SOPHISTICATED CLIENTS INFORMATION SHEET

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1. About this Document

This Information Sheet is dated 19th November 2020 and was prepared slightly before that date by First Prudential Markets Pty Ltd ABN 16 112 600 281; AFSL 286354 (FP Markets),
as the issuer of the following over the counter (OTC) contracts:

• Margin FX;
• Metals Contracts; and
• Index CFDs,
• Commodity CFDs (i.e. WTI Oil)
• Crypto Currency CFDs
• Single Stock Equity CFDs
• DMA CFDs
• Collectively referred to as FPM OTC contracts.

This document sets out the key risks and other important information that a client should consider before deciding to open an account with FP Markets This document does not explain all the risks involved in trading or how the risks relate to your personal circumstances. It is important that you read all relevant legal documentation at the time of onboarding to fully understand the risks involved and consider whether you understand how CFDs work and whether they are appropriate for you. You should be aware of the following before opening an account.

- Derivative trading is leveraged and involve a high amount of risk to your capital.
- You do not own, or have any rights to, the underlying assets.
- Losses may exceed your deposits

2. Sophisticated Client Categorisation

The Corporations Act 2001 (Cth) (Corporations Act) provides for an issue of financial products to an investor without a Product Disclosure Statement where the investor is a Sophisticated client, within the meaning of section s761GA of the Corporations Act (Sophisticated Client). An eligible sophisticated client is someone who we believe has previous experience that allows them to assess:

- the merits of the product or service; and
- the value of the product or service; and
- the risks associated with holding the product; and
- the client's own information needs; and
- the adequacy of the information given by the licensee; and.

To become a Sophisticated client at a minimum you will need to meet the following criteria:

- Have annual income of at least 100,000 AUD or assets of at least $500,000 AUD; And
- Complete and pass a short online quiz (75% to pass); And
- Have traded Forex or CFDs at least 20 times per quarter for any 4 quarters in the preceding 5 years or traded Forex or CFDs with at least a notional value of AUD $500,000 per quarter for any quarter in the past 5 years;

Or
 Work or have worked in the financial sector for at least one year in a professional position which requires knowledge of leveraged trading.

If you wish to be treated as a Sophisticated Client you may need to provide some of following documentation to support this classification. Documentation you may include to support include:

 Demonstrate your trading history from FP Markets trading account/s
 A statement/s for the previous 5 years demonstrating your trading experience
 Employment contract from financial service
 Link to a Linkedin profile that clearly outlines your employment history

In Particular, you should be aware of the following:

- You will not have the same investor protection or disclosure requirements as a retail client
- You may not have access to our external dispute resolution scheme, the Australian Financial Complaints Authority (AFCA) who have discretion to exclude you from making complaints.
- We may not have other obligations to you under Chapter 7 of the corporations Act 2001 that we would to a retail client.
- You will not have access to negative balance protections or other protections announced in ASIC's PIO commencing 29th March 2021.
- We may withdraw your status as a sophisticated investor, and treat you as a Retail client, at any time at our sole discretion

3. Key Features and Benefits of FPM OTC contracts

3.1 Key Features

- FPM OTC Contracts are over-the-counter derivatives issued by FP Markets. They are not traded directly on an exchange.
- They are for investing indirectly in a range of securities, other financial products, metals, commodities and index movements without having to own the Underlying Financial Product or any underlying Exchange traded contract in relation to the Index.
- You must fund your Account before FPM OTC contracts are issued to you. You do this by paying at least the Initial Margin.
- Unlike products traded on an Exchange, OTC products are not forced to have the same standardised contract specifications as the exchange traded products.
- You remain liable to pay later Margins and to maintain the required minimum amount of Margin. If you do not pay the required Margin call by the required time or you do not always maintain the required minimum Margin, all or some of the FPM OTC contracts can be Closed Out and you remain liable to pay us any remaining shortfall.
- Unlike contracts traded on an Exchange, FPM OTC contracts are not standardised. The terms of an FPM OTC contract are individually tailored to the requirements of the parties to the FPM OTC contract – you and FP Markets.
- You have no right or obligation to acquire the Underlying Financial Product itself.
- There is leverage in the FPM OTC contract because you pay to FP Markets only Margin, not the full value. All payments to FP Markets are paid as Margin (or are for the relevant Fees). The more Margin you pay, the less leverage in your Account.

3.2 Key Benefits

FPM OTC contracts enable you to take a trading position with an exposure to a particular Underlying Financial Product without needing to buy or sell the Underlying Financial Product.

- You can use FPM OTC contracts for speculation, with a view to profiting from market fluctuations in the Underlying Financial Product. You may take a view of a particular Underlying Financial Product and so invest in our FPM OTC contracts intending to make a profit.
- You can use FPM OTC contracts to hedge your existing exposure to an Underlying Financial Product.
- You can deal in FPM OTC contracts with a view to profiting in both rising and falling markets.
- FPM OTC contracts can be used as important risk management tools. For example, margin FX may be used to hedge foreign exchange currency exposures, protect against 7 adverse exchange rate movements and provide certainty of foreign exchange rates and cash flow. Metals Contracts can give some protection against movements in the market price of the underlying asset and provide increased cash flow certainty.
- A major benefit of entering into an FPM OTC contract is that the transaction is not forced to have the same standardised contract specifications as the exchange traded contracts.
- FPM OTC contracts involve a high degree of leverage. FPM OTC contracts potentially let you invest a relatively small amount (in the form of the Initial Margin) to have an exposure to the Underlying price movement without having to pay the full price of the Underlying Financial Product. This leverage gives you the potential to take a greater level of risk for a smaller initial outlay, so this increases the potential risks and rewards. Leverage can magnify losses

4. Key Risk of FPM OTC contracts

The key risks of investing in our FPM OTC contracts are outlined below.

- Trading risk - You trade at your own risk and are liable for all trading losses.
- Leverage – our FPM OTC contracts are leveraged when the amount you pay (i.e., the total Margin and fees and charges) to FP Markets is less than the full-face value of the underlying investment.
- FPM OTC contracts are typically low margin, high leverage investments.
- You should be prepared for the greater risks from this kind of leveraged derivative, including being liable to pay FP Markets more Margin and those Margin requirements changing rapidly in response to changes in the market for the Underlying Financial Products.
- Loss of your moneys – Your potential losses on (long or short) FPM OTC contracts may exceed the amounts you pay (as Margin) for the FPM OTC contracts or amounts we hold on trust for you.
- Unlimited loss – Your potential loss on short FPM OTC contracts may be unlimited more than the amount you pay FP Markets for them.
- Margin requirements – You are liable to pay Margin before our FPM OTC contracts are issued and, after that, you are liable to pay more Margin before the FPM OTC contracts are Closed Out. The required Margin will usually be at least:

o the Margin required by FP Markets for the FPM OTC contract (initially and later); plus

o the Margin required by FP Markets to cover any unrealised loss or gain on other positions in your Account; plus

o any Margin required by FP Markets to cover adjustments for any foreign exchange rate.

If you do not meet Margin requirements, including those with little or no notice, all of the FPM OTC contracts may be Closed Out without notice to you.

- Foreign Exchange – FPM OTC contracts which are denominated in foreign currency can expose you to fast and large changes to the value of your Trading Account, potentially triggering the need for more Margin to be paid by you, including at short or no notice.
- Counterparty risk – you have the risk that FP Markets will not meet its obligations to you under the FPM OTC contracts. FP Markets' FPM OTC contracts are no Exchange traded so you need to consider the credit and performance risk you have with FP Markets.

Further risks are outlined in the Retail Client Terms and Conditions 10.1 including but not limited to;

- Market Gapping
- Operating rules of the underlying exchange
- Market disruption or System risk

5. Prices and Costs

Our dealing costs are set out in writing on our website or as otherwise agreed with you in writing. Certain costs will include commissions, swaps or financing charges. Commission charges in the form as a percentage, basis points or total trade size per transaction. FP Markets source its pricing from multiple third party liquidity sources or in the case of DMA products directly from the exchange. The prices for certain CFDs that you trade with us may include a fixed mark-up but we do not make any other alterations to the pricing.

Further risks regarding Fees and Charges are outlined in section 11 of the Retail Client Terms and Conditions. If you have any questions about costs or our pricing please contact us at pro@fpmarkets.com

6. Leverage and Margin Requirements

Leverage can allow investors to obtain higher exposure then they would otherwise with the funds available. This can lead to greater profits however carries significant risk of large losses. This can include a risk that you lose more than the total amount of all your deposits. The full list of Leverage rates or Margin percentages applicable to the FPM OTC contracts traded on the MetaTrader or IRESS platform is set out on the FP Markets website And/or Trading Platform. If you have any questions about leverage or our margin rates please contact us at pro@fpmarkets.com.

7. Negative Balance Protection

As a sophisticated client you may be eligible for a single negative balance of up to $100,000 AUD of your total balance for MT4 or MT5 trading accounts, which is the combined balance of all MT4 and MT5 trading accounts once all positions have been closed. FP Markets may at its sole discretion refuse to offer negative balance protection in case where we reasonable believe there is misconduct or trading abuse.

8. Market Conduct

All market participants (including FP Markets) have a legal obligation to ensure that the markets are fair, orderly and transparent. FP Markets Clients should be aware that some practices in placing Orders can constitute market manipulation or creating a false market which is conduct prohibited under the Corporations Act. It is the Client's responsibility to be aware of unacceptable market practices and the legal implications. The Client may be liable for penalties to regulators such as ASIC or be liable to FP Markets for costs to FP Markets arising out of those trading practices of the Client which lead to the Client, FP Markets or any other person suffering loss or penalty.

Abusive Trading Practices

Clients should be aware that some electronic advisor or signal trading strategies are not allowed by FP Markets. While FP Markets welcome most forms of electronic trading strategies including scalping, hedging and arbitrage, FP Markets will not allow strategies that harm our systems infrastructure or takes unfair advantage of the way we construct our Bid/Offer prices. Clients must ensure that they do not or allow others (whether authorised to do so or not) to use such a strategy on their accounts. FP Markets has discretion in determining if a strategy is abusive or takes unfair advantage of our systems. FP Markets may block your IP address from accessing or servers, disable trading without notice to you and cancel trades from the outset or make adjustments to reflect the market value.

9. Client Money

FP Markets holds all client money on trust on behalf of its clients in a segregated client moneys trust account. As per client money regulations money will be held with an Australian ADI separated from our own corporate money in accordance with the client money provision of the corporations act. You should be aware that client funds are pooled with other client money and therefore you will not have a claim to a specific amount in a specific account.

10. Terms and Conditions and Key Policies

For the purpose of the client agreement the Retail client terms and conditions and Key Policies shall apply. If there are any inconsistencies between the Terms and Conditions and the Wholesale Client Information Statement, the
Wholesale Client Information Statement will take precedence

11. Taxation Implications

Our FPM OTC contracts will have taxation implications for Clients, depending on the current tax laws and administration, the nature of the Client for tax laws, the terms of the transactions and other circumstances. These are invariably complex and specific to each Client. You should consult your tax advisor before trading in these financial products. The following information should be regarded as general information only

Should you have any questions or enquiries, please don’t hesitate to contact FP Markets.

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