HEDGING POLICY

The policy described below has been developed considering the ASIC RG227 benchmarks. This document outlines the procedures STA use to manage market risk and STA’s exposure limits for hedging counterparties.

The customer is dealing with STA as counterparty to every transaction. The client opens positions and have, an exposure to STA in relation to each transaction. The client is exposed if we are not ready, willing or able to meet our obligations, for example, if STA were to become insolvent.

The client is reliant on STA’s ability to meet its counterparty obligations to the client to settle the relevant contract. STA limits this exposure by hedging its exposure of its clients by entering into opposite transactions as principal in the wholesale market in relation to its exposures with clients. STA is then exposed to counterparty risk with that hedging party.

STA’s policy is to manage our exposure of market risk from client positions by offsetting (hedging) all of its clients positions with its hedge counterparty, Safecap Investments Ltd (a regulated entity located in Cyprus license 08/092) i.e. on a back-to-back basis.

In turn Safecap Investments Ltd centrally manages the exposure it has to STA and other like entities by aggregating its exposure and internally offsetting client positions with each other or alternately hedging in the interbank market or bearing the risk in its book all based and in line with its risk management policy.

STA hedges all of its positions to Safecap. In the unlikely event of which STA’s exposure exceeds STA’s risk management limits as a result of clients closing existing or opening new positions, STA’s policy requires that sufficient hedging is created or reduced to bring the net exposure back within SRA’s defined limits. Alterations to STA’s market risk policy will be notified to its clients where relevant.

Providers used to mitigate STA’s net exposure to clients’ positions are chosen based on their ability to provide liquidity in the underlying market as well as the strength of their balance sheet. At present the primary hedging counterparties used by STA is Safecap Investments Ltd. Safecap Investments Ltd provides its financial services as per its MiFID (the EU Directive) license and currently uses the interbank services of Leverate Financial Services Limited and GAIN Capital – FOREX.com UK Limited.