Financial Services Guide

PURPOSE AND CONTENT OF THIS FSG

This FSG is prepared by Saxo Capital Markets (Australia) Pty Ltd (ABN 32 110 128 286, AFSL 280372) (SCM, we, us or our) and is designed to tell you about the financial services and products that we are authorised to offer under our Australian financial services licence (AFSL). This FSG is part 1 of our Combined Financial Services Guide and Product Disclosure Statement (Combined FSG and PDS). Some expressions used in this FSG have definitions given in the Glossary at the end of part 2 of our Combined FSG and PDS.

This FSG contains important information about:

- who we are and how you can contact us;
- the financial products and/or services we are authorised to offer you;
- how we and our associates are remunerated;
- our internal and external dispute resolution procedures and how you can access them; and
- the privacy of your personal information.

This FSG should assist you in deciding whether to use any of the products or services we offer.

PRODUCT DISCLOSURE STATEMENTS AND OTHER DOCUMENTS

Part 2 of our Combined FSG and PDS is a product disclosure statement which contains important information about the financial products we offer, including the risks and costs associated with the financial product. Before making any decision to acquire any of our financial products, you should carefully review the PDS.

You should also read our General Business Terms before trading with us. The General Business Terms, along with this Combined FSG and PDS, govern the terms of our relationship with you.

WHO IS SCM?

SCM is a wholly-owned Australian subsidiary of Saxo Bank A/S, the online trading and investment specialist headquartered in Copenhagen, Denmark. SCM offers the SCM Products and the SCM Services to Clients based in Australia.

SCM’S PRIVACY POLICY

We value the privacy of your personal information. When we collect, use, disclose or handle personal information, we are bound by the Privacy Act 1988 Cth.

Our full privacy policy is available from our website www.home.saxo/en-au

If you would like a copy of our privacy policy, or wish to seek access to, or correct the personal information we collect or disclose about you, please ask us.

THE FINANCIAL PRODUCTS AND SERVICES WE ARE AUTHORISED TO PROVIDE TO YOU

SCM holds an AFSL which authorises us to provide the following services to both wholesale and retail investors:

- provide financial product advice and deal in basic deposit products, derivatives, foreign exchange contracts, interests in managed investment schemes (excluding investor directed portfolio services), government debentures, stocks or Bonds and securities;
- make a market for derivatives and foreign exchange contracts; and
- operate custodial or depository services other than investor directed portfolio services.

SCM will only provide general advice. Although we are authorised to do so under our AFSL, SCM does not provide any personal advice which takes into account your personal objectives, financial situation or needs. If you require personal advice, please contact your financial adviser, who will provide you with a statement of advice in respect of any personal financial product advice given to you.

Before acting on any advice asked of or given by an employee of SCM, you should carefully consider the appropriateness of the advice having regard to your personal objectives, financial situation and needs.

SCM PRODUCTS & SCM SERVICES AVAILABLE VIA THE SAXOTRADERGO PLATFORM

Please see the PDS at part 2 of this Combined FSG and PDS for more details about the SCM Products and SCM Services.

1. SCM Products

Over The Counter (OTC) Products:

- Contracts For Difference (CFDs)
- Single Stocks
- Commodities
- Index Trackers
- Bonds
- EFTs & ETCs
- FX & FX Options
- Non-Deliverable Forward (NDF)
- Metals & Metals Options
- FX Binary Touch Options

2. SCM Services

Exchange Traded Products:

- Equities & Equity Options
- EFTs & ETF Options
- ETCs & ETC Options
- Futures & Futures Options

As SCM is not a market participant, we do not trade directly on Exchanges on your behalf. Therefore, when you use our trading services (SCM Services), this involves us arranging for market participants to enter into trades on the relevant Exchanges on your behalf, in accordance with the trading orders you place with us via the SaxoTraderGo platform.

SCM requires all clients to familiarise themselves with relevant Exchange Rules prior to engaging in any trading activity on any Exchange Trade Product. For guidance and information relating to any exchange traded rules, information may be available via our website, alternatively please contact our Sales or Trading desk for assistance prior to trading in any Exchange Trade Product.

Fixed Income (orders placed via phone or email)

- Bonds
- Sovereign, Government & Corporate
- Denominated in USD, Euro & British Pound
WHO WE ACT FOR

When you trade in the SCM Products (i.e. our OTC CFds, FX Contracts and FX Binary Touch Options, and Metals Contracts) we act as principal and we are the issuer of these products.

When you trade in Exchange-traded products with SCM (i.e. Listed Equities traded on a recognised Exchange, such as shares and ETFs, or Bonds) we will, as your agent, instruct market participants who will enter into trades on the Exchange, in accordance with your orders.

COSTS, FEES AND CHARGES

We may charge fees and other charges for the SCM Products and the SCM Services we provide to you. Description of the costs, fees and charges for the SCM Products and the SCM Services are as set out in the PDS at part 2 of this Combined FSG and PDS.

The costs, fees and charges for SCM Products and SCM Services include:

- Transaction/Commission fees;
- SaxoTraderGo platform fees;
- Administration fees;
- Exchange access fees;
- Mark to market payments;
- Financing overnight debit/credit;
- Holding Fees;
- Carrying Costs;
- Inactivity Fees;
- Currency Conversion calculation fees;
- Default interest on unpaid amounts or any negative balances in your Account;
- Minimum ticket fees;
- Dividends; and
- Bond trade commissions.

Phone & email manual order fee.

Details of our current standard Transaction Fees, general administrative fees and charges, Exchange access fees, default interest rate, standard minimum ticket fees and thresholds and Bond trade commissions are all available on the SCM website at www.home.saxo/en-au/rates-and-conditions/pricing-plans/pricing-overview and also under Trading Conditions on SaxoTraderGo Platform.

FURTHER INFORMATION ABOUT COSTS, FEES AND CHARGES

All costs, fees and charges and other amounts payable are subject to change from time to time, although we will give you at least thirty (30) days’ notice of any increase in fees. We reserve the right to negotiate different fees and charges with different Clients.

INTRODUCING BROKERS

The fees and charges described in this Combined FSG and PDS apply where you trade directly with SCM. If you trade with SCM through an Introducing Broker, that Introducing Broker may have its own fees and charges. Our Introducing Broker service allows Introducing Brokers to receive a financial benefit from SCM for introducing new Clients to SCM; or pass on a financial benefit on behalf of the Client to the Introducing Broker. Refer to your Introducing Broker’s financial services guide, website, client directed payment schedule or contact your Introducing Broker for further information.

REMUNERATION AND BENEFITS FOR EMPLOYEES AND DIRECTORS

Our employees and directors are remunerated by way of salary and other employee benefits. They may also be eligible for a bonus which is based on achievement of predetermined business objectives such as contribution to profit, Client service, risk management and leadership/team contribution. Bonuses may be calculated as a portion of the net amount charged to our Clients after deducting the amounts charged by our Hedge Counterparty providers.

OUR ASSOCIATIONS OR RELATIONSHIPS

We have a commercial business arrangement with our Hedge Counterparty provider, Saxo Bank A/S for both Exchange-traded and OTC financial products. Saxo Bank A/S is a related body corporate of SCM. Saxo Bank A/S provides us from time to time with support in relation to information technology (including for SaxoTrader), finance and other services. Other arrangements with Saxo Bank are governed by formal agreements between us. The fees and charges that you pay to SCM may ultimately benefit other members of the Saxo Bank Group and their associates.

COMPLAINTS HANDLING

Please refer to the PDS at part 2 of this Combined FSG and PDS for information on our dispute resolution policy.

RECORDING OF PHONE CONVERSATIONS WITH SCM EMPLOYEES

SCM may record phone conversations between you and our employees. Such recordings, or transcripts from such recordings, may be used as evidence in any dispute or anticipated dispute between SCM and you.

SCM’S PRIVACY POLICY

We value the privacy of your personal information. Please refer to our Privacy Policy available via our website, and part 2 of this Combined FSG & PDS for information on how we deal with your personal information and comply with the Privacy Act, 1988 (Cth) and Australian Privacy Principles.

CONTACT US

Saxo Capital Markets (Australia) Pty Ltd
Registered & Business Address:
Level 25, Citigroup Centre
2 Park Street
Sydney NSW 2000
Australia

Postal Address
25, 2 Park Street
Sydney NSW 2000
Australia

Phone 1300 660 734 (only in Australia) or +61 2 8267 9000
(main) Fax +61 2 8267 9050
Email enquiries@saxomarkets.com.au
Website www.home.saxo/en-au
# PRODUCT DISCLOSURE STATEMENT

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1 IMPORTANT INFORMATION

1.1 About this PDS

This Product Disclosure Statement (PDS) is dated 13th November 2017 and was prepared on that date by Saxo Capital Markets (Australia) Pty Ltd ABN 32 110 728 286 AFSL 280 372 (SCM), as the issuer of the over-the-counter (OTC) contracts for difference (CFDs), FX Contracts and Metals Contracts (together, the SCM Products) offered by us under this PDS.

This PDS is part 2 of our Combined FSG and PDS.

This PDS is for the information of clients contracted directly with SCM only. This PDS is not for the information of any other client contracted with any other AFSL Licence holder, including those AFSL Licence holders that are a white label client of SCM for time to time.

This PDS is designed to help you decide whether the SCM Products described in this PDS are appropriate for you. You may also use this PDS to compare the SCM Products with similar financial products offered by other issuers.

This PDS describes the key features of our the SCM Products, their benefits, risks, the costs, fees and charges for trading in the SCM Products and other related information. The SCM Products are sophisticated financial products so you should read this Combined FSG and PDS and the General Business Terms in full before making any decision to trade in them.

The schedules to this PDS provide more detailed information on each of the SCM Products as well as the SCM Services, being our trading services in Listed Equities, Bonds, Futures and Options.

Some expressions used in this PDS have definitions given in the Glossary at the end of this PDS (see Section 16).

Unless stated otherwise, all amounts stated in this PDS are in Australian Dollars.

1.2 Changes to information in this PDS

Information in this PDS may change from time to time without notice where that information is not materially adverse to Clients. We may provide updated information on our website: www.home.saxo/en-au. A copy of the updated information is also available upon request free of charge by contacting us on 1300 660 734.

If we issue a supplementary or new PDS, we will notify you by posting the supplementary PDS or new PDS on our website. Alternatively, we may notify you by sending a written notice, at least 5 days prior to the effective date of the supplementary PDS or new PDS (which contains a link to the supplementary PDS or new PDS) to your email address as notified to us.

This PDS and any new or supplementary PDS are available in electronic form from our website at www.home.saxo/en-au or by calling us on 1300 660 734 to obtain it in paper form.

1.3 Offer only available in Australia

The SCM Products offered under this PDS are available only to persons receiving this Combined FSG and PDS in Australia.

The distribution of this Combined FSG and PDS in jurisdictions outside Australia may be subject to legal restrictions. Any person who resides outside Australia who gains access to this Combined FSG and PDS should comply with any such restrictions that apply to them in relation to applications for the SCM Products and SCM Services and failure to do so may constitute a violation of financial services laws. The offer to which this Combined FSG and PDS relates is not available to USA residents.

1.4 About Us, our Products and Services

SCM is part of the Saxo Bank Group. Saxo Bank Avis is a global investment bank specialising in online trading and investment across the international financial markets

SCM Products

Through its online trading platform, SaxoTraderGo, SCM offers its clients online access to trading in the SCM Products. The SCM Products are OTC derivative products issued by SCM, namely CFDs, FX Contracts and Metals Contracts.

For more information about the full range of SCM products offered by SCM, see our website at: https://www.home.saxo/en-au/products.

SCM Services

Through SaxoTraderGo, SCM offers its clients online access to trading in a wide-range of exchange-traded products:

- around 19,000 Listed Equities, including shares and ETF/ETCs on over 36 of the world’s major exchanges;
- trading in a wide range of sovereign, government and corporate Bonds denominated in US Dollars, the Euro and the British Pound; and
- over 200 exchange-traded Futures and Options spanning 22 global exchanges.

As noted in the FSG at part 1 of this Combined FSG and PDS, SCM is not a market participant and so we do not trade directly on Exchanges on your behalf. Therefore, when you use the SCM Services, this involves us arranging for market participants to enter into trades on the relevant Exchanges on your behalf, in accordance with the trading orders you place with us.

For more information about the full range of SCM Services offered by SCM, see our website at: https://www.home.saxo/en-au/products.

1.5 How to contact SCM

For more information about the full range of SCM Services offered by SCM, see our website at: https://www.home.saxo/en-au/platforms.

SCM can be contacted at:
Level 25, Citigroup Centre
2 Park Street
Sydney NSW 2000
Australia
Telephone: 1300 660 734 or +61 2 8267 9000
Email: enquiries@saxomarkets.com.au
or through our website at www.home.saxo/en-au

1.6 Trading Hours

Local Trading Hours:

Monday to Friday – 8am to 5.30pm AEST

After Hours:

Outside the local trading hours (as described above), but at all times when the markets that the SCM Products and SCM Services accesses are open, calls will be forwarded from our local number to a Saxo Bank Group office.
1.7 SCM does not give personal advice

SCM will not give you personal financial advice about the SCM Products. This PDS does not constitute a recommendation or opinion that any of the SCM Products are appropriate for you.

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

1.8 Risk and Potential Liability

Please read the Summary of Key Information in Section 2 and the Significant Risks in Section 5 and the relevant Schedule(s) for important information about the risks of trading in the SCM Products.

Potential investors should be experienced in trading in derivatives, especially OTC Leveraged derivatives, and understand and accept the risks of trading in the SCM Products.

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<th>Benchmark Disclosure</th>
<th>Meet Benchmark?</th>
<th>If not, why not OR related section</th>
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<td>Client Qualification</td>
<td>Yes, except in limited circumstances.</td>
<td>Refer to section 6.3.</td>
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<td>Open Collateral</td>
<td>No.</td>
<td>Refer to section 7.2.</td>
</tr>
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<td>Counterparty risk – Hedging</td>
<td>Yes</td>
<td>Refer to section 4.1</td>
</tr>
<tr>
<td>Counterparty risk – Financial Resources</td>
<td>Yes</td>
<td>Refer to section 4.2</td>
</tr>
<tr>
<td>Client Money</td>
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<td>Refer to section 11</td>
</tr>
<tr>
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<td>Yes</td>
<td>Refer to section 8.3</td>
</tr>
<tr>
<td>Margin Calls</td>
<td>Yes</td>
<td>Refer to Section 10</td>
</tr>
</tbody>
</table>

Your potential liability is not limited to the amount of Initial Margin that you hold with SCM. You should carefully consider the risks of the SCM Products and your capacity to meet your liabilities before trading in the SCM Products.

This warning does not replicate all of the important information in this PDS. You should read all of this Combined FSG and PDS and the General Business Terms before making a decision to trade in the SCM Products offered under this Combined FSG and PDS. We recommend that you contact us if you have any questions arising from this PDS or the General Business Terms prior to entering into any transactions with us. SCM recommends that you consult your adviser or obtain other independent advice before trading.

1.9 ASIC - Regulatory Benchmark Disclosure

ASIC has released a Regulatory Guide 227 (Guide) on trading CFDs, which is available on ASIC’s website www.asic.gov.au. The Guide provides information about the operation and risk of trading CFDs and is relevant to the SCM Products. The below table sets out the benchmarks that SCM meets or if not, why not, and further where you will be able to locate the relevant disclosure for each benchmark.
# SUMMARY OF KEY INFORMATION

This table is a summary of the key information in this PDS. It identifies some key questions that are answered in this PDS and provides cross-references to the relevant sections of the PDS where more detailed information can be obtained. However, reading this table is not a substitute for reading the Combined FSG and PDS and our General Business Terms in their entirety.

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
<th>PDS Cross-Reference</th>
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<tbody>
<tr>
<td>Who is the issuer of this PDS?</td>
<td>The issuer of this PDS is SCM. SCM is a wholly-owned subsidiary of Saxo Bank A/S, the online trading and investment specialist headquartered in Copenhagen, Denmark. SCM offers the SCM Products and the SCM Services to Clients based in Australia.</td>
<td>See pages 1 and 2 of the FSG at part 1 of this Combined FSG and PDS and SCM’s website at: <a href="http://www.home.saxo/en-au">www.home.saxo/en-au</a> for more information.</td>
</tr>
<tr>
<td>What is a Contract for Difference (CFD)?</td>
<td>A CFD is a contract between the parties to pay in cash the difference in the price or value of the Underlying Instrument agreement between the time at which the contract is entered into (“opened”) and the time at which it is exited (“closed”).</td>
<td>See section 3.4 on page 8 and Schedule 1 for more information.</td>
</tr>
<tr>
<td>What are FX Binary Touch Options?</td>
<td>FX Binary Touch Options are a class of option which offer a fixed cash payout dependent on the underlying rate either passing or not passing through a target price within a specified time.</td>
<td>See Section 3.11 on page 11 and Schedule 6 for more information.</td>
</tr>
<tr>
<td>What are FX Contracts and Metals Contracts?</td>
<td>FX Contracts and Metals Contracts are margin products which derive their prices from the real time changes in the price of the underlying instrument in the spot market.</td>
<td>See Section 3.11 on page 11 and Schedule 5 for more information.</td>
</tr>
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<td>What are the SCM Services?</td>
<td>Trading in Exchange-traded products such as Listed Equities, trading in Bonds denominated in US Dollars, the Euro and the British Pound and trading in Futures and Options.</td>
<td>See page 1 of the FSG and part 1 of this Combined FSG and PDS.</td>
</tr>
<tr>
<td>What is a Futures contract?</td>
<td>A Futures contract is an agreement to buy or sell something (the Underlying Instrument) at a specified time in the future.</td>
<td>See Schedule 9 on page 52 for more information.</td>
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<tr>
<td>What is a Contract Option?</td>
<td>An Option is a contract between two parties conveying a right, but not an obligation, to buy or sell an Underlying Instrument at a specified price, within a specified time for an agreed price.</td>
<td>See Schedule 9a on page 54 for more information.</td>
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<td>What is Leverage?</td>
<td>Leverage refers to the use of a small amount of cash to support an investment of a larger exposure. Leverage allows you to take a larger exposure than you would otherwise have been able to. All payments to SCM are paid as Margin (or for the relevant fees and charges). The more Margin you hold, the less Leverage. By using Leverage investors may amplify both their losses and their profits.</td>
<td>See Section 3.3 on page 8 and Section 5.1 on page 12 for more information.</td>
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<tr>
<td>How do I open and close positions?</td>
<td>A position in an SCM Product is opened by buying an SCM Product, corresponding with either buying (going Long) or selling (going Short) the Underlying Instrument. To Close Out a position in an SCM Product, you enter into a new equal and opposite position to your open position. You open or close a position in an SCM Product via our internet trading platform, SaxoTrader.</td>
<td>See Section 8.4 on pages 19 and 20 for more information.</td>
</tr>
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<td>What are the costs, fees and charges involved with the SCM Products?</td>
<td>Costs, fees and charges may include: - Transaction Fees; - fees for the SaxoTrader platform; - currency conversion calculation fees; - Exchange access fees; - administration fees.</td>
<td>See Section 12 on page 25 for more information.</td>
</tr>
<tr>
<td>Question</td>
<td>Answer</td>
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| How are the SCM Products priced? | SCM has two pricing models for the SCM Products:  
  - Direct Market Access (DMA); and  
    * Not all SCM Products are eligible for DMA pricing.  
  - Non Direct Market Access (Non DMA), or “market maker” model. Under the Non DMA model the prices of the SCM Products traded with us are determined by SCM, generally based on the prices of the Underlying Instrument to which the relevant SCM Product relates.  

Quotes for prices dealing in the SCM Products are indicative only and so are subject to the actual price at the time of execution of your Transaction. | See Section 8.1 on page 18 for more information. |
| What are the risks involved in the SCM Products? | As with all Leveraged investments, trading in the SCM Products can be risky and is not appropriate for everyone. There are a number of types of risk that you should be aware of before beginning to trade, including the possibility of losing more money than you invest. Some of these risks include:  
  - Client money risk;  
  - Counterparty risk:  
    * Arising in relation to SCM's hedging activities in hedging its exposure to Clients; and  
    * in relation to SCM's ability to maintain adequate financial sources;  
  - Leverage risk;  
  - Loss of your money;  
  - Margin risk;  
  - Foreign exchange risk;  
  - or your Approved Collateral (if any);  
  - Market risk; and  
  - Unregulated market risk; and  
  - Market disruption risk. | See Section 4 on page 12 and Section 5 on page 12 for more information. |
| What is a Long position and a Short position? | If you take a Long position, you profit from a rise in the Underlying Instrument, and you lose if the price of the Underlying Instrument falls. If you take a Short position, you profit from a fall in the price or level of the Underlying Instrument and lose if the Underlying Instrument price or level rises. Some derivatives (e.g., Put Options) may change value in opposite directions to changes in the value of the underlying, and are influenced by time and other market data. | See Section 3.5 and 3.6 on page 9, and Section 8.4 on page 19 for more information. |
| What is Margin Requirement? | Each Client is required to provide a minimum amount of Margin (Margin Requirement), before being issued an SCM Product. The minimum Margin Requirement is determined by SCM based on a number of factors, including the market price of the Underlying Instrument, the Margin required to hedge the Underlying Instrument, the Margin which SCM is required to pay its Hedge Counterparty and SCM's risk assessment of the Client, and any unrealised loss on the Client's Trading Account at any point in time. | See Section 10 on page 23 for more information. |
| What is a Margin Call and what is a Margin Close Out? | After opening an SCM Product, if the market in the Underlying Instrument goes against you and you have insufficient Margin Cover, meaning that the Margin in your Account falls below your Margin Requirement. We may in our reasonable discretion reduce your exposure by Closing Out one, or more, or all of your leveraged Open Positions with us, without notice to you. If you do not pay a required Margin Call, SCM reserves its right to apply cash, or liquidate or sell Approved Collateral, in your Account to meet your obligations under the Margin Call. | See Section 10 on page 23 for more information. |
| How do I open an account with SCM? | You need to establish your Account by completing SCM's Account application form, which you can obtain by contacting SCM directly.  
Except as set out below, SCM will only accept your Account application if you satisfy SCM's Client qualification criteria, which involves a theory based assessment and satisfying SCM's suitability test.  
If you apply for a SCM product and SCM services through an agent and that agent satisfies SCM's client qualification criteria, SCM may accept your account application.  
If SCM accepts your application, your Account will be established. Your Account covers all of the SCM Products and SCM Services which you apply for in your application form and which SCM agrees to provide to you.  
To make a payment into your account, you may make an electronic or telegraphic transfer, a credit card payment or otherwise send us a personalised cheque. We will also accept securities to be held as opening Margin Cover. | See Section 6 on page 15 for more information. |
3 OUR PRODUCTS AND SERVICES

3.1 Overview

The SCM Products are OTC derivatives issued by SCM. Trading in the SCM Products allows you to make a profit or loss from changes in the market price or level of the relevant Underlying Instrument, without actually owning that Underlying Instrument or having any direct interest in the Underlying Instrument.

In simple terms, the amount of any profit or loss made on an SCM Product will be equal to the difference between the price of the SCM Product with reference to the price (or level, as applicable) of the Underlying Instrument when the position in the SCM Product is opened and the price of the SCM Product with reference to the Underlying Instrument when the position in the SCM Product is closed, multiplied by the number of SCM Products held.

The calculation of profit or loss can also be affected by other payments and charges, including Transaction Fees, Finance Charges and any other charges (for more information, see Section 12).

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

Vanilla and FX Binary Touch Options values can change due to time, other market data and exercise/expiry events.

Unlike direct investments made by trading on an Exchange, the SCM Products are not standardised. The terms of the SCM Products are as agreed between you and SCM and are governed by this PDS and our General Business Terms, which apply to your Trading Account(s) and your Transactions.

The SCM Products do not give you any beneficial interest in the Underlying Instrument or any right to acquire the Underlying Instrument. You have none of the rights of a direct holder of that financial product. This is different from direct trading in the Underlying Instrument where you acquire a beneficial interest in the actual financial product.

3.2 Risks of the SCM Products

Trading in the SCM Products can involve a high degree of risk and is not appropriate for everyone. Please see Sections 4 and 5 for information about the risks of trading in the SCM Products.

3.3 Benefits of the SCM Products

The key benefits of trading the SCM Products are:

- They enable you to gain an exposure to an Underlying Instrument without having to buy or sell the Underlying Instrument.
- You can use them for speculation, with a view to profiting from market fluctuations in the Underlying Instrument. You may take a view of a particular Underlying Instrument.
- You can use the SCM Products to hedge your existing exposure to an Underlying Instrument.
- You can trade in the SCM Products with a view to profiting in both rising and falling markets.
- The SCM Products involve a high degree of Leverage. The SCM Products potentially let you invest a relatively small amount (in the form of the Initial Margin) to have an exposure to the Underlying Instrument without having to pay the full price of the Underlying Instrument. 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. However, Leverage can magnify losses. For more information on the risks of Leverage, see Section 5 – Significant Risks and, in particular, the paragraph “Leverage Risk”).

3.4 Contracts for Difference or CFD

A CFD is a contract between the parties to pay in cash the difference in the price or value of the Underlying Instrument between the time at which the contract is entered into (“opened”) and the time at which it is exited (“closed”).

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<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
<th>PDS Cross-Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the tax consequences of trading in the SCM Products?</td>
<td>Trading in the SCM Products will have taxation implications for you, depending on your personal circumstances and we recommend that you obtain independent professional taxation advice on the taxation implications applicable to your personal facts and circumstances.</td>
<td>See Section 13 on page 28 for more information.</td>
</tr>
<tr>
<td>How does SCM treat Client Money?</td>
<td>SCM holds Client money in a pooled “segregated” Client trust account operated by HSBC Bank Australia (Segregated Client Account). The Segregated Client Account is kept separate from SCM’s own money and assets.</td>
<td>See Section 11 on page 24 for more information.</td>
</tr>
<tr>
<td>What happens when trading in Underlying Instruments is suspended or halted?</td>
<td>When there is a trading halt over the Underlying Instrument for an SCM Product, or trading in the Underlying Instrument for that SCM Product has otherwise been suspended, SCM will not permit new positions to be opened in that SCM Product and may exercise other significant discretions that could affect you. Margin increases, overnight financing and holding fees can apply in many incidences.</td>
<td>See Section 8.3 on page 19 for more information.</td>
</tr>
</tbody>
</table>
SCM offers a range of CFDs. Our clients can deal in CFDs in respect of single stocks, ETFs & ETCs, stock index trackers in respect of leading exchanges, commodities, bonds and foreign exchange.

Trading in Share Index CFDs has the benefit of enabling you to follow a specific market trend rather than individual shares.

Trading in Commodity CFDs has the benefit of enabling you to follow the prices in a particular commodity, without having to buy the underlying commodity itself, which is often not available for individual investors to trade in.

Trading in FX CFDs has the benefit of enabling you to speculate on the rate of exchange, between one foreign currency (e.g. AUD) and another foreign currency (e.g. USD).

CFDs on Bonds enable clients to invest directly in debt markets with more favourable terms compared to those offered on the futures markets.

For more information on all of the types of CFDs SCM offers, please download a demonstration trading platform located on the SCM website [www.home.saxo/en-au](http://www.home.saxo/en-au) or contact SCM.

Set out in Sections 3.5 to 3.10 below and Schedules 1 to 4 are specific information about each type of CFDs we offer.

### 3.5 Short CFDs

When dealing in Short CFD positions, you are highly likely to be affected by the laws and Exchange rules that apply to short selling of the relevant Underlying Instrument, since that will flow through to SCM’s ability to obtain its hedge from its Hedge Counterparty.

For example:

- CFDs with Underlying Instruments traded on USA Exchanges: an up-tick rule applies where you can only sell Short on an up-tick (which means a selling price that is higher than the last price).

- CFDs with Underlying Instruments traded on the ASX: you may experience limitations on the amount of CFDs you can trade Short in a single day, due to limited borrowing availability for the Underlying Instrument in the underlying market.

When trading in Short CFDs, there is a risk that 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, eg due to the Hedge Counterparty being required to deliver the Underlying Instrument to its own Hedge Counterparty). The risk is particularly high if the Underlying Instrument becomes hard to borrow due to takeovers, dividend announcements, rights offerings, other merger and acquisition activities, or increased hedge fund trading in the Underlying Instrument.

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 SCM for assistance in identifying the relevant rules.

### 3.6 Single Stock CFDs including ETFs & ETCs

#### (a) General features and benefits

Share CFDs have as their Underlying Instrument an individual share and so they derive their price from the real time changes in the price of the Underlying Instrument on the relevant Exchange. Trading in Share CFDs enables you to follow the price of a particular share, and receive many of the economic benefits of owning the share, without having to purchase the actual share itself.

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 Instrument (i.e. share) is traded. Opening hours of the relevant Exchanges are available by viewing the relevant Exchange website.

In addition, SCM will not quote for a CFD which has a particular share as the relevant Underlying Instrument, where that share is illiquid or is in suspension (for more information on potential external disruptions see Section 8). SCM will not quote Share CFDs if the relevant Underlying Instrument is shares in a company which is being externally administered.

Share CFDs are valued based on the price of the Underlying Instrument, in this case a share. For example, if you bought 1000 Share CFDs and the price of the Underlying Instrument was quoted as 15.70/15.71 then the Share CFDs would have a value of $15,710 (being 15.71 x 1000).

Please see Schedule 1 for worked examples of trades in SCM’s Share CFDs.

There are a number of considerations that are specific to Share CFDs, set out below.

#### (b) Dividends

If you hold a Long CFD, you will be credited with an amount equal to the gross unfranked dividend on the relevant number of the CFD’s Underlying Instruments 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 SCM’s control, including delays by the issuer which is paying the dividend, time zones or banking payment systems.

Conversely, if you hold a Short CFD, your Trading Account will be debited by an amount equal to the gross unfranked dividend on the Underlying Instruments on the ex-dividend date.

The dividend and cash adjustments reports given by SCM record the adjustments made to your CFDs for dividends or other corporate actions affecting the Underlying Instruments (they do not refer to actual dividends paid by the issuer of the Underlying Instrument).

#### (c) Corporate Actions

If there is a corporate action by the company which issues the CFD’s Underlying Instrument to which the CFD relates, SCM 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.

If the CFD relates to an index and then a share that is a constituent of the index goes ex-dividend, then an adjustment will be made to the index level to reflect this dividend. An amount for the weighted proportion of the dividend will be credited to your Account in respect of your Long positions and debited from Short positions.

SCM has a discretion to determine the extent of the adjustment and aims to place the parties substantially in the same economic position they would have been in had the adjustment event not occurred.
SCM 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. SCM may also elect to close a CFD if the CFD’s Underlying Instruments 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.

You may not direct SCM as to how to act on a corporate action or other shareholder benefit. This is because CFDs do not entitle you to direct SCM on how to exercise any voting rights in connection with the CFD’s Underlying Instrument, such as shares.

Clients should be aware that some Exchanges purge orders in shares that undergo corporate actions. You should seek confirmation from SCM of any action for specific corporate actions that might affect your CFDs.

(d) No shareholder benefits

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

3.7 Share Index CFDs - features and benefits

Share Index CFDs have as their Underlying Instrument a share index, and so they derive their price or value from the real time changes in the value of that index as calculated by the relevant Exchange or SCM’s valuation of that index.

SCM will only quote prices for Share Index CFDs, and will only trading in Share Index CFDs, during the open market hours of the relevant Exchange on which the Underlying Index is determined (or within any more limited hours set from time to time by SCM). Open hours of the relevant Exchanges are available by viewing the relevant Exchange website and on our website.

Share Index CFDs allow you to trade anticipated market trends rather than individual shares. In addition, Margin Requirements for Share Index CFDs are lower than for other CFDs.

Share Index CFDs are valued based on the number of units per index point of the Underlying Index. For example, if the S&P/ASX 200 is valued at 4600 then trading 10 Share Index CFDs would mean the face value of the trade was $46,000.

Please see Schedule 1 for worked examples of trades in SCM’s Share Index CFDs.

3.8 Commodity CFDs - features and benefits

Commodity CFDs have as their Underlying Instrument a particular commodity.

Commodity CFDs enable you to access commodities markets, such as those for oil, grains, energy contracts, gold and other precious metals. CFD Commodity CFDs offer exposure to the commodity representing the Underlying Instrument (or their futures contracts used to hedge them) without physical delivery, with the trading features of a CFD being a convenient alternative to directly trading in those commodities (or futures contract to hedge them).

All Commodity CFDs are cash settled.

Instead of directly trading on the Futures Exchanges – which may impose prohibitive lot sizes and high collateral requirements – investors can access leveraged commodity trading with reduced initial investment through trading in Commodity CFDs. For instance, the minimum Commodity CFD lot size of a US Crude Oil is 25 CFD contracts; i.e., 25 barrels of the oil representing the Underlying Commodity, compared with the relevant Exchange’s minimum Futures contract trade size of 1 contract with 1,000 barrels of the Underlying Instrument, which means more flexible and accessible trading.

Please see Schedule 2 for worked examples of trades in SCM’s Commodity CFDs.

3.9 FX CFDs - features and benefits

FX CFDs have as their Underlying Instrument a currency pair, such as AUD and USD, and so they derive their price or value from the real time changes in the prices of the relevant underlying currencies in the Spot market.

FX CFDs allow you to trade anticipated movements in foreign currency. Unlike trading foreign exchange on Spot there is no need to roll open FX CFD positions overnight and no financing charge is debited/credited from the initial opening price. Instead, all costs are built into the Bid/Ask spread. Instead of trading currencies via Futures contracts that carry higher collateral requirements and restricted lot sizes, FX CFDs enable investors to access leveraged trading in foreign exchange with lower Margin Requirements and a smaller minimum trade size.

FX CFDs are valued based on the price of the Underlying Instrument, in this case a currency pair. For example, if you bought 5000 (i.e. the minimum trade size in FX CFDs) FX CFDs and the price of the Underlying Instrument was quoted as 1.0367 then the FX CFDs would have a value of $5183.50 (being 1.0367 x 5000).

Please see Schedule 3 for worked examples of trades in SCM’s FX CFDs.

3.10 CFDs on Bonds - features and benefits

Bond CFDs track a futures contract. As a result, they expire like the underlying contract with the same expiry date. Clients are required to roll their positions from one contract to the next at expiry time if they wish to hold it. If not rolled, the SCM will automatically close and cash settle the contract at expiry.

Bond CFDs open the same trading opportunities available for professional market makers to retail clients.

What’s more, trading the futures market may be difficult for some retail investors because of the specifications of the contracts such as size of contracts, the Margin required to hold a position or the minimum financial risk that one contract represents (i.e. tick size).

The following example gives comparison of CFDs with Futures:

CFDs on Bonds create the conditions for retail investors to trade the underlying asset with much greater control both of their risk and their money management.

<table>
<thead>
<tr>
<th>German Bond</th>
<th>CFD</th>
<th>Futures Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>1%</td>
<td>~ 2.2%</td>
</tr>
<tr>
<td>Min. Trade Size</td>
<td>50 Indices</td>
<td>1,000 Indices</td>
</tr>
<tr>
<td>Min. Tick value</td>
<td>€ 0.50</td>
<td>€ 10</td>
</tr>
<tr>
<td>Costs/Commission</td>
<td>Spread + Commission + Exchange fees</td>
<td>Spread + Exchange fees</td>
</tr>
<tr>
<td>Overnight Financing</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Expiration</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Stocks/Bonds as collateral</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
3.11 FX Contracts and Metals Contracts

FX Contracts and Metals Contracts are margin products which derive their prices from the real time changes in the price of the Underlying Instrument (being foreign exchange and metal commodities) in the Spot market.

Prices are only quoted for FX Contracts and Metals Contracts and can only be traded during the open market hours on which the Underlying Instrument is traded.

Open hours of the market are available by viewing the relevant market websites and our website.

SCM will not quote for a FX Contract or a Metals Contract on a particular Underlying Instrument if that Underlying Instrument is illiquid (for more information on potential external disruptions see Section 8).

FX Contracts and Metals Contracts allow you to receive many of the economic benefits of owning the Underlying Instrument without physically owning it. (For more information on key benefits of trading in FX Contracts and Metals Contracts see Schedule 5). For more information on which FX Contracts and Metals Contracts SCM provides quotes on, please download a demonstration trading platform located on the SCM website www.home.saxo/en-au or contact SCM.

FX Contracts and Metals Contracts are valued based on the price of the Underlying Instrument. For example, if you bought 100,000 of one currency unit against another currency and the rate of exchange was quoted as 15.66/15.71 then the FX Contract would have a value of $1,571,000 (being 15.71 x 100000).

Types of FX Contracts and Metals Contracts we offer:

(a) Spot FX Contracts

A Spot FX Contract is a foreign exchange spot transaction (also known as Spot FX). It is an agreement between two parties, under which one party will buy one currency, and the other will sell another currency at an agreed price for settlement on the spot date. The exchange rate at which the transaction is concluded is called the spot exchange rate.

By default SCM offers rolling spot contracts that remain open and do not settle. More details on the financing charges that arise from keeping this transaction open is available in section 12.13 (b).

(b) Spot Metals Contracts

A Spot Metals Contract is a spot transaction in a tradable commodity, namely gold or silver, offered by SCM. It is an agreement between two parties, under which one party will buy gold or silver, and the other will sell gold or silver at an agreed price for settlement on the spot date. The price at which the transaction is concluded is called the spot gold or silver price.

By default SCM offers rolling spot contracts that remain open and do not settle. More detail on the financing charges that arise from keeping this transaction open is available in section 12.13 (b).

(c) FX Forward Contracts

FX Forward Contracts (also referred to as “forward purchase contracts”) derive their price or value from the real time changes in the value of a currency for delivery in the future, as calculated by reference to the interbank rates or SCM’s valuation of the forward value of the currency representing the Underlying Instrument.

Note that by trading in SCM’s FX Forward Contracts you are not trading directly in the interbank market or on any Exchange.

Similar to FX Contracts, prices are only quoted by SCM for FX Forward Contracts whose rates are based on quotes available to SCM in the interbank FX market and can only be traded during the open market hours (or within any more limited hours set from time to time by SCM). Open hours of the market are available by viewing the relevant market websites and our website.

Margin FX Forward contracts are valued in a similar fashion to valuations of Margin FX, however, the price is adjusted for time and the interest rate differential between the two currencies of the FX transaction.

(d) FX Option Contracts, Metal Option Contracts, and FX Binary Touch Option Contracts.

FX Options and FX Binary Touch Option contract derive their price or value from the real time changes in the value of a currency, time, other interbank market data, and SCM’s valuation of that option value. FX Options generally come in two types: Put (which can exercise into a short position in the underlying) and Call (which can exercise into a long position in the underlying). FX Binary Touch Options generally come in two types; No Touch (payout contingent on the underlying not crossing a target rate) and One Touch (payoff contingent on the underlying crossing a target rate).

Similar to Margin FX, prices for FX Option Contracts are only quoted in the interbank foreign exchange market and can only be traded during the open market hours (or within any more limited hours set from time to time by SCM). Open hours of the market are available by viewing the relevant market websites and our website.

Metal Option Contracts derive their price or value from the real time changes in the value of a metal as determined by reference to the relevant market for that metal.

FX and Metal Option contracts are offered by SCM at prices based on market valuations using generally available market models which can be easily found on any relevant market website. The most common and basic one used is the Black and Scholes. There are variances of this model in the interbank market. You should remember that SCM is acting as principal to you when issuing an FX Option Contract or a Metals Option Contract so it is determining its price based on factors relevant to SCM and is not acting as your broker to find you the best possible price.

For more information on which FX Contracts and Metals Contracts SCM provides quotes on, please download a demonstration trading platform located on the SCM website www.home.saxo/en-au or contact SCM.

Please see Schedule 5 and Schedule 6 for worked examples of trades in SCM’s FX Option Contracts, FX Contracts, FX Binary Touch Options and Metals Contracts.

3.12 SCM Services

In addition to the SCM Products, which are OTC derivatives,
we also offer our Clients access to trading in exchange-traded products such as Listed Equities, Bonds denominated in US Dollars, Euro and British Pound and Futures and Options. This access is provided through various market participants whom we instruct to enter into trades, in accordance with your trading instructions. For more details of the Listed Equities, Bonds, Futures and Options that we can enable you to trade in, see Schedules 7 to 9a.

 SCM manages its financial resources risks by complying with the liquidity requirements of its AFSL and undertaking additional "stress testing" to ensure it holds sufficient liquid funds to withstand significant adverse market movements. Our financial statements demonstrate our compliance with our AFSL financial requirements. A copy our latest audited financial statements is available on our website at www.home.saxo/en-au or by contacting us.

As a subsidiary of Saxo Bank A/S, SCM must adhere to Saxo Bank A/S’s internal compliance processes, including relating to capital adequacy. A component of this is to undertake regular stress testing. Stress tests, which constitute an integral part of SCM’s internal capital adequacy assessment process, must reflect unlikely but not inconceivable events that SCM might be exposed to. The stress scenarios are reviewed and revised on an ongoing basis at least annually to reflect changes in SCM’s operating environment or risk profile.

4 COUNTERPARTY RISKS

Trading in the SCM Products involves counterparty risk. First, there is the risk to you that SCM, as issuer of the SCM products, and therefore, your counterparty to Transactions in the SCM Products, may default on its obligations to you under the SCM Products.

There is also a risk that parties, such as the Hedging Counterparties, with whom SCM contracts may not be able to meet their contractual obligations to SCM. This means that SCM could be exposed to the insolvency of its Hedge Counterparties or other defaults by the Hedge Counterparties on their obligations to SCM. If the Hedge Counterparties default on their obligations to SCM, then this could give rise to the risk that SCM defaults on its obligations to you. To mitigate against this risk, SCM has policies in place to ensure that its counterparties are carefully selected.

For equities traded on ASX, Clients will have the option of registering their holdings on the CHESS sub-register via a sponsoring broker appointed by SCM ("CHESS Broker Sponsored Account"). Clients will be required to enter into a sponsorship agreement directly with the sponsoring broker.

A Client with holdings on the CHESS Broker Sponsored Account will be allocated a Holder Identification Number (HIN) which uniquely identifies the Client as the holder of shares on the CHESS sub-register. Clients will be notified of any changes to their shareholdings by way of a holding statement mailed to their registered address by ASX Settlement.

4.1 Hedging

SCM understands that Clients need to rely on it taking appropriate measures to reduce their counterparty risk in relation to SCM: namely the risk that it will not be able to meet any liabilities as they arise. Such measures include having in place hedging strategies with Hedging Counterparties that have been assessed as being of strong financial standing.

Before engaging any Hedging Counterparties, SCM will undertake an analysis to ensure that that Hedging Counterparty meets at least three of the following four key criteria:

(a) are appropriately licensed and regulated by an independent body in the relevant jurisdiction;
(b) have strong financial and compliance (including risk management) resources;
(c) have been independently rated by a ratings house (e.g. Standard & Poor’s); and
(d) have a proven track record in relation to OTC products.

Accordingly, SCM has in place a policy on managing its exposure to market risk from Client positions.

4.2 Financial Resources

SCM recognises that there are financial resources risks associated with its activities. These include risks to you through dealing with SCM as your counterparty to the SCM Products. SCM has developed a policy to manage these risks and to ensure that it maintains adequate financial resources to provide the financial services covered by its licence. The policy also requires SCM to have appropriate risk management systems in place.

5 SIGNIFICANT RISKS

Before trading in the SCM Products you should consider the following significant risks of trading in the SCM Products. These risks are in addition to the counterparty risks described in Section 4.

Generally speaking, SCM bases the risk profiles of the SCM Products on the current volatility and liquidity of the underlying markets.

Other circumstances that may cause SCM to adjust the risk profiles include:

(a) any corporate actions on the Underlying Instruments;
(b) administration, de-listing or liquidation of the Underlying Instruments; or
(c) any changes according to recommendations by any Exchange.

5.1 Leverage risk

The SCM Products are Leveraged, because the amount you pay to SCM for the SCM Products (i.e., the total Margin and costs, fees and charges) is less than the full face value of the Underlying Instrument. You should be prepared for greater risks from this kind of Leveraged derivative, which can lead to large losses as well as large gains. The high degree of Leverage in the SCM Products can work against you as well as for you, and may mean that you become liable to hold more Margin with SCM and the Margin Requirements applicable to Transactions may change rapidly in response to changes in the market for the Underlying Instrument. You may lose more than the amounts you pay SCM as Margin and the value of the Approved Collateral held in your Account.
5.2 Risk of unlimited loss

Your potential losses on (Long or Short) positions in SCM Products may exceed the amounts you pay (as Margin) for the SCM Products or the amounts we hold on trust for you in the Client Segregated Account.

You can reduce the risk of losses on Short positions in the SCM Products by monitoring your Open Positions and Closing Out the positions before losses arise or otherwise to minimise your losses.

5.3 Margin risk

You must have sufficient Margin Cover at all times and be able to provide to SCM the amount of required Margin as and when required, otherwise we may in our reasonable discretion reduce your exposure by Closing Out one, or more, or all of your leveraged Open Positions with us without notice to you.

Margin Requirements are highly likely to change continuously, in line with market movements in the Underlying Instrument.

There is a high risk of Margin Requirements changing very rapidly at times. There is also a high risk that if the market value of the Underlying instrument moves rapidly against you, you will be required to provide more Margin on little or no notice.

If there is a shortfall in your Account, or you do not meet a required Margin Call, SCM reserves the right to liquidate or sell any Approved Collateral forming part of your Account and its discretion.

You can reduce your risk of losing your positions as a result of failing to meet your Margin Requirements by carefully selecting the type and amount of SCM Product to suit your needs, monitoring your Open Positions, maintaining a prudent level of cash balance in your Account and providing sufficient Margin within the time required by SCM. Please see Section 10 – Margin Obligations for further information about Margin.

5.4 Foreign exchange risk

Your Account and Trading Account(s) may be denominated in Australian dollars or any other currency permitted by SCM from time to time.

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

Therefore, you need to take into account the denominated currency in the SCM Products that you trade. This is because any foreign currency conversions between your Trading Account, which is denominated in one foreign currency, and SCM Products, which are denominated in a different foreign currency, can expose you to foreign exchange risk. For example, if your trading Account is denominated in AUD, and you have an Open Position in Commodity CFD over gold, the denominated currency of that Transaction is USD, which means that not only do you have an exposure to gold prices, but you are also exposed to movements in the USD. Once you Close Out of this Commodity CFD position in gold, your profit and loss in your Trading Account remains denominated in USD, meaning that whilst you no longer have an Open Position a Commodity CFD providing you with exposure to gold, you still have a foreign exchange risk as the USD balance of your Trading Account may not be converted back to its default currency of AUD. This foreign exchange risk may trigger the need for more Margin to be paid by you, including at short or no notice.

In addition, foreign currency conversions required for your Account (see Section 7.8 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 position in an SCM Product.

You can reduce this risk by selecting SCM Products with foreign exchange exposure that you are prepared to incur and to monitor.

5.5 Risk of underlying stock being placed into administration, de-listed or liquidated

Trading in an Underlying Instrument of an SCM Product may be halted or suspended from trading from time to time.

In these circumstances, we would not permit Clients to open a new Transaction in an SCM Product for which trading in the Underlying Instrument is halted or suspended.

Where trading in the Underlying Instrument is halted or suspended, we may be not be able to offer you the corresponding SCM Product and so you may not be able to Close Out any Open Positions in affected SCM Products.

We have the discretion, where trading in an Underlying Instrument of an SCM Product is halted or suspended, to:

- close Out Open Positions in the affected SCM Product;
- raise the relevant Margin Requirement for the affected SCM Product up to 100%;
- continue to charge the relevant overnight debit/credit financing
  apply holding fees to halted/suspended open positions;
- revalue the affected SCM Product, including down to a value of 0;
- use the last traded price of that Underlying Instrument for the purposes of determining Margin Requirement and our Finance Charge or, where we reasonably believe that a different price reasonably reflects the value of an SCM Product, then we may price the SCM Product differently; and
- take such other action as we reasonably think fit to cover any relevant risks associated with Clients’ Open Positions in the relevant SCM Product.

These halts, suspensions or interruptions may cause you to suffer a loss, for example because they prevent you from implementing your desired trading strategy in respect of the affected SCM Products.

5.6 Counterparty Risk on SCM

As noted in Section 4, as SCM is your counterparty to the SCM Products, there is the risk that SCM will not meet its obligations to you under the SCM Products. SCM mitigates Clients’ counterparty risk through its Margin policy and risk management procedures and the special protections it has implemented for the benefit of Clients; however, the potentially adverse outcome of this risk is very significant to you since, if it occurs, you could lose all or some of your investment.

You can reduce your counterparty risk with SCM by limiting the amount you pay SCM, 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 Section 4 “Counterparty Risk” for more information.

5.7 Limited recourse

SCM limits its liability to you for the SCM Products to the extent to which SCM actually recovers against its Hedge Counterparties and allocates that to the SCM Products. This means that any liability owed by SCM to you will be satisfied only by the extent to which SCM is able to recover from its Hedge Counterparties.
This key risk is linked to “counterparty risk”. Both limited recourse and counterparty risks are further explained in Section 4.

5.8 Market risk

Financial markets can change rapidly; they are speculative and volatile. Prices of Underlying Instruments 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.

The SCM Products are highly speculative and volatile. There is a high risk that market prices will move such that the Contract Value of the SCM Products on closing can be significantly less than the amount you invested in them.

There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged.

You can reduce your risk by understanding the market relevant to the SCM Products, monitoring your positions in the SCM Products carefully and closing your Open Positions before unacceptable losses arise.

5.9 Not a regulated market

The SCM Products are OTC derivatives and are not covered by the rules for Exchange-traded contracts. 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 the SCM Products.

In addition, OTC contracts, such as the SCM Products, by their nature are not necessarily liquid investments in themselves. If you want to exit the SCM Products, you rely on SCM’s ability to Close Out at the time you wish, which might not match the liquidity or market price of the Underlying Instruments.

5.10 Market disruptions

A market disruption may mean that you may be unable to deal in an SCM Product when desired, and you may suffer a loss as a result. This is because the market disruption events which affect the Underlying Instrument will also affect the SCM Product 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 Underlying Instrument or a particular trade, and suspends trading in those contracts or cancels that trade.

You can attempt to minimise the effect of market disruptions by obtaining information released by the Exchange relevant to the SCM Product and taking action after the event as appropriate (if any) to the SCM Product, such as Closing Out because the market values have significantly changed since before the event.

5.11 Orders and gapping

It may become difficult or impossible for you to Close Out a position in an SCM Product. This can, for example, happen when there is a significant change in the SCM Product’s value over a short period. There is a moderate to high risk of this occurring.

SCM’s ability to Close Out a position in an SCM Product depends on the market for the Underlying Instruments. 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.

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 9.5 on “Stop-Loss Orders” for more information about the risk of “gapping”.

5.12 Online Trading platform and IT risk

If you are unable to access SaxoTrader for any reason, it may mean that you are unable to trade in a SCM Product when you wish to do so (including for Closing Out) or you might not be aware of the current Margin Requirements and so you may suffer loss as a result.

SCM may also suspend the operation of SaxoTrader 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, SCM has discretion in determining when to do this. If SaxoTrader is suspended, you may have difficulty contacting SCM; you may not be able to contact SCM at all, or your Orders may not be able to be executed at prices quoted to you.

There is a moderate to high risk that SCM 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 SCM in relation to the availability or otherwise of SaxoTrader, nor for its errors and software. Please review the General Business Terms and any guidance material for any particular online trading platform.

5.13 Exchange

The rules of the relevant Exchange govern the trading in the Underlying Instruments and so will indirectly affect the dealing in the SCM Products. All of the rules of each relevant Exchange may be relevant to the SCM Products, so you should consider those rules. The details of those rules are outside the control of SCM and they may change at any time and without notice to you.

5.14 Conflicts of interest

Trading with SCM for the SCM Products carries an automatic risk of actual conflicts of interests because SCM is acting as principal and issuer of the SCM Products and SCM sets the price of the SCM Products and also because it might be transacting with other persons, at different prices or rates, or SCM might be trading with market participants.

The policy used by SCM is that as principal it issues the SCM Products to you based on the price it gives you, not by acting as broker to you. SCM obtains its price by dealing with its own Hedge Counterparties. You can reduce the risks to you of unfavourable pricing or opaque pricing (meaning it is unclear how it relates to the market for the Underlying Instrument) by monitoring SCM’s pricing and by monitoring the underlying market.

The other trading activities of SCM, such as trading on its own account or acting as broker to its Clients and providing you with the SCM Services, are conducted without reference to SCM’s dealing in the SCM Products with you. Where SCM enters hedging transactions as principal on its own account, it does so to hedge its position and with the intention of making a profit.

5.15 Valuations

The SCM Products are valued by SCM. Typically this is by direct reference to (but not automatically solely derived from) the market value (or, if relevant, index level) of the relevant Underlying Instrument on the relevant Exchange or market which in turn affects the price quoted by the relevant Hedge Counterparty to SCM.
If the Exchange or other market 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 Instrument is halted or suspended, SCM may exercise its discretion to determine a value.

Due to the nature of the SCM Products, and consistent with industry practice for such products, SCM’s discretion is unfettered and so has no condition or qualification. While there are no specific limits on SCM’s discretions, SCM must comply with its obligations as an AFSL holder to act efficient, honestly and fairly. You therefore have the risk of relying on whatever value is determined by SCM in the circumstances permitted by the General Business Terms.

5.16 Regulatory risk

A Client may incur losses that are caused by actions taken by a regulatory authority, which are outside SCM’s control. 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 Instrument and so the terms of the SCM Product. A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled, which will affect the value of an Underlying Instrument, thereby affecting the value of the SCM Product.

5.17 SCM’s rights on default, indemnities and limitations on liability

If you fail to pay, or provide security for, amounts payable to SCM or fail to perform any obligation under a Transaction, SCM has extensive powers under the General Business Terms to take steps to protect its position. For example, SCM has the power to Close Out positions and to determine the rates of interest it charges. Additionally, under the General Business Terms you agree to indemnify SCM for certain losses and liabilities, including, for example, in default scenarios.

You should read the General Business Terms carefully to understand SCM’s rights under the GBTs.

5.18 Operational Risk

The SCM Products are generally traded over the internet, using your computer, internet-enabled mobile phone (e.g. iPhone or other smartphone), pda or other tablet. This means that you are exposed to the risk of disruptions in your ability to trade via electronic means, leading to delays in the execution (and settlement, as applicable) of a Transaction.

For example, these risks include the stability and reliability of your computer or other device through which you access the internet, your internet connection and SaxoTrader.

We are not liable to you if losses arise owing to delays, errors or failures in operational processes outside our control, in particular, giving rise to faults in or instability in SaxoTrader or in the provision of data by third parties.

6 OPENING AN ACCOUNT

6.1 Applying for an account

You need to establish your Account by completing the relevant application form, which is available on SCM’s website. There are different application forms for different types of accounts.

SCM is subject to AML Laws and is required to collect and verify the identity of the Client (including each authorised signatory of the Client), before opening the Account. Each person who is authorised to trade and provide instructions on behalf of the Client (being an authorised signatory or an attorney under a full Power of Attorney) will need to sign the application form and provide identification information to SCM before an Account will be opened.

After SCM accepts your application, your Account will be established. Your Account covers all of the SCM Products and SCM Services which you apply for in your application form and which SCM agrees to provide to you.

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 trading platform or for dealings in a particular product. For example, you could have a Trading Account for each different currency denomination of the SCM Products that you deal in and a separate Trading Account for other SCM Products.

You can trade in the SCM Products and access the SCM Services through the trading platform known as SaxoTrader. The legal terms governing your Account and your dealing in the SCM Products are set out in the General Business Terms. The General Business Terms also govern the SCM Services SCM provide to you.

6.2 Types of accounts

SCM offers the following type of Accounts, depending on the legal status of the Client:

- individual account;
- joint account;
- company account;
- trust account (includes self-managed super fund); and
- other account types may be available, please speak to an SCM sales representative to find out more.

6.3 Client Qualification

SCM understands that because of the significant risks involved, the SCM Products and SCM Services will not be suitable for all investors. As such, before Clients are given access to SaxoTrader and the SCM Products and SCM Services, they must satisfy SCM’s Client qualification criteria through a theory based assessment and by demonstrating their suitability to access the SCM Products and the SCM Services.

Where you have appointed an agent to apply for and to maintain your SCM account it will be sufficient if that agent satisfies the SCM qualification criteria as set out below. In such circumstances, you will not be required to satisfy the client qualification criteria.

In order to ensure a consistent approach for all Clients, SCM has determined that each Client or their agent will need to demonstrate their experience and competencies in the following areas:

(i) previous experience in investing in financial products;
(ii) understanding of relevant concepts, including leverage, margins and volatility;
(iii) understanding of the nature of trading in derivative products;
(iv) understanding of the processes and technologies used in trading, and
(v) willingness to monitor and manage the risks of trading.

(a) Theory Based Assessment

All authorised signatories of a Client must complete the Client Qualification Assessment. Please email enquiries@saxomarkets.com.au or call our sales team to obtain your
7 ACCOUNT ADMINISTRATION

7.1 Payment Options

SCM accepts the following methods of payment of funds into your Account:

- electronic funds transfer;
- personal cheques;
- credit card payments (*fees apply)

*Any fees associated with credit card payments are charged by SCM's Payment Service Provider (WorldPay) or the credit card provider/bank. SCM does not charge any fees relating to credit card payments.

SCM does not accept the following methods of payment:

- cash in hand; or
- physical cash deposits into our bank account.

Australian Dollars (AUD) is the default currency for our Accounts, but we also offer the following currency Bank Accounts:

- British Pounds (Sterling) (GBP);
- US Dollars (USD);
- Canadian Dollars (CAD);
- Euro (EUR);
- Hong Kong Dollars (HKD);
- Japanese Yen (JPY);
- New Zealand Dollars (NZD);
- Singapore Dollars (SGD);
- Swiss Franc (CHF);

SCM may allow its clients to open sub-accounts denominated in the same or other currencies than the main trading account. Trading on sub-accounts may be beneficial if the client is applying different trading strategies (e.g. long term trading vs. short term trading) or the client is trading products denominated in currencies different from the currency on the main trading account. On the other hand, maintaining more than one sub-account may entail disadvantages as well. Refer to default interest and rollover charges under cost, fees and charges.

7.2 Opening Margin Cover

SCM does not meet benchmark 2, since credit card payments in the amount greater than $1000 can be accepted as opening collateral. SCM has a minimum initial funding requirement of $3,000.

Clients are reminded to take appropriate precaution in the use of their credit card as payments towards meeting Margin Cover. The use of credit card payments exposes clients to greater risk of entering into financial difficulty and further additional risk of double leverage.

SCM accept shares or other securities as opening collateral or to be held as Margin Cover.

SCM does not accept cash in hand or physical cash deposits into any of SCM's bank accounts, due to the risks associated with money laundering.

7.3 Approved Collateral

SCM may allow Clients to apply a percentage of the value of Approved Collateral (as determined by SCM from time to time and not exceeding 80%) towards the Margin Requirements for FX Contracts, Futures and CFDs.

Subject to meeting the Margin Requirements, Clients may trade Approved Collateral at any time during market trading hours.
7.4 Funding your Account

SCM does not accept any form of third party payment from Clients to fund their trading account with SCM. This means that Clients must ensure that they transfer funds from a bank account in the same name as their trading account. Further to this, SCM does not accept physical cash deposits, or bank cheques for the purposes of funding of trading account. Personalised cheques are accepted; provided it does not constitute third party payment. Any payment received and identified as third party payment, will be returned via the method received. The time involved in the return of funds may vary depending on which bank you bank with.

7.5 Withdrawing funds from your Account

Certain Clients will have access to the cash withdrawal module, which enables a Client to withdraw funds from their trading Account to their nominated bank account, for further information visit www.home.saxo/en-au. A client can also complete a withdrawal request form available via our website and sign, date and submit the form to SCM by mail, fax, can or email to our email address operations@.saxomarkets.com.au.

Withdrawal requests can take between 1 - 5 days before funds are available in your bank account: this can vary depending on which bank you bank with. If a Client has been given access to the cash withdrawal module, and completes and submits a withdrawal request form, the client will be charged an administration fee for manual processing, refer to section 12.10 for further details.

SCM bears only the bank transfer charges for outgoing instructions disbursed from our end only. Clients will receive the payment minus the correspondent bank charges, if any such fees are charged by the receiving bank. These fees differ from bank to bank, and are not charged by SCM. For details of such charges, please make contact with your bank representative. We do not pay withdrawal requests by cheque. Withdrawals may be subject to a minimum withdrawal amount requirement. This is generally $400 but we can vary the minimum withdrawal amount at our discretion. Please speak to one of our representatives for more information about withdrawals.

7.6 Securities transfers

For initial security transfer requests, Clients may complete a security transfer request form available via www.home.saxo/en-au, and submit it to the details provided on the form. An online version may also be available for initial and ongoing security transfers, via the platform. The process and allocation of the security transfer in and out of a Client’s account, is dependant on the sending and receiving entities respectively. Clients should be aware that the allocation time of a security cannot be predetermined as the process requires the cooperation of external entities outside of SCM, of which SCM have no control over. There is also the possibility that during this process, your security may increase or decrease in value, please consider this prior to requesting for a security transfer in/out of your account.

Clients should be aware that save for Securities registered under the CHESS Broker Sponsored Account, the Client will not be individually or personally entitled to claim compensation from the relevant clearing institution or custodian for any error made by the clearing institution or custodian with respect to the Securities.

7.7 Custodian Arrangement

SCM has appointed Saxo Bank as the principal custodian to hold securities on behalf of SCM in an omnibus account, which is designated as a client trust account. The securities held in this account are essentially only for the purpose of SCM, and Saxo Bank does not mingle its own securities and assets into this SCM trust account. SCM holds these securities on behalf of the Client and Saxo Bank hold these securities on behalf of SCM. SCM maintains a register clearly stating the individual Client’s ownership to the securities kept in the omnibus account.

In the unlikely event of default (such as bankruptcy, suspension of payments or any similar event) of SCM or Saxo Bank, each Client is, on the basis of the rights registered for that person, entitled to claim their securities from the relevant omnibus account, provided there is no current dispute of the Client's ownership of the securities. In the event of default of any sub-custodian appointed by Saxo Bank), Saxo Bank may withdraw the securities from the omnibus account held with the custodian on behalf of SCM.

To avoid doubt, in the unlikely event of default in a situation that (for any reason) there is a deficit in the omnibus account, a client will become an unsecured creditor of SCM or Saxo Bank (as applicable). Clients would then need to take appropriate steps to submit a claim to the liquidator.

Please note that the custodian arrangement above does not apply to securities registered under the CHESS Broker Sponsored Account.

Due to the omnibus custody structure, trades are executed and held in custody in the name of SCM, not in the name of any one Client. As the omnibus account is maintained under an entity incorporated in Australia, withholding taxes will be deducted at rates applicable to Australia by our custodian at the omnibus level (and not at the individual Client level) and the same rate will be applied downstream to all clients irrespective of their country of tax residency.

Clients, particularly non-residents of Australia, should seek independent advice on the tax implications arising from the foregoing and take all necessary action in accordance with the tax laws of their country of tax residency. All Clients are solely responsible for any and all tax obligations including any tax reclaim in connection with subscribing for, buying and/or selling or otherwise trading in any financial products via the trading platform with SCM as carrying broker.

7.8 Dividends on share holdings and other shareholder rights

SCM holds shares (equities) on behalf of Clients, those Clients’ Accounts will be credited with any cash dividends that accrue to those shares. Dividends received in relation to securities will be treated in the same was as other interest earned on the Segregated Client Account. Cash dividends are booked on “ex-date” (effective date of the event) reflecting the market price movement. However, the actual value of the payment will be settled on pay date (value date), provided that SCM and Saxo Bank receive the dividend amount by the value date.

The entity paying a dividend in respect of any shares will automatically deduct any mandatory withholding tax which applies in the specific country where the entity is registered. SCM and Saxo Bank are not liable for any disposition or omission in respect of the shares. SCM and Saxo Bank are not responsible for any excessive taxes withheld by third parties in relation to the shares and it is a Client’s responsibility to seek these back from the relevant tax authorities. SCM and Saxo Bank will not withhold any additional taxes or otherwise deal with any taxation issues in relation to the shares. Any
Clients will not be informed about any ordinary or extraordinary general meeting or any extraordinary information communicated by the relevant company in relation to their securities. Unless otherwise specifically agreed with SCM or Saxo Bank directly, Clients will not be entitled to vote at the shareholders' annual general meetings (or at any extraordinary meetings) in relation to their securities and SCM and Saxo Bank will not participate in any such shareholder events on behalf of Clients.

SCM will publish details of any relevant corporate actions on SaxoTrader as quickly as possible; however SCM is not liable for Clients’ receipt of information about corporate actions. Corporate actions may include entitlements to rights issues and other corporate restructurings. It is the responsibility of Clients to inform SCM if and how they wish to exercise their rights stemming from the corporate actions within the deadlines stipulated in the corporate actions and to ensure that sufficient funds are available on their Account where relevant (in situations where a corporate action will affect the value of their Account). If no or insufficient instructions are received from a Client in respect of a rights issue, SCM or Saxo Bank will be entitled but not required to sell the subscription rights at the best possible price.

SCM may charge additional commission and fees related to Corporate Actions. The prevailing trading costs are available online at www.home.saxodienst.au. For certain types of Australian corporate actions, Australian listed companies have the right to reduce entitlements to zero in certain circumstances and SCM will therefore only pay entitlements to Clients once received from the relevant custodian. Furthermore, it is the policy of the Australia Custodial Services Association (ACSA) not to offer any benefits to its Members in relation to their securities. Unless otherwise specifically agreed with SCM or Saxo Bank directly, Clients will not be entitled to vote at the shareholders' annual general meetings or at any extraordinary meetings in relation to their securities and SCM and Saxo Bank will not participate in any such shareholder events on behalf of Clients.

Clients opting to transact in equities traded on ASX via the CHESS Broker Sponsored Account should obtain confirmation of Transaction directly via such account. Due to settlement delays and/or failure, any daily statements or any positions established on the Trading Account by SCM with respect to such Transactions should not be taken as confirmation of Transaction unless the Client is in receipt of a contract note and/or the Transactions are reflected on the CHESS Broker Sponsored Account.

7.12 Trading activity information

Clients are able to access trading activity statements via your Trading Account on the platform.

7.13 Accessing Saxo Trader

Clients are able to access SaxoTrader, via SaxoWebTrader, SaxoTrader or SaxoMobileTrader as follows:

- SaxoWebTrader: the browser-based SaxoWebTrader offers online trading access and requires no download or installation, and is accessible behind most firewalls. A SaxoWebTrader account also allows integrated access to SaxoTrader and SaxoMobileTrader.
- SaxoTrader: downloadable SaxoTrader enables Clients to trade through a trading platform. SaxoTrader provides Clients with access to all of the market information, technical tools and features required to trade successfully.
- SaxoMobileTrader: a flexible trading platform, the SaxoMobileTrader allows 24 hour access to your Trading account via internet-enabled mobile phone (e.g. iphone or other smartphone), pda or other tablet.

Each of SaxoWebTrader, SaxoTrader and SaxoMobileTrader Clients provides with access to the SCM Products and SCM Services.

7.14 Pricing Bid/Offer spread

SCM quotes a lower price and a higher price at which you can place your order. This is referred to as the Bid/Offer spread. He higher quoted price is the indication of the price at which you can buy an SCM Product. The lower quoted price is the indication of the price at which you can sell an SCM Product.

SCM makes hedge contracts at or around the same time as it issues an SCM Product to you by making a corresponding hedge contract with its Hedge Counterparty (not by placing orders directly into the market). The hedge contract is with a Hedge Counterparty who may choose to hedge directly into the market or it may make a market in its pricing to SCM, depending on the market for the Underlying Instrument and the Exchange trading hours.

SCM’s Bid/Offer prices are based on the corresponding prices offered by the Hedge Counterparty to SCM and these prices may not be the same as those quoted for the Underlying Instrument in the relevant market.

SCM aims to give competitive pricing but please be aware that SCM 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 or charges, 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 vice versa.

Also, the available pricing may be limited by minimum steps, depending on the Exchange rules for trading the Underlying Instrument or its hedge, so, depending on the SCM Product that you choose, your Order to exit your Open Position might have to be in minimum increments of pricing before it can be accepted and executed.
8 HOW TO TRADE WITH US

8.1 Pricing model

There are two pricing models or ways of trading CFDs with SCM. The first is what is commonly known as, or commonly referred to as, the Direct Market Access (DMA) model. The second is, the Non Direct Market Access (Non DMA)....

(a) DMA Model

If a Client adopts the DMA model it means that all CFD quotes made by SCM are the same as the price or value of the Underlying Instrument on the relevant Exchange, subject to SCM’s reliance on the Hedge Counterparty providing the same pricing service as the price or value of the Underlying Instrument on the relevant Exchange: i.e., no additional spread fees are applied by the Hedge Counterparty so SCM gives close to the same pricing outcome for its clients, as though SCM made the direct hedge itself.

Access to the DMA model is also subject to a Client requesting live pricing, which can be provided via SaxoTraderGo and will be subject to additional fees, which the Client agrees to on applying for an Account, otherwise there will be delayed pricing.

For example, if BHP shares are quoted on the ASX as 45.70/45.71 then the price SCM will quote for CFDs which have BHP shares as their Underlying Instrument using the DMA model will be the same, i.e., 45.70/45.71.

Please refer to our website or contact SCM for further information about the operational rules and features of SaxoTraderGo when adopting the DMA model.

(b) Non DMA Model

The Non DMA model means that all CFD quotes made by SCM are determined by SCM with direct reference to the price or value of the Underlying Instrument on the relevant Exchange but this pricing or the value may differ from the price or value of the Underlying Instrument for example, because the Transaction Fee might be included in the pricing, i.e., an additional spread is applied to the pricing or value. SaxoTraderGo will show whether the offered pricing will be executed as shown, or whether it is indicative and the order will be filled on another basis or the pricing is delayed or the market is closed.

For example, if BHP is quoted on the ASX as 45.70/45.71, then the price SCM will quote for CFDs using the Non DMA model could be as wide as 45.68/45.73.

The Non DMA model may also mean the Client does not participate in the features of the DMA model, such as having Orders (for CFDs) work (i.e. be able to be executed) during the opening and closing phases of Exchange trading in the Underlying Instrument or participate in Orders queuing, as well as during the usual market trading hours.

Please refer to our website or contact SCM for further information about the operational rules and features of SaxoTraderGo when trading Non DMA products.

8.2 Quoting our prices

Quotes for prices for trading in the SCM Products are indicative only and so are subject to the actual price at the time of execution of your Transaction. There is no assurance that SCM Products will actually be traded at the indicative quote.

Quotes can only be given and Transactions made during the open market hours of the relevant market for the Underlying Instruments. The open hours of the relevant Exchanges and markets are available by viewing the relevant Exchange or markets website or by contacting SCM. As a guide you can find details for most major Exchanges on our website at https://www.home.saxo/en-au/rates-and-conditions/pricing-plans/pricing-overview. However we recommend that you access the website of the relevant Exchange to obtain up to date and accurate information.

SCM may at any time in its discretion without prior notice impose limits on our CFDs in respect of particular shares representing the Underlying Instrument. Ordinarily, SCM would only do this if the market for the particular Underlying Instrument 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 SCM’s online trading platforms or other facilities which you arrange yourself may not be current or may not exactly correspond with the prices for the SCM Products offered by SCM.

If you access your Accounts and any online trading 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 for trading, by which time the market prices (and currency exchange values) might have changed significantly.

8.3 Suspended / Halted underlying assets

As noted in Section 5.5, trading in an Underlying Instrument of an SCM Product may be halted or suspended from time to time. In these circumstances, we:

• would not permit Clients to open a new Transaction in an affected SCM Product;

• would not be able to offer you the corresponding affected SCM Product and so you may not be able to Close Out any Open Positions in the affected SCM Product; and

• may exercise a number of discretions, including to Close out Open Positions in the affected SCM Product, increase relevant Margin Requirements to 100%, introduce position holding fees and take such other action as SCM reasonably thinks fit to cover any relevant risks associated with Clients’ Open Positions in the relevant SCM Product.

See Section 5.5 for more information about the potential risks and implications for you of any such trading halts, suspensions or interruptions.

8.4 Transactions

(a) Entering into a Transaction - all SCM Products

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

Before you enter into a Transaction by opening a position in an SCM Product, SCM will require you to have sufficient Account Value (as defined in the Glossary in Section 15) to satisfy the Margin Requirement for the relevant number of SCM Products. The payments you make to SCM are applied as either Margin or the fees and charges and the amount net of those fees and charges is credited to your Trading Account. The fees and charges of transacting in the SCM Products with SCM are set out in Section 12 of this PDS.

A position in a SCM Product is opened by buying an SCM Product, corresponding with either buying (going Long) or selling (going Short) the Underlying Instrument. If you take a Long position, you profit from a rise in the Underlying Instrument, and you lose if the
price of the Underlying Instrument falls. Conversely, if you take a Short position, you profit from a fall in the price or level of the Underlying Instrument and lose if the Underlying Instrument price or level rises.

You go “Long” and buy an SCM Product if you think that the price of the Underlying Instrument to which the SCM Product is referable will go up, which would have the effect that the price of the SCM Product will go up. You go “Short” when you sell an SCM Product if you think that the price of the Underlying Instrument to which the SCM Product is referable will go down, which would have the effect that the price of the SCM Product will go down.

(b) Closing a Transaction – all SCM Products

If you wish to close a position before it expires, you enter into a contract which is equal and opposite of the Open Position. To close a Long position you sell, and to close a Short position you buy.

When you Close Out a position, you are entering into a new position opposite to your Open Position.

To implement this, you contact SCM, either directly or via our online trading platform, to determine the current market value of the Underlying Instrument for the position you hold, with the view to closing the position (or part of it).

SCM will confirm the current market value and you will then decide whether to accept the value, and if so, you would instruct SCM to Close Out your Open Position in accordance with your instructions.

At the time that the positions are closed, SCM will calculate the remaining payment rights and your obligations to reflect movements in the Contract Value since the previous day’s settlement price (including other credits/debits). Because you enter into a Transaction to close out the existing position, there may be a Transaction Fee to close the position – see Section 12 on “Costs, Fees and Charges”.

You should be aware that you might suffer a loss, depending on the marked-to-market value of your SCM Product at termination compared with the total cost of your investment up to the time of termination.

SCM has discretion in determining closing prices. In general, without limiting SCM’s discretion, it should be expected that SCM will act reasonably and have regard to a range of relevant factors at the time, such as the value of the hedge contract taken by SCM to hedge the SCM Products issued to you, the closing price of the relevant Underlying Instrument for the SCM Products, any foreign currency exchange rates which are relevant due to the denomination of the SCM Products or Trading Accounts and any suspension or halt in trading of the Underlying Instrument. In the worst case, it is possible that the closing price determined by SCM may be zero.

SCM also has the right to decide to make an adjustment in any circumstance if SCM considers an adjustment is appropriate. SCM has a discretion to determine the extent of the adjustment so as to place the parties substantially in the same economic position they would have been in had the adjustment event not occurred.

SCM 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 SCM’s discretions, SCM must comply with its obligations as an AFSL holder to act efficiently, honestly and fairly.

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

(c) Closing a Transaction - FX Option Contracts

FX Option Contracts have an expiry date, which is a parameter of the contract, and decided by the client when the option is dealing FX. Options can be dealt with either spot exercise or cash exercise methods, which is chosen by the client and can be changed and/or all period of time before expiry. The spot expiry method will automatically generate a margined FX spot position if the price of the Underlying Instrument falls. Conversely, if the option expires worthless and is removed from the client’s account. FX Option Contracts can be closed—an operation which inserts an equal and opposing position—but not exercised at any point up until a short time before expiry (i.e. are European style a.k.a Vanilla FX Options). All FX Option Contracts are exercised at 10:00am EST (“NY Cut”) on the expiry date.

(d) Closing a Transaction - FX Binary Touch Options Contracts

FX Binary Touch Option Contracts (“Binaries”) also have an expiry date. Binaries are always cash exercised, i.e. the notional amount of the contract (payout) is added or subtracted to the client’s account as an unrealised balance. FX Binary Touch options are automatically exercised if the underlying spot rate crosses the target rate (Barrier) before the expiry date. If the barrier is not passed by that date, the option expires worthless and is removed from the client’s account. No Touch options are automatically exercised if the barrier is not reached by the expiry date. If the barrier is passed before that date, the option expires worthless and is removed from the client’s account. FX Option Contracts can be closed—an operation which inserts an equal and opposing position—at any point up until a short time before expiry. All FX Binary Option Contracts are exercised at 10:00am EST (“NY Cut”) on the expiry date.

(e) Closing a Transaction – FX Forward Contracts

FX Forward Contracts are FX positions that have a value date greater than the spot date of the underlying currency cross. If not explicitly closed out, FX Forwards will become an FX Spot position when the current spot date matches the FX Forward value date. If there is already an FX Spot position on the client account, the FX Forward will net with it into a single overall spot position. If an FX Forward is closed out prior to becoming a spot position, the original and closing position will remain on the client’s account until such time as the current spot date matches the value date of the two positions. In other words, the unrealised Profit or Loss of the net FX Forward position will not be realised (booked to the client account) at least until the FX Forwards become due.

(f) Closing a Transaction - Commodity CFDS only

All Commodity CFDS expire at a specified date in the expiry month and are always cash settled. A Commodity CFD whose Underlying Futures Contract is deliverable is not automatically a deliverable CFD. You need to Close Out or rollover into the next available contract month all open Commodity CFD positions.
since SCM does not support the automatic rolling of Commodity CFD Open Positions.

Please take note of and monitor the expiry and first notice dates of any futures contracts which are the Underlying Futures Contract of the Commodity CFDs which you invest in and ensure that you Close Out your Commodity CFD position before the Commodity CFD's expiry date, otherwise it will be Closed Out by SCM. We do not monitor or otherwise notify you of these dates, so it is important that you monitor them yourself. Moreover, SCM does not provide any warning of the Closing Out of Commodity CFDs at their expiry.

If you do not close a Commodity CFD position before the CFD's expiry date which generally is always two days prior to the first notice date and the last trading day of the Underlying Futures Contract (whichever is first) SCM may automatically Close Out your Commodity CFD position for you at the first opportunity available to SCM at the prevailing market price. Any resulting costs, gains or losses will be passed on to you.

8.6 Unrealised and Realised Profit and Loss

Unrealised profit is profit that comes from an Open Position (i.e. a transaction has not yet been exited). Unrealised profit is profit that would be made if the Open Position were Closed Out at that time. Unrealised profit will change with each change in the price of the Underlying Instrument, so it can be reduced to zero (or become an unrealised loss) at any time. Unrealised profit becomes realised profit at the moment that an Open Position is Closed Out.

Realised profit is usually already deposited into a Trading Account, and can be withdrawn from the Trading Account to a bank account. Realised profit is included in the account balance in Trading Account statements.

The specific expiry date for individual Commodity CFDs is displayed on the order ticket when the Order is placed or the expiry date of the Commodity CFD with reference to the expiry date or first notice date of the relevant Underlying Futures Contract can be found on SaxoTrader under the General Business Terms.

If you require any assistance or clarification regarding the expiry of the Underlying Futures Contracts for your Commodity CFDs, please contact SCM or your agent.

8.5 Risk Limits

SCM generally seeks to impose a risk limit of the Margin Utilisation not exceeding 150%. This is a limit determined for SCM's internal risk management purposes only, may be varied by SCM at its discretion and is not a contractual term or assurance to you that any internal risk limit will avoid or minimise your losses on your Account.

For example, SCM's risk limits for Futures, Share CFDs and ETFs are determined based on the following criteria:

<table>
<thead>
<tr>
<th></th>
<th>Clients with Net Equity to meet Margin Requirement &lt; EUR 1m*</th>
<th>Clients with Net Equity to meet Margin Requirement &gt; EUR 1m*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Futures</td>
<td>- Default risk of not more than EUR 2 m* (or AUD equivalent)</td>
<td>- Default risk of not more than EUR 2 m*</td>
</tr>
<tr>
<td></td>
<td>- 20% of average 30/90 days volume</td>
<td>- 20% of avg30/90 days volume or 100% of average 30/90 days volume with a max exposure of EUR 250,000 (**)</td>
</tr>
<tr>
<td>Share CFDs</td>
<td>- Default risk of not more than EUR 2 m</td>
<td>- Default risk of not more than EUR 2 m</td>
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<tr>
<td></td>
<td>- 20% of average 30/90 days volume</td>
<td>- 20% of average 30/90 days volume</td>
</tr>
<tr>
<td>ETFs</td>
<td>- Default risk of not more than EUR 2 m*</td>
<td>- Default risk of not more than EUR 2 m*</td>
</tr>
<tr>
<td></td>
<td>- 20% of average 30/90 days volume</td>
<td>- 20% of average 30/90 days volume</td>
</tr>
</tbody>
</table>

* Or AUD equivalent.

**Due to counterparty restrictions for Asian markets, the maximum a Client is allowed to hold is the lower of the following regardless if it's a single Share CFD or ETF traded in the Asia Market:

- Default risk of not more than EUR 2 million (or AUD equivalent)
- 20% of average 30/90 days volume or 100% of average 30/90 days volume with a maximum exposure of EUR 250,000

Be aware that SCM may at its discretion vary its internal risk limits at any time due to market condition and without notice to you. Therefore, you should always refer to your trading conditions for the maximum amount you may hold.

You should always decide your own risk limits and monitor your positions.

8.7 Short Trades

When dealing in Short CFD positions, you are highly likely to be affected by the relevant laws and Exchange rules as they apply to short selling of the Underlying Instrument, since that will flow through to the CFD.

For example:

(a) CFDs with Underlying Instruments traded on USA Exchanges: 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).

(b) CFDs with Underlying Instruments 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 Instrument 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 the Hedge Counterparty being required to deliver the Underlying Instrument to its own hedge counterparty. The risk is particularly high if the share becomes hard to borrow due to take-overs, dividend announcements, rights offerings, other merger and acquisition activities, or increased trading activity in the Underlying Instrument.

Since the rules of each Exchange 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 SCM for assistance in identifying the relevant rules.

8.8 Market Conduct

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

8.9 Errors

If errors occur in the prices of SCM Products quoted by us, neither the Client/SCM nor we will be bound by any Transaction which purports to have been entered into (whether or not confirmed by us) at a price which was, or ought reasonably to have been, known to either of us to be materially incorrect at the time of the Transaction.

9 ORDER TYPES

Different types of Orders are available on SaxoTrader. You will be able to obtain information about Orders that apply on SaxoTrader when you log in. Set out in the sections following are examples of Order types that may be available to you. If you have any questions, please contact SCM.

Important note about Orders and how to place an Order

When you request to place one of the types of Orders described in this Section 9, we have discretion whether or not to accept and execute any such request. 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 Instruments are being traded (if applicable) and the pricing model you have selected. For some SCM Products that you choose to trade, there may be a minimum trade value or other restrictions (e.g. pricing) that relate to a particular market.

9.1 Limit order

Limit orders are commonly used to enter a market and to take profit at a predefined level.

(a) Limit orders to buy are placed below the current market price and are executed when the Ask 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.

(b) 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 on the trade 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; however, there may be variations to the price at which your Order is filled, depending on the pricing model you have chosen and the Underlying Instrument.

9.2 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.

9.3 Order Durations

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

(b) One week

Order is valid one week from today's date e.g. if an Order is placed on 6 February, then the Order is valid until 13 February 17:00 New York time.

(c) One month

Order is valid one month from today's date e.g. if an Order is placed on 6 February, then the Order is valid until 6 March 17:00 New York time.

(d) Day Order

Order is 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.

(e) End of week

Order is valid until end of current week e.g. if an Order is placed on a Tuesday, then the Order is valid until 17:00 New York time on Friday the same week.

(f) End of month

Order is valid until end of current month, e.g. if an Order is placed 6 August, then the order is valid until 31 August 17:00 New York time; unless the last day of the month is not a Business Day, in which case the Order is valid until the last Business Day of the month e.g. 30 August 17:00 New York time.

(g) End of year

Order valid until end of current year e.g. if an Order is placed 6 August, then the Order is valid until 31 December 17:00 New York time. However, if the last day of the year is not a Business Day, the Order is valid until the last Business Day of the year e.g. 30 December 17:00 New York time.

(h) Select Date

Select date allows you to select any date.

9.4 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.

9.5 Stop-Loss Orders

SCM may, in its discretion, accept an Order from you to close an Open Position 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-loss 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 type of Transaction you have entered into and are seeking to close out.

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 an SCM Product) 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 an SCM Product) 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 between SCM and the Client, so you cannot be assured that you will always be able to have a stop-loss Order. While SCM has absolute discretion whether to accept a stop-loss Order, we 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 Instrument or Trading in the Underlying Instrument has been halted or suspended on the relevant Exchange or market.

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 move down below (or “gap” through) 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 Underlying Instrument, 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 Instrument to allow SCM to hedge its transactions which it makes in order to completely fulfill your stop-loss Order. If the opening price of the Underlying Instrument 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.

9.6 Stop Limit Order

A stop limit Order is a variation of a stop Order, with a lower/higher limit price to suspend trading if the price in the Underlying Instrument falls/risers too far before the Order is filled. This effectively restricts trading to a defined price range.

A stop limit Order is a variation or particular kind of stop loss Order with a lower/higher limit price to suspend trading if the price falls/risers 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.

9.7 Trailing Stop Loss

A trailing stop Order is a stop Order where the stop price trail 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 the Underlying 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 at 1.5670 with a distance to market of 10 and 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 reached 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, a 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 SCM) as long as it is made in accordance with the General Business Terms. For example, SCM’s 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 SCM will be similarly affected, since SCM hedges its positions with you by making corresponding Orders with its Hedge Counterparty.

10 MARGIN OBLIGATIONS

10.1 SCM's Margin principles

SCM applies the following main Margin principles:

(a) Each Client must provide a minimum required amount of Margin, or premium in the case of an Option, before being issued an SCM Product (Margin Requirement). You do this by providing at least the Initial Margin (plus other costs, fees and charges detailed in Section 12).

(b) The minimum Margin Requirement and the timing and amount of each Margin Call are determined by SCM at our discretion based on a number of factors, including the market price of the Underlying Instrument, the Margin required to hedge the Underlying Instrument, the Margin which SCM is required to pay its Hedge Counterparty and SCM's risk assessment of the Client, and any unrealised loss on your Trading Account at any point in time.

(c) The Margin Requirement for each Client's Account is promptly adjusted according to market movement or changes to our risk assessment of the Client, so that no Client benefits from another Client's trading.

(d) Each Client must provide all Margin required by SCM and maintain at all times the required amount of Margin. If you do not maintain the required Margin at all times or you do not pay the required Margin Call called for by SCM by the required time, we may in our reasonable discretion reduce your exposure by

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10.2 Providing Margin

You must hold the Initial Margin before an SCM Product is issued to you. You must then at all times maintain the minimum amount of Margin required by us. Separately, you must pay any further Margin we call for you to pay.

To provide Margin by Cash you must first deposit the funds into the Segregated Client Account. The funds are then credited to your Trading Account.

Your payment to SCM is effective only when cleared funds are withdrawn from the Segregated Client Account. SCM's general policy is that it does not accept as payment your copy of your payment instructions into the Segregated Client Account. However, SCM may, in its discretion, choose to credit your Trading Account before it withdraws your money from the Segregated Client Account.

10.3 How is Margin calculated

The minimum Initial Margin will be set by SCM and calculated as a percentage of the full face value of the SCM Products issued to you at the current market price (market exposure) of the Transaction.

Owing to the volatility of the market, the amount of required Margin may change after a position has been opened in SCM Products. If this occurs, SCM may call for you to pay additional Margin because your initial payment has become insufficient. Margin amounts are calculated to cover the maximum expected volatile market movement in the market at any time but will change when the market changes, so those calculations 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 SCM in order for your Trading Account to be credited with $10,000. You enter into a Transaction and SCM 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 utilised and therefore you must pay any further Margin we call for you to pay additional Margin.

10.4 Margin Calls

Apart from your obligation to maintain the required amount of Margin, you are also obliged to meet Margin Calls by providing the required amount by the time stipulated in the Margin Call. SCM will endeavour to monitor Accounts and to ensure that it identifies accounts likely to enter into Margin Calls as early as possible.

- 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.

Clients will receive 4 notification reminders with the 4th being the Margin Call notification and close out via telephone, via email to their nominated email address or via SaxoTrader before SCM takes any further steps.

10.5 Margin Close Out

If you have insufficient Margin in your Account to satisfy the Margin Requirement for Account, and you do not have enough funds (including Open Position profits or losses and any amounts held as Approved Collateral) in your Account to cover your Margin Requirement, we may in our reasonable discretion reduce your exposure by Closing Out one or more or all of your Leveraged Open Positions with us, without notice to you.

10.6 Negative Account balance

If you have a negative account balance in your Trading Account (i.e. the amount standing to your Trading Account is negative (less than zero), then you must pay funds to us, or apply Approved Collateral (if applicable), to restore your Trading Account cash balance to a positive level.

10.7 Return of Margin-Withdrawal Funds

If you Close Out a Transaction, realising a gain and your Account has a net credit balance above any remaining minimum required Margin you may request payment of the Withdrawable Funds. SCM will determine if that is permissible and if so it will arrange for the permitted amount to be paid into your nominated bank account.

10.8 Intraday Margin Rates

Under certain circumstances, client may be eligible for reduced Initial Margin requirements on CFDs and Forex.
These reduced Initial Margin requirements are only for intraday trading purposes. The End of Day (EOD) credit/debit interest calculated on your Net Free Equity will be based on prevailing full margin rates. Full margin rate requirements will not be represented at any time on the Saxo Trader whilst an open position than is receiving reduced Initial Margins is still open.

11 CLIENT MONEY

SCM holds Client money in a pooled “segregated” Client trust account operated by HSBC Bank Australia (Segregated Client Account). The Segregated Client Account is kept separate from SCM’s own money and assets.

Although Client money is pooled together in the Segregated Client Account, SCM will not use money deposited by (and belonging to) one Client to meet the loss of another Client. Moreover, SCM does not use Clients’ money in the Segregated Client Account for its own purposes, including to settle its own dealings with the Hedge Counterparty.

Client money (including deposits of Clients’ Margin) held in the Segregated Client Account is not withdrawn from the Segregated Client Account except as permitted under the Corporations Act.

To ensure SCM complies with the Australian Client Money Rules, SCM calculates the value of Clients’ funds in the Segregated Client Account on a daily basis and reconciles this with the funds available in the Segregated Client Account.

SCM pays Client money into the Segregated Client Account on the day it receives that Client money, or if that is not possible, on the following Business Day.

In accordance with the Australian Client Money Rules, SCM is permitted to invest Client money held in the Segregated Client Account in a term deposit with an Australian ADI, and you irrevocably and unconditionally authorise SCM to undertake any such investments.

Any Client money invested by SCM as agreed by you in writing and as permitted by the Australian Client Money Rules is subject to a trust in favour of the Clients.

In accordance with the Australian Client Money Rules, you agree that:

• SCM will be solely entitled to any interest or earnings derived from the Client money invested by SCM;

• when the investment of the Client money is realised, the initial amount of Client money invested may either be reinvested as permitted by the Australian Client Money Rules or deposited by SCM into the Segregated Client Account;

• in the event that the amount received upon realisation of an investment of the Client money is less than the initial amount of Client money invested, the difference will be shared by Clients in proportion to their share of the total Client money held;

• SCM will not charge any fee to you for investing Client money.

SCM may make payments out of the Segregated Client Account in the following circumstances:

(a) making a payment to, or in accordance with the written direction of, a person entitled to the money;

(b) defraying brokerage and other proper charges;

(c) paying SCM money to which it is entitled;

(d) making a payment that is otherwise authorised by law or pursuant to the operating rules of licensed market; and

(e) as otherwise permitted under the General Business Terms or any other agreement put in place between SCM and the Client.

SCM is entitled to keep interest earned on the Segregated Client Account, as disclosed in our General Business Terms available on our website at www.saxomarkets.com.au

Effective 4 April 2018, SCM complies with the ASIC Client Money Reporting Rules 2017 which applies to derivative retail client money and money that is or relates to a derivative that is not traded on an Australian domestic licensed financial market (Reportable Client Money).

In accordance with the rules, SCM performs daily and monthly reconciliations of the amount of Reportable Client Money held in the Segregated Client Account and the amount recorded in SCM’s records.

SCM maintains the following records:

- the amount of Reportable Client Money it has received from, on behalf of, or for the benefit of each Client; and

- the total amount of Reportable Client Money it has received from, on behalf of, or for the benefit of all Clients.

SCM has an obligation to report to ASIC any difference identified between the amount of Reportable Client Money held in the Segregated Client Account and the amount recorded in SCM’s records.

SCM also has additional obligations to provide annual declarations to ASIC on SCM’s compliance with these rules.

11.1 Client money risk

You should be aware that holding Client money in the Segregated Client Account does not protect you from a deficit in the Segregated Client Account. However, it is our policy to ensure that there is never a deficit in the Segregated Client Account.

If there were to be a deficit in the Segregated Client Account, and in the unlikely circumstance that we became insolvent before we could make up that deficit, our Clients would be unsecured creditors with respect to the amount of the deficit in the Client Segregated Account.

If we were to become insolvent, as an unsecured creditor you would need to submit to the liquidator appointed to us proof of the balance of our debt to you, as evidenced by your Account statements.

11.2 Consequences of withdrawals from the SCM Segregated Client Account

Money is withdrawn from the Segregated Client Account either to pay SCM or to pay you. Money withdrawn to pay SCM is SCM’s own money (and is not held for you).

Whilst under the Corporations Act SCM is entitled to use any Client’s money in the Segregated Client Account for meeting Margin and settlement obligations of any other Client trading in SCM Products, it is SCM’s policy not to do so.

From the time of withdrawal of money from the Segregated Client Account:

• you lose the protections given to money held in a client moneys trust account of that kind;

• you are an unsecured creditor of SCM for its obligations in respect of the SCM Products and your other dealings with SCM. This includes exposure as an unsecured creditor for payment to you of the net Account balance (if any) after closing all of your Open Positions;
12 COSTS, FEES AND CHARGES

The costs, fees and charges for the SCM Products and the SCM Services are as set out in this Section 12.

12.1 Transaction Fees

Transaction fees for SCM Products & SCM Services can be set as commissions, spread, dollar amount per volume quantity, dollar and cent per contract or percentage of position face value including minimum ticket fee.

The amount of the Transaction Fee charged, and the way in which it is calculated may vary depending on a range of factors, such as the type and level of service required, and the frequency and size of Transactions, the individual SCM Product or the particular SCM Service.

All Transaction Fees are charged in the currency in which the SCM Product and SCM Service is denominated unless otherwise specified and then converted at the relevant SCM market exchange rate into the Base Currency of your Trading Account, refer to Section 7.

Details of the Transaction Fees are included in your daily statement. This is an online report that you can access and print upon demand and can be accessed via your SaxoTraderGo.

Transaction fees are applicable when opening new positions and closing existing positions – see the examples below.

Details of our current standard Transaction Fees, general administrative fees and charges, Exchange access fees, default interest rate, standard minimum ticket fees and thresholds and Bond trade commissions are all available on the SCM website at www.home.saxo/en-au/rates-and-conditions/trading-planes/trading-overview and also under Trading Conditions on SaxoTraderGo Platform.

12.2 Effect of fees and charges on profits and losses

It must be noted that all trades attract transaction fees regardless of whether you are opening a new position or closing a current position. As a result transaction fees will have a marked effect on your realized profits and losses.

When closing out a profitable position, the realized profits will be reduced by the total amount of the transaction fee applicable for that trade.

When closing a losing position, the total transaction fees applicable to the closing trade will be added to the realized lose amount.

12.3 Effect of fees on multi leg trading strategies

Regardless of whether multi leg positions are initially traded as a spread or as separate trades, all legs of any strategy will attract the usual transaction fees and charges as if each leg was a separate trade and position.

Multi leg positions may be traded as any number of strategy types across all products types including but not limited to FX, FX Options, CFDs, Futures, Options on Futures.

12.4 Fees for the SaxoTrader platform

We may charge you a fee of A$37.50 plus GST per calendar month for your usage of live ASX prices on the SaxoTrader platform. This applies to all SCM Products and SCM Services.

12.5 Default interest on unpaid amounts or any negative balances in your Account

If you fail to pay when due any amount payable as per the General Business Terms or if there are any negative balances in your Account, we may charge you default interest on that amount calculated using an interest rate which is the relevant Inter-Bank or Market Offer/Bid Rate plus the current interest rate (%), available via www.saxomarkets.com.au.

This applies to all SCM Products and SCM Services.

Unless specifically agreed otherwise interest is calculated on the basis of the net free equity on each individual account or sub-account. You will therefore be charged interest on the full negative net free equity on any account despite having a positive net fee equity on another account. When operating several sub-accounts you may therefore be charged interest despite having an overall (accumulated) positive net free equity.

12.6 Rollover Charges

If a client opens opposite positions in the same currency cross on the same account, such positions will cancel each other out. However if such opposite positions are opened on different sub-accounts they will not cancel each other out. A spot trade that is not closed by the client at the end of the trading day will be rolled over on a daily basis (i.e. “swapped” for a similar position expiring the next day). A spot trade being rolled over will incur a charge (the “tom-next rate”). Please be aware that keeping opposite positions open on different sub-accounts will result in both positions being continuously rolled over (and thereby continuously being charged the “tom-next rate”) until manually closed. The operation of sub-accounts may therefore imply additional costs for the client. The example above regarding currency trading is applicable to other instruments as well if a client holds long and short positions in such instruments on different sub-accounts.
12.7 Currency conversion calculation fees

These fees apply to the SCM Products and SCM Services as follows:

(a) Funds transferred from our trust account will be converted at the current Spot rate minus 0.5%. The 0.5% is a conversion calculation fee we charge you;

(b) Realised profits and losses will be converted at the rate at the close of the New York markets (5pm NY time) plus or minus 0.5% of the closing market rate. The 0.5% is a conversion calculation fee we charge you.

(c) Where you deal in a Futures contract, Option, CFD or an FX Contract that is denominated in a currency other than Australian dollars, a currency conversion calculation fee of 0.5% will apply.

12.8 Minimum ticket fee for SCM Services

A minimum ticket fee may apply to all SCM Products and SCM Services. The minimum ticket fee will be determined based on the size of the executed trade and whether the minimum trade threshold has been met. The minimum ticket fee is in the form of a set dollar amount.

The particular currency the minimum fee is charged in is determined by the trade currency for the Transaction that a Client enters into. The minimum ticket fee applies to the provision of the SCM Products and SCM Services.

12.9 Mark to market payments

At the close of business on each business day during the term of a Futures, CFD or FX Contract you hold, we will determine the contract value of that Futures, CFD or FX Contract. If the change in the contract value at the close of business means that you have incurred a loss, we will charge you the amount of that unrealised loss. This charge applies to Futures, CFDs and FX Contracts only.

12.10 Dividend amounts:

If you hold a Short share CFD at the closing time on the day prior to the ex dividend date, we will charge you an amount equal to the cash dividend multiplied by the number of underlying shares representing the Underlying Instrument the subject of the CFD. This charge applies to Share CFDs only.

12.11 Exchange access fees

(a) To receive real-time market data for Listed Equities, CFDs, CFD DMA or Futures trading, you will have to subscribe to the individual Exchanges. You will incur monthly subscription fees for the data you elect to receive in real-time.

(b) Where Clients for the SCM Services subscribe to real time market data, SCM will introduce a refund scheme where fees are refunded per Exchange, should Clients trade a minimum of four (4) times across both Listed Equities and/or CFDs during each calendar month. For ASX the minimum is six (6) trades.

(c) Refunds are only applicable for Clients trading in listed equities who come within the definition of “non-professional subscribers”. Client and who subscribe to level 1 data, except in the case of the ASX, where the refund applies to level 2 data. The definition of non-professional and professional subscribers may vary depending on the Exchange. Refunds are calculated on a monthly basis and paid out on a quarterly basis.

These fees apply to certain SCM Products and SCM Services only: Trading in Listed Equities, CFDs and Futures.

12.12 Bond trade commissions:

We charge trading commissions of 0.08% (subject to a EUR 80.00 minimum, or as otherwise set out on our website) for all Transactions in Bonds. This applies to the SCM Services in relation to Bonds only.

12.13 Administration fees

Other general administrative fees and charges may apply to the SCM Products and SCM Services.

12.14 Carrying Cost

The carrying cost on all initial margin for Futures, Listed Options and Expiring CFDs will be calculated on the basis of the initial margin requirement and applied when a position is held overnight. Carrying Cost = Initial margin * Holding time * (Relevant Interbank rate + Markup) / (365 or 360 days)

12.15 Holding Fee

The Holding Fee varies depending on the underlying asset class (Category) and will only apply to bought options with maturity beyond 120 days.

Holding Fee per day = Nominal Value / 1,000,000 * Underlying Category Fee
<table>
<thead>
<tr>
<th>CHARGES</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit</td>
<td>No charges by SCM, entire received amount will be booked into client’s trading account</td>
</tr>
<tr>
<td>Withdrawal – via Cash Withdrawal Module</td>
<td>No charges by SCM</td>
</tr>
<tr>
<td>Withdrawal – via Client Withdrawal Request Form</td>
<td>AUD $30.00 per client withdrawal request form</td>
</tr>
<tr>
<td></td>
<td>*This fee is only applicable to Clients with access to the Cash Withdrawal Module</td>
</tr>
<tr>
<td>Inter-account transfer</td>
<td>0.5% conversion fee if transfer is done between accounts of 2 different currencies.</td>
</tr>
<tr>
<td>Inactivity Fee</td>
<td>AUD $100 is charged to an account where there is no trading activity (minimum of 1 trade executed) for a period of 6 consecutive months (180 days) from the first funding date. This occurring fee is charged on a 6 monthly basis continuously, and is only applicable to Classic type accounts.</td>
</tr>
<tr>
<td>Returning 3rd party incoming funds</td>
<td>Amount returned less any incurred bank charges.</td>
</tr>
<tr>
<td>Rejected outgoing funds</td>
<td>Amount returned less any incurred bank charges.</td>
</tr>
<tr>
<td>Exchange fees</td>
<td>Refer to <a href="https://www.home.saxo/en-au/rates-and-conditions/pricing-plans/pricing-overview">https://www.home.saxo/en-au/rates-and-conditions/pricing-plans/pricing-overview</a></td>
</tr>
<tr>
<td>Account opening</td>
<td>No charges</td>
</tr>
<tr>
<td>Account closing</td>
<td>No charges</td>
</tr>
<tr>
<td>Stock transfer (In)</td>
<td>No charges</td>
</tr>
<tr>
<td>Stock transfer (Out)</td>
<td>AUD $50.00 per ISIN, maximum fee AUD $200.00</td>
</tr>
<tr>
<td>Custody Fees: Stocks, ETFs/ETCs &amp; Bonds</td>
<td>- Annual Custody Fee is 0.12%</td>
</tr>
<tr>
<td></td>
<td>- Minimum Monthly Fee is AUD 5</td>
</tr>
<tr>
<td></td>
<td>*International Securities Identification Numbe</td>
</tr>
<tr>
<td></td>
<td>*Australian Securities Exchange listed Stocks will be exempt from the above fees.</td>
</tr>
<tr>
<td>Negative Interest</td>
<td>A charge applicable to company/corporate accounts on relevant currency balances above particular thresholds. *Presently EUR, CHF, DKK &amp; SEK.</td>
</tr>
<tr>
<td></td>
<td>The negative interest will be calculated daily for the account credit balance exceeding the threshold and debited to the main trading accounts or sub-accounts at the end of each month for the interest period of the previous month (value date is the last day of the previous month). For details regarding threshold &amp; interest rate % (p.a.), please refer to trading rates and conditions via <a href="http://www.home.saxo/en-au">www.home.saxo/en-au</a></td>
</tr>
<tr>
<td>Phone and email manual order fee</td>
<td>SCM may at its discretion charge a manual order processing fee as published on SCM website.</td>
</tr>
</tbody>
</table>
12.16 Financing Charge on Long positions

(a) CFD Finance Charge on positions for CFDs

If you hold a Long or Short position overnight you will pay a Finance Charge or you may receive a credit on the CFD Open Positions held overnight, except for Commodity CFDs which will not incur any overnight Finance Charge. All costs for Commodity CFDs are factored in to the spread pricing.

The calculation for an overnight Finance Charge (including a credit) for each day that a long or short CFD is held overnight is as follows:

\[ \text{Finance Charge} = \frac{\text{CV} \times (\text{CFD BR})}{360} \]

\(* 360 \text{ or } 365^*\)

Where:

- CV is Contract Value of the CFD Open Positions, at the time the CFD is established, held overnight.
- CFD BR is the CFD Base Rate.

A Finance Charge will be credited for the Short CFD position held overnight may be applied to your Account when the CFD Base Rate is positive. A Finance Charge on the Short CFD position held overnight may be debited to your Account when the CFD Base Rate is negative.

By way of example, using the calculation for a Short Share CFD position held overnight for a share whose currency has a relevant interest rate of 0.5% used for the CFD Base Rate with a mark-down of 3%, the charge you may incur would be calculated as follows:

\[ \frac{5,000 \times (-2.5\%)}{365} = 0.34 \]

Where:

- CV is $5,000
- CFD BR is -2.5% p.a. (i.e., 0.5% minus 3% p.a.)

No Finance Charge/credit is paid or received if you open and close a CFD position on the same day.

(b) Financing Charge on FX Contracts or Metals Contracts

If you hold a Long or Short position overnight you will be debited or credited a Finance Charge or payment on the Open Positions held overnight. All costs for them are factored into the spread pricing.

The calculation for an overnight Finance Charge or payment for each day that a Long or Short position is held overnight can be found on SaxoTrader's General Business Terms under “Interest charges”.

A Finance Charge will be credited less a rollover fee if you are long the higher yielding currency. It will be charged less a rollover fee if you are short the higher yielding currency.

By way of example, for a Short Margin FX contract position held overnight, assume the interest rate in the Base currency is 5% and the interest rate in the Terms Currency is 10% the rate of exchange is 0.7500, the charge you may incur would be calculated as follows:

Where:

- Base currency is $100,000
- Terms currency is $75,000
- Exchange rate is 0.7500 or in other words 1 unit of the base currency equals three quarters that of the Terms Currency.
- Base currency

\[ \frac{100,000 \times 5\%}{365} = 13.69 \] (interest)

Convert interest in Base currency to Terms Currency

\[ \frac{13.69 \times 0.7500}{365} = 10.256 \]

Terms Currency

\[ \frac{75,000 \times 10\%}{365} = 20.54 \]

So in the case where you are long the lower yielding currency it will cost you $10.27 in the Terms Currency per day to hold the position.

No Finance Charge/credit is paid or received if you open and close a position on the same day.

12.16 Borrowing Costs on Short CFD

If you hold a Short CFD position overnight, you will pay a borrowing cost Finance Charge on the CFDs Open positions held overnight. This borrowing cost is dependent on the liquidity of the shares and may be zero for highly liquid shares.

The borrowing rate expressed as a percentage will be fixed when the CFD position is opened and will be charged on a monthly basis.

The specific borrowing rate for a specific Underlying Instrument is disclosed on SaxoTrader under General Business Terms, CFD Stock/Index Instrument List.

12.18 Account and Trading Account balance

There is a Finance Charge/credit applied to your Account and to each Trading Account if the value of the Withdrawable Funds on your Account and each Trading Account is a negative (or positive) number only if the credit balance in your Account (aggregating the credit and debit balances of each Trading Account) is in excess of your Total Margin Requirements, and such excess amount exceeds the finance credit account qualification level (the term used on SaxoTrader), which is $15,000 or 5% of the base currency.

Subject to meeting the finance credit account qualification level, the Finance Charge/credit is calculated separately on each Trading Account. Therefore it is important that there is sufficient cash in each of the Trading Accounts to cover all the Transactions within that Trading Account otherwise you risk being subject to the debit Finance Charge exceeding the credit Finance Charge even though your overall Account is in credit.

The Finance Charge calculated on your Trading Account includes all Transactions on that Trading Account in the SCM Services, and other dealings in respect of the SCM Services, since SaxoTrader is a multi-product, multi-currency trading platform (depending on what you have traded). Applying the Finance Charge in this way benefits you by charging a Finance Charge only on the overall positions you have, not by having an aggregate of individual charges on each position.

The Finance Charge debited to your Account (or Trading Accounts) will be calculated using the Base Rate applied to the negative (or positive) amount of Withdrawable Funds.
For example, if amount of Withdrawable Funds is negative $60,000 for 10 days and assuming the Base Rate is 7.5% p.a., then the Finance Charge will be calculated as $60,000 x (7.5%/365 days x 10 days) = $123.29 (rounded up) or $12.329 per day.

An additional Finance Charge may be imposed if you have not paid SCM any amount you are required to pay, such as an overdue payment to close an Account. The rate of Finance Charge for such shortfall is the Base Rate plus 4% p.a. For example, if you owe us $1,000 on a debt and the Base Rate stays at 7.5%, the finance Charge on that will be 11.5% p.a., accruing daily.

A Finance Charge also may be credited to your Account (or Trading Accounts) and if it is it will be calculated using the Base Rate applied to the positive amount of Withdrawable Funds.

SCM may at any time without prior notice apply different Base Rates according to different tiers of volume of trading and may choose not to credit any Finance Charge at all or not if the amount of Withdrawable Funds falls below limits set by SCM from time to time.

12.19 Conversion Fee
You will be charged a “conversion fee” when converting currencies to the currency of your Trading Account. This occurs each time there is a conversion from a trade currency to the currency of your Trading Account. The conversion fee charged is up to a maximum of 100 basis points (1.00%) of the Transaction’s full face value being converted, so the conversion fee is actually reflected in the exchange rate at which the Transaction is converted and is not an additional fee or charge.

12.20 External Fees, Taxes and Charges
You are responsible for any stamp duty, transaction duty, GST or similar goods and services or value added tax payable in respect of Transactions (except for any income tax payable by SCM). Bank charges and fees imposed on SCM to clear your payments will also be charged to your Account.

The General Business Terms may allow SCM 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 contract itself). 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. SCM may debit these amounts from your Trading Account.

12.21 Trading Examples
For CFD trading examples please see Schedules 1 to 4 and for FX Contracts and Metals Contracts trading examples please see Schedule 5.

13 TAXATION

13.1 Introduction
Trading in our SCM Products will have taxation implications for you, depending on your personal circumstances. We recommend that you obtain independent professional taxation advice on the taxation implications applicable to your personal facts and circumstances.

The following tax summary is for Australian resident investors only and is based on the taxation laws in Australia current as at the date of this PDS. The tax summary assumes that you will hold the SCM Products on revenue account, i.e. you will be carrying on a business of either trading or investing in these types of financial products or you will enter into the financial products for profit making purposes (or both). The summary does not consider the taxation position if you enter into the SCM Products for the purposes of hedging risks associated with other investments held by you on capital account, or for the purposes of recreational business gambling.

The summary is general in nature and is not intended to constitute legal or tax advice.

13.2 Taxation consequences of a CFD
The taxation of CFDs is set out in an ATO public ruling, Taxation Ruling TR 2005/15 which broadly states that if you enter into a CFD in the ordinary course of your business or for profitmaking purposes, it is likely that any profit derived or loss incurred by you will be included in, or allowed as a deduction from, your assessable income. A copy of TR 2005/15 is available from the ATO’s website www.ato.gov.au. Any profit (or loss) arising in respect of a CFD should be included in your assessable income (or allowed as a deduction) at the time the profit/loss is realised for tax purposes. Realisation will generally occur when the CFD is closed out.

13.3 Taxation of FX Contracts and Metals Contracts
Any realised gains derived or losses incurred by you in respect of a FX Contract or a Metals Contract should ordinarily be included in your assessable income. Realisation will generally occur when the right or obligations to receive or pay the contract ceases.

The cost of acquiring an option contract for FX or Metals (for example a premium paid for a call option or a put option) is generally treated as a cost of acquiring or disposing of the Underlying Instrument for the purposes of determining the gain or loss on realisation. In general, if such an option expires without being exercised, a premium received (or paid) for the grant of the option is treated as an FX or Metal (as the case may be) gain (or loss).

13.4 Interest received on your trading account
Interest you receive on your Trading Account is likely to be treated as assessable income for Australian tax purposes at the time that it is credited to the Trading Account.

13.5 Tax losses
The availability of tax deductions or losses incurred as a result of entering into SCM Products to offset current or future year income will depend on your personal circumstances.

13.6 Taxation of Financial Arrangements
There are specific rules that set out the method by which gains and losses from financial arrangements will be brought to account for Australian tax purposes (referred to as the Taxation of Financial Arrangements (TOFA)).

The TOFA rules will apply to financial arrangements held by certain investors whose assets or aggregated turnover exceeds specified thresholds. The TOFA rules will also apply to you if you have made an election to apply the TOFA rules to your financial arrangements.

SCM recommends that you seek your own taxation advice as to the implications of the TOFA rules to you.

13.7 Tax File Number Withholding Rules
The Tax File Number (TFN) withholding rules only apply to those investments as set out under the income tax legislation. SCM’s current understanding is that the TFN withholding do not apply to its financial products covered by this PDS (other than interest credited to your Trading Account). However, it is later determined to apply that you have not provided...
SCM with your TFN (or ABN if applicable) or an exemption category. SCM may be obliged to withhold amounts from interest payments at the highest marginal tax rate (plus any levy) and remit that amount to the ATO.

13.8 Goods and Services Tax

With the exception of the fees and charges as set out in this PDS, amount payable in relation to the trading of the SCM Products should not be subject to goods and services tax on the basis that the SCM Products (including some ancillary costs) are financial services for GST purposes. As such, they are input taxed and no GST is payable on their supply.

Whether an input tax credits are available to with respect to GST that may apply to certain fees and costs charged to you will depend on your personal circumstances.

14 FURTHER CONSIDERATIONS

14.1 SCM Discretions

SCM has a number of discretions under the General Business Terms and as disclosed in this Combined FSG and PDS. SCM’s exercise of these discretions can affect you and you do not have any power to direct how we exercise these discretions.

Our significant discretions include:

- whether to accept your application to open an Account with us;
- whether to accept your Order (including to Close out an Open Position);
- any risk limits or other limits we impose on your Account or your trading with us;
- determining Margin Requirements, especially the amount of Initial Margin, minimum Margin Requirements, the timing of a Margin Call and the time to meet any Margin Call, requirements for Approved Collateral;
- determining values of Underlying Instruments (for opening and closing positions and for determining Margin);
- setting bid and offer prices; and
- closing your positions and setting Closing Value.

14.2 Cooling off

No cooling off rights apply to the SCM Products, which means that you have no right to cancel the SCM Products.

14.3 Social, Environmental and Ethical Consideration

The SCM Products do not have an investment component. SCM does not take into account labour standards or environmental, social or ethical considerations when dealing in the SCM Products.

14.4 Privacy Policy

SCM has obligations under the Privacy Act 1988 (Cth) (including the Australian Privacy Principles) on how we handle Clients’ personal information. Our policy for the management of personal information is set out in our privacy policy which is available by contacting us or on our website.

We may collect information from you such as your name, address, phone number, email address, age and information regarding SCM Products and SCM Services you inquire about or trade with us. We may collect this information when you give it to us directly in your application form, when you use our SCM Products and SCM Services, call us or visit our website so that we may conduct business with you. We are also required under the AML Laws to collect personal information about you prior to the opening of a Trading Account with us and we may also be obliged to collect additional personal information about you on an ongoing basis. If you do not provide us with all the information we consider to be compulsory we may be unable or limited in the services or financial products we can provide to you.

All of the information collected by SCM is for the purpose of:

- Providing you with any product or service provided by SCM or related company, including assessing your application, administering any facility you have with us, executing instructions and complying with our legislative and regulatory obligations relating to the SCM Products or SCM Services;
- Meeting our ongoing obligations to you in providing you with the SCM Products and SCM Services;
- Meeting our external obligations, such as with regard to third party systems and relationships, in order to provide you with the product or service;
- Meeting our obligations under applicable laws, such as customer identification requirements under the AML Laws and compliance requirements under the Corporations Act;
- Protecting against fraud; and
- To contact you with information about SCM Products or SCM services that you might be interested in.

If you do not wish us to send you information on our SCM Products or SCM Services, please tell us and indicate in the application form.

Your personal information may be disclosed to:

- any person acting on your behalf, including your adviser, accountant, solicitor, executor, attorney or other representative;
- related bodies corporate of SCM if you use, or intend to use, services of those other corporations;
- any organisations to whom SCM outsources administrative functions;
- Introducing Brokers or agents who refer your business to SCM (so that we may efficiently exchange information and administer your account);
- regulatory authorities;
- as required or permitted by law or by court order.

Your personal information will not be disclosed to any other person apart from those disclosed in the Privacy policy without your consent.

SCM may disclose your personal information to SCM’s agents and service providers and Saxo Group and its affiliates. In order to use and disclose your personal information for the purposes stated above, SCM may be required to transfer your personal information to entities located outside Australia where it may not receive the level of protection afforded under Australian law. By agreeing to the GBTs, you consent to your personal information being transferred overseas for these purposes.

You may access your personal information held by SCM (subject to permitted exceptions), by contacting SCM. We may charge you for that access.
As SCM 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 personal information you have provided to us changes. We may request proof of identification for verification processes.

For further details regarding how we maintain your personal information, refer to our privacy policy available via our website.

14.5 Anti-Money Laundering and Counter Terrorism Financing

SCM is subject to AML Laws and SCM is required to verify your identity before providing SCM Products and SCM Services to you, and to re-identify you if it considers it necessary to do so. SCM will perform Know Your Client (KYC) checks for each person who is an authorised signatory of an Account including Attorneys. SCM is required to keep any documents, it receives to verify your identity for a period of at least 7 years.

As a result of the measures and controls that have been implemented to ensure compliance with the AML Laws, SCM may decide to refuse any transactions on your account or to freeze your funds if there are reasonable grounds to suspect that the transaction breaches the law, and SCM will be not be liable for any loss you suffer (including consequential loss) as a result of its compliance with the AML Laws.

SCM has certain reporting obligations under the AML Laws and may be prevented from informing you that any such reporting has taken place. Where required by law, SCM may disclose the information gathered to regulatory or law enforcement agencies including AUSTRAC.

15 DISPUTE RESOLUTION

SCM wants to know about any problems you may have with the services we provide to you so we can take steps to resolve the issue. If you have a complaint about an SCM Product or an SCM Service provided to you, please contact us via e-mail at ComplianceAU@saxomarkets.com, or put the compliant in writing and send it to:

The Compliance Officer
Saxo Capital Markets (Australia) Pty Ltd
Level 25
2 Park Street
Sydney NSW 2000

Saxo Capital Markets will provide acknowledgement of receipt of written complaints within 2 business days and seek to resolve and respond to complaints within 45 days of receipt. The Compliance Officer will investigate your complaint, and provide you with our decision, and the reasons on which our decision is based.

Saxo Capital Markets is also a member (No.12002) of the Australian Financial Complaints Authority (AFCA), a fair, free and independent dispute resolution scheme. If you are dissatisfied with the outcome, you have the right to lodge a complaint with AFCA, contact details are below. You may also make a complaint via the Australian Securities and Investments Commission, free call Info line on 1300 300 630. The contact details for AFCA are:

Australian Financial Complaints Authority
GPO Box 3, MELBOURNE VIC 3001
Email: info@afca.org.au
Toll free: 1800 931 678
Website: https://www.afca.org.au/

16 GLOSSARY

Account means your account with SCM established under the General Business Terms, including all Trading Accounts and all Transactions recorded in them, for using SCM Trader.

Account Value means the current value of your Account which is calculated by SCM 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.

AFSL means Australian financial services licence issued under the Corporations Act.

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

Approved Collateral means securities or other assets included on the list of acceptable collateral (as amended from time to time) available on our website www.saxomarkets.com.au.

ASIC means the Australian Securities and Investments Commission.

Ask price a current market price is made up of a level at which you can sell and a level at which you can buy. The level at which you can buy is always the higher of the two prices and is called the Ask Price.

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

Australian Client Money Rules means the provisions in Part 7.8 of the Corporations Act and the Corporations Regulations made under those provisions and ASIC regulatory guidance relating to Client money

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

Base Currency means the second denominated currency in a currency pair. Also refers to the currency the profit or loss position is in.

Bid price a current market price is made up of a level at which you can sell and a level at which you can buy. The level at which you can sell is always the lower of the two prices and is called the bid or Bid Price.

Bid/Offer spread has the same meaning as Spread.

Bond means a security that enables governments and large companies to borrow money. A Bond involves a lender lending a specific sum of money (the face value) to the Bond issuer for a specific length of time (the term). Typically, the issuer promises to make regular payments of interest at a rate that’s set when the Bond is issued and to repay the face value at maturity.

Business Day means any day (other than a Saturday, Sunday or public holiday) on which banks are open for business in Sydney, Australia.
Cash Withdrawal Module means withdrawal cash and inter account transfer modules in the SaxoTrader.

CFD means a contract between the parties to pay in cash the difference in prices / index levels of the Underlying Instrument on the terms of the General Business Terms, whose term continues until the Closing Date.

CFD Base Rate means the amount nominated by SCM for this term from time to time, as notified to you (including through the online trading platform) or posted on its website.

(a) In the absence of any valid nomination, when you hold a long CFD position overnight, the CFD Base Rate for a Finance Charge debited to your Account (or Trading Accounts) is the prevailing overnight relevant Inter-Bank or Market Offer Rate plus a mark-up, up to a maximum of 3%. The mark-up is disclosed in the General Business Terms.

(b) In the absence of any valid nomination, when you hold a short CFD position overnight, the CFD Base Rate for a Finance Charge credited to your Account (or Trading Accounts) is the prevailing overnight the relevant Inter-Bank or Market Bid Rate less a mark-down, up to a maximum amount of 4.5%. If the rate calculated by applying the relevant Inter-Bank or Market Bid Rate minus the mark-down results in a debit as opposed to a credit, then this will be the CFD Base Rate for a Finance Charge to be debited to your Account (or Trading Account). The mark-down is disclosed in the General Business Terms.

SCM is not authorised to publish the relevant Inter-Bank or Market Offer/Bid Rate on a continuous basis, but there are rates displayed on your SaxoTrader which should be used for information purposes only.

Client refers to the person who has an Account with SCM.

Client Segregated Account means the bank account maintained by SCM as a trust account under section 981B of the Corporations Act. (It is not part of your Account).

Close Out, Closed Out and Closing Out in relation to a Transaction means discharging or satisfying the obligations of the Client and SCM 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 General Business Terms.

Closing Value means the value determined by SCM by multiplying the number of your CFDS by the price (or, if an index, the level) of the SCM CFD at the Closing Date.

Contract Value means the face value of the SCM CFD, and is calculated by SCM 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).

DMA means direct market access, one of the two pricing models offered by SCM for the SCM Products, as described in Section 8.1.

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 45 087 801 534), or any other exchange or market on which a relevant Underlying Instrument or other 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 General Business Terms.

FX Contract means an OTC contract or derivative contract which derives its price or value from changes in the spot value of a currency for delivery in the future, as calculated by reference to the interbank rates or SCM’s valuation of the forward value of the currency representing the Underlying Instrument.

FX Forward Contract also referred to as “forward purchase contract”) derives its price or value from the changes in the value of a currency for delivery in the future, as calculated by reference to the interbank rates or SCM’s valuation of the forward value of the currency representing the Underlying Instrument.

Futures or Futures contract means a standardised agreement to buy or sell something (e.g. the Underlying Instrument) at a specified future time in the future.

Futures Option means an Option contract traded over Futures contracts. These are the most common type of Options traded on a derivatives exchange.

General Business Terms means the terms of your Account with SCM 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 General Business Terms.

Hedge Counterparty means a party with whom SCM enters into a hedge contract to hedge SCM’s exposure to the SCM Products it has issued to you.

If Done Order means a type of order for SCM Products as described in Section 9.4.

Initial Margin means the amount which you are required to provide to SCM for any Transaction which you propose to enter into.

Introducing Broker means a third party whom SCM has appointed to introduce it to potential clients for the SCM Products and SCM Services.

Leverage means the ratio of the size of a Transaction position to the size of the deposit. It allows traders to gain a large exposure with a relatively small outlay.

Leveraged has a corresponding meaning.

Listed Equity means a share, unit or other equity interest listed and traded on an Exchange.

Long position or Long means a position taken in anticipation of a rising market. To go long means to buy.

Margin means the amount of cash paid to SCM or Approved Collateral provided to SCM (if applicable) and credited to your Account as Margin.

Margin Call means when an Account is failing to meet Margin Requirements. This could require further amounts to be deposited into the Account or for the Margin required in the Account to be reduced.

Margin Cover means the amount of Margin available for Margin Trading on your Account. It is calculated by subtracting from the Account Value: (i) the required Margin; (ii) that part of the value of Open Positions which are margin products which is not available to be counted as Margin Cover (usually shown as a percentage of the unrealised value of the margin product) and (iii) the value of non-margin positions which are non - margin products.

Margin product means an SCM Product or a product traded in connection with the SCM Services which has a required Margin.
Margin Requirements means the minimum amount of Margin required to be held as cash or Approved Collateral as determined by SCM in its discretion and from time to time.

Margin Trading refers to any trading in any margin product.

Margin Utilisation is expressed as a percentage and relates to the proportion of the Account Value which you are utilising for Margin requirements. The purpose of the Margin Utilisation is to calculate and show simply in percentages how you are meeting your obligation to maintain sufficient Margin, for example, if the Margin Utilisation on your Account is above 100%, you have already failed to maintain the minimum required Margin and ordinarily you would already have received a Margin call. The formula used by SCM to calculate this is:

Margin Requirement \times 100 \text{ (expressed as %)}

(Margin Cover + Margin Requirement).

Metals Contract means an OTC derivative which derives its price from the real time changes in the price in the Spot market of the particular metal (such as gold or silver) which is the Underlying Instrument for that derivative.

Omnibus Account means an account held by a custodian with an Authorised Deposit - taking Institution, in which Securities held for more than one Client (beneficial owner) are commingled (i.e. pooled and held together) by the custodian (e.g. Saxo Bank).

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

Option means a type of derivative which confers the right but not the obligation to buy or sell some Underlying Instrument at a specified price “at a specified date (European or Vanilla style options) or before a specified date (American style options).”

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

OTC means over-the-counter, that is, not traded on a licensed or otherwise recognised exchange.

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.

Power of Attorney means the document that enables a Client to appoint a person (called an “attorney”), to operate their Account on the Client’s behalf.

Saxo Bank means Saxo Bank A/S and its related bodies corporate, including SCM.

SaxoTrader means SCM’s online trading for trading in our CFDs, FX Contracts and Metals Contracts, as well as for accessing the SCM Services.

SCM means Saxo Capital Markets (Australia) Pty Ltd ABN 32 110 128 286; AFSL 280372.

SCM Products means the CFDs, Share CFDs, commodity CFDs, Forex CFDs, FX Contracts, FX Option Contracts, FX Binary Touch Option Contracts, Exchange Contracts and Metals Contracts.

SCM Services means the access to trading in Exchange-traded Listed Equities, Bonds, Futures and Options, offered by SCM.

Segregated Client Account means the segregated account in which SCM holds and deals with Client money in accordance with the requirements of the Corporations Act and our client money policy.

Share CFD means a CFD whose Underlying Instrument is a financial product traded on an Exchange and which itself is not a margin product. This covers Exchange-traded equities, units in listed funds, stapled securities, exchange traded funds (known as ETFs).

Share Index CFD means a CFD whose Underlying Instrument is an index comprised of securities issued listed on an Exchange, typically an index sponsored or promoted by an Exchange. The S&P/ASX 200™ is an example, so a S&P/ASX 200™ Share Index CFD is a CFD whose Underlying Instrument is the S&P/ASX 200™ and the values are based on the index levels of the S&P/ASX 200™. The index sponsor has no involvement in the CFD.

Short position or Short means a position taken in anticipation of a falling market. To go Short means to sell.

Spot means the price for a currency, index, commodity or share for immediate settlement or delivery.

Spread means the difference between the buying and selling price for a particular market.

Surplus refers to all of the surplus funds from your payments to SCM not paid to SCM.

Terms Currency means 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 SCM.

Transaction means a trade entered into in an SCM Product or, in connection with the provision of the SCM Services, in an Exchange-traded product.

Transaction Fee means the fee or commission from time to time specified by SCM to be the amount payable by you to SCM in respect of each Transaction as set out in this PDS or as later varied in accordance with the General Business Terms and this PDS.

Underlying Commodity means the commodities such as oil, grains, softs, energies, gold and other precious metals which are the Underlying Instruments for SCM’s Commodity CFDs.

Underlying Futures Contract means the futures contract which is the Underlying Instrument for a Commodity CFD or Futures Option.

Underlying Index means the index which is the Underlying Instrument for an index CFD.

Underlying Instrument means the thing which is used as the basis for the calculations of prices for your CFD, such as a share, units in a listed fund, units in an Exchange traded fund (ETF), a commodity, a share index or other item (or any combination of one or more of those).

Withdrawable Funds means the amount of cash which would be paid to you from the SCM Trader Online Account if requested. There are Withdrawable Funds only if your Margin Cover (excluding Approved Collateral) is a positive amount. The amount of the Withdrawable Funds is the lesser of the cash balance of your Account and the Margin Cover. If your Margin Cover is not positive, there will be no Withdrawable Funds.
1.1 Trading Example

We have set out in this Schedule some examples to illustrate the variables for a typical Transaction in CFDs and how they affect the calculations. The variables of your actual Transactions in CFDs will, of course, differ, so please check with SCM before entering into any Transaction.

1.2 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 SCM 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.

SaxoTrader quotes you a price of $12.52/CFD (being the price at which SCM is willing to buy your 500 CFDs). 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.

Adjustments

Company XYC 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 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 SCM charge is 0.1% with a minimum of $22.50/Transaction. In this example, the Transaction Fee would be charged on the opening Transaction as follows:

$$500 \times \$12.02 \times 0.1\% = \$6.01$$

Since this figure is below the minimum charge, you will be charged the minimum fee of $22.50.

Since you hold a long share CFD position, interest costs are charged (that is, the Finance Charge) and are calculated on your positions by applying the applicable CFD Base 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 the applicable rate is 8.0% p.a. and the Closing Price of the CFD on a particular day is $12.20, then the overnight interest charge is then calculated as follows:

$$500 \times \$12.20 \times 8.0/365$$

The interest cost (in this PDS called the Finance Charge) on this particular day would therefore be $1.34.

Opening the position

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

Closing the position

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

Adjustments

Dividend $50 (credit)
Commission (i.e., the Transaction Fee) $45.00 (debit) Minimum fee applies on opening and closing
Interest approx. $18.76 (debit) Overnight interest (i.e., Finance Charge) calculated daily and based on Closing Value for the 14 days the position is held. This example simplifies the calculation to illustrate the adjustments.

Net profit (loss) $196.24 after adjustment

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).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial payment (all is Margin)</td>
<td>10000.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Initial Margin (i.e., minimum required)</td>
<td>601.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Transaction Fees debited</td>
<td>(45.00)</td>
<td>9955.00</td>
</tr>
<tr>
<td>Interest (Finance Charge) debited</td>
<td>(18.76)</td>
<td>9936.24</td>
</tr>
<tr>
<td>Dividend adjustment credited</td>
<td>10.00</td>
<td>9946.24</td>
</tr>
<tr>
<td>Realised profit on close</td>
<td>250.00</td>
<td>10196.24</td>
</tr>
<tr>
<td>Account value on close of position</td>
<td></td>
<td>10196.24</td>
</tr>
</tbody>
</table>
1.3 Index CFD - Long position Transaction

You think that a leading Australian share index will strengthen so you therefore buy 10 S&P™ / ASX 200™ Share Index CFDs at 4,800, with exposure of $1.00 per CFD per index point move. This position therefore gives you an effective exposure to the S&P™ / ASX 200™ Index of $48000.00 (Index value x number of CFDs). The position requires an Initial Margin of 5%. SCM does not charge commission (i.e., Transaction Fees) on Share Index CFDs, but instead derives its remuneration from the spread between the bid and offer prices (which is therefore included in the opening price of 4,800 for each CFD).

The S&P™ / ASX 200™ Index moves upwards over the next week to lead to a SCM CFD Contract Value of 4,900 each. As a result, if you decide to close your position you will make a gross $1,000 profit on this Transaction ((10 x 4800)-(10 x 4900)= $1000) (before adjustments and tax).

Adjustments

Since you hold a Long CFD position, interest costs (represented by the Finance Charge) are charged and calculated on your positions by applying the applicable CFD Base Rate to the daily Closing Value of the position. The formula for calculating the interest cost in this example is as follows. The applicable rate might be 8.0% p.a. and the Closing Price of the CFD on a particular day is $4850.00.

The overnight interest charge is then calculated as follows: 10 x $4850 x .08 / 365

The interest cost (i.e., Finance Charge) on this particular day would therefore be $10.63.

Opening the position

| Number of CFDs | 10             |
| Contract Price | $48000         |
| Index @ $1.00 per point |
| Opening Value | $480000         |
| Contract Price x number of CFDs |
| Initial Margin | $2400          |
| 5% of Contract Value x CFDs |

Closing the position

| Number of CFDs | 10             |
| Contract Price | $49000         |
| Index @ $1.00 per point |
| Closing Value | $490000         |
| Contract Price x number of CFDs |
| Gross Profit (Loss) | $100 |
| Closing Value – Opening Value |

Adjustments

Interest Approx. $74.41 (debit) Overnight interest calculated daily and based on closing value for the 7 days the position is held. This example simplifies the calculation to illustrate the adjustments.

Net profit (loss) $925.59 after adjustment

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).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial payment (all is Margin)</td>
<td>10000.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Initial Margin (i.e., minimum required)</td>
<td>2400.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Transaction Fees debited</td>
<td>(0.00)</td>
<td>10000.00</td>
</tr>
<tr>
<td>Interest (Finance Charge) debited</td>
<td>(74.41)</td>
<td>9925.59</td>
</tr>
<tr>
<td>Dividend adjustment credited *</td>
<td>0.00</td>
<td>9925.59</td>
</tr>
<tr>
<td>Realised profit on close</td>
<td>1000.00</td>
<td>10925.59</td>
</tr>
<tr>
<td>Account value on close of position</td>
<td></td>
<td>10925.59</td>
</tr>
</tbody>
</table>

* For the purposes of this example it is assumed that no company whose securities are comprised in the S&P™ / ASX 200™ Index paid a dividend during this period.

1.4 Share Index (Futures) CFD – Short Position Transaction

This is an example of buying Share Index CFDs to take a short position, and incurring a loss because the market did not move as you expected.

You think that the index will weaken so you therefore sell 20 S&P™ / ASX 200™ Share Index CFDs at 4,900, with exposure of $1.00 per contract per index point move. This position therefore gives you an effective exposure to the S&P™ / ASX 200™ Index of $98,000.00 (Index value x number of Share Index CFDs). The position requires an Initial Margin of 5%. SCM does not charge commission (i.e., Transaction Fees) on Share Index CFDs, but instead derives its remuneration from the spread between the bid and offer prices (which is therefore included in the opening price of 4,900 for each CFD).

The S&P™ / ASX 200™ Index moves upwards over the next 10 days to a Contract Value of 4,950 each. As a result, if you decide to close your position you will make a $1,000 loss on this Transaction ((20 x 4900)-(20 x 4950)= ($1000).

Adjustments

Since you hold a Short position in a Share Index CFD, you receive/pay interest calculated on your positions by applying the applicable rate to the daily Closing Value of the position. The formula for calculating the interest cost in this example is as follows. The applicable rate might be 2.0% p.a. and the Closing Price of the Share Index CFD on a particular day is $4900.00.
The overnight interest credit (i.e., the amount of the Finance Charge is credited to your account) is then calculated as follows:

\[ 20 \times \$4900 \times 2.0 / 365 \]

The interest amount credited to your Account for this particular day would therefore be $5.37.

In addition, assume in this example that some of the companies whose securities comprise the S&P / ASX 200 have paid dividends during the period. The dividends paid are equivalent to 5 index points. Since you have “sold the position” (i.e., bought Share index CFDs reflecting a short position) your Account will be debited for an adjustment to reflect dividends paid to buyers of the position (i.e. if you had bought the Share index CFD to go long during the period your Account would receive this adjustment as a credit).

The adjustment is calculated as follows: 20 x $1 x 5

Therefore your Account would be debited for an adjustment of $100 during the period of holding your position.

### Opening the position

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Value</td>
<td>$98000</td>
<td>Contract Price x number of CFDs</td>
</tr>
<tr>
<td>Initial Margin</td>
<td>$4900</td>
<td>5% of Contract Value x CFDs</td>
</tr>
</tbody>
</table>

### Closing the position

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of CFDs</td>
<td>20</td>
<td>Index @ $1.00 per point</td>
</tr>
<tr>
<td>Contract Price</td>
<td>$4950</td>
<td></td>
</tr>
<tr>
<td>Closing Value</td>
<td>$99000</td>
<td>Contract Price x number of CFDs</td>
</tr>
<tr>
<td>Gross Profit (Loss)</td>
<td>$100</td>
<td>Closing Value – Opening Value</td>
</tr>
</tbody>
</table>

### Adjustments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest credit approx.</td>
<td>$53.70</td>
<td>Overnight interest calculated</td>
</tr>
<tr>
<td>(debit) daily and based on the Closing Value for the 10 days the position is held.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend adjustment</td>
<td>$100</td>
<td>Dividends paid during period (credit)</td>
</tr>
</tbody>
</table>

Therefore your Account would be debited for an adjustment of $1046.30 after adjustment.

### 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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial payment (all is Margin)</td>
<td>10000.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Initial Margin (i.e., minimum required)</td>
<td>2400.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Transaction Fees debited</td>
<td>4900.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Interest (Finance Charge) debited</td>
<td>(0.00)</td>
<td>10000.00</td>
</tr>
<tr>
<td>Dividend adjustment credited</td>
<td>53.70</td>
<td>10053.70</td>
</tr>
<tr>
<td>Realised profit on close</td>
<td>(10000.00)</td>
<td>9953.70</td>
</tr>
<tr>
<td>Account value on close of position</td>
<td>8953.70</td>
<td></td>
</tr>
</tbody>
</table>

### Notes to all examples in this Schedule:

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 SCM), charges or other payments. These examples are not intended to be exhaustive and document every trading strategy.

3. The examples use simplified 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. Please refer to SCM's General Business Terms prior to trading.

5. Although the Withdrawable Funds are available to be withdrawn, if they are withdrawn this would result in the Margin Utilisation percentage being 100% and you would need to ensure that you have maintained funds in your Account to cover the CFD's market exposure at all times.

6. The Margin Utilisation in the example exceeded SCM's typical risk limit of 150% (see Section 8.5). SCM's automatic Close Out feature has been ignored in the scenarios in order to show the potential impact of changes. The scenarios assume that SCM has manually Closed Out these positions. You are reminded that SCM may set a lower risk limit without telling you and so you should not also assume that SCM will apply an automatic Close Out if its internal risk limit is exceeded. You should decide your own risk limits and monitor your positions.
1.5 Exposure Limits

SCM applies the following exposure limits for Share CFDs, which are applied as the lower of the following criteria:

<table>
<thead>
<tr>
<th>Clients with net equity for Margin &lt; EUR1 million (or AUD equivalent)</th>
<th>Clients with Net Equity For Margin &gt; EUR1 million (or AUD equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Default risk of not more than EUR 2 million (or AUD equivalent)</td>
<td>- Default risk of not more than EUR 2 million (or AUD equivalent)</td>
</tr>
<tr>
<td>- 20% of average 30/90 days volume</td>
<td>- 20% of average 30/90 days volume or 100% of average 30/90 days volume with a max exposure of EUR 250,000 (or AUD equivalent) (*)</td>
</tr>
</tbody>
</table>

*Due to counterparty restrictions for Asian markets, the maximum a client is allowed to hold is the lower of the following:

- Default risk of not more than EUR 2 million (or AUD equivalent)
- 20% of average 30/90 days volume or 100%

We may change the criteria of these limits due to market conditions, at any time and without notice to Clients. Therefore, Clients should always refer to their trading conditions for the maximum amount they can hold.
2.1 Trading Examples

We have set out in this Schedule some examples to illustrate the variables for a typical Transaction in Commodity CFDs and how they affect the calculations. The variables of your actual Transactions in Commodity CFDs will, of course, differ, so please check with SCM before entering into any Transaction.

2.2 Commodity CFD – Long position

Transaction

The market price for XYZ Underlying Commodity in the relevant market or Exchange is currently trading at $12.00/12.02. You think that the Underlying Instrument is undervalued and will increase so you decide to buy 500 Commodity CFDs at $12.02 each (being the price at which SCM is willing to enter into the CFD).

Two weeks later, the XYZ Underlying Commodity has increased and is now selling at $12.52. You decide to realise your gain by closing out your CFD position.

SaxoTrader quotes you a price of $12.52/CFD (being the price at which SCM will be willing to buy your CFD). 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).

Adjustments

Since you hold a long Commodity CFD position, interest costs are charged (that is, the Finance Charge) and are calculated on your positions by applying the applicable CFD Base Rate to the daily Closing Value of the position. The formula for calculating the rate for a Commodity CFD will be the same as the example shown previously in this PDS. In this example, for instance if the applicable rate is 8.0% p.a. and the closing price of the CFD on a particular day is $12.20, then the overnight interest charge is then calculated as follows:

\[ 500 \times \frac{12.20 \times 8.0}{365} \]

The interest cost (in this Combined FSG and PDS called the Finance Charge) on this particular day would therefore be $1.34.

Opening the position

Number of Commodity CFDs 500

Contract Price $12.02

Opening Value $6,010 (Contract Price \times number of Commodity CFDs)

Initial Margin $601 (10% of Contract Value \times Commodity CFDs)

Closing the position

Number of Commodity CFDs 500

Contract Price $12.52

Closing Value $6,260 (Contract Price \times number of Commodity CFDs)

Gross Profit (Loss) $250 (Closing Value – Opening Value)

Adjustments

Interest approx. $18.76 (debit) Overnight interest (i.e., Finance Charge) calculated daily and based on Closing Value for the 14 days the position is held. This example simplifies the calculation to illustrate the adjustments.

Net profit (loss) $186.24 after adjustment

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).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial payment (all is Margin)</td>
<td>10000.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Initial Margin (i.e., minimum required)</td>
<td>601.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Transaction Fees debited</td>
<td>(45.00)</td>
<td>9955.00</td>
</tr>
<tr>
<td>Interest (Finance Charge) debited</td>
<td>(18.76)</td>
<td>9936.24</td>
</tr>
<tr>
<td>Realised profit on close</td>
<td>250.00</td>
<td>10186.24</td>
</tr>
<tr>
<td>Account value on close of position</td>
<td></td>
<td>10186.24</td>
</tr>
</tbody>
</table>

2.3 Commodity CFD – Short Position

Transaction

This is an example of selling Commodity CFDs to take a short position, and incurring a loss because the market did not move as you expected.

You think that pricing of the Underlying Instrument will weaken so you therefore sell 20 Commodity CFDs at 4,900, with exposure of $1.00 per contract point move. This position therefore gives you an effective exposure to the commodity of $98,000.00 (Underlying Instrument value \times number of Commodity CFDs). The position requires an Initial Margin of 5%.
The price of the Underlying Instrument moves upwards over the next 10 days to give a Contract Value of 4,950 for each CFD. As a result, if you decide to close your position you will make $1,000 loss on this Transaction ((20 x 4900)-(20 x 4950) = ($1000)).

Adjustments

Since you hold a CFD in a Short position, you receive/pay interest calculated on your positions by applying the applicable rate to the daily Closing Value of the position. The formula for calculating the interest cost in this example is as follows. The applicable rate might be 2.0% p.a. and the Closing Price of the CFD on a particular day is $4900.00.

The overnight interest credit (i.e., the amount of the Finance Charge is credited to your Account) is then calculated as follows:

\[ \text{Interest Credit} = \text{Contract Price} \times \text{Number of Commodity CFDs} \times \text{Applicable Rate} / 365 \]

The interest amount credited to your Account for this particular day would therefore be $53.70.

Opening the position

Number of Commodity CFDs 20

Contract Price $4900

Commodity @ $1.00 per point

Movement 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).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial payment (all is Margin)</td>
<td>10000.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Initial Margin (i.e., minimum required)</td>
<td>4900.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Transaction Fees debited</td>
<td>(0.00)</td>
<td>10000.00</td>
</tr>
<tr>
<td>Interest (Finance Charge) debited</td>
<td>53.70</td>
<td>10053.70</td>
</tr>
<tr>
<td>Realised profit (loss) on closin</td>
<td>(1000.00)</td>
<td>9053.70</td>
</tr>
<tr>
<td>Account value on close of position</td>
<td></td>
<td>9053.70</td>
</tr>
</tbody>
</table>

Notes to all examples in this Schedule:

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 SCM), charges or other payments. These examples are not intended to be exhaustive and document every trading strategy.

3. The examples use simplified assumptions by not taking into account an investor’s tax rate or overall tax position, potential changes in interest rates charged or earned on a 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. Please refer to the General Business Terms prior to trading.

5. Although the Withdrawable Funds are available to be withdrawn, if they are withdrawn this would result in the Margin Utilisation percentage being 100% and you would need to ensure that you have maintained funds in your Account to cover the Commodity CFDs market exposure at all times.

6. The Margin Utilisation in the example exceeded SCM’s typical risk limit of 150% (see Section 8.5). SCM’s automatic Close Out feature has been ignored in the scenarios in order to show the potential impact of changes. The scenarios assume that SCM has manually Closed Out these positions. You are reminded that SCM may set a lower risk limit without telling you and so you should also not assume that SCM will apply an automatic Close Out if its internal risk limit is exceeded. You should decide your own risk limits and monitor your positions.
3.1 Trading Examples

We have set out in this Schedule some examples to illustrate the variables for a typical Transaction in FX CFDs and how they affect the calculations. The variables of your actual Transactions in FX CFDs will, of course, differ, so please check with SCM before entering into any Transaction.

3.2 FX CFD – Long position

The market price for an Underlying Instrument of XYZ FX in the relevant market or Exchange is currently trading at $1.0364/$1.0365. You think that the Underlying Instrument is undervalued and will increase in value so you decide to buy 50,000 FX CFDs at $1.03665 each (being the price at which SCM is willing to enter into the FX CFD).

Two weeks later, the Underlying Instrument of XYZ FX has increased and is now selling at $1.08150. You decide to realise your gain by Closing Out your FX CFD position.

SCM quotes you a price of $1.08150/FX CFD (being the price at which SCM is willing to buy your 50,000 FX CFDs). The amount of profit you have made, before adjustments and tax, on the Transaction is $2,242.50 (difference between $1.08150 and $1.03665 x 50,000 = $2,242.50).

Movements on your Trading Account for the period of this transaction:
(This example assumes that you have paid $10,000 into your Trading Account).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial payment (all is Margin)</td>
<td>10000.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Initial Margin (i.e., minimum required)</td>
<td>1037</td>
<td>10000.00</td>
</tr>
<tr>
<td>Realised profit on closing</td>
<td>2,242.50</td>
<td>12242.50</td>
</tr>
<tr>
<td>Account value on close of position</td>
<td></td>
<td>12242.50</td>
</tr>
</tbody>
</table>

3.3 FX CFD – Short Position

This is an example of selling FX CFDs to take a short position, and incurring a loss because the market did not move as you expected.

You think that pricing of the Underlying Instrument will weaken so you therefore sell 50000 FX CFDs at 1.02, with exposure of $5.00 per point move (0.0001). This position therefore gives you an effective exposure to the commodity of $51,000 (Underlying Instrument value x number of FX CFDs). The position requires an Initial Margin of 2%.

The price of the Underlying Instrument moves upwards over the next 10 days to give a Contract Value of $1,750. As a result, if you decide to Close Out your position you will make $750 loss on this Transaction ((50000 x 1.02)-(50000 x 1.0350) = ($750).
Movements on your Trading Account for the period of this Transaction:

(This example assumes that you have paid $10,000 into your Trading Account).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial payment (all is Margin)</td>
<td>10000.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Initial Margin (i.e., minimum required)</td>
<td>1037</td>
<td>10000.00</td>
</tr>
<tr>
<td>Realised profit on closing</td>
<td>2,242.50</td>
<td>12242.50</td>
</tr>
<tr>
<td>Account value on close of position</td>
<td></td>
<td>12242.50</td>
</tr>
</tbody>
</table>

Notes to all examples in this Schedule:

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 SCM), charges or other payments. These examples are not intended to be exhaustive and document every trading strategy.

3. The examples use simplified assumptions by not taking into account a Client’s tax rate or overall tax position, potential changes in interest rates charged to or earned on a 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. Please refer to the General Business Terms prior to trading.

5. Although the Withdrawable Funds are available to be withdrawn, if they are withdrawn this would result in the Margin Utilisation percentage being 100% and you would need to ensure that you have maintained funds in your Account to cover the FX CFDs market exposure at all times.

6. The Margin Utilisation in the example exceeded SCM’s typical risk limit of 150% (see Section 8.5). SCM’s automatic Close Out feature has been ignored in the examples in order to show the potential impact of changes. The examples assume that SCM has manually Closed Out these positions. You are reminded that SCM may set a lower risk limit without telling you and so you should also not assume that SCM will apply an automatic Close Out if its internal risk limit is exceeded. You should decide your own risk limits and monitor your positions.

3.4 Benefits of FX CFDs over Spot foreign exchange and foreign exchange Futures

<table>
<thead>
<tr>
<th></th>
<th>CFD</th>
<th>SPOT</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin (up to EUR 300,000*)</td>
<td>1%</td>
<td>1%</td>
<td>3.20%</td>
</tr>
<tr>
<td>Margin (above EUR 300,000*)</td>
<td>2%</td>
<td>2%**</td>
<td>3.20%</td>
</tr>
<tr>
<td>Min. trade size</td>
<td>EUR 5,000*</td>
<td>EUR 5,000*</td>
<td>EUR 125,000*</td>
</tr>
<tr>
<td>Overnight Financing</td>
<td>No</td>
<td>Overnight Tom/Next</td>
<td>No</td>
</tr>
<tr>
<td>Costs/Commission</td>
<td>Spread</td>
<td>Spread</td>
<td>Spread + commission + exchange fee</td>
</tr>
<tr>
<td>Expiration</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Stocks/Bonds as collateral</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

* Or AUD equivalent.
** Majors only - see websites for full list of margin rates.
A CFD on a Bond is, like any other CFD, a financial contract between a client and a CFD provider where the difference between the opening and the closing prices of a position is cash settled upon closing of the position.

There is no actual ownership of the underlying asset. A CFD is therefore a derivative product where Saxo Bank is the counterparty to the trade. Since the contract is not exchange traded, the product is said to be OTC (Over-the-Counter).

Bonds CFDs track a futures contract. As a result, they expire like the underlying contract with the same expiry date. Clients are required to roll their positions from one contract to the next at expiry time if they wish to hold it. If it is not rolled, then Saxo Bank will automatically close it.

Product features
Bond CFDs have the following features:

- **Price transparency:** the price tracks the price of the futures contract with a fixed spread added to the best bid and the best offer
- **Flexible trade size:** trade sizes are fully customizable and minimum trade sizes are only a fraction of the size of the underlying futures contract
- **Aggressive margin:** margin requirements are only a fraction of those required on the underlying futures contract
- **No financing costs:** there is no financing charged on positions held overnight since all costs are factored in the futures price
- **No exchange fees:** since the product is OTC and Saxo Bank is the counterparty, there is no cost related to a trading exchange.
- **No minimum commissions:** are charged to trades only a low minimum trade size applies.

Bond CFDs provide some of the more generic benefits of CFDs too, such as:

- **Use of collateral:** Clients can trade CFDs using collateral from eligible stocks and bonds (see “Approved Collateral”).
- **Ease of use:** CFDs are written on a wide range of underlying commodities and metals, so all available commodities and metals can be traded using the same instrument type.
- **Short selling:** CFDs can be sold short, opening up the possibility of showing a profit in a falling market

### CFDs on Bonds – Coverage

SCM offers Bond CFDs on the following 5 instruments:

### CFDs on Bonds – Trading Details

#### Rolling Positions:
Unlike the underlying futures market, SCM does not offer a spread market on Bond CFDs between the 1st and 2nd contracts. Clients that hold open positions in Bond CFDs that they wish to roll over to the next available contract will need to individually close out the position in the current contract month and then open a new position in the 2nd contract month.

SCM will always quote the 1st two contract months as Bond CFDs allowing customers to roll positions from the current contract month to the 2nd contract month at any time up until the expiry of the front month contract.

SCM will only quote Bond CFDs on the front two contract months of the underlying futures contracts.

#### Expiries:
If clients choose not to roll their existing Bond CFDs to the next contract at or before expiry, SCM will close out clients open position at expiry of the Bond CFD.

On the expiry day, clients’ trading of Bond CFDs is disabled at 17:00 CET and all remaining open positions in Bond CFDs are closed at “market” at 17:05 CET. Position automatically closed at expiry will be cash settled.

The specific expiry date and time for individual Bond CFDs can always be found in the trading platforms under CFD on Futures Trading Conditions.

#### Cash Settlements:
Bond CFDs give clients exposure to the underlying instrument without the confusion of physical settlement. Bond CFDs transactions will be cash settled.

### CFDs on Bonds Trading Examples

#### Long Bund CFD trade

When you expect the price of the Bund futures to go up, in other words you expect the yield to decrease you can choose to take a long position in a Bund CFD.

In this example you expect the price of the Bund to RISE from its current price is EUR 141.19 bid / EUR 141.22 offered. Assuming you have no other CFD position, you have a 100:1 leverage on this instrument with Saxo Bank, meaning you only have to place 1% of the trade amount on margin.

<table>
<thead>
<tr>
<th>Bond CFD</th>
<th>Min. Spread</th>
<th>Min trade size</th>
<th>Margin</th>
<th>Contract ticker</th>
<th>Trading Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>French OAT (10y)</td>
<td>0.03</td>
<td>50 CFDs</td>
<td>1%</td>
<td>10YOAT</td>
<td>08:01-18:55 CET</td>
</tr>
<tr>
<td>Italian BTP (10y)</td>
<td>0.03</td>
<td>50 CFDs</td>
<td>2%</td>
<td>10YBTP</td>
<td>08:01-18:55 CET</td>
</tr>
<tr>
<td>German Bund (10y)</td>
<td>0.02</td>
<td>50 CFDs</td>
<td>1%</td>
<td>BUND</td>
<td>08:01 - 21:55 CET</td>
</tr>
<tr>
<td>German Bobl (5y)</td>
<td>0.02</td>
<td>50 CFDs</td>
<td>1%</td>
<td>BOBL</td>
<td>08:01 - 21:55 CET</td>
</tr>
<tr>
<td>German Shatz (2y)</td>
<td>0.01</td>
<td>50 CFDs</td>
<td>1%</td>
<td>SCHATZ</td>
<td>08:01 - 21:55 CET</td>
</tr>
</tbody>
</table>
You decide to buy 500 CFDs at the offer price of 141.22 which gives you a position of (500*141.22) EUR 70,610 in notional value.

There are no financing costs and no commissions for this position. All costs are included in the spread of the CFD.

10 days later, the Bund price has fallen (the yield has increased) and you sell the 500 CFDs at EUR 140.1.

**Short Bund CFD trade**

When you expect the price of the bund futures to go down, in other words you expect the yield to increase you can choose to take a short position in a Bund CFD.

In this example you expect the price of the Bund to DECREASE from its current price is EUR 141.19 bid / EUR 141.22 offered. Assuming you have no other CFD position, you have a 100:1 leverage on this instrument with Saxo Bank, meaning you only have to place 1% of the trade amount on margin.

You decide to sell 500 CFDs at the bid price of 141.19 which gives you a position of (500*141.19) EUR 70,595 in notional value.

There are no financing costs and no commissions for this position. All costs are included in the spread of the CFD.

10 days later, the Bund price has decreased (i.e. the yield has increased) and you sell the 500 CFDs at EUR 140.10.

**Rolling a Bund CFD trade**

You are long the CFD Bund and you decide to roll your current CFD position to the next maturity. You hold 500 CFDs and the price of the front month contract is 141.19 / 141.22. The next maturity trades at 142.65 / 142.68.

In order to roll your long position, you must sell the current position at 141.19 and then buy the next maturity at 142.68.
Schedule 5

FX CONTRACTS AND METALS CONTRACTS

5.1 Trading Examples

We have set out in this Schedule some examples to illustrate the variables for a typical Transaction in FX Contracts or Metals Contracts and how they affect the calculations. The variables of your actual Transactions will, of course, differ, so please check with SCM before entering into any in FX Contracts or Metals Contracts Transaction.

5.2 FX Contracts – Long position

Transaction

The market price for country A’s currency relevant to country B’s currency is currently trading at $12.00/12.02 i.e. one unit of A = $12.02 of B. You think that the country A’s exchange rate is undervalued and will increase so you decide to buy 500 units of FX Contracts in its currency denomination at an exchange rate $12.02 (being the price at which SCM is willing to enter into the contract with you).

Two weeks later, country A’s currency has appreciated and you can exchange it at $12.52. You decide to realise your gain by Closing Out your position.

We quote you a price of $12.52/12.50 (being the price at which SCM is willing to buy from you FX Contracts for 500 units denominated in country A’s currency). Remember, you are buying new contracts to Close Out your Open Positions. The amount of profit you have made, before adjustments and tax, on the Transactions is $250.00 (difference between 12.02 and 12.52) x 500 = $250 expressed in country B’s currency).

Adjustments

Contracts 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 SCM charge is 0.01% with a minimum of $10.00/Transaction. In this example, the Transaction Fee would be charged on the opening Transaction as follows:

500 contracts denominated in country A’s currency x (x 0.01%) = $0.05

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

Since you hold an FX position, interest is applicable (by way of the Finance Charge) and is calculated on your positions by applying the applicable interest rates for those Finance Charges to the daily Closing Value of the position. The formula and steps for calculating the rate will be the same as the example shown previously in this PDS however the actual rates depend on the relevant interest rates applicable to country A and country B.
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.)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Amount</td>
<td>Value of Account</td>
</tr>
<tr>
<td>Initial payment (all is Margin)</td>
<td>10000.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Initial Margin (i.e., minimum required)</td>
<td>601.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Transaction Fees debited</td>
<td>(45.00)</td>
<td>9955.00</td>
</tr>
<tr>
<td>Interest (Finance Charge) debited</td>
<td>(18.76)</td>
<td>9936.24</td>
</tr>
<tr>
<td>Realised profit on closing</td>
<td>250.00</td>
<td>10186.24</td>
</tr>
<tr>
<td>Account value on close of position</td>
<td></td>
<td>10186.24</td>
</tr>
</tbody>
</table>

5.3 FX long option position

Transaction

You think that Country A’s currency will weaken so you therefore buy a put Option on it. This gives you the right but not the obligation to sell Country A’s currency at a pre-determined price and at pre-determined time in the future. The only risk you have is if Country A’s currency appreciates. If this occurs then you lose the premium paid for this Option contract. SCM does not charge commission (i.e., Transaction Fees) other than a minimum ticket fee equal to $10.00, but instead derives its remuneration from the spread between the bid and offer prices.

Country A’s currency moves upwards over the next week and by the time the Option expires it is deep out of the money i.e. the currency appreciated rather than depreciated. As a result, your Option has expired worthless.

Adjustments

There is no adjustment since you have paid up front for this Option.

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.)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Value of Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial payment (all is Margin)</td>
<td>10000.00</td>
<td>10000.00</td>
</tr>
<tr>
<td>Initial Margin (i.e., minimum required)</td>
<td>zero</td>
<td>10000.00</td>
</tr>
<tr>
<td>Transaction Fees debited</td>
<td>(10.00)</td>
<td>9990.00</td>
</tr>
<tr>
<td>Cost of Option</td>
<td>325</td>
<td>9665.00</td>
</tr>
<tr>
<td>Option expires out of the money</td>
<td>0</td>
<td>9965.00</td>
</tr>
<tr>
<td>Account value on close of position</td>
<td></td>
<td>9965.00</td>
</tr>
</tbody>
</table>

If the Option had expired in the money then it would be exercised to create a contract and the example outlined above then would be applicable to that new contact.

Notes to all examples in this Schedule:

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 SCM), charges or other payments. These examples are not intended to be exhaustive and document every trading strategy.

3. The examples use simplified 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. Please refer to the General Business Terms prior to trading.

5. Although the Withdrawable Funds are available to be withdrawn, if they are withdrawn this would result in the Margin Utilisation percentage being 100% and you would need to ensure that you have maintained funds in your Account to cover the FX market exposure at all times.

6. The Margin Utilisation in the example exceeded SCM’s typical risk limit of 150% (see Section 8.5). SCM’s automatic Close Out feature has been ignored in the scenarios in order to show the potential impact of changes. The scenarios assume that SCM has manually Closed Out these positions. You are reminded that SCM may set a lower risk limit without telling you and so you should also not assume that SCM will apply an automatic Close Out if its internal risk limit is exceeded. You should decide your own risk limits and monitor your positions.

5.4 Transaction Fee Structures

1. FX Volume-based Discount Plan
   * Designed to reduce cost and complexity
   * Increasing discounts for larger monthly cumulative trading volume
   * Minimum commission fee of USD 3

<table>
<thead>
<tr>
<th>Commissions</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Level 4</th>
<th>Level 5</th>
<th>Level 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume USDm (monthly) required</td>
<td>0 - 50</td>
<td>50 - 100</td>
<td>100 - 250</td>
<td>250 - 500</td>
<td>500 - 1,000</td>
<td>&gt; 1,000</td>
</tr>
<tr>
<td>Gross Commission per USDm</td>
<td>50 USD</td>
<td>50 USD</td>
<td>50 USD</td>
<td>50 USD</td>
<td>50 USD</td>
<td>50 USD</td>
</tr>
<tr>
<td>Discount</td>
<td>0 USD</td>
<td>- 10 USD</td>
<td>-20 USD</td>
<td>-25 USD</td>
<td>- 30 USD</td>
<td>- 33 USD</td>
</tr>
<tr>
<td>Net Commission per USDm</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>25</td>
<td>20</td>
<td>17</td>
</tr>
</tbody>
</table>

* For client accounts established under a Introducing Broker or Money Manager arrangement, please refer to the FX Trading Conditions displayed on your trading platform.
Schedule 6

FX BINARY TOUCH OPTIONS

FX BINARY TOUCH OPTION (ONE TOUCH)

Transaction
You believe that EUR will weaken sharply relative to USD within the next month, so you buy a EURUSD One Touch option in a notional amount of EUR 1,000, for expiry in one month, with a barrier lower than the current EURUSD FX Spot rate. The two-way price for this hypothetical option is 30%/35%.

As you are buying the option, you will need to pay a premium up-front, and your risk is limited to this premium paid. There are no minimum ticket fees for One Touch options.

After two weeks, the underlying EURUSD spot price crosses down through your chosen Barrier, and the option is exercised.

Opening the position
1. The premium for this option is EUR 1,000 x 35% = EUR -350, which is debited from your Transactions Not Booked at the time the trade is placed
2. The value of the option, EUR 1,000 x 30% = EUR -300 (or its equivalent), is reserved on your account under Not Available as Margin Collateral. In other words, the value of this long position cannot be used to satisfy current Margin Requirements, or as leverage for future trades.
3. At the end of the trade date, EUR -350 (or its equivalent, less conversion fees) is debited from the cash balance on your account.

Adjustments
4. During the life of the option, the amount reserved is constantly adjusted against current the market value of the option.

Closing the position
5. At the end of two weeks, when the option is exercised, EUR +1,000 is added to your transactions not booked, and the option is removed from your account. The reserve amount becomes free for use again as Margin Cover.
6. At the end of the exercise date, EUR +1,000 (or its equivalent, less conversion fees) is added to the cash balance on your account.

Notes
The net Profit for this trade was EUR -350 paid as premium plus EUR +1,000 payout = EUR 650. The maximum downside was EUR -350, as if the barrier had not been hit, the option would have expired worthless after one month and the net Loss for this trade would have been the EUR -350 premium.

At any point during the life of the trade until shortly prior to exercise, the position could have been manually closed out at the prevailing market price. A new premium would be added to Transactions Not Booked, then at the end of that trade date this premium would be booked to your account and the two trades netted off of your account, and removed.

Transaction – variation
You believe that EUR will weaken sharply relative to USD within the next month, so you sell a EURUSD One Touch option in a notional amount of EUR 1,000, for expiry in one month, with a barrier higher than the current EURUSD FX Spot rate. The two-way price for this hypothetical option is 30%/35%.

As you are selling the option, you will receive a premium up-front, however your risk in this case is the full notional amount of the contract (less any premium received). There are no minimum ticket fees for One Touch options.

After one month, the underlying EURUSD spot price has not crossed your chosen barrier, and the option expires worthless.

Opening the position
1. The premium for this option is EUR 1,000 x 30% = EUR +300, which is added to your Transactions Not Booked at the time the trade is placed
2. The difference in the notional amount of the option and the current value (or its equivalent), is reserved on your account as Not Available as Margin Collateral. This equates to EUR 1,000 – (EUR 1,000 x 35%) = EUR 1,000 – EUR 350 = EUR -650 which cannot be used to satisfy current margin requirements, or as leverage for future trades.
3. At the end of the trade date, EUR +300 (or its equivalent, less conversion fees) is added to the cash balance on your account.

Adjustments
4. During the life of the option, the amount reserved is constantly adjusted against current the market value of the option.

Closing the Position
5. At the end of one month, the barrier has not been hit so the option expires worthless and is removed from your account. The reserve amount becomes free for use again as Margin Cover.

Notes
The net Profit for this trade was EUR +300 received as premium. The maximum upside was EUR -700, as if the barrier had been hit, the option would have been exercised against you and EUR -1,000 deducted from your account. The net Loss for this trade would have been the EUR -1,000 payout plus the original EUR +300 premium received = EUR -700.

At any point during the life of the trade until shortly prior to exercise, the position could have been manually closed out at the prevailing market price. A new premium would be deducted from Transactions Not Booked, then at the end of that trade date this premium would be booked to your account and the two trades netted off of your account, and removed.
FX BINARY TOUCH OPTION (NO TOUCH)

Transaction

You believe that EUR will weaken sharply relative to USD within the next month, so you buy a EURUSD No Touch option in a notional amount of EUR 1,000, for expiry in one month, with a barrier higher than the current EURUSD FX Spot rate. The two-way price for this hypothetical option is 65%/70%.

As you are buying the option, you will need to pay a premium up-front, and your risk is limited to this premium paid. There are no minimum ticket fees for No Touch options.

After one month, the underlying EURUSD spot price does not pass through your chosen barrier, and the option is exercised.

Opening the position

1. The premium for this option is EUR 1,000 x 65% = EUR -700, which is debited from your Transactions Not Booked at the time the trade is placed.
2. The value of the option, EUR 1,000 x 65% = EUR 650 (or its equivalent), is reserved on your account under Not Available as Margin Collateral. In other words, the value of this long position cannot be used to satisfy current margin requirements, or as leverage for future trades.
3. At the end of the trade date, EUR -700 (or its equivalent, less conversion fees) is debited from the cash balance on your account.

Adjustments

4. During the life of the option, the amount reserved is constantly adjusted against current the market value of the option.

Closing the position

5. At the end of one month, when the option is exercised, EUR +1,000 is added to your Transactions Not Booked, and the option is removed from your account. The reserve amount becomes free for use again as Margin Cover.
6. At the end of the exercise date, EUR +1,000 (or its equivalent, less conversion fees) is added to the cash balance on your account.

Notes

The net Profit for this trade was EUR -700 paid as premium plus EUR +1,000 payout = EUR 300. The maximum downside was EUR -700, as if the barrier had not been hit, the option would have expired worthless and the net Loss for this trade would have been the EUR -700 premium.

At any point during the life of the trade until shortly prior to exercise, the position could have been manually closed out at the prevailing market price. A new premium would be added to Transactions Not Booked, then at the end of that trade date this premium would be booked to your account and the two trades netted off of your account, and removed.

Transaction – variation

You believe that EUR will weaken sharply relative to USD within the next month, so you sell a EURUSD No Touch option in a notional amount of EUR 1,000, for expiry in one month, with a barrier lower than the current EURUSD FX Spot rate. The two-way price for this hypothetical option is 65%/70%.

As you are selling the option, you will receive a premium up-front, however your risk in this case is the full notional amount of the contract (less premium received). There are no minimum ticket fees for No Touch options.

After two weeks, the underlying EURUSD spot price crosses down through your chosen barrier, and the option is expired.

Opening the position

1. The premium for this option is EUR 1,000 x 65% = EUR +650, which is added to your Transactions Not Booked on the day the trade is placed.
2. The difference in the notional amount of the option and the current value (or its equivalent), is reserved on your account as Not Available as Margin Collateral. This equates to EUR 1,000 – (EUR 1,000 x 65%) = EUR 1,000 – EUR 650 = EUR -350 which cannot be used to satisfy current margin requirements, or as leverage for future trades.
3. At the end of the trade date, EUR +650 (or its equivalent, less conversion fees) is added to the cash balance on your account.

Adjustments

4. During the life of the option, the amount reserved is constantly adjusted against current the market value of the option.

Closing the position

5. At the end of two weeks the barrier is hit, so the option expires worthless and is removed from your account. The reserve amount becomes free for use again as Margin Cover.

Notes

The net Profit for this trade was EUR -650 received as premium. The maximum downside was EUR -350, as if the barrier had not been hit, the option would have been exercised against you and EUR -1,000 deducted from your account. The net Loss for this trade would have been the EUR -1,000 payout plus the original EUR +650 premium received = EUR -350.

At any point during the life of the trade until shortly prior to exercise, the position could have been manually closed out at the prevailing market price. A new premium would be deducted from Transactions Not Booked, then at the end of that trade date this premium would be booked to your account and the two trades netted off of your account, and removed.
Schedule 7

LISTED EQUITIES

7.1 Listed Equities

The Listed Equities that you can trade in on Exchange through SCM include shares and ETFs. We have set out below a brief description of each of these types of Listed Equities.

For more information about the Listed Equities that you can trade in on Exchange through SCM, see our website at www.saxomarkets.com.au.

7.2 Shares

A share is a single unit of ownership in a company, mutual fund, or other equivalent organisation. A joint stock company divides its capital into shares, which are offered for sale to raise capital, termed as issuing shares. Thus, a share is an indivisible unit of capital, expressing the proprietary relationship between the company and the shareholder. The denominated value of a share is its face value: the total capital of a company is divided into number of shares.

In financial markets, a share is a unit of account for various financial instruments including stocks (ordinary or preferential) and investments in limited partnerships. The common feature of all these is equity participation (limited in the case of preference shares).

The income received from shares is known as a dividend, for further details refer to section 7.6. A shareholder, also known as a stockholder, is a person who owns shares of a certain company or organisation, and is thus a part-owner of the company.

7.3 Exchange traded funds (ETFs)

Typically, ETFs are passively managed investment funds listed and traded publicly on securities exchanges in the same manner as traditional stocks or shares. ETFs invest in a portfolio of securities, which may include shares (Australian and international), commodities, currencies, real estate investment trusts, or a combination of asset classes and can provide investors with a diversified portfolio in the one transaction.

Each ETF tracks an index or benchmark, meaning the objective for an ETF is to replicate the performance of the index or benchmark that it is tracking. ETFs may track specific share, Bond, commodity or currency indices, some of which have a regional focus, while others have a sector focus, thus making them ideal for diversifying portfolios. Saxo Bank offers a wide range of Exchange Traded Funds from providers such as iShares, Powershares, Rydex, StreetTRACKS, SGAM ETFs, Lyxor ETFs and many more.

Investors will own an interest in an ETF and thereby gain equity exposure to the ETF. Where the ETF is structured as a unit trust, the investor will hold units in the ETF and the income that they receive from those units is known as a distribution. Where the ETF is structured as a company, the investor will hold shares in the ETF.

Investing in ETF provides investors with the ability to establish a diversified portfolio easily and cost effectively through a single security. ETFs can be used to create a diversified portfolio or to complement an existing portfolio.
8.1 What is a bond?

A bond is a loan that pays interest (the coupon rate) over a given period of time. The buyer of a bond essentially lends money to the issuer of the bond. When the bond matures the principal, or investment amount, is repaid to the lender, or owner of the bond. Typically, the rate at which interest is paid and the amount of each payment is fixed at the time the bond is offered for sale. That is why bonds are also known as fixed-income securities. That's one reason a bond seems less risky than an investment whose return might change dramatically in the short term. The primary risk factors of bonds are:

1. Risk of issuer not paying the principal.
2. Risk of rising yields, which will give lower prices.

Section 3 below provides more insight to the risk factors of bond trading.

8.2 Types of Bonds

There are several types of bonds, usually classified by the issuer: government bonds, corporate bonds, municipal bonds. Below you’ll find an explanation on each type.

a. Government Bonds

A government bond is a bond issued by a national government, generally promising to pay a certain amount (the face value) on a certain date, as well as periodic interest payments. Bonds are debt investments whereby an investor loans a certain amount of money, for a certain amount of time, with a certain interest rate, to a country. Government bonds are usually denominated in the country's own currency. Bonds issued by national governments in foreign currencies are normally referred to as sovereign bonds, although the term “sovereign bond” may also refer to bonds issued in a country's own currency.

b. Corporate Bonds

A corporate bond is a bond issued by a corporation. It is a bond that a corporation issues to raise money effectively in order to expand its business. The term is usually applied to longer-term debt instruments, generally with a maturity date falling at least a year after their issue date. (The term “commercial paper” is sometimes used for instruments with a shorter maturity). Corporate bonds may be acquired as an alternative to buying equities in the issuing company.

c. Municipal Bonds

A municipal bond is a bond issued by a local government, or their agencies. Potential issuers of municipal bonds include cities, counties, redevelopment agencies, special-purpose districts, school districts, public utility districts, publicly owned airports and seaports, and any other governmental entity (or group of governments) below the state level. Municipal bonds may be general obligations of the issuer or secured by specified revenues.

8.3 Characteristics of bonds

a. Coupon

Refers to the nominal interest rate to be paid out at fixed intervals (coupon frequency – see below).

b. Coupon frequency

The number of coupon payments per year. Typically varies between 1 and 4. If the number of coupons is higher than 1, then the periodic interest payments will be a fraction of the coupon of the bond – typically the coupon divided with the coupon frequency. Example: If the coupon is 10 % and the coupon frequency is 4, then the periodic interest payments will be around 2.5 % (10/4), given the day-count convention used.

c. Day-count convention

The formula used for calculating interest payments, when the coupon frequency is over 1.

d. Current yield

Is derived by taking the coupon yield divided by the current bond price.

e. Yield curve

The different rates that are paid on short, intermediate, and long bonds make up what is known as the yield curve.

f. Risk premium

Risk premium is the minimum amount of money by which the expected return on a risky asset must exceed the known return on a risk-free asset, or the expected return on a less risky asset, in order to induce an individual to hold the risky asset rather than the risk-free asset. Thus it is the minimum willingness to accept compensation for the risk.

i. High yield or junk bonds; carry a relatively high risk of default

ii. Investment-grade bonds; issued by solid companies and governments that carry very little risk of default

g. Face value

Is the amount that the bond issuer promises to pay the bond buyer at maturity.

i. Premium; if the bond sells on the secondary market at a price above par

ii. Discount; if the bond sells on the secondary market at a price below par

h. Maturity Type

i. Callable

A bond that is callable is a bond that can be retired by the issuer on a certain date prior to the bond’s maturity.

ii. Short term; maturity less than 5 years from issue

iii. Intermediate term; maturity of 5 to 12 years from issue

iv. Long term; maturity of 12 years or longer from issue

i. Credit rating
j. International Securities Identification Number (ISIN)
   i. An International Securities Identification Number (ISIN) uniquely identifies a security. Securities for which ISINs are issued include bonds, commercial paper, equities and warrants. The ISIN code is a 12 character alpha-numerical code that does not contain information characterizing financial instruments but serves for uniform identification of a security at trading and settlement.

k. Risks
   i. Interest rate risk
   The movement in the underlying interest rates can have a marked effect on the value of a bond. When interest rates move, bond prices move in the opposite direction.

   If you hold a bond that pays 3% and interest rates rise to 3.5% then your bond becomes less desirable and therefore loses value (discount) in comparisons to new bonds issued at 3.5%.

   ii. Term risk
   The longer the term to maturity, the greater the bonds sensitivity to the changes in interest rates.

   iii. Currency risk
   If you are an Australian and you invest in a bond denominated in another currency, e.g. US Dollar, the return that you will realize is affected by both the change in the price of the bond and the change in the value of the US Dollar against the Australian Dollar.

   iv. Inflation risk
   If inflation is rising at a rate equal to or higher than the coupon rate of your bond you will not be making any return. (Tax implications have not been considered here).

   v. Counter party / Issuer (default) risk
   The risk that the bond issuer declares itself bankrupt.

   vi. Downgrade risk
   When a major ratings agency, such as Moody’s or Standard & Poor’s, changes the credit rating on a bond from investment grade to a lesser rating due to a bond issuer default and/or bankruptcy.

   vii. Liquidity risk
   The risk that the bond may be difficult to sell and/or that there are limited or no buyers and/or sellers in the bond. The liquidity risk is often compensated for by a higher coupon rate. Liquidity risk typically increases when the bond is not a Government bond and if the total issued amount is low.

   Characteristics of trading
   i. Clean price
   The price, at which the bond is quoted, not taking any accrued interest (see below) into account. The quote is typically shown as the amount you pay for a nominal amount of 100.

   m. Bid and Offer price
   The price at which a bond is traded in the market. The bid price is the price the market maker is willing to pay for a bond and the offer price is the price at which the market maker is willing to sell the bond.

   n. Accrued interest
   The interest amount accrued since last coupon date (interest pay out). The exact calculation varies with the day-count convention used.

   o. Dirty price
   The clean price plus the accrued price. This is the total price that the buyer of a bond pays the seller of a bond

   p. Example
   Bond characteristics:
   • Coupon is 5%
   • Coupon frequency is 2
   • nominal amount traded is 100,000
   • It’s 3 months since last coupon date and the day-count convention is 30/360 (30 days per month and 360 days in a year)
   • The bond is quoted in the market at the bid-offer price 100.25 – 100.75
   You want to buy the bond, which will be at the price of 100.75 (clean price)

   Calculation of the amount and dirty price:
   Bond price = clean price * nominal amount = 100.75 * 100,000 = 100,750.00
   Accrued interest = coupon * days since last coupon pay out * nominal amount
   = 5 % * 90/360 * 100,000
   = 1,250.00
   Total amount to be paid = Bond price + Accrued interest
   =102,000.00
   Thus, the dirty price is 102.00, made up by clean price (100.75) and accrued interest (1.25)

9.1 Key Features of Futures
   A Futures contract is an agreement to buy or sell something
Schedule 9

EXCHANGE TRADED FUTURES

(e.g. the Underlying Instrument) at a specified time in the future.

It is a standardized contract between two parties to exchange a specified asset of standardized quantity and quality for a price agreed today (the futures price or the strike price) with delivery occurring at a specified future date: the delivery date. Futures contracts are traded on an Exchange.

The party agreeing to buy the Underlying Instrument in the future, the “buyer” of the contract, is said to be “Long”, and the party agreeing to sell the asset in the future, the “seller” of the contract, is said to be “Short”. The terminology reflects the expectations of the parties - the buyer hopes or expects that the asset price is going to increase, while the seller hopes or expects that it will decrease. Note that the contract itself costs nothing to enter; the buy/sell terminology is a linguistic convenience reflecting the position each party is taking (long or short).

In many cases, the Underlying Instrument to a futures contract may not be traditional commodities at all – that is, for financial futures the Underlying Instrument or item can be currencies, securities or financial instruments and intangible assets or referenced items such as stock indexes and interest rates.

- The Underlying Instrument may be, for example: a specified amount of a security, such as shares in a company or government Bond;
- a financial instrument, such as a bank bill
- an index, such as the ASX SPI 200®; or
- a commodity of a given grade or quality, such as greasy wool.

The parties to a Futures contract may be required to deliver or take delivery of the Underlying Instrument at the time specified in the contract, where the contract provides for this. Alternatively, the contract may provide for a cash adjustment to be made, based on a change in the price of the Underlying Instrument.

9.2 Types of Futures

There are two main types of Futures contracts.

- Deliverable contracts – where 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.
- Cash settled contracts – where the two parties make a cash adjustment between them according to whether the price of a commodity, financial instrument or index has risen or fallen since the time the arrangement was made.

Unless you plan to make or take delivery of the commodity underlying the Futures contract, it is not advisable to enter into deliverable contracts in the last weeks before maturity. If you intend to make or take delivery, first check with us.

A Futures contract's terms are generally set out in the operating rules of the Exchange on which the contract was made, which might be in Australia or overseas. This document is intended to apply to any Futures contracts traded on a computer-based Exchange unless otherwise indicated. There may, however, be differences in procedures and regulations of markets from one country to another and one Exchange to another.

9.3 Expiry of Futures Contracts

SCM does not support physical delivery of the Underlying Instrument on expiry of a Futures contract. Therefore, we advise Clients to take note of the expiry and first notice dates (FND) of any Futures contracts in which they have positions and ensure they are closed before the appropriate date, as described below.

If the FND is before the expiry date, positions need to be closed the day before the FND. If the expiry date is before the FND positions need to be closed no later than on the expiry date.

If Futures positions are not closed before the relevant date, SCM will close the position on the Client’s behalf at the first available opportunity at the prevailing market rate. Any resulting costs, gains or losses will be passed on to the Client.

If Clients require any assistance or clarification regarding the expiry of Futures contracts, please contact SCMA.

9.4 Duration of Futures Contracts

Futures contracts may be made for periods of up to several years in the future. Part of the standardization of Futures contracts is that the contract maturity dates follow a predetermined cycle (standardization is discussed in Section 7.5 below). For example, in the SPI 200® contract traded on the ASX, contracts can be made for settlement only in March, June, September or December, but for up to 18 months from the time of the trade.

9.5 Futures are standardized

Futures traded on an Exchange are standardized and interchangeable, meaning that Futures contracts of a particular class are perfect substitutes for each other.

A consequence of contract standardization is that the price is the only factor that remains to be determined in the marketplace. On the ASX, Futures are quoted and traded on an electronic trading platform, which provides a system of continuous price discovery. This means that the price at which trades take place may continually change throughout a trading session. Most international derivatives Exchanges also provide electronic trading platforms for Futures trading.

Since all Futures contracts for a given Futures month in the same market are interchangeable, they can be closed out against an opposite position in the same contract. A trader who has bought a given Futures contract can cancel the position by selling the same contract. The net result is that the trader no longer holds a position. Similarly, a trader who has sold a given Futures contract can cancel the position by buying the same contract.

In 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 minus any transaction costs. In practice, the vast majority of Futures contracts are offset in this manner ahead of the contract's maturity date.
the remainder being fulfilled by delivery or cash settlement at maturity.

9.6 The role of the clearing house

Derivatives Exchanges will generally have a clearing house. Clearing houses clear and settle Futures contracts executed on the Exchange. The primary role of the clearing house is to guarantee the settlement of obligations arising under the futures contracts registered with it. This means that when SCM buys or sells a Futures contract on your behalf, neither you nor SCM needs to be concerned with the credit worthiness of SCM taking the other side of the contract. See below for further discussion on the novation process that occurs at the clearing house.

The clearing house will never deal directly with you, rather the clearing house will only ever deal with clearing participants, or where you are not trading through a clearing participant, your clearing broker.

The ASX’s clearing house is the ASX Clearing Corporation. ASX Clear (Futures) Pty Limited is a wholly owned subsidiary of the ASX Clearing Corporation and is the clearing facility and central counterparty for Futures and Options traded on ASX24.

When a Futures contract is registered with the clearing house, it is novated. This means that the market contract between the two brokers who made the trade is replaced by one contract between the buying broker (or its clearing participant) and the clearing house as seller; and one contract between the selling broker (or its clearing participant) and the clearing house as buyer.

In simple terms, the clearing house becomes the buyer to the selling broker, and the seller to the buying broker.

The clearing house ensures that it is able to meet its obligations to clearing participants by calling Initial Margin and variation Margin to cover any unrealized losses in the market. See Section 10 of the PDS for further information on our Margin Requirements.

Generally your Futures contracts (and those of other Clients) will be held separately from Futures contracts entered into by SCM on its own account. If SCM were to default on its obligations to the clearing house in respect of its own contracts, your Futures contracts will not be used to meet SCM’s default. Rather the clearing house will either close out your contracts or attempt to transfer them to another broker.

Generally your Futures contracts (and those of other Clients) will be held separately from Futures contracts entered into by SCM on its own account. If SCM were to default on its obligations to the clearing house in respect of its own contracts, your Futures contracts will not be used to meet SCM’s default. Rather the clearing house will either close out your contracts or attempt to transfer them to another broker.

9.7 Closing Out

Because of the system of registration and novation referred to above, closing out can be achieved without going back to the original party with whom the Futures contract was traded.

When an existing buyer sells to close out their position, the sale Transaction is registered with the clearing house in the manner described above.

The contracts which B held (one to buy and one to sell) have been settled in cash between B and the clearing house; B simply receives the net profit. Any profit due to B is paid out by the clearing house in cash, even though the original seller (A) remains in the market.

9.8 More Information

Futures can be traded on Australian and overseas Exchanges. Contract specifications for each standardized Futures contract can be found on the website of the relevant Exchange.

For further information concerning Futures contracts traded on the ASX24 you are referred to the ASX website at http://www.asx.com.au/products/index-derivatives.htm, where information regarding the various ASX Futures contracts can be downloaded.

For a list of the main Exchange websites where contract specifications for Futures will be located, please visit http://au.saxomarkets.com/futures/
9.9 What is an Option?
Option contracts traded over Futures contracts are commonly known as Futures Options. These are the most common type of Options traded on a derivatives Exchange. Options over the underlying are less common with the cash settled intraday Options over the ASX SPI200® and Eurex DAX® Options being examples.

Following is an explanation of the nature of an Option contract and of the obligations assumed by Options traders. Several concepts referred to previously are applicable to Options (for example, the concept of closing out).

These facts will not be repeated, but only the facts particular to Futures Options are discussed.

- The buyer of a Futures Option has the right, but not the obligation, to enter into a Futures contract at the exercise price of the Futures Option. For this right, the buyer pays the Option seller the Option premium.

- The seller of Futures Option assumes the obligation to enter into a Futures contract at the exercise price of the Futures Option if the Option is validly exercised. For taking on this obligation, the seller receives the Option premium.

Like Futures contracts, Options are standardized and interchangeable, so that having bought or sold an Option it is possible to close it out before its expiry or exercise.

You must distinguish between Futures Options and Options over the underlying. If a Futures Options is exercised it results in the establishment of a Futures contract. If an Option over the underlying is exercised, it results in the transfer of actual commodity underlying the Option (in case of deliverable contracts), or cash adjustment (in case of cash settled contracts).

9.10 European Options and American Options
An Option will be expressed to be either a European style Option or American style Option.

- European Options can be exercised only on the expiry date, not before.

- American Options can be exercised at any time up to and including the date the Option is due to expire.

The majority of Options traded on ASX24 are American Options. Because American Options can be exercised at any time before the expiry date, the seller of an Option must be prepared for that Option to be exercised at any time. The decision to exercise is in the Option buyer's hands.

9.11 Call Options and Put Options
A Call Option gives the buyer the right to buy a Futures contract at a designated price at or before the expiry date of the Option. The seller of a Call Option has the obligation to sell a Futures contract if the Futures Option is exercised by the buyer.

A Put Option gives the buyer the right to sell a Futures contract at the exercise price. The seller of a Put Option has the obligation to purchase the Futures contract if the Put Option is exercised by the buyer.

<table>
<thead>
<tr>
<th>CALL BUYERS</th>
<th>CALL SELLERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay premium</td>
<td>Collet premium</td>
</tr>
<tr>
<td>Have right to exercise into a long futures position</td>
<td>Have obligation if assigned to assume a short futures position</td>
</tr>
<tr>
<td>Have time decay, works against them</td>
<td>Have time decay, works in their favor</td>
</tr>
<tr>
<td>No margin performance bond requirement</td>
<td>Have margin performance bond requirement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PUT BUYERS</th>
<th>PUT SELLERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay premium</td>
<td>Collet premium</td>
</tr>
<tr>
<td>Have right to exercise into a short futures position</td>
<td>Have obligation to assume if assigned a long futures position</td>
</tr>
<tr>
<td>Have time decay, works against them</td>
<td>Have time decay, works in their favor</td>
</tr>
<tr>
<td>No margin performance bond requirement</td>
<td>Have margin performance bond requirement</td>
</tr>
</tbody>
</table>

9.12 Shorting Call Options
If you choose to sell or go short a call option, you are selling the right to buy the underlying futures contract at a particular strike price to an option holder. Selling a call option prompts the deposit of a credit in your trading account in the amount of the call's premium. This is a limited profit strategy. You get to keep this credit if the option expires worthless. Thus, to make money on a short call, the price of the underlying futures contract must stay below the call's strike price. If the price of the underlying futures contract rises above the short call strike price, it will likely be assigned. This means that the call option seller is required to deliver the underlying futures contract at the strike price.

After assignment, the individual will be short the underlying futures contract unless they already had a long position in the underlying futures contracts. The option seller may need to buy the underlying futures contract at the current market price after selling it at the call's lower strike price, thereby incurring a loss on the trade (current price - strike price = loss).

The maximum loss is therefore unlimited to the upside, which is why selling “naked” or unprotected call options comes with such a high risk.

9.13 Shorting Put Options
If you choose to sell or go short a put option, you are obligated to buy the underlying stock at a particular strike price. The premium of the short put will show up as a credit in your trading account. In most cases, you are anticipating that the short put option will simply expire worthless on the expiration date so that you can keep the premium received. The premium amount is the maximum profit you can receive by selling a put option. If the underlying stock falls below the put strike price, the put will most likely be assigned.
The option seller then has an obligation to buy the underlying futures contract at the put strike price. You will then be long the underlying futures contract and the loss incurred depends on how low the price of the underlying futures contract falls as you try to sell the underlying futures contract to exit the position. Experienced traders who choose to go short put options do so in a stable or bull market because the put may not be exercised unless the market falls.

The maximum loss is therefore unlimited to the downside, which is why selling “naked” or unprotected put options comes with such a high risk.

9.14 Exercise Price

Also known as the strike price, the exercise price is the price at which the option buyer may buy or sell the underlying futures contract. Exercising the option results in a futures position at the designated strike price.

Strike prices are set by the exchange and have different intervals depending on the underlying contract. Strike prices are set above and below the existing futures price and additional strikes are added if the futures move up or down.

9.15 Premium

The premium is the price that the buyer of an option pays and the seller of an option receives for the rights conveyed by an option. Ultimately the cost of an option is determined by supply and demand.

Various factors affect options premiums, including strike price level in relation to the futures price level; time remaining to expiration, market volatility and interest rates.

9.16 Exercise

Exercise refers to the process whereby the option buyer asserts their right and goes long the underlying futures (when exercising a call option) or short the underlying futures (when exercising a put option).

9.17 Assignment

Assignment refers to the obligation of option sellers to take the opposite and possibly adverse futures position to the option buyers’ if assigned and for this risk receive the premium.

Remember: Buyers exercise and sellers get assigned.

9.18 Expiration Date/Last Trading Day

This is the last day on which an option can be exercised into the underlying futures contract. After this point the option will cease to exist; the buyer cannot exercise and the seller has no obligation.

Note that some options expire prior to the final settlement or expiration of the underlying futures contract.

9.19 More Information

Options on Futures can be traded on Australian and overseas Exchanges. Contract specifications for each standardized Option on Futures contract can be found on the website of the relevant Exchange.

For further information concerning Options on Futures contracts and various option strategies can be found at http://www.cmegroup.com/education/options-on-futures-brochure.html and http://www.cmegroup.com/education/25-proven-strategies.html

For a list of the main Exchange websites where contract specifications for Futures will be located, please visit www.home.sxso/en-au

9.20 Initial Margin

To protect the financial security of both SCM, its trading participant through whom it is placing your trading orders and the clearing house until variation Margins are provided, each Client is required to provide Initial Margin.

- Minimum Initial Margins are set by the clearing house or the derivatives Exchange or both, and may vary from time to time according to the volatility of the market. This means that an Initial Margin may change after a position has been opened, requiring a further payment (or refund).

- Initial Margins are calculated to cover the maximum expected movement in the market from one day to the next. A broker is entitled to call a higher Initial Margin than the minimum set. Liability for Initial Margin occurs at the time of the trade and SCM may require you to provide it before any trading is conducted on your behalf.

- Participants are generally required under the Operating Rules of a derivatives Exchange to call an Initial Margin on each trade equal to at least the minimum Initial Margin set by the clearing house.

9.21 Variation Margin

Variation Margin must be provided by any Client whose Futures contract is showing a loss; i.e. if the market falls after a purchase or rise after a sale. You can incur losses before a contract is closed out if the market moves against your position. Futures positions are re-valued on an intraday basis, and any deterioration in your position will result in Variation Margin being called.

Variation Margin is also provided to you if your Futures contract shows a profit.

9.22 Liability

Given the above Margin requirements, your liability under a Futures contract is not limited to the Initial Margin.

- If, after providing the Initial Margin, the price moves against you, further Margin (Variation Margin) will be called.

- Initial Margin (unless eroded by losses) can be returned to you on settlement of the contract.

- Variation Margins that become realized losses when the position is closed out or settled are not returned.

- Variation Margins covering unrealized losses are not returnable unless there is a favourable change of direction in market prices before settlement or closing out of the Futures contract.

9.23 Consequences of failure to pay Margins

Initial Margin and additional Margin must be provided immediately after we call for it. If you do not provide Margin as required by us, we are entitled to Close Out your Open Position and deduct the resulting realized loss from the Initial Margin. If the realized loss exceeds the Initial Margin you are required to provide the excess to us.

Refer to Section 10 for more information about our Margin Requirements.
9.24 Margins and liability on Futures Option contracts

If you buy a Futures Option, your loss is limited to the Option premium which you paid, which is non-refundable.

If you buy an Option, and provide the full premium at the time the Option is traded, you will not be called upon to pay Margins. If you pay only an initial deposit, you may be called upon to provide Margins up to the full value of the Option premium (but no more).

If you sell a Futures Option, you have a similar liability to a holder of the Underlying Futures Contract—that is, potentially unlimited. However, you have limited profit potential, as a seller cannot earn more than the premium for which the Option is sold.

9.25 Profit and loss when trading Futures Options

Options' trading is a complex area, and an Option trader can suffer losses even if the price of the Underlying Instrument (in this case a Futures contract) moves favorably.

9.26 Out-Of-Money Futures Options

This is a term used to describe an Option that cannot be exercised at a profit. An out-of-the-money Option is a Call Option whose strike price is higher than the current market level or Put Option whose strike price is below market.

If you are contemplating purchasing a Futures Option that is significantly out-of-the-money, you should be aware that the chance of such an Option becoming profitable at expiry is remote.

9.27 Benefits of Futures

There are a number of benefits in trading Futures, including the following:

Standardization: As discussed in “Futures are standardized”, because Futures contracts are standardized and therefore interchangeable, you may through the derivatives Exchange open and close positions, depending on the liquidity of the market in the relevant contract.

Risk Management: Through the process of novation and Margining, the clearing house assumes and manages the risk of Futures positions entered into on the derivatives Exchange. This reduces counter party risk in a way which is not available in OTC derivatives transactions. Your broker has certainty that the other side of the Futures contract will be honored, and SCM (and therefore you) will not be subject to risk that the counterparty to the original Futures contract may default in their obligations under the Futures contract.

Hedging: You can use Futures to hedge exposure in the Underlying Instrument.

Speculation: You can use Futures to speculate on market movements. Futures allow you to gain exposure to a particular Underlying Instrument without the need to buy or sell the Underlying Instrument itself.

Range of market positions and strategies: You can potentially profit both from rising and from falling markets depending on the strategy you have employed. Through the use of Futures and Options, strategies can be tailored to suit almost any market view.

Leverage: Futures generally involve a high degree of Leverage. Futures contracts enable you to outlay a relatively small amount of money (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. See “Significant risks of trading Futures” below for more details on the risks of Leverage.

9.28 Significant risks of trading Futures & Options on Futures

The risk of loss in trading Futures contracts can be substantial. You should consider whether trading is appropriate for you in light of your financial circumstances, degree of financial knowledge and experience, situation and needs. In particular, you should be aware of the following matters:

Loss of Initial Margin: You could sustain a total loss of the Initial Margin that you deposit with us to establish or maintain a Futures contract.

Payment of Variation Margin: If the Futures market moves against your position, you may be required, at short notice, to deposit with us Variation Margin in order to maintain your position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time, your position may be Closed Out at a loss and you will be liable for any shortfall in your Account resulting from that failure.

Losses beyond Margin lodged: You may sustain a total loss of the funds (Initial Margin and Variation Margin amounts) that you deposit with us to establish or maintain a position in the Futures market. You may incur losses beyond the amounts that you lodge with us. You should not risk more funds than you can afford to lose. A good general rule is never to speculate with money which, if lost, would alter your standard of living.

Leverage: The high degree of Leverage that is obtainable in trading Futures contracts can work against you as well as for you. The use of Leverage can lead to large losses as well as large gains.

Liquidity: Under certain market conditions, it could become difficult or impossible for you to close out a position and the relationship between the prices of Futures contracts and the underlying market may be distorted or affected. Examples of when this may happen are:

• If there is a significant change in the price of the Underlying Instrument over a short period of time;
• If there are insufficient willing buyers or sellers in either the Futures market or the underlying market; or;
• If the Futures market is suspended or disrupted for any reason.

Similarly, events such as these in relation to the market for the Underlying Instrument may make it difficult for you to hedge or maintain your exposure under a Futures contract.

Deliverable contracts and physical delivery: Where you have a position in a deliverable Futures contract and you hold an open position to maturity, you must be prepared to make or take physical delivery of the Underlying Instrument if your position is matched.

Strategies: A “spread” position (which involves the simultaneous purchase and sale of Futures or Futures Options) is not necessarily less risky than a simple Long position or Short position.

Option risk profile: If you propose to trade in Futures Options, the maximum loss in buying an Option is the premium paid, but the risks in selling an Option are essentially unlimited.
System failures: you may experience losses due to Exchange or clearing house system failures which may affect systems used by participants. Participant systems may also fail which means your trades may not be able to be executed in accordance with your instructions or at all.

Foreign Exchange movements: If you trade in Futures contracts denominated in currencies other than Australian Dollars you may lose money due to exchange rate fluctuations. These moneys may be in addition to any losses on the Futures contract itself.

Market emergencies: You may incur losses that are caused by matters outside SCM’s control. For example, a regulatory authority exercising its powers during a market emergency may result in losses.

For example, a regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled, cause you to suffer a loss.

Market disruption: A market disruption may mean that you are unable to deal in a Futures contract when desired, and you may suffer a loss as a result.

Common examples of disruption include the “crash” of an Exchange electronic trading system, fire or other Exchange clearing house emergencies.

Discretionary powers of Exchange and clearing house: The Exchange or clearing house could exercise discretionary powers under their operating rules in relation to the market. They have powers to declare an undesirable situation has developed in a particular Futures contract and suspend trading.

Disputes and trade cancellations: When trading is subject to dispute, the Exchange may have powers to request that participants amend or cancel a trade, which will in turn result in the Futures contract with the investor being amended or cancelled. Exchanges may also exercise discretionary powers to cancel transactions under their operating rules. These actions can affect your Futures positions.

9.29 Taxation Considerations

There are specific rules that govern the method by which gains and losses from trading financial products, including options will be brought to account for Australia tax purposes (referred to as the Taxation of Financial Arrangements).

The TOFA rules will apply to financial arrangements held by certain investors and traders whose assets or aggregated turnover exceeds specific thresholds. The TOFA rules will also apply to you if you have made an election to apply the TOFA rules to your financial arrangements.

SCMA recommends that you seek your own taxation advice as to the implications of the TOFA rules and how they apply to you.
10.1 What is an option?

An option is a contract between two parties giving the taker (buyer) the right, but not the obligation, to buy or sell shares at a predetermined price on or before a predetermined date. To acquire this right the taker pays a premium to the writer (seller) of the contract.

10.2 Call & Put Options

Call options: Taker (buyer) receives the right to buy shares at the exercise price in return for paying the premium to the writer;

Writer (seller) receives and keeps premium but now has the obligation to deliver shares if the taker (buyer) exercises.

Put options: Taker (buyer) receives the right to sell shares at the exercise price in return for paying the premium to the writer (seller);

Writer (seller) receives and keeps premium but now has the obligation to buy the underlying shares if the taker (buyer) exercises.

10.3 Style Options vs American Style Options

European style options can be exercised only on the expiry date, not before;

American style options can be exercised at any time up to and including the date the option is due to expire.

10.4 Exercise, Settlement & Expiry

Share options traded via SCM will ONLY be American style options;

Share options can be exercised online from the SaxoTrader platforms or are auto-exercised at expiry. In-the-money (ITM) share options will settle into a new share position.

All in-the-money (ITM) share options are subject to an auto-exercise procedure at expiry:

- All long positions on in-the-money (ITM) share options are assumed to be exercised;
- All short positions on in-the-money (ITM) share options are assumed to be assigned;
- All positions on out-of-the-money (OOM) options will be abandoned at expiry;
- A Call share option is in-the-money (ITM) when the strike price is below the market price of the underlying asset;
- A Put share option is in-the-money (ITM) when the strike price is above the market price of the underlying asset;
- Abandonment of in-the-money (ITM) options is not supported so clients should close positions before the expiry date.

10.5 Margins

For certain instruments SCM requires a margin charge to cover potential losses involved in holding a position in the instrument.

Share options are one such instrument and are treated as full premium style options.

Example:

- When acquiring a long position in a full premium share option, the premium amount is deducted from the client’s available cash balance. The value from an open long share option position will not be available for margin trading other than indicated in the margin reduction schemes (refer section 10.7 Margin Reduction Scheme);
- A client buys one (1) Apple Inc. DEC 2013 $30 Call @ US$25.00.
- Assume Apple Inc. shares are trading at US$529.85; one option equals 100 shares; buy/sell commissions per lot and exchange fee is US$3.30.
- Assuming an available cash balance of US$10,000, the account summary will show:

<table>
<thead>
<tr>
<th>Position Value</th>
<th>1 * 25 * 100 shares = $2,500.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized Profit</td>
<td>--</td>
</tr>
<tr>
<td>Loss</td>
<td>--</td>
</tr>
<tr>
<td>Cost to Close</td>
<td>- 1* ($3 + $0.30) = - $3.30</td>
</tr>
<tr>
<td>Unrealized Value of Positions</td>
<td>$2,496.70</td>
</tr>
<tr>
<td>Cash Balance</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Transactions not Booked</td>
<td>- ($2,500 + $3.30) = - $2,503.30</td>
</tr>
<tr>
<td>Account Value</td>
<td>$9,993.40</td>
</tr>
<tr>
<td>Not Available as Margin Collateral</td>
<td>1 * 25 * 100 shares = - $2,500.00</td>
</tr>
<tr>
<td>Used for Margin Requirement</td>
<td>--</td>
</tr>
<tr>
<td>Available for Margin Trading</td>
<td>$7,493.40</td>
</tr>
</tbody>
</table>

In case of a full premium share option, the transactions not booked will be added to the client’s balance in overnight processing. The next day when the option price has moved to US$41.00 (underlying @ US$556.50), the account summary will show:
10.6 Short Option Margin

A short shares option position exposes the writer of that position of being assigned to deliver the underlying proceeds when another market participant who holds a long shares option position exercises his option right. Losses on a short shares option position can be substantial when the market moves against the position. We will therefore charge premium margin to ensure sufficient account value to be available to close the short position and additional margin to cover overnight shifts in the underlying share value. The margin charges are monitored in real-time for changes in market values and a stop out can be triggered when the total margin charge for all margined positions exceeds the client’s margin call profile.

10.7 Margin Reduction Scheme

A short shares option position in American style options can be combined with long option positions or covering positions in the underlying shares to offset the high risk exposure. As such, the margin charges can be reduced or even waived. SCM will provide margin reduction on the following position combinations:

Covered Call
A short call position can be offset with a long position in the underlying shares.

Call/Put Spread

A spread position allows a long option position to cover for short option position of an option of the same type, and same underlying share. When the long option is deeper in the money compared to the short option (debit spread), the value of the long option is used up to the value the short option for coverage with no additional margin to be required.

When the short leg is deeper in the money compared to the long leg (credit spread), the full value of the long option is used for coverage plus an additional margin equal to the strike difference.

NOTE: To trade out of a spread position, it is suggested to first close the short leg before closing the long leg to avoid the high margin charge of the naked short share option position. However, as the spread margin reservation might not be sufficient to cover the cash amount required to buy back the short option position, a client might find themselves locked into a position that they cannot trade out of without additional funds being made available.

10.8 Corporate Actions

Corporate actions on shares can affect any options that are listed on those shares. It might be required to adjust the option contracts in such a way that the value of a position in such an option before and after the corporate action remains the same.

Various exchanges have different ways of treating corporate actions. The option exchanges will decide on a case by case basis how a corporate action will affect the option contract and positions on the options contracts.

10.9 Risk Default Management – Stock Options Physical Delivery & Default Handling

Final Settlement of a share option position occurs when the holder of a long share option position exercises his right to buy or sell the underlying shares on and/or, in case of American style options, prior to expiry. On expiry, all in-the-money long share option positions held by clients of SCM are automatically exercised. Both prior as well as on expiration, clients who hold short share option positions will be assigned by means of a random assignment lottery. At expiry, there should be no “assume” procedure for delivering on short share option positions. Instead of the assume procedure, the clearing statements from the broker should be used to reflect the true exchange expiry outcome.

As a general rule, SCM clients have responsibility to meet the delivery requirements related to their share option positions. As such SCM will not pre-emptively act on client positions.
to avoid delivery failure. It will be the responsibility of the client to manage his positions especially when approaching expiry to make sure he can meet any delivery obligations. Notwithstanding the above, in case SCM could be exposed to uncollateralized losses incurred by clients, SCM reserves the right to act pre-emptively and close-out some or all of the client’s positions that could cause potential losses which the client cannot carry on his account balances. Pre-emptive close-out will be conducted under the responsibility of the Front Office Risk Management (FORM) desk.

In case a client fails to meet their delivery obligation, SCM will act on behalf of the client and without the need to notify the client in advance to resolve the delivery failure. SCM will resolve a short share position by acquiring the required shares at market price, SCM will resolve a short cash position by liquidating any or all positions under delivery and if available any long option position that provided cover for a settling short share option position. In the ETO context, this will be referred to as default handling. Transactions executed for the purpose of default handling, will be charged additional (substantial) commissions. Default Handling will be performed by the Markets Desk.

Therefore, SCM suggests Clients to close the position before expiry.

10.10 Expiry Scenarios

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>COST / MARGIN</th>
<th>IF EXERCISED / ASSIGNED</th>
<th>FUNDING REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Call</td>
<td>Premium paid</td>
<td>If the client has the stock it is delivered ELSE The client is given a choice: buy stock or sell-to-close</td>
<td>Cash to buy the underlying required</td>
</tr>
<tr>
<td>Long Put</td>
<td>Premium paid</td>
<td>1 day funding charge</td>
<td></td>
</tr>
<tr>
<td>Short Call</td>
<td>Full margin</td>
<td>Short the stock, SCM acquires the stock and delivers 1 day funding charge</td>
<td></td>
</tr>
<tr>
<td>Short Put</td>
<td>Full margin / available cash</td>
<td>1 long stock position</td>
<td>Cash to buy the underlying required</td>
</tr>
<tr>
<td>Covered Call</td>
<td>Margin reduction from cover</td>
<td>Loni position is delivered, when the short gets assigned Only limited margin, while the call is covered</td>
<td></td>
</tr>
<tr>
<td>Strategies</td>
<td>Spread margin</td>
<td>If the short leg gets assigned, the long leg can be exercised automatically</td>
<td>As assignment and exercise happens the same day, no funding is required</td>
</tr>
</tbody>
</table>

10.11 Disputes and Trade Cancellations

When trading is subject to disputes, the exchange may have powers to request that participants amend or cancel a trade, which will in turn result in the particular contract with the investor being amended or cancelled. Exchanges may also exercise discretionary powers to cancel transactions under their operating rules. These actions can affect your positions.

10.12 Taxation Considerations

There are specific rules that govern the method by which gains and losses from trading financial products, including options will be brought to account for Australian tax purposes (referred to as Taxation of Financial Arrangements).

The TOFA rules will apply to financial arrangements held by certain investors and traders whose assets or aggregated turnover exceeds specific thresholds. The TOFA rules will also apply to you if you have made and election to apply the TOFA rules to your financial arrangements.


10.13 Additional online information on share options

11.1 What is a Non-Deliverable Forward (NDF)?

An NDF is a cash settled foreign exchange transaction. It is designed to assist you in reducing your foreign exchange risk in situations when physical delivery of the underlying currencies is not required and/or in markets where physical delivery is not possible. It may help you to manage a currency risk you are exposed to.

- There is no physical exchange of currencies.
- The settlement is made in USD.

11.2 Why do NDFs exist?

- NDFs are only found in Emerging Market countries;
- There is a capital control in these countries and no one is allowed to take the money out of the country;
- Authorities are choosing to have an onshore market separated from an offshore market to be able to control the currency moves and intervene more efficiently if the volatility becomes too high;
- There is a capital control in these countries and no one is allowed to take the money out of the country;
- These countries can also control more efficiently their inflows and outflows om corporates and investors in the country.

Therefore the only way for an investor or corporate to trade these currencies is to trade offshore and the NDF markets have been created.

11.3 Available NDF markets:

**ASIAN CURRENCIES**

- USDCNY Chinese Rennminbi (Onshore Yuan)
- USIDR Indonesian Rupiah
- USDINR Indian Rupee
- USDKRW South Korean Won
- USDMYR Malaysian Ringgit
- USDPHP Philippines Peso
- USDTWD New Taiwanese Dollar

**LATIN AMERICAN CURRENCIES**

- USDBRL Brazilian Real
- USDCLP Chilean Peso
- USDCOP Colombian Peso
- USD PEN Peruvian Nuevo Sol

11.4 How do NDFs work?

- Minimum trade size of US$5,000,000

**Maximum Net Open Position per currency capped:**

- USD 50 million – BRL, CNY, INR, KRW, TWD
- USD 30 million – CLP, MYR
- USD 10 million – IDR, COP, PHP
- USD 5 million – PEN

- Minimum initial margin requirement of 8% for all currency pairs is stipulated to protect clients from short term volatility

- Each NDF has a **Value Date** in the future
  - **Value Date** cannot be a US holiday or local holiday
  - Earliest Value Date for an NDF is T+3 (meaning fixing date will be at T+1)

11.5 How are Fixing Rates calculated?

- **BRL**: Daily Average Ask price taken on PTAX and published at 1.15pm Sao Paulo Time
- **CLP**: Chilean Central Bank Rates are published daily for operations settled in the prior business
- **CNY**: Set at 9.15am before the Spot open at 9.30am. More or less a black box. Before was determined by PBOC itself based on a basket of currencies they have set. Now PBOC is doing a market survey with several onshore banks
- **COP**: The Market Representative Exchange Rate (Tasa Representativa del Mercado) states the daily exchange rate in the Colombian market. It corresponds to the arithmetic average of the average weighted bid and ask rates of interbank and transfer operations, completed by authorized market intermediaries
- **IDR**: Weighted average of USD/IDR spot transactions traded in the interbank market between 8.00am and 9.45am Jakarta time
- **INR**: Average spot rate of a 15 min window given by RBI out of a 30-min window (11.00am to 11.30am Mumbai Time). Rate published at 1pm Mumbai Time
- **KRW**: Volume-weighted average of the rates applied in daily transactions between foreign exchange banks brokered through Seoul Money Brokerage Services. Fixing Rate is published at 3.30pm Seoul Time
- **MYR**: Contribution of 10 banks at 11.00am onshore on Thomson Reuters. Removes the highest and lowest quartile and averaging the remaining rates. Fixings are released at 11.10am on the Reuters page MYRFIX2
- **PEN**: Average spot rate of the 15 min window given by PBOC itself based on a basket of currencies they have set. Now PBOC is doing a market survey with several onshore banks
- **PHP**: Morning Weighted averaged of the prices traded in the spot market. Rate is available at 31am Daily and published on PDEX
- **TWD**: Spot Rate traded at 11.00am Taipei Time

11.6 How to trade NDFs?

- Clients can request prices for Maturity Dates going from T+3 to 1YR
- Client must confirm with Saxo trading desk that the Value Date and Fixing Date does not fall on any holidays
- Client must always confirm the Fixing Date with Saxo trading desk
- If client is unsure of which date to trade, generally the 1M NDF is the most liquid date in the market
- An NDF is made of a Spot Reference (onshore points) + NDF points
  - The 1M forward points represent the expectation of where the spot rate will be in 1 months’ time

**PLEASE NOTE: FOR APPROVED WHOLESALE CLIENTS ONLY**
11.7 NDF Market size

<table>
<thead>
<tr>
<th>AVG DAILY VOLUME IN USD</th>
<th>CNV</th>
<th>CNH</th>
<th>TWD</th>
<th>INR</th>
<th>MYR</th>
<th>IDR</th>
<th>PHP</th>
<th>KRW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spot</td>
<td>30 Bn</td>
<td>3/4 Bn</td>
<td>800 Mio</td>
<td>7 Bn</td>
<td>2.5 Bn</td>
<td>600 Mio</td>
<td>650 Mio</td>
<td>9 Bn</td>
</tr>
<tr>
<td>NDF</td>
<td>3 Bn</td>
<td>/</td>
<td>1.3 Bn</td>
<td>2 Bn</td>
<td>1.8 Bn</td>
<td>500 Mio</td>
<td>600 Mio</td>
<td>2.5 Bn</td>
</tr>
<tr>
<td>Options NDO</td>
<td>200 Mio</td>
<td>500 Mio</td>
<td>100 Mio</td>
<td>150 Mio</td>
<td>100 Mio</td>
<td>20 Mio</td>
<td>20 Mio</td>
<td>300 Mio</td>
</tr>
</tbody>
</table>

11.8 NDF Trade Examples

**SCENARIO #1: CLIENT TAKES PROFIT**

At T+0 - 14.10.2015
Client buys 1 month USDKRW @ 1163 (Val 13.11.2015, Fix 11.11.2015)
1 million USDKRW x 1163 = KRW1,163,000,000

At T+5 - 19.10.2015
USDKRW increases to 1171
Client in profitable position and decides to close trade
Client requests same value date & KRW amount to close position
Quote: 1171/1172
Client needs to Sell USD Million/Buy KRW 1,163,000,000 at 1171 = USD 993,168.23
USD profit is USD 1,000,000 - USD 993,168.23 = USD 6,831.7
The Client receives USD 6,831.77 from Saxo at settlement.

**SCENARIO #2: CLIENT STOPS OUT**

At T+0 - 14.10.2015
Client buys 1 month USDKRW @ 1163 (Val 13.11.2015, Fix 11.11.2015)
1 million USDKRW x 1163 = KRW1,163,000,000

At T+5 - 19.10.2015
USDKRW falls to 1140
Client in losing position and decides to close trade
Client requests same value date & KRW amount to close position
Quote: 1141/1142
Client needs to Sell USD / Buy KRW 1,163,000,000 at 1141 = USD 1,019,281.33
USD loss is USD 1,019,281.33 - USD 1,000,000
The Client pays USD 19,281.33 to Saxo at settlement.

**SCENARIO #3: CLIENT LETS TRADE FIX**

At T+0 - 14.10.2015
Client buys 1 month USDKRW @ 1163 (Val 13.11.2015, Fix 11.11.2015)
1 million USDKRW x 1163 = KRW1,163,000,000

Fix Date 11.11.2015
Client decides to wait for the fixing and let the position settle
The KRW Fixing is published and settles @ 1190 (virtual close)
This is equivalent of Sell USD / Buy KRW 1,163,000,000 @ 1190 (virtual close) = USD 977,310.92
There is no auto rollover in NDFs
USD profit is USD 1,000,000 - USD 977,310.92 = USD 22,689.0
The Client receives USD 22,689.08 from Saxo at settlement.
### Scenario #4: Client Requests to Roll Position

**At T+0 - 14.10.2015**

Client buys 1 month USDKRW @ 1163 (Val 13.11.2015, Fix 11.11.2015)

1 million USDKRW x 1163 = KRW1,163,000,000

**10.11.2015 or any day after**

Client can only roll his open position at best 1 day prior to Fixing Date.

Client must give value date he wishes to roll open position ensuring it is not US or local holiday.

Client request to roll open position Value Date 13.11.2015, Fix Date 11.11.2015 to Value Date 16.12.2015, Fix Date 14.12.2015.

Trading desk will give forward points: 1.00/1.50

Trading desk will give a Start Rate: 1170

2 trades will now be booked:

- **Trade #1:** Sell USD 1 Million / Buy KRW 1,170,000,000 Value Date 13.11.2015, Fix 11.11.2015
- **Trade #2:** Buy USD 1 Million / Sell KRW 1,171,500,000 Value Date 16.12.2015, Fix Date 14.12.2015

**What happens on Fixing Date 11.11.2015**

Fixing Rate comes in @ 1190

Match of positions with Fixing Date 11.11.2015

The Long USDKRW 1163 and Short USDKRW @ 1170 will fix based on Fixing Rate of 1190 and be removed from the system.

- **Match #1 @ USDKRW 1163 will fix and be removed from the system (equivalent of Selling USDKRW @ 1190)**
  - USD profit is USD 1,000,000 - USD 977,310.92 (1,163,000,000 / 1190) = USD 22,689.0
  - The Client receives USD 22,689.08 from Saxo at settlement

- **Match #2 @ USDKRW 1170 will fix and be removed from the system (equivalent of Buying USDKRW @ 1190)**
  - USD loss is USD 1,000,000 - USD 983,193.28 (1,170,000,000 / 1190) = USD 16,806.72
  - The Client pays USD 16,806.72 to Saxo at settlement.

**New open position:**

Long USDKRW 1 Million @ 1171.5 Value Date 16.12.2015, Fix Date 14.12.2015

Client can roll over open positions to any dates in the future assuming the date is not a US or local holiday.
11.9 Glossary

**Contract Rate** means the agreed exchange rate which will be used to calculate the cash settlement amount.

**Currency Pair** means the settlement currency and the non-deliverable currency applying in respect of an NDF.

**Fixing Date** means the date the fixing rate is determined and the cash settlement amount is calculated.

**Fixing Rate** means the rate displayed on the agreed rate source at the agreed time on the fixing date. The fixing rate is used to calculate the cash settlement amount.

**Maturity Date** means the date the cash settlement amount is payable.

**Notional Principal Amount** means the face value amount of the NDF.

**Non-deliverable Currency** means the currency nominated as the non-deliverable currency which along with the settlement currency makes up the underlying currency pair of the NDF.

**Settlement Currency** means the currency nominated as the settlement currency. This is the currency that the cash settlement amount must be paid in i.e. USD.

11.10 Additional information on NDFs

Information on NDFs including trading conditions and margin policy can be found at [www.home.saxo/en-au/rates-and-conditions/pricing-plans/pricing-overview](http://www.home.saxo/en-au/rates-and-conditions/pricing-plans/pricing-overview)
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