SAXO CAPITAL MARKETS (AUSTRALIA) PTY LTD

Margin Call Policy

1. Background

The Australian Securities & Investments Commission ("**ASIC**") released Regulatory Guide 227 - Over-the-counter contracts for difference: Improving disclosure for retail investors ("**RG 227**") in August 2011. RG 227 sets out seven disclosure benchmarks for over-the-counter contracts for difference and economically-equivalent products such as margin forex ("**OTC CFDs**") to ensure retail investors are provided with high quality documents to help them understand the risks, assess the potential benefits and decide whether investment in the products is suitable for them.

Saxo Capital Markets (Australia) Pty Ltd ("**Saxo Capital Markets**") understands that OTC CFDs are complex and risky products and that it has an important role in ensuring that only investors who have a sound understanding of the features and risks of the product can open an account and begin trading in its products.

Benchmark 7 of RG 227 relates to margin calls. This Margin Call Policy ("**Policy"**) meets Benchmark 7 of RG 227 by explaining Saxo Capital Markets' margin practices in relation to the OTC CFDs that it offers to retail clients in Australia ("**SCM Products**"). The Policy addresses how Saxo Capital Markets monitors client accounts, the rights it may exercise in relation to client accounts and when these rights may be exercised.

This Policy describes the margin practices in relation to a typical Saxo Capital Markets client. In the event of any conflict or discrepancy between this Policy and any specific conditions that a client may have agreed with Saxo Capital Markets, those specific conditions take precedence.

2. SAXO CAPITAL MARKETS' APPROACH TO MARGINING

2.1 Margin Trading and Margin Requirement

Saxo Capital Markets offers margin trading on contracts for difference and economically-equivalent products such as margin forex and other derivatives.

Clients can leverage their investments in margin-based instruments by funding their account with cash or other collateral that may be accepted by Saxo Capital Markets from time to time. Clients' cash accounts must as a general rule not have a negative balance.

"Margin" refers the amount of collateral required to maintain their present open margin position(s). Collateral is calculated after taking into account any profit or loss on a client's open positions.

The margin requirements may differ from product to product within the same class of products, and may vary from time to time. The margin requirements for each product are described in the respective Trading Conditions. The margin requirements of an open trade may also be changed if Saxo Capital Markets reasonably consider that the risk of the trade has increased as compared to the date of opening.

Margin requirement shall apply throughout the term of an open margin position. It is the Client's responsibility to continuously monitor and ensure that sufficient margin is available on the Account at all times. The Client further acknowledges that losses can be far greater than the amount of funds placed in the Account for open margin position.

If, at any time while the client has an open margin position, the margin available on the Account is not sufficient to cover the total margin requirement(s), the client is obliged to reduce the amount of open margin positions or undertake such other adequate action to immediately satisfy the margin requirements.

2.2 Non-Margin Trading

Exchange-traded products other than derivatives, such as equities and bonds, are not typically traded on margin and may be subject to other requirements.

2.3 Margin Risk Management

Saxo Capital Markets’ client risk strategy ensures each clients’ available margin and margin utilisation levels are consistently updated and readily accessible on SaxoTrader. Further, clients are not permitted to enter a margin position that would result in a margin call.

3. MONITORING CLIENT ACCOUNTS AND NOTIFYING CLIENTS

3.1 Monitoring client accounts

It is the Client’s responsibility to ensure that margin utilization in the Account remains below 100%. If a client’s account is under **margin call**, meaning greater than or equal to 100% margin utilisation, Saxo Capital Markets is entitled to reduce Client’s exposure by closing one, several or all of the Client’s open margin positions or part of an open margin position in the Client’s Account, without assuming any responsibility towards the Client for such action.

3.2 Notifying clients

Saxo Capital Markets endeavours to notify its clients via automated emails to their nominated email address and notifications on SaxoTraderGO whenever a client’s margin utilisation crosses the following thresholds:

(a) **Threshold 1** - 80% margin utilisation.

(b) **Threshold 2** - 90% margin utilisation.

(c) **Threshold 3** - 100% margin utilisation (Margin Call)

The notification of a margin call by email and by SaxoTraderGO serves as notice that a client’s account has breached the minimum required level of equity and any open trades are at risk of being closed out. While Saxo Capital Markets takes reasonable steps to notify clients as their trading account falls into margin call, it is each client’s obligation to monitor their trading account/s and at all times ensure they have sufficient margin or free equity available for any adverse or volatile market movements, and to take action to either reduce their positions and/or transfer more money into their trading account to reduce the risk of having their open margin positons automatically liquidated. These notifications are on a best endeavours basis.

4. SAXO CAPITAL MARKETS' RIGHTS IN RELATIONS TO CLIENT ACCOUTS

Saxo Capital Markets has the right to close out any or all existing open margin positions if a client’s trading account is in margin call, even if the client may have taken steps to reduce the size of open margin positions or undertakes any other action to satisfy the margin requirements but those steps or actions are not sufficient or completed in time to meet the client’s margin requirement on an ongoing basis.

No client will be exempted from automatic close out. In order to avoid margin call and automatic close out due to shortage of available funds or free equity, clients should ensure that sufficient cash is available in their trading account for adverse market movements.

If a client’s account is left with a negative balance after his open positions have been automatically closed out under margin call, interest will be charged on that deficit until such time as the deficit is covered fully by the client. For further details, please refer to our Combined Financial Services Guide and Product Disclosure Statement available at www.saxomarkets.com.au.

If the Client has opened more than one account, Saxo Capital Markets has the right to transfer money or collateral (if applicable) from one account to another to meet that account’s margin requirements, even if such transfer will necessitate the closing of open margin positions or other trades in the account from which the transfer takes place.

5. Gapping

Clients should be aware of the risks associated with gapping. Where “gapping” occurs, it may be difficult and at times impossible for a position to be automatically closed out at the exact level/price when a client breaches its margin obligations. There may be significant market movement which is reflected in a significant drop or jump in prices, high volatility, or during market close and market open where the market opens at a considerably lower/higher price to the price at which it closes. Further information is available about the risk of gapping in our Combined Financial Services Guide and Product Disclosure Statement available at www.saxomarkets.com.au.

6. Saxo Capital Markets Compliance with RG 227

The table below demonstrates Saxo Capital Markets’ compliance with Benchmark 7 of RG 227.

no	rg 227 reference	Requirement	Has Saxo Capital Markets met this requirement?
1	227.81 (a)	Explain how the issuer will monitor client accounts to ensure that it receives early notice of accounts likely to enter into margin calls.	Yes. See paragraph 3
2	227.81 (b)	Explain what rights the issuer may exercise in relation to client accounts, including the right to make a margin call or close out positions.	Yes. See paragraph 4
3	227.81 (c)	Explain when the issuer will exercise these rights, and what factors it will take into account in deciding whether to do so.	Yes. See paragraph 4

7. Amendments to this Policy

This policy document will be reviewed, tested and periodically revised annually or otherwise, as risks, systems, business practices and regulatory requirements change.