



# **DISCLOSURE STATEMENT**

**MYFX MARKETS PTY LTD**

**LEVEL 2, RAFFLES TOWER CYBERCITY**

**EBENE**

**REPUBLIC OF MAURITIUS**

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## **1.0 INTRODUCTION**

### **1.1 BACKGROUND**

This Product Disclosure Statement (DS), which is dated 15/01/2013, has been prepared and issued by Myfx Markets Pty Ltd (we or us) and replaces all previous versions. It provides you with key information about our margin foreign exchange contracts (Margin FX Contracts) and Contracts for Difference (CFDs).

The information contained in this DS does not constitute a recommendation, advice or opinion and does not take into account your individual objectives, financial situation, needs or circumstances. Our products are leveraged and speculative and may not be suitable for you. Their prices and the Underlying Instruments, securities or currencies may fluctuate rapidly and widely because of events or conditions which may not be foreseeable and cannot be controlled. This is an important document and should be read in its entirety before entering into a financial product with us. It does not form part of the Client Agreement; nor should it be read instead of the Client Agreement. We will provide a paper copy of this DS free of charge upon request and it has been placed on our Website: [www.myfxmarkets.com](http://www.myfxmarkets.com)

Additional information is incorporated into this document by reference. That means it is available at [www.myfxmarkets.com](http://www.myfxmarkets.com) or a paper copy on request. Although it is separate to this document, the information at [www.myfxmarkets.com](http://www.myfxmarkets.com) forms part of this document and should be read in conjunction with it. It is signified by the initials IBR and its number.

The information in this DS is current as of 15/01/2013 and may be updated from time to time where that information is not materially adverse to clients. We may issue a supplementary or replacement DS as a result of certain changes, which will be available in paper copy upon request and free of charge by contacting us.

For information regarding our full range of products and services, please read our Financial Services Guide located on our Website. If you have any queries, please contact us.

### **1.2 OUR CONTACT DETAILS**

Our office: Level 2, Raffles Tower Cybercity, Ebene, Republic of Mauritius

Phone: +64 9 889 4022

Email: [customer.service@myfxmarkets.com](mailto:customer.service@myfxmarkets.com)

### **1.3 TRADING HOURS**

Trading hours for Margin FX Contracts and CFDs will depend on the relevant Underlying Market's hours of operation, and are set out on our Website.

We are under no obligation to quote prices or accept orders or instructions in respect of any Contract to which Limited Trading Hours applies during any time when the relevant underlying exchange is closed for business.

### **1.4 OFFICE HOURS**

Our office hours are Monday to Friday, 8.00am to 10.00pm AEST, subject to Underlying Market holidays, to service your Account. During this time you can contact our Customer Service team. Our trading desk is open 24 hours whilst the Underlying Market is operating.

### **1.5 ANTI – MONEY LAUNDERING LEGISLATION**

We may require further information from you from time to time to comply with the Anti– Money Laundering and Counter-Terrorism Financing Act (AML/CTF Act). By opening an account and transacting with us, you undertake to provide us with all additional information and assistance that we may reasonably require to comply with the AML/CTF Act.

You also warrant that:

- you are not aware and have no reason to suspect that:
  - the moneys used to fund your transactions have been or will be derived from or related to any money laundering, terrorism financing or other illegal activities whether prohibited under New Zealand law, international law or convention or by agreement;
  - the proceeds of your investment will be used to finance any illegal activities; and
- you are not a politically exposed person or organisation as the term is used in the Anti- Money Laundering and Counter Terrorism Rules Instrument 2007 (1).

### **1.6 WARNING**

The financial products offered by us in this DS are derivatives as defined in the Corporations Act.

You should not engage in derivative transactions or enter into derivative related contracts unless you properly understand the nature of derivative related products and are comfortable with the attendant risks. You should obtain financial, legal, taxation and other professional advice prior to entering into a Margin FX Contract or CFD to ensure this is appropriate for your objectives, needs and circumstances and in relation to the impact of any gains or losses on your particular financial situation.

It is important that you understand that when you enter into a Margin FX Contract or CFD you are not trading in the Underlying Instrument.

## 1.7 REGULATORY BENCHMARK DISCLOSURE

Benchmarks for OTC CFDS – which includes Margin FX contracts FSP has developed seven disclosure benchmarks for these products, the regulatory requirements for which are contained in Regulatory Guide 227.

This table sets out the benchmarks and the information which describes how we deal with the benchmarks.

|  |     |  |
|--|-----|--|
| <p><b>Client Qualification</b></p> <p>Address the issuer’s policy on investors qualification for CFD trading.</p>  | Yes | We will assess client qualifications when you apply to open an account. Further information can be found in section 4 of this DS.  |
| <p><b>Opening Collateral</b></p> <p>Addresses the issuer’s policy on the types of assets accepted from investors as opening collateral.</p>  | No  | To the extent that this benchmark requires that a limit of \$1,000 be accepted for opening payments made by credit cards, we accept credit card payments for more than \$1,000 as initial funding in order to provide flexible payment options to clients. See section 2.13 and 2.14 of this DS. |
| <p><b>Counterparty risk – hedging</b></p> <p>Addresses the issuer’s practices in hedging its risk from client positions and the quality of this hedging.</p>                             | Yes | We maintain a written policy to manage our exposure to market risks from open positions. See section 6.8 “Counterparty Risk” and the up-to-date hedging policies on our Website.   |
| <p><b>Counterparty risk – financial resources</b></p> <p>Addresses whether the issuer holds sufficient liquid funds to withstand significant adverse market movements.</p>               | Yes | We maintain and apply policies to ensure that we meet all of our financial regulatory obligations under the conditions of our Financial Services Provider Licence. See section 6.8 “Counterparty Risk” – for more information. Financial stress tests are carried out – see section 6.8.         |
| <p><b>Client Money</b></p> <p>Addresses the issuer’s policy on client money.</p>   | Yes | We have a well-defined client money policy and hold client moneys on trust with Tier 1 and Tier 2 Banks on a fully segregated basis. These moneys are held and used in accordance with the Client Money Rules- see section 7 – “Holding Your Money” for more information.                        |
| <p><b>Suspended or halted underlying assets</b></p> <p>Addresses the issuer’s practices in relation to investor trading when trading in the underlying asset is suspended or halted.</p> | Yes | With the exception of Margin Foreign Exchange Contracts where there is no suspension or halting of the market, we do not allow new positions to be opened when the Underlying Market is halted or suspended. See section 0 of this DS.   |
| <p><b>Margin Calls</b></p> <p>Addresses the issuers practices in the event of client accounts entering into Margin Calls</p>   | Yes | We maintain and apply a written policy in relation to Margin Call practices and discretions. See section 3.  |

## 2.0 KEY INFORMATION - QUESTION & ANSWERS

### 2.1 WHAT FINANCIAL PRODUCTS DO WE PROVIDE?

Margin FX Contracts and CFDs. We are the provider of the Margin FX Contracts and CFDs. Myfx holds Financial Services Provider

Licence number FSP304326.

## **2.2 WHAT IS A FOREIGN EXCHANGE TRANSACTION?**

Foreign exchange is about exchanging one currency for another. In a foreign exchange transaction one currency can be bought or sold in exchange for another currency.

## **2.3 WHAT ARE MARGIN FX CONTRACTS?**

A Margin FX Contract is an agreement under which you may make a profit or incur a loss arising from fluctuations in the price of the contract. The price of our Margin FX Contracts is based on the price of an underlying currency (Underlying Instrument). However, you do not own or have any interest or right to that Underlying Instrument or have an ability to trade it on an exchange by owning a Margin FX Contract.

By entering into a CFD, you are either entitled to be paid an amount of money, or required

to pay an amount of money, depending on movements in the price of the CFD.

The amount of any profit or loss made on a CFD will be the net of:

- the difference between the price of the contract when your Position is opened and the price of the contract when the Position is closed;
- any Margin adjustments in respect of the contract;
- any Swap Charges or Benefits relating to the contract.

The balance in your Account will also be affected by other amounts you must pay to us in respect of your Account such as interest on debit balances.

## **2.4 WHAT IS A CFD?**

A contract for difference or CFD is an agreement which allows you to make a profit or loss from fluctuations in the price of the CFD. The price of the CFD is based on the price of an underlying index, commodity or futures contract (Underlying Instrument). However, you do not own or have any interest or right in that Underlying Instrument or have an ability to trade it on an exchange by owning a CFD.

By entering into a CFD, you are either entitled to be paid an amount of money, or required to pay an amount of money, depending on movements in the price of the CFD.

The amount of any profit or loss made on a CFD will be the net of:

- the difference between the price of the CFD when the CFD Position is opened and the price of the CFD when the CFD Position is closed; and
- any Swap and rollover charges or Benefits relating to the CFD.

The balance in your Account will also be affected by other amounts you must pay to us in respect of your Account such as exchange fees and interest on debit balances.

## **2.5 WHAT IS A POSITION?**

A Position is a Margin FX Contract or CFD entered into by you under the Client Agreement.

## **2.6 WHAT IS A MARGIN FX CONTRACT OR CFD ISSUED “OVER THE COUNTER”?**

Over the counter (“OTC”) means that you do not trade in financial products through an exchange or market. Rather, it is a transaction between you and us. This means you can only enter into contracts in relation to our products with us.

You do not have the protections normally associated with trading on a regulated market.

It is not possible to close a Margin FX Contract or CFD by giving instructions to another provider, broker or Financial Services Provider licensee.

## **2.7 WHAT CHARGES ARE PAYABLE WHEN DEALING IN MARGIN FX CONTRACTS?**

The common fees and charges you will incur when dealing in Margin FX Contracts may incorporate any or all of the following:

- Payment of Margins;
- Margin adjustments;

- Swap and rollover charges calculated at our Swap and Rollover Rates;
- Interest applied to debit balances in your Account;
- Administration charges; and
- In addition, we will apply a bid / offer spread in respect of financial products,

which will also affect the profits or losses you make when dealing in these contracts.

## **2.8 HOW DO WE DETERMINE THE PRICES OF MARGIN FX CONTRACTS AND CFDS?**

**Margin FX Contracts:** we receive our spreads from a number of major banks and financial institutions. We take the best bid and ask and then offer that directly to the client, which lets us act as a non-dealing desk broker with no intervention in client's trades.

The best prices across these banks are sent to our clients on our Trading Platform. On rare occasions the interbank foreign exchange market can have very wide spreads for a few seconds that can cause stop losses for some brokers. We have a feature that blocks spreads wider than normal being shown to clients, thereby preventing stop losses being hit on interbank spikes. These are approximately 5 on major FX pairs, 10 on cross-rates and 15 on exotic FX pairs.

**Index Future CFDs:** our prices for Index Future CFDs are based on the underlying mid-market price of the Underlying Instrument, which is a futures contract based on an Equity Index, and the application of a small mark-up.

**Commodity CFDs:** our Commodity CFDs are based on the last traded price of the Underlying Instrument, which is a futures contract, with the application of a small mark-up.

**Bullion CFDs:** our prices for Bullion CFDs are based on the interbank rate prices of the Underlying Instrument, with the application of small mark-up.

We are a market maker. However, we never manipulate the prices that we receive. We are not a price maker and do not intervene in the prices that we receive and offer to clients. We apply a small mark up which is how we make our money.

## **2.9 CAN WE CHANGE OR RE-QUOTE THE PRICE AFTER YOU HAVE ALREADY PLACED YOUR ORDER?**

Yes. This is because all markets are subject to slippage from time to time.

Slippage is the difference between a requested price of a trade or pending order and the price at which the order was executed or filled.

A gap in the markets is a break between prices on a chart that occurs when the price of a product makes a sharp move up or down with no trading occurring in between or when the market closes at different rate to when it opens again.

There are 2 common types of slippage:

- a) when a market gaps, either over the weekend or after a news event (like payroll figures or interest rate decisions); and
- b) when a price is clicked on and has substantially changed in the time it took to get back to the executing bank or broker.

For the benefit of all our clients, we treat both slippage scenarios in the same way that they would be treated in the exchange-traded share or futures markets in that we slip our clients to a better price if the interbank market from which we obtain its prices has moved in the client's favour, and similarly a worse price if the market has moved against them.

The price differences reflect the slippage that we get from the best-aggregated price obtained from its hedging counter parties.

## **2.10 IF THERE IS LITTLE OR NO TRADING GOING ON IN THE UNDERLYING MARKET FOR AN ASSET, CAN YOU STILL TRADE MARGIN FX CONTRACTS AND CFDS OVER THAT ASSET?**

Foreign exchange markets trade continuously. They open at 05:00pm American EST1 Sunday evening (Monday morning New Zealand ("NZ") time) and close at 05:00pm, American EST2 on Friday (Saturday morning NZ time). They are open 24

hours during this period, other than a daily 5 minute outage at 05:00-05:05pm3.

Prices are continuously streamed during this period. Because foreign exchange is not an exchange-traded product, it is not possible to suspend or halt the streaming of these prices. For our futures, commodities and index future CFD products, we will halt client trading and the use of client money in an asset or derivative when a trading halt exists for the underlying asset, or trading in the underlying asset has been suspended through an exchange or otherwise.



We do not have any discretion to:

- reprice a position; or
- close out a position.

#### **2.11 DO WE ONLY ALLOW YOU TO TRADE MARGIN FX AND CFDS WHEN THE MARKET IS OPEN?**

Yes.

#### **2.12 HOW DO I OPEN AN ACCOUNT?**

Read this DS, the Client Agreement and our FSG, and then complete an Application Form.

You may obtain these documents by:

- telephoning us on +64 9 889 4022
- going to our Website at [www.myfxmarkets.com](http://www.myfxmarkets.com)

#### **2.13 WHAT PAYMENT OPTIONS DO I HAVE?**

We offer a full suite of payment options for Clients to open and fund their accounts and provide credit card funding for the ease of providing secure electronic payment system to our Clients. This is used for both instantaneously funding accounts and meeting Margin Calls.

We do not encourage the use of leverage products with borrowed funds and do not accept “cash equivalents” as opening collateral (e.g. no securities as deposits).

#### **2.14 WHAT IS THE MINIMUM BALANCE TO OPEN AN ACCOUNT?**

USD 1,000\* for New Zealand clients.

USDD 2,000\* or its currency equivalent for Foreign Clients.

Unless otherwise specified, all dollar amounts referred to in this DS are denominated in USD.

\* This may be varied at the discretion of Myfx.

#### **2.15 HOW DO YOU DEAL IN MARGIN FX CONTRACTS OR CFDS WITH US?**

You may place orders to deal in Margin FX Contracts or CFDs in two ways:

- by telephoning on +64 9 889 4022; or
- using our Trading Platform through a computer connected to the internet or your mobile telephone.

We will not accept orders or instructions from you through any other means, such as email, unless we have previously agreed with you to do so.

It is possible for a third party to place orders on your behalf provided that a written and executed Power of Attorney or Authorised Person authority has been received and accepted by us.

#### **2.16 WHAT ARE “LONG” AND “SHORT” POSITIONS?**

You can take both ‘long’ and ‘short’ Positions. If you take a long Margin FX or CFD Position, you profit from a rise in the underlying Base Currency price or the price of the Underlying Instrument, and you lose if the underlying Base Currency price or the price of the Underlying Instrument falls. Conversely, if you take a short Position, you profit from a fall in the underlying Base Currency price or the price of the Underlying Instrument, and lose if the underlying Base Currency price or the price of the Underlying Instrument rises.

#### **2.17 HOW DO I CLOSE OUT A POSITION?**

You close a Position in a Margin FX Contract by selecting a Position in the Trading Platform and clicking the ‘Close’ button. See section 3.

#### **2.18 WHAT ARE MY “FREE EQUITY” AND “TOTAL EQUITY” ?**

Your “Total Equity” is the aggregate of:

- the current cash balance in your Account; and

- your current unrealised profits and losses.

Your “Free Equity” is your Total Equity less your current Total Margin Requirement (see section 2.19). The Free Equity is the amount that you may withdraw from your Account or use to cover additional Margin Requirements.

### **2.19 WHAT IS MARGIN?**

Margin is initially the amount that you must have in your Account to enter into a Margin FX Contract or a CFD with us. The level of Margin required to open and maintain these contracts is called the “Initial Margin Requirement”. The sum of your Margin Requirements for all of your open Positions is called the “Total Margin Requirement”.

Margin Requirements will fluctuate with the value of the Underlying Instrument on which the contract is based. Further, where you deal in a contract that is denominated in a currency other than the Base Currency of your Account, your Margin Requirement may also be affected by fluctuations in the relevant foreign exchange rate.

See section 3.

### **2.20 WHAT IS A MARGIN CALL BY US?**

A Margin Call is a demand for additional funds to be deposited into your Account to meet your Total Margin Requirement because of adverse price movements in your open Positions.

Your Total Margin Requirement can also be reduced by selecting to close one or more Positions.

See section 3.

### **2.21 HOW ARE PAYMENTS MADE IN AND OUT OF MY ACCOUNT?**

You may deposit funds by credit card, electronic transfer, B-Pay® or by cheque. All funds must be Cleared Funds in your Account before they are treated as satisfying a Margin Call or can be made available for you to use in dealing in Margin FX Contracts or CFDs.

Payments using B-Pay® are not Cleared Funds in your Account at the time of use of B-Pay®. Generally, Cleared Funds are received in your Account 24 hours after the use of B-Pay®.

We will pay you through electronic transfer or by cheque.

### **2.22 DO I RECEIVE INTEREST ON MONEYS HELD IN MY ACCOUNT OR PAY INTEREST ON MONEYS I OWE TO YOU?**

Interest will be paid on credit balances in currency ledgers on your Account (after deducting from your balance, Margin Requirements for Positions held and valued in that currency) only if:

- you are an New Zealand tax resident; and
- the credit balance in your Account (aggregating the credit and debit balances of each currency ledger) is in excess of your Total Margin Requirements, and such excess amount exceeds the Interest Qualification Level, which is AUD10,000 or its currency equivalent.

However, we reserve the right to pay interest to clients who are non-residents of New Zealand for taxation purposes from time to time in our absolute discretion.

Interest will be calculated separately on each currency ledger after deducting Margin Requirements for instruments held and valued in those currencies.

We will charge interest on any debit balances in a currency ledger on your Account.

Any amounts of interest payable to us will be deducted from any interest payable to you.

### **2.23 WHAT HAPPENS IF I HOLD A POSITION OVERNIGHT?**

In relation to Margin FX Contracts and Bullion CFD's, a Swap charge or benefit may accrue daily for any trades held past the market close at 5PM American EST(00:00 MT4 Server time) Monday to Friday. The Swap value is based on the yield exchange rates between the base currencies (first listed) of the currency pair and the terms currency (second listed) of the currency pair. For example, if you were buying the AUD and selling the USD, there the New Zealand interest rate is much higher than the US Interest rate, therefore may receive a positive Swap benefit overnight as you are holding the higher yielding currency. If you were selling the AUDUSD or going 'short', you would pay a Swap charge. The Swap process is completed at 5PM American EST (00:00 MT4 Server time) Monday to Friday.

In relation to other products and for further information see section 8.3.

#### **2.24 WHAT ARE THE RISKS OF MARGIN FX CONTRACTS AND CFDS?**

Margin FX Contracts and CFDs are derivative products that are speculative, highly leveraged, and carry significantly greater risk than non-g geared investments. You may incur losses to the extent of your total exposure to us and any additional fees and charges that apply. These losses may be far greater than the money that you have deposited into your Account or are required to deposit to

satisfy Margin Requirements.

You should obtain your own independent financial, legal, taxation and other professional advice as to whether Margin FX Contracts or CFDs are an appropriate investment for you.

#### **2.25 WHAT ARE THE TAXATION IMPLICATIONS OF ENTERING INTO MARGIN FX CONTRACTS AND CFDS?**

The taxation consequences of dealing in Margin FX Contracts and CFDs depend on your personal circumstances. Some general taxation consequences are set out in section 9.

The taxation consequences can be complex and will differ for each individual's financial circumstances. We recommend that you obtain independent taxation and accounting advice in relation to the impact of foreign exchange and CFD transactions and products on your particular financial situation.

'Help' menu. Myfx also provides free practice accounts also known as "Demo"

#### **2.26 HOW DO I LEARN TO USE THE TRADING PLATFORM AND HOW TO DEAL WITH YOU?**

Our Trading Platform contains an extensive user guide which is accessible from the accounts. Contact our Client Services Department for further details.

#### **2.27 WHAT IF I NEED FURTHER INFORMATION?**

You should speak to your financial advisor, or, alternatively, you can contact us by:

- Telephone: +64 9 889 4022
- Email: [customer.service@myfxmarkets.com](mailto:customer.service@myfxmarkets.com)
- Internet: [www.myfxmarkets.com](http://www.myfxmarkets.com)

#### **2.28 WHAT DO THE TERMS IN THIS DS MEAN AND HOW DO I INTERPRET IT?**

A full list of defined terms is available in the Glossary.

See section 18.

### **3.0 MARGINS AND MARGIN CALLS**

#### **3.1 MARGIN AND MARGIN CALLS**

Margin FX Contracts and CFDs are subject to Margin obligations, which it is your responsibility to meet to maintain your Positions.

There are two components of the Margin, which you may be required to pay in connection with Positions. These are the Initial Margin and Variation Margin.

#### **3.2 INITIAL MARGIN**

The Initial Margin is an amount of money, which we will call from you at the time the position is entered into. The Initial Margin is an amount we call to protect ourselves against possible market movements.

When you open a Position with us in Margin FX Contracts and CFDs you will need to have sufficient Total Equity in your Account to satisfy the Margin Requirement for that Position. Margin Percentages vary with each product and a list of them as at the date of this DS are set out in the Myfx Product Schedule available on our Website.

#### **3.3 EXAMPLES OF MARGIN REQUIREMENTS**

Examples of the calculation of the Margin Requirement for various types of CFDs Percentages for each instrument. follow. You should refer to the

Myfx Product Schedule for the current Margin

#### **Bullion CFDs Margin Requirements**

Our Margin Percentage on Bullion CFDs is generally 1% of the notional value of your Position. Margin Requirements on Bullion CFDs are calculated as follows:

$$\text{Margin Requirement} = \text{Contract Quantity} \times \text{Contract Price} \times \text{Margin Percentage}$$

For example, to buy 100 ounces of XAUUSD Bullion CFDs at a price of USD750 the Margin Requirement would be calculated as follows:

$$(100 \times 750) \times 1\% = \text{USD } 750$$

#### **Commodity CFDs Margin Requirements**

Our Margin Percentage on Commodity CFDs is generally 1%. Commodity CFDs have Minimum Point Increments (or “ticks”) of between 0.01 and 1.0. As a result, your Margin Requirement can be calculated as follows:

$$\text{Margin Requirement} = (\text{Margin Percentage} \times \text{current Contract Price} / \text{Minimum Point Increment}) \times \text{Contract Quantity}$$

For example, to buy 10 USWTI CFDs at a price of USD70, the Margin Requirement would be calculated as follows:

$$(1\% \times 70/0.01) \times 10 = \text{USD2,100}$$

Please refer to Myfx's Product Schedule for individual commodity tick values.

#### **Index Future CFDs Margin Requirements**

Our Margin Requirement for Index Future CFDs is generally 1% of the notional value of the Position. Margin Requirements on Index Future CFDs can be calculated as follows:

$$\text{Margin Requirement} = \text{Margin Percentage} \times \text{Contract Price} \times \text{Contract Quantity}$$

For example, to buy 10 Index Future CFDs trading at a price of AUD 6,000, the Margin Requirement calculation would be as follows:

$$1\% \times 6,000 \times 10 = \text{AUD } 600$$

### **3.4 TOTAL EQUITY BALANCES**

The Total Equity of your Account will fluctuate according to the money you have deposited in your Account, the dealings conducted on your Account and the Positions you hold.

During the trading day, your Account is constantly calculated in line with movements in our prices using our Mid Price. The Account balance is also calculated at the end of the day using our Mid Price closing rates (or our last dealing price).

Your Total Equity balance is used to assess your available Margin against current Positions, and any potential new Positions you may wish to take. The Total Equity balance is used to establish if there is a requirement for additional Margin to be paid in respect of your Account.

Once a Position is opened, the Total Margin Requirement must always be maintained for the open Position(s). It is your responsibility to ensure that your Account is sufficiently funded at all times, especially during volatile trading periods.

To assist you to monitor your equity balances in your Account, we summarise your Total Equity and Free Equity together with your Total Margin Requirement at the end of the day in your daily statement, and we provide you with your open Position and Total Equity report online.

You will only be allowed to withdraw from the Free Equity in your Account, which is the Total Equity in your Account less your Total Margin Requirement. Additionally, you will only be allowed to deal and maintain open Positions on the basis of Cleared Funds in your Account, not on promised funds or funds in transit.

### **3.5 PROFITS AND LOSSES**

Profits made from your dealing activities increase the Total Equity in your Account. Losses made as a result of your dealing activities decrease the Total Equity balance on your Account, and therefore the Total Equity available for dealing in Margin FX Contracts and CFDs or holding Positions.

### **3.6 VARIATION MARGIN**

The Variation Margin is an amount which we may call from you when a Position moves against you. Again, this amount is determined by us in our discretion and is intended to protect us against unrealised losses which you may have suffered. In some situations, we may refund Variation Margin to you when a Position moves in your favour.

The Variation Margin liability is incurred at the time of the occurrence of any movement in the market that results in an unrealised loss, regardless as to when the call to pay is made by us on you.

### **3.7 CHANGE TO MARGIN PERCENTAGES**

We may under the Client Agreement exercise our right to alter the Margin Percentage of any Margin FX Contract at any time at our discretion.

Furthermore, if we determine that a Force Majeure Event (defined in clause 27 of the Client Agreement) exists then we may, without prejudice to any other rights under the Client Agreement and at our sole discretion, take any one or more of the steps outlined in clause 27.2 of the Client Agreement.

One of the steps that we may take is to increase the Margin Percentage from that specified up to 100%. Accordingly, in extreme cases, you should be prepared at any time to have funds equal to the notional value of your Margin FX Contract or CFD available to meet any increase in the Margin Percentage by us.

### **3.8 MONITORING POSITIONS ON MARK TO MARKET BASIS**

We will monitor positions on a mark to market basis to account for any market movements. If the value of the Position moves against you, then you will be required to 'top up' the Initial Margin (Variation Margin) and, if so, you will be subject to a Margin Call; i.e. to pay additional Margin or, alternatively, to close the Position in order to reduce your Initial Margin to a level acceptable to us. In other words, you must maintain sufficient Free Equity in your Account in Cleared Funds to cover any increases in your Total Margin Requirement. If your Total Margin Requirement exceeds your Total Equity, your Account will be placed on Margin Call. If your Account reaches the Liquidation Level some or all of your Positions may be liquidated.

### **3.9 NOTIFICATION OF MARGIN CALL**

Margin Calls will be shown on the Trading Platform, and you are required to log-in to the system on a daily basis when you have open Positions to ensure you receive notification of any such Margin Calls. Please note that if you do not check the Trading Platform for Margin Call notifications, and hence do not meet them in a timely manner, we may close out Positions, without further reference to you, as provided in our Client Agreement.!

Derivatives can be highly volatile and consequently we can make Margin Calls at any time. It is your responsibility to monitor and manage your open Positions and exposures and ensure Margin Calls are met as required. You should ensure that you are always contactable by us. If you are unable to be contacted for the purpose of us making a Margin Call, we may close out your open Positions without actually speaking to you.

### **3.10 MARGIN CALLS WHERE SEVERAL POSITIONS ARE OPEN**

Margin Calls will be made on a net account basis, i.e. should you have several open Positions, and then Margin Calls are netted across the group of open transactions. In other words, the unrealised profits of one transaction can be used or applied as Initial Margins or Variation Margins or to offset the unrealised losses of another transaction.

### **3.11 PAYMENT OF MARGIN CALLS**

As pointed out in section 3.8, if your open Margin FX Contract or CFD Positions move against you and your Total Equity balance falls below your Total Margin Requirement, your Account will be placed on Margin Call.

Restoring your Total Equity balance and satisfying your Margin Call obligations will require:

- closing or reducing one or more of your open Position(s) in order to reduce your Total Margin Requirement; and/or
- depositing additional funds into your Account in order to satisfy the Total Margin Requirement.
- If you choose to deposit additional funds into your Account, these additional funds must be Cleared Funds before they will be treated as having satisfied your Margin Call obligations.
- These steps may not be necessary if there is an increase in the value of your held Positions due to a further market fluctuation.
- Once your Total Equity balance falls below your Total Margin Requirement, you may wish to consider whether to place a Stop Loss order with us to try to avoid a deficit balance on your Account. Section 5.6 in this DS outlines the orders that you may place (including Stop Loss orders) that, if used appropriately, can assist you in avoiding a deficit balance on your Account. Our policy is not to provide credit facilities on any

accounts.

- In some instances, the placing of Stop Loss Orders may not always limit your losses to the amounts that you may want. Refer to section 5.6 of this DS.
- Once your Total Equity balance falls below your Total Margin Requirement, you may be restricted from dealing on your Account until your Total Equity balance meets or exceeds your Total Margin Requirement.

### **3.12 FAILURE TO MEET MARGIN CALLS**

If you fail to meet any Margin Call, or in the rare circumstances where we do not have time to make a Margin Call due to exceptional market movements, then we may in our absolute discretion and without creating an obligation to do so, close out, without notice, all or some of your open Positions (or transactions) and deduct the resulting realised loss from your account.

### **3.13 REVALUATION OF POSITIONS**

Under the terms of the Client Agreement, we may in our discretion revalue open Positions to market to bring forward the payment of unrealised profits and losses on those Positions. We have the right to limit the size of your open Positions, whether on a net or gross basis under any appropriate circumstances as determined by us.

### **3.14 LIQUIDATION LEVEL**

We may place a liquidation order for your open Position(s) when your Total Equity balance falls below 20% of your Total Margin Requirement (the Liquidation Level). At or below this Liquidation Level, we may liquidate some or all of your open Positions.

However, we do not represent or warrant that we will place such liquidation orders, that they will be executed, or that your open Positions will be closed out at any particular level. You are responsible for losses that you may incur, despite us having the right to close out your Position before the losses were incurred.

## **4.0 BECOMING A CLIENT**

### **4.1 QUALIFICATION POLICY**

We operate a client qualification policy that is intended to ensure that new New Zealand resident clients are adequately qualified to trade in any product offered through us because trading in CFDs is not suitable for all clients due to the significant risk involved.

In order to be deemed sufficiently qualified to trade with us, potential clients must prove that they are able to satisfy one of the three following criteria:

- have sufficient trading experience; or
- pass a multiple choice quiz designed to test the extent of their knowledge in trading and financial markets; or
- complete a training course that meets the minimum requirements.

A diagram of this process is on the next page. (Fig 1)

### **4.2 PROVING SUFFICIENT TRADING EXPERIENCE**

In order to establish that an individual has had sufficient trading experience, potential clients must prove all of the following. That they:

- have operated, within the past three (3) years, an OTC margin forex or CFD account, through an FSP regulated provider similar to us<sup>4</sup>; and
- have had at least two months of trading experience; and operated as an active trader.<sup>5</sup>

<sup>4</sup>Call us for clarification regarding the eligibility of your provider!

If a potential client fails to completely satisfy all three of the above criteria, then they either attempt the quiz (part 2) or attend a training course (part 3).

### **4.3 MULTIPLE-CHOICE QUIZ**

In order to qualify, a potential client of us must record a pass score. The quiz consists of 10 (ten) multiple choice questions, with at least one correct answer required from each of the following sections:

- previous experience in investing in financial instruments, including securities and derivatives;

- an understanding of the concepts of leverage, margins and volatility;
- an understanding of the nature of CFD, and margin FX trading;
- an understanding of the processes and technologies used in trading;
- a preparedness to monitor and manage the risks of trading.

If you pass the multiple-choice quiz, you will be deemed qualified to trade through us. If a pass grade is not achieved, then you will be required to complete a training course, as referred to in section 4.4.

#### **4.4 TRAINING COURSE**

To be deemed eligible to trade with us, an individual must undertake and complete a training course that satisfies all of the following criteria:

- A duration of 8-16 hours
  - If the course does not meet the minimum time required, then it will be deemed an insufficient qualification.
- Regulated by FSP
  - The training provider must operate under an AFSL that allows them to provide general financial product advice.
- Provides ongoing support and coaching for a minimum 6 (six) week period.

You must provide us with a copy of your certificate of completion.

If a training course fulfils all three of the above requirements, then an individual will be considered qualified to trade with us.

If you cannot fully satisfy one of the aforementioned elements, then you will not be considered qualified to be a client with us.

To be considered actively operating' as a trader, you must have made at least 20 trades during the time that your account has been open, and you must be assessed for compliance by providing your trading statement to us.

## **5.0 KEY BENEFITS**

The use of our Margin FX Contracts and CFDs provide a number of benefits, which must, of course, be weighed up against the risk of using them. Benefits include the following:

### **5.1 HEDGING**

You can use our Margin FX Contracts to hedge foreign exchange exposures. Our foreign exchange products provide foreign exchange risk management tools to enable those with foreign currency exposures to protect their business against adverse exchange rate movements, provide certainty of foreign exchange rates, exposures and cash flow certainty. Our CFDs can also provide a hedge against rising or falling in asset prices.

### **5.2 SPECULATION**

You can also use these financial products for speculation, or with the view to profiting from exchange rate fluctuations and the rises and falls in

asset prices.

### 5.3 MARKET POSITION

You can potentially profit (and lose) from both rising and falling markets depending on the strategy you have employed. Strategies may be complex and strategies will have different levels of risk associated with each strategy.

### 5.4 LEVERAGE

The use of our financial products involves a high degree of leverage. These contracts enable a user to outlay a relatively small amount (in the form of initial margin) to secure an exposure to the Underlying Instrument. This leverage can work against you as well as for you. The use of leverage can lead to large losses as well as large gains.

### 5.5 THE TRADING PLATFORM

There are significant benefits associated with the use of our Trading Platform. These include:

- a) the ability to trade in small amounts as little as AUD1,000 for Standard Accounts and AUD10,000 for Pro Accounts;
- b) Margin FX markets open at 05:00pm American EST6 Sunday evening (morning New Zealand (“NZ”) time) and close at 05:00pm American EST7 on Friday (Saturday morning NZ time). They are open 24 hours during this period other than a daily 5 minute outage at 05:00pm-05:05pm8;
- c) CFDs are available during times the underlying futures market is in operation;
- d) For Standard Accounts only: real-time streaming of quotes and the facility to check your accounts and Positions in real time and 24 hours a day on any global market which is open for trading;
- e) competitive spreads, no commissions - you do not pay any commission in respect of the transactions you enter into with us. We make our money from the spreads that are embedded in the price of the instruments; and
- f) full control over your account and Positions.

### 5.6 WORKING ORDERS

We offer clients a way of managing the volatility of dealing in our Margin FX Contracts and CFDs by offering a range of working orders. Certain Positions can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels.

- (a) Important notice about this section:

If you request placement of one of the types of orders described in this section, we have an absolute discretion whether or not to accept and execute any such request.

- (b) Stop-Loss Orders:

A Stop-Loss order is an order placed with the aim of limiting the potential loss on an open Position. A Stop-Loss order allows you to specify a price at which you wish to close out a Position or open a Position.

Stop-Loss orders must be placed at a minimum distance from our current bid and offer prices. The minimum distance away from a Stop-Loss order placement is specified on our Website and will be advised to you upon request.

We will execute a Stop-Loss order once the offer price reaches the order price in the case of a buy-order, or our bid price has reached the order price in the case of a sell-order.

We note that stop losses are not guaranteed and the execution of such orders will depend on market volatility and liquidity. A Stop-Loss order is triggered automatically when the Stop-Loss price is reached. Once the Stop-Loss price is reached, the Stop-Loss Order becomes a Market Order to buy or sell (depending on your instructions). The Stop-Loss order could be activated by a short-term fluctuation in the markets, or in a fast moving market, the price at which the trade is executed could be much different from the stop-loss order price. This is known as “gapping” and is due to market movements during the time it takes to open or close Positions.

The operation of these order types should be discussed with one of our representatives. You should also refer to our Client Agreement with respect to the operation of these order types.

- (c) Stop-Entry Orders:



A Stop-Entry order is an order placed to open a new Position or increase an existing Position at a price which is inferior to the current market price. You may use this type of order when you expect that the price will move significantly in the future from its existing trading range.

Stop-Entry orders can be placed to open new Positions in all of our products.

You should also note that stop-entry orders must be placed at a minimum distance from a current bid and offer prices, which distance is determined at our discretion. You should refer to our Website or contact us for information about the levels at which you may place Stop-Entry orders.

(d) Limit Orders:

A Limit Order may be used by you to either open or close a Position at a predetermined price that is more favourable to you than the current market price. We will execute your Limit Order when our offer price has reached the price of your buy-Limit Order or our bid price has reached the price of your sell-limit order.

(e) How to place working orders with us:

Market orders may be placed online via our Trading Platform. If you require assistance you should contact one of our representatives.

(f) Fees for placing working orders:

There are no fees associated with using working orders via our online Trading Platform.

(g) Our right to impose orders:

You acknowledge that under the Client Agreement we may impose a Stop Loss order on one or more of your Positions.

(h) Our right to impose order limits:

We retain the right to impose a limit on the number of open pending orders of each account to prevent the degradation of the Trading Platform performance of all other clients. The limit is currently set at 100 orders – we retain the right to change this limit.

## **6.0 KEY RISKS OF TRADING WITH US AND IN OUR PRODUCTS**

### **6.1 INTRODUCTION**

You should carefully consider whether dealing in Margin FX Contracts or CFDs is appropriate for you in the light of your financial circumstances. In deciding whether or not you wish to become involved in these transactions, you should be aware that these products are speculative in that they are highly leveraged and carry a significantly greater risk than non-gearred investments. Consequently, you could lose large amounts of money and may sustain losses in excess of the moneys you initially deposited with us and also in excess of the Margin required to establish and maintain your Margin Position.

We will not give you any personal financial product advice in relation to Margin FX Contracts or CFDs. Further, the Client Qualification process does not amount to personal financial product advice. We will only be providing you with general advice and as such, this advice will not take into account your objectives, financial situation or needs. Accordingly, you should obtain your own financial, legal, taxation and other professional advice as to whether Margin FX Contracts or CFDs are an appropriate investment for you.

The risks also include the following:

### **6.2 LOSS OF MONEYS**

You may incur losses to the extent of your total exposure to us and any additional fees and charges that you are liable to pay to us. These losses may be far greater than the money that you have deposited into your Account or are required to satisfy Margin Requirements. In addition, you could be required to pay further funds that represent losses and other fees on your open and closed Positions.

You should be aware that if you acquire a Margin FX Contract or CFD for other than proper hedging purposes you will be fully exposed to movements in the price of the Underlying Instrument.

The risk of loss will be increased where you borrow to acquire the product as the total loss, which may be incurred, will be the loss on the product together with the amount you borrowed and any associated borrowing costs.

### **6.3 RISK RESULTING FROM MARGIN CALLS**

The risks associated with the obligation to meet Margin Calls are described in section 6.3. If the Margin FX Contract or CFD price moves against your Margin FX Contract Position or CFD Position you may be required, at short notice, to deposit further moneys with us in order to satisfy your Total Margin Requirement and maintain your Position. The amount of the additional Margin may be substantial and failure to pay it

promptly may result in:

- some or all of your open Positions being closed or liquidated by us;
- you being prevented from opening new Positions or extending existing Positions; and
- you being liable for interest charges on negative or debit balances.

Further, any additional funds must become cleared before they will be taken as satisfying your Margin Call. In some circumstances, your Position may be liquidated before you have an opportunity to deposit additional funds before any additional funds that you deposit in response to a Margin Call have had the opportunity to become Cleared Funds.

#### **6.4 DERIVATIVE MARKETS**

Derivative markets are speculative and volatile, as explained in sections 1.1, 2.24 and .1 of this DS. Margin FX Contracts and CFDs are derivative instruments and can be highly volatile. Under certain market conditions, the price of contracts may not maintain the usual relationship with the Underlying Markets because of unforeseeable events or changes in conditions, none of which can be controlled by you.

The prices of Margin FX Contracts and CFDs will be influenced by, amongst other things, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and their prevailing psychological characteristics of the foreign exchange currency markets.

#### **6.5 DEALING MAY BE AFFECTED BY FACTORS IN THE UNDERLYING MARKET**

Our prices are derived from prices in the Underlying Market. Under certain market conditions, it could become difficult or impossible for you to manage the risk of open Positions by entering into opposite Positions in another contract or closing existing Positions.

Sometimes markets move so quickly that gapping occurs. Gapping is the exposure to loss from failure of market prices or rates to follow a "smooth" or continuous path due to external factors such as world, political, economic and specific corporate events. If gapping occurs in the Underlying Market, it will also occur in the price of the relevant CFD and may mean that you are unable to close out your Position or open a new Position at the price at which you have placed your order or may have liked to place your order.

The Underlying Market may lack liquidity, caused by insufficient trading activity or because the aggregate of all requests for orders at a particular price determined by us exceeds the available volume in that market. This may affect our ability to offer Margin FX Contracts or CFDs in sufficient volume to allow you to close out your Position or open a new Position.

As a result, a potentially profitable deal may not be executed, or it may not be possible to close out a Position in a timely fashion at the price you require. This may lead to reduced profits and high losses.

We have the right to close your open Position, limit the size of your open Position or refuse orders to establish new Positions, by giving you notice orally or in writing. You should refer to clause 15.2 of the Client Agreement.

#### **6.6 YOUR ACCOUNT WILL BE MAINTAINED IN THE CURRENCY THAT YOU HAVE NOMINATED: THAT IS, THE BASE CURRENCY.**

When you deal in a Margin FX Contract or CFD whose settlement currency is denominated in a currency other than the Base Currency, all initial and variation Margins, profits, losses, Swap charges and benefits, Rollover charges and benefits in relation to that product are calculated using the currency in which the product is settled and is then converted to your Base Currency.

Accordingly, your profits or losses may be affected by fluctuations in the relevant Underlying Market price between the time the order is placed and the time the Position is closed, liquidated or offset.

Upon closing a Position that is denominated in a currency other than the Base Currency of your account you will be able to request that the foreign currency balance be converted to the Base Currency of your account. Any conversion will be at the exchange rate quoted by us and subject to the Conversion Fee (please refer to section 8.5 of this DS). Until the foreign currency balance is converted to the Base Currency, fluctuations in the relevant foreign exchange rate may affect the unrealised profit or loss made on the Position.

#### **6.7 LOSS CAUSED BY SPREAD**

Because of the difference between the buying and selling price of a Margin FX Contract or CFD, the relevant price must move favourably before you can break even. In other words, even if the price does not move at all and you close out your Position, you will make a loss to the extent of our spread and any other charges you have incurred to us.

Furthermore, the spread may be larger at the time you close out the Position than it was at the time you opened it.

You should also note that a “spread Position”, that is, the holding of a bought contract for one specified date and a sold contract for another specified date, is not necessarily less risky than a simple “long” (ie bought) or “short” (ie sold) Position.

## **6.8 COUNTERPARTY RISK**

You will be dealing with us as counterparty to every transaction and you will, therefore, have an exposure to us in relation to each transaction. This is common in all over-the-counter (OTC) financial market products.

As a consequence, you will be reliant on our ability to meet our counterparty obligations to you to settle the relevant contract. We limit this exposure by entering into offsetting over-the-counter transactions as principal with counterparties to hedge the market risk arising from our transactions with you.

We are also exposed to the financial risks of the financial institutions with which we hold our client funds and with which we enter into hedging or offsetting transactions to manage our exposure to you. You should note that Myfx manages these risks in accordance with broad Compliance Plans, which are rigorously controlled and administered to ensure that risks are measured and managed.

In our Compliance Plans, we set out criteria for selecting counterparties. In respect of those counterparties with which we conduct OTC transactions, each must meet the following criteria:

- It must have a good reputation and be a leader in the industry;
- It must be financially strong, well capitalised and have the financial resources to offer the requisite margin and leveraging supports;
- It must exhibit a first class understanding of the foreign exchange and CFDs businesses;
- It must have efficient front and back office systems (including accounting and reporting supported by first class systems and interface and internal control);
- It must operate and administer secure and segregated client accounts;
- It must be regulated by the authorities or commissions in the countries that it

operates and, where appropriate, a member of an exchange or exchanges.

We have risk management and compliance systems in place to manage our risks including but not limited to financial, operational and credit risks. Funds are held with reputable financial institutions. We have policies around monitoring of client positions, Margin Calls and liquidations. We also monitor market risk on a daily basis against set limits.

We maintain a written policy to ensure we maintain adequate financial resources and comply with the financial requirements of our Financial Services Provider Licence. Amongst other things, we:

- perform a daily adjusted surplus liquid funds calculation, ensuring that we meet the minimum liquid capital requirement set by FSP; and
- perform a daily client cash segregation calculation, ensuring that we hold adequate cash in our client trust account in order to meet our obligations to the client.

Our capital requirements and surplus position is monitored on a daily basis by us. The risk exposure that our clients face is calculated by our position keeper and reconciliation software in real time. This software is monitored by risk management staff, 24 hours a day, 5 days a week at all times whilst the foreign exchange and Underlying Markets are operating. Our free margin levels with our hedging counterparties are displayed at all times, showing how much market movement or increase in client position size can be sustained with the current level of funds.

Daily stress testing is conducted and alerts have been established at pre-defined levels to ensure that appropriate remedial action is taken in the event of market movements that are adverse to our financial position.

All client cash is maintained in trust accounts separate to our operating account.

You should be aware that you would be an unsecured creditor in respect of monies owed in the unlikely event that we were to become insolvent.

If you require further information about our financial position, please contact us and request a copy of our audited financial statements. These will be provided free of charge.

## **6.9 NOT A REGULATED MARKET**

We act as principal and contracts entered into with us are not traded on a licensed market. Accordingly, the protections associated with licensed markets are not available to individuals, corporations or other entities trading in our products.

## **6.10 REGULATORY CHANGES**

Changes in taxation and other laws, government fiscal, monetary and regulatory policies may have a material adverse effect in your dealings in contracts with us.

## **6.11 SYSTEMS RISK**

There are operational risks associated with any trading platform and any disruption to our Trading Platform may mean that you will be unable to trade in the product with us when desired. Accordingly, you may suffer a loss as a result caused by a delay in our operational processes such as communications, computers, computer networks, software or external events that cause delays in the execution and settlement of a transaction. We do not accept or bear any liability whatsoever in relation to the operation of the Trading Platform, except to the extent that it is caused by fraud or dishonesty on our part or on the part of our employees, agents or representatives.

We reserve the right in unforeseen and extreme market situations to suspend the operation of our Trading Platform or any part or section of it. In such an event, we may, at our sole discretion, and under the Client Agreement, with or without notice, close out your open contracts at prices we consider fair and reasonable at such time.

## **6.12 CHANGES IN MARGIN PERCENTAGE**

We may under clause 10.5 of the Client Agreement exercise our right to alter the Margin Percentage in relation to any of our CFDs or Margin FX Contracts at any time at our discretion. Notification of this alteration can be given to you either orally or in writing. The alteration will take immediate effect over the affected open Positions. This change will affect your Margin Requirement.

You should refer to section 3 of this DS for further information.

## **7.0 HOLDING YOUR MONEY**

### **7.1 TRUST ACCOUNT**

We will handle all client funds we receive in accordance with and subject to Part 7.8 of Division 2 of the Corporations Act and FSP Regulatory Guide 212: Client money relating to dealing in OTC derivatives. Where required, client funds will be paid into a trust account maintained by us with an authorised deposit-taking institution (ADI). However, you should note that we are entitled, amongst other things, to:

- withdraw, deduct or apply any amounts payable by you to us and/or any associate of ours under the Client Agreement from your moneys held in any trust account or invested by us including, without limitation making a payment for, or in connection with the deposits, instalments, adjusting or setting of dealings in our products entered into by you or the payment of charges or interest to us, with all such amounts belonging to us under the Client Agreement;
- pay, withdraw, deduct or apply any amounts from your moneys held in any trust account or invested by us as permitted by the New Zealand Client Money

Rules; and

- use such moneys for the payment of amounts to counterparties with whom we enter into derivatives to hedge our exposure to you in connection with Margin FX Contracts or CFDs or hedge our exposure to other clients who have entered into these financial products under Client Agreements with us.

Your moneys may be co-mingled into one or more trust accounts with our other clients' moneys.

We are also obliged to deposit any moneys due to you in relation to dealings in our products and we must deposit them into a trust account.

Those obligations to you under the Client Agreement and our products are unsecured obligations, meaning that you are an unsecured creditor of us.

### **7.2 PROTECTION AFFORDED BY THE NEW ZEALAND CLIENT MONEY RULES**

Under the Client Money Rules, we must hold your moneys on trust. Furthermore, the Client Money Rules provide that in the event that we lose our Financial Services Provider Licence, become insolvent, merge with another licensee or cease to carry on some or all of the activities authorised by the licence, client money held by us or an investment of client money, will be dealt with as follows:

- money in the trust account is held in trust for the persons entitled to it, and is paid in the order set out below in the third bullet point below;
- if money in the trust account is invested, the investment is likewise held in trust for each person entitled to money in the account;

- the money in the account is to be paid in the following order:
  - o money that has been paid into the account in error;
  - o the next payment is payment to each person who is entitled to be paid money from the account;
  - o if the money in the account is not sufficient to be paid in accordance with the above paragraphs, the money in the account must be paid in proportion to the amount of each person's entitlement; and
  - if there is any money remaining in the account after payments made in accordance with the above paragraphs, the remaining money is payable to us.

### **7.3 WARNING ABOUT TRUST ACCOUNTS**

It is important to note that our holding your moneys in one or more trust accounts may not afford you absolute protection.

The purpose of trust accounts is to segregate our clients' money, including your moneys, from our own funds. However, an individual client's money is co-mingled into one or more segregated customer accounts. !

Furthermore, segregated trust accounts may not protect your moneys from a default in the segregated customer accounts.

Should there be a deficit in the segregated trust accounts and in the unlikely event that we become insolvent before the topping up of the segregated trust accounts in deficit, you will be an unsecured creditor in relation to the balance of the moneys owing to you.

### **7.4 WHAT IS AN UNSECURED CREDITOR?**

In the event that you become an unsecured creditor of us, you will need to lodge a proof of debt with the liquidator for the amount of moneys that are owing to you as evidenced by your account statements. The liquidator then assesses all proofs of debts to determine which creditors are able to share in the assets of the company, and to what extent depending on the amounts owing to them and any priority they may have to be paid.

## **8.0 FEES, COSTS AND CHARGES**

### **8.1 GENERAL**

enefits at the Myfx Swap and Rollover Whilst we endeavour to include all fees and charges in the spread quoted, in some circumstances you may incur fees and charges. The fees and charges when dealing in Margin FX Contracts and CFDs may incorporate any or all of the following:

- Margin adjustments;
- Swap and rollover charges or benefits at the Myfx Swap and Rollover Rates;
- Interest charges applied to debit balances in your Account;
- Exchange fees;
- Administration charges.

The fees and charges may change from time to time and may differ according to whether you are an New Zealand Client or a Foreign Client but will be notified to you.

### **8.2 NO COMMISSIONS**

With the exception of our Myfx Pro Account- "ECN Style Forex", there will be no commissions payable on trades executed in our Margin FX Contracts or CFDs. Our fees for the products we offer are built into the price of the contract (Myfx Spread) when you seek to transact with us. Because we deal as principal, the prices we offer you may not be the same as the market prices.

The price offered to you may depend upon a number of factors including transaction size, term of the product, our business relationship with you, the prevailing market rates and the differing interest rates applicable to the currency pair involved in a forward foreign exchange transaction.

Our commission on Pro Accounts pays for our clearing and aggregation costs, together with our cost of providing the service to you.

Our standard costs are \$3.50 per lot traded (\$7.00 round trip) AUD equivalent in your funding currency, rounded to the nearest 50 cents.

### **8.3 SWAPS AND ROLLOVERS**

In relation to Margin FX Contracts and Bullion CFD's a swap charge or benefit may accrue daily for any trades held past the market close at 5PM American EST(00:00 MT4 Server time) Monday to Friday. The swap process is completed at 5PM American EST (00:00 MT4 Server time) Monday to Friday.

In relation to Commodity and Index CFD's no daily swap charge or benefit will accrue. However, there will be a rollover charge or benefit that will accrue on an open trade at the time we switch from the current underlying futures contract to the next serial contract. These rollovers occur every 1 or 3 months in accordance with the exchange's expiry of the underlying future contract.

### **8.3.1 MARGIN FX CONTRACTS SWAPS:**

Our swap rate for Margin FX Contracts is a variable rate that is dependent on the currency pair, the applicable swap rate in the interbank markets according to the duration of the rollover period, the size of the Position and the Myfx Spread that is applied at our discretion.

The interbank swap rate that is applied reflects the interbank market demand of the interest rate differential between the two applicable currencies. For example, if you have a long Australian Dollar / US Dollar (AUD/USD) Position and hold it over the 5PM American EST time End of Day and interest rates are higher in AUD than in USD, then you may receive a swap benefit at the Myfx Swap Rate. This is because you are long the highest yielding currency. Conversely, if you were short AUD/USD in the above scenario then you may receive a swap charge at the Myfx Swap Rate. In circumstances where the two interest rates are near parity, almost equal to each other, a swap charge may be imposed for both Long and Short open positions.

### **8.3.2 BULLION CFDS SWAPS:**

In the case of Bullion CFDs, the swap charge or benefit is calculated by multiplying The Myfx Rate for the total notional value of the Position by the swap rate. Bullion CFDs is a variable rate dependent on the applicable swap rate in the interbank markets according to the duration of the rollover period, the size of the Position and the Myfx Spread that is applied at our discretion.

If you are long on a Bullion CFD, you may have to pay us a swap charge, whilst if you are short you may receive a swap benefit from us. In some circumstances, however, the opposite may apply. For example, in general United States Dollars interest rates are higher than Bullion which typically attracts no interest, in this normal scenario you should generally expect to receive a daily swap charge for positions held over the 5PM American EST market close. When short Bullion whilst USD interest rates are quite high you may expect to receive a swap benefit.

### **8.3.3 COMMODITY AND INDEX FUTURES ROLLOVERS:**

Rollover arises when the underlying front month futures contract is approaching and Myfx changes its CFD pricing feed from the Expiry Date front month to the Next Serial Futures contract. When the new price feed takes effect you will immediately create a gain or loss in your open trade equity. This profit or loss will depend on your Position size and direction and the price differential of the expiring contract and the new contract on which the price will be based. You will be credited or debited with a rollover charge or benefit that will fully offset the effect of the abovementioned profit or loss. For example, if you have made a profit on the change the new contracts price feed you will receive a rollover charge which will offset the gain.

These rollovers occur monthly for commodity CFD's and Index Futures CFDs with CAC40 index symbol. They occur quarterly for the remaining Index CFD's. In order to remove final day volatility we switch from using the front month and into the second month 1-2 trading days prior to the exchange expiry.

## **8.4 SETTLEMENT OF SWAP AND ROLLOVER CHARGES AND BENEFITS**

### **8.4.1 MARGIN FX CONTRACTS AND BULLION CFDS**

Swap charges and benefits due will be accrued in the swap value field of the open trade Position. In the event that there are insufficient funds in your Account, any amount due to us because of the swap charges becomes a debt due and owing by you to us.

### **8.4.2 COMMODITY AND INDEX FUTURE CFDS**

Rollover charges and rollover benefits due will be accrued in the rollover value field of the open trade Position. In the event that there are insufficient funds in your Account, any amount due to us because of the rollover charges becomes a debt due and owing by you to us.

## **8.5 CONVERSION FEES**

Profits or losses accumulated in your Account in currencies other than the Base Currency nominated by you will be converted to the nominated Base Currency, but at spreads that may be wider than those shown on the Trading Platform.

## **8.6 INTEREST CHARGES APPLIED TO BALANCES**

If there is a debit balance in any currency ledger in your Account after the Margins for our products valued in the currency of the contract have

been taken into account, (i.e. you owe money to meet the Margin Requirement on the relevant currency ledger), you will pay interest on the debit balance despite the fact that you may have provided collateral to us.

If there is a credit balance in your Account after the Margins for our products valued in the currency of the contract have been taken into account (i.e. you have credit in the relevant currency ledger), we will pay interest on net margin excess on interest bearing accounts.

## 8.7 ADMINISTRATION CHARGES

We reserve the right to charge the following additional fees in certain circumstances:

- cheque dishonour fee of up to AUD\$25
- telegraphic transfer fee of up to AUD\$25
- an express delivery fee of up to AUD\$25

All charges are inclusive of GST (where applicable).

| Administration service                 | Fee                             | Fee                             |
|--|---------------------------------|---------------------------------|
|  | New Zealand Clients             | Foreign Clients                 |
|  | Receipts                        |                                 |
| Electronic Funds Transfer              | AUD1.50                         | AUD 10.00                       |
| B-Pay® (AUD)                           | AUD1.50                         | n/a                             |
| Cash & cheque deposits (AUD)           | AUD3.00                         | AUD10.00                        |
| Telegraphic transfer                   | n/a                             | AUD25.00                        |
| Credit card                            | 3.20%                           | 3.20%                           |
| Other funding methods                  | Refer to Website                | Refer to Website                |
|  | Refer to Website                |                                 |
| Electronic Funds Transfer              | AUD1.50                         | AUD25.00                        |
|  | Other                           |                                 |
| Duplicated statements by post          | AUD4.00 per statement           | AUD4.00 per statement           |
| Returned cheque fee                    | Upon application                | Upon application                |
| Transcripts of telephone conversations | Upon application                | Upon application                |
| Audit certificates                     | Upon application                | Upon application                |
| Debt collection                        | First call AUD25.00             | First call AUD25.00             |
|  | Second call AUD50.00            | Second call AUD50.00            |
|  | Referral to agency<br>AUD150.00 | Referral to agency<br>AUD150.00 |

## 8.8 INTEREST

We are also entitled to retain any interest earned on client money held in the trust accounts we must maintain under the Corporations Act. The rate of interest is determined by the provider of each trust account.

If you fail to make any payment required under the Client Agreement when it falls due, interest will be charged on the outstanding sum at a rate of 5% per annum over the cash rate determined for interbank loans. Interest accrues and is calculated daily from the date payment was due until the date the client pays in full and is compounded monthly.

## **9.0 TAXATION IMPLICATIONS**

This section contains a summary of the New Zealand taxation implications for New Zealand residents dealing in Margin FX Contracts and CFDs, and is based on New Zealand taxation laws as at the date of this DS. It is provided for guidance only.

New Zealand residents and non-New Zealand residents should, therefore, seek professional taxation advice that is based on their individual circumstances and in the case of non-residents the taxation laws of both New Zealand and their country of taxation.

## **10.0 CHANGING YOUR MIND - COOLING OFF PROVISIONS**

There are no cooling-off arrangements for our financial products. This means that when we arrange for the execution of a contract, you do not have the right to return the product, nor request a refund of the money paid to acquire the product. You are bound by the terms of a contract, when you enter into it, despite the fact that settlement may occur at a later date.

## **11.0 DEFAULT POWERS**

We have extensive powers under the Client Agreement to take action in a range of “events of default” situations to protect our position. These include, for example, where you fail to make a payment or perform your obligations, where you become bankrupt or insolvent or where we have been unable to contact you for urgent instructions. Our powers enable us to terminate or close out Positions, enforce securities we hold and set off payments, amongst others.

Further, if your unrealised loss in relation to any Margin FX Contract Positions or CFD Position exceeds 50% of the initial margin we hold for the Position, we are entitled to close out the Position without further instruction from you.

## **12.0 CLIENT AGREEMENT**

This DS summarises many important elements of the Client Agreement. However, it is not a comprehensive description for the terms and conditions of the Agreement and you must read it in its entirety. Indeed, you should consider seeking legal advice before entering into the Client Agreement, as the terms and conditions contained in it are important and affect your dealings with us.

You should note clause 18 of the Client Agreement, which empowers us to amend the Client Agreement, subject to your rights of objection.

## **13.0 DISCRETIONS**

Under the Client Agreement, we may exercise a variety of discretions. In exercising such discretions, we will act in accordance with the following:

- a) we will have due regard to our commercial objectives, which include:
  - (i) maintaining our reputation as a product issuer;
  - (ii) responding to the market forces;
  - (iii) managing all forms of risks, including, but not limited to operational risk and market risk; and
  - (iv) complying with our legal obligations as a holder of an Financial Services Provider Licence;
- b) we will act when necessary to protect our Position in relation to the Trade or event;
- c) we will take into account the circumstances existing at the time and required by the relevant provision, and not take into account irrelevant or extraneous considerations or circumstances;
- d) we may take into account your trading or investment experience; and
- e) at all times, we will act reasonably, commercially and bona fide, and where required or appropriate provide you with prior notice before exercising that discretion.

## **14.0 SUPERANNUATION FUNDS**

Some of the issues that should be considered by a trustee of a complying superannuation fund before entering into our financial products include:

- prohibitions on borrowing and charging assets and whether dealing in financial products would breach those borrowing and charging prohibitions;
- the dealing in financial products in the context of a complying superannuation fund’s investment strategy, together with the fiduciary duties and other obligations owed by trustees of those funds;



- the necessity for trustees of a complying superannuation fund to be familiar with the risk involved in dealing in financial products and the need to have in place adequate risk management procedures to manage the risks associated in dealing in those products; and
- the consequences of including adverse taxation consequences if a superannuation fund fails to meet the requirements for it to continue to have complying status.

## **15.0 COMPLAINTS AND DISPUTE RESOLUTION**

We have an internal dispute resolution process in place to resolve any complaints or concerns you may have, quickly and fairly. Any complaints or concerns should be directed to the Complaints Officer (by telephone, facsimile or letter) at the address and telephone/fax numbers provided at section 1.2 in this DS. We will investigate your complaint and provide you with our decision and the reasons on which it is based, in writing. We will seek to resolve your complaint within 14 days.

## **16.0 REMUNERATION OF OUR ADVISERS AND THIRD PARTIES**

### **16.1 REMUNERATION AND OTHER BENEFITS RECEIVED BY OUR EMPLOYEES**

Our employees who provide you with transaction execution may receive remuneration for the provision of these services. Our employees also receive salaries, performance-related bonuses and other benefits.

### **16.2 SHARING OF COMMISSIONS AND OTHER AMOUNTS**

We may share charges or benefits with our associates or other third parties or receive remuneration from them in respect of transactions we enter into with you. We may share such amounts with introducing advisers and referrers for the introduction or referral of clients to us.

### **16.3 REFERRAL BENEFITS FOR OTHER SERVICES PROVIDERS**

You may have been referred to us by a service provider who may receive financial or non-financial benefits from us. These should have been disclosed to you by the services provider in question. Please note that such benefits will not impact transaction fees, the rate you will be offered or deposits or instalments payable for financial products or services undertaken with us.

## **17.0 PRIVACY POLICY**

We are committed to protecting your privacy. The information you provide to us and any other information provided by you in connection with your transactions will primarily be used for the processing of your application and for complying with certain laws and regulations. We may share your information with our referrers or service providers. We have systems and processes in place which safeguard against the unauthorised use or disclosure of your personal information. We may use this information to send you details of other services or provide you with information that we believe may be of interest to you. Please contact us if you have any concerns or if you would like to see a copy of our privacy statement. Our privacy statement is also available on our Website.

## **18.0 INTERPRETATION AND GLOSSARY INTERPRETATION**

1. The defined terms used in this DS are capitalised and set out in this section.
2. If there is any conflict between the terms of this DS and any Applicable Law, the Applicable Law will prevail provided that any Applicable Law relating to the provision of Margin demands will not apply.
3. In this DS any reference to a person includes bodies corporate, unincorporated associations, partnerships and individuals.
4. In this DS, all references to times of the day are to the time in New Zealand, unless otherwise specified.
5. Headings, notes and examples in this DS are for reference only and do not affect the construction of the Agreement.
6. In this DS any reference to any enactment includes references to any statutory modification or re-enactment of such enactment or to any regulation or order made under such enactment (or under such a modification or re-enactment).

In this DS the following terms and expressions have, unless the context otherwise requires, the following meanings:

AML/CTF ACT means the Anti-Money Laundering and Counter-Terrorism Financing Act and all regulations, rules and instruments made under that Act;

APPLICATION FORM means the application form and account opening documentation, including documentation required to be returned for the purposes of complying with Anti-Money Laundering and Counter-Terrorism Financing legislation, completed by you and submitted to us whether electronically or in hard copy;

FSP means the Financial Services Provider;

AUD OR \$ means Australian dollars;

New Zealand CLIENT means a client who is a resident within New Zealand (based on the address in their Application Form or as notified by the Client to us from time to time).

New Zealand CLIENT MONEY RULES means the provisions in Part 7.8 of the Corporations Act and the Corporations Regulations made under those provisions that specify the manner in which financial services licensees are to deal with client moneys and property;

MYFX means Myfx Markets Pty Ltd

MYFX PRODUCT SCHEDULE means the list of Margin FX Contracts and CFDs which we hold ourselves out from time to time as willing to quote a price, as amended by us from time to time. The Product Schedule is available at [www.myfxmarkets.com](http://www.myfxmarkets.com)

MYFX SPREAD means the difference between the bid and offer prices of a Contract quoted from time to time by us and, where appropriate, expressed as a percentage of the relevant price;

MYFX SWAP RATE OR OUR SWAP RATE means the rate as we may determine from time to time having regard to the interbank swap for swaps;

BASE CURRENCY means the currency selected by you under the Client Agreement and which, in the absence of a selection will be AUD dollars;

BULLION CFDS means a CFD whose value fluctuates by reference to the fluctuations in the Underlying Instrument which relate to gold or silver;

BUSINESS DAY means : any day other than a Saturday, Sunday or public holiday on which banks are open for business in New Zealand;

(a) in the case of services relating to an Index to which Limited Hours Trading applies, any day on which the exchange on which the relevant security or each constituent security has its primary listing, or the exchange on which the Index operates, whichever is applicable, is open for trading, and will exclude any day on which all trading on the relevant exchange is closed or suspended;

(b) in the case of services relating to an Index to which Limited Hours Trading does not apply, any day on which any relevant exchange is open for trading.

COMMODITY CFDS means a CFD whose value fluctuates by reference to the fluctuations in the value of an Underlying Instrument relating to oil or gas;

CONTRACT PRICE means the price we offer you to trade in our financial products from time to time and which is calculated by us according to the Client Agreement;

CURRENCY LEDGER BALANCE upon realising your profit and loss for a Margin FX Contract or CFD Position denominated in a foreign currency you will hold a foreign currency balance in your Account that can be converted back to your Base Currency upon request (and which may be converted back to your Base Currency by us in certain circumstances as described in this DS);

ELECTRONIC SERVICE means a service provided by us, for example an internet trading service offering clients access to information and trading facilities, via an internet service, a WAP service and/or an electronic order routing system and including relevant software provided by us to enable you to use an electronic trading service;

EXCEPTIONAL MARKET CONDITIONS means an exceptional market condition as we may in our reasonable opinion determine exists, including but not limited to, a Force Majeure Event;

EXPIRY DATE means the day on which the Margin FX Contract or CFD expires;

EVENT OF DEFAULT means an event happening on a Specified Event;

FOREIGN CLIENT means a Client who is a resident outside New Zealand (based on the address in their Application Form or as notified by the Client to Myfx from time to time);

FREE EQUITY is your Total Equity less your Margin Requirement;

INDEX FUTURES CFD means a CFD whose value fluctuates by reference to the fluctuations in the value of an Underlying Instrument, which is an Equity Index Futures Contract;

LIMITED TRADING HOURS means the ability of the Client to trade Margin FX Contracts and CFDs and (where available) as are designated by us from time to time under this Agreement only during such hours as the relevant exchange is open;

**LIQUIDATION LEVEL** means the minimum Total Equity balance specified at section 3.14 of this document;

**MARGIN** means the amount that you must have in your Account to enter into a Margin FX Contract with us;

**MARGIN ADJUSTMENT** means an adjustment to the amount of Margin you need to have in your Account to maintain a Position, due to us changing the Margin Percentage or making a variation of Margin or Margin Call;

**MARGIN CALL** means a call on you normally made via the Trading Platform, requiring you to top up the amount of money you have in your Account as Margin in order to maintain your Margin Percentage where the market has moved against you, and where the additional payment is required in order to maintain your open Positions;

**MARGIN CONTRACT** means any contract, whether oral or written or concluded electronically entered into between you and us and includes Margin FX Contracts;

**MARGIN FX CONTRACT** means a contract between you and us for the taking of spot or forward Positions in a foreign currency;

**MARGIN PERCENTAGE** means, such percentage of the Contract Value as specified by us, and as amended by us under the Client Agreement from time to time;

**MARGIN REQUIREMENT** is the amount of Margin you are required to have in your Account from time to time in order to enter into a Margin FX Contract or CFD, or to maintain your Position/s;

**MINIMUM TOTAL EQUITY BALANCE** means such minimum Total Equity balance in your Account (as amended from time to time);

**MINIMUM TRADING SIZE** means such minimum contract quantity or contract value as we may specify on our Website from time to time for any type of Margin FX Contract or CFD;

**MARKET ORDER** means an order placed to buy or sell a CFD at our current price;

**MID PRICE** means the price at the mid-point between our bid and offer prices;

**MINIMUM POINT INCREMENT** represents the minimum possible price change between two successive transaction prices permitted by us. The Minimum Point Increment can represent either an upward or downward movement in price;

**NEXT SERIAL FUTURES CONTRACT** means a futures contract of the same type as the futures contract which is the Underlying Instrument of the relevant CFD Contract, but with the Expiry Date being the next occurring Expiry Date;

**NORMAL TRADING SIZE** means the minimum and maximum contract quantity or contract value that we reasonably consider appropriate, having regard if appropriate, to the normal market size for which prices are available on any relevant exchange and for which we quote live price information;

**DS** means our product disclosure statement, including a supplementary and replacement product disclosure statement;

**POSITION** means the long or short Position you have taken in your Margin FX Contract or CFD with us;

**RELATED BODY CORPORATE** has the meaning given to it by the Corporations Act, with any necessary modifications for companies incorporated outside New Zealand;

**TOTAL EQUITY** means the aggregate of the current cash balance in your Account and your current unrealised profits and losses;

**TRADING PLATFORM** means the trading platform in the Electronic Service we make available to you by which you may trade with us online in our Margin FX Contracts and CFDs;

**TOTAL MARGIN REQUIREMENT** means the sum of your Margin Requirements for all of your open Positions;

**UNDERLYING ENTITY** means an entity that is the issuer of an Underlying Instrument.

**UNDERLYING INSTRUMENT** means the underlying asset, security, currency, commodity, futures contract or index, the reference to which the value of a Margin FX Contract or CFD is determined;

**UNDERLYING MARKET** means the Underlying Market in which the Underlying Instrument is traded.

**WE/US** means Myfx Markets Pty Ltd trading as Myfx;

**WEBSITE** means the internet address [www.myfxmarkets.com](http://www.myfxmarkets.com) and includes the Trading Platform.

