



Xtrade.Au Pty Ltd AFSL 343628

## Product Disclosure Statement

Margin FX and other Contracts for Difference (**CFDs**)

Date of issue: 8 December 2023

Risk Warning: Trading CFDs and Margin FX is risky. It isn't suitable for everyone and, you could lose substantially more than your initial investment. You don't own or have rights in the underlying assets. Past performance is no indication of future performance and tax laws are subject to change. The information in this document is general in nature and doesn't take into account your or your client's personal objectives, financial circumstances, or needs. Please read our legal documents and ensure you fully understand the risks before you make any trading decisions. We encourage you to seek independent advice.

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## Overview and important information

This Product Disclosure Statement (**PDS**) dated 8 December 2023 has been prepared and issued by Xtrade.Au Pty Ltd ACN 140 899 476, AFSL 343628 (**Xtrade.Au**), as the issuer of over-the-counter contracts for difference (**CFDs**). This document is designed to assist Xtrade.Au's retail clients (**Client**) the CFDs described in this PDS are appropriate for them.

Please note that the information contained in this PDS does not constitute a recommendation, advice or opinion and does not take into account your individual objectives, financial situation, needs or circumstances. The information in this PDS contains **general** advice only.

Before entering into a Margin FX or other CFD transaction, you should obtain independent advice to ensure this is appropriate for your particular financial objectives, needs and circumstances. Xtrade.Au also provides a Target Market Determination (**TMD**) to ensure trading in CFDs is appropriate to your requirements.

All Clients shall be bound by the contents of this PDS, the information in this PDS is current as of 8 December 2023 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.Xtrade.com.au](http://www.Xtrade.com.au).

Xtrade.Au may issue a supplementary or replacement PDS as a result of certain changes, which shall be available on our website or shall be distributed in electronic form as required.

Category	Explanation
<b>Jurisdiction notice</b>	This PDS does not constitute an offer or invitation in any place outside Australia 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.
<b>Distribution</b>	If you received this PDS electronically, 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 ( <b>FSG</b> ) and visit our website. If you have any queries regarding this PDS, please contact Xtrade.Au.
<b>Product warning</b>	Margin FX and CFD products are considered speculative products which are leveraged and carry significantly greater risks than non-geared investments, such as shares. You should not invest in Margin FX or other CFD products unless you properly understand the nature of Margin FX or other CFD products and are comfortable with the attendant risks. Investing in Margin FX and CFD products involves the risk of losing more than the initial investment. Additionally, Margin FX and CFD Investors do not own or have any rights to underlying assets. You should obtain financial, legal, taxation and other professional advice prior to entering into a Margin FX or other CFD transaction to ensure this is appropriate for your objectives, needs and circumstances.
<b>PDS interpretation</b>	Except where specified, this PDS relates to <b>BOTH</b> Margin FX and CFD transactions simultaneously.

## 1. Purpose and contents of this PDS

This PDS is designed to provide you with important information regarding Margin FX and 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/risks/benefits of these products;
- applicable fees and charges for these products;
- any (potential) conflicts of interest we may have;
- taxation considerations relevant to trading the products; 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 any place outside Australia where or to any person to whom it would be unlawful to make such an offer or solicitation. Defined terms used in this PDS are defined in the Glossary in section 25 and throughout this PDS. If you would like further information, please ask us. Further detail about our services is available on our website [www.xtrade.com.au](http://www.xtrade.com.au).

## 2. Contact details

The Issuer/Service Provider is Xtrade.Au Pty Ltd ACN 140 899 476.

Xtrade.Au holds an AFSL (No: 343628) and is authorised to provide general financial product advice in relation to, and to deal in, derivatives and foreign exchange contracts, and to make a market in derivatives and foreign exchange contracts to retail and wholesale clients. Throughout your relationship with Xtrade.Au, you may be provided with general market information or general advice. We will not be providing you with advice that takes into account your financial situation, objectives and needs. For that reason, you should consult your own independent financial advisor before trading. You can contact our office by any of the means listed below:

Method	Details
<b>Writing to us at:</b>	Suite 1.02, Level 1 35 Grafton Street, Bondi Junction NSW 2022
<b>Calling us:</b>	+61 (2) 81236650
<b>Sending an email to:</b>	<a href="mailto:au-documents@xtrade.com">au-documents@xtrade.com</a>
<b>Compliance/Complaints:</b>	<a href="mailto:compliance@xtrade.com.au">compliance@xtrade.com.au</a>
<b>Visiting our website:</b>	<a href="http://www.xtrade.com.au">www.xtrade.com.au</a>

## 3. Client Agreement

Information provided to you in our FSG, PDS and TMD are important and is binding on you. Additional legal terms governing our relationship are detailed in the Application Terms & Conditions. You must complete, sign, and return the Application Terms & Conditions (either online, electronically, fax or by post), and have your account approved by Xtrade.Au. Xtrade.Au reserves the right to refuse to open a Margin FX or other CFD account for any person. Xtrade.Au accepts Margin FX and CFD transaction order instructions primarily via the electronic trading platform but may also accept order instructions via telephone. 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, and review order confirmations we provide, to ensure their accuracy and monitor your Margin obligations. Any order discrepancies identified must be reported to us

immediately. Xtrade.Au 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, cash balances, and trading confirmations. Should you have any queries relating to your statements we encourage you to contact us.

Xtrade.Au does not guarantee the performance, return of capital from, or any particular rate of return, of a Margin FX or other CFD product or transaction. For positions opened after 29 March 2021, you can no longer lose more than the amount of funds in your Margin FX or other CFD account. However, you 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 other CFD or underlying instrument/market is no guarantee or indicator of future performance. Please note that the examples provided in this PDS are provided for illustrative purposes only and do not necessarily reflect current or future market or product movements, the values that Xtrade.Au will apply to a trade, nor how such trades may 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 Xtrade.Au may exercise its powers or discretions. The examples in this PDS also do not constitute general or personal financial product advice to any person reading this PDS.

#### 4. Margin FX and other Contracts for Difference summary

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

##### 4.1 Who is the issuer of this PDS and the products?

Xtrade.Au is the issuer of this PDS, and the products described in this PDS.

##### 4.2 What are Margin FX contracts?

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. Margin FX is a type of CFD, being a CFD over currency pairs. 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 an 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 the difference between the opening and closing rates of each transaction, adjusted for transaction costs.

##### 4.3 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 Instrument. Like other derivatives, CFDs allow investors to participate in the returns from movements in an Underlying Instrument, without the need to own that Underlying Instrument. CFDs allow you to make a profit or loss from the fluctuation in the Underlying Instrument 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 Commission, and Daily Financing Fee you incur and are required to pay to us in respect of the CFD.

#### 4.4 What fees and charges are payable in respect of a Margin FX and CFD contracts?

No separate transaction fees or commissions are charged to Clients. The price/rate quoted to Clients for derivative contracts include a spread in favour of Xtrade.Au, through which our profit is generated. The prices/rates quoted to Clients may differ from prices available in the primary or underlying markets. Accordingly, due to the spread applied between the offer and bid price, if the underlying value of the contract does not move between purchase and sale, you will make a loss to the extent of Xtrade.Au's spread.

However, you may incur several fees and charges. Please refer to the website for the latest fees. It is your responsibility to frequently visit the website to review any changes to the fees and charges. As of the date of issue of this PDS, the fees and charges include:

Feas/charge	Definition
<b>Premium</b>	Where positions are held open overnight, "Premium" (Swaps) interest may be payable thereon.
<b>Inactivity Fees</b>	Where your trading account is inactive for a period exceeding three months, you will be charged a fee of \$10 per month, after 3 months from the moment the account becomes inactive, to keep your account open. An account becomes inactive on the next calendar day after the last trade, deposit or withdrawal transaction on the account ( <b>Inactive Date</b> ). Should you have insufficient funds in your account to meet such fee, Xtrade.Au reserves the right to charge a lower fee, or close the account.
<b>Dormant Account Fees</b>	Where your trading account is inactive for a year or more after the active Date, you may be charged a fee of \$60 per month after Xtrade.Au exercises its rights to suspend your account and render it dormant.
<b>Conversion Fee</b>	You may be liable to a conversion fee of 3%, if conversion on your deposit is needed.

Please refer to section 14 of this PDS for more information on fees and charges.

#### 4.5 How do I open a Margin FX or other CFD account?

Prior to transacting in Margin FX or other CFDs, you must read and understand our FSG, this PDS and the Account Application Terms & Conditions (which will be provided to you by Xtrade.Au) detailing the applicable terms and conditions. You must complete, sign, and return the Account Application Terms & Conditions and have your account approved by Xtrade.Au. Xtrade.Au reserves the right to refuse to open an account for any person.

#### 4.6 How do I place a Margin FX or other CFD transaction order with Xtrade.Au?

Xtrade.Au accepts Margin FX and CFD order transaction instructions electronically, via our online trading platform and upon Xtrade.Au's discretion via telephone. CFD positions can be opened by either buying or selling a CFD, depending on whether you require a Long or Short position. CFD positions can be closed by taking the equal or opposite position to the open CFD position. That is, purchase a Long CFD to close a Short position, or sell a Short CFD to close a Long position.

#### **4.7 What is Margin?**

Your Initial Margin is the amount Xtrade.Au debits from your account as soon as you open a new Margin FX or other CFD position or place an order to open a new Margin FX or other CFD position. This acts as collateral or a security buffer and protects us in the event of a default by you. For positions opened after 29 March 2021, we will require an Initial Margin calculated as a percentage of the contract value.

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.

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 Xtrade.Au without further reference to you in accordance with the terms of the Application Terms & Conditions. A Margin Call will not be considered to have been met unless and until cleared funds have been received in the nominated account and Xtrade.Au has updated the trading platform.

Further, if the net equity of your Margin FX or other CFD trading account falls to less than 50% of your aggregate Initial Margin, we are required to terminate all open CFDs associated with that trading account, until either your net equity reaches the 50% of aggregate Initial Margin threshold or all open positions are terminated.

#### **4.8 How are payments made in and out of your account?**

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

1. Bank transfer;
2. Credit Card; or
3. E-wallets.

In no circumstances does Xtrade.Au accept cash deposits.

You will only be able to withdraw moneys available to you after your Margin obligations have been met. All transfers from Xtrade.Au to you will be made to the bank account nominated in your Application.

#### **4.9 Do I pay or receive any financing charges?**

In the event of you holding a Margin FX or other CFD position overnight you may be required to pay a premium depending on underlying rate differentials of the applicable currencies. For calculations of premium, you should refer to Xtrade.Au's website where you may check the updated rates.

#### **4.10 What are the key risks of Margin FX and other CFDs transactions?**

Investment in Margin FX or other 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. Some of the key significant risks involved in Margin FX and/or CFD trading include (and should be read in detail at section 13 of this PDS):

- Credit Risk;
- Operational Risk;
- External Market forces;
- Currency Risk;
- Loss of Margin;
- Gapping;
- Variation Margins;
- Leverage;
- Liquidity;
- Online trading platform risk;
- Stop loss orders unavailable;
- Powers of Xtrade.Au;
- Reliance on third parties; and
- Regulatory Risk.

#### 4.11 What are the tax implications of Margin FX trading?

Margin FX and other CFD transactions may have tax implications. The taxation consequences of trading in Margin FX and other CFDs can be complex and will differ for each individual's financial circumstances. We recommend that you obtain independent taxation and accounting advice in relation to the impact of Margin FX and other CFDs transactions on your particular financial situation.

#### 4.12 Xtrade.Au's powers in the event of default

Xtrade.Au has extensive powers under the terms of the Application Terms & Conditions to take action in response to a range of default events. Xtrade.Au may terminate your account, and close out all or any of your Margin FX or other CFD positions, including cancelling any outstanding orders. From 29 March 2021, Xtrade.Au may be forced by law to take these actions and it may not be up to the discretion of Xtrade.Au.

## 5. ASIC Regulatory Guide 227 Disclosure Benchmarks

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 addressed.

Xtrade.Au's compliance with each benchmark is addressed in the following table:

Benchmark description	Does Xtrade.Au meet this benchmark?	Explanation
Client qualification	Yes	Trading in Margin FX and other CFDs is not suitable for everyone because of the significant risks involved. Xtrade.Au will provide a Client onboarding questionnaire which explains our process for assessing an applicant's knowledge of and experience with using our product, and whether they fit within the target market.



Benchmark description	Does Xtrade.Au meet this benchmark?	Explanation
		<p>A potential Client must prove that they are able to satisfy the following criteria:</p> <ul style="list-style-type: none"> <li>they have previous trading experience or have completed a suitable CFD or FX trading course; or</li> <li>completed and passed Xtrade.Au's 10 question quiz with a minimum score of 80% (with 3 attempts permitted only).</li> </ul> <p><b>Onboarding questionnaire</b></p> <p>Successfully completing the 10-question quiz allows Xtrade.Au to be satisfied that the potential Client:</p> <ul style="list-style-type: none"> <li>understands the concepts of leverage, margins and volatility;</li> <li>understands the nature of Margin FX and other CFDs;</li> <li>understands the processes and technologies used in trading including the use of Xtrade.Au's platform; and</li> <li>can monitor and manage the risk of trading Margin FX and other CFDs.</li> </ul> <p>A potential Client must also accept our Application Terms &amp; Conditions and Risk Disclosure Statement.</p> <p>Margin FX or other CFD</p> <p>A potential Client will also be offered a practice (demo) account which mirrors the functions and features of our live trading platform on a non-obligatory basis. [This is offered to potential Clients at no cost, for an unlimited period.]</p> <p><b><i>The Xtrade.Au Compliance team reserves the right to periodically review the Clients trading account and request addition information or request a CFD or FX trading course be completed at any time</i></b></p>
Opening collateral	No	<p>Xtrade.Au does not meet this benchmark because it does not impose a \$1,000 limit on credit card deposits (as suggested by ASIC Regulatory Guide 227).</p> <p>This is aimed to give you ready access to maximum funding, flexibility and liquidity in the event you urgently need to open a hedge position or require additional margin to avoid a position being liquidated. <i>You should note however, that using credit cards to fund your margin requirements will involve 'double leverage', because you are funding a leveraged product using borrowed money.</i> You will be exposed to a greater risk of entering into financial difficulty than if you paid the margin requirements with cash.</p> <p>Please note 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. Xtrade.Au only permits Clients to open an</p>

Benchmark description	Does Xtrade.Au meet this benchmark?	Explanation
		account and trade with cleared funds (i.e. transfer of cash from your banking account to your trading account). Please note that an account may be opened with a cash transfer from your bank account or with a 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. Xtrade.Au 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.
<b>Counterparty risk – hedging</b>	Yes	<p>Xtrade.Au 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.</p> <p>All Client trades with Xtrade.Au are hedged on a back-to-back basis with a hedge counterparty. When selecting hedging counterparties, Xtrade.Au employs a process of assessing their financial standing, reputation, regulatory status and commercial terms.</p> <p>Please refer to Xtrade.Au's Hedging Policy which can be found on Xtrade.Au's website at <a href="http://www.Xtrade.com.au">www.Xtrade.com.au</a>, which outlines the activities it undertakes to mitigate counterparty and counterparty risk.</p>
<b>Client money</b>	Yes	<p>Xtrade.Au maintains and applies a clear policy with regard to the use of Client money. Please note that money you deposit into your trading account is comingled 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>Please note that subject to the Australian Client Money Rules, monies deposited into your trading account to meet margins, deposits, fees, transaction settlements, or other costs may be immediately on-forwarded (where applicable) to our third party clearing and execution providers, and applied against your margin, exchange, fee and settlement obligations.</p> <p>Client monies which are held pending future transactions and payments, are retained in our segregated account in accordance with the Corporations Act. It is important to note that holding your money in one or more segregated accounts may not afford you absolute protection. Retail and sophisticated investor Client money are not used to margin, guarantee, secure, transfer, adjust or settle dealings in derivatives by Xtrade.Au or on people other than the Client. Xtrade.Au enters into arrangements with third party</p>

Benchmark description	Does Xtrade.Au meet this benchmark?	Explanation
		<p>execution and clearing providers for the facilitation of transactions and settlements and may avail monies received for margin calls and settlements to such providers for this purpose. Accordingly, Clients are indirectly exposed to the financial risks of 14 our counterparties and organisations with whom Xtrade.Au holds Client funds. If the financial condition of Xtrade.Au or assets of our counterparties or the parties with which we hold Client assets deteriorate, then Clients could suffer loss because return of the Client capital could become difficult.</p> <p>Please note that retail and sophisticated investor Client money are not used to margin, guarantee, secure, transfer, adjust or settle dealings in derivatives by Xtrade.Au or on people other than the Client. Client trades can only be placed when there are cleared funds in the Client's account. Accordingly, no scenario is anticipated which would necessitate the use of one Client's money to cover the obligations of another Client.</p> <p>See section 20 for more information on Xtrade.Au's Client money policy.</p>
<b>Suspended or halted underlying assets</b>	Yes	<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. Xtrade.Au may, in its absolute discretion, cancel your order in respect of a CFD transaction which has not yet been opened, or close out, change the margin requirement or re-price any open CFD, where the underlying financial product is the subject of a trading halt, suspension or delisting.</p> <p>When you place an order for a CFD or Margin FX contract with us, it is likely that we will place a corresponding order to purchase or sell the relevant product to hedge our market risk. Xtrade.Au 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, Xtrade.Au may at any time determine, in our absolute discretion, that we will not permit the entry into CFDs or Margin FX transactions over one or more underlying instruments, securities or currencies.</p>
<b>Margin calls</b>	Yes	<p>Xtrade.Au's written policy detailing our margining practices is contained in section 15 of this PDS and our Application Terms &amp; Conditions.</p> <p>These documents detail how we monitor Client accounts to ensure you receive as much notice as possible regarding margin calls, our</p>

Benchmark description	Does Xtrade.Au meet this benchmark?	Explanation
		<p>rights regarding the levying of margin calls and closing out of positions when such calls are not met in a timely manner, our legal obligations to close out CFD positions, and what factors we consider when exercising such close-outs.</p> <p>All open positions are monitored on a real-time basis intraday, to ensure changing margin requirements are identified in a timely manner. Xtrade.Au seeks 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.</p> <p>Please note that all margin calls will be communicated to you via the trading platform 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>We may provide margin call notifications to you via email or telephone if otherwise expressly agreed with you. 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><b>We reiterate that trading in CFD and Margin FX is risky.</b></p>

## 6. Nature of advice / relationship

Xtrade.Au is authorised to buy and sell Margin FX and CFD contracts and to give general advice in relation thereto. All representations you receive from Xtrade.Au during the course of our relationship will be either general information or general advice – we will not consider your personal financial situation, needs or objectives.

The information contained in this PDS is also **general advice only** and does not take into consideration your particular objectives, financial needs and financial circumstances. In the absence of our express written agreement to the contrary, we only provide general advice and we recommend that you obtain your own professional advice to ensure you fully understand the nature and risks of these products and determine their suitability for your situation. Please also consider this PDS in its entirety before making any decision whether to acquire a product. Sometimes, our representations may provide you with market commentary about market movements or information based on technical analysis. This is general information and should not be construed as financial advice.

A CFD or Margin FX contract is a contract between you and Xtrade.Au, 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.

You must carefully consider whether CFDs or Margin FX contracts 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 you could lose all the margin funds you deposit with Xtrade.Au to establish or maintain a CFD or Margin FX position. In addition, if the market moves against your position you may be required, at short notice, to deposit with Xtrade.Au further money as margin in order to maintain your CFD or Margin FX position, in case we will be required to terminate your open positions by law. Those additional funds may be substantial. If you fail to provide those additional funds within the required time your CFD or Margin FX position will by law be required to be terminated. Additionally, should you choose to invest in Margin FX or other CFD products, you do not own or have any rights to the underlying assets.

## 7. Margin FX contracts offered by Xtrade.Au

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

Margin FX contracts provided by Xtrade.Au are available in pairs of currencies. This means that all major currency pairs are available. However, some of the minor or more exotic currency pairs cannot be traded with Xtrade.Au. Please check our website for up-to-date information regarding which currency pairs are currently available. Xtrade.Au's 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 will be either credited or debited according to the profit or loss of the trade.

## 8. Purpose of trading Margin FX contracts

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

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. Xtrade.Au 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, needs and objectives. Please refer to Section 16 for worked examples.

## 9. CFD contracts offered by Xtrade.Au

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

A CFD is an over-the-counter 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.

During the term of the CFD transaction, the price of the underlying product will be marked-to-market daily so that at the end of each Business Day, a payment will generally have to be made by you to Xtrade.Au or by Xtrade.Au to you, to reflect any changes in the value of the underlying product during that Business Day.

*Please refer to **Section 16 Trading examples** for worked examples.*

**Xtrade.Au offers CFDs in relation to shares, ETFs, Indices, Commodities and Futures, and these are explained in detail in the sections below:**

### 9.1 Share/ETF CFDs

Xtrade.Au deals in CFDs in respect of underlying securities which are quoted and traded on global exchanges. CFDs allow you to receive many of the benefits of owning the underlying security on which the CFD is based, without physically owning it. The difference between the opening and closing price of a CFD is settled in cash. At no stage do you take delivery of the underlying security.

CFDs are an alternative medium to short term trading solution that provide many of the benefits associated with dealing in shares, without having to physically own them. The holder of a CFD can open a leveraged 'long' or 'short' position without having to take or make delivery of the underlying security. In order to open a CFD position an Initial Margin must be provided as collateral.

All open positions are marked-to-market based on the price of the underlying security with profits or losses being debited or credited intra-day. As holders of CFDs do not own the underlying security on which they are based, they have no right or obligation to acquire or deliver the security itself.

### 9.2 Corporate Actions

Any adjustment relating to corporate actions, such as share reconstructions and bonus issues with respect to the underlying security on which the CFD is based, ordinarily will also be applied to your CFD position.

### 9.3 Rights relating to adjustments – Xtrade.Au's discretion

An adjustment event includes a delisting or corporate action (such as a capital reconstruction, rights or bonus issue, takeover or insolvency). In the event of an adjustment event occurring, Xtrade.Au

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. Xtrade.Au may elect to close your CFD position in the event of the underlying securities being subject of a take-over offer, prior to the closing date of the offer.

#### **9.4 Voting Rights**

Xtrade.Au will not pass on any voting rights we may receive in connection with Xtrade.Au holding the underlying security to which your CFD relates and will not accept any instructions in relation to them.

#### **9.5 Futures CFDs**

Xtrade.Au deals in CFDs in respect of underlying futures contracts which are quoted and traded on global exchanges. CFDs allow you to receive many of the benefits of owning the underlying futures contract on which the CFD is based, without physically owning it. The difference between the opening and closing price of a CFD is settled in cash. At no stage do you take delivery of the underlying futures contract.

CFDs are an alternative short term trading solution that provide many of the benefits associated with dealing in futures contracts, without having to physically own them. The holder of a CFD can open a leveraged 'long' or 'short' position without having to take or make delivery of the underlying futures contract. In order to open a CFD position an Initial Margin must be provided as collateral.

#### **9.6 Commodity CFDs**

Xtrade.Au offers a range of CFDs in respect of commodities. Available commodity CFDs are listed on the trading platform. Commodity CFDs allow you to speculate on the price of a commodity, or hedge an exposure, without physically owning it. The difference between the opening and closing price of a CFD is settled in cash. At no stage do you take delivery of the underlying commodity. In order to open a CFD position an Initial Margin must be provided as collateral.

#### **9.7 Index CFDs**

Xtrade.Au offers CFDs in respect of a range of Indices, thereby allowing you to take positions in relation to the overall direction of a market without taking a view on a particular underlying stock or future. A short position can be used as a rough hedge to protect a diversified share portfolio in the event of a market fall. Please refer to the website for the range of index CFDs currently available.

The difference between the opening and closing price of a CFD is settled in cash. At no stage do you take delivery of the underlying product.

### **10. Purpose of trading CFD contracts**

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

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.



## 11. Margin FX and other CFD product features

### 11.1 Xtrade.Au Trading as Principal

Xtrade.Au 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 other CFDs, as with all over-the-counter derivatives, Xtrade.Au 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 Xtrade.Au then Xtrade.Au 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 Xtrade.Au.

### 11.2 Long & Short Positions

You can open both long and short Margin FX and CFD positions with Xtrade.Au. 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 would open an equivalent offsetting position. 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 entering into an equivalent offsetting position of a lesser amount than your current open position.

Many Margin FX and other CFDs do not have an expiry date. They remain open until they are closed in accordance with the terms of the Application Terms & Conditions. A Margin FX or other CFD position can only be closed by contacting Xtrade.Au. To close a Margin FX or other 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). Xtrade.Au will confirm the current market price and you will then decide whether to accept the price, and if so, you will instruct Xtrade.Au to close your open position in accordance with your instructions.

You should note that Xtrade.Au is not obliged to accept your orders. Typically, this would occur should you exceed the limits imposed on your account by Xtrade.Au, or where there are insufficient funds in your account to meet your Margin obligations. Xtrade.Au cannot predict future exchange rates and our rate quotations are not a forecast of where we believe a foreign exchange rate will be at a future date. Xtrade.Au calculates foreign exchange rates taking into consideration the current spot "interbank" exchange rates and the amount of currency that you wish to buy or sell.

The rates quoted for a Margin FX or other CFD by Xtrade.Au include a spread which usually favours Xtrade.Au. This spread is not an additional charge or fee payable by you. These spreads will differ depending on the Margin FX and other CFD traded. When trading Xtrade.Au products you should always be aware of the risks and benefits as detailed in this PDS.

### 11.3 Electronic Platform

Xtrade.Au 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 Account Application Terms & Conditions.

Conditions you are required to execute prior to trading. Some of the key provisions include the following:

- Xtrade.Au 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 Application Terms & Conditions;
- 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;
- Xtrade.Au 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 Xtrade.Au;
- clients agree to accept full responsibility for the use of the electronic trading platform and for any orders transmitted through the electronic trading platform. Xtrade.Au 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 Xtrade.Au makes no express or implied representations or warranties to the Client regarding its operation or usability;
- Xtrade.Au does not warrant that access to or use of the electronic trading platform will be in interrupted 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. Xtrade.Au 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 Xtrade.Au 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; and
- please note that stop-outs (automatic closing of a position when Margin Calls have not been met) are implemented on our electronic trading platform in line with the obligations described by the ASIC Order. No liability for the direct or indirect consequences thereof shall be accepted by Xtrade.Au in relation thereto.

#### 11.4 Expiry of contracts

Xtrade.Au does not generally offer rollovers – Clients must open new positions each month. The expiry date of each contract will be shown on the trading platform as part of the contract details. Expiry dates are set at our sole discretion. It is your responsibility to take note of your contract's expiry date and time. If you do not close an open position prior to its expiry date/time, the contract will automatically terminate on that day/time, at the last price quoted on the trading platform immediately prior to the applicable expiry date/time.

### 12. Key benefits of trading Margin FX and other CFD contracts

Margin FX and CFD products can provide an important risk management tool for those who manage foreign currency exposures. The significant benefits of using Margin FX or other 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>Xtrade.Au provides an electronic trading platform, enabling Clients to trade in over-the-counter (as opposed to exchange-traded) derivatives such as Margin FX or other 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>Xtrade.Au also offers Clients a way of managing volatility by using stop loss 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>	Y	Y
<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 using the Xtrade.Au product would be offset against the higher (or lower) price you physically have to pay for the foreign currency. In addition to using Margin FX products as a risk management tool, Clients can benefit by using Margin FX products offered by Xtrade.Au to speculate on changing	Y	N

	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.		
<b>Leverage</b>	Margin FX and other 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.	Y	Y
<b>Trade in Small Amounts</b>	The electronic trading platform enables you to make transactions in small amounts. You can start using the online trading platform even with an opening balance as little as AUD \$500 for Margin FX and AUD \$1000 for CFDs. When trading in a Margin FX or other CFD contract offered by Xtrade.Au you may deposit the sum that suits you, or the amount which is in line with the amount you are willing to risk. With Xtrade.Au you are in full control of your funds.	Y	Y
<b>Access to the Foreign Exchange Markets at Any Time</b>	When using Xtrade.Au 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 the various currency crosses may be restricted to hours where liquidity is available for any given currency cross.	Y	N
<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.	Y	Y
<b>Lower Costs</b>	Generally, CFD exposures come at lower transaction costs than the same exposure taken in the Underlying Instruments. Clients pay no Xtrade.Au fees to open or maintain a trading account.	N	Y
<b>Real Time Streaming Quotes</b>	The electronic trading platform uses the latest highly sophisticated technologies in order to offer you up-to-the-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. Xtrade.Au 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.	Y	Y

### 13. Key risks of trading Margin FX and other CFD contracts

Trading in Margin FX and other 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 other 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 Application Terms & Conditions and this PDS before entering into any Margin FX or other CFD transactions. Some of the key significant risks involved in Margin FX and CFD trading include, but are not limited to, the following:

Risk	Explanation
<b>Macro-economic Risk</b>	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.
<b>Market Risk</b>	<p>This is the risk that markets may move in a direction that is not anticipated. External market forces can cause markets and prices to change quickly. Such forces include:</p> <ul style="list-style-type: none"> <li>• changing supply and demand relationships;</li> <li>• governmental, agricultural, commercial, trade programs and policies;</li> <li>• national and international political and economic events; and</li> <li>• the prevailing psychological characteristics of the marketplace.</li> </ul> <p>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.</p>
<b>Gapping</b>	<p>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.</p> <p>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, these orders will be filled at the next best available price which may be substantially different from the price selected when entering your conditional order.</p>
<b>Variation Margins</b>	<p>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.</p> <p>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, as required by the ASIC Order, close all your open positions without further notice. You will be liable for any shortfall.</p> <p>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 Margin Call.</p> <p>The general policy of Xtrade.Au is that payment of the Margin 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</p>

Risk	Explanation																								
	against your position giving Xtrade.Au no time to make a Margin Call on you to request additional funds for Xtrade.Au to protect its positions. In this situation, as mandated by the ASIC Order, Xtrade.Au will terminate your open positions, and any other open positions as required.																								
Leverage	<p>As Margin FX and other CFD products are highly leveraged, a small price movement in the underlying asset in which they are based can result in substantial profits or losses exceeding your Initial Margin. Therefore, you could be required to pay further funds representing losses and other fees on your open and closed positions. However, the recourse of Xtrade.Au to recover those losses are limited to the money held in your Client account and trading accounts.</p> <p>The prices of our products may be volatile and fluctuate rapidly over wide ranges.</p> <p>Price fluctuations may be as a result of uncontrollable events or changes in a variety of conditions as described above in Market Risk.</p> <p>Below is a hypothetical example of how gearing (leverage) magnifies losses/profits (without taking into account fees &amp; charges):</p> <table><tr><th>Item</th><th>Share purchase amount</th><th>CFD purchase amount</th></tr><tr><td>Initial outlay</td><td>\$10,000</td><td>\$10,000 (as initial margin)</td></tr><tr><td>Reference shares purchased</td><td>1000</td><td>5,000</td></tr><tr><td>Initial price</td><td>\$10.00</td><td>\$10.00</td></tr><tr><td>Value</td><td>\$10,000.00</td><td>\$50,000</td></tr><tr><td>Gearing</td><td>0%</td><td>80%</td></tr><tr><td>Share result where share price falls</td><td>Share price falls to \$8.75. Shares now worth \$8,750 (i.e. loss of \$1,250 or -12.5%)</td><td>Share price falls to \$8.75. CFDs now worth \$43,750 (i.e. loss of \$6,250 or -62.5% on original outlay of \$10,000)</td></tr><tr><td>Share result where share price rises</td><td>Share price rises to \$11. Shares now worth \$11,000 (i.e. profit of \$1,000 or +10%)</td><td>Share price rises to \$11. CFDs now worth \$55,000 (i.e. profit of \$5,000 or +50% on original outlay of \$10,000)</td></tr></table>	Item	Share purchase amount	CFD purchase amount	Initial outlay	\$10,000	\$10,000 (as initial margin)	Reference shares purchased	1000	5,000	Initial price	\$10.00	\$10.00	Value	\$10,000.00	\$50,000	Gearing	0%	80%	Share result where share price falls	Share price falls to \$8.75. Shares now worth \$8,750 (i.e. loss of \$1,250 or -12.5%)	Share price falls to \$8.75. CFDs now worth \$43,750 (i.e. loss of \$6,250 or -62.5% on original outlay of \$10,000)	Share result where share price rises	Share price rises to \$11. Shares now worth \$11,000 (i.e. profit of \$1,000 or +10%)	Share price rises to \$11. CFDs now worth \$55,000 (i.e. profit of \$5,000 or +50% on original outlay of \$10,000)
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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 asset 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 Xtrade.Au 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 and the execution of such orders will depend on market volatility and liquidity.																								

Risk	Explanation
	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 Xtrade.Au representative.
<b>Powers of Xtrade.Au</b>	<p>Should you fail to pay any amounts due and payable to Xtrade.Au, including Margin Calls, or maintenance of minimum account balances, Xtrade.Au have extensive powers to close out positions and charge default interest. Under the Application Terms &amp; Conditions you also indemnify Xtrade.Au and its employees, agents and representatives against certain losses and liabilities (subject to terms of the ASIC Order).</p> <p>You should read the Application Terms &amp; Conditions carefully to ensure you understand these powers and responsibilities.</p>
<b>Electronic Trading Platform Risk</b>	<p>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 your connection may be generally reliable, technical problems or other conditions may delay or prevent access thereto.</p> <p>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 Xtrade.Au 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 Xtrade.Au.</p> <p>Furthermore, in unforeseen and extreme market situations, such as a major terrorist event or other catastrophe, Xtrade.Au reserves the right to suspend the operation of the electronic trading platform or any part or sections of it. In such an event, Xtrade.Au 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.</p> <p>Xtrade.Au 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.</p>
<b>Regulatory Risk</b>	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 other CFDs, as may any regulatory action against Xtrade.Au.
<b>Xtrade.Au Risk</b>	The risk of Xtrade.Au being unable to operate its business as a result of a regulatory impediment such as Xtrade.Au ceasing to hold an Australian Financial Services Licence or because ASIC imposes a stop order on the PDS issued by Xtrade.Au or Xtrade.Au ceasing to exist.
<b>No Cooling Off</b>	There are no cooling-off arrangements for Margin FX or other CFD contracts. This means that when Xtrade.Au arranges for the execution of a Margin FX or other CFD contract, you do not have the right to return the product, nor request a refund of the money paid to acquire the product.
<b>Market Volatility</b>	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 Xtrade.Au at all times. Certain markets are highly volatile and are

Risk	Explanation
	<p>very difficult to predict. Due to such volatility, in addition to the spread that Xtrade.Au adds to all calculations and quotes. <b>No Margin FX or other CFD product offered by Xtrade.Au, or any other financial services provider, may be considered as a safe trade.</b></p> <p>However, Xtrade.Au 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 our 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 Xtrade.Au 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 and the execution of such orders will depend on market volatility and liquidity. The operation of these order types should be discussed with your Xtrade.Au representative. You should refer to our Application Terms &amp; Conditions with respect to the operation of these order types.</p> <p>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 Xtrade.Au to open or close a position thereby reducing profits or increasing losses.</p> <p>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.</p>
<b>Counterparty Credit Risk</b>	<p>Margin FX and CFD contracts are not traded on a regulated exchange. Investors must deal directly with Xtrade.Au to open and close positions. Given you are dealing with Xtrade.Au 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.</p> <p>The obligations of Xtrade.Au to make payments in respect of the contracts are unsecured obligations of Xtrade.Au, 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.</p> <p>Subject to the Australian Client Money Rules, Xtrade.Au 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,</p>



Risk	Explanation
	<p>Clients may be indirectly exposed to the financial risks of our counterparties and organisations with whom Xtrade.Au holds Client funds. If the financial condition of Xtrade.Au 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. Retail and sophisticated investor Client moneys are not used to margin, guarantee, secure, transfer, adjust or settle dealings in derivatives by Xtrade.Au or on people other than the Client.</p> <p>You are reliant on Xtrade.Au's ability to meet its counterparty obligations to you to settle the relevant contract. Xtrade.Au 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, Xtrade.Au must comply with the financial requirements imposed under its AFS Licence.</p>
<b>Foreign Exchange Risk</b>	<p>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, profits, losses, 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.</p> <p>Upon closing a position that is denominated in a currency other than the Base currency of your account, you will be able to request that the foreign currency balance be converted to the Base currency of your account. Any conversion will be at the exchange rate quoted by Xtrade.Au, and subject to the Conversion Fee. Until the foreign currency balance is converted to the Base currency, fluctuations in the relevant foreign exchange rate may affect the unrealised profit or loss made on the position.</p>
<b>Market Information Risk</b>	<p>Xtrade.Au 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 (<b>Third Party Providers</b>). This includes, but is not limited to, financial market data, quotes, news, analyst opinions and research reports, graphs or data (<b>Market Information</b>).</p> <p>Market Information provided by us by email or through our website is not intended as advice. Xtrade.Au does not endorse or approve the Market Information and we make it available to you only as a service for your own convenience. Xtrade.Au 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.</p> <p>Market Information may quickly become unreliable for various reasons including, for example, changes in market conditions or economic circumstances. Neither Xtrade.Au 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.</p>
<b>Operational Risk</b>	<p>Operational risk is inherent in every transaction, for example, disruption to Xtrade.Au's operational processes such as communications, computers, networks</p>



Risk	Explanation
	<p>or external events may lead to delays in the execution of or settlement of a transaction. Xtrade.Au relies on a number of technology solutions to provide you with efficient services. Xtrade.Au has partly outsourced the operation of this trading platform to a third party and in doing so Xtrade.Au relies upon this third party to ensure the systems are updated and maintained. A disruption to the Xtrade.Au electronic trading platform may mean you are unable to trade in a product offered by Xtrade.Au when desired and you may suffer a loss as a result. An example of disruption includes the 'crash' of our computer-based trading system.</p>
<b>Risk Capital</b>	<p>You could lose all of the Initial Margin that you deposit if you wish 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.</p>
<b>Superannuation Funds</b>	<p>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 <i>Superannuation Industry (Supervision) Act 1993</i> (Cth), and associated regulations and regulatory guidance material.</p> <p>Without being an exhaustive list, below are some of the issues that should be considered by a trustee of a complying superannuation fund:</p> <ul style="list-style-type: none"> <li>• restrictions on borrowing and charging assets and whether dealing in over-the-counter derivative products would breach those borrowing and charging restrictions;</li> <li>• 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;</li> <li>• 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</li> <li>• the consequences of including adverse taxation consequences if a superannuation fund fails to meet the requirements for it to continue to hold complying status.</li> </ul> <p>If you are using superannuation funds to fund your account you must notify us, as this may impact your classification as a wholesale client or a retail client.</p>
<b>Investment decisions</b>	<p>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 other CFDs using your trading account will depend mainly on your own investment decisions.</p>
<b>Adjustment Risk (CFDs)</b>	<p>Where an adjustment event occurs, Xtrade.Au 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. Xtrade.Au may also elect to close your CFD position in the event of the underlying securities being subject of a take-over offer, prior to the closing date of the offer.</p>

## 14. Fees and charges

Xtrade.Au does not charge fees or commissions on transactions.

The calculation of the price to be paid (or the payout to be received) for CFD or Margin FX products offered by Xtrade.Au, 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 calculation will include a spread in favour of Xtrade.Au.** 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 favouring Xtrade.Au in the price calculation. We act as a market maker and not a broker and make our earnings from the spreads that are embedded in the currency rates. Different spreads are used depending on the currency pair traded.

Xtrade.Au earns its income from the business spread (or margin) that we apply to our products. This is the difference between the rate at which we buy and sell the financial instruments (i.e. between the wholesale price achieved by Xtrade.Au and your trade price). This spread is incorporated into the rates quoted to you and is not an additional charge or fee payable by you. These spreads will differ depending on the contracts traded. Accordingly, the decision to transact at a particular rate will always be your decision. However, once you agree to a particular price that is the total amount payable by you to Xtrade.Au.

Xtrade.Au 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 Xtrade.Au as principal and is not transferable, negotiable or assignable to or with any third party.

You will also be liable for fees for related services that may be charged directly by our nominated third-party service providers depending upon the type of service you utilise. These fees include fees for failed trades, off-market transfers, other administrative fees including monthly fees for access to certain information and services.

Any such fees incurred are immediately payable and will be deducted from your account in accordance with the Terms & Conditions.

**Please note:** Fees and charges may be subject to amendment. Please refer to the website for the latest fees and charges. It is your responsibility to frequently visit the website to review any changes to the fees and charges.

### **Inactivity Fee**

Your trading account will become inactive on the calendar day after the last trade, deposit or withdrawal on your account. This is known as the Inactive Date. To prevent your account being considered an inactive account, you may make a further deposit, withdrawal or place a trade. Where your trading account is inactive for a period exceeding three months from the Inactive Date, we will begin charging a monthly fee to keep your account open. As of the date of issue of this PDS, the fee is USD\$10 per calendar month, paid in arrears.

In the event that there are insufficient funds in your trading account to meet this fee, Xtrade.Au reserves the right to charge a lower fee or to close your account.

It is your sole responsibility to ensure you terminate your account if you no longer wish to trade with Xtrade.Au. We may notify you that your account has become inactive out of courtesy but are under no obligation to do so.

### **Dormant Account Fee**

Where your trading account has been inactive for a year or more after the Inactive Date, the Inactivity Fee may no longer be charged. Instead, you may be charged a Dormant Account Fee after Xtrade.Au exercises its rights to suspend your account and render it dormant. As of the date of issue of this PDS, the dormant account fee is USD\$60 per calendar month, paid in arrears.

It is your sole responsibility to ensure you terminate your account if you no longer wish to trade with Xtrade.Au. We may notify you that your account has become dormant out of courtesy but are under no obligation to do so.

### **Financing Charges**

#### **CFDs Premium- 'rollover interest'**

Keeping a position open after a specific hour (approximately 22:00GMT (21:00DST)), as shown in the Xtrade.Au trading platform display screen 'Details', subjects you to an Xtrade.Au funding premium that is subtracted from your account. This premium covers the cost of the associated funding. Trade settlement occurs two business days (T+2) after the trading day (opening/closure of a position).

The day of settlement is also called the value day.

#### **Wednesday Exception**

Note: Trades initiated Wednesday that were not closed on Thursday incur an additional 2 night's premiums (for a total of 3) because the original settlement day Friday (T+2) has now been pushed off to the next available business day (Monday). The same principle applies to overnight trades initiated 3 days before bank holidays.

#### **Margin FX**

In the event of you holding a Margin FX 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. Interest is calculated on a daily basis and debited from and/or credited to your account at the end of each trading day.

The amount of interest paid/received by Xtrade.Au will vary each day, depending upon factors such as the price of the underlying currency interest rate differentials on which the Margin FX transaction is based.

#### **Wednesday Exception**

Note: Trades initiated Wednesday that were not closed on Thursday incur an additional 2 night's premiums (for a total of 3) because the original settlement day Friday (T+2) has now been pushed off to the next available business day (Monday). The same principle applies to overnight trades initiated 3 days before bank holidays.

No interest is paid or received if you open and close a position in the same trading day.

#### **Conversion Fee**

A conversion fee of 3% is payable, if conversion on your deposit funds is needed.

## 15. Margins

### 15.1 Initial Margin

Where you enter a transaction, you will be required to pay an initial margin (an initial deposit/up-front payment). An initial margin means an amount of collateral that is required from you as security to enter into a margin position. 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 Xtrade.Au's discretion (in line with the ASIC Order) mostly by the liquidity of the underlying asset on which the product is based.

### 15.2 Leverage ratio limits

In addition, in order to maintain your position, you may be required to pay additional margin in the event of adverse market movements against your position. Such payments are not costs but are cleared funds required by Xtrade.Au to cover our risk and as security for your obligations. Further, this additional margin is required by the ASIC Order should you wish to prevent the mandated closing of your open position(s) where your net equity is at risk of falling below 50% of the Initial Margins. The amount is determined by the relevant third-party service provider, however Xtrade.Au in its absolute discretion, can impose margin requirements above and beyond those set by service providers.

The current margin rates applicable to each type of transaction are provided on the electronic trading platform prior to entering into a trade. Pursuant to the ASIC order, the current leverage ratio limits that can be offered for Margin FX and other CFDs for retail clients are as follows:

Ratio limit and product	Margin
30:1 for CFDs over an exchange rate for a major currency pair.	3.33%
20:1 for CFDs over an exchange rate for a minor currency pair, gold or a major stock market index.	5%
10:1 for CFDs over commodities (excluding gold) or a minor stock market index.	10%
2:1 for CFDs over crypto-assets.	50%
5:1 for CFDs over shares or other underlying assets The leverage ratio limits take into account any leverage inherent in an underlying reference asset (e.g. a CFD on a futures contract, an option contract or a leveraged exchange traded fund).	20%

Please note that Xtrade.Au has no authority to allow you to trade with a margin lower than that prescribed by the ASIC Order.

### 15.3 Payment of Margin amounts

The Margin amounts are payable into the Xtrade.Au 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 Account Application Terms & Conditions. In particular, Xtrade.Au will utilise Client deposits to meet margin calls, and other payment/settlement obligations of the Client.

All contracts will be subject to Margin obligations. Accordingly, you are responsible for meeting all margin payments required by Xtrade.Au. It is your sole responsibility to monitor and manage your open positions and exposures and to ensure Margin Calls are met as required. Margin Calls will be notified via the trading platform, and you are required to log-in to the system on a daily basis when

you have open positions to ensure you receive notification of any such Margin Calls. A Margin Call will not be considered to have been met UNLESS AND UNTIL cleared funds have been received by Xtrade.Au in the nominated account. Please note that in the event that the funds standing to the credit of the CFD trading account fall to less than 50% of the total initial margin required for all open CFD positions on that account, Xtrade.Au must as soon as market conditions allow, terminate all open CFD positions in connection with that CFD trading account without further reference to you.

#### **15.4 Margin Call**

Positions will be monitored by Xtrade.Au on a continuous basis to account for any market movements. If the value of the position moves against you then your positions may be terminated in accordance with the above paragraph or you may be required to “top up” the Initial Margin to ensure there is no risk of your CFD trading account falling to less than 50% of the total Initial Margin. For this reason, it is important to continually monitor your accounts and Margins. If you are unable to top up the Initial Margin, you will be subject to a Margin Call i.e. to pay additional Margin. The Variation Margin liability is incurred at the time of the occurrence of any movement in the market that results in an unrealised loss, regardless as to when the call to pay is made by Xtrade.Au on you. At any point in time, you always have the option of closing out your position.

If you wish to maintain your open position, you will need to meet the Margin Call. If you fail to meet any Margin Call, i.e. if we fail to receive cleared funds, we must reduce or close all your open positions, as soon as market conditions allow, without further notice. Or, in the rare circumstances where Xtrade.Au does not have time to make a Margin Call due to exceptional market movements, then Xtrade.Au 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 accounts with Xtrade.Au). Payment of the Margin 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.

#### **15.5 Margin close-out protection**

In rare circumstances, the markets could move against your position giving Xtrade.Au no time to make a Margin Call on you to request additional funds for Xtrade.Au to protect its positions. Should the funds standing to the credit of the CFD trading account fall to less than 50% of the total initial margin required for all open CFD positions on that account, Xtrade.Au must as soon as market conditions allow, terminate all open CFD positions in connection with that CFD trading account without further reference to you even if you intend to pay additional Margin sufficient to meet the Call.

In either case, any losses resulting from Xtrade.Au closing your position will be debited to your account. If a liability then arises the extent of Xtrade.Au’s recourse is limited to the funds held in your Client money account and trading accounts, and any derivative Client property. CFD and Margin FX products can be highly volatile, and you should ensure that you are always contactable by Xtrade.Au. If you are unable to be contacted for the purpose of Xtrade.Au making a Margin Call, we may close out your open positions without contacting you.

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. You will only be allowed to deal in and maintain positions on the basis

of cleared funds being provided for your Margin obligations or your net balance for your trading accounts is in credit. Margin calls can be made by Xtrade.Au at any time and you are responsible for ensuring that they are met, or risk having all positions terminated.

Xtrade.Au 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 Xtrade.Au. Xtrade.Au also has the right to refuse any request made by you to place an order to establish a position at any time at Xtrade.Au's discretion without having to give you notice.

### 15.6 Negative balance protection

Pursuant to the ASIC Order, CFDs offered to a retail client must limit the retail client's losses on CFD positions to the funds in that retail client's CFD trading account.

### 15.7 Prohibitions on inducements

CFD providers are also prohibited from giving or offering in the course of carrying on a business a gift, offer discount, rebate, trading credit or reward to a retail client or prospective retail client as an inducement to open or fund a CFD trading account of trade CFDs.

## 16. Trading examples

**Please note that trading examples are for illustrative purposes only. They do not necessarily reflect current or future market or product movements, the values that Xtrade.Au will apply to a trade, nor how 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 Xtrade.Au may exercise its powers or discretions. The examples listed below also do not constitute general or personal financial product advice to any person reading this PDS.**

#### Trading example #1 - LOSS

Say you deposit \$25,000 in your CFD account. Your account will appear as follows:

- Equity: \$25,000 (Deposits - Withdraws + P&L of opened positions+ Closed P&L).
- Available Balance: \$25,000 (Equity- used Margins).
- P&L = \$0 (total profit and loss of all open positions including daily Premiums).

There are some other important concepts that you need to understand when reading this example. The first is Initial Margin. Initial Margin is the amount of margin required to be posted to your account in order to open a position. In this example, the Initial Margin requirement is 20% (as required by the ASIC Rules). The second important concept is Maintenance Margin. This is the minimum amount of Equity that must be available in your account to maintain your open positions and avoid it or them being automatically terminated under the ASIC Rules. Maintenance Margin is fixed at 50% of the Initial Margin. If your Equity goes below the Maintenance Margin threshold, Xtrade.Au is required by law to close-out your positions until your Equity returns to above the Maintenance Margin threshold, or until all of your open positions are closed out, whichever occurs first.

\*\* In our platform we call Initial margin Required Securities

#### 10.20am – You buy 200 Google shares (CFDs) at \$590 per share

- The total value of this trade is \$118,000 (\$590\*200).
- Your Initial Margin is \$23,600 (20% \* \$118,000 = \$23,600).
- Your Available Balance at this point is \$1,400 (\$25,000 initial equity - \$23,600 Initial Margin requirement).



### Trading example #1 - LOSS

- The Maintenance Margin is \$11,800 ( $50\% \times \$23,600 = \$11,800$ ). This means that if the value of your position on the 200 Google shares were to decrease and your equity fall below \$11,800, then your Equity will have fallen below the Maintenance Margin threshold and Xtrade.Au is required by the Rules to terminate your open positions.

#### 1:00pm - Google shares drop to \$560 per share

- The total value of 200 shares of Google has declined to \$112,000 (i.e. a \$6,000 decrease in value from when you initially purchased the shares).
- A loss of -\$6000 has been incurred ( $200 \times (\$560 - \$590)$ ).
- 'Equity' is therefore \$19,000 (\$25,000 initial equity - \$6,000 loss).
- 

**At this point your equity has not fallen below the Maintenance Margin threshold of \$11,800. You may be asked to provide more margin, but your position will not be terminated.**

#### 1:15 pm - Google shares fall to \$520 per share

- The total value of 200 shares of Google has declined to \$104,000.
- A loss of -\$14,000 has been incurred ( $200 \times (\$520 - \$590)$ ).
- Your Equity is now \$11,000 (\$25,000 initial equity - \$14,000 loss).
- 

**At this point, your Equity is \$11,000. This is below the \$11,800 Maintenance Margin threshold required to maintain an open position on 200 Google Shares. Therefore, your Google shares will be liquidated by Xtrade.Au.**

Following this liquidation, your balance is:

- Equity: \$11,000.

Available Balance: \$11,000 (Deposits - Withdraws + P&L of closed positions + Open P&L - Used Margin).

P&L = \$0 (no open positions remaining).

### Trading example #2 - PROFIT

Say you deposit \$1,000 in your CFD account. Your account will appear as follows:

- Equity: \$1,000 (Deposits - Withdraws + P&L of opened positions + Closed P&L).
- Available Balance: \$1,000 (Equity - used Margins).
- P&L = \$0 (total profit and loss of all open positions including daily Premiums).

As with the above example, there are some other important concepts that you need to understand when reading this example. The first is Initial Margin. Initial Margin is the amount of margin required to be posted to your account in order to open a position. In this example, the Initial Margin requirement is 5% (as required by the ASIC Rules for gold). The second important concept is **Maintenance Margin**. This is the minimum amount of Equity that must be available in your account to maintain your open positions and avoid it or them being automatically terminated under the ASIC Rules. Maintenance Margin is fixed at 50% of the Initial Margin. If your Equity goes below the Maintenance Margin threshold, Xtrade.Au is required by law to close-out your positions until your Equity returns to above the Maintenance Margin threshold, or until all of your open positions are closed out, whichever occurs first.

#### 9:00pm - you 'Buy' 10 ounces of Gold at \$1,000 an ounce

- The total value of this trade \$10,000 ( $10 \times \$1,000$ ).

The Initial Margin requirement of 5%, works out at \$500 ( $5\% \times \$10,000 = \$500$ ).

The Maintenance Margin is \$250 ( $50\% \times \$500$ ).

#### Trading example #2 - PROFIT

Your Equity at this point to cover a potential Margin Call is \$750 (\$1000 initial equity - \$250 Maintenance Margin requirement).

##### 10.15pm – Gold jumps to \$1,050 per ounce

- The total value of 10 ounces of Gold has increased to \$10,500.
- A profit of \$500 has been realised ( $10 \times (\$1050 - \$1000)$ ).
- Equity: \$1,500 (\$1,000 initial equity + \$500 profit).
- 

**At this point, your Take Profit order executes, and the position is closed. A \$500 profit has been made on the transaction.**

## 17. Funding your account

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

- bank transfer;
- credit card; or
- e-wallets.

In **no** circumstances do we accept cash deposits.

When transferring funds to Xtrade.Au you must ensure that the funds are appropriately referenced with your account number to enable us to easily identify your funds and apply them to your account promptly. All payments made to Xtrade.Au must be free of any withholding tax or deduction. Xtrade.Au 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. It is your sole responsibility to check that Xtrade.Au has received the funds in their client trust account before trading using those funds. Xtrade.Au will not accept any liability or responsibility for any losses, close outs or debts you incur as a result of, or arising out of, or in connection with, your trading on funds that have not been cleared into Xtrade.Au's Client trust account. We reserve the right to recover any losses (whether direct or indirect) incurred by us due to your conduct trading on funds you are not entitled to. You acknowledge that this right to recovery is not subject to the limitation on Xtrade's recourse found in the ASIC Order, as this right is grounded on your use of misappropriated funds. Xtrade.Au 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 received from a third party back to the account from which it was transferred.

Xtrade.Au 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 Application Terms & Conditions. Credit and debit card transactions are non-reversible and can be refunded only if there are no open trades or pending orders on the account at the time of the refund request. Chargebacks are not allowed to be used as a method for funds withdrawal and must not be used under any circumstances. You agree to hold Xtrade.Au, its successors and/or assigns harmless and agree to reimburse Xtrade.Au for any and all expenses (including but not limited to professional fees, fees payable under any card scheme rule, merchant facility fees and arbitration costs) sustained from any chargebacks initiated by you.



## 18. Stop-loss orders

A stop-loss order is an order placed to limit the loss on an open position and can be used on for both FX and CFD contracts. Stop-loss orders must be placed a minimum distance from Xtrade.Au's current bid and offer prices. The minimum distance for a stop loss order for each will be advised to you upon request.

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 orders available currently are, 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 moves towards the stop orders strike price the order will remain at the initial level with the initial strike price.

### Stop-loss order example

For example, if you want to protect a long position in BHP that you bought at \$50.00, you can place a trailing stop to sell at \$42.00, with a distance to market of \$7 and a step of 1 point. Then if BHP moved to \$52.00, the strike price of the stop-order will be adjusted to \$45.00. If BHP moves to \$57.00, the strike price will be adjusted to \$50.00 and so forth. When the price in BHP moves down to \$50.00, your stop order will be triggered and routed as a market order.

Stop-loss orders placed on share CFDs will be filled if the underlying security trades at prices equal to or below the price at which you have placed your stop loss order subject to there being sufficient liquidity in the underlying security. Your stop loss orders may be filled at prices below those at which you have placed your stop loss order.

Xtrade.Au will execute a stop-loss order once the following conditions are met:

- Xtrade.Au 's offer price has reached the order price in the case of a buy order or Xtrade.Au's bid price has reached the order price in the case of a sell order; and
- the relevant underlying market has traded at or through the level at which the order is placed, in sufficient size that Xtrade.Au could have replicated the order.

Xtrade.Au will not execute stop loss orders based on crossings or special trades that have gone through the underlying market. If the relevant underlying market, and therefore our CFD price, gaps through- the stop level then the order will be executed at the next available price at which the order could have reasonably been executed.

As the markets are 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 executed at a different price (known as slippage) or not at all. There are no additional fees or

charges associated with the placement of stop-loss orders (only the disclosed commission regarding the executed transaction if the order is triggered).

## 19. Application Terms & Conditions

In order to open an account, you are required to sign our Application Terms & Conditions. This is an important legal document containing the terms and conditions which govern our relationship with you. It is provided to you separately by Xtrade.Au.

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

We note the following key terms in the Account Application Terms & Conditions, some of which have been summarised throughout this 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 Xtrade.Au's rights in respect thereof;
- client obligations regarding confirmations (discrepancies); process for closing out a trade, and Xtrade.Au'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;
- Xtrade.Au rights following a default event;
- amendment and termination rights;
- client Indemnity in favour of Xtrade.Au;
- Xtrade.Au's limitation of liability;
- fees and charges;
- restrictions on assignment of agreement;
- telephone recordings;
- provision of general advice;
- governing law (Cth and NSW); and
- electronic trading platform conditions/process.

## 20. Client monies

All money deposited into your account by you or by a person acting on your behalf, or which is received by Xtrade.Au on your behalf, will be held by Xtrade.Au in one or more segregated accounts it must maintain pursuant to the Corporations Act. Please note that individual Client accounts whether retail or wholesale, may not be separated from each other, but may be co-mingled into one segregated account (which is separate to Xtrade.Au's monies/assets).

Please note that subject to the Australian Client Money Rules, monies provided by you to meet margins, deposits, fees, transaction settlements, or other costs may be immediately on-forwarded by Xtrade.Au to our third party clearing and execution providers, and applied against you or another person's margin, exchange, fee and settlement obligations. Client monies which are held pending

future transactions and payments are held in our segregated account in accordance with the Corporations Act. It is important to note that holding your money in one or more segregated accounts may not afford you absolute protection. Retail and sophisticated investor Client moneys are not used to margin, guarantee, secure, transfer, adjust or settle dealings in derivatives by Xtrade.Au or on people other than the Client.

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

Xtrade.Au 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 Xtrade.Au on this account is determined by the provider of the deposit facility.

Under the ASIC Client Money Reporting Rules, we are required to comply with various record-keeping, reconciliation and reporting obligations in relation to the retail and sophisticated Client money held in the Client money trust. Under these rules, Xtrade.Au must:

- keep records of retail and sophisticated Client money received and retain such records for 7 years;
- perform a daily and monthly reconciliation of the retail and sophisticated Client money on Xtrade.Au's accounts with the actual retail and sophisticated Client money held in the Client money trust; and
- notify ASIC within 5 business days if Xtrade.Au identifies a breach of the ASIC Client Money

Reporting Rules or if a discrepancy is identified by the reconciliation:

- lodge with ASIC an annual director's declaration and an external auditor's report on Xtrade.Au's compliance with the ASIC Client Money Reporting Rules within 4 months of the end of Xtrade.Au's financial year; and
- establish, implement and maintain policies and procedures designed to ensure Xtrade.Au's compliance with the ASIC Client Money Reporting Rules.

## 21. Taxation

### 21.1 Introduction

If you trade in Margin FX or other CFDs, you may be subject to Australian taxation. This section outlines general information about significant Australian income tax and GST implication of trading derivatives and is based on the taxation laws as at the date of this PDS.

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 Xtrade.Au 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 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.

Provision of a Tax File Number (TFN) is optional. However, the non-provision of a TFN may result in a higher tax liability or surcharge. If you do not provide us with a TFN or details of exemption, we shall be legally obliged to deduct tax from interest payments at the highest marginal rate plus Medicare levy.

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.

### **21.2 Tax Consequences of Transacting in Margin FX and other 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 other 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.

### **21.3 Capital Gains Tax**

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 other CFDs is included in your assessable income outside the CGT provisions (refer to Section 21.2 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 other CFD transactions is deductible, the deductible amount will not contribute to a capital loss for you.

#### **21.4 Treatment of Transaction Fees**

Any Daily Financing Fees credited to you are likely to be included in your assessable income at the time it is credited to your Account. If you do not provide your TFN (or ABN) or proof of exemption, Xtrade.Au may be required to withhold tax from any payment at a rate of up to 46.5%. 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.

#### **21.5 Expenses**

Certain expenses incurred by you in connection with trading in Margin FX or other 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.

#### **21.6 Taxation of Financial Arrangements**

New rules have been introduced 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.

#### **21.7 Goods and Services Tax**

No GST should be payable in relation to your trading of Margin FX or other CFDs with Xtrade.Au. 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* (Cth). Consequently, they are input taxed and no GST payable on their supply. However, GST may apply to certain fees and costs charged to you. You should obtain your own advice as to whether an input tax credit is available for any such GST, as it will depend on your personal circumstances.

### **22. Disclosure of interests**

We do not have any relationships or associations which might influence us in providing you with our services. However, Xtrade.Au may share fees and charges with its associates or other third parties or receive remuneration from them with respect to your dealings with us (e.g., we may share such amounts with introducing advisers and referrers for the introduction or referral of Clients to us).

In particular, Xtrade.Au 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. Xtrade.Au may conduct transactions to hedge its liability to you in respect of your Margin FX or other CFD positions by undertaking transactions in the underlying currencies. Such trading activities may impact (positively or negatively) the prices at which you may trade Margin FX and CFD products.

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 rates you will be offered for financial products or services undertaken with Xtrade.Au.

## 23. Privacy

We take the privacy of our Clients seriously and are committed to ensuring that we comply with our obligations under the *Privacy Act 1988* (Cth) and the Australian Privacy Principles. The information you provide Xtrade.Au 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 formation to send you details of other services or provide you with information that we believe may be of interest to you. For more information on how we collect, use, and disclose your information, please review to our Privacy Policy which is published on our website.

## 24. Dispute resolution

### 24.1 Internal dispute resolution process

Xtrade.Au is committed to providing a high standard of service to Clients. If you have a query about the quality or level of service, we have provided to you, we have an internal dispute resolution policy in place. We aim 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 the Compliance Officer by calling us or writing to us via email or post via the following avenues:

Method	Details
Writing to us at:	Suite 1.02, Level 1 35 Grafton Street, Bondi Junction NSW 2022
Calling us:	+61 (2) 81236650
Sending an email to:	<a href="mailto:au-documents@xtrade.com">au-documents@xtrade.com</a>
Compliance/Complaints:	<a href="mailto:compliance@xtrade.com.au">compliance@xtrade.com.au</a>
Visiting our website:	<a href="http://www.Xtrade.com.au">www.Xtrade.com.au</a>

We will seek to resolve your complaint within 30 days or such shorter time period that may reasonably be required given the nature of the complaint. However, some matters are more complex and can take longer to resolve. Should we require additional time to resolve your complaint, we will explain any reasons for the delay and keep you informed of our progress.

We may request additional information and/or supporting documents from you. Upon receipt of all the necessary supporting documents, the Compliance Officer and their team will conduct a thorough investigation into the complaint. Once completed, we will provide you with a detail decision in writing, and the reasons on which it is based.

### 24.2 External dispute resolution process

If we are unable to resolve your dispute through our internal dispute resolution process, you have the right to refer the complaint to the Australian Financial Complaints Authority (**AFCA**). AFCA, of which Xtrade.Au is a member, is an external dispute resolution (**EDR**) scheme to deal with complaints from consumers in the financial system.

Using AFCA is free to consumers. If you would like to access the scheme, please lodge a complaint within 2 years of the date of the final response given by Xtrade.Au to your formal complaint.

AFCA may be contacted via the following avenues:

**Website:** [www.afca.org.au](http://www.afca.org.au)

**Email:** [info@afca.org.au](mailto:info@afca.org.au)

**Phone:** 1800 931 678

**Mail:** Australian Financial Complaints Authority GPO Box 3 Melbourne VIC 3001

## 25. Glossary

**Account** means the account of the Client dealing in the products issued by Xtrade.Au, which is established in accordance with the terms and conditions of the Application Terms & Conditions.

**AFCA** means the Australian Financial Complaints Authority Limited (ABN 38 620 494 340).

**AFSL** means Australian Financial Services Licence.

**Australian Client Money Rules** means Part 7.8 of the Corporations Act, the regulations made under that part and the ASIC Client Money Reporting Rules 2017 as amended from time to time, made under s 981J(1) of the Corporations Act.

**ASIC Order** means the [ASIC Corporations \(Product Intervention Order\) – Contracts for Difference Instrument 2020/986](#).

**Base currency** means your account is maintained in the currency you have nominated, that is, the base currency.

**Business Day** means a day (other than a Saturday or Sunday or public holiday) on which trading banks in Sydney Australia are open for business.

**Application Terms & Conditions** means the agreement provided to you by Xtrade.Au, detailing the applicable terms and conditions as amended, supplemented or updated from time to time. You must & complete, sign and return an Account Application Terms & Conditions, and have your account approved by Xtrade.Au in order to set up an account with Xtrade.Au to deal in products issued by Xtrade.Au.

**CFD** means Contract for Difference.

**CFD Trade** means a trade of Contracts for Difference.

**Client** means a retail client as defined by s 761G of the Corporations Act.

**Commission** means transaction charge/fee.

**Compliance Officer** means an employee that maintains the company's policies and procedures to comply with the regulatory framework.

**Confirmation** means a document or documents confirming evidence exchanged between Xtrade.Au and the Client, confirming the terms of the product transaction.

**Corporations Act** means the *Corporations Act 2001* (Cth) which governs the provision of financial services in Australia.



**Daily Financing Fee** means the fee or charge you pay in order to hold a trading position open overnight.

**Deal** has the same meaning as provided in the Corporations Act.

**DST** means Daylight Saving Time.

**Dormant Account Fee** means the fee paid for inactive accounts that may be charged 12 months after the Inactive Date.

**EDR** means external dispute resolution.

**EST** means Eastern Standard Time, Australia.

**FSG** refers to Xtrade.Au's Financial Services Guide as amended, supplemented or updated from time to time.

**GMT** means Greenwich Mean Time.

**Hedging Policy** means Xtrade.Au's Hedging Policy as amended, supplemented or updated from time to time.

**Inactivity Fee** means the fee that may be charged on the account 3 months after the Inactive Date.

**Inactive Date** means the calendar day after the last deposit, withdrawal or trade or open position is closed on your account, used to determine the period of inactivity on an account.

**Initial Margin** means an amount required to be deposited by the Client with Xtrade.Au to open a Margin FX or other CFD position.

**Issuer** means the provider of or distributor.

**LIBID** means London Interbank Bid Rate. This means the rate charged by one bank to another for a deposit in the wholesale money markets in London.

**LIBOR** means London Interbank Offer Rate. It is the rate of interest at which banks offer to lend money to one another in the wholesale money markets in London.

**Long** means to hold or have possession of (a position in an instrument).

**Maintenance Margin** means the minimum amount of equity a Client must maintain on a Margin FX or other CFD position after a purchase has been made to avoid the termination of that position.

**Margin** means the Initial Margin or Variation Margin, or both.

**Margin Call** means a demand for additional funds made to the Client by Xtrade.Au to meet any additional margin requirement.

**Margin FX** means margin foreign exchange contract.

**PDS** refers to this Product Disclosure Statement as amended, supplemented, or updated from time to time.

**Privacy Policy** refers to Xtrade.Au's Privacy Policy as amended, supplemented, or updated from time to time.



**Service Provider** means an individual or organisation that provides services, such as an outsourced third-party.

**Short** means to sell an asset or financial instrument in order to benefit from a fall in its value.

**Sophisticated Investor** means a “Sophisticated Investor” pursuant to s 761GA of the Corporations Act.

**Term Currency** means the currency of the position you have taken.

**Third Party Providers** means an external organisation that performs specific tasks on behalf of another company.

**TMD** means Xtrade.Au’s Target Market Determination as amended, supplemented, or updated from time to time.

**Underlying Instrument** means an asset that gives a derivative its value.

**Variation Margin** means the amount deposited by the Client with Xtrade.Au including any increase or reduction arising from settlement of a closed position.

**We, Us, Xtrade.Au** means Xtrade.Au Pty Ltd (ACN 140 899 476, AFSL 343628).