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Subject to disclosures in our Product Disclosure Statement or other transaction documents, we do not have any relationships or associations which might influence us in providing you with our services.

FOREX.com may also arrange for you to be supplied with financial services and products issued by non-related product providers. FOREX.com may receive a fee, commission payment or other remuneration or benefits from these non-related issuers as a result of you investing in one of their products or services. Any remuneration or benefits that FOREX.com may derive from non-related issuers is included in the fees and commissions agreed with you – you do not pay extra.

### **14. DISPUTE RESOLUTION**

FOREX.com has an internal dispute resolution process in place to resolve any complaints or concerns you may have, as quickly and fairly as possible in all the circumstances. Any complaints or concerns should be advised to us (by facsimile, email or letter). Contact FOREX.com to inform us about your complaint. You may do this by telephone, in person, facsimile, email or letter. We will try to resolve your complaint quickly and fairly, within 7 days or such further time period that may reasonably be required given the nature of the complaint.

Initially, all complaints will be handled and investigated internally. If you are dissatisfied with the outcome, you have the right to lodge a complaint with the Financial Ombudsman Service [Tel: 1300 780 808, Web: [www.fos.org.au](http://www.fos.org.au)], an approved external dispute resolution scheme, of which FOREX.com is a member. You may also make a complaint via the ASIC freecall Infoline on 1300 300 630.

### **15. PRIVACY**

Your privacy is important to us and we are committed to compliance with the Privacy Act and the National Privacy Principles. We may disclose your personal information to external parties for the purposes of execution, clearing and settlement of transactions, or those who act on our behalf in the operation of our business or in connection with the transactions to be undertaken. Such external parties are required and committed to protecting your privacy and where they are offshore we take reasonable steps to ensure that to the maximum extent reasonably possible any information sent has the same level of privacy protection as we provide here in Australia. FOREX.com will not otherwise disclose your personal information without your consent, except as authorised or required by privacy laws. Please contact us via the email provided above if you have any concerns.

### **16. Australian CFD & FX Forum - Best Practice Standards**

Gain Capital is a founding member of the Australian CFD & FX Forum. The CFD & FX Forum are committed to enhancing efficient operations, transparency and overall investor understanding and confidence in CFD's and FX within Australia and in the Australian industry as a whole. The CFD & FX Forum has established Best Practice Standards and each member is required to incorporate a statement of compliance regarding these standards into their respective product disclosure statements. GAIN Capital complies with the standards, each of which is summarised in the table below. More details about the standards, including how GAIN Capital complies with the standard is available on our website or by request.



GAIN Capital FOREX.com Australia Pty Ltd  
ACN 138 414 605  
Level 1, 62 Pitt Street,  
Sydney, NSW 2000

**COMBINED  
FINANCIAL SERVICES GUIDE  
AND  
PRODUCT DISCLOSURE STATEMENT  
PART 2**

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**Margin Foreign Exchange**

**AND**

**Contracts for Difference**

Issued on 23 March 2016

Issued by **GAIN CAPITAL FOREX.COM AUSTRALIA PTY LTD**

ACN: 138 414 605

AFSL: 340255

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**Please note:** except where specified, this Product Disclosure Statement relates to BOTH Margin Foreign Exchange and Contracts for Difference transactions simultaneously.

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Financial Services are provided, and this Product Disclosure Statement has been prepared and issued, by GAIN CAPITAL FOREX.COM AUSTRALIA PTY LTD ACN 138 414 605 AFSL 340255 ("FOREX.com", "we", "our" or "us"). Please note that the information contained in this Product Disclosure Statement ("PDS") does not constitute a recommendation, advice or opinion and does not take into account your individual objectives, financial situation, needs or circumstances. This is an important document and should be read in its entirety. Before entering into a Margin Foreign Exchange ("Margin FX") or Contracts for Difference ("CFD") transaction, you should obtain independent advice to ensure this is appropriate for your particular financial objectives, needs and circumstances.

This Combined FSG and PDS is subject to the detailed provisions of the Client Agreement. You must carefully read this Combined FSG and PDS and the Client Agreement. A copy of the Client Agreement, which sets out the basis of our ongoing relationship with you including the basis upon which transactions will take place and the obligations of both FOREX.com and the Client, can be downloaded from our website: [www.forex.com/au](http://www.forex.com/au).

To the extent permitted by law, neither FOREX.com nor its affiliates accepts any responsibility for errors or misstatements, negligent or otherwise, nor for any direct, indirect, consequential or other loss arising from any use of these documents and or/further communication in relation to them.

You must confirm via the online application that you have read this Combined FSG and PDS and that you accept the terms and conditions set out in the Client Agreement before you can trade with us and enter into transactions. These documents contain important information about the financial services and products we offer, including information about the associated risks and costs and details of other fees and charges which may apply.

We recommend that you also obtain independent taxation and accounting advice in relation to the impact of foreign exchange gains and losses on your particular financial situation. The taxation consequences of Margin FX or CFD transactions can be complex and will differ for each individual's financial circumstances, and your tax adviser should be consulted prior to entering into a Margin FX or CFD transaction.

FOREX.com does not guarantee the investment performance of Margin FX or CFD products nor the investment performance of the underlying markets or instruments. Past performance is no indication or guarantee of future performance.

All clients shall be bound by the contents of this PDS, The information in this combined FSG and PDS is current as at 8 August 2014 and may be updated from time to time where that information is not materially adverse to clients. Updated information shall be provided on our website [www.forex.com/au](http://www.forex.com/au) FOREX.com may issue a supplementary or replacement Combined FSG and PDS as a result of certain changes, which shall be available on our website or shall be distributed in electronic form as required. . If you ask us, we will send you a paper copy of the information.

The offer to which this Combined FSG and PDS relates is available only to persons receiving this Combined FSG and PDS in Australia or New Zealand. This PDS does not constitute an offer or invitation in any place outside Australia or New Zealand where or to any person to whom it would be unlawful to make such an offer or invitation. The distribution of this PDS (electronically or otherwise)

in any jurisdiction outside Australia may be restricted by law and persons who come into possession of this PDS should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable law.

If you received this combined FSG and PDS electronically, you should ensure that you download and read the entire Combined FSG and PDS. We can provide a paper copy free of charge upon request. For information regarding our full range of products and services, please read our Financial Services Guide in Part 1 (“FSG”) and visit our website. If you have any queries regarding this combined FSG and PDS, please contact FOREX.com.

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**Warning** Margin FX and CFD products are considered speculative products which are highly leveraged and carry significantly greater risks than non-gearred investments, such as shares. Potential investors and traders should be experienced in foreign exchange contracts and derivative products or understand and accept the risks of investing in Over The Counter (“OTC”) contracts. You should not invest in Margin FX or CFD products unless you properly understand the nature of Margin FX or CFD products, and are comfortable with the attendant risks. You should obtain financial, legal, taxation and other professional advice prior to entering into a Margin FX or CFD transaction to ensure this is appropriate for your objectives, needs and circumstances.

Potential investors and traders should be experienced in foreign exchange contracts and derivative products or understand and accept the risks of investing in OTC contracts.

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## 1. PURPOSE AND CONTENTS OF THIS PRODUCT DISCLOSURE STATEMENT (“PDS”)

This PDS is designed to provide you with important information regarding Margin Foreign Exchange (Margin FX) and Contracts for Difference (CFD) transactions including the following information:

- Who we are
- How you can contact us
- Which products we are authorised to offer or utilise
- Key features/risk/benefits of these products
- Applicable fees and charges for these products
- Any (potential) conflicts of interest we may have; and
- Our internal and external dispute resolution process.

The information in this PDS is subject to change from time to time. Where changes are material, we will issue a revised or supplementary PDS to all clients. This PDS does not constitute an offer or solicitation to anyone outside the authorised jurisdiction.

Defined terms used in this PDS are defined in the Glossary in section 26 or elsewhere in this PDS. If you would like further information, please ask us. Further detail about our services is available on our website [www.forex.com/au](http://www.forex.com/au).

If you intend to apply to use any of the products or services described in this Combined FSG and PDS, please read this document thoroughly, then keep it, together with all other documentation which you receive from us in connection with your trading of FOREX.com’s products, for future reference.

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## 2. NAME & CONTACT DETAILS OF ISSUER

The Issuer/Service Provider is GAIN CAPITAL FOREX.COM AUSTRALIA PTY LTD ABN 72 143 340 907 (“FOREX.com”, “we”, “our” or “us”). FOREX.com holds an AFSL Number 340255 and is authorised to provide financial product advice, deal and make a market in derivatives and foreign exchange contracts to retail and wholesale clients.

You can contact our office by any of the means listed below:

Writing to us at:	GAIN CAPITAL FOREX.COM AUSTRALIA PTY LTD Level 1, 62 Pitt St Sydney NSW 2000
Calling us:	1800 004 919
Sending us a fax:	02 9251 0166
Sending an email to:	<a href="mailto:auinfo@forex.com">auinfo@forex.com</a>

### 3. BENCHMARKS FOR OTC CFDS

ASIC Regulatory Guide 227 requires Margin FX and CFD issuers to publish certain information addressing a range of disclosure benchmarks. These benchmarks are required to be addressed on an 'if not, why not' basis, and are intended to assist retail investors to properly understand the complexity and risks of trading in OTC derivative products, particularly with regard to leverage.

There are 7 disclosure benchmarks required to be address, all of which we are of the view, have been met by FOREX.com. FOREX.com's compliance with each benchmark is addressed in the following table:

<b>Benchmark description</b>	<b>How does FOREX.com meet this benchmark?</b>	<b>Relevant sections of the PDS which provide further relevant information</b>
<b>Client qualification</b>	<p>FOREX.com maintains and applies a written policy which sets out the minimum qualification criteria that prospective retail investors will need to demonstrate before we will open a trading account for you. FOREX.com also maintains a written policy/procedure to ensure such criteria are properly applied, and unsuitable investors are not accepted. We also maintain records of our assessments.</p> <p>Please note that we do not provide personal advice regarding the suitability of trading in these products for your personal financial circumstances and objectives.</p> <p>However, FOREX.com does not accept retail investors unless they are able to satisfactorily answer the questionnaire (to be included shortly) in our trading account application form which addresses the following criteria:</p> <ul style="list-style-type: none"> <li>- Previous trading experience in financial products</li> <li>- Understanding of leverage, margins and volatility</li> <li>- Understanding of the key features of the product</li> <li>- Understanding the trading process and relevant technology</li> <li>- Ability to monitor and manage the risks of trading</li> <li>- Understanding that only risk capital should be traded</li> </ul>	<p>4. Terms and Conditions 5. Advice 7. Margin FX Contracts offered by FOREX.com 9. CFD contracts offered by FOREX.com 20. Client Agreement Terms and Conditions</p>
<b>Opening collateral</b>	<p>Please note that an account may be opened with a cash transfer from your bank account or with a credit card (but only to certain amounts on credit card). No other financial products will be accepted as collateral to open a trading account, although we may accept such as collateral to meet subsequent Margin Calls in special agreed circumstances.</p> <p>Whilst the RG227 benchmark recommends that no more than \$1,000 be accepted by credit card as opening collateral on a new account, please note that FOREX.com do not always comply with</p>	<p>4. Terms and Conditions 18. Funding your account</p>

	<p>this restriction, as we have a global process in place to address the suitability of credit card deposits as opening collateral. We utilise a tiered range of internal limits established with our payment processor, based on an individual client's annual income, and accordingly may accept between \$1,000-25,000 as an initial deposit on credit card, depending on the size of your annual income.</p>	
<b>Counterparty risk – hedging</b>	<p>FOREX.com maintains and applies a written policy to manage our exposure to market risk from client positions. This includes strict risk management controls to monitor and manage (hedge) our trading exposures on an intraday basis, and includes a process for assessing our hedging counterparties (to ensure they are of sufficient financial standing, are licensed by a comparable regulator, and are of sound reputation).</p> <p>A summary of our policy, which notes our current approved hedging counterparties, is available on our website (and may be updated from time to time as counterparties change).</p>	<p>13. Key risks of trading Margin FX and CFD Contracts</p> <p><a href="http://www.forex.com/au">www.forex.com/au</a></p>
<b>Counterparty risk – financial resources</b>	<p>FOREX.com maintains and applies a written policy to ensure the ongoing maintenance of adequate financial resources. We further maintain a detailed Risk Register, in which the key risks of our business are addressed and reviewed. Please note that we have a designated compliance officer who monitors our compliance with our licence conditions and ASIC RG 166 (financial) obligations, as well as review and input from our independent external legal and accounting advisers. Further, our external independent auditor conducts an audit at the conclusion of every financial year, a copy of which can be provided to you upon written request. We can provide recent information regarding our paid-up capital, assets and liabilities.</p> <p>Please note we do not undertake stress testing in relation to unhedged market exposures, as we fully hedge all transactions with Clients, with our parent company who fully hedges transactions with reputable licensed third party financial services providers.</p>	<p>13. Key risks of trading Margin FX and CFD Contracts</p>
<b>Client money</b>	<p>FOREX.com maintains and applies a clear policy with regard to the use of client money and does not use client money for hedging with counterparties.</p> <p>Please note that money you deposit into your trading Account is commingled with other client money in our client trust account. Such monies are only applied to client trades/settlement obligations and to pay agreed fees etc, in line with the Corporations Act requirements.</p>	<p>21. Client Monies</p> <p>15. Margins</p>
<b>Suspended or halted underlying assets</b>	<p>An underlying financial product may be placed in a trading halt on the relevant exchange in various circumstances. Additionally, it may be suspended or delisted in certain circumstances. FOREX.com may, in its absolute discretion, cancel your order in respect of a CFD transaction which has not yet been opened, or close any open CFD, where the underlying financial product is the subject of a trading halt, suspension or delisting. If the CFD is over a security which ceases to be quoted on the Exchange or is suspended from quotation for 5 consecutive Business Days on that exchange, we</p>	<p>4. Terms and Conditions</p> <p>20. Client Agreement Terms and Conditions</p>

	<p>may elect to close the CFD, rather than change the Margin requirements or re-price the position.</p> <p>When you place an order for a CFD with us, it is likely that we will place a corresponding order to purchase or sell the relevant product to hedge our market risk. FOREX.com has the discretion as to when and if it will accept an order. Without limiting this discretion, it is likely that we will elect not to accept an order in circumstances where our corresponding order cannot be filled.</p> <p>Accordingly, FOREX.com may at any time determine, in our absolute discretion, that we will not permit the entry into CFDs over one or more underlying financial products.</p>	
<b>Margin calls</b>	<p>FOREX.com maintains and applies a written policy detailing our margining practices. This details how we monitor client accounts to ensure you receive as much notice as possible regarding Margin Calls, our rights regarding the levying of Margin Calls and closing out of positions when such calls are not met in a timely manner, and what factors we consider when exercising such close-out rights.</p> <p>All open positions are monitored on a real-time basis intraday, to ensure changing Margin requirements are identified in a timely manner.</p> <p>FOREX.com seek to provide you with timely and sufficient notice of Margin Calls, to facilitate your ability to meet them. However, please note that certain market conditions or events may trigger extreme volatility, requiring urgent funds to be applied to retain your open positions. Please note that all Margin Calls will be communicated to you <u>via email</u> and it is your obligation to ensure you are always available to receive and action such Margin Calls when you have open positions with us.</p> <p>However, we reserve our full rights to immediately close positions in relation to which Margin Calls have not been met, in order to protect against exposure to further losses in the positions.</p> <p>We reiterate that trading in CFD and Margin FX products carries a high level of risk and returns are volatile. The risk of loss in trading can be substantial, and <u>you can incur losses in excess of the capital you have invested</u>. Accordingly, you should only trade with risk capital i.e. money you can afford to lose, and which is excess to your financial needs/obligations.</p>	<p>13. Key risks of trading Margin FX and CFDs 15. Margins 18. Funding your Account</p>

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#### 4. TERMS & CONDITIONS

Information provided to you in this combined FSG and PDS is important and is binding on you. Additional legal terms governing our relationship are detailed in the Client Agreement. You must complete, sign and return the Client Agreement (either online, electronically, fax or by post), and

have your account approved by FOREX.com. FOREX.com reserves the right to refuse to open a Margin FX or CFD account for any person.

FOREX.com does not guarantee the performance, return of capital from, or any particular rate of return, of a Margin FX or CFD product or transaction. Clients may lose more than the amount of funds in their Margin FX or CFD Account, and should only invest risk capital (that is, capital you can afford to lose). Please note that the historical financial performance of any Margin FX or CFD or underlying instrument/market is no guarantee or indicator of future performance.

Clients primarily transact using our online trading platform which gives Clients direct access to the rates/prices at which FOREX.com is prepared to deal. FOREX.com is a wholly owned subsidiary of GAIN Capital Forex.com Holdings International, BV; and is part of the GAIN Capital Holding, Inc family of companies (together "GAIN Capital"). GAIN Capital will provide FOREX.com with the use of its automated electronic trading platform which FOREX.com will make available to its Clients.

Accordingly, Clients are provided with direct access to our quoted rates/prices over the internet. We have provided some examples on our website at <http://www.forex.com/au> to help illustrate how the products offered by FOREX.com work and can be traded. These examples are illustrations only and actual results may differ.

FOREX.com accepts Margin FX and CFD transaction order instructions primarily via the electronic trading platform and will also accept order instructions via telephone. We refer you to section 18 which describes what you need to do prior to giving us instructions to trade.

Please note that the examples provided in this PDS or on our website are only provided for illustrative purposes only and do not necessarily reflect current or future market or product movements, the values that FOREX.com will apply to a trade, nor how such trades impact your personal circumstances. The figures used in the examples do not necessarily reflect your personal circumstances and do not restrict in any manner the way in which FOREX.com may exercise its powers or discretions. Those examples do not constitute general or personal financial product advice to any person reading our website or this PDS.

You are required to access the electronic trading platform on a daily basis to confirm that any order instructions have in fact been received by us, reconfirm all orders that you place with us, review order Confirmations we provide, to ensure their accuracy and monitor your Margin obligations. Any order discrepancies identified must be reported to us immediately.

FOREX.com will provide all clients, via the electronic trading platform or the website, with access to both daily and historical account statements allowing you to check your open positions, Margin requirements and cash balances, and trading Confirmations. Should you have any queries relating to your statements we encourage you to contact us.

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## 5. ADVICE

FOREX.com is authorised to buy and sell Margin FX and CFD contracts and to give advice in relation thereto. We only provide you with general advice, which does not take into account your particular needs, objectives and circumstances. Personal advice will only be provided to a client under

expressly agreed circumstances, in which case a Statement of Advice or other regulatory document shall be issued.

## 6. FOREX.COM MARGIN FX AND CFD SUMMARY TABLE

The following summary table is provided for ease of reference. However, please ensure that you read this PDS in its entirety.

Item	Summary	Section reference
Who is the issuer of this PDS and the products?	GAIN CAPITAL FOREX.COM AUSTRALIA PTY LTD	2
What is a Margin FX contract?	Margin FX is an over-the-counter derivative product which enables traders to leverage a small margin deposit for a much greater market effect in relation to currencies. A foreign exchange contract involves the exchange of one currency for another. Margin FX differs from spot and forward foreign exchange trading in that they are legally classified as derivatives rather than foreign exchange contracts, and are cash settled (i.e. no physical delivery is available). Margin FX trading generally involves taking forward positions in a foreign currency and instead of those contracts being settled by exchange of the relevant currencies, the positions are "closed out". Closing out involves entering into equal and opposite position with us, which generates a profit or loss on the transaction, which is then settled between us. The resulting profit or loss of the trade is the net result of the difference between the opening and closing exchange rates of each transaction, adjusted for transaction costs. The resultant profit or loss arising from the position being closed out will be credited or debited to your Account. If a transaction is held to the nominated maturity date it will be cash adjusted or cash settled according to the closing price of the relevant currency, as quoted by us, on that particular day.	7
What is a CFD?	A Contract for Difference (CFD) is a contract under which the parties agree to exchange the cash difference between the opening value and the closing value of the contract. The CFDs we offer are over-the-counter financial products that give the holder exposure to price movements of an underlying asset, instrument or security. Like other derivatives, CFDs allow investors to participate in the returns from movements in an underlying asset, instrument or security without the need to own or have any indirect interest in that underlying asset, instrument or security. CFDs allow you to make a profit or loss from the fluctuation in the underlying asset, instrument or security and the amount of any profit or loss on a CFD Trade will be the total of the difference between the opening value of the CFD (Quantity x Our Price) and the closing value of the CFD (Quantity x Our Price); less any Daily	9

	Financing Fee you incur and are required to pay to us in respect of the CFD.	
What fees and charges are payable in respect of a Margin FX and CFD contracts?	<p>FOREX.com does not charge fees on Margin FX or CFD transactions. FOREX.com prices will be the same level (or price) at which it is offered by its counterparty (a GAIN Capital entity) i.e. all <b>transactions</b> where FOREX.com is the market maker will be entered into on a “matched book” basis or “back to back” basis. Each transaction agreed and entered into with a Client as principal will be, at the same time ‘offset or matched’ with a similar trade with a GAIN Capital entity. Of note, these trades will be performed at the same price.</p> <p>However, please note that where you choose to guarantee the level of your stop loss, a fee WILL be levied in return for providing this guarantee. The applicable fee will vary depending on the market in which you are trading, but will be disclosed to you prior to trading. Details of the fees applicable to placement of guaranteed stop loss orders can be found in the information box provided on the trading platform at <a href="http://www.forex.com">www.forex.com</a>.</p> <p>The following administrative fees will also be applicable:</p> <p>Telegraphic transfer fees for transactions in the base currency - \$25  Telegraphic transfer fees for transactions in the international base currency - \$40  Stop payment cheque fees - \$30  Overnight mail for cheque and documents - \$15  Data fees – a fee may be levied by FOREX.com on accounts which have had no trading activity and no open positions in the previous 90 days – up to \$15.</p> <p>FOREX.com will be paid a rebate on a flat percentage of a cost plus basis from its counterparty(s). The counterparty(s) will pay FOREX.com an amount that will result in FOREX.com achieving an EBITDA (earnings before interest, taxes, depreciation and amortisation) ratio each calendar year of a certain percentage (Net Revenue less Total Expenses divided by the Net Revenue).</p>	14
How do I open an account?	Prior to transacting in Margin FX or CFDs, you must read and understand our Combined FSG and PDS and the Client Agreement (which will be provided to you by FOREX.com) detailing the applicable terms and conditions. You must complete, sign and return the Client Agreement and have your account approved by FOREX.com. FOREX.com reserves the right to refuse to open an account for any person.	4, 18 and 20



<p>How do I place a Margin FX or CFD transaction order with FOREX.com?</p>	<p>FOREX.com accepts Margin FX and CFD order transaction instructions electronically, via our on-line trading platform and also via telephone.</p>	<p>4,7 &amp; 9</p>
<p>What is Margin?</p>	<p>Your Initial Margin is the amount FOREX.com requires to open a new Margin FX or CFD position or place an order to open a new Margin FX or CFD position. This acts as collateral or a security buffer and protects us in the event of a default by you. Typically we will require an Initial Margin calculated as a percentage of the contract value.</p> <p>The Variation Margin is the unrealised profit or loss on your open position. This is the difference between the value of the product when it was bought or sold and its current market price. Should your position move in your favour we may refund part or all of the Variation Margin to you.</p> <p>If you do not meet a Margin Call in a timely manner or within the time frame specified in the Margin Call, positions will be reduced or closed out by FOREX.com without further reference to you in accordance with the terms of the Client Agreement. A Margin Call will not be considered to have been met unless and until cleared funds have been received in the nominated account and FOREX.com has updated the trading platform.</p>	<p>15 &amp; 18</p>
<p>How are payments made in and out of your Account?</p>	<p>You may transfer funds to us using mainly any of the following methods:</p> <ul style="list-style-type: none"> <li>○ International Wire Transfer</li> <li>○ Electronic Funds Transfer (EFT)</li> <li>○ Debit Card</li> <li>○ Credit Card</li> <li>○ Cheque</li> </ul> <p><i>In no circumstances does FOREX.com accept cash deposits.</i></p> <p>You will only be able to withdraw moneys available to you after your Margin obligations have been met. All transfers from FOREX.com to you will be made to the bank account nominated in your Client Agreement.</p>	<p>4, 11, and 18</p>
<p>Do I pay or receive any financing charges?</p>	<p>In the event of you holding a Margin FX or CFD position overnight you may be required to pay a financing charge or may be entitled to receive an interest payment, depending on underlying interest rate differentials of the applicable currencies.</p>	<p>14</p>
<p>What are the key risks of Margin FX and CFDs transactions?</p>	<p>Investment in Margin FX or CFD products carries a high level of risk and returns are volatile. You should only ever trade with risk capital i.e. money you can afford to lose, and should obtain independent professional advice to carefully consider whether these products are appropriate for you in light of your knowledge, experience and financial needs and circumstances.</p>	<p>13</p>
<p>What are the tax implications of</p>	<p>Margin FX and CFD transactions may have tax implications. The taxation consequences of trading in Margin FX and CFDs can be</p>	<p>22</p>

Margin FX trading?	complex and will differ for each individual's financial circumstances. We recommend that you obtain independent taxation and accounting advice in relation to the impact of Margin FX and CFDs transactions on your particular financial situation.	
FOREX.com's powers in the event of default	FOREX.com has extensive powers under the terms of the Client Agreement to take action in response to a range of default events. FOREX.com may terminate your Account, and close out all or any of your Margin FX or CFD positions, including cancelling any outstanding orders.	4 & 20
How do I obtain further information?	You can contact us as per contact details in this PDS.	2

## 7. MARGIN FX CONTRACTS OFFERED BY FOREX.COM

**Please note: this section applies to Margin FX's ONLY**

A Margin FX Contract is a rolling spot foreign exchange contracts between a Client and FOREX.com in relation to an agreed currency pair. When you propose to enter into any Margin FX Contract you will be asked to nominate a quantity and the two currencies to be exchanged. In every Margin FX Contract there are two currencies as follows:

1 fixed unit of a currency = X variable units of another currency.

The fixed currency is called the "base" currency and the variable currency is called the "terms" currency. Together, these are known as the currency pair. The currencies involved in any Margin FX Contract must be currencies which are offered by FOREX.com.

The quotes provided by FOREX.com on its Trading Platform to you are the same as quoted to us by our counterparty, a GAIN Capital entity. GAIN Capital quotes are based on, and with reference to, the underlying foreign exchange market on which the Margin FX Contract is based.

A foreign exchange quote e.g. AUD/USD "0.8910 / 0.8920" represents the bid/ask spread (in this case for AUD/USD). This quote means that you can:

- (a) buy Australian Dollars at 0.8920 against the US dollar; and/or
- (b) sell Australian Dollars at 0.8910 against the US dollar.

There is always a long (bought) and a short (sold) side to a trade, which means that you are speculating on the prospect of one of the currencies strengthening and one of them weakening.

Currency pairs are quoted out to five digits, with the last two serving as the market bid and ask on which you can trade. The first three digits are known as "the big figure" and represent the full currency quote.

Forex quotes are shortened so that the ask price is the last two digits of the quote (but this is not always the case, for example, the Japanese Yen is quoted to 2 decimal places). The last decimal place to which a particular exchange rate is usually quoted is referred to as a “point” or “pip”. Thus a pip is the minimum price increment. For example:

- In the quotation USD 1=AUD 0.9270, one point or one pip means AUD 0.0001. So the next price is 0.9271 or 0.9269.
- In the quotation USD 1=JPY 105.50, one point or one pip means JPY 0.01. So the next price is 105.51 or 105.49.

Your Margin FX Contract may be rolled until you decide to close out the transaction or it reaches the maturity date, provided that you continue to meet your margin requirements and maintain the required account balance.

A full list of Margin FX contracts provided by FOREX.com is available on our website under the Range of Markets tab at [www.forex.com](http://www.forex.com). All major currency pairs are available, however, some of the minor or more exotic currency pairs may not be able to be traded with FOREX.com. Please check our website or the trading platform information box for up-to-date information regarding which currency pairs are currently available.

FOREX.com Margin FX products do not result in the physical delivery of the currency but are cash adjusted or closed by the Client taking an offsetting opposite position **i.e. there is not a physical exchange of one currency for another**. Margin FX products are derivatives, not foreign exchange contracts. Positions will always be closed and the Client’s Account balance will be either credited or debited according to the profit or loss of the trade. The profit or loss will be expressed in the Base currency.

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## 8. PURPOSE OF TRADING MARGIN FX CONTRACTS

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**Please note: this section applies to Margin FX’s ONLY**

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People who trade in Margin FX contracts may do so for a variety of reasons. Some trade for **speculation**, that is, with a view to profiting from fluctuations in the price or value of the underlying instrument or currency. For example, Margin FX traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the underlying currency. Margin FX traders may have no need to sell or purchase the underlying currency themselves, but may instead be looking to profit from market movements in the currency concerned.

Others trade Margin FX to **hedge** their exposures to the underlying currency. Foreign exchange exposures may arise from a number of different activities.

Companies or individuals, that are dependent on overseas trade, are exposed to currency risk. This can be to purchase (or sell) physical commodities (such as machinery) or even financial products (such as investing in securities listed on an international stock exchange). An exporter who sells its product priced in foreign currency has the risk that if the value of that foreign currency falls then the revenues in the exporter’s home currency will be lower; or An importer who buys goods priced in

foreign currency has the risk that the foreign currency will appreciate thereby making the cost, in local currency terms, greater than expected.

A person going on a holiday to another country has the risk that if that country's currency appreciates against their own, their trip will be more expensive.

In each of the above examples, the person or the company is exposed to currency risk.

Currency risk is the risk that arises from international business which may be adversely affected by fluctuations in exchange rates. FOREX.com offers its clients the facility to buy or sell foreign exchange products to manage this risk.

This enables clients to protect themselves against adverse currency swings, yet secure enhanced exchange rates when offered, thereby protecting the profit margin made by the corporate during the business transaction relating to the foreign currency trade or protecting the cost of the client's international holiday in the case of the traveller.

**Note:** The risk of loss in trading in derivatives and/or leveraged products can be substantial. A client should carefully consider whether trading such products is appropriate for them in light of their financial circumstances and objectives.

Please refer to Section 16 for worked examples.

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## 9. CFD CONTRACTS OFFERED BY FOREX.COM

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**Please note: this section applies to CFD's ONLY**

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A contract for difference (**CFD**) is an over-the-counter (OTC) derivative product comprising an agreement under which one party is entitled to be paid an amount of money (profit), or has to pay an amount of money (loss), resulting from movements in the price or value of an underlying instrument or security (without actually owning that underlying instrument or security). This transaction concludes with the parties settling the difference between the purchase price and the sale price.

The CFD is a contract between you and FOREX.com, which means both parties act as principals to the transaction and have a direct credit exposure to each other. You do not trade through an Exchange and are not afforded the protections normally associated with exchange-traded derivatives, such as guarantee arrangements.

Prices quoted for CFDs can only be traded during the open market hours on which the underlying asset is traded. In addition, FOREX.com does not typically quote a price for a CFD on a particular underlying asset if that underlying asset is illiquid or in suspension (e.g. a particular futures contract may be suspended by the relevant exchange).

CFDs may have no fixed expiry dates, are not standardised and have no fixed size, but are subject to minimum contract values. As a party to a CFD, you can be paid an amount of money (profit), or be required to pay an amount of money (loss) arising from movements in the price or value of the

underlying asset. Therefore, CFDs are cash adjusted between you and FOREX.com. CFD products will always be closed out with your Account either credited or debited according to the profit or loss of the trade. **Trading a CFD product does not result in the ownership by you of any actual underlying asset and you will have none of the rights as an owner in the underlying asset.**

Please refer to Section 17 for worked examples.

FOREX.com currently offers CFD products on commodities (e.g. gold, silver and oil) and market indices (e.g. SPX 500 Index, FRA 40, UK 100 Index and GER 30 Index). Please refer to the information provided on our trading platform for a full list of available CFD contracts.

In the future, FOREX.com may also offer CFD products on bonds, equities, interest rates and treasury products. Should FOREX.com offer additional CFD products we will notify clients of the additional CFD products and provide a detailed description of such CFD products on our website.

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### **Are CFDs appropriate for you?**

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You must carefully consider whether CFDs are appropriate for you in light of your financial circumstances, experience and investment objectives. In making this decision you should be aware you could both gain and lose large amounts of money. You risk losing money because:

- (a) You could lose all the Margin funds you deposit with FOREX.com to establish or maintain a CFD position. In addition, you could lose further amounts as explained below.
- (b) If the market moves against your position, or your position is rolled over into a new contract with a differing value you may be required, at short notice, to deposit with FOREX.com further money as Margin in order to maintain your CFD position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time your CFD position may be closed. You will be liable for any shortfall in your Account resulting from the closure.
- (c) You could lose all monies deposited with FOREX.com, and in addition, be required to pay us further funds representing losses and other fees on your open and closed CFD positions. For example, although you may only invest \$1,000 in a CFD position, if the market moves against you could lose the full value of the CFD position. Under certain conditions, it could become difficult or impossible for you to liquidate or close a CFD position. For example, this can happen when there is significant change in prices over a short period.

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## 10. PURPOSE OF TRADING CFD CONTRACTS

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**Please note: this section applies to CFD's ONLY**

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People who trade in CFD contracts may do so for a variety of reasons. Some trade for **speculation**, that is, with a view to profiting from fluctuations in the price or value of the underlying instrument. For example, CFD traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the underlying instrument. CFD traders may have no need to sell or

purchase the underlying instrument themselves, but may instead be looking to profit from market movements in the instrument concerned. Others trade CFD to **hedge** their exposures to the underlying instrument.

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## 11. MARGIN FX AND CFD PRODUCT FEATURES

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### **FOREX.com Trading as Principal**

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FOREX.com will regularly state, via the electronic trading platform, the price at which it is prepared to deal with you as principal. This is known as being a 'market maker'. When dealing in Margin FX and CFDs, as with all over-the-counter derivatives, FOREX.com is the issuer and a market maker, not a broker. Accordingly each transaction agreed and entered into with you will be entered into as principal, not as agent. Should you decide to transact with FOREX.com then FOREX.com will enter into a legally binding contract with you (as principal) i.e. it will be the counterparty to the transaction and each contract purchased (or sold) by you will be an individual agreement made between you and FOREX.com.

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### **How to get started**

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You must follow the following steps to effect transactions with FOREX.com:

- (i) Read this Combined FSG and PDS;
- (ii) Read, acknowledge and accept the terms and conditions set out in the Client Agreement contained on the website at [www.forex.com/au](http://www.forex.com/au);
- (iii) Set up an account with FOREX.com in accordance with the steps contained on the website at [www.forex.com/au](http://www.forex.com/au);
- (iv) To begin executing transactions using the Trading Platform or by telephone, your account must be funded. This can be done by reviewing our funding options set out on the website at <http://www.forex.com/au>
- (v) Based on the quotations, you will enter into a transaction with FOREX.com using the Trading Platform. In the event that the Trading Platform is unavailable due to a systems disruption, then all orders and instructions may be given to us via the telephone;
- (vi) You will receive an electronic confirmation from FOREX.com (which gives details of the transaction);
- (vii) You can access details of your account any time online via the Trading Platform.

FOREX.com has the right to limit the size of your open positions, whether on a net or gross basis under any appropriate circumstances as determined by FOREX.com. FOREX.com also has the right to refuse any request made by you to place an order to establish a position at any time at FOREX.com's discretion without having to give you notice.

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## **Long & Short Positions**

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You can open both long and short Margin FX and CFD positions with FOREX.com. Should you open a long position, your intention would be to profit from a rise in the price of the underlying instrument, and you would suffer a loss should the price of the underlying instrument fall. Conversely, should you open a short position, your intention would be to profit from a fall in the price of the underlying instrument, and you would suffer a loss should the price of the underlying instrument rise.

In order to close an open long or short position, you just need to close the position by accepting the price offer. The closure of a position will generally result in a profit or loss being realised in your Account. Should you wish to close only part of your open long or short position you can do so by selecting only part of the amount to be closed when you select the close a position option.

Many Margin FX and CFDs do not have an expiry date. They remain open until they are closed in accordance with the terms of the Client Agreement. A Margin FX or CFD position can only be closed by contacting FOREX.com. To close a Margin FX or CFD position, you must access the electronic trading platform to determine the current market price for the underlying instrument, with the view to close the position (or part of it). FOREX.com will confirm the current market price and you will then decide whether to accept the price, and if so, you will instruct FOREX.com to close your open position in accordance with your instructions.

You should note that FOREX.com is not obliged to accept your orders. Typically this would occur should you exceed the limits imposed on your Account by FOREX.com, or where there are insufficient funds in your Account to meet your Margin obligations.

When trading FOREX.com products you should always be aware of the risks and benefits as detailed in this PDS.

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## **Trading Hours**

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Trading hours for CFDs depend on the relevant Underlying Market's hours of operations. Trading hours may also be affected by public holidays. You will find the details of various trading hours for CFDs on our website or by calling our Customer Support.

This means that you are able to view live prices and place live orders during these hours. Outside these hours, you may still access the Trading Platform and view your Account, market information, research and our other services. However, there will not be any live prices quoted and thus, you will not be able to enter into transactions. Any changes to operating hours will be displayed on the website.

In the event that the Trading Platform is unavailable due to a systems disruption, then the services will be provided by us via the telephone.

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## **Electronic Platform**

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FOREX.com provides an electronic trading platform which enables clients to trade in our products i.e. clients are provided direct access to Margin FX and CFD rates over the internet. The terms of use applicable to utilising our electronic trading platform, are detailed in the Client Agreement you are required to execute prior to trading. Some of the key provisions include the following:

- FOREX.com reserves the right, in its sole discretion, to institute or change any policies at any time relating to the use of our electronic trading platform. Any such changes will be advised to you directly via our electronic trading platform, email or our website.
- Clients are granted a non-exclusive and non-transferable licence to use the electronic trading platform subject to the terms of the Client Agreement.
- Clients shall only use our electronic trading platform for its internal business or investment purposes.
- Clients shall not permit any third party to copy, use, modify, disassemble, translate or convert in connection with use of our electronic trading platform or distribute the platform to any third party.
- Our electronic trading platform may be used to transmit, receive and confirm the execution of orders, subject to market conditions and applicable rules and regulations.
- FOREX.com consents to the Client's access and use in reliance upon the Client having adopted procedures to prevent unauthorised access to and use of the electronic trading platform, in any event, the Client agrees to any financial liability for trades executed through the electronic trading platform.
- Where a Client is granted access to the electronic trading platform, the Client acknowledges and warrants that it has received a password granting it access to the electronic trading platform; is the sole owner of the password provided; and accepts full responsibility for any transaction that may occur on an Account opened, held or accessed through the use of the password provided to the Client by FOREX.com.
- Clients agree to accept full responsibility for the use of the electronic trading platform and for any orders transmitted through the electronic trading platform. FOREX.com must be notified immediately should a Client become aware of any unauthorised use, loss or theft of the Client's, username, password or account numbers; or inaccurate information with respect to the content of statements including, cash balances, open positions or transaction history.
- The electronic trading platform is provided on an "as-is" basis and FOREX.com makes no express or implied representations or warranties to the Client regarding its operation or usability.
- FOREX.com does not warrant that access to or use of the electronic trading platform will be uninterrupted or error-free, or that the service will meet any particular criteria with respect to its performance or quality nor do we make any warranty as to the timeliness, sequence,



accuracy, completeness, reliability or content of any information, service or transaction provided through the use of the electronic trading platform or the results obtained from its use. FOREX.com expressly disclaims all implied warranties, including without limitation warranties of merchantability, title, fitness for a particular purpose, non-infringement, compatibility, security or accuracy.

- Under no circumstances, including negligence, will FOREX.com be liable for any direct, indirect, incidental, special or consequential damages including, without limitation, business interruption or loss of profits that may result from the use of, unavailability of, or inability to use the electronic trading platform.
- Clients agree that the use of the electronic trading platform is at the Client's risk and the Client assumes full responsibility for any losses resulting from the use of or materials obtained via the electronic trading platform.
- Please note that stop-outs (automatic closing of a position when Margin Calls have not been met) are implemented on our electronic trading platform at the sole discretion of FOREX.com, and no liability for the direct or indirect consequences thereof shall be accepted by FOREX.com in relation thereto.

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## Pricing

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FOREX.com prices will be the same level (or price) at which it is offered by its counterparty (a GAIN Capital entity) i.e. all transactions where FOREX.com is the market maker will be entered into on a "matched book" basis or "back to back" basis. Each transaction agreed and entered into with a client as principal will be, at the same time 'offset or matched' with a similar trade with a GAIN Capital entity. Of note, these trades will be performed at the same price.

Accordingly, FOREX.com will only earn a commission on the trade from its counterparty. This differs from some other product issuers of margin foreign exchange products which generate their income from a spread i.e. the difference between the bid price and the ask price.

When you trade Margin FX or CFD products you are normally quoted a spot price. This means that if you take no further steps, your trade will be automatically rolled over after one Business Day unless you close the position.

Although a forward trade is for a future date, the position can be closed out at any time - the closing part of the position is then swapped forward to the same future value date.

When you trade, you may trade a combination of two currencies. For example, you will buy US dollars and sell Euro. Or buy Euro and sell Japanese yen, or any other combination of widely traded currencies. But there is always a long (bought) and a short (sold) side to a trade, which means that you are speculating on the prospect of one of the currencies strengthening and one of them weakening.

When trading US dollars against Japanese yen, the normal way to trade is buying or selling a fixed quantity of US dollars, i.e. USD1,000,000 or x contracts. When closing the position, the opposite

trade is done, again USD1,000,000 or x contracts. The profit or loss will be apparent in the change of the amount of yen credited and debited for the two transactions. In other words, your profit or loss will be denominated in Japanese yen that are known as the price currency. As part of our service, FOREX.com will automatically exchange your profits and losses into your Base currency if it is required.

This way of trading is different to the exchange traded derivative markets (futures markets), for example, where the Euro and yen are the fixed trade currencies, resulting in a US dollar denominated profit or loss. You can, however, also choose to trade in this reciprocal manner in foreign exchange markets but it is not the norm.

## 12. KEY BENEFITS OF TRADING MARGIN FX AND CFD CONTRACTS

Margin FX and CFD products can provide an important risk management tools for those who manage foreign currency exposures. The significant benefits of using Margin FX or CFD products as risk management tools are to **protect your exchange rate and provide cash flow certainty**. Other benefits of using these products apply equally for a client as a risk management tool or for the client who is a trader or speculator. The benefits of trading Margin FX and CFD contracts are described in the table below.

Benefit	Explanation	Margin FX	CFDs
<b>Protect an Exchange Rate</b>	<p>FOREX.com provides an electronic trading platform, enabling clients to trade in over-the-counter (as opposed to exchange-traded) derivatives such as Margin FX or CFD contracts over the internet. This facility provides clients with direct access to our system to enable them to buy and sell currency rates to protect themselves against adverse market swings.</p> <p>FOREX.com also offers clients a way of managing volatility by using stop loss or limit orders that enable clients to protect themselves against adverse market swings yet secure enhanced market rates when offered. Clients can eliminate downside risk by the use of stop loss orders if the exchange rate reaches a particular level. In addition, clients may also use limit orders which allow clients the opportunity to benefit from favourable upside market movements.</p>	✓	✓
<b>Provide Cash Flow Certainty</b>	By agreeing a rate now for a time in the future you will determine the exact cost of that currency, thereby giving certainty over the flow of funds. Any profit (or loss) you make	✓	x

	<p>using the FOREX.com product would be offset against the higher (or lower) price you physically have to pay for the foreign currency.</p> <p>In addition to using Margin FX products as a risk management tool, clients can benefit by using Margin FX products offered by FOREX.com to speculate on changing exchange rate movements. You may take a view of a particular market or the markets in general and therefore invest in our products according to this belief in anticipation of making a profit.</p>		
<b>Leverage</b>	Margin FX and CFDs are leveraged investments and trading instruments. While leverage can magnify losses, it can also magnify profits. Leverage allows Clients to take larger exposures, to more markets, than cash investors using the same capital base. Leverage also means that Clients can employ more investment and trading strategies than 'long only' investors. These include trading 'pairs', trading across asset classes, going short and taking exposures around short term events.	✓	✓
<b>Trade in Small Amounts</b>	The electronic trading platform enables you to make transactions in small amounts. You can start using the electronic trading platform even with an opening balance as little as AUD \$300. When trading in a Margin FX or CFD contract offered by FOREX.com you may deposit the sum that suits you, or the amount which is in line with the amount you are willing to risk. With FOREX.com you are in full control of your funds.	✓	✓
<b>Access to our Markets at Any Time</b>	<p>When using FOREX.com you gain access to a highly advanced and multi-levelled system which is active and provides you with the opportunity to trade 24 hours a day on any global market which is open for trading. This gives you a unique opportunity to react instantly to breaking news that is affecting the markets. It should be noted however, that trading in a particular contract may be restricted to hours where liquidity is available for that contract.</p> <p>Trading hours vary based on the asset class and the underlying market. Market hours can range from 8 to 24 hours in relation to a particular global market. Please refer to our website at <a href="http://www.forex.com/au">www.forex.com/au</a> for further information regarding trading hours for each market.</p>	✓	✓
<b>Profit Potential in both rising</b>	Since the market is constantly moving, there are always trading opportunities, whether a currency is strengthening or	✓	✓

<b>and falling Markets</b>	weakening in relation to another currency.		
<b>Hedging</b>	CFDs and Margin FX contracts can be used to hedge investments, and reduce existing market risk. Clients can hedge directly, on a portfolio basis, or to cover specific risks of investments.	✓	✓
<b>Flexibility</b>	A major benefit of entering into an OTC contract is that you are not bound by standardised contracts. Unlike exchange traded products, OTC contracts are not standardised. For example, FOREX.com allows you to enter into transactions in small amounts (subject to any minimum contract value determined by FOREX.com) with flexible settlement dates or maturity dates, whereas exchange traded products are a standard size and cannot be varied in duration. Margin FX Contracts can be rolled indefinitely until you decide to close out the transaction or it reaches the maturity date, provided that you continue to meet your margin requirements and maintain the required account balance.	✓	✓
<b>Lower Costs</b>	Generally, CFD exposures come at lower transaction costs than the same exposure taken in the underlying instruments. Clients pay no FOREX.com fees to open or maintain a CFD trading Account. In some limited circumstances, FOREX.com reserves the right to pass on exchange fees where they are charged to FOREX.com.	✓	✓
<b>Superior Liquidity</b>	<p>The foreign exchange markets are highly liquid as there are generally large volumes of buyers and sellers wishing to trade, particularly in relation to the major currencies. We source our liquidity for the Margin FX contracts we offer, from a range of banks, which is then further supplemented by our parent company, Gain Capital. This enables us to provide pricing on client trades which is consistently amongst the tightest available.</p> <p>CFD markets take their liquidity from the relevant product markets underlying the reference contracts to which the CFD relates. Again, we provide further liquidity to provide additional insulation for clients from spread variations that occur naturally throughout the course of a trading day.</p>	✓	x
<b>Real Time Streaming</b>	The electronic trading platform uses the latest highly sophisticated technologies in order to offer you up-to-the-	✓	✓

## Quotes

minute quotes. You may check your accounts and positions in real time and you may do so 24 hours a day (in most circumstances) on any global market which is open for trading and make a trade based on real-time information. FOREX.com believes it is highly important for you to be able to control your funds whenever you wish and base your deals on real-time information.

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### 13. KEY RISKS OF TRADING MARGIN FX CONTRACTS AND CFD'S

Trading in Margin FX and CFD products carries a high level of risk and returns are volatile. The risk of loss in trading can be substantial, and you can lose more than the capital invested. You should obtain independent professional advice and carefully consider whether Margin FX or CFD products are appropriate for you in light of your knowledge, experience and investment objectives, financial needs and circumstances.

It is also important that you read and understand the terms and conditions of trading in the Client Agreement and this PDS before entering into any Margin FX or CFD transactions.

Some of the key significant risks involved in Margin FX and CFD trading include, but are not limited to, the following:

**Macro-economic Risk** – the general state of the Australian and international economies as well as changes in taxation policy, monetary policy, interest rates and statutory requirements are some of the factors which may influence the progress of currency markets.

**Market Risk**- This is the risk that the markets move in a direction not anticipated. External market forces can cause markets and prices to change quickly, such forces include changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the marketplace. As the price of your position is based on an underlying asset these factors may affect your position and our ability to execute, settle or close out transactions on your behalf.

**Gapping** -In fast moving or illiquid markets “gapping” may occur. Gapping occurs when market prices do not follow a “smooth” or continuous trend and are typically caused by external factors such as world, political, economic and corporate related events. Should gapping occur in the underlying asset on which your product is based, you may not be able to close out your position or open a new position at the price at which you have placed your order. Further, in instances of “gapping” any conditional orders opened on your Account will be filled at the next best available price which may be substantially different from the price selected when entering your conditional order.

**Variation Margins** - Should the price of the underlying asset on which your product is based move against you, you may receive a Margin Call from us and, at short notice, be required to deposit a Variation Margin into your Account in order to maintain your position. Should we make a Margin Call

which may be substantial, you must deposit the amount of funds that we request into your Account immediately. In the event of you failing to make Margin payments we may reduce or close all your open positions without further notice and you will be liable for any shortfall. Positions are marked-to-market on a daily basis, with payments being settled daily to account for market movements. You must be in a position to fund such requirements at all times. Initial and Variation Margin must be paid immediately after the call. The general policy of FOREX.com is that payment of the call must be received within 24 hours of the call although in times of extreme price volatility this may mean as little as 1 hour. In rare circumstances, the markets could move against your position giving FOREX.com no time to make a Margin Call on you to request additional funds for FOREX.com to protect its positions.

**Leverage** – As these products are highly leveraged a small price movement in the underlying asset on which they are based can result in substantial profits or losses exceeding your Initial Margin. In addition you could be required to pay further funds representing losses and other fees on your open and closed positions. The prices of our products may be volatile and fluctuate rapidly over wide ranges. Price fluctuations may be as a result of uncontrollable events or changes in a variety of conditions as described above in Market Risk.

**Liquidity** – Under certain conditions, it may be difficult or impossible to close out a position. This can occur when there is significant change in the price of the underlying currency over a short period of time.

**Stop Loss Orders unavailable** - Certain products can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. Stop losses are instructions placed by the client with FOREX.com to close out an open position if a market trades through a specific level. Stop loss orders are often used to attempt to limit the amount which can be lost on a position. We note that stop losses are not guaranteed (unless expressly agreed) and the execution of such orders will depend on market volatility and liquidity. So whilst stop losses generally allow you to control potential losses should the market move against you, please be aware that stop loss orders may not always limit your losses the way you anticipate. The operation of these order types should be discussed with your FOREX.com representative. We note that where you have placed a guaranteed stop loss order, this will indeed guarantee that your exposure is limited to the agreed level.

**Adjustment risk** – Positions in cash index CFDs may be subject to adjustment to reflect dividend payments in the underlying exchanges and the impact of other corporate actions, such as mergers and takeovers. Where an adjustment event occurs, FOREX.com reserves the right to adjust the terms of your CFD or order, OR not make the adjustment to the relevant CFD if it is not reasonably practicable. FOREX.com may also elect to close your CFD position in the event of the underlying securities being the subject of a take-over offer, prior to the closing date of the offer.

**Powers of FOREX.com** – Should you fail to pay any amounts due and payable, including Margin Calls, or maintenance of minimum account balances, FOREX.com have extensive powers to close out positions and charge default interest. Under the Client Agreement you also indemnify FOREX.com and its employees, agents and representatives against certain losses and liabilities. You should read the Client Agreement carefully to ensure you understand these powers and responsibilities.

**Electronic Trading platform risk**– You shall be responsible for providing and maintaining the means by which to access the electronic trading platform, which may include without limitation a personal computer, modem and telephone or other access line. While the internet and the World Wide Web are generally reliable, technical problems or other conditions may delay or prevent access thereto. If you are unable to access the internet and thus, the electronic trading platform, it will mean you may be unable to trade in a product offered by FOREX.com when desired and you may suffer a loss as a result. Should the system be unavailable, clients may place their orders via telephone with a representative of FOREX.com. Furthermore, in unforeseen and extreme market situations, such as an event like September 11, or a global catastrophe, FOREX.com reserves the right to suspend the operation of the electronic trading platform or any part or sections of it for a period determined by us before or after a Fundamental Announcement, or event of Force Majeure, which means that you will not be able to enter into transactions during that period.

In such an event, FOREX.com may, at its sole discretion (with or without notice), close out your open contracts at prices it considers fair and reasonable at such a time. FOREX.com may impose volume limits on Client Accounts, at its sole discretion. Please note that such measures would only be implemented in extreme market conditions, and such discretion only reasonably exercised in the best interests of the Client.

Due to the dynamic nature of our CFD products and the underlying assets, it is possible that the value of your open positions will change outside Trading Hours, while the trading function of our Trading Platforms is closed, and various markets may be closed, for example during weekends. In this case, you will not be able to trade in a CFD product offered by FOREX.com such as open a new transaction or close out an open transaction until Trading Hours resume and the trading function of the Trading Platform and the relevant market re-opens. You may suffer a financial loss or opportunity loss as a result. There is a risk that stop-loss orders left to protect open positions where there is a Fundamental Announcement will be executed at levels significantly worse than the specified price of the stop-loss order.

**Regulatory Risk**– changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in Margin FX or CFDs, as may any regulatory action taken against FOREX.com.

**FOREX.com Risk** - the risk of FOREX.com being unable to operate its business as a result of a regulatory impediment such as FOREX.com ceasing to hold an Australian Financial Services Licence or because ASIC impose a stop order on the PDS issued by FOREX.com or FOREX.com ceasing to exist.

**No cooling off** - There are no cooling-off arrangements for Margin FX or CFD contracts. This means that when FOREX.com arranges for the execution of a Margin FX or CFD contract, you do not have the right to return the product, nor request a refund of the money paid to acquire the product.

**Market Volatility** - Markets are subject to many influences which may result in rapid fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility.

Given the potential levels of volatility in certain markets, it is therefore recommended that you closely monitor your positions with FOREX.com at all times. Certain markets are highly volatile and are very difficult to predict. Due to such volatility, in addition to the spread that FOREX.com adds to all calculations and quotes, **no Margin FX or CFD product offered by FOREX.com, or any other financial services provider, may be considered as a safe trade.**

However, FOREX.com offers clients a way of managing volatility by working orders. Certain products can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. Stop losses are instructions placed by the client with FOREX.com to close out an open position if a market trades through a specific level. Stop loss orders are often used to attempt to limit the amount which can be lost on a position. **We note that stop losses are not guaranteed (EXCEPT where a guaranteed stop loss order has been placed, and the relevant premium has been paid) and the execution of such orders will depend on market volatility and liquidity.** The operation of these order types should be discussed with your FOREX.com representative. You should refer to our Client Agreement with respect to the operation of these order types.

Under certain conditions it could become difficult or impossible for you to close a position. For example, this can happen when there is a significant change in prices over a short period. Lack of liquidity in foreign exchange markets due to extreme volatility or uncertainty of trading in those markets may also affect the ability of FOREX.com to open or close a position thereby reducing profits or increasing losses.

A “spread” position (i.e. the holding of a bought contract for one specified date and a sold contract for another specified date) is not necessarily less risky than a simple long (i.e. bought) or short (i.e. sold) position. Furthermore a “spread” may be larger at the time you close out the position than it was at the time you opened it.

You should be aware that if you acquire a product offered for trading or speculative purposes (that is where you do not have a risk you need to protect yourself from), you will be fully exposed to movements in the underlying asset.

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

**Counterparty Credit Risk** - Margin FX and CFD contracts are not traded on a regulated exchange. Investors must deal directly with FOREX.com to open and close positions. Given you are dealing with FOREX.com as counterparty to every transaction, you will have an exposure to us in relation to each transaction. This is common to all OTC financial market products.

The obligations of FOREX.com to make payments in respect of the contracts are unsecured obligations of FOREX.com, which means that you are subject to our credit risk. If we were to become insolvent, we may be unable to meet our obligations to you. If we default on our obligations, Clients may become unsecured creditors in an administration of liquidation and will not have recourse to any underlying assets in the event of our insolvency.



In this regard, you should be aware that, as a market maker, FOREX.com will immediately hedge its exposure (“book”) with its hedging counterparty, a GAIN Capital entity i.e. each transaction agreed and entered into with the Client will be offset or matched with a similar trade (in terms of price and quantity) with a GAIN Capital entity. Accordingly, we are exposed to counterparty risk to GAIN Capital.

FOREX.com enters into arrangements with third party execution and clearing providers for the facilitation of transactions and settlements, and avails monies received for Margin Calls and settlements to such providers for this purpose. Accordingly clients are indirectly exposed to the financial risks of our counterparties and organisations with whom FOREX.com holds client funds. If the financial condition of FOREX.com or assets of our counterparties or the parties with which we hold client assets deteriorate, then clients could suffer loss because the return of the client capital could become difficult.

You are reliant on FOREX.com’s ability to meet its counterparty obligations to you to settle the relevant contract. FOREX.com may choose to limit this exposure by entering into opposite transactions as principal in the wholesale market in relation to its exposures with clients. In addition, FOREX.com must comply with the financial requirements imposed under its AFS Licence.

Please contact us in writing at the address/email provided herein, should you wish to obtain a free-of-charge copy of our most recent audited Balance Sheet and Profit and Loss Statement.

**Foreign Exchange Risk** - Your Account is maintained in the currency you have nominated, that is, the Base currency. Where you deal in a product that is denominated in a currency other than the Base currency, all Initial and Variation Margins, option premiums, profits, losses, rollover fees, interest rate payments/receipts and financing credits and debits in relation to that product are calculated using the currency in which the product is denominated.

Accordingly, your profits or losses may be affected by fluctuations in the relevant foreign exchange rate between the time the order is placed and the time the position is closed, liquidated, offset or exercised.

A crystallized profit or loss that is realized in a currency other than your base account currency will be converted on close. If any interest costs and other charges to be debited to your Account are in a Currency other than the Account Base Currency they may be converted to that Account Base Currency at the conversion rate as determined by us.

**Market Information Risk** - FOREX.com may make available to you through one or more of its services, a broad range of financial information that is generated internally or obtained from agents, vendors or partners (third party providers). This includes, but is not limited to, financial market data, quotes, news, analyst opinions and research reports, graphs or data (Market Information).

Market Information provided by us by email or through our website is not intended as advice. FOREX.com does not endorse or approve the Market Information and we make it available to you only as a service for your own convenience. FOREX.com and its third party providers do not guarantee the accuracy, timeliness, completeness or correct sequencing of the Market Information or warrant any results from your use or reliance on the Market Information.

Market Information may quickly become unreliable for various reasons including, for example, changes in market conditions or economic circumstances. Neither FOREX.com nor the third party providers are obligated to update any information or opinions contained in any Market Information and we may discontinue offering Market Information at any time without notice.

**Operational Risk** - Operational Risk is inherent in every transaction, for example, disruption to FOREX.com's operational processes such as communications, computers, networks or external events may lead to delays in the execution of or settlement of a transaction.

FOREX.com relies on a number of technology solutions to provide you with efficient services - FOREX.com has partly outsourced the operation of this trading platform to a third party and in doing so FOREX.com relies upon this third party to ensure the systems are updated and maintained.

A disruption to the FOREX.com electronic trading platform may mean you are unable to trade in a product offered by FOREX.com when desired and you may suffer a loss as a result. An example of disruption includes the "crash" of our computer based trading system.

**Risk Capital** - You could lose all of the Initial Margin that you deposit to establish or maintain a position. All derivatives involve risk and there is no trading strategy that can eliminate it. The placing of contingent orders (such as a stop-loss order) may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders.

In cases where you are speculating we suggest that you do not risk more capital 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.

**Superannuation Funds** - It should be noted that complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities which are contained in the Superannuation Industry Supervision Act 1993, and associated regulations and regulatory guidance material.

Without being an exhaustive list, following are some of the issues that should be considered by a Trustee of a complying superannuation fund:

- Restrictions on borrowing and charging assets and whether dealing in over-the-counter derivative products would breach those borrowing and charging restrictions;
- The purpose of dealing in over-the-counter derivative products in the context of a complying superannuation fund's investment strategy as well as the fiduciary duties and other obligations owed by Trustees of those funds;
- The necessity for a Trustees of a complying superannuation fund to be familiar with the risk involved in dealing in over-the-counter derivative products and the need to have in place adequate risk management procedures to manage the risks associated in dealing in those products; and
- The consequences of including adverse taxation consequences if a superannuation fund fails to meet the requirements for it to continue to hold complying status.

**Investment decisions** - You are solely responsible for the selection of the underlying asset for any orders you place with us, and as such, the performance of any investment in Margin FX or CFDs using your trading Account will depend mainly on the your own investment decisions.

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#### 14. FEES & CHARGES

FOREX.com does not charge fees on Margin FX or CFD transactions. The exception to this is where you place a GUARANTEED stop loss order, in relation to which an additional fee must be paid, to secure this guarantee. The fee varies depending on the market/product traded, and will be disclosed to you prior to trading, via the trading platform.

Other fees and charges once disclosed and agreed, will be charged to your trading Account at the time your transaction is executed.

The calculation of the price to be paid (or the payout to be received) for CFD or Margin FX products offered by FOREX.com, at the time the contract is purchased or sold, will be based on our best estimate of market prices and the expected level of interest rates, implied volatilities and other market conditions during the life of the financial contract and is based on a complex arithmetic calculation.

The contract prices (or the payout amounts) offered to clients hedging, trading or speculating on market prices may differ from prices available in the primary or underlying markets where contracts are traded. This is due to the spread in the price calculation. The decision to transact at a particular rate will always be your decision. However, once you agree to a particular exchange rate that is the total amount payable by you to FOREX.com.

Each transaction entered into by FOREX.com with a Client is offset or matched with a similar trade in terms of price and quantity, with a GAIN Capital entity, as the hedging party. Where a particular Client places orders to trade in large volumes, this may result in more competitive rates/prices being quoted by FOREX.com (to the benefit of such Clients) than the rates/prices quoted for other Clients who trade in small volumes. This is a usual practice within the industry.

FOREX.com prices will be the same level (or price) at which it is offered by its counterparty (a GAIN Capital entity) i.e. all transactions where FOREX.com is the market maker will be entered into on a "matched book" basis or "back to back" basis. Each transaction agreed and entered into with a Client as principal will be, at the same time 'offset or matched' with a similar trade with a GAIN Capital entity. Of note, these trades will be performed at the same price.

FOREX.com will be paid a rebate on a flat percentage of a cost plus basis from its counterparty(s). The counterparty(s) will pay FOREX.com an amount that will result in FOREX.com achieving an EBITDA (earnings before interest, taxes, depreciation and amortisation) ratio each calendar year of a certain percentage (Net Revenue less Total Expenses divided by the Net Revenue).

FOREX.com does not provide a market amongst or between clients for investments or speculations. As stated above, each product purchased (or sold) by you is an individual agreement made between you and FOREX.com as principal and is not transferable, negotiable or assignable to or with any third party.

Fees must be paid to us immediately upon execution of the trade, and will be deducted from your Account in accordance with the Client Agreement.

FOREX.com does reserve the right to charge the fees indicated below as well as fees where there is a service provided outside of the standard Trading Platform functionality (these are described on our website at [www.forex.com/au](http://www.forex.com/au)). Such fees may include:

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### **Administration/Account Charges**

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FOREX.com reserves the right to charge fees for certain administrative services which occur in the course of your dealings with us. Administrative services to which fees are applicable are outlined in the table below.

<b>Administrative Service</b>	<b>Fee (incl. GST)</b>
Telegraphic transfer fees for transactions in the base currency	\$25.00
Telegraphic transfer fees for transactions in the international base currency	\$40.00
Stop payment cheque fees	\$30.00
Overnight mail for cheques and documents	\$15.00
Data fees (for trading accounts where no trading or open positions have occurred for a period exceeding 30 days)	\$15.00

FOREX.com reserves the right to change any of the above administration fees applicable. You will receive proper notification of such a change, and a supplementary or revised combined PDS where required.

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### **Overnight Interest**

### **Conversion Fee**

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FOREX.com does not charge any additional conversion fee when converting currencies to your Base Currency. When there is a conversion from a Term Currency to your Base Currency the exchange at

the spot rate for the applicable currency pair at posted on the trading platform at the time of the transaction.

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## Financing Charges

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In the event of you holding a long CFD position overnight you may be required to pay a financing charge at an interest rate. If you hold a short CFD position overnight you may be entitled to receive interest, however where interest rates are low and you hold a short position, you may be charged. Interest calculations are based on the total notional value of your open position, and are calculated as set out below using the LIBOR (London Interbank Offer Rate) plus or minus a margin. Interest is calculated and debited from or credited to your Account on a daily basis. No interest is paid or received if you open and close a position in the same trading day.

The LIBOR rate changes frequently and is the most widely used benchmark or reference rate for short term interest rates world-wide. LIBOR is calculated daily by the British Bankers Association and published on their website with a 1 week rolling delay.

Standard overnight interest rates applicable are outlined below.

<b>Overnight Interest</b>	
<b>Long</b>	<b>Short</b>
LIBOR +2.5%	LIBOR – 2.5%

The amount of interest paid/received by FOREX.com will vary each day, depending upon factors such as the closing price of the underlying asset on which the product is based, changes to holdings within your portfolio and/or changes to LIBOR.

In the event of holding an FX position overnight, you may incur/receive what is known as a Funding Cost/Benefit or Roll Over Fee/Benefit when your transaction is rolled. This means that open positions held at the end of the Business Day will be rolled over and remain open until the end of the next Business Day (unless the position is closed). Your Margin FX Contracts can be rolled indefinitely until you decide to close out the transaction or it reaches the maturity date, provided that you continue to meet your Margin requirement and maintain the required Account balance.

The Funding Cost/Benefit will depend on the interest rate differential between the two currencies in the currency pair of your transaction. Whether you incur a cost or receive a benefit will depend on whether you hold a long (bought) or short (sold) position and also which currency has the higher yield (i.e. interest rate).

For example, if you are long AUD/USD (i.e. you have bought AUD against USD) and interest rates are higher in Australia than in the US, you will receive a Funding Benefit when the position is rolled overnight because you are holding a higher yielding currency. However, if the interest rate in the US is sufficiently higher than Australian interest rates, you will incur a Funding Cost because you are holding the lower yielding currency.

We have provided some examples on our website to help illustrate how the Funding Cost/Benefit is calculated and how it can impact on the financial results of your transactions. These examples are illustrations only and actual results may differ.

FOREX.com may in its absolute discretion reduce the financing rates applicable to your long and short positions depending on your trading volume or Account balance. FOREX.com reserves the right to change the financing rates applicable. In the event thereof, you will receive proper notification of such change, and a revised PDS if required.

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## 15. MARGINS

All trading activity will occur on a “margined basis” or “leveraged basis”. This means that clients will be required to lodge sufficient funds as security with FOREX.com (initial margin) and may also need to lodge additional funds (variation margin) to cover adverse market movement which may arise against the open contract(s) to continue to hold such contracts i.e. open positions will be accounted for on a mark-to-market basis whereby the client’s account is either debited for unfavourable market movements or credited for favourable market movements.

Typically we will require an Initial Margin calculated as a percentage of the contract value. The Initial Margin will vary depending on the type of product you trade and is determined at FOREX.com’s discretion mostly by the liquidity of the underlying asset on which the product is based. It is typically 5% of the contract value but may be as low as 1% or as high as 100% depending on the volatility of the relevant market and the liquidity of the underlying asset and the size of the position you hold with us.

FOREX.com may vary the Initial Margin rate at any time at its sole discretion. Notice of such variation will always be provided through the information box on the trading platform and any such notice will be deemed to have been received by the Client.

Should the Client fail to top up their account with additional funds to cover the adverse market movement and the position continues to move against the client, then FOREX.com will close out or liquidate some or all of the position (prior to the trade exceeding the client’s account balance and a negative balance being generated).

Accordingly, to summarise, should a transaction move against the client, then the client will have the following alternatives:

- (a) close out the position and realise the loss i.e. close the trade by entering into an offsetting and opposite position;
- (b) retain the open position by ‘topping up’ their account i.e. adding additional funds to cover the adverse market movement. This will enable extra cover in anticipation that the trade will return to a favourable position. However, if you choose to top up your account by depositing additional funds with us then the risk of loss will be the initial amount deposited plus any additional amounts deposited into the account (plus any realised profits, less any realised losses and less any withdrawals); or

- (c) wait for FOREX.com to automatically, via the Trading Platform, close out or liquidate the trade. This will only occur when the balance in your account does not meet the minimum margin requirements required to hold the position in your account.

When you propose to enter into a transaction, you will access the Trading Platform and determine which product you wish to trade and consider the prices being quoted by us including the Initial Margin applicable. Should you decide to accept our price you will follow the steps on the Trading Platform. It is also important to note that the account must always be funded with at least the required initial margin for a proposed transaction. This amount must be lodged or be available in the client's account balance prior to a transaction being entered into.

The Margin amounts are payable into the FOREX.com client trust account and are held, used and withdrawn in accordance with the Corporations Act requirements and our agreed terms and conditions specified in the Client Agreement. In particular, FOREX.com will utilise client deposits to meet Margin Calls, and other payment/settlement obligations.

With respect to the account balance required at any particular time we refer you to our website at [http://www.forex.com/au/forex\\_understanding\\_margin.html](http://www.forex.com/au/forex_understanding_margin.html), or you may use the margin and pip calculator in our secure MyAccount feature. This may also be ascertained by contacting us. Our contact details are set out in Section 5.

It is **your responsibility to actively monitor and manage your** transactions and your obligations, including ensuring that you maintain the required account balance. It is also your responsibility to ensure you are aware of any changes in the required account balance (to cover the required margin including any variations in the initial margin, whether specifically notified to you or not). FOREX.com is under no obligation to contact you in the event of any change to the required account balance or any actual or potential shortfalls in your account.

All contracts will be subject to Margin obligations. Accordingly, you are responsible for meeting all Margin payments required by FOREX.com. It is your sole responsibility to monitor and manage your open positions and exposures, and ensure Margin Calls are met as required. Margin Calls will be notified via email, and you are required to be available by email at all times when you have open positions to ensure you receive notification of any such Margin Calls . Please note that if you do not check the trading platform for Margin Call notifications, and hence do not meet them in a timely manner, positions will be closed out by FOREX.com, without further reference to you, in accordance with the executed Client Agreement. A Margin Call will not be considered to have been met UNLESS AND UNTIL cleared funds have been received by FOREX.com in the nominated Account.

If you fail to meet any Margin Call i.e. if we fail to receive cleared funds, we may reduce or close all your open positions without further notice or in the rare circumstances where FOREX.com does not have time to make a Margin Call due to exceptional market movements, then FOREX.com may in its absolute discretion and without creating an obligation to do so, close out, without notice, all or some of your open positions (or transactions) and deduct the resulting realised loss from the Initial Margin (and other excess funds held in your Account with FOREX.com).

In either case, any losses resulting from FOREX.com closing your position will be debited to your Account and may require you to provide additional funds to FOREX.com.

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

It is the client's responsibility to maintain a sufficient account balance to meet the client's obligations in relation to their transactions. Only cleared funds which have been identified by FOREX.com as money paid by or for a client will be recognised for the purpose of determining the client's account balance and in the absence of such cleared and identified funds, they will not be treated as having been paid to the credit of the client's account.

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#### 16. MARGIN FX TRADING EXAMPLE

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**Please note: this section applies to Margin FX Contracts ONLY**

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The current bid/ask for EUR/USD is 1.4616/19, meaning you can buy 1 euro for 1.4619 or sell 1 euro for 1.4616.

Suppose you decide that the Euro is undervalued against the US dollar. To execute this strategy, want to buy Euros while simultaneously selling dollars, and then wait for the exchange rate to rise. So to make a trade you would buy 1 contract which equates to earning 1\$ per point of rise in the EUR/USD rate. For each .0001 that the Euro rises against the US Dollar you will earn 1\$. This is the same as buying 10,000 Euros for 14,619 dollars. Remember, at 1% margin, your initial margin deposit would be approximately \$146.19 for this trade.

As you expected, Euro strengthens to 1.4639. Now, to realise your profits, you sell 1 contract (or 10,000 Euros) at the current rate of 1.4639, and realize a profit of \$20.00.

You bought 1 EUR/USD contract or 10,000 Euros at 1.4619, paying \$14,619.

Then you sold 1 EUR/USD contract or 10,000 Euros at 1.4639, receiving \$14,639.

That's a difference of 20 pips, expressed in dollar terms ( $\$14,639 - 14,619 = \$20$ ).

**Total profit = US \$20.**

Now in the example, let's say that we once again buy EUR/USD when trading at 1.4616/19. You buy 10 EUR/USD contracts and pay 146,190 dollars ( $100,000 \times 1.4619$ ).

However, Euro weakens to 1.4609/12. Now, to minimise your loses, you sell 10 EUR/USD contracts (100,000 Euros against USD) at 1.4609 and receive \$146,090.

You effectively bought 100k Euros at 1.4619, paying \$146,190.

You sold 100k Euros at 1.4609, receiving \$146,090.



That's a difference of 10 pips on 10 EUR/USD contracts, or in dollar terms (\$146,190 - \$146,090 = \$100)

**Total loss = US \$100.**

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## 17. CFD TRADING EXAMPLES

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**Please note: this section applies to CFDs ONLY**

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The amount of any profit or loss made on the CFD will be calculated by reference to the difference between the price or value of the CFDs underlying asset when the CFD is opened and the price or value of the CFDs underlying asset when the CFD is closed out, multiplied by the number of the CFDs held. The calculation of profit or loss is also affected by funding charges and any other charges.

Assume the price of oil has been increasing and you consider the price will continue to rise. You access the trading platform to review our US Oil CFD quotes. Our quote is the same as the price quotes to us by our counterparty (Our counterparty's quotes are based on, and with reference to, the underlying commodity futures contract (which, in this example, is a WTI Oil futures contract traded on NYMEX)).

Our Quote is 108.47/108.52. The value of a movement from 108.47 to 109.47 is 100 points and on a single contract would result in a gain of \$100.00.

You buy 10 US Oil CFD at a price of US 108.52\$

The underlying price of US Oil decreases and our quote is now 107.02/107.07.

You decide to sell the CFD at a price of 107.02 to close out against the bought open position.

Trade

Opening Price: Buy 10 contracts at \$108.52

Closing Price: \$107.02

Difference: \$1.50

Contract Value: 10 CFDs

The resulting Loss would be US\$1,500 being : Sale price (\$107.02) less but price (\$108.52) x US\$100x10(number of CFDs).

You buy 10 US Oil CFD at a price of US\$107.02

The underlying price of US Oil increases and our quote is now 108.52/108.57.

You decide to sell the CFD at a price of 105.52 to close out against the bought open position.

Trade

Opening Price: \$107.02

Closing Price: \$109.02

Difference: \$2.00

Contract Value: 10 CFDs

The resulting Profit would be US\$2,000 (less funding charge) being : Sale price (\$109.02) greater than price (\$107.02) x US\$100x10(number of CFDs).

We have provided some further examples on our website at <http://www.forex.com/au/learn.html> to help illustrate how the products offered by FOREX.com work and can be traded. These examples are illustrations only and actual results may differ.

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## 18. FUNDING YOUR ACCOUNT

Prior to entering into a CFD transaction, you must open an account with us and deposit a minimum of \$300.00.

When you propose to enter into a transaction, you will access the Trading Platform and determine which CFD product you wish to trade and consider the prices being quoted by us. Should you decide to accept our price you will follow the steps on the Trading Platform. You must have lodged in your Account sufficient money to meet the relevant Initial Margin for the proposed transaction.

To begin executing transactions using the Trading Platform or by telephone, your Account must be funded. This can be done by reviewing our funding options set out on the website at <http://www.forex.com/au>.

You may transfer funds to us using any of the following methods:

- International Wire Transfer
- Electronic Funds Transfer (EFT)
- Debit Card
- Credit Card
- Cheque

***In no circumstances does FOREX.com accept cash deposits.***

When transferring funds to FOREX.com you must ensure that the funds are appropriately referenced with your account number and name exactly as it appears on your FOREX.com trading Account to enable us to easily identify your funds and apply them to your Account promptly. All payments made to FOREX.com must be free of any withholding tax or deduction.

You should bear in mind that accepted Australian banking practice in relation to fund transfers or deposits from other institutions, typically requires 3 Business Days' clearance for personal cheques and 1 Business Day's clearance for direct non-ASB deposits (depending on the timing of your transfer). Any delay in crediting your Account payments is at your risk.

FOREX.com will only act on funds that have cleared, so we recommend that you maintain sufficient Margin in your Account at all times to maintain your open positions. Only cleared funds which have been identified by FOREX.com as money paid by or for a Client will be recognised for the purpose of determining the Client's Account balance and in the absence of such cleared and identified funds, they will not be treated as having been paid to the credit of the Client's Account. It may take FOREX.com up to 48 hours to identify a deposit made by or for a Client and credit that payment to the Client's Account. However, in the case of deposits made by credit card, FOREX.com is able to immediately identify the payment and credit the amount to the Client's Account.

FOREX.com does not accept funds transferred from third parties, so it is your obligation to ensure that all funds transferred to us are from the bank account you have nominated in your Application. We may, in our absolute discretion, without creating an obligation to do so, return any funds transfer or cheque received from a third party back to the account from which it was transferred.

FOREX.com will not accept any liability or responsibility for any losses that you may suffer as a result of, or arising out of, or in connection with, us returning any transfer of moneys or cheque from a third party, including any losses incurred by you because you are subsequently in default of your obligations under the Client Agreement.

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## 19. STOP LOSS ORDERS AND LIMIT ORDERS FOR CFDS

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**Please note: this section applies to CFDs ONLY**

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A Stop-loss order is an order placed to limit the loss on an open position, and can be used on for both Margin FX and CFD contracts. You can use stop-loss and limit orders at no additional cost to you.

If you want to limit the potential loss to less than the net amount deposited into your Account with us, then if you have a stop-loss or limit order in place, your transaction will be closed out if the rate or price reaches the level specified by you, (subject only to the above exceptions ).

A stop order can be seen as a "resting" market order. The order will become active when the price specified as the strike price in the stop order has been traded in the market. The stop order will then be converted into a market order. The stop order becomes a market order when the stop price is equal to last traded price in the underlying stock market. The process of the fill will be precisely as described under the order type.

A stop-loss order can be placed on the online trading platform. Two forms of stop-loss order are available currently, namely, a stop-loss order at a set price; and a trailing stop-loss order which enables you to link a stop-order at a set distance to the market. As the market moves away from the stop-order's strike price, the strike price will be adjusted in the steps defined when the order was

placed. In case the market move towards the stop orders strike price the order will remain at the initial level with the initial strike price.

Example:

Order type whereby an open position is automatically liquidated at a specific price. Often used to minimize exposure to losses if the market moves against an investor's position.

If the trader above is long USD at 1.4627<sup>1</sup>, a stop loss order could be left at 1.4549<sup>1</sup>, in case the dollar depreciates below 1.4549<sup>1</sup>.

Sell stops are filled on our bid, and buy stops are filled on our offer. This allows FOREX.com to fill client stop orders at the rate they requested in almost every case. In the rare instance that the market gaps over a requested rate, the stop is filled at the best available price. This is an important point for traders who are accustomed to being filled on sell stops when the offer reaches the requested order rate. For example, if a stop order is placed to sell USD/CHF at 1.4549<sup>1</sup>, the trader will be filled when the bid reaches 1.4549<sup>1</sup> (i.e. the bid/offer is 1.4549<sup>1</sup>/54<sup>1</sup> ).

Please note that your stop-loss orders may be filled at prices inferior to those at which they were originally placed. In some market conditions, such as Gapping in the underlying market, the price offered by FOREX.com on the Trading Platform will also Gap through your specified price (stop level), then the stop-loss order will be executed at the next available price. Due to the above factors, FOREX.com does not guarantee that your stop-loss order will be executed at the same price you requested.

As the markets are constantly moving 24 hours a day, you are able to place a 'stop loss' on all open positions. Whilst this allows you to control potential losses should the market move against you, in most circumstances, stop loss orders may not always limit your losses the way you anticipate. There are no guarantees in relation to stop-loss orders, and due to the speed at which prices can move, they may be effected at a different price (known as slippage) or not at all.

We may determine in our absolute discretion to not quote prices/rates on the Trading Platform for a period determined by us before or after a Fundamental Announcement, or event of Force Majeure, which means that you will not be able to enter into Transactions during that period.

#### Guaranteed Stop Loss Orders (GSLOs)

The only exception to the above, is where you have placed a Guaranteed Stop Loss Order (GSLO), which allows you to trade CFDs, on a wide range of shares, indices and currencies without assuming a potentially open-ended liability in the event of extreme market movements. GSLOs can be used to close or reduce a position, where you specify a Stop Order level at which your position will be closed should the market move against you. We guarantee that when our bid (in the case of Sell CFDs) or offer (in case of Buy CFDs) reaches or goes beyond the level specified by you, we will close a GSLO at exactly the agreed stop level.

There is an extra fee payable for this service, which is similar in effect to an insurance premium. For further details of the charges for GSLOS refer to Section 14.

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## 20. CLIENT AGREEMENT TERMS & CONDITIONS

In order to open an account, you are required to sign our Client Agreement. This is an important legal document containing the terms and conditions which govern our relationship with you ((including but not limited to the consequences of events of default). It is provided to you separately by FOREX.com. It is available on our website: [www.forex.com/au](http://www.forex.com/au). Paper copies are available free on request.

We recommend that you consider seeking independent legal advice before entering into the Client Agreement, as the terms and conditions detailed therein are important and affect your dealings with us.

The Client Agreement sets out the basis on which transactions will take place and the obligations of both FOREX.com and the Client when accessing and trading on the Trading Platform. However, entering into the Client Agreement does not itself constitute a trade or in any way obliges you to enter into future transactions. This is always your decision. You must confirm via the website that you accept the terms and conditions set out in the Client Agreement before you can enter into transactions with us.

We note the following key terms in the Client Agreement, some of which have been summarised throughout this Combined FSG and PDS:

- Client acknowledgements regarding knowledge and suitability of Margin FX and CFD products;
- Client representations and warranties;
- Client Account operating details;
- Margin FX and CFD trading requirements;
- Margin requirements and FOREX.com's rights in respect thereof;
- Client obligations regarding Confirmations (discrepancies);
- Process for closing out a trade, and FOREX.com's rights in relation to price calculation;
- Interest payable/receivable on open positions;
- Requirements regarding the appointment of authorised persons by the client;
- Default events;
- FOREX.com rights following a default event;
- Amendment and termination rights;

- Client Indemnity in favour of FOREX.com
- FOREX.com's limitation of liability;
- Fees and charges;
- Restrictions on assignment of agreement;
- Telephone recordings;
- Provision of general advice;
- Governing law (NSW); and
- Electronic trading platform conditions/process.

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## 21. CLIENT MONIES

Client funds will be held in a Client trust account in accordance with the Corporations Act. The funds in the Client trust account will be held, used and withdrawn in accordance with the Corporations Act requirements and our Client Agreement. It is important to note that holding your money in one or more segregated accounts may not afford you absolute protection. All interest that may accrue on the Client trust account is kept by FOREX.com.

Please note that monies provided by you to meet margins, deposits, fees, transaction settlements, or other costs may be immediately on-forwarded by FOREX.com to GAIN Capital and applied against your Margin, exchange, fee and settlement obligations. Such amounts will be withdrawn from the client trust account and transferred to GAIN Capital. This will be an omnibus account i.e. transactions and funds will be held with GAIN Capital in FOREX.com's name.

Once the funds are deposited into the client trust account operated by FOREX.com, they will, where required, be used by FOREX.com to meet its obligations with GAIN Capital. For money deposited in our client trust accounts, you should be aware that:

- individual Client accounts are not separated from each other;
- all Clients' funds are co-mingled into the one account (which is separate to FOREX.com's monies/assets);
- the client money provisions of the Corporations Act may not insulate any individual Client's funds from a default in our client trust account. Such a default may arise from any Client's trading; and
- assets in the client trust account belonging to non-defaulting Clients are potentially at risk, even though they did not cause the default.

Notwithstanding the above, no default by any client is likely to occur on the basis that FOREX.com has implemented systems and procedures to give effect to its no negative balance policy described in section 15 above, whereby the potential loss for any one client is limited to the net amount deposited into their Account with us. Thus, no client is likely to be in a position where they incur a loss in excess of the net amount they have deposited with us or become a debtor to us.

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

FOREX.com is entitled to retain all interest earned on client moneys held in segregated accounts with a bank or approved deposit-taking institution. The rate of interest earned by FOREX.com on this account is determined by the provider of the deposit facility.

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## 22. TAXATION

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### 22.1 Introduction

If you trade in Margin FX or CFDs, you may be subject to Australian taxation. This section outlines general information about significant Australian income tax and GST implication of trading derivatives.

The information contained in this section is of a general nature only and is not intended to constitute legal or taxation advice and should not be relied upon as such. The taxation implications of your transactions will depend on your own individual circumstances and FOREX.com recommends that you obtain independent professional taxation advice on the full range of taxation implications applicable to your own personal facts and circumstances.

Taxation laws are complex in nature and their interpretation and administration may change over the term of your transacting. We will not advise you of any changes in taxation laws should they occur. You must take full responsibility for the taxation implications arising from your own transacting, and any changes in those taxation implications during the course of your transacting.

The information provided below is for Australian resident investors only and is based on interpretation of taxation laws in Australia current as at the date of this combined FSG and PDS. If you are not an Australian resident, you should consult a taxation advisor in your own jurisdiction to determine the tax consequences of transacting in derivatives.

The information in this section is based on the assumption that you will hold derivatives on revenue account. This means that you will be carrying on a business of trading or transacting these financial products, and/or you will enter into them for the purpose of making profits. We have not considered the taxation position if you enter into derivatives for the purposes of hedging risks associated with other securities or underlying assets held by you on capital account.

The availability of tax deductions or losses incurred as a result of transacting in derivatives to offset current and future year income will depend on your personal circumstances and you will need to seek advice from your tax advisor in this regard.

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### 22.2 Tax Consequences of Transacting in Margin FX Contracts and CFDs

The ATO has not issued any specific Tax Ruling or Determination in respect of Margin FX. However, they are similar in nature to CFDs in that they are both derivatives which provide the investor with exposure to price movements in underlying assets traded on markets, without directly investing in those underlying assets.

The taxation of CFDs is set out in ATO Tax Ruling TR 2005/15. TR2005/15 therefore may provide some guidance on the taxation treatment of Margin FX. Under TR2005/15, if you enter into a contract exposing you to future price movements in markets in the ordinary course of your business or for profit-making 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. Tax Ruling IT2228 sets out a similar ATO view of profits or losses from trading in futures contracts. Any profit or loss arising in respect of a Margin FX or CFD transaction should be included in your assessable income (or allowed as a deduction) at the time the profit or loss is 'realised' for tax purposes. Realisation will generally occur at the time the position is closed out (on expiry or sale).

Ordinarily, derivative transactions would be entered into for a profit making purpose. However, where a derivative is not entered into for a profit making purpose, the ATO may consider the transaction as an unusual form of recreational gambling. Proceeds from gambling are generally not subject to tax unless you are carrying on a business of gambling. In the ATO's view, 'gambling' refers to activities involving primarily chance which have a recreational or sporting character, and not the more technical legal meaning of wagering or the more popular meaning of mere risk taking. Ultimately, the nature of the proceeds an investor derives from transacting in derivatives will depend upon the particular circumstances of the investor.

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### **22.3 Capital Gains Tax**

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Margin FX positions and CFDs may constitute a capital gains tax (CGT) asset held by you for the purposes of applying the CGT provisions to any capital gain or capital loss realised by you. However, to the extent that a gain arising as a result of a CGT event in relation to Margin FX or CFDs is included in your assessable income outside the CGT provisions (refer to Section 22.2 above) the capital gain resulting from the CGT event will be reduced. Similarly, to the extent that any loss incurred in respect of Margin FX or CFD transactions is deductible, the deductible amount will not contribute to a capital loss for you.

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### **22.4 Treatment of Transaction Fees**

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The transaction fees payable upon purchase or close out of Margin FX and CFD positions will be deductible if the gain or loss on the transaction is assessable or deductible. If the gain or loss is a capital gain or loss, the transaction fees will form part of the cost base or incidental costs of disposal of the product.

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### **22.5 Expenses**

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Certain expenses incurred by you in connection with trading in Margin FX or CFDs may be deductible to the extent that they are incurred for the purpose of deriving your assessable income. The deductibility of these expenses will depend on your own personal circumstances. You should obtain your own advice as to whether such expenses will be deductible to you.

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### **22.6 Taxation of Financial Arrangements**

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New rules were introduced with general application from 1 July 2010 which set out the method by which gains and losses from financial arrangements will be brought to account for tax purposes (referred to as the Taxation of Financial Arrangements (TOFA) rules).



The TOFA rules apply to financial arrangements held by certain investors whose assets or aggregated turnover exceeds specified thresholds. The TOFA rules also apply to investors who have made an election to apply to TOFA rules to their financial arrangements. You should obtain your own advice as to whether the TOFA rules apply to you in relation to the taxation treatment of Margin FX and CFD transactions.

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## 22.7 Goods and Services Tax

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No GST should be payable in relation to your trading of Margin FX or CFDs with FOREX.com. This is on the basis that they are considered to be 'financial supplies' under the A New Tax System (Goods and Services Tax) Act 1999. Consequently, they are input taxed and no GST payable on their supply. However, independent advice should be sought from your accountant or financial adviser confirming this, before acting in reliance thereon.

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## 23. DISCLOSURE OF INTERESTS

We do not have any relationships or associations which might influence us in providing you with our services. However, FOREX.com may share fees and charges with its associates or other third parties or receive remuneration from them with respect to your dealings with us.

In particular, FOREX.com is a market maker, not a broker, and accordingly will always act as principal for its own benefit in respect of all Margin FX and CFD transactions with you. Each transaction agreed and entered into with a Client as principal will be, at the same time 'offset or matched' with a similar trade with a GAIN Capital entity. Of note, these trades will be performed at the same price. Accordingly, FOREX.com will receive a commission or a rebate from GAIN Capital (its hedging counterparty) based on the volume of business transacted. Any commission received from any hedging counterparty is payable by that hedging counterparty direct to us.

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

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## 24. PRIVACY

Your privacy is important to us. The information you provide FOREX.com and any other information provided by you in connection with your Account will primarily be used for the processing of your account application and for complying with certain laws and regulations. We may use this information to send you details of other services or provide you with information that we believe may be of interest to you. Full details of our privacy policy are available from our website [www.forex.com/au](http://www.forex.com/au).

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## 25. DISPUTE RESOLUTION

FOREX.com has an internal dispute resolution process in place to resolve any complaints or concerns you may have, as quickly and fairly as possible in the circumstances. Any complaints or concerns should be directed to us (by telephone, facsimile, or letter) at the address and telephone/fax numbers provided in section 2 of this PDS. We will seek to resolve your complaint within 7 days or such further time period that may reasonably be required given the nature of the complaint. We will investigate your complaint, and provide you with our decision, and the reasons on which it is based, in writing.

If you are dissatisfied with the outcome, you have the right to lodge a complaint with the Financial Ombudsman Service [contact details below], an approved external dispute resolution scheme, of which FOREX.com is a member.

### **Financial Ombudsman Service**

Address: GPO Box 3 MELBOURNE VIC 3001  
Telephone: 1300 780 808  
Facsimile: 03 9613 6399  
Website: [www.fos.org.au](http://www.fos.org.au)  
Email: [info@fos.org.au](mailto:info@fos.org.au)

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## 26. GLOSSARY

Below is a list and the meaning of some words used in this Combined FSG and PDS.

**Account-** Account of the client dealing in the products issued by FOREX.com, which is established in accordance with the terms and conditions of the Client Agreement

**ASIC** – means the Australian Securities and Investments Commission

**Base currency-** Your account is maintained in the currency you have nominated, that is, the base currency.

**Business Day** means:

- (a) for the purpose Margin FX, a day on which foreign exchange markets are open for business in New York, U.S.A.; and
- (b) for the purpose of CFDs, a day when the markets in the underlying assets to which the CFD relates, are open for the conduct of business in London.

**Client** or Customer (which terms are used interchangeably) means the party who accepts the terms of and agrees to the Client Agreement.

**Client Agreement** means the agreement provided to you by FOREX.com, detailing the applicable terms and conditions as amended, supplemented or updated from time to time. You must complete, sign and return the Client Agreement, and have your account approved by FOREX.com set up an account with FOREX.com to deal in products issued by FOREX.com which you will be required to

accept on our website before opening an account with us which agreement governs each transaction entered into between you and FOREX.com.

**Confirmation-** Document or documents confirming evidence exchanged between FOREX.com and the Client, confirming the terms of the product transaction.

**Contract for Difference (“CFD”)** – means an agreement between you and FOREX.com to trade the difference arising from movements in the price or value of an underlying asset.

**Corporations Act** means the *Corporations Act 2001 (Cth)* or if the Corporations Act should be repealed or cease to any extent to operate, then that legislation that shall be enforced in Australia from time to time in partial or complete substitution for the Corporations Act 2001 and references to specific provisions of the Corporations Act 2001 shall be construed as references to the provisions of that replacement legislation.

**Dollars or \$** means Australian dollars, unless otherwise expressly stated.

**Force Majeur** has the meaning set out in clause 25.13 of the Client Agreement.

**FSG-** FOREX.com’s financial services guide as amended or updated from time to time.

**Fundamental Announcement** means an announcement which refers to economic events and indicators which examine the underlying forces that affect the interests of an economy, an industrial sector, a currency or a company. This quantitative and qualitative information indicates the overall economic status of a country, industry sector, currency or company. Examples of such fundamental announcements include but are not limited to the following (and there are other macroeconomic announcements which also constitute fundamental announcements): unemployment data; trade balance information; consumer price index (CPI); retail sales data; consumer confidence; manufacturing data; building data; housing data; industrial production; GDP; inflation data; Reserve Bank announcements (being announcements by the Reserve Bank of Australia, Bank of England, European Central Bank, U.S. Federal Reserve, and/or Bank of Japan).

**Initial Margin-** An amount required to be deposited by the Client with FOREX.com to open a Margin FX or CFD position.

**Manifest Error** means a manifest or obvious misquote by us or any market liquidity provider, official or other source of our prices or rates on which we have relied in connection with any Transaction, having regard to current underlying market conditions at the time an Order is placed.

**Margin-** The Initial Margin or Variation Margin or both.

**Margin Call-** A demand for additional funds made to the Client by FOREX.com to meet any additional margin requirement.

**Margin FX -** Margin foreign exchange

**Over the Counter (“OTC”) contract-** means a contract (or product) that is traded off-market as opposed to on an exchange such as a stock exchange or futures exchange.

**PDS -** Product Disclosure Statement

**Term Currency-** This is the currency of the position you have taken.

**Trading Hours** means the period commencing at 5:00pm on Sunday New York time (Monday morning Sydney time) and ending at 5:00pm on Friday New York Time (Saturday morning Sydney time), but excluding specified holiday periods, as notified in advance by FOREX.com, from time to time.

**Trading Platform** - means our online trading and account review facility.

**Variation Margin** - The amount deposited by the Client with FOREX.com including any increase or reduction arising from settlement of a closed position.

**We, Us or FOREX.com** - GAIN Capital FOREX.com Australia Pty Limited.