



# CONTRACTS FOR DIFFERENCE

## IRESS PRODUCT DISCLOSURE STATEMENT

Issue Date: 30 June 2019

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# 1 Important Information

## 1.1 This PDS

This Product Disclosure Statement (**PDS**) is dated 30 June 2019 and prepared on that date by First Prudential Markets Pty Ltd ABN 16 112 600 281; AFSL 286354 (**FP Markets**), as the issuer of over-the-counter contracts for difference (**CFDs**) referred to in this PDS.

This PDS is designed to help FP Markets' retail clients decide whether the CFDs described in this PDS are appropriate for them. It is written with Retail Clients in mind and the disclosures made in this document do not apply to Wholesale Clients. Importantly, the way FP Markets handles client money is different between retail clients and wholesale clients (see Section 3.10).

You may also use this PDS to compare this financial product with similar financial products (e.g., CFDs) offered by other issuers.

This PDS describes the key features of our CFDs, their benefits, risks, the costs and fees of trading in our CFDs and other related information. CFDs are sophisticated financial products so you should read this PDS and the Account Terms in full before making any decision to invest in them.

Some expressions used in this PDS have definitions given in the Glossary at the end of this PDS (see Section 11).

## 1.2 CFDs

This PDS covers CFDs traded through our IRESS Platform in respect of a variety of Underlying Financial Products – see Section 2.6.

These CFDs are over-the-counter derivative products issued by FP Markets. They are not exchange traded products.

## 1.3 Retail Clients

This PDS is designed and intended to apply to Retail Clients (as defined in Section 11) only. Although informative as to the general nature of the product offered, this PDS does not reflect FP Markets' policies and procedures undertaken in respect of clients who are not Retail Clients.

## 1.4 Client Money

Please read the detailed Client Money disclosures made in Section 3 of this PDS. That section, and the below paragraph, prevail to the extent of any inconsistency with the rest of this PDS.

FP Markets holds all client money on trust on behalf of its clients in a segregated client money trust account. Retail and Wholesale clients are treated differently. In respect of Retail Client Money (defined in section 11) FP Markets is not permitted to:

- Rely on an entitlement or written direction from clients to use Retail Client Money:
  - As its capital, including working capital;
  - For the purposes of meeting obligations incurred by FP Markets other than on behalf of the client;
  - For the purpose of entering into, or meeting obligations under, transactions that FP Markets enters into to hedge, counteract or offset the risk associated with the transaction.
- use Retail Client Money for the purposes of meeting obligations incurred by it in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in CFDs.

## 1.5 Your potential liability

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Please especially read the Key Information in Section 2 and the Significant Risks in Section 7 for important information about your potential liability.

You trade at your own risk and are liable for all trading losses.

Potential investors should be experienced in derivatives, especially over-the-counter leveraged derivatives, and understand and accept the risks of investing in our CFDs.

**Your potential liability is not limited to the amount you pay FP Markets.** We may ask you to pay amounts in excess of those amounts to cover any shortfall. Your liability on short CFDs can be unlimited. You should carefully consider the risks of our CFDs and your capacity to meet your liability before investing in our CFDs.

**This initial warning cannot set out and duplicate all of the important information in this PDS.**

You should read all of this PDS and the Account Terms before making a decision to deal in financial products covered by this PDS. We recommend that you contact us if you have any questions arising from this PDS or the Account Terms prior to entering into any transactions with us. FP Markets recommends that you consult your advisor or obtain independent advice before trading.

## 1.6 FP Markets does not give personal advice

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FP Markets will not give you personal financial advice about your CFDs. This PDS does not constitute a recommendation or opinion that our CFDs are appropriate for you, even if we assess that you are suitable to invest in our CFDs.

The information in this PDS is general only and does not take into account your personal objectives, financial situation and needs.

## 1.7 Your Suitability to Trade CFDs

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If we ask you for your personal information to assess your suitability to trade our CFDs and we accept your application to trade our CFDs, this is not personal advice or any other advice to you. You must not rely on our assessment of your suitability since it is based on the information which you provide and the assessment is only for our purposes of deciding whether to open an Account for you. You may not later claim you are not responsible for your losses because we have opened an Account for you after assessing your suitability. You remain solely responsible for your own assessments of the features and risks and seeking your own advice on whether these CFDs are suitable for you.

## 1.8 Currency of PDS

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A copy of this PDS and the Account Terms can be downloaded from the website or you can call FP Markets to request that a paper copy of them be provided to you free of charge.

The information in this PDS is up to date at the time it was prepared but is subject to change at any time. Any updates will be posted on our website ([www.fpmarkets.com.au](http://www.fpmarkets.com.au)).

If the new information is information which is materially adverse to you, we will issue either a new PDS or a supplementary PDS containing the new information. If the new information is not materially adverse to you, you will be able to find updated information on our website (at [www.fpmarkets.com.au](http://www.fpmarkets.com.au)) or by calling us using the contact details given below. If you ask us, we will send you without charge a paper copy of the information.

## 1.9 Contact

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FP Markets can be contacted at:

Level 5  
10 Bridge Street Sydney NSW 2000  
Telephone: 1300 376 233  
or through our website at [www.fpmarkets.com.au](http://www.fpmarkets.com.au).

## 2 Key Information

### 2.1 Key Features of CFDs

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- CFDs are over-the-counter derivatives issued by FP Markets. They are not traded on an Exchange.
- They are for investing indirectly in a range of securities and index movements around the world without having to own the Underlying Financial Product or any underlying Exchange traded contract in relation to the index.
- You must fund your Account with the minimum balance before CFDs are issued to you. You do this by paying at least the Initial Margin (see Section 8).
- 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 CFDs can be Closed Out and you remain liable to pay us any remaining shortfall.
- Unlike contracts traded on an Exchange, CFDs are not standardised. The terms of a CFD are individually tailored to the requirements of the parties to the CFD – you and FP Markets.
- You have no right or obligation to acquire the Underlying Financial Product itself.
- There is leverage in the CFD because you pay to FP Markets only Margin, not the full value. The more Margin you pay, the less leverage in your Account.

### 2.2 Key Benefits of our CFDs

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- CFDs 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 CFDs for speculation, with a view to profit from market fluctuations in the Underlying Financial Product. You may take a view of a particular Underlying Financial Product and so invest in our CFDs intending to make a profit.
- You can use CFDs to hedge your existing exposure to an Underlying Financial Product.
- You can deal in CFDs with a view to profiting in both rising and falling markets.
- CFDs involve a high degree of leverage. CFDs potentially let you invest a relatively small amount (in the form of the Initial Margin) to have an exposure to the 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 (see Section 7 – Significant Risks and, in particular, the paragraph “Loss from leverage”).

### 2.3 Key Risks of our CFDs

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The key risks of investing in our CFDs are outlined below. Please see Section 7 for further description of the significant risks.

- **Trading risk** – You trade at your own risk and are liable for all trading losses.
- **Leverage** – our CFDs 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.

**CFDs 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) CFDs may exceed the amounts you pay (as Margin) for the CFDs or amounts we hold on trust for you
- **Unlimited loss** – Your potential loss on short CFDs may be unlimited – more than the amount you pay FP Markets for them.
- **Margin requirements** – You must maintain sufficient Margin before our CFDs are issued and, after that, you are liable to pay more Margin before the CFDs are Closed Out. The required Margin will usually be at least:
  - the Margin required by FP Markets for the CFD (initially and later); plus
  - the Margin required by FP Markets to cover any loss or gain on other positions in your Account; plus
  - 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 CFDs may be Closed Out without notice to you.

- **Foreign Exchange** – CFDs 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 CFDs. FP Markets' CFDs are not Exchange-traded so you need to consider the credit and performance risk you have with FP Markets. This is further explained in Section 3.19 under “Your Counterparty Risk on FP Markets”.

## 2.4 Your suitability

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We may make an initial assessment of your suitability to invest in CFDs based on the information you give us. You should always make your own assessment of your suitability to trade our CFDs. You should carefully consider the features of CFDs and their significant risks before investing in them.

Some key suitability considerations for you are:

- whether you have experience in trading in the Underlying Financial Products;
- whether you understand the terms of our CFDs and how they work;
- whether you understand the concepts of leverage, margins and volatility;
- whether you accept a high degree of risk in trading in CFDs;
- whether you understand the nature of CFD trading, including that CFDs do not provide investors with interests or rights in the Underlying Financial Products over which a position is taken;
- whether you understand the processes and technologies used in trading FP Markets' CFDs;
- whether you can monitor your CFD investments and manage them in a volatile market;
- whether you can manage the risks of trading in CFDs;
- whether you have financial resources to provide more Margin, especially on little or no notice; and
- whether you can bear substantial losses that might arise from trading in CFDs, especially the potentially unlimited losses on dealing in short CFDs.

Our assessment of your suitability is based on your information and any other information we ask and you give us. Our policy includes assessing the information you give us by your online responses, the information you give us and any responses you give us by email, telephone or in

meetings. We may keep the information which you give us to help monitor our policy and for the requirements of a financial services licensee.

As a result of our assessment we might limit some features for your Account.

Our assessment of your suitability to trade in CFDs and any limits we set for your Account (or later change to those limits) should not be taken as personal advice to you to trade in CFDs nor does it imply that we are responsible for any of your losses from trading in CFDs.

To the extent permitted by law, we do not accept liability for your choice to invest in any CFDs so you should read all of this PDS carefully, consider your own needs and objectives for investing in these CFDs and take independent advice as you see fit.

Even if we assess you as suitable to commence trading CFDs with us, we urge you to experience trading on our (free) demonstration account for a while to ensure you are familiar with the terminology of our CFDs and how the Platforms work.

## 2.5 Nature of our CFDs

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A CFD is a sophisticated over-the-counter financial product which allows you to make a profit or loss from changes in the market price of the CFD's Underlying Financial Product, without actually owning that financial product or having any direct interest in the financial product.

The amount of any **gross** profit or loss made on the CFD will be equal to the difference between the price of the CFD with reference to the Underlying Financial Product when the CFD is opened and the price of the CFDs with reference to Underlying Financial Product when the CFD is closed, multiplied by the number of CFDs held.

The calculation of any net profit or loss is also affected by other payments or amounts credited or debited to your Account, including Transaction Fees, Finance Charges, any adjustment amounts for dividends declared in relation to a Share CFD's Underlying Financial Product and any other charges (for more information, see Section 8).

The value of a CFD can also be affected by fluctuations in foreign exchange if you effect a Transaction denominated in a currency different from the denomination of your Trading Account currency.

You can take both "long" and "short" CFD positions. If you take a long position, you profit from a rise in the Underlying Financial Product, and you lose if the price of the Underlying Financial Product falls. Conversely, if you take a short position, you profit from a fall in the price of the Underlying Financial Product and lose if the Underlying Financial Product price rises.

Unlike direct investments made by trading on an Exchange, CFDs are not standardised. The terms of CFDs are based on the Account Terms with FP Markets, which apply to your Trading Accounts and your CFDs.

CFDs do not give you any beneficial interest in the Underlying Financial Product nor any right to acquire the Underlying Financial Product. You have none of the rights of a holder of that financial product. This is different from direct trading in the Underlying Financial Product where you acquire a beneficial interest in the actual financial product.

## 2.6 Types of CFDs covered by this PDS

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This PDS covers our Share CFDs, Futures CFDs, FX CFDs and Metals CFDs traded on IRESS platforms. There are Sections later in this PDS on the particular features of each of those types (see table of contents on the inside cover).

(For CFDs traded on our FP Global Platform, please see our other PDS specifically for those CFDs.)

## 2.7 Benchmark Disclosure

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ASIC has introduced benchmarks for over-the-counter derivatives which include FP Markets' CFDs. It is important to note that the benchmarks are not mandatory and are not law. ASIC has



introduced them by way of stating in its Regulatory Guide 227 ASIC's expectations. Not meeting the benchmarks is not an indication of breaches or failures. Rather, the benchmarks in RG 227 also require prominent disclosure in a PDS as to whether a CFD issuer (such as FP Markets) meets the benchmarks or, if not, the reasons why they are not met are explained in the PDS.

The following table summarises the benchmarks applying to FP Markets' CFDs, whether FP Markets meets them and, if not, why not.

The table also refers you to other Sections of this PDS for more information on relevant topics (to avoid duplicating the information in this PDS).

ASIC RG 227 Benchmark	FP Markets
<p><b>1 Client qualification</b></p> <p>If an issuer meets this benchmark, the PDS should clearly explain:</p> <ul style="list-style-type: none"> <li>• that trading in CFDs is not suitable for all investors because of the significant risks involved; and</li> <li>• how the issuer's client qualification policy operates in practice.</li> </ul> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described in RG 227.40, it should disclose this in the PDS and explain why this is so.</p>	<p>FP Markets believes that it meets this benchmark. Please see Section 2.4.</p>
<p><b>2 Opening collateral</b></p> <p>If an issuer meets this benchmark, the PDS should explain the types of assets the issuer will accept as opening collateral.</p> <p>If an issuer accepts non-cash assets as opening collateral (other than credit cards to a limit of \$1000), the PDS should explain why the issuer does so and the additional risks that using other types of assets (e.g. securities and real property) as opening collateral may pose for the investor. This includes, for example, the risks of 'double leverage' if leveraged assets are accepted as opening collateral.</p>	<p>FP Markets does not meet this benchmark because it accepts as funding for opening the account:</p> <ul style="list-style-type: none"> <li>• on approval, certain non-cash assets transferred for opening the account; and</li> <li>• payments by credit card for more than \$1,000.</li> </ul> <p>The features of FP Markets accepting non-cash assets for opening and later funding the account and the additional risks of this are described in Section 9.</p> <p>The additional risks of paying by credit card are described in Section 10.7.</p> <p>FP Markets otherwise meets this benchmark.</p>

ASIC RG 227 Benchmark	FP Markets
<p><b>3. Counterparty risk - Hedging</b></p> <p>If an issuer meets this benchmark, the PDS should provide the following explanations:</p> <ul style="list-style-type: none"> <li>• a broad overview of the nature of hedging activity the issuer undertakes to mitigate its market risk, and the factors the issuer takes into account when selecting hedging counterparties; and</li> <li>• details about where investors can find the issuer's more detailed policy on the activities it undertakes to mitigate its counterparty and market risk, and the names of any hedging counterparties.</li> </ul> <p>If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so.</p> <p>The PDS must include information about the significant risks associated with the product: s1013D(1)(c). The PDS should also provide a clear explanation of the counterparty risk associated with OTC CFDs. The PDS should explain that, if the issuer 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 the issuer's insolvency.</p>	<p>FP Markets would meet this benchmark but does not due to:</p> <ul style="list-style-type: none"> <li>• FP Markets does not disclose or specify the names of its hedge counterparties in its hedge counterparty policy which is publicly available.</li> </ul> <p>FP Markets states in its PDS that its policy is to hedge 100% of all CFDs which can be hedged with an Exchange-traded Underlying Financial product and how it hedges other CFDs.</p> <p>This PDS complies with the requirements to include information about the significant risks associated with the CFDs (see Section 7) and also provides an explanation of the counterparty risk associated with OTC CFDs (see Section 3.19).</p> <p>This PDS explains that, if FP Markets defaults on its obligations, investors may become unsecured creditors in an administration or liquidation.</p> <p>FP Markets clients will have no recourse to any underlying asset in the event of FP Markets' insolvency.</p>
<p><b>4 Counterparty risk – Financial resources</b></p> <p>If an issuer meets this benchmark, the PDS should explain how the issuer's policy operates in practice.</p> <p>If an issuer does not meet the requirement on stress testing, it should explain why and what alternative strategies it has in place to ensure that, in the event of significant adverse market movements, the issuer would have sufficient liquid resources to meet its obligations to investors without needing to have recourse to client money to do so.</p> <p>An issuer should also make available to prospective investors a copy of its latest audited annual financial statement, either online or as an attachment to the PDS.</p>	<p>FP Markets would meet this benchmark except that FP Markets makes available copies of its latest audited annual financial statement only by inspection at the office of FP Markets.</p> <p>FP Markets otherwise meets this benchmark – for a description of how FP Markets' policy on maintaining adequate financial resources see Section 3.19.1.</p>

ASIC RG 227 Benchmark	FP Markets
<p><b>5 Client moneys</b></p> <p>If an issuer meets this benchmark, the PDS should clearly:</p> <ul style="list-style-type: none"> <li>• describe the issuer’s client money policy, including how the issuer deals with client money and when, and on what basis, it makes withdrawals from client money; and</li> <li>• explain the counterparty risk associated with the use of client money for derivatives.</li> </ul> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described above, it should disclose this in the PDS.</p> <p>If an issuer’s policy allows it to use money deposited by one client to meet the margin or settlement requirements of another client, it should very clearly and prominently explain this and the additional risks to client money entailed by this practice.</p> <p>An issuer’s client money policy should be explained in the PDS in a way that allows potential investors to properly evaluate and quantify the nature of the risk, if any, to client money.</p>	<p>FP Markets believes it meets this benchmark in all respects.</p> <p>The features and risks of this are clearly and prominently explained in this PDS as are the additional risks to client money arising by this practice.</p>
<p><b>6 Suspended or halted underlying assets</b></p> <p>If an issuer meets the benchmark, the PDS should explain the issuer’s approach to trading when underlying assets are suspended or halted.</p> <p>If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so, as well as the additional risks that trading when underlying assets are suspended may pose for investors.</p> <p>To provide a full explanation of this aspect of the product, an issuer should explain any discretions it retains as to how it manages positions over halted or suspended assets, and how it determines when and how it uses these discretions. This should include disclosure of any discretions the issuer retains to:</p> <ul style="list-style-type: none"> <li>• change the Margin requirement on a position;</li> <li>• re-price a position; or</li> <li>• close out a position.</li> </ul>	<p>FP Markets believes it meets this benchmark in all respects.</p> <p>FP Markets’ approach to trading when underlying assets are suspended or halted is described in Section 3.14.</p> <p>FP Markets’ discretions and how it manages its positions are described in Section 3.14 and Section 10.2.</p>

ASIC RG 227 Benchmark	FP Markets
<p><b>7 Margin calls</b></p> <p>If an issuer meets this benchmark, the PDS should explain the issuer's policy and margin call practices.</p> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described above, it should disclose this in the PDS and explain why this is so.</p> <p>To provide full and accurate information about this aspect of CFD trading, the PDS should clearly state that trading in CFDs involves the risk of losing substantially more than the initial investment. This will ensure the issuer meets its obligation to include in the PDS information about the significant risks associated with the product: s1013D(1) (c).</p>	<p>FP Markets does not meet this benchmark in certain respects.</p> <p>FP Markets describes its margin policy at Section 3.11 and the risks at Section 7.</p> <p>FP Markets does not commit to taking any reasonable steps to notify investors before making a Margin call because that is contrary to the Account Terms and would, if it applied, tend to have a worse financial effect for individual clients and therefore for all Clients generally, since they could all suffer adverse price movements while waiting for an undefined reasonable notice period that is only later decided after lengthy and costly legal proceedings.</p> <p>FP Markets might attempt to contact Clients, but the Account Terms clearly require the Client (i) to maintain the required minimum Margin Cover as well as (ii) to meet any Margin call. A Client must meet the Margin Cover requirements whether or not the Client is aware of the current Margin Cover. A Client must meet a Margin call even if they have not actually received the Margin call made to the address they gave FP Markets.</p>

## 3 How to Trade

### 3.1 Your Account

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This PDS makes reference to “your Account” or to an “Account” with FP Markets. This section explains the meaning of this term.

You need to establish your Account by completing FP Markets’ Account application form, which will be made available for you on FP Markets’ website or by contacting FP Markets directly. After FP Markets accepts your application, your Account will be established. Your Account covers all of the services and products which you apply for in your application form and which is accepted by FP Markets. This gives you one login for both your CFD trading and your share trading.

Within your Account you may have one or more Trading Accounts. A Trading Account is a sub- account of your Account for a specific method of dealing, such as for a Platform or (if you choose) for dealings in a particular product.

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

The legal terms governing your Account and your dealing in our CFDs are set out in the Account Terms. The Account Terms also have the legal terms for your dealings with us for other financial products which are not covered by this PDS.

FP Markets requires an initial balance of \$1,000 in order to establish your Account (so you must pay at least Initial Margin of your first OTC Transaction). FP Markets also requires that you maintain a minimum balance (known as your 'Free Equity') in your Account at all times. If your Account’s Free Equity falls below the required amount, then FP Markets may reduce or Close Out any or all of your CFDs.

The Account is not a deposit product. It is a record of the amount of funds held to your credit, calculated in accordance with the Account Terms and this PDS. A change in the value of the Account does not necessarily mean that any actual transfer of funds has occurred, whether it be between you and FP Markets, or between the client money trust account and any other account.

FP Markets requires an initial balance in order to establish your Account (so you must pay at least Initial Margin of your first OTC contract).

### 3.2 Opening a CFD

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The particular terms of each CFD are agreed between you and FP Markets before entering into the Transaction.

Before you enter into a CFD, FP Markets will require you to have sufficient Account Value (as defined in the Glossary in Section 11) to satisfy the Initial Margin requirements for the relevant number of CFDs. The fees and charges of transacting CFDs with FP Markets are set out in this PDS.

When you Close Out the CFD, you are entering into a new CFD opposite to your open CFD. You are liable for the costs, fees and charges as described in this PDS (see Section 8 and the relevant Section for each type of CFD). You should be aware that your investment might suffer a loss, depending on the marked-to-market value of your CFD at termination compared with the total cost of your investment up to the time of termination.

A CFD position is opened by buying a CFD, corresponding with either buying (going long) or selling (going short) the Underlying Financial Product. You go “long” when you buy a CFD corresponding with buying the Underlying Financial Product in the expectation that the price of the Underlying Financial Product to which the CFD is referable will increase, which would have the effect that the price of the CFD would increase.

You go “short” when you buy a CFD corresponding with selling the Underlying Financial Product in the expectation that the price of the Underlying Financial Product to which the CFD is referable will decrease, which would have the effect that the price of the CFD will decline.

### 3.3 Dealing

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Quotes for prices for dealing in our CFDs are indicative only and so are subject to the actual price at the time of execution of your Transaction. There is no assurance that the CFDs will actually be dealt with at the indicative quote, especially if you delay placing the Order. You do not have a contract for a CFD unless and until the moment your Order is actually executed, which will correspond with the time our

hedge contract for your CFD is executed. This will be shown on your Trading Account.

Quotes can only be given and Transactions made during the open market hours of the relevant Exchange or market on which the Underlying Financial Products are traded. The open hours of the relevant Exchanges are available by viewing the relevant Exchange website or by contacting FP Markets.

FP Markets may at any time in its discretion without prior notice impose limits on our CFDs in respect of particular Underlying Financial Products. Ordinarily, FP Markets would only do this if the market for the particular Underlying Financial Products has become illiquid or its trading status has been suspended or there is some significant disruption to the markets, including trading facilities.

You should be aware that the market prices and other market data which you view through FP Markets' Platforms or other facilities which you arrange yourself may not be current or may not exactly correspond with the prices for our CFDs offered or dealt by FP Markets.

If you access your Accounts and any Platform outside of the hours when Orders may be accepted, you should be aware that the Orders may be processed at a later time when the relevant Exchange or market is open to trading, by which time the market prices (and currency exchange values) might have changed significantly.

### 3.4 Pricing - Bid/Offerspread

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FP Markets quotes a lower price and a higher price at which you can place your Order. This is referred to as the Bid/Offer spread. The higher quoted price is the indication of the price at which you can buy the CFD. The lower quoted price is the indication of the price at which you can Close Out the CFD (which you do by buying an opposing CFD, sometimes referred to as selling your CFD).

FP Markets aims to give competitive pricing but please be aware that FP Markets does not act as your agent to find you the best prices.

When your Order is executed, for you to break even or realise a profit, putting aside for the sake of simple illustration any fees, charges or currency considerations, the price at which you exit your position needs to be at least equal to the original bid or offer price that you started the position (depending on whether you went long or short); if you trade at the Offer, the price needs to reach the Bid and viceversa.

Also, the available pricing may be limited by minimum steps, depending on the market or Exchange rules for trading the Underlying Financial Product or its hedge, so, depending on the CFD you choose, your Order to exit your position might have to be in minimum increments of pricing before it can be accepted and executed.

### 3.5 CFD Pricing model

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All FP Markets' CFDs whose Underlying Financial Product can be Exchange-traded are 100% hedged by FP Markets using its direct market access to those Exchange-traded Underlying Financial Products which is provided by financial institution Hedge Counterparties. The pricing for those CFDs is based on the direct market access pricing available to FP Markets (known as "DMA-pricing").

If the CFD's Underlying Financial Products are not Exchange-traded, then FP Markets hedges those CFDs by accessing institutional markets available to FP Markets. The hedging might not be 100% and the pricing of the CFDs reflects the market pricing available to FP Markets. Since there is no Exchange for those Underlying Financial Product (such as FX, metals, bullion or other commodities), all price quotes by FP Markets for those CFDs are based on market (not any Exchange) prices offered to FP Markets. This is known as an "Electronic Communication Network" (or "ECN") and gives "ECN-pricing".

While it is easy to remember that CFDs in respect of Exchange-traded shares or futures will be 100% hedged and have DMA-pricing, a list showing which CFDs are 100% hedged and have DMA-pricing and the CFDs which have ECN-pricing and might not be 100% hedged is available to download from the FP Markets website [www.fpmarkets.com.au](http://www.fpmarkets.com.au) or by contacting FPMarkets.

Here is some more explanation of how the hedging and pricing works.

Since CFDs are OTC contracts issued by FP Markets, there is no "direct market access" to any underlying CFDs. Instead, there is the potential for pricing and issuance of the CFD by reference to the pricing of and execution of DMA hedging in the *Underlying Financial Product* for the CFD. As mentioned above, all FP Markets' CFDs covered by this PDS which have an Underlying Financial Product traded on an Exchange are 100% hedged with a Hedge Counterparty that automatically gives to FP Markets DMA-

pricing and execution for the hedge in the CFD's Underlying Financial Product. That is directly reflected in the pricing of those CFDs issued by FP Markets to you.

All price quotes by FP Markets for Share CFD and Futures CFDs are the same as the price or value of the Underlying Financial Product on the relevant Exchange if the Client has chosen live pricing (which incurs additional Fees, which the Client agrees to on accepting the subscription agreement, otherwise by default there will be delayed pricing).

For example, if BHP is quoted on the ASX as 48.80/48.81 then the price which FP Markets will quote for CFDs will be the same, i.e. 48.80/48.81.

When your Order for a CFD is accepted by FP Markets, FP Markets immediately makes a trade on its own account to hedge the CFD which it issues to you (see also "Hedge Counterparty Risk" in Section 3.19). Please remember that while FP Markets aims for competitive pricing, it is not acting as your agent. Our CFDs result in real time execution with prices based on prices for the Underlying Financial Product when the underlying Exchange for them is open for hedging the Underlying Financial Product for those CFDs. So, for Share CFDs, they allow your CFD order to reflect participation in the order book and opening and closing phases of the market. DMA CFD pricing ordinarily has no other dealer intervention and therefore no price re-quotes and order rejection. It also translates into faster execution.

CFDs whose Underlying Financial Products are not Exchange-traded cannot have DMA-based pricing from an *Exchange* and execution for their hedges on an *Exchange*. Instead, FP Markets hedges those CFDs by accessing the facilities offered by institutional-level Hedge Counterparties in one or more ECNs.

FP Markets' hedge contracts for these CFDs are made with one of FP Markets' Hedge Counterparties by reference to the underlying market for the Underlying Financial Product but there is no automatic direct linking of pricing to any Exchange. That is reflected in the pricing of those CFDs issued by FP Markets to you. Please remember that while FP Markets aims for competitive pricing, it is not acting as your agent.

FP Markets may hedge up to 100% of each CFD with ECN-pricing (see also "Hedge Counterparty Risk" in Section 3.19).

## 3.6 FP Markets Platforms

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Your Account gives you access to a range of FP Markets Platforms. You choose which FP Markets Platform(s) you want to use.

This PDS covers all CFDs offered through our IRESS Platforms. (For CFDs traded on FP Global, please see our other PDS specifically for CFDs traded through that Platform.)

All of our CFDs are hedged to the same extent, regardless of which FP Markets Platform you use (see "Hedge Counterparty Risk" in Section 3.19).

You will have a Trading Account for each FP Markets Platform which you use. You can choose to open more than one Trading Account with any type of FP Markets Platform, which might be convenient for you but please remember that each of your Trading Accounts, whichever you have chosen, will be separately managed and margined in the ordinary course. Surplus Margin Cover in one Trading Account will not automatically be allocated to another Trading Account, so you could lose all of your investment in one Trading Account (e.g. if you have not maintained the required margin cover for that Trading Account) and still have surplus Margin Cover in another Trading Account. If you are in default to FP Markets, we may access credit in any Trading Account to cover your shortfall.

We recommend that prior to engaging in live trading you open a (free) demonstration account and conduct simulated trading. This enables you to become familiar with trading our CFDs and the Platform you choose.

Please refer to our website or contact FP Markets for downloading a demonstration account.

There is also educational material available on our website.

## 3.7 Confirmations of Transactions

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If you transact in our CFDs, the confirmation of that Transaction (as required by the Corporations Act) is provided by you accessing the daily statement online (which you can print).

If you have provided FP Markets with an email or other electronic address, you consent to confirmations being sent electronically, including by way of email or the information posted to your Trading Account in a Platform. It is your obligation to review the confirmation immediately to



ensure its accuracy and to report any discrepancies within 24 hours.

When you enter an Order into a Platform, the system may report the main features of your Transaction in a “pop-up” window or other online notice. This is only a preliminary notification for your convenience and is not designed to be a confirmation as required by the Corporations Act.

## 3.8 No shareholder benefits

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If the CFD relates to an Underlying Financial Product which is an Exchange-traded security, you do not have rights to vote, attend meetings or receive the issuer’s reports, nor can you direct FP Markets to act on those rights. Other benefits such as participation in shareholder purchase plans or discounts are unavailable.

## 3.9 Payments & Client Moneys - overview

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We appreciate that it is important that you understand how your payments are dealt with. In the following Sections we explain the four main phases of trading in a CFD:

- establishing a CFD position
- paying Margin for a Margin call or to maintain the required minimum Margin Cover
- having surplus Margin Cover
- Closing Out a CFD

## 3.10 Payments and Client Moneys - Establishing a CFD position

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### 3.10.1 Establishing a CFD position - introduction

Before you transfer any money to FP Markets, you should carefully consider how your money will be held and used and the risks to you of paying money to FP Markets.

#### *Steps and introductory summary*

**Step 1** You (as our Client) pay moneys into the FP Markets client moneys trust account.

**Step 2** Funds are then credited to your Trading Account, which is a record maintained by us that shows the net of the payment you have made or are required to make to us and the payments we have made or are required to make to you. The Trading account is not a deposit account and no money is held in the Trading Account. Under the Client Agreement you authorise us to credit your Trading Account with any amounts deposited by you in the FPM client money trust account (discussed below) and the amounts we are required to credit to you and designate the amounts in the Trading Account as either free balance or margin depending on the amount of funds you have deposited with us, your orders, open CFDs and market movements.

FP Markets’ general policy is that it will only withdraw from the FP Markets client moneys trust account your money when it becomes payable to FP Markets under one of the CFDs you have entered into with us, or for the payment of any fees due to us as set out in this PDS and in accordance with the Account Terms, or as otherwise authorised by law. The balance of your funds, including your margin, is held in the FP Markets client money trust account.

At Step 2, your Account will be credited in order for you to trade in the FP Markets CFDs.

**Steps 3 and 4** are virtually simultaneous:

**Step 3** FP Markets CFDs are issued to you.

**Step 4** FP Markets makes any hedge with Hedge Counterparties using its own funds.

### 3.10.2 FP Markets Client Money Trust Account

Moneys paid by you to FP Markets for CFDs are initially deposited into a client moneys trust account maintained by FP Markets, which is referred to in this PDS as the “FP Markets client moneys trust account”.

The moneys paid by you into the FPM client moneys trust account are held for you and are segregated from FP Markets’ own funds. This means those funds are not available to pay general creditors in the event of receivership or liquidation of FP Markets except by court order.



Please note that FP Markets is restricted by law from using money paid to it by Retail Clients in connection with derivatives, including CFDs for certain purposes. FP Markets does not use derivative retail client money for any of the following purposes:

- meeting obligations incurred by the FP Markets in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives by FP Markets (including dealings on behalf of people other than the client);
- as FP Markets' capital, including working capital;
- for the purpose of meeting obligations incurred by FP Markets other than on behalf of the client; or
- for the purpose of entering into, or meeting obligations under, transactions that FP Markets enters into to hedge, counteract or offset the risk to FP Markets associated with a transaction between FP Markets and yourself – to the extent that FP Markets hedges its risk in contracts involving derivative retail client money, FP Markets will always use its own funds to pay the Hedge Counterparty.

In light of the above, FP Markets withdraws moneys from the Client Money Trust Account only for:

- paying FP Markets' CFD Clients amounts that are due to them on the CFDs; or
- payments for CFDs and fees and charges due to FP Markets on the CFDs;
- Making payments otherwise authorised by law.

FP Markets is entitled to retain all interest earned on the money held in the FP Markets client moneys trust account.

All money deposited into your trading account by you or by a person acting on your behalf, or which is received by FP Markets on your behalf, will be held on trust for you by FP Markets, deposited in one or more trust accounts established and maintained by FP Markets with its nominated bank and held and dealt with in accordance with the Corporations Act, the Corporations Regulations and the FPM Agreement. This money does not constitute a loan to FP Markets.

### 3.103 Record Keeping and Reconciliation of Retail Client Moneys

In accordance with the ASIC Client Money Reporting Rules 2017, FP Markets:

- keeps accurate records of the amounts of Retail Client Money it is required to hold in the FPM client money trust account for each client and on an aggregate basis; and
- performs daily and monthly reconciliations of the amounts of Retail Client Money that, according to our records, is required to be held in our FP Markets client money trust account *against* the amount of reportable client money that is actually being held in that account. These reconciliations are performed on an aggregate and individual client basis. Written records of our monthly reconciliations are sent to ASIC.

Further information about our client money policy can be found in our Policies and Procedures documents available on our website at <http://www.fpmarkets.com>.

### 3.104 Trust account(s)

It is important to note that holding your money in one or more trust accounts may not afford you absolute protection. The purpose of trust accounts is to separate Clients' funds from FP Markets' funds. All Client funds are pooled together within a trust account and so an individual Client's balance may not be protected if there is a default by another client that causes a loss to the overall trust account balance.

### 3.105 When money can be paid out of a trust account

Under the Corporations Act and the Corporations Regulations, FP Markets may pay money out of a trust account in the following circumstances:

- to make a payment to, or in accordance with the written directions of, a person entitled to the money (under Corporations Regulation 7.8.02(1)(a));
- to pay brokerage and other charges properly incurred by FPMarkets;
- to pay to itself money which FP Markets is entitled;
- to meet obligations incurred by FP Markets in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in CFDs by FP Markets, including dealings on behalf of FP Markets' other Clients; and
- to pay interest or finance charges due to FP Markets.

When you have directed FP Markets in writing to do so, FP Markets may pay your money out of a trust account for such purposes and in such manner as you and FP Markets agree, to the extent that your direction does not relate to any of the restricted purposes discussed in Section 3.10.5. Under the terms of the FPM Agreement, you are taken, for the purposes of Corporations Regulation 7.8.02(1)(a), to provide a written direction and authorisation to FP Markets to withdraw your money from the trust account and use it to pay itself the moneys you owe to FP Markets (this would include, for example, money you have lost by taking a particular position). This means that this money will no longer be held in the client money trust account.

By submitting an Application Form to FP Markets and becoming a Client of FP Markets, you acknowledge and agree that under the FPM Agreement all amounts you deposit with FP Markets may be used as described above.

### 3.10.6 Consequences of withdrawals from the FP Markets client moneys trust account

From the time of withdrawal from the FP Markets client moneys trust account:

- You lose the protections given to a client moneys trust account of that kind.
- You are an unsecured creditor of FP Markets for its obligations on the FP Markets CFDs and your other dealings with FP Markets. This includes exposure as an unsecured creditor for payment to you of the net account balance (if any) after Closing all of your positions and applying all Transaction Fees, Finance Charges and anything else you owe to FP Markets.

### 3.10.7 Unclaimed monies

If FP Markets holds over \$100 of Client money in a trust account which has not been operated for at least six years, and FP Markets has made reasonable efforts to identify and locate the owner of the money, but is unable to ensure that the money will be paid to the owner, then FP Markets will treat this money as unclaimed money and deal with it in accordance with the Unclaimed Money Act 1995 (NSW) (Unclaimed Money Act).

Under the Unclaimed Money Act FP Markets must:

- deal with unclaimed money in accordance with sections 10 and 11 of the Unclaimed Money Act, which require that where FP Markets is in possession of unclaimed money, it must lodge a return in respect of, and pay to the Chief Commissioner of State Revenue - Office of State Revenue, the amount equal to the unclaimed money held by that enterprise as at 30 June in each year by 31 October or such longer period as the Chief Commissioner may in a particular case allow; and
- establish procedures to identify and deal with unclaimed money as required by the Unclaimed Money Act.

### 3.10.8 Realisation of investments

Unless otherwise agreed in writing with a Client, upon realising an investment of Client money, the initial capital invested must either be invested in another investment permitted by the Corporations Act and Corporations Regulations or deposited by FP Markets into a trust account operated in accordance with the Corporations Act and Corporations Regulations.

If the amount received upon realising an investment of Client moneys is less than the initial capital invested, FP Markets must pay an amount equal to the difference into a trust account for the benefit of the Client, except where any such difference is the result of amounts paid out of the investment to FP Markets or any associate of FP Markets in accordance with the terms and conditions of the FPM Agreement.

### 3.10.9 Payments to or from third parties

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

## 3.11 Margin Call payments

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### 3.11.1 Margining of FP Markets CFDs

Here are the key features of margining which are explained further in this Section:

- Margin is a record posted as a credit to your Account or Trading Account with FP Markets. Posting Margin does not cause a transfer of funds between the client money trust account and FP Markets' own deposit account to occur. For the avoidance of any doubt, FP Markets holds Margin on trust for you in the segregated client money trust account.
- You must have sufficient margin for the FP Markets CFD to be issued to you.
- When you hold our CFDs, you are also liable to meet all calls for Margin.
  - This obligation is in addition to your obligation to maintain the minimum required Margin.
  - There is no limit as to when you need to meet Margin calls, how often you may be called or the amount of the Margin calls.
  - The timing and amount of each Margin call will depend on movements in the market price of the Underlying Financial Product for the CFDs which you choose and the things that affect the market price of the Underlying Financial Product and changes to the Account Value.
  - You have an obligation to meet the Margin call even if FP Markets cannot successfully contact you.
  - You have a risk of the CFDs being Closed Out if you do not meet the requirement to meet a Margin call.
  - This obligation (to meet Margin calls) is in addition to your obligation to maintain the required minimum Margin Cover for your Trading Account (see next item)
- When you hold our CFDs, you are also separately obliged to maintain at all times the minimum Margin Cover for all of the CFDs.
  - It is your obligation to monitor the minimum required amount of Margin Cover for your Account.
  - It is your obligation to maintain the minimum required Margin Cover at all times for so long as you have an Open Position in a CFD that is, you must ensure the Margin Cover amount is positive at all times.
  - FP Markets is not obliged to notify you about the amount of your Margin Cover or whether it is at least the minimum required amount of Margin Cover, though we may do so by email, telephone call or otherwise, as a courtesy.
  - You have a risk of the CFDs being Closed Out if you do not have in your Account sufficient Margin credited to it, regardless of whether you have checked your Account's requirement for minimum Margin or whether you have tried to make a payment but it has not been credited to your Account.

### 3.11.2 Margin policy

FP Markets applies the following main Margin principles:

- Each Client is required to maintain a sufficient minimum required amount of Margin before issuance of our CFDs. The minimum amount is determined by FP Markets based on a number of factors, including the market price of the Underlying Financial Product, the Margin required to hedge the Underlying Financial Product, the margin which FP Markets is required to pay its Hedge Counterparty and FP Markets' risk assessment of the Client, and any unrealised loss or gain on your Trading Account at any point in time.
- Each Client is required to maintain the minimum required Margin even if FP Markets pays less to its Hedge Counterparty. This is to minimise the risk of any one Client benefiting from other Clients' CFD trading.
- Each Client's Account is promptly adjusted for Margin requirements according to market movement so that no Client is intentionally benefited from other Clients' CFD trading. This could occur if, for example, the Client's Margin requirements are not adjusted in line with market changes or the credit risk on the Client.
- Each Client is required to pay Margin calls promptly and that is managed within the requirements of the Margin policy, so that no Client receives any substantial benefit or waiver which

imprudently jeopardises FP Markets and therefore increases the risks of other Clients to FP Markets.

The total amount of Margin required of, and paid by, Clients trading in CFDs is more than FP Markets is required to pay its FP Markets CFD Hedge Counterparty.

### 3113 Paying Margin

As explained earlier in this PDS, you must pay the Initial Margin before the CFDs are issued to you. You must then maintain the minimum amount of Margin required by us. Separately, you must pay any further Margin when we require.

To provide Margin, you deposit the funds into the FP Markets client moneys trust account. This amount will then be posted as a credit to your Account.

FP Markets' general policy is that it does not accept as payment a copy of your payment instructions into the FP Markets client moneys trust account. However, FPMarkets may, in its discretion, choose to credit your Trading Account before it withdraws your money from the FP Markets client moneys trust account.

### 3114 How is Margin calculated?

FP Markets sets the amount of the Initial Margin and, at any later time, may require more Margin to maintain the required amount of Margin.

The minimum Initial Margin will be set by FP Markets and calculated as a percentage of the full face value at the current market price (market exposure) of the CFDs.

Owing to the volatility of the market, the amount of required Margin may change after a position has been opened, requiring a further payment as Margin because your initial payment has become insufficient. Margin amounts are calculated to cover the maximum expected movement in the market at any time but will change when the market changes, so those calculation might not cover all market movements and since those Margin requirements can change rapidly and continuously, you need to ensure your Margin Cover is positive at all times otherwise you risk some or all of your positions being automatically Closed Out.

Here is an example of calculating Margin Cover: You deposit \$10,000 and you pay FP Markets in order for your Trading Account to be credited with \$10,000. You enter into a CFD and FPMarkets requires you to pay Initial Margin of \$8,000. A short time later, there are fluctuations in the market such that your unrealised loss on your Account is \$2,000. As a result, your Margin Cover is fully utilized and therefore you have no capacity to enter into further Transactions (except to close your Open Position) and you are at risk of being Closed Out if there are further adverse movements in the pricing.

Under the Account Terms, your obligation to pay Margin arises from the time you have an Open Position. If the market moves so as to increase the minimum Margin requirements, or FP Markets increases the minimum Margin requirement, you immediately owe the increased amount of the Margin Cover, regardless of if or when we contact you to pay more Margin. Your obligation to maintain the minimum required Margin remains at all times, whether or not we contact you and whether or not you log into your Account.

You will be required to provide the required Margin whether or not you receive a Margin call. In other words, you are responsible for monitoring your positions and providing the required level of Margin. You might receive notice about Margin requirements by email, SMS message or, when you access your Trading Account online, by pop-up messages on your screen, but you need to provide the Margin whether or not you receive notice.

The values of your CFD positions are ordinarily marked to market on a continuous basis, which automatically leads to corresponding changes in Margin requirements for your Account. However, at weekends or at other times when trading on the Exchange relevant to the Underlying Financial Product is closed, some Margin requirements automatically increase.

### 3115 Margin calls

Apart from your obligation to maintain the required amount of Margin, you are also obliged to meet Margin calls by paying the required amount by the time stipulated in the Margin call.

- If no time is stipulated, payment is required within 24 hours of the Margin call being made. Sometimes, however (such as in unusually volatile market conditions or rapidly falling market prices), little or no time may be stipulated for paying a Margin call (that is, immediate payment is required) or more than one Margin call may be made on the one day including at weekends or

outside of local business hours.

If you do not answer the telephone on the number you give us, or you do not read the emailed Margin call which was sent to the email address you gave us, you remain liable to meet the Margin call. That is why you need to be contactable 24 hours a day, 7 days a week.

### 3.11.6 Margin defaults

If you do not ensure that you maintain the required level of Margin or meet your obligation to pay Margin calls (even those requiring immediate payment), all of your positions (not just the CFDs) may be Closed Out and the resulting realised loss deducted from any proceeds. Any losses resulting from Closing Out your Open Positions will be debited to your Trading Account(s) and you may be required to provide additional funds to FP Markets to cover any shortfall. If you are trading through a Platform, you must read the rules of the platform particularly carefully. If you do not comply with your obligations, all of your Open Positions can be Closed Out automatically.

It is your responsibility to pay your Margin and meet Margin call payments on time and in cleared funds, so please keep in mind the possibility of delays in the banking and payments systems.

FP Markets only acts on cleared funds. If your payment is not cleared and credited by FP Markets by the time you are required to have the necessary Margin or meet the Margin call, you could lose some or all of your positions. FP Markets may but need not give you any grace period. You should maintain a prudent level of Margin and make payments in sufficient time to be cleared and credited to your Account. It will not be enough just to send a copy of your payment transfer instructions. Please see “Margin risks” in Section 7.

FP Markets allows you to make payment in a number of ways. Since those payment details may be unique to you, please contact your FP Markets adviser for arranging your payment methods.

## 3.12 Surplus Margin Cover

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### 3.12.1 Surplus Margin Cover - introduction

If you have excess Margin, i.e. the Margin Cover amount is positive so you have some Free Equity, then you may request payment of an amount not exceeding Free Equity. FP Markets will determine if that is permissible and if so it will arrange for the permitted amount to be paid into your nominated bank account from the FP Markets Client Money Trust Account.

### 3.13 Close Out and return of surplus funds

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#### 3.13.1 Close Out and return of surplus funds - Introduction

If you Close Out the CFD, realising a gain and your Account has a net credit balance above any remaining minimum required Margin Cover, you may request payment of the Free Equity.

FP Markets will arrange for the permitted amount to be paid into your nominated bank account.

### 3.14 Valuation

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During the term of the CFDs, FP Markets will determine the value of your Trading Account(s), based on the value of the CFDs in your Trading Account(s) and the Margin cover. FP Markets is always responsible for determining the valuation of CFDs, since it issues them as principal.

For your information, the value of CFD positions is ordinarily adjusted, automatically, on a periodic basis continuously throughout their term, reflecting the periodic valuation of the Underlying Financial Product on a marked to market basis. These systemic, automatic periodic valuations may not always coincide with the exact time when the Exchange for the relevant Underlying Financial Product closes and opens, due to the variety of Exchange times for trading their Underlying Financial Product and the Exchange's discretions to vary those times. This means that FP Markets' Closing Price ordinarily will be struck at the time of the systemic, periodic valuation during any day and, in case you compare them with an Exchange's closing price, FP Markets' Closing Price might not exactly match the Exchange's own closing price for the particular Underlying Financial Product due to this timing of the periodic valuations. Your Account statement shows FP Markets' valuations and calculations.

The ordinary cycle of automatic, periodic valuations does not occur in some relatively uncommon cases. If trading in the Underlying Financial Product is suspended or halted by the relevant Exchange, the CFD position will be re-valued by FP Markets for your Trading Account or, in FP Markets' discretion, be terminated (in either case, without prior notice to you). FP Markets may re-value the Underlying Financial Product to nil value, even if there are sales off market for some value and despite any uncertainty as to whether the suspension will be lifted or if there will be any value realised on the liquidation of the issuer. FP Markets will determine the re-valued price in its discretion based on a number of factors, including the effect of the suspension or halt on its corresponding hedge contract. FP Markets may also make a valuation outside the ordinary periodic cycle if there is a disruption to the publication of an index relevant to an Underlying Financial Product (which is an index) or if there is an adjustment (by FP Markets) due to a corporate action which has not flowed through the periodic marking to market of the Underlying Financial Product.

### 3.15 CFD Order Types

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Different types of Orders are available on the Platforms. You will be able to find out information about Orders that apply on your chosen Platform when you log in. The following are examples of Order types that may be available to you. If you have any questions, please contact FP Markets.

#### Important notice about this Section

When you request one of the types of Orders described in this Section, we have discretion whether or not to accept and execute any such request. We retain our discretion to accept or reject any Orders even though ordinarily there will be prompt execution of your Orders. While we cannot give you any fixed rules about when we would exercise our discretion, it would typically be when we are acting in accordance with one of our policies (such as compliance, or margin policy) or our Hedge Counterparty imposes its own restrictions, such as due to market regulations or compliance policies.

The price at which we accept an Order to trade will generally be on the basis of filling the full volume of the Order in one Transaction if possible and partially filled Orders will be filled as soon as the opportunity arises. The type of Orders and how they may be filled, if at all, might depend on the rules of the Exchange where the Underlying Financial Products are being traded and the pricing model you have selected. For some CFDs that you choose to trade, there may be a minimum trade value or other restrictions (e.g. pricing) that relate to a particular market.

## **Limit Order**

Limit Orders are commonly used to enter a market and to take profit at predefined levels.

- Limit Orders to buy are placed below the current market price and are executed when the Offer price hits or breaches the price level specified. If placed above the current market price, the Order is filled instantly at the best available price below or at the limit price.
- Limit Orders to sell are placed above the current market price and are executed when the Bid price breaches the price level specified. If placed below the current market price, the Order is filled instantly at the best available price above or at the limit price.

When a limit Order is triggered, it is filled as soon as possible at the price obtainable on the market.

Note that the price at which your Order is filled may differ from the price you set for the Order if the opening price of the market is better than your limit price. In the case of CFDs, the Order will be filled if possible, and any remaining volume will remain in the market as a limit Order.

## **Market Order**

A market Order is an Order to buy or sell at the current market price as soon as possible. i.e. if the market is closed, the Order will be executed when the market opens.

## **Market to Limit Order**

A market to Limit Order is an Order to buy or sell at the current market price as soon as possible. If the full order volume can not be filled at the best bid(offer), the remainder of the order will rest as a limit order.



## **Order duration**

### **Good till cancelled (GTC)**

Order valid until it is either manually cancelled or is executed because the necessary market conditions have been met.

### **End of Day Order (EOD)**

Order valid until the end of the day. The end of the day is 17:00 New York time on the day that you place the Order. The Order will remain in the market until the end of the day. The end of the day is determined by the relevant Exchange on the day that you place the order.

### **Select date**

Select date allows you to select any date.

## **How to Place a Related Order**

Several types of related Orders are available. An “If Done Order” consists of two Orders: A primary Order that will be executed as soon as market conditions allow it, and a secondary Order that will be activated only if the first one is executed. A “One Cancels the Other” (O.C.O.) Order consists of two Orders. If either of the Orders is executed, the related Order is automatically cancelled. 3-way contingent Orders are where two Orders are placed if a primary (If Done) Order is executed. These Orders are themselves related as O.C.O. Orders allowing both a stop loss and a profit taking Order to be placed around a position.

## **Stop-Loss Orders**

FP Markets may, in its discretion, accept an Order from you to close a CFD if the price moves to or beyond a level specified by you. This is known as a “stop-loss Order”.

You would generally choose to place a stop-loss Order to provide some risk protection. Stop Orders are commonly used to exit positions and to protect investments in the event that the market moves against an Open Position.

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 Transaction you have.

Stop Orders to sell are placed below the current market level and your stop-loss Order would be executed i.e. triggered if our bid price (for a stop-loss Order that requires an Order to sell a CFD) moves against you to a point that is beyond the level specified by you (and accepted by us). Conversely, Stop Orders to buy are placed above the current market level and your stop-loss Order would be executed i.e. triggered if our offer price (for a stop-loss Order that requires an Order to buy a CFD) moves against you to a point that is beyond the level specified by you (and accepted by us).

All stop-loss Orders are subject to agreement by us, so you cannot be assured that you will always be able to have a stop-loss Order. While FP Markets has absolute discretion whether to accept a stop-loss Order, it will generally try to do so, subject to market conditions and the reasonableness of your stop-loss Order. Your Order may be unreasonable if, for example, the level you have specified is beyond the level allowed for Orders for the Underlying Financial Product or trading in the Underlying Financial Product has been halted or suspended on the Exchange.

Even if we accept your stop-loss Order, market conditions may move against you in a way that prevents execution of your stop-loss Order. For example, in volatile markets, our quoted prices might gap though your stop-loss Order level, so that the closing level of quotes may be beyond the exact level specified by you. A gap in market prices reflects the market for the security, so can occur for any reason, without any apparent reason or at any time. Additionally, it may be that not all of the stop-loss Order can be fulfilled because the underlying market does not have enough buyers and sellers in the volume of the Underlying Financial Product to allow FP Markets to hedge its Transactions which it makes in Order to completely fulfil your stop-loss Order. If the opening price



of the Underlying Financial Product is beyond the level of your stop-loss Order, your Order will be filled at the opening level, not at your stop-loss Order level.

### **Stop Limit Order**

A stop limit Order is a variation of a Stop order, and a particular kind of stop loss Order, with a lower/higher limit price to suspend trading if the price falls/rises too far before the Order is filled. This effectively restricts trading to a defined price range.

A stop limit Order means that the Order will not get filled at all beyond 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.

### **Trailing Stop**

A Trailing Stop Order is a stop Order where the stop price trails the spot price. As the market rises (for long positions) the stop price rises according to the proportion you set, but if the market price falls, the stop price remains unchanged. This type of stop Order helps you to set a limit on the maximum possible loss without limiting the possible gain on a position. It also reduces the need to constantly monitor the market prices of Open Positions.

Example: you expect the price of an instrument to rise and reach at least 1.5710 by the end of the day. You open a long position at 1.5680. To limit any potential loss, you place a trailing stop Order with a trailing step of 5. During the day the market rises as predicted and the trailing stop follows. When the price suddenly drops to 1.5700, the trailing stop price has reached 1.5705 and is triggered. You have thereby not only protected your initial investment, but you have also managed to keep a good proportion of the profits.

When setting the stop price you should be careful not to set it too close to the current market price, especially in a volatile market, as the stop price might be hit before the price starts to go up/down as you expect. On the other hand you should carefully consider how much you can afford to lose, if your prediction does not hold.

In any case, the stop loss order, of any kind, is not a guarantee that it will actually be made. This is the case with any Order you place (and which is accepted by FP Markets) as long as it is made in accordance with the Account Terms. For example, FP Markets' Hedge Counterparties are required to ensure there is an orderly market, so their trading may be stopped by them or modified (by way of converting a stop loss Order to them to a stop limit Order) in order to comply with their obligation to maintain an orderly market. That means the stop loss Order you place with FP Markets could be similarly affected, if your CFD has been hedged by FP Markets with that Hedge Counterparty.

**You are not able to enter, amend, delete or view (pending) Contingent orders via the iphone application.**

## **3.16 Short CFDs**

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When dealing in short CFD positions, you are highly likely to be affected by the laws and Exchange rules in the country as they apply to short selling of the Underlying Financial Product, since that will flow through to if and how FP Markets obtains its hedge from its Hedge Counterparty.

For example:

- CFDs with Underlying Financial Products traded on some Exchanges from time to time: an up-tick rule applies where you can only short sell on an up-tick (which means a selling price that is higher than the last price).
- CFDs with Underlying Financial Products traded on the ASX: you may experience limitations on the amount of CFDs you can short trade in a single day, due to limited borrowing availability for the Underlying Financial Product in the underlying market.

When dealing in short CFDs, you can experience forced closure of a position if your CFDs get

recalled (which is a common way of referring to early Close Out of your CFD due to the hedge contract for your CFD being Closed Out early due to Hedge Counterparty being required to deliver the Underlying Financial Product to its own Hedge Counterparty). The risk is particularly high if the stock becomes hard to borrow due to take-overs, dividend announcements, rights offerings, other merger and acquisition activities, or increased hedge fund selling of the Underlying Financial Product.

Since the rules of each Exchange are considerable and may change, you should obtain a copy of the rules of the Exchange relevant to you by accessing the Exchange's website or you can contact FP Markets for assistance in identifying the relevant rules.

### 3.17 Market Misconduct

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All Australian financial services (AFS) licensees operating within a market (including FP Markets) have a legal obligation to ensure that the markets are fair, orderly and transparent and do all things necessary to ensure that financial services are provided efficiently, honestly and fairly. FP Markets Clients must 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.

Market misconduct provisions apply to all financial products and financial markets, and involve a range of offences carrying significant fines and other penalties. 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. FP Markets may close an account which it deems to have been engaging in market misconduct.

### 3.18 Closing A CFD

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Most CFDs do not have an expiry date. They remain open until they are Closed Out. With most CFDs you can hold the position for as long as you like. This may be for less than a day, or for months.

If you wish to close a CFD position before it expires, you enter into a CFD which is equal and opposite of the open CFD. To close a 'bought' or 'long' CFD you sell, and to close a 'short' or 'sold' CFD you buy.

To implement this, you use the Platform to determine the current pricing for CFDs for closing the CFD position (or part of it). You then decide whether to accept the pricing and, if so, you Close Out your Open Position in accordance with your instructions.

At the time that the CFDs are closed, FP Markets will calculate the remaining payment rights and obligations to reflect movements in the Contract Value since the previous business close (including other credits/debits). Because you enter into a CFD to Close Out the existing CFD, there may be a Transaction Fee on the CFD, used to close the position – see Section 8 on “Costs, Fees and Charges”.

In order to provide the CFDs to you in an efficient and low-cost manner, FP Markets has discretion in determining Closing Prices. In general, without limiting FP Markets' discretion, it should be expected that FP Markets will act reasonably and have regard to (but is not bound to follow exactly) a range of relevant factors at the time, such as the value of any hedge contract taken by FP Markets to hedge its CFDs issued to you, any relevant Exchange's closing price of the Underlying Financial Product for the CFD, any foreign currency exchange rates which are relevant due to the denomination of the CFDs or Trading Accounts and any suspension or halt in trading of the Underlying Financial Product. In the worst case, it is possible that the Closing Price determined by FP Markets maybe zero.

FP Markets also has the right to decide to make an adjustment in any circumstance if FP Markets considers an adjustment is appropriate. FP Markets has a discretion to determine the extent of the adjustment.

FP Markets may elect to close a position (without prior notice to you) if an adjustment event occurs and it determines that it is not reasonably practicable to make an adjustment.

Although there are no specific limits on FP Markets' discretions, FP Markets must comply with its obligations as a financial services licensee to act efficiently, honestly and fairly.

The amount of any profit or loss you make on a CFD will be based on the difference between the amount paid for the CFD when it is issued (including fees and charges) and the amount credited to your Trading Account when the CFD is Closed Out (including allowance for any fees and charges).

### 3.19 Your Counterparty Risk on FPMarkets

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When you deal in FP Markets' CFDs, you have a counterparty risk on FP Markets. An element of counterparty risk is "credit risk", so you should consider your credit risk with FP Markets having the financial resources at the time to pay you the amounts it owes you. The risk with FP Markets is affected by the extent FP Markets hedges its CFDs.

#### 3.19.1 Your credit risk on FP Markets

You have credit risk with FP Markets when your Account has a net credit balance made up from the amounts credited as Margin, the unrealised value of the CFDs, other amounts credited to your Account (from closed positions or Finance Charges credited to your Account), less fees and charges and the minimum required Margin Cover.

Your credit risk with FP Markets depends on the overall solvency of FP Markets, which is affected by FP Markets' risk management.

The moneys withdrawn from the FP Markets client moneys trust account are payments by the Client to FP Markets for the CFD (i.e. any losses you make on a position), as well as any applicable fees and charges as set out in this PDS and the Account Terms and amounts we are otherwise entitled to by law. These moneys become the property of FP Markets. For the avoidance of any doubt, FP Markets holds all Margin provided by you in the client moneys trust account.

Your credit risk on FP Markets is managed and reduced by FP Markets:

- applying its risk management policy and Margin Call Policy designed to reduce risk to FP Markets and therefore benefit all of its clients; and
- applying a hedging policy whereby all CFDs which have Underlying Financial Products which are Exchange-traded are 100% fully hedged and for all other CFDs hedging them in accordance with a hedging policy which is part of the risk management policy.

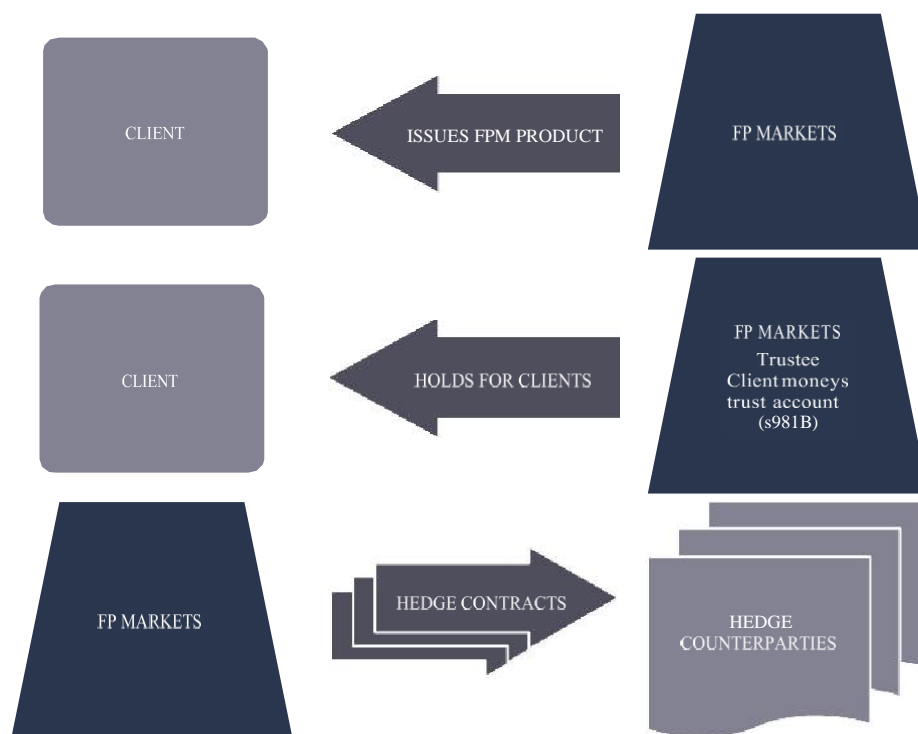
FP Markets has a risk management policy which sets out how FP Markets:

- monitors its compliance with its Australian financial services (AFS) licence financial requirements;
- conducts stress testing to ensure it holds sufficient liquid funds to withstand significant adverse market movements;
- manages its hedging of CFDs whose Underlying Financial Products are not Exchange-traded;
- chooses and monitors its Hedge Counterparties;
- is exposed to concentrations or movements in selected securities, investment sectors, CFDs, client categories and particular Clients.

#### 3.19.2 Risks from FP Markets' Hedge Counterparty

It is possible that FP Markets' Hedge Counterparty, or any custodian used by the Hedge Counterparty, may become insolvent or it is possible that other clients of that Hedge Counterparty may cause a default which reduces the financial resources or capacity for that Hedge Counterparty to perform its obligations owed to FP Markets under the hedge contracts. Since FP Markets is liable to you as principal on the CFD, FP Markets could be exposed to the insolvency of its Hedge Counterparty or other defaults which affect the Hedge Counterparty.

Here is a simplified diagram to illustrate the legal relationships.



Hedge Counterparties have **no dealings** with Clients.

Hedge Counterparties deal with FP Markets as principal, FP Markets is fully liable to Hedge Counterparties.

Hedge contracts and payments flows between FP Markets and Hedge Counterparties **do not involve clients, or Retail Client money.**

### 3193 Solvency of FP Markets

The risks you have by dealing with FP Markets cannot be simplistically assessed by reference to historical financial information about FP Markets or its Hedge Counterparties or general statements of principle.

The credit risk you have with FP Markets 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 stock concentration risks, the extent of hedging CFDs whose Underlying Financial Products are not Exchange-traded, its counterparty risks for all of its business and transactions (not just the CFDs), its risk management systems and actual implementation of its risk management policy. FP Markets cannot give any assurance or further description of the extent of hedging CFDs whose Underlying Financial Products are not Exchange-traded, since that is not reasonably capable of being limited by any definitive formula or fixed outcome.

Your credit risk with FP Markets will fluctuate throughout the day and from day to day, including due to the implied credit risk on Hedge Counterparties, whose credit risk to FP Markets (and so indirectly to you) cannot be assessed or verified on a continuous basis or perhaps at all due to lack of details and verification of the necessary details.

You should take into account all of those factors and not rely only on past financial statements since that could be materially incomplete information for your purposes, not current and therefore potentially misleading as a guide to the current solvency and creditworthiness of FP Markets.

The FP Markets annual directors' report and an audited annual financial report are available free on request by bona fide potential investors contacting FP Markets to arrange inspection of them at the offices of FP Markets.

### 3194 Payments to you in FP Markets Insolvency

If FP Markets becomes insolvent, here is how you can be paid for any net credit balance in your Account:

- Any of your moneys in the FP Markets client moneys trust account should be paid to you, after deduction for any amounts properly payable to FP Markets for the CFDs which you have otherwise agreed are payable to FP Markets (and subject to any court orders to the contrary).
- The precise amounts and timing of payments will not be known until the net positions with the Hedge Counterparties are known.
- FP Markets will use reasonable efforts to reclaim any moneys held with the Hedge Counterparties.
- FP Markets will need to assess whether it can feasibly sue to recover anything owed by the Hedge Counterparties.
- FP Markets will need to assess the amounts prudently available to pay Clients, and may choose to pay out interim amounts.
- FP Markets will need to assess fair and reasonable allocation to Clients, having regard to, for example any amounts paid from the FP Markets client moneys trust account, Account balances, amounts recovered from the Hedge Counterparty.

### 3195 Hedge Counterparty risk

FP Markets uses a number of Hedge Counterparties from time to time and does not intend to limit or restrict its use of Hedge Counterparties, therefore it is not reasonable or meaningful to identify in this PDS any particular Hedge Counterparties or give any particular information about them nor will FP Markets do so on its website.

You should note that:

- no Hedge Counterparty has been involved in the preparation of this PDS nor authorised any statement made in this PDS.
- no Hedge Counterparty has contractual or other legal relationship with you as holder of the CFDs. A Hedge Counterparty is not liable to you and you have no legal recourse against it (because FP Markets acts as principal to you and not as agent) nor can you require FP Markets to

take action against the Hedge Counterparty.

- FP Markets gives no assurance as to the solvency or performance of any Hedge Counterparty. FP Markets does not make any express or implied statement or representation about the solvency or credit rating of any Hedge Counterparty.
- The regulation of a Hedge Counterparty is no assurance of the credit quality of the Hedge Counterparty or of any regulated or voluntary scheme for meeting the claims of creditors of the Hedge Counterparty. For example, although a Hedge Counterparty may be licensed by the Australian Securities and Investments Commission, that gives no assurance that the Hedge Counterparty has good credit quality or that it will perform its obligations to FP Markets.
- The credit quality of a Hedge Counterparty can change quickly. FP Markets is not able to make assessments of the credit quality of its Hedge Counterparties which it can disclose and reports by independent credit rating agencies may not be available because of their lack of consent or because they are not licensed to allow such reports to be cited in PDS given to retail clients.
- Although FP Markets has a policy for adopting and monitoring Hedge Counterparties and FP Markets' exposure to them, you may not take that as any assurance that FP Markets is responsible for the performance by Hedge Counterparties or their failure to perform.

FP Markets is not authorised to set out in this PDS any information published by the respective Hedge Counterparties and FP Markets takes no responsibility for third-party information about those Hedge Counterparties which may be available to you. You may require further information about the Hedge Counterparties used by FP Markets before deciding whether to invest.

## 4 Share CFDs

### 4.1 Share CFDs

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Share CFDs derive their price offered by FP Markets from the real time changes in the price of the Underlying Financial Product on the relevant Exchange or other market.

Share CFDs allow you to receive many of the economic benefits of owning the Underlying Financial Product on which the CFD is based without physically owning it (for more information on key benefits of investing in CFDs see Section 2). For more information on which Share CFDs FP Markets provides quotes on, please download and experience (for free) trading on a demonstration account obtainable from the FP Markets website [www.fpmarkets.com.au](http://www.fpmarkets.com.au) or contact FP Markets.

Share CFDs are valued based on the price of the Underlying Financial Product. For example, if you bought 1000 Share CFDs and the price of the Underlying Financial Product was quoted as 19.80/19.81 then the Share CFDs would have a value of \$19,810 (being 19.81 x 1000).

Prices are only quoted for Share CFDs, and can only be traded, during the open market hours of the relevant Exchange on which the Underlying Financial Product is traded.

Open hours of the relevant Exchanges are available by viewing the relevant Exchange website. In addition, FP Markets will not quote for a CFD on a particular Underlying Financial Product if that Underlying Financial Product is illiquid or is in suspension (for more information on potential external disruptions see Section 7). FP Markets will not quote Share CFDs if the Share CFD is over shares in a company which becomes externally administered.

### 4.2 Share CFDs – Adjustments for Dividends

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If you hold a long CFD, you will be credited with an amount equal to up to the gross unfranked dividend on the relevant number of the CFD's Underlying Financial Products as soon as practical, typically on the business day after the ex-dividend date (CFDs do not confer rights to any dividend imputation credits). Please be aware that delays might occur for reasons outside of FP Markets' control, including delays by the issuer which is paying the dividend, time zones or banking payment systems. FP Markets will credit an amount corresponding with the gross unfranked dividend on the day after the ex-dividend date (the date the Underlying Financial Product starts trading on the Exchange without the right to the dividend).

Conversely, if you hold a short CFD, your Trading Account may be debited an amount equal to the gross unfranked dividend on the Underlying Financial Products on the ex-dividend date. On some occasions FP Markets may also debit an amount equal to the cash value of the dividend imputation (franking credit) amount. FP Markets will debit these amounts if and to the extent it incurs such a debit on its hedge contracts corresponding with your CFDs.

The dividend and cash adjustments shown on your Account statement record the adjustments made to your CFDs for dividends or other corporate actions affecting the Underlying Financial Products (they do not refer to actual dividends paid by the issuer of the Underlying Financial Product).

### 4.3 Share CFDs - Adjustments for Corporate Actions

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If there is a corporate action by the company which issues the CFD's Underlying Financial Product to which the CFD relates, FP Markets may in its discretion make an adjustment to the terms of the CFD in accordance with the terms of the Trading Account. For example, an adjustment will ordinarily be made for: subdivisions; consolidations; reclassifications of shares; bonus issues; other issues of shares for no consideration; rights issues; buy backs; in specie distributions; takeovers, schemes of arrangement or similar corporate actions; a corporate action event that has a dilutive or concentrative effect on the market value of the shares. FP Markets may in its discretion determine the extent of the adjustment.

Due to the nature of CFDs and their hedging, you do not have a right to direct FP Markets how to act

on a corporate action or other shareholder benefit or whether FP Markets will make adjustments on the basis of electing to participate. FP Markets will, to the extent practical, try to accommodate your preferences. Please be aware that the timing and availability of acting on any corporate action is likely to be out of the control of FP Markets and even if we receive your preference we cannot assure you that it will be implemented.

FP Markets may elect to close a position (without prior notice to you) if an adjustment event occurs and it determines that it is not reasonably practicable to make an adjustment. FP Markets may also elect to close a CFD if the CFD's Underlying Financial Products are the subject of a take-over offer, scheme of arrangement or other mechanism for change in control, prior to the closing date of the offer.

Also due to the nature of CFDs and their hedging, you do not have the right to direct FP Markets on how to exercise any voting rights in connection with the CFD's Underlying Financial Product such as shares.

Clients should be aware that some Exchanges purge orders in securities that undergo corporate actions. You should seek confirmation from FP Markets of any action for specific corporate actions that might affect your CFDs. Please note that FP Markets does not notify you in advance of any corporate action nor does it separately notify you of the actions taken in response to a corporate action, so you should monitor your own positions.

#### 4.4 Share CFDs - No shareholder benefits

If the CFD relates to an Underlying Financial Product which is an Exchange-traded security, you do not have rights to vote, attend meetings or receive the issuer's reports, nor can you direct FP Markets to act on those rights. Other benefits such as participation in shareholder purchase plans or discounts are unavailable.

#### 4.5 Comparison

The summary table below briefly compares the CFDs offered by this PDS with direct investments in shares in order to give you an overview. As a summary, it cannot cover all features, risks and terms of all the financial products and services so please read the rest of this PDS before making any investment decision.

Feature	Direct Investments in Share	FPMarkets'CFDs
Beneficial interest in Underlying Financial Product	Investor has beneficial interest in shares.	Holder of CFD has no beneficial interest in Underlying Financial Product (such as the shares).
Dividends and distributions	Investor has entitlement to available dividends and distributions, typically paid some days after the record date for the Underlying Financial Product.	Holder has no right to dividends or distributions, though adjustments may be made to the cash account balance in the relevant Trading Account in respect of the amount of the gross cash value of the dividends which FP Markets has received on its hedge contract. See Section 3.8.



Feature	Direct Investments in Share	FP Markets' CFDs
Dividend imputation credits	Investor has entitlement to available dividend imputation credits.	Holder has no right to dividend imputation credits or to an adjustment for the value of them.
Shareholder benefits (e.g. voting, participation in corporate actions, receiving company reports or purchase plans or shareholder discounts).	Investor has entitlements (subject to investor's custodian's rules) and must manage responses to them.	Holder has no right to shareholder benefits or purchase plans or to direct FP Markets to act in respect of them. FPMarkets may make adjustments in its discretion to CFD to reflect corporate actions and ordinarily will do so corresponding with the adjustments made to its hedge contract.
Rights as a Client of an Exchange-regulated broker.	Investor has rights imposed by operating rules of Exchange and any other regulatory rules (such as ASIC Market Integrity Rules (ASX)).	Investor has no rights under Exchange rules; all rights come from the Account Terms and holding the CFD. FP Markets is regulated by ASIC but the CFDs are not subject to any market rules.
Pricing changes	The price of an Exchange-traded share changes according to market.	The price of FP Markets' CFDs change according to the market price of the Underlying Financial Product (except in cases of a market disruption), though there will be a delay in price quotes if the investor has not selected live pricing. See Section 3.5.
Leverage	No leverage.	Leveraged by way of the investor paying Margin which is less than 100% of the cost of directly buying and holding the Underlying Financial Product.
Margining	No margining.	Margining occurs. See Section 3.11.
Short positions	Direct investments are long positions. Short positions may be possible, subject to Exchange rules and broker's terms.	Short CFDs are possible, depending on availability and regulations.

Feature	Direct Investments in Share	FP Markets' CFDs
Custody	Shares are held in custody according to investor's wishes (could be directly held or indirectly held through a nominee).	Holder has direct ownership of the CFD, but no interest in Underlying Financial Products or in any Margin once paid to FP Markets.
Recourse	No need for recourse except to cover the risk of a custodian default or broker fraud. Investor has the benefit of any exchange guarantee fund, depending on rules for that fund.	Holder is an unsecured creditor of FP Markets (see Section 3.19).
Trading	As permitted by broker.	According to the Trading Platform which you choose.
Finance Charges	None.	Finance Charge imposed on value of CFD position (see Section 8).

## 4.6 Share CFDs –Fees, costs and Charges

FP Markets may charge a Transaction Fee of up to 100 basis points (1.00%) of the Contract Value (not of the Initial Margin) with a minimum of the then equivalent of \$100 in the currency of the Share CFD.

The indicative rates by Exchange and currency are:

Exchange	Transaction Fee <i>rate and minimum</i>	Currency
ASX	10 bps 10 min	AUD
SGX	15 bps 25 min	SGD
SGX (USD)	15 bps 25 min	USD
HKX	30 bps 100 min	HKD
LSE	10 bps 10 min	GBP

Exchange	Transaction Fee <i>rate and minimum</i>	Currency
ETR	10 bps 10 min	EUR
NYS	2 cents 15 min	USD
NAS	2 cents 15 min	USD

(bps means basis points: 1 bp = 0.01%)

See also Section 8 for general information on the Finance Charge.

## 4.7 CFD Trading Examples

Here are some examples to illustrate the variables for a typical Transaction and how they affect the calculations. The variables of your actual Transactions will, of course, differ, so please check with FP Markets before entering into your Transaction.

### Share CFD – long position

#### Transaction

The market price for shares in company XYZ on the relevant Exchange is currently trading at \$12.00/12.02. You think that the company's shares are undervalued and will increase so you decide to buy 500 CFDs at \$12.02 each (being the price at which FP Markets is willing to enter into the CFD).

Two weeks later, shares in company XYZ have increased and are now selling at \$12.52. You decide to realise your gain by Closing Out your CFD position.

FP Markets quotes you a price of \$12.52/CFD (being the price at which FP Markets is willing to sell you CFDs to Close Out your 500 CFDs). You trade at that price. The amount of profit you have made, before adjustments and tax, on the Transaction is \$250.00 (difference between 12.02 and 12.52) x 500 = \$250).

With a Margin requirement of 10% of the Contract Value, the Margin requirement for the XYZ position is \$601.00 (\$6010 x 10%)

#### Adjustments

Company XYZ paid a dividend of 10 cents per share while your position was open. Therefore you are entitled to a positive dividend adjustment of \$50 (500 x 10 cents) (this amount is posted to your Trading Account).

Share CFDs are subject to a commission charge (we also call it a Transaction Fee) on the opening and closing Transactions (based on the Closing Value). The standard Transaction Fee is 0.1% of the Contract Value with a minimum of \$10.00/Transaction. In this example, the Transaction Fee would be charged on the opening Transaction as follows:

$500 \text{ CFDs} \times \$12.02 \times 0.1\% = \$6.01$

Since this figure is below the minimum charge, you will be charged the minimum amount of \$10.00.

Since you hold a long Share CFD position overnight, costs are charged by way of the Finance Charge. This is calculated on your positions by applying the applicable Finance Charge rate to the daily Closing Value of the position.

The formula to calculate financing is:  $(\text{Quantity} \times \text{Closing Price}) \times ((\text{FP Markets Base Rate} +/\text{- Client Mark up}) / \text{number of days for Terms Currency})$

In this example, for instance if the applicable rate is 4.5% p.a. and the Closing Price of the CFD on a particular day is \$12.20, then the overnight Finance Charge is then calculated as follows:

The base rate is 2.5%;

Client Mark up is 2.0%

$500 \times \$12.20 \times 4.50\% / 365$

The Finance Charge on this particular day would therefore be \$0.75.

### Opening the position

Number of CFDs:	500
CFD price:	\$12.02
Opening Value:	\$6,010 (CFD price x number of CFDs)
Initial Margin:	\$601 (10% of Contract Value)

### Closing the position

Number of CFDs:	500
CFD price:	\$12.52
Closing Value:	\$6,260 (CFD price x number of CFDs)
Gross Profit (Loss):	\$250 (Closing Value – Opening Value)

### Adjustments

Dividend:	\$50 (credit)
Transaction Fee:	\$20.00 (debit) Minimum fee applies on opening and closing.
Finance Charge:	approx.\$10.50 (debit). The overnight Finance Charge is calculated daily and based on Closing Value for the 14 days the position is held. This example simplifies the calculation (by assuming the rate does not change from day to day) to illustrate the adjustments.
Net profit (loss):	\$269.50 after adjustments

### Movements on your Trading Account for the period of this Transaction:

This example assumes that you have paid \$10,000 as Margin for your Trading Account.

Description	Amount	Value of Account
Initial payment (all is Margin)	10000.00	10000.00
Initial Margin (i.e., minimum required)	601.00	10000.00
Transaction Fees debited	(20.00)	9980.00
Finance Charge debited	(10.50)	9969.50
Dividend adjustment credited	50.00	10,019.50
Realised profit on Closing	250.00	10,269.50
Account Value on close of position		10,269.50

If in this example the market had moved against you and the Closing Price was \$11.83, following would occur:

#### Opening the position

Number of CFDs:	500
CFD price:	\$12.02
Opening Value:	\$6,010 (CFD price x number of CFDs)
Initial Margin:	\$601 (10% of Contract Value)

#### Closing the position

Number of CFDs:	500
CFD price:	\$11.83
Closing Value:	\$5,915 (CFD price x number of CFDs)
Gross Profit (Loss):	(\$95) (Closing Value – Opening Value)

#### Adjustments

Dividend:	\$50 (credit)
Transaction Fee:	\$20.00 (debit) Minimum fee applies on opening and closing.
Finance Charge:	approx.\$10.50 (debit). The overnight Finance Charge is calculated daily and based on Closing Value for the 14 days the position is held. This example simplifies the calculation (by assuming the rate does not change from day to day) to illustrate the adjustments. $500 \times \$11.83 \times 4.5\% / 365$ The Finance Charge on this particular day would therefore be \$0.875.
Net profit (loss):	(\$83.76) after adjustments

#### Movements on your Trading Account for the period of this Transaction:

This example assumes that you have paid \$10,000 as Margin for your Trading Account.

Description	Amount	Value of Account
Initial payment (all is Margin)	10000.00	10000.00
Initial Margin (i.e., minimum required)	601.00	10000.00
Transaction Fees debited	(20.00)	9980.00
Finance Charge debited	(10.50)	9969.50
Dividend adjustment credited	50.00	10,019.50
Realised profit on Closing	(95.00)	9,924.50
Account Value on close of position		9,924.50

## Share CFD – short position

### Transaction

The market price for shares in company XYZ on the relevant Exchange is currently trading at \$12.00/12.02. You think that the company's shares are overvalued and will decrease so you decide to sell 500 CFDs at \$12.00 each (being the price at which FP Markets is willing to enter into the CFD).

Two weeks later, shares in company XYZ have decreased and are now selling at \$11.52. You decide to realise your gain by Closing Out your CFD position.

FP Markets quotes you a price of \$11.52/CFD (being the price at which FP Markets is willing to sell you CFDs to Close Out your 500 CFDs). You trade at that price. The amount of profit you have made, before adjustments and tax, on the Transaction is \$240.00 (difference between 12.00 and 11.52) x 500 = \$240).

### Adjustments

Company XYZ paid a dividend of 10 cents per share while your position was open. Therefore you incur a charge of the dividend adjustment of \$50 (500 x 10 cents) (this amount is debited from your Trading Account).

Share CFDs are subject to a commission charge (we also call it a Transaction Fee) on the opening and closing Transactions (based on the Closing Value). The standard Transaction Fee is 0.1% of the Contract Value with a minimum of \$10.00/Transaction. In this example, the Transaction Fee would be charged on the opening Transaction as follows:

$$500 \text{ CFDs} \times \$12.00 \times (0.1\%) = \$6.00$$

Since this figure is below the minimum charge, you will be charged the minimum fee of \$10.00.

If you hold a short Share CFD position overnight, you may be charged or receive Financing. This is calculated on your positions by applying the applicable Finance Charge rate to the daily Closing Value of the position. The formula for calculating the rate for a Share CFD will be the same as the example shown previously this PDS. In this example, for instance if FP Market base rate is 1.5%p.a and the mark up is (2%) p.a making the effective rate -0.5% p.a. The Closing Price of the CFD on a particular day is \$11.52, then the overnight Finance Charge is then calculated as follows:

$$-500 \times \$11.52 \times -0.5\% / 365 = \$0.08 \text{ per day}$$

If you hold a short Share CFD position overnight, you may also incur a borrow fee (see section 8.7)

The daily borrow charge formula is given below :

$$\text{CFD price} \times \text{number of CFDs} \times \text{borrow rate} / 365$$

In this example, the Borrow Fee would be charged on the opening Transaction as follows:

$$500 \text{ CFDs} \times \$11.52 \times (1\%) / 365 = \$0.16 \text{ per day}$$

### Opening the position

Number of CFDs:	500
CFD price:	\$12.00
Opening Value:	\$6,000 (CFD price x number of CFDs)
Initial Margin:	\$600 (10% of Contract Value)

### Closing the position

Number of CFDs:	500
CFD price:	\$11.52
Closing Value:	\$5,760 (CFD price x number of CFDs)
Gross Profit (Loss):	\$240 (Closing Value – Opening Value)

### Adjustments

Dividend:	\$50 (debit)
Transaction Fee:	\$20.00 (debit) Minimum fee applies on opening and closing.

Finance Charge:	\$1.12
Borrow Charge :	\$2.24
Net profit (loss)	\$166.64 after adjustments

**Movements on your Trading Account for the period of this Transaction:**

This example assumes that you have paid \$10,000 as Margin for your Trading Account.

Description	Amount	Value of Account
Initial payment (all is Margin)	10000.00	10000.00
Initial Margin (i.e., minimum required)	600.00	10000.00
Transaction Fees debited	(20.00)	9980.00
Finance (Debit)/Credit	(1.12)	9978.88
Borrow Charge	(2.24)	9976.64
Dividend adjustment credited	(50.00)	9926.64
Realised profit on Closing	240.00	10166.64
Account Value on close of position		10166.64

If in this example the market had moved against you and the Closing Price was \$12.55, following would occur:

**Opening the position**

Number of CFDs:	500
CFD price:	\$12.00
Opening Value:	\$6,000 (CFD price x number of CFDs)
Initial Margin:	\$600 (10% of Contract Value)

**Closing the position**

Number of CFDs:	500
CFD price:	\$12.55
Closing Value:	\$6,275 (CFD price x number of CFDs)
Gross Profit (Loss):	(\$275) (Closing Value – Opening Value)

**Adjustments**

Dividend:	\$50 (debit)
Transaction Fee:	\$20.00 (debit) Minimum fee applies on opening and closing.
Finance Charge:	\$1.12
Borrow Charge	\$2.24
Net profit (loss):	(\$348.36) after adjustments

**Movements on your Trading Account for the period of this Transaction:**

This example assumes that you have paid \$10,000 as Margin for your Trading Account.



Description	Amount	Value of Account
Initial payment (all is Margin)	10000.00	10000.00
Initial Margin (i.e., minimum required)	600.00	10000.00
Transaction Fees debited	(20.00)	9980.00
Finance Credit / (Debit)	(0.08)	9979.92
Borrow Charge	(0.16)	9979.76
Dividend adjustment credited	(50.00)	9929.76
Realised profit on Closing	(275.00)	9654.76
Account Value on close of position		9654.76

See also Section 8.5.

## 5 Futures CFDs

### 5.1 Futures CFDs

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A Futures CFD is a sophisticated over-the-counter derivative product which allows you to make a profit or loss from changes in the market price of the Underlying Futures Contract, including a Futures Contract traded on the ASX 24, without actually owning that financial product or having any indirect interest in the financial product.

Futures CFDs derive their price offered by FP Markets from the real time changes in the price of the Underlying Financial Product on the relevant Exchange or market.

Prices are only quoted for Futures CFDs, and can only be traded, during the open market hours of the relevant Exchange on which the Underlying Financial Product is traded.

Open hours of the relevant Exchanges are available by viewing the relevant Exchange website. In addition, FP Markets will not quote for a Futures CFD in respect of an Underlying Futures Contract which is suspended or halted from trading (for more information on potential external disruptions see Section 7).

Futures CFDs are valued based on the price of the Underlying Financial Product.

You select the Futures CFDs which you want to trade by choosing from the Futures Contract categorisation relating to the Exchange for the Underlying Futures Contract. For example, in order to trade an “ASX/SPI 200 Index™ Futures CFD” you would select an “ASX/SPI 200 Index™ Futures Contract” from the ASX 24 Exchange. At all times the financial product which you are selecting and trading is a Futures CFD issued by FP Markets to you, not the Underlying Futures Contract.

As well as dealing in Futures CFDs whose Underlying Futures Contracts are traded on the ASX 24 or one of its related Exchanges, you can also deal in FP Markets’ Futures CFDs whose Underlying Futures Contracts are traded on many other Exchanges around the world.

### 5.2 Comparison

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The summary table below briefly compares the CFDs offered by this PDS with direct investments in Underlying Futures Contracts in order to give you an overview. As a summary, it cannot cover all features, risks and terms of all the financial products and services so please read the rest of this PDS before making any investment decision.

Feature	Direct investment in Futures Contracts	Futures CFDs
Beneficial interest in Underlying Futures Contract	Investor has beneficial interest in Futures Contract	Investor in Futures CFD has no beneficial interest in Underlying Futures Contract
Rights as a Client of an Exchange-regulated futures broker	Investor has rights imposed by operating rules of Exchange	Investor has no rights under Exchange rules; all rights come from Futures CFD
Value	Value changes according to market price	Value changes according to market price

Feature	Direct investment in Futures Contracts	Futures CFDs
Leverage	Yes: investors pay only a margin amount not less than the amount set by Exchange, but not the full face value of the Futures Contract	Yes: investors pay only a margin amount not less than the amount set by Exchange, but not the full face value of the Futures Contract
Further margining	Further margining occurs by futures broker acting under Exchange rules	FP Markets has the right to call for additional Margin amounts
Short positions	Short positions possible, depending on availability and regulations affecting Futures Contract	Short Futures CFDs possible, depending on availability and regulations affecting Underlying Futures Contract
Custody	Futures Contracts and client segregated moneys held in custody according to Exchange rules	Investor has Futures CFD but no interest in Underlying Futures Contract or any Margin paid to FP Markets
Recourse	Investor is usually unsecured creditor of broker who holds balance of Client's margin in client segregated moneys account (which is subject to Exchange's operating rules and usually liable to risk of being used to meet shortfall from default by other clients)  There may be a guarantee or fidelity fund for broker fraud, depending on local laws or Exchange rules	Investor is unsecured creditor of FP Markets but with additional protection of Protection Trust, limited by FP Markets' recourse against Hedge Counterparties (see "Your Counterparty Risk on FP Markets" in Section 3)
Trading	As permitted by broker	By telephone, online trading platform

### 5.3 Futures CFDs – Underlying Futures Contracts

The Underlying Futures Contract of a Futures CFD is typically an Exchange-traded Futures Contract. This means that your derivative, being the Futures CFD issued by FP Markets, is based on a notional Futures Contract which is Exchange traded.

You do not have any beneficial interest in any actual Futures Contract nor is your Futures CFD itself a Futures Contract which is traded on any Exchange, though it may share many of the economic features of those financial products. Therefore you should be familiar with Futures Contracts and be an experienced investor in them before you invest in FP Markets' Futures CFDs.

To help ensure you understand the features and risks of FP Markets' Futures CFDs, the following section describes Futures Contracts and some kinds of them. Please bear in mind, though, this describes Underlying Futures Contracts which are Exchange-traded Futures Contracts, so it does not describe your Futures CFD. You should always read and understand the full terms of your Futures CFDs by reading this PDS and your Account Terms in full.

## **Types of Futures Contracts**

There are two main types of Futures Contracts. One is an agreement under which the seller agrees to deliver to the buyer, and the buyer agrees to take delivery of, the quantity of the commodity described in the contract. Such contracts are described as deliverable contracts.

The other kind is an agreement under which the two parties will make a cash adjustment between them according to whether the price of a commodity or security has risen or fallen since the time of contract was made. Such contracts are described as cash settlement contracts.

We do not offer through our IRESS Platforms any Futures CFDs whose Underlying Financial Product is a Futures Contracts which is an option.

## **Contract Specifications**

The terms of a Futures Contract are set out in the rules and regulations of the Exchange on which the contract was made. Futures Exchanges exist in a number of countries and regions, including the United States of America, the United Kingdom, Europe and Asia, as well as Australia. The description in this document is intended to refer to any Futures Contract traded on any Exchange, but there may be differences in procedures and regulation of markets from one country to another and one Exchange to another. Since the rules of each Exchange are considerably lengthy and may change, you should obtain a copy of the rules of the Exchange relevant to you by accessing the Exchange's website. Alternatively, you can contact FP Markets for assistance in identifying the relevant rules.

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 standardisation of contracts is that the time of the delivery or settlement is one of a series of standardised maturity times. For example, in the ASX/SPI 200™ Index Future traded on the ASX 24, contracts can be made for settlement at the end of March, July, September or December during a period of 18 months from the time of the trade.

The terms and specifications of Futures Contracts traded on the ASX 24 are accessible at its website: [www.asx.com.au](http://www.asx.com.au)

## **Futures Contracts are standardised**

Contract standardisation means that price and volume are the only factors that are to be determined in the marketplace.

Since all Futures Contracts for a given future month in the same market are exactly alike, obligations under Futures Contracts are easily transferred from one party to another. A Client who holds a Futures CFD whose Underlying Futures Contract is a contract to buy may cancel this obligation by taking a Futures CFD in respect of a new contract to sell in the same month. This process is known as "offsetting" or "Closing Out the contract". In the same way, the holder of a contract to sell can Close Out by taking a new contract to buy. In each case there will be a profit or loss equal to the difference between the buying and selling prices multiplied by the standard contract amount. In practice, the vast majority of contracts are offset in this manner, the remainder being fulfilled by delivery or by mandatory cash settlement in those markets if no provision for delivery exists.

## Expiry of Futures Contracts and Close Out by FP Markets

Since all Futures CFDs are only cash settled, all Open Positions need to be closed or rolled into the next contract month. You should be aware of the expiry and first notice dates of any Futures Contracts which are the Underlying Futures Contracts of the Futures CFDs which you invest in and ensure that you close your Futures CFD position before that date, otherwise a Futures CFD whose Underlying Futures Contract is cash settled will be terminated and a Futures CFD whose Underlying Futures Contract is deliverable will be Closed Out by FP Markets. If you do not close or roll a Futures CFD position within 2 days of the expiry date or the first notice date of the Underlying Futures Contract, FP Markets may close your Futures CFD position for you at the first opportunity available to FP Markets at the prevailing market price. (FP Markets will not roll the Futures CFD for you without your Order for that.) Any resulting costs, gains or losses will be passed on to you. If you require any assistance or clarification regarding the expiry of the Underlying Futures Contracts for your Futures CFDs, please contact your FP Markets advisor.

## 5.4 Futures CFDs – Exchange adjustments

If there is an adjustment by the exchange which governs the Underlying Futures Contract to which the Futures CFD relates, FP Markets may in its discretion make an adjustment to the terms of the futures CFD.

You may not direct FP Markets how to act on an adjustment or whether FP Markets will make adjustments.

FP Markets has discretion to determine the extent of the adjustment.

FP Markets may elect to close a position (without prior notice to you) if an adjustment event occurs and it determines that it is not reasonably practicable to make an adjustment.

## 5.5 Futures CFD – Fees, Costs and Charges

FP Markets may charge a Transaction Fee per lot of up to \$100 in all currencies except for JPY the maximum will be 8000JPY.

The indicative rates by Exchange and currency are:

Exchange	Transaction Fee per Lot	Currency
LIF	10	GBP
ERX	15	EUR
SFE	15	AUD
CBOT	15	USD
CMX	15	USD
CME	15	USD

See also Section 8 for general information on the Finance Charge.

## 5.6 Futures CFD Trading Examples

Here are some examples to illustrate the variables for a typical Transaction and how they affect the calculations. The variables of your actual Transactions will, of course, differ, so please check with FP Markets before entering into your Transaction.

### Future CFDs – long position

#### Transaction

The market price for a futures contract over the S&P / ASX 200 in the current contract is 4270/4271. You think that the S&P / ASX 200 Index is going to rise as a result of it being at the bottom of its current range so you decide to buy two Futures CFDs at 4271 (being the price at which FP Markets is willing to enter into the CFD).

Two weeks later, the price of the Futures CFDs over the S&P / ASX 200 increase to 4321. You decide to realise your gain by closing out your CFD position.

FP Markets quotes you a price of 4321/CFD (being the price at which FP Markets is willing to buy your CFD to Close Out your two CFDs). You trade at that price. The amount of profit you have made, before adjustments and tax, on the Transaction is \$2,500.00 (difference between 4271 and 4321) x 25 x 2 = \$2,500). Each point is multiplied by \$25, being the smallest unit that can be traded on the Futures Contract over the S&P / ASX 200.

With a Margin requirement of 3% of the Contract Value, the Margin requirement for the 2 Futures CFDs position over the S&P / ASX 200 is \$6,406.5 ( $213,550 \times 3\%$ )

#### Adjustments

The cost of carrying the position is all factored into the pricing of the underlying futures price so there will be no actual adjustments in relation to dividends and financing.

Futures CFDs are subject to a flat fee per Futures CFD (we also call it a Transaction Fee) on the opening and closing Transaction. The standard Transaction Fee is \$15 on most Futures CFDs but this does vary depending on the contract. In this example, the Transaction Fee would be charged on the opening Transaction as follows:

Transaction Fees are charged on a per contract basis for buying and selling. So to buy two Futures CFDs it will cost \$30 or \$60 for a round trip, a buy and asell.

#### Opening the position

Number of Futures CFDs:	2
CFD price:	4271
Contract Value:	\$213,550 (CFD price x number of Futures CFDs x \$25)
Initial Margin:	\$6,406.5 (3% of Contract Value)
Transaction Fee:	(\$30)

#### Closing the position

Number of Futures CFDs:	2
CFD price:	4321
Closing Value:	\$216,050 (CFD price x number of Futures CFDs x \$25)
Gross Profit (Loss):	\$2,500 (Closing Value – Opening Value) x \$25
Transaction Fee:	(\$30)

#### Adjustments

Flat Transaction Fee:	\$60.00 (debit) for both opening and closing.
Net profit (loss):	\$2,440 after adjustments

#### Movements on your Trading Account for the period of this Transaction:

This example assumes that you have paid \$10,000 as Margin for your Trading Account.

Description	Amount	Value of Account
Initial payment (all is Margin)	10000.00	10000.00
Initial Margin (i.e., minimum required)	6,406.50	10000.00
Transaction Fees debited	(60.00)	9,940.00
Finance Charge	0	9,940.00
Dividend adjustment	0	9,940.00
Realised profit on Closing	2,500.00	12,440.00
Account Value on close of position		12,440.00

If in this example the market had moved against you and the price moved to 4171 you will most likely be closed out by FP Markets and the following would occur:

#### Opening the position

Number of Futures CFDs:	2
CFD price:	4271
Contract Value:	\$213,550 (CFD price x number of Futures CFDs x \$25)
Initial Margin:	\$6,406.5 (3% of Contract Value)
Transaction Fee:	(\$30)

#### Closing the position

Number of Futures CFDs:	2
CFD price:	4171
Closing Value:	\$208,550 (CFD price x number of Futures CFDs x \$25)
Gross Profit (Loss):	(\$5,000) (Closing Value – Opening Value) x \$25
Transaction Fee:	(\$30)

#### Adjustments

Flat Transaction Fee:	\$60.00 (debit) for both opening and closing.
Net profit (loss):	(\$5,060.00) after adjustments

#### Movements on your Trading Account for the period of this Transaction:

This example assumes that you have paid \$10,000 as Margin for your Trading Account.

Description	Amount	Free Equity	Value of Account
Initial payment (all is Margin)	10000.00	10000.00	10000.00
Initial Margin (i.e., minimum required)	6,406.50	3,593.50	10,000.00
Transaction Fees debited	(60.00)	3,533.50	9,940.00
Finance Charge	0	3,533.50	9,940.00
Dividend adjustment	0	3,533.50	9,940.00
Realised profit on Closing	(5,000.00)	(1,466.50)	4,940.00
Account Value on close of position			4,940.00

## Future CFDs – short position

### Transaction

The market price for a futures contract over the S&P / ASX 200 in the current contract is 4270/4271. You think that the S&P / ASX 200 index is going to fall as a result of it being at the top of its current range so you decide to sell one Futures CFD at 4270 (being the price at which FP Markets is willing to enter into the CFD).

Two weeks later, the price of the Futures CFDs over the S&P / ASX 200 decreased to 4221. You decide to realise your gain by closing out your CFD position.

FP Markets quotes you a price of 4221/CFD (being the price at which FP Markets is willing to sell you CFDs to Close Out your 1 CFDs). You trade at that price. The amount of profit you have made, before adjustments and tax, on the Transaction is \$1,225.00 (difference between 4270 and 4221) x 25 = \$1,225). Each point is multiplied by \$25 this is the smallest unit that can be traded on the Futures CFDs contract over the S&P / ASX 200.

With a margin requirement of 3% of the Contract Value, the margin requirement for the 1 Futures CFDs position over the S&P / ASX 200 is \$3,202.5 (\$106,750 x 3%).

### Adjustments

The cost of carrying the position is all factored into the pricing of the underlying futures price so there will be no actual adjustments in relation to dividends and financing.

Futures CFDs are subject to a flat fee per Futures CFD (we call it a Transaction Fee) on the opening and closing Transaction. The standard Transaction Fee is \$15 on most Futures CFDs but this does vary depending on the contract. In this example, the Transaction Fee would be charged on the opening Transaction as follows:

Transaction Fees are charged on a per contract basis for buying and selling. So to buy one Futures CFD it will cost \$15 or \$30 for a round trip, a buy and a sell.



If in this example you short sell 1 future and the market had moved in your favour, the Closing Price was 4221, the following would occur:

#### Opening the position

Number of Futures CFDs:	1
CFD price:	4270
Contract Value:	\$106,750 (CFD price x number of Futures CFDs x \$25)
Initial Margin:	\$3,202.5 (3% of Contract Value)
Transaction Fee:	(\$15)

#### Closing the position

Number of Futures CFDs:	1
CFD price:	4221
Closing Value:	\$105,525 (CFD price x number of Futures CFDs x \$25)
Gross Profit (Loss):	\$1,225 (Closing Value – Opening Value) x \$25
Transaction Fee:	(\$15)

#### Adjustments

Flat Transaction Fee:	\$30.00 (debit) for both opening and closing.
Net profit (loss):	\$1,195 after adjustments

#### Movements on your Trading Account for the period of this Transaction:

This example assumes that you have paid \$10,000 as Margin for your Trading Account.

Description	Amount	Value of Account
Initial payment (all is Margin)	10000.00	10000.00
Initial Margin (i.e., minimum required)	3202.5	10000.00
Transaction Fees debited	(30.00)	9970.00
Finance Charge	0	9970.00
Dividend adjustment	0	9970.00
Realised profit on Closing	1225	11195.00
Account Value on close of position		11195.00

If in this example the market had moved against you and the Closing Price was 4315, following would occur:

#### Opening the position

Number of Futures CFDs:	1
CFD price:	4271
Contract Value:	\$106,775 (CFD price x number of Futures CFDs x \$25)
Initial Margin:	\$3,203.25 (3% of Contract Value)
Transaction Fee:	(\$15)

### Closing the position

Number of Futures CFDs:	1
CFD price:	4315
Closing Value:	\$107,875 (CFD price x number of Futures CFDs x \$25)
Gross Profit (Loss):	(\$1,100) (Closing Value – Opening Value) x \$25
Transaction Fee:	(\$15)
<b>Adjustments</b>	\$30.00 (debit) for both opening and closing.
Net profit (loss):	(\$1,130) after adjustments

### Movements on your Trading Account for the period of this Transaction:

This example assumes that you have paid \$10,000 as Margin for your Trading Account.

Description	Amount	Value of Account
<b>Initial payment (all is Margin)</b>	10000.00	10000.00
<b>Initial Margin (i.e., minimum required)</b>	3,203.25	10000.00
<b>Transaction Fees debited</b>	(30.00)	9,970.00
<b>Finance Charge</b>	0	9,970.00
<b>Dividend adjustment</b>	0	9,970.00
<b>Realised profit on Closing</b>	(1,100.00)	8,870.00
<b>Account Value on close of position</b>		8,870.00

See also Section 8.5

## 7 Significant Risks

Using our CFDs involves a number of significant risks. You should seek independent advice and consider carefully whether our CFDs are appropriate for you given your experience, financial objectives, needs and circumstances.

### 7.1 Key Risks

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You should consider these key risks involved in our CFDs:

Description	Important issues
<b>Loss from leverage:</b>	<ul style="list-style-type: none"><li>• CFDs have leverage which can lead to large losses as well as large gains. The high degree of leverage in our CFDs can work against you as well as for you. The leveraging in a CFD gives a moderate to high risk of a loss larger than the amounts you pay FP Markets as Margin. It can also cause volatile fluctuations in the Margin requirements.</li><li>• You can minimise the risk of losses on short CFDs by monitoring your Open Positions and Closing Out the positions before losses arise.</li></ul>
<b>Unlimited loss on short CFDs:</b>	<ul style="list-style-type: none"><li>• There is a moderate to high risk of your potential loss on short CFDs being unlimited – more than the amount you pay FP Markets for the CFDs.</li><li>• You can avoid unlimited losses if you do not trade short CFDs. You can minimise the risk of losses on short CFDs by monitoring your Open Positions and Closing Out the positions before losses arise.</li></ul>
<b>Client moneys are applied to pay for the CFDs:</b>	<ul style="list-style-type: none"><li>• Although client money paid to us, including margin, is initially held on trust for you, when you enter into a CFD with us, any moneys that become payable by you under that contract from time to time are withdrawn from the client money trust.</li><li>• The consequences of money being withdrawn from the FPM client moneys trust account are either to pay FP Markets or to pay you. Moneys withdrawn to pay FP Markets are FP Markets' moneys (and are not held for you).</li></ul>

Description	Important issues
<b>Margin risk:</b>	<ul style="list-style-type: none"> <li>• You must be able to maintain in your Account with FP Markets the amount of required Margin as and when required, otherwise all of your Transactions may be Closed Out without notice to you.</li> <li>• Margin requirements are highly likely to change continuously, in line with market movements in the Underlying Financial Product.</li> <li>• You should consider there is a high risk of Margin requirements changing and changing at times very rapidly. There is a moderate to high risk that if the market value of the Underlying Financial Product moves rapidly against you, you will be required to pay more Margin on little or no notice.</li> <li>• You can minimise your risk of losing your positions after failing to meet Margin requirements by carefully selecting the type and amount of our CFDs to suit your needs, monitoring the positions, maintaining a prudent level of cash balance in your Account and providing sufficient Margin within the time required by FP Markets. Please see Section 3.11 for further information about Margin.</li> </ul>
<b>Foreign exchange risk:</b>	<ul style="list-style-type: none"> <li>• Foreign currency conversions required for your Account (see Section 9 for a further description) can expose you to foreign exchange risks between the time the Transaction is entered into and the time the relevant conversion of currencies occurs. Foreign exchange markets can change rapidly. This exposes you to adverse changes in the value of your Trading Account which can be large (depending on foreign exchange rates) and volatile. This will directly affect the value of a CFD position.</li> <li>• You can minimise this risk by selecting our CFDs with foreign exchange exposure that you are prepared to incur and to monitor.</li> </ul>
<b>Counterparty risk on FP Markets:</b>	<ul style="list-style-type: none"> <li>• You have the risk that FP Markets will not meet its obligations to you under the CFDs. FP Markets' CFDs are not Exchange traded so you need to consider the credit and related risks you have on FP Markets.</li> <li>• FPMarkets believes that your counterparty risk on FP Markets is low to moderate, especially due to its Margin policy and risk management (including hedging policy); however, the potential adverse outcome of this risk is very significant to you since, if it occurs, you could lose all or some of your investment.</li> <li>• You can minimise your counterparty risk on FP Markets by limiting the amount you pay FP Markets, trading prudently and requesting payment to you of any surplus in your Account which is not required for prudent Margin management, however this may increase your Margin risk resulting in all of your positions to be Closed Out. Please see heading "Your Counterparty Risk on FP Markets" in Section 3.19.</li> </ul>

## 7.2 Other Significant Risks

You should consider these significant risks involved in our CFDs:

Significant risks	Important issues
Market risk:	<p>Financial markets such as equity markets can change rapidly; they are speculative and volatile. Prices even of securities depend on a number of factors including, for example, commodity prices or index levels, interest rates, demand and supply and actions of governments. Each Exchange may reserve the right to suspend securities from trading or withdraw their quotation.</p> <p>Our CFDs are highly speculative and volatile. There is a high risk that market prices will move such that the Contract Value of the CFDs on closing can be significantly less than the amount you invested in them.</p> <p>There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged.</p> <p>You can reduce your risk by understanding the market relevant to the CFDs, monitoring your CFD positions carefully and closing your Open Positions before unacceptable losses arise.</p>
OTC market:	<p>The CFDs offered by FP Markets are over-the-counter derivatives and so are not covered by the rules for Exchange-traded CFDs. For example, trading on the ASX is governed by rules applicable to brokers and generally has the benefit of a guarantee system known as the National Guarantee Fund which provides protection from fraud or misconduct by brokers in connection with certain ASX trades. The ASX rules and the National Guarantee Fund do not apply to trading in our CFDs.</p> <p>Over-the-counter contracts, such as our CFDs, by their nature are not liquid investments in themselves. If you want to exit the CFDs, you rely on FP Markets' ability to Close Out at the time you wish, which might not match the liquidity or market price of the Underlying Financial Products.</p> <p>You can reduce your risk by carefully reading this PDS, the Account Terms and taking independent advice on the legal and financial aspects relevant to you.</p>

Significant risks	Important issues
Market disruptions:	<p>A market disruption may mean that you may be unable to deal in our CFDs when desired, and you may suffer a loss as a result of that. This is because the market disruption events which affect the Underlying Financial Product will also affect the CFDs on the same or very similar basis. Common examples of disruptions include the “crash” of a computer-based trading system, a fire or other Exchange emergency, or an Exchange regulatory body declaring an undesirable situation has developed in relation to particular series of contracts or a particular trade, and suspends trading in those contracts or cancels that trade.</p> <p>You can attempt to minimise the effect of market disruptions by obtaining information released by the Exchange relevant to the CFDs and taking action after the event as appropriate (if any) to the CFDs, such as Closing Out because the values have significantly changed since before the event.</p>
Orders and gapping:	<p>It may become difficult or impossible for you to Close Out a position. This can, for example, happen when there is a significant change in the CFDs value over a short period. There is a moderate to high risk of this occurring.</p> <p>FP Markets' ability to Close Out a CFD depends on the market for the Underlying Financial Products. Stop-loss Orders may not always be filled and, even if placed, may not limit your losses to the amount specified in the Order, since they are not guarantees that there will be no loss.</p> <p>You should consider placing stop-loss or other Orders that limit your losses but also closely monitor your Account and the relevant market in case the stop-loss Order is not fully filled or filled at all and you need to take further action to limit your losses. For further information, see Section 3.15 on “Stop-Loss Orders”.</p>

Significant risks	Important issues
<b>Platforms:</b>	<p>You are responsible for the means by which you access a Platform or your other contact with FP Markets. If you are unable to access a Platform, it may mean that you are unable to trade in our CFDs (including Closing them out) or you might not be aware of the current Margin requirements and so you may suffer loss as a result.</p> <p>FP Markets may also suspend the operation of a Platform or any part of it, without prior notice to you. Although this is considered to be a low risk since it would usually only happen in unforeseen and extreme market situations, FP Markets has discretion in determining when to do this. If a Platform is suspended, you may have difficulty contacting FP Markets, you may not be able to contact FP Markets at all, or your Orders may not be able to be executed at prices quoted to you.</p> <p>There is a moderate to high risk that FP Markets will impose volume limits on Client accounts or filters on trading, which could prevent or delay execution of your Orders, at your risk. You have no recourse against FP Markets in relation to the availability or otherwise of a Platforms, nor for their errors and software. Please review any terms and any guidance material for any particular Platform.</p> <p><b>You are not able to enter, amend, delete or view (pending) Contingent orders via the iphone application.</b></p>
<b>Exchange:</b>	<p>The rules of the relevant Exchange govern the trading in the Underlying Financial Products and so will indirectly affect the dealing in the CFDs over those Underlying Financial Products. All of the rules of each relevant Exchange may be relevant to the CFDs, so you should consider those rules. The details of those rules are outside the control of FP Markets and they may change at any time and without notice to you.</p>
<b>Account falls below minimum balance:</b>	<p>FP Markets requires an initial balance in order to establish your Account (so you must pay at least Initial Margin of your first OTC Transaction). FP Markets also requires that you maintain a minimum balance (known as your Free Equity) in your Account at all times. If your Account's Free Equity falls below the required amount, then FP Markets may reduce or Close Out any or all of your CFDs. You can manage this risk by monitoring your Account and managing your positions or paying more Margin.</p>

Significant risks	Important issues
<p><b>Conflicts:</b></p>	<p>Trading with FP Markets for its CFDs carries a potential risk of conflicts of interests because of the legal role of FP Markets as principal in its CFDs with you (<b>not as your agent or broker</b>) and FP Markets setting the price of the CFDs and also because it might be transacting with other Clients, at different prices or rates, or FP Markets might be trading with market participants at different rates or, in respect of CFDs whose Underlying Financial Products are not Exchange-traded, FP Markets may at any time choose the extent to which it hedges the CFD (or at all).</p> <p>You can reduce the risks to you of unfavourable pricing or opaque pricing (meaning it is unclear how it relates to the underlying market) by monitoring FP Markets' CFDs pricing and by monitoring the underlying market.</p>
<p><b>Valuations:</b></p>	<p>The CFDs are valued by FP Markets. Typically this is by direct reference to the market value of the relevant Underlying Financial Product on the relevant Exchange which in turn affects the price quoted by the relevant Hedge Counterparty to FP Markets.</p> <p>FP Markets expects that it will only not use the market value in the unusual cases where 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 Underlying Financial Product is halted or suspended, in which cases FP Markets may exercise its discretion to determine a value.</p> <p>Due to the nature of our CFDs, in common with industry practice for such financial products, FP Markets' discretion is unfettered and so has no condition or qualification. While there are no specific limits on FP Markets' discretions, FP Markets must comply with its obligations as a financial services licensee to act efficiently, honestly and fairly.</p> <p>You therefore have the risk of relying on whatever value is determined by FP Markets in the circumstances permitted by the Account Terms.</p>
<p><b>Regulatory bodies:</b></p>	<p>A Client may incur losses that are caused by matters outside the control of FP Markets. For example, actions taken by a regulatory authority exercising its powers during a market emergency may ultimately result in losses to the Client by reason of the effect of those actions on the Underlying Financial Product and so the terms of the Client's CFD. A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled, which will affect the Underlying Financial Product for the Client's CFD. There is a risk that ASIC may seek to impose an interim stop order or a stop order which, in either case, could prevent FP Markets accepting Orders after that time (depending on the terms of ASIC's orders) which could lead to a Client unable to trade, including unable to Close Out positions.</p>



Significant risks	Important issues
<b>FP Markets' powers on default, indemnities and limitations on liability:</b>	<p>If you fail to pay, or provide security for, amounts payable to FP Markets or fail to perform any obligation under your Transactions, FP Markets has extensive powers under the Account Terms to take steps to protect its position. For example, FP Markets has the power to Close Outpositions and to determine the rates of interest it charges. Additionally, under the Account Terms you agree to indemnify FP Markets for certain losses and liabilities, including, for example, in default scenarios.</p> <p>You should read the Account Terms carefully to understand these matters.</p>
<b>Securities-Margin Feature</b>	<p>If you use the Securities-Margin Feature (see Section 9), there are risks that you may lose your entitlement to replacement Securities arising from your default for any reasons.</p> <p>Also, the value given to the securities which you have lent may fall, due to market price movements or FP Markets changing the permitted percentage of their value to be counted as Margin Cover (including down to zero).</p> <p>The taxation of securities lent to FP Markets or provided to you as replacement securities may change or may be adverse to you, depending on your personal situation and any change in taxation laws or interpretation relevant to the Securities-Margin Feature.</p> <p>Please see Section 9 for further information about this feature and its risks.</p>
<b>Operational risk:</b>	<p>There is always operational risk in a CFD. For example, disruptions in operational processes such as communications, computers and computer networks, or external events may lead to delays in the execution and settlement of a transaction. We are not liable to you if losses arise owing to delays, errors or failures in operational processes outside our control, in particular, due to faults in a Platform or in the provision of data by third parties.</p>

## 8 Costs, Fees & Charges

### 8.1 Costs, Fees & Charges

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There is no account opening fee for Accounts.

FP Markets may charge a Transaction Fee for entering into a CFD. The standard rate and the maximum rate are given in the relevant Sections of this PDS for their type of CFD.

FP Markets may charge a Finance Charge may be incurred on positions held overnight, described below.

### 8.2 Transaction Fees

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The full amount of the Transaction Fee for a particular CFD Transaction is calculated by multiplying the Transaction Fee rate by the Contract Value of the CFD. Worked dollar examples are given in the relevant Sections of this PDS for their type of CFD.

The Transaction Fee accrues immediately upon execution of the Transaction, i.e. when you Open or Close the CFD. The Transaction Fee will either be reflected in the execution price as an additional spread and/or separately i.e. not included in the spread, in accordance with the Account Terms. Refer to the Section 3.4 relating to Bid/Offer spread pricing and pricing models.

All Transaction Fees are charged in the currency in which the CFD is denominated unless otherwise specified and then converted at the relevant FP Markets currency exchange rate into the denominated currency of your Trading Account, refer to Section 10.1 “Accounts Denominated in Foreign Currency”.

Please remember that because you are required to enter into one CFD to Close Out the existing CFD there may be a Transaction Fee on the CFD used to Close the position – see the examples in the relevant Sections.

### 8.3 Margin

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The Margin amount that you are required to maintain is disclosed on your Order’s ticket prior to the Order being placed.

Please note that if you delay submitting your Order, the required Margin amount could change from the amount in the order ticket. The actual amount applying at the time of executing your Order will be applied.

### 8.4 Finance

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#### **Financing on long and short CFD Positions**

A financing cost is incurred, or a benefit is derived for your Account, for any CFD positions held overnight (other than a Futures CFD). This is referred to as the “Financing Charge” whichever way it is owed.

The Financing Charge is expressed as a percentage and works similar to the way an interest rate works on a loan. Generally, the rate of the Finance Charge is applied to the full value of your position (that is, the Contract Value) to derive the amount in dollars of the Finance Charge; however, for FX CFDs the Finance Charge is applied to the Base Currency and the Terms Currency in the CFD – see Section 6.

The amount of Margin which you have paid is not taken into account in calculating the Finance Charge.

If you hold a long position you will be charged the Finance Charge. If you hold a short position you may be charged or receive financing.

Based on the Closing Price of CFD positions held overnight, the Finance Charge is debited from or credited to your Trading Account on a daily basis on the next trading day.

The rates for Finance Charges for open positions held overnight are: Long positions – FP Markets Base Rate plus Client Mark-up

The FP Markets Base Rate is the rate set by FP Markets from time to time and is published on its website or you may request it by contacting FP Markets.

The Client Mark-up is the rate that applies to your Account and is notified to you when your Account is established. It may be changed later by prior notice to you, typically if the volume of your trading changes significantly.

A Long example might be:

FP Markets Base Rate is 2.5% p.a.

Client Mark-up is 2.0%

So the Finance Charge on a long position is 4.5% p.a.

The actual Finance Charge in dollars is calculated by multiplying the number of CFDs by the Closing Price, multiplied by the applicable rate of the Finance Charge, divided by the number of days in the year applicable to the currency.

For example, the calculation for an overnight Finance Charge (if a credit) for each day that a long CFD is as follows:

Number of CFDs x CP x (FP Markets Base Rate + Client Mark up) / divided by the number of days in the year applicable to the currency

Where:

CP is Closing Price of the CFD Open Position held overnight. A Short example might be:

FP Markets Base Rate is 2.5% p.a.

Client Mark-up is (2%)

So the Finance Charge on a short position is 0.5% p.a.

The actual Finance Charge in dollars is calculated by multiplying the number of CFDs by the Closing Price, multiplied by the applicable rate of the Finance Charge, divided by the number of days in the year applicable to the currency.

For example, the calculation for an overnight Finance Charge (if a credit) for each day that a short CFD is as follows:

Number of CFDs x CP x (FP Markets Base Rate - Client Mark up) / divided by the number of days in the year applicable to the currency

Where:

CP is Closing Price of the CFD Open Position held overnight.

Sometimes the FP Markets Base Rate can be very low (typically in respect of some non-Australia markets), which could make the Finance Charge on a short position (held overnight) a negative rate (meaning your Trading Account would be charged, not credited).

An additional Finance Charge may be imposed if you have not paid FP Markets any amount you are required to pay, such as an overdue payment if there is a shortfall after closing positions in your Account. The rate of Finance Charge for such defaults is the FP Markets Base Rate plus 4% p.a. For example, if you owe us \$1,000 on a debt and the FP Markets Base Rate stays at 5.85%, then the Finance Charge on that will be 9.85% p.a., accruing daily.

FP Markets may at any time without prior notice apply different FP Markets Base Rates according to different tiers of volume of trading.

## Swap Rates

Margin FX, Cash Index CFDs and Metal Contracts are either “rolled over” or “swapped” (depending on which term applies to your particular OTC contract). If your position is rolled (or “swapped”) to the next Value Date, you will receive a benefit or bear a cost on your original traded amount. As a rule, the following applies: if you buy a currency with a higher interest rate than the currency you sell then you will receive a benefit at rollover. If you sell a currency with a higher interest rate than the currency you buy then you will

incur a cost at rollover. For example: If you have a bought AUD/USD position (i.e. you have bought the Australian Dollar against the US Dollar) and interest rates are higher in Australia than in the USA, your Transaction will receive a benefit i.e. the interest differential between the two currencies if you do not Close Out the position before the settlement time. Your Transaction will receive the interest rate differential whilst the position remains open for holding the higher yielding currency. If you have a bought AUD/USD position and the USA interest rate is higher than the Australian interest rate, your Transaction will bear a cost i.e. the interest differential between the two currencies if you do not Close Out the position before the settlement time. Your Transaction will be charged the interest rate differential whilst the position remains open for holding the lower yielding currency. Please note that FPM may charge a small charge no more than 0.01% the value of the contract. FPM may also consider the costs incurred by its own liquidity providers swap rates which may further distort the final rate received by the client. The benefit or cost can either be directly debited or credited to your Trading Account balance as a Finance Charge adjustment / Finance Credit Adjustment or

reflected in the price at which the open position is rolled forward i.e. it is included in the price (or rate at which the contract is rolled).

#### **Cash Index Dividend Adjustments**

If you hold an open Long position on a Cash Index CFD contract that pays a Dividend you will be entitled to an amount equal to the amount based on the number of contracts you hold after the close of the business day before the ex-dividend date. Conversely, if you hold an open Short position in a Cash Index CFD which pays a dividend you will be required to pay an amount based on the number of contracts you hold after the close of the business day before the ex-dividend date. This adjustment may be made either as a cash adjustment into your IRESS trading account or included into the end of day swap rate.

## 8.5 Notes to all examples in this PDS

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1. The above examples are to illustrate the impact of key variables on the outcome of a Transaction. They are not forecasts or projections of any particular Transaction.
2. The worked examples illustrate in dollar terms how trading incurs fees (including fees charged by FP Markets), charges or other payments. These examples are not intended to be exhaustive and document every trading strategy.
3. The examples use simplifying assumptions by not taking into account an investor's tax rate or overall tax position, potential changes in interest rates charged to or earned on the Trading Account or the time value of money. While these variables will undoubtedly change the outcome of a Transaction, they are normal market variables which cannot now be predicted and so must be taken into consideration by a potential investor in Transactions.
4. Margin requirements, interest rates and external charges may change at any time and are hypothetical only.
5. Although the Free Equity is available to be withdrawn, you should consider maintaining sufficient Margin Cover in your Account to avoid being Closed Out due to failing to maintain the required minimum Margin Cover.
6. You should decide your own risk limits and always monitor your positions.

## 8.6 Interest on credit balances

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Clients do not receive interest on moneys held for them in the client moneys trust account. The default is that Clients are not credited with interest on credit balances in their Trading Account; however, FP Markets may in its discretion choose to negotiate on a case by case basis to credit interest on credit balances in a Client's Trading Account.

## 8.7 Securities Borrow Fee

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If you enter into a "short" CFD position or if you request for stock to be borrowed on your behalf, you may also be charged a securities borrow fee relating to the securities borrowing charges incurred by FP Markets in hedging its exposure to your CFD position. Securities borrow fees are usually determined as a percentage of the value of the securities borrowed (by or for FP Markets) and generally will not exceed 2,000 basis points. For example, if a client wishes to short 10,000 XYZ at \$10, with a total market value of \$100,000.

If a stock borrow rate of 0.5% pa is charged the cost of holding the position overnight will be calculated as follows.  $(\$100,000 \times 0.5\%) / 365 = \$1.37$ .

## 8.8 Currency Conversion

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Any realised non-A\$ amounts in your Trading Account will be converted to A\$ at FP Markets' prevailing conversion rate. This occurs each time there is a conversion from a non-A\$ currency of your Trading Account to A\$ or a Transaction Fee is denominated in a non-A\$ currency e.g., a Transaction Fee calculated in US dollars. This currency conversion does not have a separate fee or charge but you should consider it as a cost of your Transactions.

## 8.9 External Fees, Taxes and Charges

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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 FP Markets). Bank charges and fees imposed on FP Markets to clear your funds or in respect of your payments will also be charged to your Account.

The Account Terms may allow FP Markets to impose other fees or charges from time to time which do not relate directly to Transactions (and so are not costs, fees or charges for acquiring or later dealing in the CFD itself). Please note that fees and charges may apply to trading platforms and/or data. These fees and charges are available on our website at <http://www.fpmarkets.com.au/> and may change from time to time. For example, you may be required to pay royalty or similar charges set by data providers (e.g. the ASX) for your use of information feeds or for online transaction services. FP Markets may debit these amounts to your Trading Account.

## 9 Securities-Margin Feature

### 9.1 What is this feature?

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FP Markets can allow you to use Securities for your Margin, instead of paying cash.

You do this by “lending” your securities to FP Markets. All of the terms of this Securities-Margin Feature are part of your Account Terms. There is no separate facility or agreement for it. This feature is not part of any CFD – it is part of the Trading Account service.

Once your securities have been provided under the Securities-Margin Feature, an adjustment is posted to your Trading Account to reflect that some or all of the value of those Securities is allowed to count as Margin Cover.

Please note that we will not actually hold any Securities for you - your Trading Account only shows the value of them allowed by FP Markets for Margin Cover.

The Securities-Margin Feature benefits you by allowing you more Margin Cover to trade against but also has some potential disadvantages and risks.

### 9.2 How does the Securities-Margin Feature work?

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The Securities-Margin Feature uses most of the key legal features of securities lending. Although it is called “securities lending”, in legal form and substance the Securities-Margin Feature involves an absolute transfer of all legal title to the securities from one party (“lender”) to the other party (“borrower”).

The borrower (in this case, FP Markets) is contractually bound to return, at the end of the period agreed between the parties, replacement securities which are equivalent in number and type to the original securities lent to the borrower (subject to any adjustment for corporate actions which occurred after the initial loan).

Since securities lending involves the absolute transfer of the title to the Securities, once you (as the lender) transfer your Securities to FP Markets (as the borrower), then FP Markets may sell or otherwise deal with the “borrowed” securities as it thinks fit. It does not hold the Securities which you lent for your benefit. In fact, you should expect FP Markets to on lend the Securities so that FP Markets.

For FP Markets’ CFDs, this means that FP Markets may allow you (the “lender”) to transfer full legal title to some Securities to FP Markets (the “borrower”). Once title is transferred to FP Markets, it will post to your Trading Account the value of those Securities, but you will not have any claim on the Securities and FP Markets may do what it likes with the Securities which you transferred to it.

Once you have lent Securities to FP Markets, you are always an unsecured creditor of FP Markets for the entire amount owing (if any) by FP Markets to you under the Trading Account for which the Securities were lent. For example, if you lend BHP shares and get Margin Cover for that for \$10,000 and have BHP CFDs with minimum Margin cover of, say, \$9000, at that time you are exposed to FP Markets for \$1,000. You should not expect to receive \$10,000 of BHP shares back yet owe FP Markets \$9,000 – the two amounts are set –off so as to come up with one net amount owing).

(If you make a profit after Closing Out your CFD positions and have, say, \$10,500 as Margin Cover but no CFD positions, then on closing your Trading Account you could receive the same number of BHP shares and possibly some cash. If the value of BHP Shares had not changed since the initial loan, then you would get \$10,000 of shares and \$500 cash.)

During the securities loan you do not have any claim on the lent securities or against any other person to whom FP Markets has “on-lent” the securities. If you transfer securities to FP Markets under the Securities-Margin Feature, then the amount you are an unsecured creditor for will also reflect the value of the Securities you lend to FP Markets, as posted to your Trading Account by FP Markets.

You should read Schedule 2 of the Account Terms carefully and consider the terms in it along with the rest of this PDS and the Account Terms.

## 9.3 No separate Margining for Securities-Margin Feature

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The Securities-Margin Feature is part of your Account Terms. There is no separate margining for the securities lent to FP Markets under the Securities-Margin Feature. So, you will not receive Margin calls made just in respect of the Securities-Margin Feature.

All of your Margin Cover obligations (which are maintaining the minimum required Margin Cover and, separately, meeting Margin calls) will only be made in respect of your Trading Account.

## 9.4 Benefits of the Securities-Margin Feature

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Clients would use the Securities-Margin Feature to increase the amount of Margin Cover posted to their Trading Account, so providing a bigger buffer against adverse movements in the value of positions in their Trading Account or allow more trading in their Trading Account.

## 9.5 Risks of the Securities-Margin Feature

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There are risks in using the Securities-Margin Feature.

The risks include (but are not limited to):

*Losses:* There is the risk that your Trading Account will suffer losses when the price of the security moves adversely, even down to zero. The adverse movement can occur because of market movements, or because FP Markets changes the percentage allowed as Margin Cover or because FP Markets removes the securities as an approved security. FP Markets can make these decisions without notice to you and with immediate effect, at any time on any day. Even a minor change (in market value or permitted percentage) can result in your Trading Account's margin cover falling below the required minimum Margin Cover, which means you would be in default and then immediately all of your positions Closed Out.

If you default under the Account Terms for any other reason, you will probably lose all of your rights to receive replacement securities.

*Counterparty risk:* you have the risk that:

- FP Markets does not meet its obligations to you under the Securities-Margin Feature because it cannot or does not transfer to you replacement Securities when you request them or at the end of a securities loan.
- If FP Markets becomes insolvent after you have lent the securities to it then, since you are an unsecured creditor of FP Markets, you might not receive all or any of the securities lent.

*Title risk:* this refers to the risk that the borrower (FP Markets) does not have clear title to the securities returned to the lender (you, the Client). The risk is considered to be minimal since in the ordinary case the securities are transferred according to the transfer procedures used in Australia for passing title.

*Tax laws:* there is a risk that taxation laws may change and this may have a negative effect on your tax position. Also, since the Securities-Margin Feature is part of the entire Account Terms (and not a standalone facility), it has been tailored to suit the Trading Account. These features have not been considered by the Australian Taxation office or the courts so it is possible that the tax treatment of loans made under it will not be treated as complying securities loan for the purposes of dividend (and dividend imputation) pass through treatment and capital gains tax relief under Australian tax laws. If it is not a complying securities loan, then you (as the lender) might have adverse tax treatment arising from the deemed disposals of the Securities arising on the initial lending and any later return of Securities to you and in respect of treatment of adjustments for dividends. FP Markets is unable to advise further on these matters and so urges you to seek your own tax advice.

## 9.6 Is the Securities-Margin Feature also “non-standard margin lending”?

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Recently in Australia securities lending to natural persons has been regulated as “non-standard margin lending”. FP Markets understands that the Securities-Margin Feature is not and will not be treated by ASIC as “non-standard margin lending” because it does not have some of the legislated requirements for that product including (but not limited to) margining for the loan of Securities itself (instead, securities loans under the Securities-Margin Feature are not margined but the entire Trading Account is margined).

You should be aware that Securities-Margin Feature uses securities lending but it is not regulated as “non-standard margin lending”, so the Securities-Margin Feature does not have its own PDS nor is it separate from the Account Terms. You do not apply separately for it.

## 9.7 Other Information

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The legal terms governing your dealing in the Securities-Margin Feature with FP Markets are set out in Schedule 2 of the Account Terms. Please read them carefully and take legal advice on them before deciding whether to use the feature.

The list of securities allowed by FP Markets to be used for the feature is available by contacting FP Markets. The selection of securities (or their removal as an approved security) and the percentage of their value allowed as Margin Cover may change at any time, without prior notice to you, by FP Markets. This can lead to sudden or even immediate drop in the amount of your Margin Cover, which can lead to your Trading Account failing to have the minimum required Margin and all of your positions Closed Out, even without prior notice to you.

If the market value of the securities which you lent fall, then the amount of Margin Cover allocated to them will also fall. A rapid fall in their market value, or a complete loss of value can have immediate effect on your Trading Account, even outside of the hours of trading of those securities.

FP Markets determines the value of the Margin Cover allocated to the securities lent to it, including the market value and any lesser percentage of that allowed as margincover.

Please remember that there is no difference to operating your Trading Account if you provide securities by this feature – it is margined for the entire Trading Account, not just for any securities loan. If your positions move against you (whether just by market value movements or by FP Markets changing its permitted percentage allocation of that value) and you default (by not having enough margin cover, even if no Margin call is made to you), then you could lose all of the securities loan positions– only the value of them will be counted in determining a single net amount owing as between you and us.

## 9.8 How to use it

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You can request to lend securities to FP Markets by contacting us to request approval.

## 9.9 Costs, Fees and Charges

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FP Markets will charge a fee for:

- using this feature, at the rate of \$1.00 per securities loan (which will be deducted from your Trading Account); and
- any other charges or amounts arising from the Securities-Margin Feature (such as withholding tax, stamp duty or GST, none of which are currently expected to apply but will be charged if they apply).



## 9.10 Dividends

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The lender of securities (you, the Client) does not have any legal, beneficial or security interest in the lent Securities, but due to Australian tax laws the lender may effectively retain many of the economic benefits of ownership (except for voting rights). Over a dividend period, provided the securities loan is accepted by the Australian taxation Office as a complying securities loan, the lender is entitled to any dividends and possibly franking credits attached to the lent securities, provided they are available to the borrower and are passed onto the lender in accordance with tax law requirements.

## 9.11 Payments Netting

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The terms of your Trading Account with FP Markets establish a master account which applies to all Transactions made under it, subject to the individual terms of each Transaction. If you have more than one Transaction with FP Markets under the Trading Account which settles in the same currency on the same date, payments and receipts arising from those Transactions may be netted, so that all settlements are combined and only a single payment is made as between you and FP Markets.

This includes all securities posted as Margin Cover. If you default for any reason under your Account Terms, then all positions (e.g., CFDs) and all cash balances and all Securities balances (remember, they are only notional values of Securities) are required by the Account Terms to be taken into consideration to work out one net amount owing as between you and us for all of your Trading Account.

So, if there is default by you or FP Markets, you have no right to receive equivalent securities to the number and type you initially lent to FP Markets – their value at the time of default will be used in calculating a single amount owing as between you and FP Markets (either way, depending on your positions at the time of default).

## 9.12 ASIC guide

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ASIC has released a guide for you to consider on securities lending (referred to as “Non-standard margin lending facilities”). Potential investors are encouraged to contact ASIC or to visit the ASIC website ([www.asic.gov.au](http://www.asic.gov.au)) for any information released by ASIC on these and other important features and risks of dealing in securities lending. While our Securities-Margin Feature is not considered to be “non-standard margin lending facilities”, the ASIC guide might help you understand the features and risks of securities lending generally.

## 9.12 Taxation implications

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The Securities-Margin Feature is designed to fall within the provisions of the Australian tax legislation for dividend pass through and capital gains tax roll-over relief for complying securities loans. However, we urge that you seek your own independent tax advice on the taxation implications of the Securities-Margin Feature. Below is a brief guide and is not intended to take into consideration your individual financial situation:

### **Income Tax**

The tax implications of entering into loans by the Securities-Margin Feature will generally depend on whether you are subject to the Taxation of Financial Arrangements rules.

### **Goods and Services Tax**

The transfer by the lender of securities or collateral to FP Markets under the Securities-Margin Feature should not be subject to GST, regardless of whether the lender is registered for GST. You should obtain your own independent tax advice on any GST implications arising under the Securities-Margin Feature.

## 10 General Information

### 10.1 Accounts Denominated in Foreign Currency

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Your Account and each Trading Account may be denominated in Australian dollars or any other currency permitted by FP Markets from time to time.

If you instruct FP Markets to effect a Transaction denominated in a currency different from the denomination of your Trading Account currency, FP Markets will convert the currency value of your Transaction into the Trading Account's currency.

The foreign currency conversions can expose you to foreign exchange risks between the time the Transaction is entered into and the time the relevant conversion of currencies occurs. This will immediately impact on the Margin Cover requirements for your Account, so you must be careful to understand and to monitor the effect of trading in CFDs denominated in foreign currencies.

Foreign exchange markets can change rapidly. Exchange rates depend on a number of factors including for example, interest rates, currency supply and demand and actions of government. In some situations, exchanges of currency may be suspended. These will impact on the rates of conversion set by FP Markets.

### 10.2 Discretions

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FP Markets has discretions under the Account Terms which can affect your Orders and positions. You do not have any power to direct how we exercise our discretions.

When exercising our discretions we will comply with our legal obligations as the holder of an Australian Financial Services Licence. We will have regard to our policies and to managing all risks (including financial, credit and legal risks) for ourselves and all of our Clients, our obligations to our counterparties, market conditions and our reputation. We will try to act reasonably in exercising our discretions but we are not obliged to act in your best interests or to avoid or minimise a loss in your Account.

Our significant discretions are:

- whether to accept your Order (including to Close Out a position) or to amend it;
- any limits we impose on your Account or your trading;
- determining Margin requirements, especially the amount of Initial Margin, minimum Margin requirements, the time to meet any changed Margin requirement;
- determining values of Underlying Financial Products (for opening and closing positions, the daily Closing Price and for determining Margin);
- setting Bid prices and Offer prices; and
- closing your positions and setting the Closing Value.

You should consider the significant risks that arise from FP Markets exercising its discretions – see Section 7.

Our other discretions include:

- setting our fees and interest rates;
- adjusting our CFDs for adjustments made by the Exchange to the Underlying Financial Products;
- setting foreign exchange conversion rates;
- opening and closing your Account;
- giving you a grace period for full compliance in paying by cleared funds any amount you owe; and
- interpretation, variation and application of our policies.

Please note that while we have discretions in how we may exercise our powers, the Trading Conditions typically are set or applied for automatic outcomes, such as automatically Closing Out all of your Open Positions if you do not maintain the required minimum Margin Cover.

## 10.3 Policies

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FP Markets has a number of policies that can affect your CFD investments. The policies are guidelines that FP Markets (including all of its staff) is expected to follow but policies are not part of the Account Terms and do not give you additional legal rights or powers.

We may change our policies at any time without notice to you. We may amend, withdraw, replace or add to our policies at any time without notice to you. Our policies may help you understand how we operate but all of the important information is set out in or referred to in this PDS so you should only rely on this PDS and not on the policies.

A copy of the policies are available on our website at [www.fpmarkets.com.au](http://www.fpmarkets.com.au).

Our key policies relevant to our CFDs currently are:

- client suitability policy;
- client moneys policy;
- margin call policy;
- hedge counterparty policy; and
- conflicts of interests management policy.

## 10.4 Anti-Money Laundering Laws

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FP Markets is subject to anti-money laundering and counter-terrorism financing laws (AML laws) that can affect the CFDs. In order to establish your Account, we need to collect personal information from you or from businesses or government agencies (such as Medicare) that you authorise.

If your Account is established, FP Markets may disclose your personal information or stop transactions on your Account for the purposes of the AML laws or under FP Markets' AML laws procedures, without liability to you for any loss that arises due to that occurring.

## 10.5 ASIC Guides

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ASIC has released a guide: RG 227 Over-the-counter contracts for difference: Improving disclosure for retail investors. ASIC has also released a guide for investing in contracts for differences: Thinking of trading contracts for difference (CFDs)? Potential investors are encouraged to contact ASIC or to visit the ASIC website ([www.asic.gov.au](http://www.asic.gov.au)) for copies of these and other material which can assist you in deciding whether to deal in our CFDs.

## 10.6 About FP Markets

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FP Markets is an Australian company established to provide innovative online financial products.

Further information about FP Markets is available on its website at [www.fpmarkets.com.au](http://www.fpmarkets.com.au).

## 10.7 Applications and Funding your Account

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You apply for an Account by returning to FP Markets a completed application form. The application form may be online or in a booklet with the Account Terms, available by contacting FP Markets directly.

FP Markets Accounts can be funded by credit card, electronic transfer, BPay and cheque. Further details are available by contacting FP Markets or on its website at: <http://www.fpmarkets.com.au/account/fund-your-account/>

**Please be reminded that funding your Account by credit card or by BPay from your credit card account has additional risks and costs for you.** By using these payment methods you effectively would be doubling your leverage by taking credit from your credit card account and trading with leverage on your FP Markets Account. This can add to the risks and volatility of your positions as well as incurs higher interest costs on your credit card account.

If you lose on your CFD investments, you might not have other financial resources to repay your credit card account, incurring higher interest costs and possibly defaulting on your credit card terms.

Although FP Markets accepts payments of more than \$1,000 from credit card accounts to fund your Account and to meet later Margin payments, please carefully consider whether this payment method is suitable for your CFD trading and limit it to what you can afford.

Individual CFDs are made by contacting your FP Markets advisor or using a Platform.

## 10.8 Taxation Implications

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Our CFDs 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.

### Australian Taxation regime for CFDs

The Australian Taxation Office (ATO) has released Taxation Ruling 2005/15 which describes the income tax and capital gains tax consequences of dealing in CFDs. A copy of Taxation Ruling 2005/15 is available from the ATO's website [www.ato.gov.au](http://www.ato.gov.au). Potential investors should note that this is a public ruling for the purpose of Part IVA A A of the Taxation Administration Act 1953 (Commonwealth) and therefore, if the ruling applies to the investor, the Commissioner of Taxation is bound to assess that investor on the basis outlined in the ruling. Penalties may apply where the treatment outlined in a taxation ruling is not followed and the investor has a tax shortfall. The following statements do not set out all of the content of the Taxation Ruling and there might be other taxation aspects that are relevant to your particular circumstances.

### Profits and losses on our CFDs

Any gains derived or losses incurred by you in respect of a CFD ordinarily should be included in your assessable income. When calculating the amount of profit or loss, you need to consider the difference between the Closing Value and the Contract Value on commencement of the position and any fees on Open Positions paid or received by. If you hold the CFDs for the purpose of trading, you should seek independent taxation advice relevant to your circumstances.

### Tax file number withholding rules

The tax file number withholding rules only apply to those investments as set out in income tax legislation. FP Markets' current understanding is that those withholding rules do not apply to its CFD financial products; however, if it is later determined to apply and you have not provided FP Markets with your tax file number or an exemption category, FP Markets may be obliged to withhold interest payments at the highest margin tax rate and remit that amount to the ATO.

### Other fees, charges or commissions

If the CFD gives rise to gains that are assessable or losses that are deductible, any fees other than charges or commissions ordinarily should be available as a deduction at the time they are paid by the investor and debited against their Trading Account.

## Goods and Services Tax

With the exception of fees and charges as set out in this PDS, amounts payable for or in respect of CFDs are not subject to goods and service tax, in accordance with Australian Taxation Office Ruling GSTD 2005/3, available from [www.ato.gov.au](http://www.ato.gov.au).

## 10.9 Cooling Off

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There is no cooling off arrangement for our CFDs. This means that you do not have the right to return the CFD, nor request a refund of the money paid to acquire the CFD. If you change your mind after entering into a CFD with FP Markets, you must close it out, pay any Transaction costs and take the risk of incurring a loss in doing so.

## 10.10 Ethical Considerations

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Our CFDs do not have an investment component. Labour standards or environmental, social or ethical considerations are not taken into account by FP Markets when making, holding, varying or Closing Out our CFDs.

## 10.11 Jurisdictions

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The CFDs offered by this PDS are available only to persons receiving the PDS in Australia.

The distribution of this PDS in jurisdictions outside Australia may be subject to legal restrictions. Any person who resides outside Australia who gains access to this PDS should comply with any such restrictions and failure to do so may constitute a violation of financial services laws.

## 10.12 FP Markets' Insurance

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FP Markets has a comprehensive insurance policy in place to cover a variety of different scenarios, some which may assist in the repayment of deficits arising from dealing in Hedge Counterparties or if there is fraudulent activity by one of FP Markets' employees, directors or authorised representatives that results in your money being used in fraudulent activities. If the insurance policy is insufficient or the insurer fails to perform its obligations, FP Markets may not be able to make the payments it owes to you.

## 10.13 Dispute Resolution

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FP Markets wants to know about any problems you may have with the service provided to you so we can take steps to resolve the issue. If you have a complaint about the financial product or service provided to you, please see the document "Complaints Handling Procedure – Information for Clients", available by contacting your FP Markets Representative, and then take the following steps:

1. Contact your FP Markets Representative and provide the details of your complaint. You may do this by telephone, facsimile, email or letter.
2. If your complaint is not satisfactorily resolved through your FP Markets Representative, within three business days of receipt of your complaint, please contact the Compliance Department by emailing [compliance@fpmarkets.com.au](mailto:compliance@fpmarkets.com.au) or post your complaint to the Compliance Department at:

Level 5  
10 Bridge Street  
Sydney NSW 2000

FP Markets will try to resolve your complaint quickly and fairly. Complaints received in writing will be acknowledged within five business days of written receipt of your complaint and we will use our best endeavours to try to resolve your complaint within 21 days of receipt of your written complaint.

3. If you still do not get a satisfactory outcome, you have the right to complain to the Australian Financial Complaints Authority or AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers.. The contact details for AFCA are:

Australian Financial Complaints Authority  
G.P.O. Box 3  
Melbourne VIC 3001  
Telephone: 1800 931678  
Website:  
[www.afca.org.au](http://www.afca.org.au)  
Email: [info@afca.org.au](mailto:info@afca.org.au)

4. The Australian Securities and Investments Commission (**ASIC**) also has an Info line on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

## 10.14 Privacy

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All of the information collected by FP Markets, in the application form or otherwise, is used for maintaining your Account and for the purpose of assessing whether you would be suitable as a Client.

FP Markets has obligations under, and has procedures in place to ensure its compliance with, the Privacy Act 1988 (Commonwealth).

Significantly, these include the following:

1. Collecting personal information

In collecting personal information, FP Markets is required to:

- collect only information which is necessary for the purpose described above;
- ensure that collection of the information is by fair and lawful means; and
- take reasonable steps to make you, the individual, aware of why the information is being collected and that you may access the information held by us.

If necessary, FP Markets also collects information on directors of a corporate client or agents or representatives of the Client. FP Markets may be required by law to collect information, such as for taxation purposes or to identify persons who open or operate an account.

FP Markets may take steps to verify information given to it, such as consulting registries, referees, employers or credit agencies. This information will not be disclosed to any other person although FP Markets may disclose this information to its related bodies corporate if you intend to use the services of any of those related bodies corporate.

2. Using the personal information

Once FP Markets has collected the information from you, FP Markets will only use the information for the purposes described above unless you consent otherwise.

Personal information may be disclosed to:

- any person acting on your behalf, including your advisor, accountant, solicitor, executor, attorney or other representative;
- related bodies corporate of FP Markets if you use, or intend to use, services of those other corporations;
- any organisations to whom FP Markets outsources administrative functions;

- brokers or agents who refer your business to FP Markets (so that we may efficiently exchange information and administer your account);
- regulatory authorities;
- as required or permitted by law or by court order.

This information will not be disclosed to any other person without your consent.

You may access your personal information held by FP Markets (subject to permitted exceptions), by contacting FP Markets. We may charge you for that access.

As FP Markets is obliged by law to take reasonable steps to ensure that the personal information used is accurate, up to date and complete, please inform us immediately if any of the information provided in this Section later changes.

### 3. Retaining personal information

FP Markets has implemented and maintains secure protection of all personal information obtained from misuse, loss, unauthorised access, modification or disclosure.

The information will be destroyed or de-personalised if FP Markets no longer requires the information for the purpose referred to above.

## 11 Glossary

**Account** means your account with FP Markets established under the Account Terms, including all Trading Accounts and all Transactions recorded in them.

**Account Terms** means the terms of your Account with FP Markets for all of your Trading Accounts by which you deal in Transactions (as amended from time to time). Variations or additional terms may be notified to you from time to time in accordance with your current Account Terms.

**Account Value** means the current value of your Account which is calculated by FP Markets by combining:

- the balance of the cash account;
- the sum of the values of the non-margin positions;
- the unrealised value (positive/negative) of the Open Positions in margin products;
- indicative costs to Close (Transaction Fees, Finance Charges); and
- the values of Transactions not yet booked.

**AML Laws** means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Commonwealth) and any related regulations, rules and instruments.

**ASX** means the securities and other Exchanges operated by ASX Limited.

**Australian Dollars, AUD or A\$** means the lawful currency of the Commonwealth of Australia.

**Balance** means the funds available in a Trading Account that may be used for trading FPM OTC contracts.

**Base Currency** is the first currency quoted when requesting a quote for an FPM OTC contract which can be denominated in another currency, such as an FX FPM OTC contract, for example in the quote AUD/USD the AUD is the Base Currency.

**Bid** means the price which FP Markets as the buyer is willing to accept i.e. the price at which you can currently buy an FPM OTC contract to Close Out ("sell") your existing FPM OTC contract.

**Basis point or bp** refers to 0.01% of an amount. E.g., 5 bps means 5 basis points or 0.05% (typically of a Contract Value).

**CFD** means an over-the-counter derivative contract for difference, issued by FP Markets as principal on the terms set out in the Account Terms and with such other terms as the Client and FP Markets agree at or before the time of issuance (such as the price for it).

**Client** refers to the person who has an Account with FP Markets.

**Client Mark-up** means the amount (as a percentage), determined by FP Markets, applied to the FP Markets Base Rate to determine the net Finance Charge on long positions or short positions. The Client Mark-up applying to you is notified at the time of opening your Account, and may alter be varied on appropriate notice.

**Close Out, Closed Out and Closing Out** in relation to a Transaction means discharging or satisfying the obligations of the Client and FP Markets under the transaction and this includes matching up the Transaction with a Transaction of the same kind under which the Client has assumed an offsetting opposite position.

**Closing Date** means the date on which the CFD is agreed to be Closed Out, or earlier, if deemed to be Closed Out in accordance with the Account Terms.

**Closing Price** means the value of a CFD determined by FP Markets on a day. Please see Section 3.14.

**Closing Value** means the value determined by FP Markets by multiplying the number of your CFDs by the Closing Price of the FP Markets CFD at the Closing Date.

**Contract Value** means the face value of the FP Markets CFD, and is calculated by FP Markets by multiplying the applicable price (or, if an index, the level) of the CFD by the number of CFDs.

**Corporations Act** means the Corporations Act 2001 (Commonwealth).

**Direct Market Access** and **DMA** refer to a facility through which an order from a non-broker is placed directly, or virtually directly, into an Exchange ordinarily without any broker intervention.

Such facilities tend to give faster execution and pricing which relates more directly to prevailing market prices. There are many variations to the general model and brokers always retain the right to filter orders for regulatory or compliance reasons. **DMA-pricing** refers to pricing based directly on pricing of hedge contracts made through DMA.



**Electronic Communications Network** and **ECN** refer to a facility through which an order from a non-institution is placed with an institutional counterparty. Typically such facilities are used for dealing in financial products which are not Exchange-traded, such as FX, metals, bullion and commodities. There are many variations to the general ECN model but the essence of them is a fast, automatic order placement and pricing within a competitive market.

**Exchange** means the market operated by the ASX, ASX 24 operated by Australian Securities Exchange Limited (ABN 83 000 943 377), the Australian Clearing House operated by ASX Clearing Corporation Limited (ABN 45 087 801 554), or any other exchange or market on which the relevant Underlying Financial Product trades or, in the case of an index, it relates to.

**Finance Charge** means a charge payable by you in respect of your Transaction, in accordance with the Account Terms.

**FP Markets** means First Prudential Markets Pty Ltd ABN 16 112 600 281 AFSL 286354.

**FP Markets Base Rate** means the amount nominated by FP Markets for this term from time to time, as notified to you (including through a Platform), posted on its website or available by contacting FP Markets.

**FP Markets client moneys trust account** means the bank account maintained by FP Markets as a trust account under section 981B of the Corporations Act. (Funds held in this trust account may be posted as a credit to your Account, and any of your moneys in the trust account are held for your benefit).

**FP Global** is one a Platforms provided by FP Markets for Transaction not covered by this PDS.

**Free Equity** means the amount of credit balance in a Trading Account available for being used as Margin (to cover adverse movements in the value of your existing positions or towards new positions). There is Free Equity only if your Margin Cover is a positive amount. If your Margin Cover is not positive, there will be no Free Equity. The amount is subject to final adjustment by FP Markets at any time including immediately after payment of cash to you for any reason whatever, including changes in value or level of Underlying Financial Products, interest rates, currency rates, and unposted (or unreported) but accrued Finance Charges or Transaction Charges.

**Futures CFD** means a CFD (issued by FP Markets) whose Underlying Financial Product is a Futures Contract.

**Futures Contract** means an Exchange traded transaction to buy or sell a specific quantity of a described commodity or to make a payment calculated by reference to changes in the level of an index, at an agreed date in the future, whether or not it is physically settled or capable of being physically or cash settled, and includes an option for such a transaction.

**FX CFD** means a CFD (issued by FP Markets) whose Underlying Financial Product is an FX Transaction.

**FX Transaction** means a transaction to buy or sell a specific quantity of a currency in exchange for a specific quantity of another currency, at an agreed date (same day or in the future), whether or not it is physically settled or capable of being physically or cash settled, and includes an option for such a transaction.

**Hedge Counterparty** means a person with whom FP Markets enters into a hedge contract to hedge FP Markets' exposure to CFDs.

**Initial Margin** means the amount which you are required to pay to FP Markets as the initial Margin for any Transaction which you propose to enter into.

**IRESS** refers to the order execution trading platforms made available by the IRESS group of companies. No IRESS company has been involved in preparing this PDS. All IRESS trademarks are owned by the respective IRESS company.

**Margin** means the amount of cash or other assets paid to FP Markets and credited to your Account as Margin.

**Margin Cover** means the amount of Margin available for trading on your Account. It is calculated by FP Markets by subtracting from the Account Value: (i) the required Margin; and (ii) that part of the value of Open Positions which is not available to be counted as Margin Cover (usually shown as a percentage of the unrealised value of the financial product).

**Metals CFD** means a CFD (issued by FP Markets) whose Underlying Financial Product is a Metals Transaction.

**Metals Transaction** means transaction to buy or sell a specific quantity of a described commodity or to make a payment calculated by reference to changes in the level of an index or interest rate, at an agreed date in the future, whether or not it is physically settled or capable of being physically or cash settled, and includes an option for such a transaction.

**Offer** means the price which FP Markets as the seller is willing to accept i.e. the price at which you can buy the FP Markets CFD.

**Open Position** means, at any time, a Transaction which has not been Closed Out, or settled prior to the time agreed for settlement.

**Order** means any order placed by you to enter into a Transaction.

**OTC contract** means an over-the-counter contract for a financial product, including options and contracts in respect of foreign exchange or other commodities, such as metals. OTC contracts are not traded or settled with any Exchange.

**Platform** means any of the trading platforms provided by FP Markets, however they are delivered, for accessing your Account and placing Orders.

**Retail Client** has the meaning given to it by s 761G of the Corporations Act, and for the purposes of client money includes sophisticated investors within the meaning of s 761GA of the Corporations Act.

**Retail Client Money** is money paid to FP Markets by a Retail Client in connection with a CFD.

**Share CFD** means a CFD whose Underlying Financial Product is a financial product traded on an Exchange. This covers Exchange-traded equities, units in listed funds, stapled securities, exchange traded funds (known as ETFs).

**Terms Currency** is the second currency quoted in a pair for an FX contract, for example for the quote AUD/USD, the Terms Currency is the USD.

**Trading Account** means a sub-account of your Account with FP Markets.

**Transaction** means any of the kinds of CFD which are traded under the Account Terms.

**Transaction Fee** means the fee (also called commission) from time to time specified by FP Markets to be the amount payable by you to FP Markets in respect of each Transaction. The amount of the Transaction Fee is within the ranges set out in this PDS or as later varied in accordance with the Account Terms and this PDS and will be as agreed by FP Markets from time to time.

**Underlying Financial Product** means the thing which is used as the basis for the calculations of prices for a CFD, such as a share or similar equity financial product, a Futures Contract, Metals Transaction, Exchange-traded units in a fund, an exchange traded fund (ETF) or other similar item (or any combination of one or more of those).

**Underlying Futures Contract** means an Underlying Financial product which is a Futures Contract when it is used as the basis for the calculations of prices of a Futures CFD.

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

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