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PRODUCT DISCLOSURE STATEMENT
Issuer: STA Global Investments Pty Ltd ACN 158 641 064, Australian Financial Services Licence, No. 424008.

SECTION 1 – IMPORTANT INFORMATION

1.1. PURPOSE OF THIS PDS
This Product Disclosure Statement (“PDS”) has been prepared by STA Global Investments Pty Ltd, trading as Markets.com Australia (“STA”, “Markets.com Australia”, “we”, “our” or “us”) as the issuer of the over-the-counter (“OTC”) derivative products offered by us namely, over-the-counter contracts (“OTC contracts”) for Foreign Exchange (“FX”) products (referred to as “FX Transactions”). It describes the key features of FX Transactions, their benefits, risks, the costs and fees of trading in FX Transactions and other related information. You should read all of this PDS.

When we use the term “you” or “client” we mean you, as the user of our services and the person trading in FX Transactions and our other clients if the context requires.

This PDS is designed to provide sufficient information to enable you to make an informed decision in relation to whether the FX products described in this PDS are appropriate for you. You may also use this PDS to compare our financial products with similar financial products offered by other issuers (i.e. other FX providers).

The FX products offered by STA are described in this PDS and are issued on the STA Account Terms and Conditions. You should read all of this PDS, the Financial Services Guide and the Account Terms and Conditions before making a decision to deal in the financial products covered by this PDS. We recommend that you contact us if you have any questions arising from this PDS prior to entering into any Transactions with us.

STA recommends that you obtain your own independent legal, tax and investment advice, taking into consideration your particular needs, objectives and financial situation before trading in FX.

A Glossary of terms used in the PDS is provided at section 7.

1.2. STA DOES NOT GIVE PERSONAL ADVICE
STA will not give you personal financial product advice. We only provide general financial product advice. Please refer to our Financial Services Guide for additional information.

This PDS does not constitute a recommendation or opinion that FX trading is appropriate for you. Potential investors should be experienced in derivatives and understand and accept the risks of investing in FX. The information in this PDS is general only and does not take into STA your personal objectives, financial situation and/or needs.

PDS is general only and does not take into STA your personal objectives, financial situation and/or needs.
1.3. IMPORTANT INFORMATION ABOUT THIS PDS

The information in this PDS is up to date at the time it was prepared but it is subject to change at any time. Any updated PDS will be posted on our website.

If new information is information which is materially adverse to you, we will either issue a new PDS or a supplementary PDS containing the new information. If the new information is not materially adverse to you, we will not issue a new PDS or a supplementary PDS to you, but you will be able to find the updated information on our website at www.Markets.com Australia or by calling us using the contact details given in section 1.5 below. A copy will be provided free of charge.

1.4. JURISDICTIONS

The distribution of this PDS in jurisdictions outside Australia may be subject to legal restrictions. Any person who resides outside Australia who gains access to this PDS should comply with any such restrictions as failure to do so may constitute a violation of applicable laws. The offer to which this PDS relates is not available to USA investors.

If you are a person intending to deal or dealing with STA, you should not:

- the law governing your dealings with us is the law of New South Wales and the Commonwealth of Australia;
- moneys which you deposit with us are not loans to us, and will be regulated by the Australian Client Money Rules;

Further, it may be illegal to deal or trade FX Contracts in your jurisdiction via the internet. If that is the case, you will not be allowed to make any deposits to STA. It is your responsibility to comply with the national laws and regulations of your country of domicile.

1.5. CONTACT DETAILS

You can contact us by the following means:

- Telephone +61 2 6145 2020
- Mail: Level 29, 66 Goulburn Street, Sydney NSW 2000, Australia
- Fax: +61 2 6145 2016
- Email: support@Markets.com Australia
- Visit our web-site at: www.Markets.com Australia

REGULATORY BENCHMARK DISCLOSURE

ASIC has issued Regulatory Guide 227 (RG 227) entitled “Over-the-counter contracts for difference: Improving disclosure for retail investors” which sets out 7 disclosure benchmarks for both OTC CFDs and FX products that are aimed at helping retail investors understand the risks associated with CFD and FX trading, assessing the potential benefits and whether trading in these products are suitable for them.

More information about the disclosure benchmarks can be found in ASIC RG 227 located on the ASIC website.

These seven disclosure benchmarks are not mandatory but are required to be addressed by STA on an ‘if not, why not’ basis.
The following table outlines the disclosure benchmarks and how STA meets each one and if not, why not:

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Meets the benchmark?</th>
<th>Additional Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Client Qualification - requires STA to maintain and apply a written client qualification policy that sets out minimum qualifications criteria a client needs to be able to demonstrate. This policy also outlines the “suitability” process in place to ensure that clients who do not meet the minimum qualification criteria are not able to open an account and trade.</td>
<td>Yes</td>
<td>STA assesses a potential client’s qualification and suitability when they apply to open an account. STA’s Client Qualification Policy can be obtained by contacting us and requesting a copy. A copy will be provided free of charge. See section 3.1 of this PDS for more information.</td>
</tr>
<tr>
<td>2. Opening Collateral - requires STA to generally only accept cash or cash equivalents from clients as opening collateral. If credit cards are accepted than an issuer should accept no more than $1000 via credit card to fund the opening of the account.</td>
<td>No</td>
<td>STA offers a full suite of payment options for clients to fund their Accounts. STA provides credit card funding for the ease of providing a secure and convenient electronic payment system to its clients. STA does not place limits on credit card payments. This is done in order to maximise payment flexibility for clients and provide clients with their choice of funding method. You should be aware that using a credit card as opening collateral exposes you to the risk of double leverage, being the combined effect of using a credit card to fund a leveraged trading account. Your losses can be magnified by your use of credit card. Please note that your preferred method of funding is entirely a matter for you as we do not provide personal financial product advice that takes into account your personal circumstances, situation or financial objectives. See section 3.2 of this PDS for more information.</td>
</tr>
<tr>
<td>Section</td>
<td>Recap</td>
<td>Yes/No</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>3. Counterparty Risk - Hedging</td>
<td>Requires STA to maintain and apply a written policy to manage its exposure to market risk arising from client positions which includes the factors it takes into account when determining if hedging counterparties are of sufficient financial standing and sets out the names of hedging counterparties as they stand from time to time.</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Counterparty Risk – Financial Resources</td>
<td>Requires STA to maintain and apply a written policy to ensure it maintains adequate financial resources and which details how STA monitors its compliance with its AFS Licence and how STA conducts stress testing to ensure it holds sufficient liquid funds to withstand significant adverse movements.</td>
<td>Yes</td>
</tr>
<tr>
<td>5. Client Money</td>
<td>Requires STA to maintain and apply a clear policy with respect to the use of client money including whether it uses money deposited by one client to meet the Margin or settlement requirements of another.</td>
<td>Yes</td>
</tr>
<tr>
<td>6. Suspended or Halted Underlying Assets</td>
<td>Requires STA to prohibit new CFD positions to be opened when trading in the Underlying Asset is halted or otherwise suspended.</td>
<td>Yes</td>
</tr>
</tbody>
</table>
7. Margins Calls - requires STA to maintain and apply a written policy about its Margining practices, including details on how STA will monitor client Accounts, what rights STA may exercise in relation to client Accounts (including the right to make a Margin call or Close Out positions), when STA will exercise these rights and what factors it will take into account in deciding whether to exercise these rights. This benchmark also requires STA to take reasonable steps to notify clients before Closing Out positions.

<table>
<thead>
<tr>
<th>No.</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>STA maintains and applies a written policy about its Margining practices. STAs Margining Policy can be obtained by contacting us and requesting a copy. A copy will be provided free of charge. See section 3.7 of this PDS for more information.</td>
</tr>
</tbody>
</table>

SECTION 2 - FEATURES

2.1. FEATURES OF FX TRANSACTIONS

An FX Transaction is an agreement between two parties to buy one currency against selling another currency at an agreed exchange rate for cash settlement on a future date. FX Transactions are available in many Currency Pairs. As foreign exchange is essentially about exchanging one currency for another at an agreed rate, in every FX Transaction quotation there are two currencies.

2.2. OPERATION OF STA’S FX TRANSACTIONS

An FX Transactions involve the exchange of one currency for another. STA’s FX Transactions differ from spot and forward foreign exchange contracts in that they are legally classified as derivatives rather than foreign exchange contracts, and are cash settled (i.e. no physical delivery of any currency is available). The FX Transactions offered by STA are rolling spot foreign exchange contracts between you and STA in relation to an agreed Currency Pair.

When you propose to enter into any FX Transaction you will be asked to nominate an amount and the two currencies to be exchanged. In every FX Transaction offered by STA 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 “term” currency. Together, these are known as the “Currency Pair”. The currencies involved in any FX Transaction must be currencies which are offered by STA. As at the date of this PDS, STA offers over 50 different Currency Pairs. To find out more about the different Currency Pairs STA offers we refer you to our website at xxx.

There is always a long (buy) and a short (sell) side to a FX Transaction, which means that you are speculating on the prospect of one of the currencies strengthening and one of them weakening.
Warning

The use of FX Transactions involves a high degree of leverage. These transactions enable a user to outlay a relatively small amount (in the form of Initial Margin) to secure an exposure. This leverage can work against you as well as for you. The use of leverage can lead to large losses as well as large gains. The leveraging in a FX may lead to a loss of the Initial Margin and additional funds that you have deposited with us to maintain the FX position(s).

2.3. Key Features and Benefits of FX Transactions

Key features of FX Transactions:

- They are OTC derivatives issued by STA.
- They require Margin payment by you to establish and maintain the FX Transaction as an open position.
- They are determined by the supply and demand of the market.
- Contracts are non-deliverable and automatically rollover at the end of each day until the position is closed.
- Contracts are traded between you and STA and are not traded on any exchange.
- Contracts are non-transferrable so that an FX Contract bought from STA cannot be sold to another broker, trader or market maker.

Key benefits of FX Transactions are:

- **Ease of trading** - FX Transactions are traded using the Online Trading Platform offered by STA.
- **Ease of access** - FX Transactions allow you to make investments in a very large number of Currency Pairs around the world.
- **Gain Exposure** – FX Transactions enable you to gain an exposure to a wide range of currencies without having to actually pay the full price of holding the physical currencies. You can effectively enter into an FX Transaction with the same result as purchasing or selling a currency for less outlay than the equivalent physical transaction and still potentially benefit from a price move.
- **Speculate** - You can use FX Transactions for speculation, with a view to profiting from market fluctuations. You may take a view of a particular currency will strengthen (or weaken) against another currency and buy or sell a FX Transaction depending whether your view is the particular currency will go up or down in price.
- **Hedge** - You can use the FX Transactions as a risk management tool to hedge an existing exposure to an existing foreign currency exposure.
- **Trade in Small Amounts** - The Online Trading Platform offered by STA enables you to make Transactions in small amounts. When trading in FX Transactions you may deposit the amount of funds that suits you, or the amount which is in line with the amount you are willing to risk provided you deposit an amount sufficient to meet your Margin obligations.
- **Profit Potential in Both Rising and Falling Markets** - You can trade in FX Transactions with a view to profiting in both rising and falling markets.
- **Leverage** - “Leverage” gives you the ability to hold a greater exposure for a smaller initial outlay. Leverage increases the potential risks and rewards. Conversely, leverage also magnifies the potential losses.
- **Flexibility** - A 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, STA allows you to enter into transactions in small amounts (subject to any minimum value determined by...
STA) with flexible settlement dates or maturity dates, whereas exchange traded products are a standard size and cannot be varied in duration.

• **No Negative Account Balance Policy** – This means we guarantee that you will not lose more than the balance of your Account being the total funds deposited plus profits and less losses. If STA’s Online Trading Platform does not Close Out your open FX Transactions before your Account balance become negative, STA will credit your Account back to zero.

• **Potentially Lower Costs** - Generally, trading in FX allows you to have exposure to a wide range of currencies at lower transaction costs than the same exposure taken in the equivalent physical purchase or sale of the underlying currencies of the Currency Pair.

• **Access to Online Trading Platform at Any Time** - You can access our Online Trading Platform virtually 24 hours per day, and view STA’s live price quote feed 5 days per week which provides you with the opportunity to trade 24 hours a day in Currency Pairs offered by STA. This gives you the opportunity to react instantly to breaking news that may be affecting the relevant currencies.

• **Real Time Price Quotes** - The Online Trading Platform offered by STA provides updated real time quotes. You may check your Account and open positions in real time generally 24 hours a day, 5 days per week and make a decision to trade based on real time information.

**Key risks of FX Trading are:**

- Be aware FX trading carries the risk of significant loss because of the leverage obtained by you paying only a Margin. You can lose the entire amount you deposit with us (plus any net profits credited to your Account).

- Your recourse against STA is limited by STA’s recourse and actual recovery against its hedging counterparty. You have no recourse against the hedging counterparty used by STA and you are dependent on STA’s success in recovering against the hedging counterparty and allocating that to your position.

- Derivative markets are speculative and volatile, as explained elsewhere in this PDS. Under certain market conditions, the price of contracts may not maintain the usual relationship with markets because of unforeseeable events or changes in conditions, none of which can be controlled by us.

- You should be aware that trading in leveraged products such as margin FX offered by STA is one of the riskiest forms of investment available in the financial markets and may not be suitable for all investors. In deciding whether or not you wish to become involved in dealing in margin FX, you should be aware that margin FX are speculative products that are highly leveraged and carry significantly greater risk than non-geared investment products such as share trading and you could lose large amounts of money.

- Our prices are derived from prices in the underlying market under certain conditions, it could become difficult or impossible for you to manage the risk of open Position by entering into opposite positions in another contract or closing existing positions. The underlying market may lack liquidity, caused by insufficient trading activity. As a result a potentially profitable deal may not be executed, or it may not be possible to close-out a position in a timely fashion at the price you require. This may lead to reduced profits and high losses.

- Because of the difference between the buying and selling price of a margin FX, the relevant price must move favourably before you can break even. In other words, even if the price does not move at all and you Close Out your position, you will make a loss to the extent of our spread and any other charges you have incurred to us.
• As margin FX is not a regulated market, the protections associated with licensed markets are not available to individuals, corporations or other entities trading in our products.

See also section 4 - “Significant Risks”.

SECTION 3 – HOW TO TRADE

3.1. OPENING YOUR STA ACCOUNT

You need to establish an Account by completing the application form on our website. By opening an Account, you agree to be bound by the Account Terms and Conditions, the Financial Services Guide and the terms of this PDS.

Trading in the FX products that STA offers may not be suitable for all investors due to the significant risks involved. To trade in these products prospective clients are subject to a mandatory client qualification assessment which is an ASIC requirement.

STA maintains and applies a written client qualification policy which sets out the minimum qualification criteria that prospective retail clients will need to demonstrate before we will open an Account for you. STA’s policy outlines the “suitability” process in place to ensure that clients who do not meet the minimum qualification criteria are not able to open an Account and trade.

If you would like a copy of our Client Qualification policy then please request a copy directly from us and we will provide it free of charge.

All prospective retail clients are required to complete the “suitability test” at the time they apply to open an Account. We also maintain records of our assessments.

Thus, STA can only accept retail investors who can demonstrate a satisfactory understanding of the different aspects of trading. This will be done by STA asking you questions in order to assess your understanding and experience with OTC derivatives.

If it should be necessary, STA will recommend that you obtain further experience and education before opening an Account with STA. Applicants who initially fail the assessment may re-apply for an Account and redo the questionnaire.

3.2. FUNDING YOUR ACCOUNT

Once your application has been approved you may fund your STA account in a number of ways. Clients may deposit funds, as opening and ongoing collateral to maintain your Transactions.

STA accepts the following forms of payments:

• credit cards;
• direct credit;
• Electronic Funds Transfer (“EFT”)
• Wire transfers.

STA does not accept “cash equivalents” as collateral (e.g. no securities or other assets as deposits).

All deposits must be cleared funds before they will be available for you to commence trading. This can take up to 48
hours, or longer over non-banking days so we recommend that you maintain a sufficient Margin in your Account at all times to maintain your open positions.

When transferring funds to STA you must ensure that the funds are appropriately referenced with your name and Account number to enable us to easily identify your funds and apply them to your Account promptly. All payments made to STA must be free of any withholding tax or deduction.

STA 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 transferred or received from a third party, back to the bank account from which it was transferred.

STA 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 from a third party, including any losses incurred by you because you are subsequently in default of your obligations under the Account Terms and Conditions.

### 3.3. CLIENT MONEY

STA maintains and applies a clear policy in relation to the use of client money including whether it uses money deposited by one client to meet the Margin or settlement requirements of another.

Please be aware that any money deposited into your Account is deposited with other client moneys in our pooled segregated client bank account(s) operated by an Australian bank (client trust account) and so is co-mingled with other client money. Please note that funds of individual clients are not separated from each other but are pooled (although see section 3 below entitled Separate Segregated Bank Account for an exception to this pooling arrangement). However, client funds are held separately from STA’s own funds and bank accounts. STA may maintain a number of separate client trust accounts.

Client money will not be used to pay our general creditors in the event of receivership or liquidation of STA. Money lodged or deposited with us to meet Margin requirements are not treated as funds belonging to STA but are treated as funds belonging to the clients.

STA does not use clients’ money in the client trust account for its own purposes, including to settle its own dealings with Safecap Investments Ltd (STA’s “hedging counterparty” or “hedge counterparty”). Furthermore, STA does not use money deposited by one client to meet the Margin or settlement requirements of another client.

To ensure STA complies with the Corporations Act and ASIC regulatory guidance relating to client money, STA calculates the value of total clients’ funds on a daily basis and reconciles this with the funds available in the client trust account(s) (and other authorised investments). STA pays client money into the client trust account on the Business Day it receives the client money, or if that is not possible, on the following Business Day.

STA may, pursuant to the Corporations Act, make payments out of the client trust account in the following circumstances:

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

(b) defraying brokerage and other proper charges in the operation of the client’s Account;

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

(d) making a payment that is otherwise authorised by law or pursuant to the operating rules of licensed market; and
(e) as otherwise permitted under the Account Terms and Conditions or any other agreement put in place between STA and the client. STA is entitled to keep interest earned on the client trust account, as disclosed in our Account Terms and Conditions available on our website.

All interest that may accrue on the client trust account is retained by STA and will not be available to clients. This means that the client waives the right to any interest on funds deposited in our client trust account. Money may also be invested from our client trust account in accordance with the Corporations Act. Any income generated from such investments will also be retained by, and for the benefit of, STA and will not be available to clients.

For money deposited in our client trust accounts, you should be aware that with the exception of clients that open the separate segregated bank account type described below, all other clients’ funds are co-mingled into one bank account i.e. all client money is co-mingled or mixed with other client money and is pooled into one bank account.

You acknowledge and agree the client money rules in the Corporations Act may not insulate individual client’s funds from a default in our client trust account if such a default were to occur. Such a default may arise from any clients’ trading i.e. by a client failing to pay for all losses incurred on their Account. Assets in the client trust account belonging to non-defaulting clients are potentially at risk, even though they did not cause the default. However, in the case of STA, no default by any client is likely to occur on the basis that we have implemented systems and procedures whereby the potential loss for any one client is limited to the amount deposited into their Account with us being the total funds deposited plus profits and less losses. Thus, no client will be in a position where they incur a loss in excess of the amount they have deposited with us (plus profits and less losses incurred) and accordingly, no client can become a debtor to STA and default on the payment of that debt (see section 3.7.4 entitled “No Negative Account Balance Policy” for additional detail).

Notwithstanding the above, clients are still exposed to the risk that they may not receive all money owed to them. If there were to be a deficit in the overall client trust accounts, and in the event that STA became insolvent before we could make up that deficit, our clients would be unsecured creditors with respect to the amount of the deficit in the client trust accounts. If we were to become insolvent, as an unsecured creditor you would need to submit to the liquidator appointed to us proof of the balance of our debt to you, as evidenced by your Account statements.

Separate Segregated Bank Account

STA may, upon written request from a client, provide that client with a “separate segregated bank account”. To be eligible to open a separate segregated bank account, a client must deposit a minimum amount set by STA from time to time. Please contact STA for further information.

The separate segregated bank account will be established with an Australian bank and be in the name of STA (and the client) and be designated as a client trust account. STA will be the only party with rights to the separate segregated bank account. The client will have no legal rights to the separate segregated bank account or any direct access whatsoever to the separate segregated bank account. However, clients will be able to closely monitor activity in the separate segregated bank account.

These particular separate segregated bank accounts are subject to the following conditions:

(a) no direct withdrawals are allowed to these separate segregated bank accounts by the client. Only STA will be authorised to make withdrawals on the request of the client. If the client wishes to make a withdrawal, the client is required to submit a normal withdrawal request to STA and it will be processed and paid according to STA’s normal withdrawal procedures;
(b) the client will make their initial deposit to one of STA's normal client trust accounts. The amount of this deposit will be transferred by STA into the separate segregated bank account established for that client; and

(c) each day, the monetary value of any profit arising from movements in prices against open Transactions will be transferred from one of STA's normal client trust accounts to the separate segregated bank account. If there is a loss, then the amount of the loss will be withdrawn from the separate segregated bank accounts and transferred to one of STA's normal client trust accounts.

Notwithstanding separate segregated bank accounts may be established, such clients may still be exposed to the risk that they may not receive all money owed to them. If there were to be a deficit in the overall client trust accounts when combined i.e. all normal client trust accounts and all of the separate segregated bank accounts, and in the event that STA became insolvent before we could make up that deficit, our clients would be unsecured creditors with respect to the amount of the deficit in the client trust accounts (including the separate segregated bank accounts). If we were to become insolvent, as an unsecured creditor you would need to submit to the liquidator appointed to us proof of the balance of our debt to you, as evidenced by your Account statements. Although each separate segregated bank account will be in the name of a specific client and STA and be designated as a client trust account, a liquidator may not identify the balance of a particular separate segregated bank account as belonging to a specific client and may decide to combine the balances of all client trust accounts before making any distribution to clients. Furthermore, if a specific client had made a deposit or generated profits and STA had not yet transferred such amounts to the separate segregated bank account then such monies will be pooled in one of the normal client trust accounts.

Client monies to which STA is entitled: Where a client incurs a loss as a result of entering into and Closing Out an FX Transaction, then at the time that loss is realised (i.e. when the open position is Closed Out) STA becomes entitled to the amount of funds held in the client trust account equivalent to the value of the loss. This is because STA is the counterparty to every Transaction with each client.

3.4. YOUR PROFITS OR LOSSES

The profit or loss from an FX Transaction is calculated by taking the difference between your opening price and Closing price. Worked examples explaining the potential profits and losses from FX Transactions are contained on our website.

3.5. MARGINING OF FX TRANSACTIONS

In order for you to continue to hold open FX Transactions you must maintain sufficient funds or Equity in your Account to cover the Initial Margin plus the value of any adverse market movements (generally known as variation margin). The Equity is the liquidating value of your Account and is calculated by deducting any unrealised losses from, and adding any unrealised profits to, the balance of your Account.

The Equity amount will fluctuate on a real time basis. For example, if the balance of your Account is US$1,500 and you initially have no open positions then the Equity is US$1,500. If you then open a Transaction with an Initial Margin requirement of $500, then the Equity will stay US$1500 (being the balance of your Account). If an unrealised loss arises of US$300, then the Equity is US$1200 (being the balance of your Account less the unrealised loss).
During the period your FX Transaction remains open with STA, you must always maintain a “Risk Level” of at least 20%. The Risk Level is a percentage calculated as follows:

\[
\text{Risk Level} = \left( \frac{\text{Equity}}{\text{Used Margin}} \right) \times 100, \text{ whereas:}
\]

**Equity** is the liquidating value of your Account and is calculated by deducting any unrealised losses from, and adding any unrealised profits to, the balance of your Account.

**Used Margin** is the amount of funds required to keep your Transactions open (see also Section 7 – Glossary). For calculation purposes, all relevant figures of Equity and Used Margin will be converted into your Account currency.

So if your Account balance is $2,000 and you have an Initial Margin requirement of $500 and unrealised losses of $1,500 the Equity is $500 (being $2,000 less $1,500) and the Used Margin is $500 (being your initial margin requirement).

The risk level is calculated as follows:

\[
\left( \frac{\$500}{\$500} \right) \times 100 = 100\%
\]

Should the adverse market movement continue and unrealised losses increase to $1,900 the Equity is $100 (being $2,000 less $1,900) and the Used Margin is $500. The risk level is calculated as follows:

\[
\left( \frac{\$100}{\$500} \right) \times 100 = 20\%
\]

Once your Risk Level reaches 20% or less, STA will, without further notice, Close Out the open Transaction with the largest unrealised loss first and continue Closing Out open Transactions with the next highest unrealised loss until there are sufficient funds in your Account to meet the Margin obligations of the remaining open Transactions, if any and balance of the Account is at or above 20% of your Risk Level unless additional funds are deposited into the Account or you choose to Close Out one or more open Transactions.

It is your responsibility to provide the funds for your Margin on time. Please note it can take up to 48 hours (or longer, over non-banking days) for your funds to be cleared and credited to your Account (depending on external factors outside the control of STA). Any delay in crediting your Account is at your risk.

### 3.6. MARGIN CALLS

The Margin Call policy for all of STA's OTC derivative products when trading using the Online Trading Platform is an automated process. You should fully understand this Margin Call policy.

There are two levels of alert provided to you:

First alert: A Margin Call (or Risk Level) means a situation where the margin requirements do not allow the client to increase exposure on his account. Despite the Margin Call or Risk Level being reached, the positions will not be closed automatically. The automated system will cancel all placed bid/offer orders that can increase the exposure.

At 100% Risk Level, the trading area of your platform will turn pink/red in colour as a first warning that you are getting close to automatic stops outs. STA will attempt to send you a notification via email or phone call. This notification is simply a warning for you and allows you to take action to prevent a possible future Margin Call. You can close partial positions or deposit additional funds. However, please note that in certain market conditions such as extreme volatility this may not be possible and funds will need to be deposited with us to retain your open Transaction. It is your responsibility to actively monitor and manage your Transactions and your obligations, including ensuring that
you maintain sufficient funds to maintain your open Transactions.

Second Alert: Margin Stop Out is where the Risk Level falls below 20%. In these circumstances, STA will automatically start closing orders for you. It closes the biggest loser first and then continues in that manner until Risk Level comes back to above 20%. Should your Risk Level then fall below the 20% the process will start again.

3.6.1. Opening FX Transactions

As described in section 3.5 of this PDS in relation to opening an FX Transaction, before you enter into an FX Transaction, STA will require you to have sufficient funds in your Account to meet the relevant Initial Margin.

If, when entering into a new trade you do not have enough initial margin the Online Trading Platform will not allow the transaction to be processed.

3.6.2. Maintaining Open FX Transactions

As described in section 3.5 of this PDS in relation to opening an FX Transaction, before you enter into an FX Transaction, STA will require you to have sufficient funds in your Account to meet the relevant Initial Margin.

If, when entering into a new trade you do not have enough initial margin the Online Trading Platform will not allow the transaction to be processed.

3.6.2 Maintaining Open FX Transactions

All client positions are monitored by STA on a real time marked to market basis to account for any market movements.

If the price quoted moves against your open FX Transaction, you may, in a relatively short time, sustain a total loss of the funds placed by way of Margin or additional deposit (subject to our procedure to Close Out open Transactions when the Risk Level falls below 20%. However, in fast moving markets or in the event of “gapping” of prices, the Equity amount in your Account may fall to zero which would result in a total loss of all of your funds in the Account).

You may be required to deposit a substantial additional sum, at short notice, to maintain your Account balance at a sufficient level to cover Initial Margin requirements and also adverse price movements (i.e. unrealised losses) and ensure your Risk Level remains at above 20%. If you do not maintain sufficient Margin some or all of your open Transactions will be automatically Closed Out by STA.

Our Margining policy requires us to take reasonable steps to notify clients before we Close Out a client’s open position. Accordingly, Margin Calls may be made by phone, email or by electronic notification via the Online Trading Platform.

You must ensure that you log into the Online Trading Platform on a regular basis to monitor your Equity and Risk Level and any relevant notifications. You must also maintain an e-mail address at all times and keep us up to date and informed of your current email address.

STA will attempt to provide you with sufficient notice of Margin Calls to enable you to meet them. However, please note that in certain market conditions such as extreme volatility this may not be possible and funds will need to be deposited with us to retain your open Transaction. It is your responsibility to actively monitor and manage your Transactions and your obligations, including ensuring that you maintain sufficient funds to maintain your open Transactions.
When a Margin Call is not met by the client lodging additional funds or Closing Out some or all of their open Transactions the Online Trading Platform will automatically identify which open Transactions are in an unrealised loss position and will Close Out the open Transaction with the largest unrealised loss first and continue Closing Out open Transactions with the next highest unrealised loss until there are sufficient funds in the client’s Account to meet the Margin obligations of the remaining open Transactions, if any and the Risk Level is at or above 20%.

Please take note that STA advocates appropriate risk management techniques be adopted by clients such as placing stop-loss orders as this technique reduces the possibility of the Account receiving a Margin Call.

Trading in FX can involve the risk of losing substantially more than your Account balance. However, refer to Section 3.7.4 of this PDS in relation to STA’s “No Negative Account Balance Policy”.

STA’s Margining Policy implemented via its Online Trading Platform deals with Margin Call issues at 2 important stages. These are:

- At Margin Call notification stage; and
- At liquidation stage.

### 3.6.3 Liquidation

STA reserves its rights to Close Out any or all of your open Transactions where a Margin Call has not been met or in extreme market volatility where your Risk Level is equivalent to or falls below 20% due to adverse price movements, without prior further reference to you.

When a Margin Call is not met by you by lodging additional funds or Closing Out some or all of your open Transactions and the Risk Level falls below 20%, you acknowledge and agree that our Online Trading Platform will automatically identify which open Transactions are in an unrealised loss position and will Close Out the open Transactions with the largest unrealised loss first and continue Closing Out open Transactions with the next highest unrealised loss, until there are sufficient funds in the client’s Account to meet the Margin obligations of the remaining open Transactions, if any, and the Risk Level is at or above 20%.

At this stage, no further automated notifications will be made to clients informing them that some or all of their open Transactions have been Closed Out. Clients will be able to see which of their open Transactions have been Closed Out by logging into their Account on our Online Trading Platform.

### 3.6.4 No Negative Account Balance Policy

With the use of leverage, clients run the risk of losing more money than they have in their Account. If your losses become too large and your Account balance falls below the Margin requirements and no Equity remains, STA’s Online Trading Platform will liquidate or Close Out your open FX Transactions at the best available price. Your open Transactions can be Closed Out during a fast moving and volatile market when “gapping” in prices may occur. Under such circumstances, the liquidation or Close Out could leave your Account with a negative balance (and STA may not be able to preserve the Equity equal to 20% of the Risk Level). In such case, STA will restore the negative balance to zero i.e. you will not be liable to STA for any negative balance in your Account. Should you wish to recommence trading you will be required to lodge additional funds to cover Margin requirements.

Accordingly, STA has a “No Negative Account Balance Policy” which means we guarantee that you will not lose more than the balance of your Account (being total funds deposited plus profits and less losses). If STA’s Online Trading
Platform does not Close Out your open Transactions before your Account balance becomes negative, STA will credit your Account back to zero.

3.7. CLOSING OUT AN OPEN FX TRANSACTION

If you wish to Close Out an existing open FX Transaction you access the Online Trading Platform, to determine the price (or level) quoted by STA for the FX Transaction, with the view to closing the open FX Transaction (or part of it).

As described in Section 3.7 of this PDS in relation to opening a FX Transaction, prices for FX Transactions are quoted by STA with a bid price and an ask price. The quote given to you by STA allows you to buy the FX Transaction at the ask quoted price or to sell the FX Transaction at the bid quoted price. It does not matter whether you are opening an FX Transaction or Closing Out an existing open FX Transaction, the way STA provides quotes are the same.

STA will quote the current price or value and you will then decide whether to accept the price or value, and if so, you would instruct STA to Close Out your open FX Transaction.

STA decides the prices it quotes. In general, without limiting STA’s discretion, it should be expected that STA will act reasonably and have regard to a range of relevant factors at the time, such as the value of the hedge contract taken by STA to hedge its FX Transaction issued to you, the market price of any foreign currency exchange rates which are relevant due to the denomination of your Account. In the worst case, it is possible that the price determined by STA may be zero.

STA also has the right to decide to make an adjustment in any circumstance if STA considers an adjustment is appropriate.

STA has a discretion to determine the extent of the adjustment so as to place the parties substantially in the same economic position they would have been in had the adjustment event not occurred.

STA may elect to Close Out your open FX Transaction (without prior notice to you) if an adjustment event occurs and it determines that it is not reasonably practicable to make an adjustment.

Although there are no specific limits on STA’s discretions, STA must comply with its obligations as an AFS licensee to act efficiently, honestly and fairly.

3.8. FACTORS AFFECTING FOREIGN EXCHANGE RATES

There are many different short and long term factors that will affect the foreign exchange rates and these can be inter-related, or they can assume different significance at different times. None of the numerous theories of exchange rate determination are sufficiently comprehensive or dynamic to explain exchange rate movements on their own, let alone accurately predict the future direction and level of exchange rates. The factors that are likely to affect the movement over an extended period of time can be defined within the fundamental factors that affect the overall financial markets as a whole.

Interest rates play the most important role in moving the prices of currencies in the underlying FX market. As the institutions that set interest rates, central banks are therefore the most influential actors. Interest rates dictate flows of investment. Since currencies are the representations of a country’s economy, differences in interest rates affect the relative worth of currencies in relation to one another. When central banks change interest rates they cause
the underlying foreign exchange market to experience movement and volatility. In the realm of foreign exchange trading, accurate speculation of central banks’ actions can enhance a client’s chances for a successful trade.

**Gross Domestic Product (GDP)**

The GDP is the broadest measure of a country’s economy, and it represents the total market value of all goods and services produced in a country during a given year. Since the GDP figure itself is often considered a lagging indicator, most clients focus on the two reports that are issued in the months before the final GDP figures: the advance report and the preliminary report. Significant revisions between these reports can cause considerable volatility.

**Consumer Price Index**

The Consumer Price Index (CPI) is probably the most crucial indicator of inflation. It represents changes in the level of retail prices for the basic consumer basket. Inflation is tied directly to the purchasing power of a currency within its borders and affects its standing on the international markets. If the economy develops in normal conditions, the increase in CPI can lead to an increase in basic interest rates. This, in turn, leads to an increase in the attractiveness of a currency.

**Employment Indicators**

Employment indicators reflect the overall health of an economy or business cycle. In order to understand how an economy is functioning, it is important to know how many jobs are being created, what percentage of the work force is actively working and how many new people are claiming unemployment benefits. For inflation measurement, it is also important to monitor the speed at which wages are growing.

**Retail Sales**

The retail sales indicator is released on a monthly basis and is important to the foreign exchange trader because it shows the overall strength of consumer spending and the success of retail stores. The report is particularly useful because it is a timely indicator of broad consumer spending patterns that is adjusted for seasonal variables. It can be used to predict the performance of more important lagging indicators, and to assess the immediate direction of an economy.

**Balance of Payments**

The balance of payments represents the ratio between the amount of payments received from abroad and the amount of payments going abroad. In other words, it shows the total foreign trade operations, trade balance, and balance between export and import, transfer payments. If incoming payment exceeds payments to other countries and international organizations the balance of payments is positive. The surplus is a favorable factor for growth of the national currency.

**Government Fiscal and Monetary policy**

Stabilization of the economy (e.g., full employment, control of inflation, and an equitable balance of payments) is one of the goals that governments attempt to achieve through manipulation of fiscal and monetary policies. Fiscal policy relates to taxes and expenditures, monetary policy to financial markets and the supply of credit, money, and other financial assets.

**Conclusion:** There are many economic indicators, and even more private reports that can be used to evaluate the fundamentals of FX. It’s important to take the time to not only look at the numbers, but also understand what they mean and how they affect a nation’s economy and thus, currency.
3.9. DEALING

Quotes for prices for dealing in FX Transactions are indicative only and so are subject to the actual price at the time of execution of your FX Transaction. There is no assurance that the Currency Pairs will actually be dealt with at the indicative quote.

Quotes can only be given and Transactions made during the open market hours of the foreign exchange market, a decentralized market where investors/traders buy and sell various Currency Pairs directly from brokers around the world. The foreign exchange market operates 24 hours a day from Sunday 5 pm EST until Friday 5 pm EST.

STA may at any time in its discretion without prior notice impose limits on FX Transactions in respect of particular currencies (see section 4 – “Significant Risks”). Ordinarily STA would only do this if the market for the particular currency has become illiquid or its trading status has been suspended or there is some significant disruption to the markets including trading facilities.

You should be aware that the market prices and other market data which you view through STA’s Online Trading Platform or other facilities which you arrange yourself may not be current or may not exactly correspond with the prices quoted for - FX Transactions offered by STA.

If you access your Account and any Online Trading Platform outside of the hours when orders may be accepted, you should be aware that the orders may be processed at a later time when the relevant Exchange is open to trading, by which time the market prices might have changed significantly.

3.10. TYPES OF ORDERS

Some of the types of orders which can be entered into the Online Trading Platform include, but are not limited to:

- **Good till Cancelled** (“GTC”) - An order (other than a market order), that by its terms is effective until filled or cancelled by you. GTC orders do not automatically cancel at the end of the day on which they are placed.

- **Limit Order** - An order (other than a market order) to buy or sell the identified FX Transaction at a specified price. STA will execute your limit order when one or more of the following conditions are met:
  - The offer price has reached the price of your buy limit order or the STA bid price has reached the price of your sell limit order; or
  - The price offered by STA has been bid or offered at your limit order price.

- **Market Order** - An order to buy or sell the identified FX Transaction at the current quoted price that STA provides either via the Online Trading Platform or over the telephone through one of our dealers. An order to buy is executed at the current quoted ask price and an order to sell is executed at the current quoted bid price.

- **One Cancels the Other** (“OCO”) Order - An order that is linked to another order. If one of the orders is executed, the other will be automatically cancelled.

- **Stop-Loss Order** - A stop-loss order is an instruction to buy or sell an FX Transaction at a price which is worse than the opening price of an open position (or worse than the prevailing price when applying the stop-loss order to an already open position). It can be used to help protect against losses. Please note that because of price gapping in a Currency Pair, the best available price that may be achieved could be materially different to the price set on the stop-loss order and as such, stop-loss orders are not guaranteed to take effect at the price for which they are set.

- **Trailing Stop Order** - A trailing stop order is the same as a stop-loss order with the only difference being
that, instead of setting a price at which the order is activated or triggered, the trailing stop order is activated or triggered at a fixed distance from the current quoted price. For example, if a client has purchased a long open position and the quoted ask price increases, the trailing stop price will also increase and will trail behind the quoted ask price at the fixed distance set by the client. If the quoted ask price then decreases, the trailing stop price will remain fixed at its last position and if the quoted ask price reaches the trailing stop price, the order will be executed. Please note that because of price gapping in a Currency Pair, the best available price or rate that may be achieved could be materially different to the price set on the trailing stop order and as such, trailing stop orders are not guaranteed to take effect at the fixed distance for which they are set.

Please refer to our website for some examples of how the above types of orders can be utilised in trading FX Contracts.

3.11. HEDGE CONTRACTS AND LIMITED RECOURSE

STA maintains and applies a written policy to manage its exposure to market risk from client open positions. This policy is available on request and also described briefly below.

This policy includes a risk management system in place to manage (hedge) our exposure and assess our current hedge counterparty. This assessment takes into account the risks involved when dealing with a hedge counterparty, and ensures that the hedge counterparty is of creditable financial standing, licensed by a comparable regulator, and is of sound reputation.

STA's policy to manage our exposure to market risk from client positions is to offset (hedge) all of its clients trades. STA executes a “back to back” transaction for each client Transaction with our hedge counterparty, Safecap Investments Ltd.

In the event that STA chooses to use new counterparties to hedge, wholly or partly then they will be selected based on stringent criteria. The hedging counterparty must:

- have a strong financial position;
- be licensed and regulated in their home jurisdiction;
- have demonstrated a risk management system.

If STA defaults on its obligations, clients may become unsecured creditors in an administration or liquidation of STA and will not have recourse to any assets of our hedging counterparty in the event of STA's insolvency.

Once an order for an FX Transaction is received, STA will, at or about the same time, make a similar transaction (in its own name, on its own account) with its hedge counterparty to hedge the Transaction entered into with you, so that STA has little or no direct market exposure to later changes in the value of the FX Transaction.

It is possible that STA's hedge counterparty may become insolvent or it is possible that other clients of the hedge counterparty may cause a default which reduces the financial resources or capacity for the hedge counterparty to perform its obligations owed to STA under the hedge contracts.

Since STA is liable to you as principal on the FX Transactions, STA could be exposed to the insolvency of the hedge counterparty or other defaults which affects the hedge counterparty. STA limits its liability to you under the terms of the FX Transaction by the extent to which STA actually recovers against the hedge counterparty and allocates that to your Account. Under this arrangement your rights are only against STA, which is the FX issuer based and regulated in Australia.
It is therefore possible that STA might not fully recover money lodged with the hedge counterparty due to reasons not arising from your own FX Transaction, or it may incur costs in seeking the recovery or choose to terminate recovery efforts early, thereby reducing the proceeds available to STA to allocate in its discretion to you. It is important to understand that you have no rights or beneficial interest in any contract which STA has with the hedge counterparty and you cannot force STA to make any decision about seeking recovery against the hedge counterparty. You are dependent on STA taking that action to seek recovery and how it pursues that action, although STA would act honestly, fairly and efficiently in deciding if and how to pursue that recovery action.

The credit risk which you have with STA depends on its solvency generally as well as on the amount (and kind) of its capitalisation, its cash flow, all of its business risks, its clients and financial product concentration risks, its counterparty risks for all of its business and Transactions (not just the hedge contracts), its risk management systems and actual implementation of that risk management.

You should take into account all of these factors and not rely only on past financial statements since that could be materially incomplete information for your purposes, not current and therefore potentially misleading as a guide to the current solvency and credit-worthiness of STA. STA is required to prepare and lodge with ASIC within four months of the end of the annual year an annual director’s report and an audited annual financial report, which are available by contacting STA.

If STA defaults on its obligations, clients will become unsecured creditors in an administration or liquidation in the event of the STA’s insolvency.

Please refer to Section 4 of this PDS entitled “Significant Risks” for additional information.

### 3.12. CONFIRMATIONS OF TRANSACTIONS

By using the Online Trading Platform, a Confirmation of an FX Transactions may be obtained by accessing the daily statement online, which you can print.

Once you have entered an order into the Online Trading Platform, the system will report the main features of your FX Transactions in a “pop-up” window. This is a preliminary notification for your convenience and is not designed to be a Confirmation as required by the Corporations Act.

If you have provided STA with an email or other electronic address, you will have consented to Confirmations being sent electronically, including by way of the information posted to your Account in the Online Trading Platform. It is your obligation to review the Confirmation immediately to ensure its accuracy and to report any discrepancies to STA within 48 hours.

### 3.13. MARKET CONDUCT

Some practices in placing orders and trading can constitute insider trading, market manipulation or creating a false market which is conduct prohibited under the Corporations Act. It is the client’s responsibility to be aware of unacceptable market conduct practices and the legal implications. The client may be liable for penalties to regulators such as ASIC or be liable to STA for costs to STA arising out of those trading practices of the client which lead to the client, STA or any other person suffering loss or penalty.
SECTION 4 – SIGNIFICANT RISKS

FX Transactions involve a number of risks. You should seek independent advice and consider carefully whether these are appropriate for you given your experience, financial objectives, needs and circumstances.

4.1. SIGNIFICANT RISKS IN TRADING FX

Trading in FX involves a high degree of risk and is not appropriate for everyone. It is important that you carefully consider whether trading FX is appropriate for you in light of your objectives, financial situation and needs.

STA recommends that you do not risk money that you cannot afford to lose and also, that you adopt a philosophy of capital preservation and implement risk mitigation techniques (such as the use of stop-loss orders).

You should consider the following significant risks involved in FX Trading:

**Market risk**: The market prices of financial products can change rapidly and can be subject to price volatility. Prices depend on a number of factors including for example, interest rates, demand and supply and actions of governments.

It may become difficult or impossible for you to Close Out an open FX Transaction. This can, for example, happen when market conditions are illiquid or where trading is suspended or restricted at times of rapid price movement.

Stop-loss orders may not always be filled and, in any event, may not limit your losses to the amounts specified in the order. For further information, see section 3.11 -“Types of Orders”.

**Margin risk** – you must provide STA with sufficient funds (being Margin) to be able to continue to hold your open FX Transactions. If you fail to meet your Margin requirement, STA will Close Out your open Transactions when the Risk Level equals or falls below 20%. For these reasons you should be prepared to devote a sufficient amount of time to monitoring your positions and implement appropriate risk management techniques such as placing stop-loss orders.

**Close Out risk** – STA has the right to Close Out your open Transactions without reference to you if particular events occur, including where the Risk Level equals or falls below 20%, and this may cause you loss.

Market Liquidity risk: Market liquidity describes the volumes which can be readily transacted in the underlying foreign exchange markets.

**Market liquidity risk** is the risk that it may not be possible to execute the full amount of a FX Transaction without seriously impacting the price. Billions of dollars of transactions are executed every day in the underlying foreign exchange markets such as EUR/USD, USD/JPY, GBP/USD. On the other hand, trading volume in “exotic” currencies (developing countries) can be very thin or illiquid. Even in the major currencies liquidity can sometimes be scarce at the opening and closing of trading for the Asian, European and USD sessions liquidity and volatility issues may arise.

Underlying foreign exchange market liquidity will be reflected in the bid/offer prices as quoted by STA for its FX Transactions. The more participants and volume there are in the underlying foreign exchange markets prepared to quote two way prices in a particular currency, the bid/offer spread will be narrow. Conversely, if there is only a couple prepared to quote, the wider the bid/offer spread will become. An imminent news release which may have significant effect on the underlying foreign exchange market can also affect prices quoted by STA for its FX Transactions.

**Gapping risk**: this is the risk that when there is increased volatility in the market the price may gap rather than follow a smooth trend. Accordingly, the price or rate of an FX Transaction may move through your stop-loss order level, or the level at which STA will Close Out some or all of your Transactions (i.e. when the Risk Level equals or falls below 20%). If this occurs, you lose all of the amount in your Account. However, you will not be liable to pay STA
any shortfall should your Account balance become negative as STA has a “No Negative Account Balance Policy (see section 3.7.4 of this PDS for additional details).

Foreign Exchange risk: Foreign currency conversions may be required for your Account depending on the CFD (see section 5 – “Costs, Fees & Charges” for a further description) and can expose you to foreign exchange risks between the time the FX Transaction is entered into and the time the relevant conversion occurs.

Your Account may be denominated in Australian dollars or any other currency permitted by STA from time to time. If you instruct STA to effect an FX Transaction denominated in a currency different from the denomination of your Account currency, STA will convert the currency value of your Transaction into the Account currency when the FX transaction is Closed Out.

Foreign exchange markets can change rapidly. This exposes you to adverse changes in the value of your Account which can be large (depending on foreign exchange rates) and volatile. This will directly affect the value of an FX Transaction where that Transaction is denominated in a currency other than the currency in which your Account is held.

Not a regulated market: FX trading offered by STA are OTC derivative products and thus, are not traded on a regulated Exchange and so are not covered by the rules of a regulated Exchange, such as guarantee or compensation funds.

STA and counterparty risk: You have exposure to STA for the performance of each FX Transaction. This is common to all OTC financial market products.

Given you will be dealing with STA as counterparty to every FX Transaction, you will have an exposure to us in relation to each FX Transaction. As STA will be your counterparty to the FX Transaction, there is the risk that STA will not meet its obligations to you under the FX Transaction. You can minimise your counterparty risk with STA by limiting the amount of funds you lodge with STA, trading prudently and requesting payment to you of any surplus in your Account which is not required to maintain open positions.

If STA were to have reduced financial capacity or enter administration or liquidation, then it may be unable to meet its obligations to you in full, or at all. STA limits its market exposure by entering into opposite transactions with its hedge counterparty to hedge its exposures to clients. STA’s practice is to enter into back to back positions with the hedge counterparty which corresponds with STA’s FX products issued to clients. In addition, STA must comply with the financial requirements imposed on it under its AFS Licence.

You should satisfy yourself that STA is able to meet its obligation to you. You can assess STA’s financial ability to meet its counterparty obligations by reviewing its financial statements. Should you wish to be provided with a copy of the most recent audited Financial Statement of STA for you to review then please request this information directly from us and we will provide it free of charge.

You will be reliant on STA’s ability to meet its counterparty obligations to you to settle the relevant FX Transaction. STA limits this exposure by hedging all of the exposure it has to its clients. This is achieved by entering into back to back positions with the hedge counterparty, STA is exposed to the financial performance by the hedge counterparty. The hedge counterparty may fail to perform its obligations to STA, which might impact on STA's resources to perform its obligations to you. In order to manage the overall risks and to continue to provide efficient trading systems at a reasonable cost, STA limits its exposure to you under FX Transactions by the amount it actually recovers from counterparty (see section 3.12 -“Hedge Contracts and Limited Recourse”).
Client Money risk: You should be aware that holding client money in the client trust account does not necessarily protect you from a deficit in the client trust account.

Please refer to section 3.3 of this PDS more additional explanation.

Online Trading Platform: You should be aware that there are a number of risks associated with using internet-based trading platforms. These risks are not just risks in using our Online Trading Platform but apply to other providers of trading platforms as well. Such risks include, but are not limited to, risks related to the use of software or telecommunications systems such as software errors and bugs, delays in telecommunications systems, interrupted service, data supply errors, faults or inaccuracies and security breaches.

A disruption to the STA Online Trading Platform could mean you are unable to trade FX and that you may suffer a financial loss or an opportunity loss as a result. These risks and the occurrence of disruptive events are generally outside the control of STA and, accordingly, you will have no recourse against STA in relation to the use of or availability of our Online Trading Platform or any errors in the software or related information systems.

When you use STA's Online Trading Platform, you must carefully read and follow the rules for that platform. It may impose rules regarding the timing of posting Margin, (such as when payment is effective) or how orders are managed.

Access to our Online Trading Platform: You are responsible for the means by which you access the Online Trading Platform. If you are unable to access the Online Trading Platform, it may mean that you are unable to trade FX (including Closing Out) and you may suffer a profit or loss as a result.

STA may also suspend the operation of the Online Trading Platform or any part of it, without prior notice to you. Although this would usually only happen in unforeseen and extreme market situations, STA's discretion is not limited. If the Online Trading Platform is suspended, you may have difficulty contacting STA, or at all, or your orders may not be able to the executed at prices quoted to you. If you can contact STA then you may place orders by telephone with one of our dealers.

STA may impose volume limits on client Accounts or filters on trading, which could prevent or delay execution of your orders, at your risk. You have no recourse against STA in relation to the availability of the Online Trading Platform nor for any errors in the software.

There may be a risk that you may not be able to execute orders if your computer terminal is not on.

Substantial Losses: You could sustain a loss, greater than the amount that you have paid to us to establish and maintain an FX Transaction. If the currency value moves against your FX transaction, you are responsible for monitoring and meeting the Margin requirements.

If you fail to provide those additional funds within the required time, your entire open positions may be liquidated (Closed Out) at a loss. There is no limit on the amount of Margin which may be called in order to meet a revised valuation of your open FX Transaction.

Any resultant loss will be debited to your Account and may result in a negative balance. However, STA has a “No Negative Account Balance Policy” which means we guarantee that you will not lose more than the balance of your Account (being total funds deposited plus profits and less losses). If STA's Online Trading Platform does not Close Out your open positions before your Account balance become negative, STA will credit your Account back to zero (see section 3.7.4 for additional detail).
Leverage: A high degree of leverage may be involved in trading in FX the use of leverage can lead to large losses as well as large gains. As mentioned above under “Significant Risks in Trading FX” (refer Section 4.1 of this PDS), the leverage in an FX Transaction may lead to a loss larger than an Initial Margin and additional Margin you deposit with us to establish or to maintain the FX Transaction.

Our powers on default, indemnities and limitations on liability: If you fail to pay, or provide security for, amounts payable to STA or fail to perform any obligation under your FX Transactions, STA has extensive powers under the Account Terms and Conditions with you to take steps to protect our position including, for example, the power to Close Out positions and to charge default interest. Further, STA’s liability to you is expressly limited (to the extent permitted by law) to performing its obligations. You should read the Account Terms and Conditions carefully to understand these matters.

Irregular or Illegal Trading: You should be aware that the trading is regulated by the agreement between STA and the client. This specifies conduct that is deemed as irregular or illegal. If the client engages in any of this conduct FX Transactions may be terminated without recourse to STA. Conduct that has been specified as irregular or Illegal include but is not limited to;

- Arbitrage which means an FX Transaction that was opened or Closed Out at a market price that may be contrary to STA’s Account Terms and Conditions.
- Hedging means the opposite of a trade to an existing trade with same volume that was opened to gain profit from deal terms.
- Scalping means a trade that was opened and Closed out prior to or within 90 seconds of its opening.
- Placing future “buy-stop” or “sell-stop” orders within one hour prior to the release of financial data is prohibited and will not be permitted. STA shall hold the right to cancel any such orders without prior notice to you.

Operational risk: There is always operational risk in an FX Transaction. For example, disruptions in operational processes such as communications, computers and computer networks, or external events may lead to delays in the execution and settlement of an FX Transaction. STA is not liable to you if losses arise owing to delays, errors or failures in operational processes outside our control, in particular, due to faults in the Online Trading Platform.

4.2. COUNTER PARTY RISK FINANCIAL RESOURCES

STA maintains and applies a written policy to ensure the ongoing maintenance of adequate financial resources. This policy can be provided to you upon request and at no charge and is also described briefly below.

We further maintain a detailed Risk Register, in which key risks of our business are identified, reviewed and controls implemented.

Steps are taken to ensure STA’s financial requirements are maintained and include, but are not limited to, monitoring compliance with our AFS Licence conditions, the Corporations Act and ASIC policy (such as that set out in RG 166) and in particular monitoring of the level of net tangible assets held, liquidity requirements, surplus liquid funds calculation, cash needs requirements and conducting a daily client cash segregation calculation.

Our external independent auditor will conduct an audit each financial year and a copy of the audited financial statements can be provided to you upon request and at no charge.

The credit risk which you have with STA depends on its solvency generally as well as on the amount (and kind) of its capitalisation, its cash flow, all of its business risks, its client and financial product concentration risks, its
counterparty risks for all of its business and transactions, its risk management systems and actual implementation of that risk management.

To allow you to assess the credit risk to STA please request in writing a free copy of our latest audited financial statements.

4.3. GENERAL RISKS

STA strongly recommends that, if you are not familiar with trading FX, you obtain independent legal, financial and taxation advice before proceeding with an FX Transaction.

- Further, STA recommends that you should consider the following:
  - It is your responsibility to understand the nature and risks associated with each FX Transaction.
  - In entering into any FX Transaction, neither STA nor any of its representatives will provide you with personal advice, or is to be taken as providing you with personal advice as to any strategy, risk profile or financial result.
  - FX trading is highly speculative and can be volatile. There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged.
  - Past performance of markets is never an assurance or indicative of future performance.
  - The value of your Account may fluctuate according to foreign exchange rates and interest rates, as well as other market conditions which are outside of our control and which are not able to be forecast.
  - Trading with STA may give rise to actual or potential conflicts of interests, because STA is acting as principal in its FX Transactions with you and also because it may be transacting with other persons, at different prices or rates. The policy used by STA is that as principal it issues the FX Transaction to you based on the price it quotes you, not by acting as broker to you. STA obtains the price it quotes to you by getting a quote from its hedge counterparty.
  - Information about prices or rates may come from several sources and may not be current at the time given to you. STA does not take responsibility for information about rates or other financial market data or statements and STA relies on your acknowledgment that you do not rely on any such information given to you or discussed with you. STA only undertakes to perform the FX Transaction agreed with you at the price or rate for that FX Transaction, and not at any other price or rate available.

SECTION 5 – COSTS, FEES AND CHARGES

Commission

We may share charges or benefits with our associates, hedging counterparty or other third parties or receive remuneration from them in respect of FX Transactions we enter into with you.

Rollovers

Where you hold an FX Transaction open overnight, you will be charged (or receive) a “rollover fee/benefit” or funding cost/benefit for holding FX Transactions overnight. These charges vary. Our hedging counterparty charges and/or
pays STA a “rollover” fee or benefit and STA passes these “rollover” fees and benefits to you. Please Note: our Trading Platform calculates overnight rollover at 0700 AEST and the rollover fee/benefit is debited or credited to and from your Account. On Thursday at 0600 AEST, overnight rollover fees and benefits are multiplied by three (x3) in order to compensate for the upcoming weekend. The overnight rollover values for a particular FX can be seen in the “Instruments window” on the Online Trading Platform.

Rollover values will differ depending on whether the position held is short or long. The forex market works with currency pairs and is quoted in terms of the quoted currency compared to a base currency. You borrow money to purchase another currency, and interest is paid on the borrowed currency and earned on the purchased currency, the net effect of which is the rollover fee/benefit. Please refer to our website for up-to-date rollover fees and benefits for our currency pairs.

Administrative Fees

STA will pass on any fees incurred by it by third party providers with respect to telegraphic transfers or wire fees. STA does not profit as a result of these fees which are passed on to you.

Inactive and Dormant Account

Any Account(s), held with STA where you have:

- not placed an order to enter into an FX Transaction;
- not opened or Closed Out any Transactions; and/or
- not made a deposit into the Account;

for a period of 90 days and more, shall be classified by STA as an inactive Account (“Inactive Account”). Such Inactive Accounts will be subject to a monthly charge of $5, relating to the maintenance/administration of such Inactive Accounts. Any Inactive Accounts, which hold zero balance, shall be re classified to a dormant account (“Dormant Account”). For re-activation of Dormant Accounts you must contact STA’s Client Support Department support@Markets.com Australia and inform them of your wish to reactivate the Dormant Account. Your Dormant Account will then be reactivated (subject to, you depositing cleared funds with STA and if required, up-to-date identification and verification documentation provided to STA by yourself) and become an Active Account. However, where you have not done any of the following:

- placed an order;
- opened or Closed Out any Transactions; and/or
- made a deposit into the Account;

for a period of 90 days or more, then this Account will once again become an Inactive Account and subsequently a Dormant Account if the balance/Equity of the Account is zero.

Credit Card Fees

STA does not charge a fee for credit card deposit or withdrawal transactions. However, banks or other third party credit institutions used by you for the transfer of funds may charge a fee. If you use a credit card to deposit or withdrawal fund, any fees incurred by STA will be passed on to you.
GST and other Taxes

You are responsible for any stamp duty, transaction duty, GST or similar goods and services or value added tax payable in respect of services provided to you or any transaction made.

SECTION 6 – GENERAL INFORMATION

The terms governing your dealing in FX with STA are set out in this PDS together with the Account Terms and Conditions found at www.Markets.com Australia

The Account Terms and Conditions include terms for your dealings with us for the products covered by this PDS and also the dealings in other products offered by STA which are not covered by this PDS but are covered by a separate PDS. By opening an Account with us you agree to the Account Terms and Conditions.

6.1. ACCOUNTS DENOMINATED IN CURRENCY OTHER THAN AUSTRALIAN DOLLAR

Your Account may be denominated in Australian dollars or any other currency permitted by STA from time to time. If you instruct STA to effect an FX Transaction denominated in a currency different from the denomination of your Account currency, STA will convert the currency value of your FX Transaction into the Account currency when the FX Transaction is Closed Out.

Therefore, you need to take into consideration the denominated currency in the FX Transaction that you trade. This is because any foreign currency conversion between your Account, which is denominated in one currency, and FX Transaction, which are denominated in a different currency, can expose you to foreign exchange risk.

6.2. QUERIES AND DISPUTES

Any disputes about a Transaction or Confirmation must be brought to our attention within five (5) Business Days of the Transaction being executed or the Confirmation being issued. Please see section 6.7. – “Complaints Handling”.

6.3. ABOUT STA

STA is the holder of AFS Licence No 424008 and authorised to provide general and/or personal financial product advice in relation to, and to deal in, and to make a market in derivatives and foreign exchange contracts to retail and wholesale clients.

6.4. STA INSURANCE

STA has professional indemnity (“PI”) insurance arrangements in place as required under section 912B of the Corporations Act. Our PI insurance takes into account the volume and nature of our business, the number and nature of our clients, our representatives and the potential extent of our liability.

Our PI insurance also covers potential claims in relation to the conduct of representatives who no longer work for us (but who did so at the time of the relevant conduct).
6.5. TAXATION IMPLICATIONS

Trading in FX has the potential for generating profits and the potential for generating losses and accordingly, will have taxation implications for clients, depending on the current tax laws and administration, the nature of the client for tax laws, the terms of the Transactions and other circumstances. These are invariably complex and specific to each client. The tax implications of any profits or losses may be significant depending on the personal circumstances of the individual client. STA does not provide tax advice and recommends you consult your tax advisor before trading in these financial products.

OTHER FEES, CHARGES OR COMMISSIONS

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

6.6. COOLING OFF

There is no cooling off arrangement for FX Transactions offered by STA. This means that you do not have the right to return the FX Transaction, nor request a refund of the money paid to acquire the FX Transaction. If you change your mind after entering into an FX Transaction with STA, you must Close Out the open positions, and take the risk of a loss being incurred in doing so.

6.7. COMPLAINTS HANDLING

We have an internal dispute resolution process in place to resolve any complaints or concerns you may have, quickly and fairly. Any complaints or concerns should be directed to the Complaints Officer (by telephone, facsimile or letter) at the address and telephone/fax numbers provided in this PDS. We will investigate your complaint and provide you with our decision and the reasons on which it is based, in writing. We will seek to resolve your complaint within 45 days.

If you are dissatisfied with the outcome, you have the right to lodge a complaint with the Financial Ombudsman Service (FOS), an approved external dispute resolution scheme, of which we are a member, using the contact details below. You may also make a complaint via the ASIC free call Info line on 630 300 1300.

You can contact FOS by any of the means listed below:

In writing to:  FOS

GPO Box 3
Melbourne VIC 3001

Telephone:  Free call 808 780 1300

Facsimile:  6399 9613 613+

Email:  info@fos.org.au

Website:  www.fos.org.au
6.8. PRIVACY

In accordance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, STA has an obligation to collect information about and verify the identity of its clients. This information is referred to as Know Your Client (“KYC”) information. STA will carry out its customer identification and verification procedures in accordance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and the Privacy Act 1988 and the Australian Privacy Principles.

We value the privacy of the personal information you provide us. When we collect, use, disclose or handle your personal information, we are bound by Australian law. Our full privacy policy is available on our website www.Markets.com Australia. If you want access to, or wish to correct or update any personal details that you have provided to us, please do so as soon as possible.

SECTION 7 – GLOSSARY

Account means your account with STA established under the Account Terms and Conditions.

Account Terms and Conditions means the Terms and Conditions of your Account with STA by which you and STA deal in Transactions.

AFS Licence means Australian financial services licence.

ASIC means Australian Securities and Investments Commission.

ASX means the securities and other Exchanges operated by ASX Limited (including, when applicable the ASX 24).

Australian Dollar or $ means the lawful currency of the Commonwealth of Australia.

Business Day means a weekday which is not a gazetted public holiday in Sydney.

Close Out, Closed Out, Closing Out in relation to an FX Transaction mean discharging or satisfying the obligations of the parties under the FX Transaction and this includes:

- as a result of the entering into an equal and opposite offsetting FX Transaction to match against an existing open FX Transaction of the same kind; and
- making adjustments for fees and charges.

Confirmation means any confirmation of a Transaction issued by STA and includes an electronically transmitted confirmation.

Corporations Act means the Corporations Act 2001 (Cth).

Currency Pair means the quotation and pricing structure of the currencies traded in the foreign exchange market whereby the value of a currency is determined by its comparison to another currency. The first currency of a currency
pair is fixed and called the “base currency”, and the second currency is variable and called the “term currency”. The currency pair shows how much of the term currency is needed to purchase one unit of the base currency.

**Equity** means the liquidating value of an Account and is calculated by deducting any unrealised losses from, and adding any unrealised profits to, the balance of the Account.

**Exchange** The physical location of trading activity. Some examples include the New York Stock Exchange or the Chicago Mercantile Exchange.

**Initial Margin** means the amount which you are required to deposit in your Account with STA as the initial margin to cover any Transaction in which you propose to enter.

**Margin** means the amount required to be deposited in your Account to maintain your open Transactions and includes Initial Margin plus sufficient funds to cover adverse price movements in relation to your open Transactions.

**Margin Call** means for additional funds required to be deposited into your Account to meet Margin requirements because of adverse price movements against an open Transaction(s).

**Online Trading Platform** means the MetaTrader 4 electronic trading platform offered by STA to enable you to enter into Transactions.

**OTC** means an over-the-counter financial product which is not traded on an Exchange.

**Risk Level means a percentage calculated as follows:** (Equity divided by Used Margin) multiplied by 100.

**STA** means STA Global Investments Pty Ltd ACN 158 641 064.

**Transaction** means any of the kinds of OTC products offered by STA which are traded under the Account Terms and Conditions.

**Used Margin** means the amount of money that must be maintained in your Account to ensure that you have sufficient to cover Initial Margin requirements and also to cover against unrealised losses on all of your open Transactions at any one time.

**Some expressions** used in this PDS which are set out in this Glossary are based on the definitions in the STA Terms and Conditions. You must read the Account Terms and Conditions in full, including all of the definitions in the Account Terms and Conditions. The Account Terms and Conditions can be found on our website at www.Markets.com Australia.