims made by software vendors, loss of control of trading and trades, software not compatible with DFXT's Online Platform, potentially being subject to a Margin Call or a Forced Liquidation, and fraudulent or other illegal activity by software vendors.
- The Client will support DFXT by providing any requested documents, if DFXT elects to investigate a third party software or plugin vendor.
- The act by DFXT of deducting fees from a Client Account on behalf of a third party or referring to a third party asset manager, software vendor or plugin on DFXT's website or elsewhere, is not an endorsement of that third party or its software. DFXT takes no responsibility whatsoever for any losses incurred by the Client or its employees, agents or assigns, in connection with a third party or its software.
- DFXT reserves the right in its absolute discretion to cancel, unwind, reinstate, close out, repair, or take other action with respect to open or closed trades where the Client is utilizing or has otherwise engaged third party software or plugins, if in DFXT's view, there has been an actual, suspected or potential breach of this Agreement, or DFXT believes acting in such a way is necessary to protect its own interests, or the interests of clients.

## RATES & PAYOUTS

Rate indications from DFXT are available via the Online Platform(s). The Rate indication is not binding, and the Client agrees to accept the prices offered by DFXT when the Contract is executed.
Binary Options: Can DFX change the payouts on Binary Options? - Yes, we reserve this right.
Does DFX Allow EAs - yes, but we reserve the right to disable these on a client by client basis

## QUOTE ERRORS

DFXT will make efforts to prevent quoting errors from occurring. Should a quoting error occur due to a liquidity provider's error, platform error, typographical error, obvious mistake in a quote or indication or data error, A "Quoting Error", DFXT is not liable for any damages, claims, losses, liabilities or costs arising from the Quoting Error. DFXT reserves the right to make the needed adjustments to correct the Quoting Error. All disputes as a result of a Quoting Error(s) shall be resolved on the basis of the fair market value, as determined by DFXT acting reasonably, ofthe relevant currency or product at the time such Quoting Error occurred.

## PROCESSING DELAYS

DFXT will use all reasonable efforts to process the Client's Contract order on a timely basis. Nevertheless, DFXT shall not, in the absence of willful misconduct, be liable for damages, delays, failures or errors in the completion of the Contract order.

## ONLINE TRADING PLATFORM(S)

If the Client uses DFXT's online trading platform(s) the Client confirms and accepts the following:

- All transactions must be completed using the logins and passwords assigned to the Client by DFXT and valid entry of the login and password will constitute an authorization by the Client to complete the Contract specified irrespective of whether the password and login are entered by an Authorised User.

- The Client may be able to enter into Contracts at the rates quoted on the Online Platform.

- The Client must ensure that the logins and passwords are kept confidential and secure. The Client must also ensure that each Authorised User to whom a login and password is provided, will keep them secure and confidential. The Client will advise DFXT instantly if the Client believes or has any reason to believe that the login and passwords assigned to the Client have not been kept secure and confidential.

- The Client must safeguard and ensure that no unauthorised person is able to use the logins and passwords. As part of this obligation the Client must ensure that each Authorised User closes out the Internet browser after using the Online Platform.

- DFXT may at any time without Notice to the Client suspend, withdraw or deny access to the Online Platform(s) for any reason including but not limited to security, breach, quality of service, failure by the Client to pay an amount timely or breach by the Client of any obligation of this Agreement.

- The features made available on the Online Platform(s) (including but not limited to stop orders, take profit orders or limit orders, as described in the relevant PDS issued by DFXT):

1. may not result in a Contract being created according to the Client's desired inputs;
2. may become unavailable; and
3. do not result in any guaranteed Contract being entered into with DFXT.

## CIRCIMSTANCES BEYOND CONTROL OF DFXT

If DFXT is unable to perform its obligations under this Agreement or a Contract because of any possible factors beyond DFXT's control or because of a Force Majeure Event, DFXT will notify the Client as soon as is reasonably practicable and will use all reasonable endeavors to secure the return of any money paid by the Client in respect of which DFXT has been unable to discharge its obligations underthis Agreement.

## MANIFEST ERRORS

A "Manifest Error" means a manifest or obvious misquote by DFXT, or any Market, Exchange, Bank, information source or official on whom we reasonably rely, having regard to the current market conditions at the time of an order is placed. When determining whether or not a condition amounts to a Manifest Error, DFXT will takeinto account all information in its control including information concerning all relevant market conditions and any error in, or lack of clarity of any information source or announcement.

When making a determination as to whether or not a situation amounts to a Manifest Error, DFXT act fairly towards you however the fact that you may have entered into, or refrained from entering into, a contract or transaction inreliance on an order placed with us shall not be taken into account by us in determining whether there has been a Manifest Error. DFXT reserve the right, without prior notice, to:

- adjust the details of such a transaction to reflect what DFXT considers in its discretion, working in good faith, to be the correct and or fair terms of such transaction absent such Manifest Error(s):

- if Client does not promptly agree to any adjustment or amendment made under (a) herein we may void from its inception any transaction resulting from or derived from a Manifest Error, and or refrain from taking any action at all to adjust or amend the details or voidof any such transaction.

DFXT shall not be liable to you for any loss, cost, claim, demand or expense you suffer (including loss of profits or any indirect or consequential losses) resulting from a Manifest Error or our decision to enforce the details of a transaction notwithstanding any Manifest Error. In the event that a Manifest Error is made by any Market, Exchange, Bank, information source, official on whom we reasonably rely, we will not be liable to you for any loss, cost, claim, demand, or expense.

DFXT Online Facility: Access to the DFXT Online Facility is provided "as is ". DFXT makes no warranties, express or implied representations, or guarantees as to the merchantability, fitness for any particular purpose or otherwise with respect to the DFXT Online Facility, its content, any documentation or any hardware or software provided. Technical difficulties could be encountered in connection with the DFXT Online Facility. These difficulties could involve, among others, failures, delays, malfunction, software erosion or hardware damage, which difficulties could be the result of hardware, software or communication link inadequacies or other causes. Such difficulties could lead to possible economic and/or data loss. In no event will DFXT or its Affiliates or any of their employees be liable for anypossible loss (including loss of profit or

revenue whether direct or indirect), cost or damage including, without limitation, consequential, unforeseeable, special or indirect damages or expense which might occur as a result of or arising out of using, accessing, installing, maintaining, modifying, de-activating or attempting to access the DFXT Online Facility or otherwise.

## INACCURATE PRICES

The internet, connectivity delays, and price feed errors will sometimes cause conditions where the prices displayed on DFXT's trading screen do not accurately reflect market rates. The concept of arbitrage, or taking advantage of these internet delays, cannot exist in a market where the Client is buying or selling directly from the market maker. DFXT does not permit the practice of arbitrage on our online facilities. The client acknowledges and agrees to this and DFXT can rely on the Client's acceptance of this. If DFXT determines that a Contract individually or together reasonably appears to rely on price latency arbitrage opportunities, DFXT may revoke those Contracts without further liability to the Client. To give effect to this, DFXT may make necessary or prudent amendments, corrections or adjustments on the account involved. Any dispute arising from such apparent arbitraging will be resolved by DFXT in its sole and absolute discretion.

## TERMINATION OF AGREEMENT

This Agreement may be terminated immediately by the Client or DFXT by Notice to the other in writing. However, termination by either party shall not affect any Contract or other transaction previously entered into and shall not relieve either party of any outstanding obligations arising out of this Agreement, nor shall it relieve the Client of any obligations arising out of any Contract entered into prior to such termination.

In the event that DFXT becomes aware of or has reason to believe any of the following:

- that the Client has provided false or misleading information to DFXT; or
- that the Client has participated or is participating or has assisted or is assisting in money laundering or terrorist financing; or
- that the Client is being officially investigated by law enforcement and/or regulatory agencies:

Then DFXT, at its sole discretion, may terminate this Agreement immediately by Notice to the Client, and DFXT shall be relieved of any obligations set out in this Agreement or arising out of the transactions contemplated by this Agreement, including any obligations arising out of any Contract already entered into with DFXT.

**DFXT strictly monitor all trading accounts. Any motive and or manipulation including but not limited to: willful misconduct, fraud, attack, commission-laundering, or unusual transaction, DFXT without notice reserves the right to determine such situation at its discretion as “Invalid Transactions caused by Willful Misconducts or Unusual Transactions” regardless of manual trading or EA trading, DFXT reserves the right to deduct any profit or loss generated from the trades in addition to the commission. Clients and agents of DFXT herein agree and acknowledge that upon the final determination made by DFXT after a detailed investigation of the account, Clients and agents are required to fully obey without any objection or determination by DFXT**.

DFXT provides different account types, if scalping is undertaken in the account type where scalping is not allowed, such practices will be deemed as fraud as defined above.

Note: Scalping refers to a trading strategy that makes profits by opening and then closing the position "multiple times", "willfully", or "in enormous volume" within 180 seconds.

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**AFSL: 305539**

## ADDITIONAL TERMS AND APPLICABLE LAW

These terms and conditions are subject to any mandatory requirements imposed by the law of your country of residence and shall be governed by the laws of New South Wales, Australia without regard to conflicts of law principles thereof. This is the case regardless of whether you reside or transact business with DFXT in Australia or elsewhere. The parties agree to irrevocably submit to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

If any part of these terms and conditions are unlawful, void or unenforceable under the law of any jurisdiction, that part will be deemed severable and will not affect the validity and enforceability of any remaining provisions under the law of that jurisdiction and the legality, validity or enforceability of that part under the law of any other jurisdiction will not in any way be affected.

The parties recognize electronic and magnetic recordings as evidence when settling disputable matters, as in order to state any facts concerning the obligations for trading operations in the Derivatives markets.

## DISPUTE RESOLUTION

Except to the extent that this clause is inconsistent with the requirements of any legislative or regulatory regime, the dispute resolution process set out in this clause shall apply. The parties must use all their reasonable endeavors to resolve any dispute arising in connection with this Agreement or any transactions there under.

Direct FX Trading has an internal dispute resolution process in place to resolve any complaintsor concerns you may have, quickly and fairly. Any complaints or concerns should be directedto the Complaints Officer (by telephone, facsimile, or letter) at the address and telephone/fax numbers provided in the DFXT PDS.

DFXT 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 willinvestigate your complaint, and provide you with our decision, and the reasons on which it is based, in writing.

**ACN: 120189424**
**Direct FX Trading Pty Ltd.**
**AFSL: 305539**

If you are dissatisfied with the outcome, you have the right to lodge a complaint with theFinancial Ombudsman Service ("FOS"), an approved external dispute resolution scheme, ofwhich Direct FX Trading is a member.

FOS can be contacted using the details below:

*Postal address:*
GPO Box 3
Melbourne VIC 3001 Australia

*Telephone:* +61 3 9613 7366
*Fax:* +61 3 9613 6399
*Website:*www.fos. org. au

## DEFINITIONS

**AGREEMENT** means these Terms & Conditions together with all other documents which are referred to in this Terms & Conditions.

**AUTHORISED USER** means Client provided list of people authorised to access DFXT's services and/or enter into Contracts on the Client's behalf

**CFD** means Contract for Difference

**CLIENT** means the Client named in the Account Opening Form, together with its officers, directors, employees and agents.

**CONTRACT** means a transaction in which the Client agrees to purchase or sell a currency, CFD, Binary Option other derivative from or to DFXT or enter into any other transaction with DFXT.

**DFXT** means Direct FX Trading Pty Ltd (ABN 120 189 424)

**DFXT WEBSITE** means the Direct FX Trading website located at www.directfx.com or elsewhere

**FORCE MAJURE EVENT** means events or causes including, but not limited to, the following: an act of God, unavoidable accident of navigation, sabotage, civil commotion, national emergency, martial law, failure of a transmission or communication network, strike or other labour difficulty or expropriation, restriction, prohibition, law, regulation, decree or other legally enforceable order of a government agency, breakage or accident, change of International, State or Commonwealth law or regulation or any damage of DFXT's machinery or systems, unless occurring as a result of an act, omission, default or negligence of the Client or DFXT.

**INTERNET** means the interconnected system of networks that connects computers, and electronic handheld devices globally, and includes any online trading platform provided by DFXT

**JURISDICTION** means the statutes, regulations and general law of the Commonwealth of Australia, and of New South Wales, Australia, and includes the *Corporations Act 2001* and *Corporations Regulations 2001* as varied from time to time.

**OPEN POSITION** is where a client has entered into a transaction with DFXT, and a further transaction has not been entered into in order to close the position.

**PRODUCT DISCLOSURE STATEMENT** or **PDS** is as defined in the *Corporations Act 2001 (Cth)* as varied from time to time.

**QUOTE ERROR** has the meaning stated on page eight (8) of this Agreement

**REGISTERED OFFICE** means the registered office of DFXT lodged with the Australian Securities and Investments Commission.

**SCALPING** refers to a trading strategy that makes profits by opening and then closing the position "multiple times", "willfully", or "in enormous volume" within 180 seconds.

**Additional definition of terms found in DFXT's PDS**