

# PRODUCT DISCLOSURE STATEMENT

MARGIN FOREIGN EXCHANGE  
AND  
CONTRACTS FOR DIFFERENCE



Issued on: 05 December 2017

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

The financial products in this Product Disclosure Statement are issued, by Charterprime Pty Ltd ACN 156 005 668 AFSL 421210 (“Charterprime”). Please note that the information contained in this Product Disclosure Statement (“PDS”) does not constitute a recommendation, advice or opinion and does not take into account your individual objectives, financial situation, needs or circumstances. This is an important document and should be read in its entirety. Before entering into a Margin Foreign Exchange (“Margin FX”) or Contracts for Difference (“CFD”) transaction, you should obtain independent advice to ensure this is appropriate for your particular financial objectives, needs and circumstances.

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

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

All clients shall be bound by the contents of this PDS. The information in this PDS is current as at 21 November 2017, and may be updated from time to time where that information is not materially adverse to clients. In the event the update is an increase in fees and charges, Charterprime will notify you at least 30 days before the change takes effect. Updated information shall be provided on our website [www.charterprime.com.au](http://www.charterprime.com.au). Charterprime 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.

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. Charterprime is only authorised to perform financial services in Australia.

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 (“FSG”) and visit our website. If you have any queries regarding this PDS, please contact Charterprime.

**Warning** Margin FX and CFD products are considered speculative products which are highly leveraged and carry significantly greater risks than non-g geared investments, such as shares. You should not invest in Margin FX or CFD products unless you properly understand the nature of Margin FX or CFD products, and are comfortable with the attendant risks. You should obtain financial, legal, taxation and other professional advice prior to entering into a Margin FX or CFD transaction to ensure this is appropriate for your objectives, needs and circumstances.



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

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

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

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

Defined terms used in this PDS are defined in the Glossary in section 27 or elsewhere in this PDS. If you would like further information, please ask us. Further detail about our services is available on our website [www.charterprime.com.au](http://www.charterprime.com.au).

## 2. NAME & CONTACT DETAILS OF ISSUER/SERVICE PROVIDER

The Issuer/Service Provider is Charterprime Pty Ltd ACN 156 005 668 (“Charterprime”).

Charterprime holds an AFSL Number 421210 and is authorised to provide general and/or personal financial product advice in relation to, and to deal in, and to make a market in derivatives and foreign exchange contracts to retail and wholesale clients.

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

Writing to us at: Charterprime Pty Ltd  
Suite 408, 15 Lime Street  
Sydney NSW 2000

Calling us: (02) +612 9056 7412(our office hours are set out on our website)

24/5 Online support [charterprime.support\\_\(Skype\)](https://www.charterprime.com.au/support)

Sending an email to: [support@charterprime.com.au](mailto:support@charterprime.com.au)

Visiting our website: [www.charterprime.com.au](http://www.charterprime.com.au)



### **3. TERMS AND CONDITIONS**

Information provided to you in our FSG and PDS is important and is binding on you. Additional legal terms governing our relationship are detailed in the Account Application Terms & Conditions (also known as the 'Client Agreement'). You must complete, sign and return the Application (either online, electronically, fax or by post), and have your account approved by Charterprime. Charterprime reserves the right to refuse to open a Margin FX or CFD account for any person.

Charterprime accepts Margin FX and CFD transaction order instructions primarily via the electronic trading platform and will not ordinarily 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, review order confirmations we provide, to ensure their accuracy and monitor your Margin obligations. Any order discrepancies identified must be reported to us immediately.

Charterprime will provide all clients, via the electronic trading platform or the website, with access to both daily and historical account statements allowing you to check your open positions, Margin requirements and cash balances, and trading confirmations. Should you have any queries relating to your statements or dispute the accuracy of such statements, you must contact us immediately

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

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

### **4. ADVICE**

Charterprime is authorised to buy and sell Margin FX and CFD contracts and to give advice in relation thereto. We will only provide you with personal advice regarding CFDs or Margin FX transactions if specifically requested and agreed, in which case a Statement of Advice will be issued to you.

The information contained in this PDS is general advice only, and does not take into account your particular financial objectives, needs and circumstances. In general, we only provide general advice and we neither collect, nor take into consideration, information regarding your financial circumstances and needs, 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.



## 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 address. Charterprime's compliance with each benchmark is addressed in the following table:

Benchmark description	How does Charterprime meet this benchmark?	Relevant sections of the PDS which provide further relevant information
<b>Client qualification</b>	<p>Trading in CFDs is not suitable for all investors because of the significant risks involved. Charterprime maintains and applies a written policy which sets out the minimum qualification criteria that prospective retail investors will need to demonstrate before we will open a trading account for you. Charterprime also maintains a written policy/procedure to ensure such criteria are properly applied, and unsuitable investors are not accepted. We also maintain records of our assessments.</p> <p>Please note that we do not provide personal advice regarding the suitability of trading in these products for your personal financial circumstances and objectives, unless specifically and expressly agreed with you.</p> <p>Charterprime does not accept retail investors unless they are able to satisfactorily answer the questionnaire in our trading account application form which addresses the following criteria:</p> <ul style="list-style-type: none"> <li>- Previous trading experience in financial products</li> <li>- Understanding of leverage, margins and volatility</li> <li>- Understanding of the key features of the product</li> <li>- Understanding the trading process and relevant technology</li> <li>- Ability to monitor and manage the risks of trading</li> <li>- Understanding that only risk capital should be traded</li> </ul>	<p><b>3. Terms and Conditions</b>  <b>4. Advice</b>  <b>7. Margin FX Contracts offered by Charterprime</b>  <b>9. CFD contracts offered by Charterprime</b>  <b>20. Application Terms and Conditions</b></p>
<b>Opening collateral</b>	<p>ASIC recommends that an issuer should accept no more than \$1,000 via credit card to fund the account when an account is established.</p> <p>Charterprime does not meet this benchmark because Charterprime may accept credit card payments for more than \$1,000 as initial funding in order to provide clients with efficient and flexible payment options.</p>	<p><b>3. Terms and Conditions</b>  <b>18. Funding your account</b></p>



	<p>You should be aware that using a credit card as opening collateral exposes you to the risk of double leverage, being the combined effect of using a credit card to fund a leveraged trading account. Your losses can be magnified by the use of credit card. We do not provide personal advice to you which takes into account your personal situation in the use of credit card funding.</p> <p>Charterprime permits clients to open an account and trade with cleared funds (ie 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 (to the extent regulations allow). No other financial products will be routinely accepted, although we may accept other collateral such as liquid securities to open a trading account and meet subsequent Margin Calls in special agreed circumstances at our absolute discretion. If we agree to this, the holding of those financial products will be subject to a written agreement between you and us, setting out how your assets will be held by us and the circumstances in which they may be realised.</p> <p>Funds deposited with us may take up to three days or more to clear. It is your responsibility to ensure that the amounts transferred to our trust account are cleared in sufficient time to meet all of your payment obligations. A failure to do so could result in your orders being cancelled and your open positions being closed out and being charged default interest. If you are not sure how long it will take for your payments to clear, you should contact your financial institution.</p>	
<p><b>Counterparty risk – hedging</b></p>	<p>Charterprime maintains and applies a written policy to manage our exposure to market risk from client positions. The policy includes strict risk management controls to monitor and manage (hedge) our trading exposures on an intraday basis, and includes a process for assessing our hedging counterparties (to ensure they are of sufficient financial standing, are licensed by a comparable regulator, and are of sound reputation). A summary of our policy is available on request. Please note that some of our trades may not be hedged. As a result, we retain risks in respect of client trades.</p>	<p><b>13. Key risks of trading Margin FX and CFD Contracts</b></p>
<p><b>Counterparty risk – financial resources</b></p>	<p>Charterprime maintains and applies a written policy to ensure the ongoing maintenance of adequate financial resources. We further maintain a detailed Risk Register, in which the key risks of our business are</p>	<p><b>13. Key risks of trading Margin FX and CFD Contracts</b></p>



	<p>addressed and reviewed. Please note that we have processes in place to ensure we monitor our compliance with our licence conditions and ASIC RG 166 (financial) obligations, as well as obtain a review and input from our independent external legal and accounting advisers. Further, our external independent auditor conducts an audit at the conclusion of every financial year, a copy of which can be provided to you upon written request.</p> <p>Please note we undertake stress testing in relation to all our market exposures, as we may not hedge all transactions with Clients.</p>	
<p><b>Client money</b></p>	<p>Charterprime 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 co-mingled with other client money in our client trust account. Such monies are only applied to client trades/settlement, and hedging obligations and to pay agreed fees etc, in line with the Corporations Act requirements.</p> <p>Please note that until 3 April 2018, monies deposited into your trust account to meet margins, deposits, fees, transaction settlements, or other costs may be immediately on-forwarded (where applicable) from the trust account to our licensed third party clearing and execution providers, and applied against your margin, exchange, fee and settlement obligations. 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. After 3 April 2018, Charterprime will be complying with new Australian regulations forbidding it to use retail or sophisticated investor money to margin, guarantee, secure, transfer, adjust or settle dealings in derivatives on behalf of people other than you. To the extent permitted by law, Charterprime reserves the right to use wholesale client money and house funds for the aforementioned purposes..</p> <p>Charterprime may enter into arrangements with third party execution and clearing providers for the facilitation of transactions and settlements. Accordingly clients are indirectly exposed to the financial risks of our counterparties and organisations with whom Charterprime holds client funds. If the financial</p>	<p><b>21. Client Monies</b></p>





	<p>condition of Charterprime or assets of our counterparties or the parties with which we hold client assets deteriorate, then clients could suffer loss in the event Charterprime is unable to honour its obligations to its clients.</p> <p>Client trades can only be placed when there are cleared funds in the client's account. Accordingly, no scenario is anticipated which would result in a shortfall in the client trust account, necessitating the use of one client's money to cover the obligations of another client.</p>	
<p><b>Suspended or halted underlying assets</b></p>	<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. Charterprime may, in its absolute discretion, cancel your order in respect of a CFD transaction which has not yet been opened, or close any open CFD, where the underlying financial product is the subject of a trading halt, suspension or delisting.</p> <p>When you place an order for a CFD or Margin FX contract with us, we may place a corresponding order to purchase or sell the relevant product to hedge our market risk. Charterprime has the discretion as to when and if it will accept an order.</p> <p>Accordingly, Charterprime 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> <p>Charterprime's significant discretions are:</p> <ul style="list-style-type: none"> <li>• whether to accept a client order (including to close out a position) or to amend it;</li> <li>• any risk limits or other limits Charterprime impose on their clients account or their trading;</li> <li>• determining margin requirements and leverage rates, especially the amount of Initial Margin, minimum Margin requirements, the time to meet any changed Margin requirement;</li> <li>• determining the values of Charterprime contracts for opening and closing positions and for determining Margin;</li> <li>• setting bid prices and ask prices derived from the underlying market; and</li> <li>• closing a Client's positions and determining prices derived from the underlying market.</li> </ul>	<p><b>3. Terms and Conditions</b> <b>20. Application Terms and Conditions</b></p>



	<p>When exercising discretions Charterprime will comply with their legal obligations as the holder of an Australian Financial Services Licence. We will have regard to our policies and to managing all risks (including financial, credit and legal risks) for ourselves and all our Clients, our obligations to our counterparties, market conditions and our reputation. We will try to act reasonably in exercising our discretions but are not obliged to avoid or minimise a loss in your Account. These discretions can come into force at any time including during normal market conditions as well as when the underlying asset is suspended or halted on the physical exchange.</p>	
<b>Margin calls</b>	<p>Charterprime maintains and applies a written policy detailing our margining practices. This details how we monitor client accounts to ensure you receive as much notice as possible regarding margin calls, our rights regarding the levying of margin calls and closing out of positions when such calls are not met in a timely manner, and what factors we consider when exercising such close-out rights.</p> <p>All open positions are monitored on a real-time basis intraday, to ensure changing margin requirements are identified in a timely manner.</p> <p>Charterprime seek to provide you with timely and sufficient notice of margin calls, to facilitate your ability to meet them. However, please note that certain market conditions or events may trigger extreme volatility, requiring urgent funds to be applied to retain your open positions. Please note that all margin calls will be communicated to you 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>However, we reserve our full rights to immediately close positions in relation to which margin calls have not been met, in order to protect against exposure to further losses in the positions.</p> <p>We reiterate that trading in CFD and Margin FX products carries a high level of risk and returns are volatile. The risk of loss in trading can be substantial, and <u>you can incur losses in excess of the capital you have invested</u>. Accordingly, you should only trade with risk capital ie money you can afford to lose, and which is excess to your financial needs/obligations.</p>	<b>13. Key risks of trading</b> <b>Margin FX and CFDs</b> <b>15. Margins</b> <b>18. Funding your Account</b>



## 6. CHARTERPRIME MARGIN FX AND CFD SUMMARY TABLE

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

Item	Summary	PDS Section reference
Who is the issuer of this PDS and the products?	Charterprime Pty Ltd ACN 156 005 668, holder of AFSL 421210	2
What is Margin FX?	Margin FX is an over-the-counter derivative product which enables traders to leverage a small margin deposit for a much greater market effect in relation to currencies. A foreign exchange contract involves the exchange of one currency for another. Margin FX differs from spot and forward foreign exchange trading in that they are legally classified as derivatives rather than foreign exchange contracts, and are cash settled (i.e. no physical delivery is available). Margin FX trading generally involves taking forward positions in a foreign currency and instead of those contracts being settled by exchange of the relevant currencies, the positions are "closed out". THEY ARE NON-DELIVERABLE FORWARD FOREIGN EXCHANGE TRANSACTIONS. Closing out involves entering into equal and opposite position with us, which generates a profit or loss on the transaction, which is then settled between us. The resulting profit or loss of the trade is the net result of the difference between the opening and closing exchange rates of each transaction, adjusted for transaction costs.	7
What is 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.	9
What fees and charges are payable in respect of a	You may incur the following fees and charges for CFDs: <ul style="list-style-type: none"> <li>• Transaction Fees (Commissions &amp; spread)</li> <li>• Administration charges</li> <li>• Interest payments</li> </ul>	14



<b>Margin FX and CFD contracts?</b>	<p>Charterprime's profit margin is built into the terms of the derivative price (which is unknown prior to the date of issue of this PDS, and cannot be properly ascertained until after the trade is closed).</p> <p>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.</p>	
<b>How do I open a Margin FX or CFD account?</b>	<p>Prior to transacting in Margin FX or CFDs, you must read and understand our FSG, this PDS and the Account Application Terms &amp; Conditions (which will be provided to you by Charterprime) detailing the applicable terms and conditions. You must complete, sign and return the Account Application Terms &amp; Conditions and have your account approved by Charterprime. Charterprime reserves the right to refuse to open an account for any person without giving any reason.</p>	<b>3 , 18 and 20</b>
<b>How do I place a Margin FX or CFD transaction order with Charterprime?</b>	<p>Charterprime accepts Margin FX and CFD order transaction instructions electronically, via our on-line trading platform. 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.</p>	<b>3, 7 and 9</b>
<b>What is Margin?</b>	<p>Your Initial Margin is the amount Charterprime debits from your account as soon as you open a new Margin FX or CFD position or place an order to open a new Margin FX or CFD position. This acts as collateral or a security buffer and protects us in the event of a default by you. Typically we will require an Initial Margin calculated as a percentage of the contract value.</p> <p>The Variation Margin is the unrealised profit or loss on your open position. This is the difference between the value of the product when it was bought or sold and its current market price. Should your position move in your favour we may refund part or all of the Variation Margin to you.</p> <p>If you do not meet a Margin Call in a timely manner or within the time frame specified in the Margin Call, positions will be reduced or closed out by Charterprime without further reference to you in accordance with the terms of the Application Terms &amp; 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 Charterprime has updated the trading platform.</p>	<b>15 and 18</b>
<b>How are payments made in and out of your account?</b>	<p>You may transfer funds to us using Bank transfer and credit card</p> <p><i>In no circumstances does Charterprime accept cash deposits.</i></p>	<b>3, 5, and 18</b>



	You will only be able to withdraw moneys available to you after your Margin obligations have been met. All transfers from Charterprime to you will be made to the bank account nominated in your Application Terms & Conditions.	
<b>Do I pay or receive any financing charges?</b>	In the event of you holding a Margin FX or CFD position overnight you may be required to pay a financing charge or maybe entitled to receive an interest payment, depending on underlying interest rate differentials of the applicable currencies. If you hold a short CFD position overnight you may be entitled to receive interest. Interest calculations are based on the total notional value of your open position, and are calculated at LIBOR or LIBID plus or minus a margin. Interest is calculated daily and posted to your account at the end of each day.	<b>14</b>
<b>What are the key risks of Margin FX and CFDs transactions?</b>	Investment in Margin FX or CFD products carries a high level of risk and returns are volatile. You should only ever trade with risk capital ie 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 herein): <ul style="list-style-type: none"> <li>• Credit Risk</li> <li>• Counterparty Risk</li> <li>• Operational Risk</li> <li>• External Market forces</li> <li>• Currency Risk</li> <li>• Loss of Margin</li> <li>• Gapping</li> <li>• Variation Margins</li> <li>• Leverage</li> <li>• Liquidity</li> <li>• Online trading platform risk</li> <li>• Stop loss orders unavailable</li> <li>• Powers of Charterprime</li> <li>• Reliance on third parties</li> <li>• Regulatory Risk</li> </ul>	<b>13</b>
<b>What are the tax implications of Margin FX trading?</b>	Margin FX and CFD transactions may have tax implications. The taxation consequences of trading in Margin FX and 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 CFDs transactions on your particular financial situation.	<b>22</b>
<b>Charterprime's powers in the event of default</b>	Charterprime has extensive powers under the terms of the Application Terms & Conditions to take action in response to a range of default events. Charterprime may terminate your account, and close out all or any of your Margin FX or CFD positions, including cancelling any outstanding orders.	<b>3 and 20</b>



How do I obtain further information?

You can contact our head office as per contact details in this PDS.

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## 7. MARGIN FX CONTRACTS OFFERED BY CHARTERPRIME

Please note: this section applies to Margin FX contracts ONLY

Margin FX contracts provided by Charterprime are available in many pairs of currencies. This means that most major currency pairs are available. However, some of the minor or more exotic currency pairs cannot be traded with Charterprime. Please check our website (<https://www.charterprime.com.au/>) for up-to-date information regarding which currency pairs are currently available.

Charterprime'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. You will not have any rights of ownership or otherwise in any underlying instrument as a result of the trade with us. This means you will not own or have any interest in the physical currency the subject of the Margin FX. 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 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. Charterprime 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, thereby protecting the profit margin made during the business transaction relating to the foreign currency trade or protecting the cost of the client's international holiday in the case of the traveller.

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

Please refer to Section 16 for worked examples.

## 9. CFD CONTRACTS OFFERED BY CHARTERPRIME

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

A contract for difference (**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). You will not have any rights of ownership or otherwise in any underlying instrument as a result of the trade with us. This means you will not own or have any interest in the index, commodity or bullion the subject of the CFD. This transaction concludes with the parties settling the difference between the purchase price and the sale price. With the exception of index futures CFDs and commodity CFDs a position has no inherent limit to its duration and, subject to the payment of margin and other relevant sums, can continue indefinitely.

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 Charterprime or by Charterprime to you, to reflect any changes in the value of the underlying product during that Business Day.

The CFD is a contract between you and Charterprime, 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.

Please refer to Section 17 for worked examples.

Charterprime offers CFDs in relation to indices. Charterprime operates a market made model for offering CFDs to clients.

The market made CFD model can only be traded during the open hours of the applicable exchange, and allows the use of stop loss orders. You cannot place any limit/market orders outside of market hours. The spread between the bid price and the offer price will be a combination of the natural market spread in the underlying stock market plus the commission based mark up of 0.05% i.e. if BHP is 24.20/24.22 then the price you will receive for CFD trading will be 24.19/24.23 It is important that you note that when we mark up your price, we add a digit compared to the underlying stock and round off using the usual mathematical rules for rounding. These are, below 5 you round down, 5 or above you round up. The result is that in some cases you may pay a little more in commission and in some you may pay a little less.



## ARE CFDS APPROPRIATE FOR YOU?

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

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

## A NOTE ON “CRYPTOCURRENCIES”

Charterprime may from time to time offer pricing on selected cryptocurrencies such as Bitcoin and Ethereum, and related indexes on baskets of them. It is important to note that while the instrument structure and specifications of such offerings from Charterprime are substantially similar to that of other CFDs or indeed Margin FX, the underlying markets are themselves very different. Broadly, although a variety of these different markets have become collectively known as “cryptocurrencies” or digital currencies each one is different and subject to its own rules of creation, storage and transfer of ownership of their various units. Our contracts are of course only for differences in the changes of the prices of those units as they trade in their underlying markets without creating any direct equity interest in them, as with all CFDs.

It is beyond the scope of this PDS to describe the mechanics behind these underlying markets. Clients are urged to familiarise themselves with the operations of these underlying markets prior to trading.

Charterprime cautions these Cryptocurrency markets tend to have thinner liquidity and higher pricing volatility than other CFDs and Margin FX. Charterprime would also like to highlight the increased priced volatility due to the weekend gap. That is, cryptocurrency markets operate 24/7 whereas Charterprime only offers the CFDS during the standard 24/5 market hours. As such, the gapping risk (as described on p 22) is increased upon opening hours for the Cryptocurrency CFDs.

Consequently trading cryptocurrency CFDs is typically substantially riskier than those traditional markets. Charterprime will be adjusting its margin and leverage limits accordingly and urges its customers also to adopt appropriate caution.





## 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 CFD PRODUCT FEATURES

### Charterprime Trading as Principal

Charterprime will regularly state, via the electronic trading platform, the price at which it is prepared to deal with you as principal. This is known as being a 'market maker'. When dealing in Margin FX and CFDs, as with all over-the-counter derivatives, Charterprime 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 Charterprime then Charterprime 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 Charterprime.

### Long & Short Positions

You can open both long and short Margin FX and CFD positions with Charterprime. 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.

With the exception of index futures CFDs and commodity CFDs, many Margin FX and CFDs do not have an expiry date.

They remain open until they are closed in accordance with clause 12 of the Application Terms & Conditions. Index futures CFDs or commodity CFDs may only be closed by contracts with the same



specified date . A Margin FX or CFD position can only be closed by contacting Charterprime. To close a Margin FX or CFD position, you must access the electronic trading platform to determine the current market price for the underlying instrument, with the view to close the position (or part of it). Charterprime will confirm the current market price and you will then decide whether to accept the price, and if so, you will instruct Charterprime to close your open position in accordance with your instructions.

You should note that Charterprime is not obliged to accept your orders. Typically this would occur should you exceed the limits imposed on your account by Charterprime, or where there are insufficient funds in your account to meet your Margin obligations. Trades are subject to a minimum trading size which is specified on our website from time to time.

Charterprime 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. Charterprime 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 CFD by Charterprime include a spread which usually favours Charterprime. This spread is not an additional charge or fee payable by you. These spreads will differ depending on the Margin FX and CFDs traded.

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

### **Electronic Platform**

Charterprime 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 using our electronic trading platform, are detailed in the Account Application Terms & Conditions you are required to execute prior to trading. Some of the key provisions include the following:

- Charterprime 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.
- Charterprime 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 Charterprime.

- Clients agree to accept full responsibility for the use of the electronic trading platform and for any orders transmitted through the electronic trading platform. Charterprime 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 Charterprime makes no express or implied representations or warranties to the Client regarding its operation or usability.
- Charterprime does not warrant that access to or use of the electronic trading platform will be uninterrupted or error-free, or that the service will meet any particular criteria with respect to its performance or quality nor do we make any warranty as to the timeliness, sequence, accuracy, completeness, reliability or content of any information, service or transaction provided through the use of the electronic trading platform or the results obtained from its use. Charterprime 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 Charterprime be liable for any direct, indirect, incidental, special or consequential damages including, without limitation, business interruption or loss of profits that may result from the use of, unavailability of, or inability to use the electronic trading platform.
- Clients agree that the use of the electronic trading platform is at the Client's risk and the Client assumes full responsibility for any losses resulting from the use of or materials obtained via the electronic trading platform.
- Please note that stop-outs (automatic closing of a position when Margin Calls have not been met) are implemented on our electronic trading platform at the sole discretion of Charterprime, and no liability for the direct or indirect consequences thereof shall be accepted by Charterprime in relation thereto.

## Pricing

When you trade Margin FX or CFD products you are normally quoted a spot price. This means that if you take no further steps, your trade will be automatically rolled over after one Business Day unless you close the position. Alternatively, you may wish to swap the trade forward to a later date. This may be anywhere from a week up to several months depending on the time frame of the investment.

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

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

When trading US dollars against Japanese yen, the normal way to trade is buying or selling a fixed amount of US dollars, i.e. USD1,000,000. When closing the position, the opposite trade is done, again USD1,000,000. The profit or loss will be apparent in the change of the amount of yen credited and debited for the two transactions. In other words, your profit or loss will be denominated in Japanese yen



that are known as the price currency. As part of our service, Charterprime will automatically exchange your profits and losses into your Base currency if it is required.

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

When you make a request to place an order, we may provide an amended quote or make the quote subject to special conditions and requirements we consider fair and reasonable (such as if you place an order outside the normal trading size). You are not obliged to proceed with any such order and may at your absolute discretion, accept or reject the order.

For more specific information on contract unit sizes and how we price specific types of margin fx and CFD products, refer to the

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

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

Benefit	Explanation	Margin FX	CFDs
<b>Protect an Exchange Rate</b>	<p>Charterprime provides an electronic trading platform, enabling clients to trade in over-the-counter (as opposed to exchange-traded) derivatives such as Margin FX or CFD contracts over the internet. This facility provides clients with direct access to our system to enable them to buy and sell currency rates to protect themselves against adverse market swings.</p> <p>Charterprime 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>	✓	✓
<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 Charterprime	✓	x



	<p>product would be offset against the higher (or lower) price you physically have to pay for the foreign currency.</p> <p>In addition to using Margin FX products as a risk management tool, clients can benefit by using Margin FX products offered by Charterprime to speculate on changing exchange rate movements. You may take a view of a particular market or the markets in general and therefore invest in our products according to this belief in anticipation of making a profit.</p>		
<b>Leverage</b>	<p>Margin FX and CFDs are leveraged investments and trading instruments. While leverage can magnify losses, it can also magnify profits. Leverage allows Clients to take larger exposures, to more markets, than cash investors using the same capital base. Leverage also means that Clients can employ more investment and trading strategies than 'long only' investors. These include trading 'pairs', trading across asset classes, going short and taking exposures around short term events.</p>	✓	✓
<b>Trade in Small Amounts</b>	<p>The electronic trading platform enables you to make transactions in small amounts. You can start using the electronic trading platform even with an opening balance as little as AUD \$500 for Margin FX and AUD \$1000 for CFDs. When trading in a Margin FX or CFD contract offered by Charterprime you may deposit the sum that suits you, or the amount which is in line with the amount you are willing to risk.</p>	✓	✓
<b>Access to the Foreign Exchange Markets at Any Time</b>	<p>When using Charterprime 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.</p>	✓	✗
<b>Profit Potential in falling Markets</b>	<p>Since the market is constantly moving, there are always trading opportunities, whether a currency is strengthening or weakening in relation to another currency. When you trade currencies, they literally work against each other. If the EUR/USD declines, for example, it is because the US dollar gets stronger against the Euro and vice versa. So, if you think the EUR/USD will decline (that is, that the Euro will weaken versus the dollar), you would sell EUR now and then later you buy Euro back at a lower price and take your profits. The opposite trading scenario would occur if the EUR/USD appreciates.</p> <p>Traditional securities and other financial investment products generally only deliver benefits in rising or stable markets. Margin FX and CFDs provide a simple and effective means to take advantage of falling markets.</p>	✓	✓
<b>Hedging</b>	<p>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.</p>	✓	✓



<b>Lower Costs</b>	Generally, CFD exposures come at lower transaction costs than the same exposure taken in the Underlying Instruments. Clients pay no Charterprime fees to open or maintain a CFD trading account. In some limited circumstances, Charterprime reserves the right to pass on exchange fees where they are charged to Charterprime.	x	✓
<b>Superior Liquidity</b>	The liquidity of the foreign exchange market, particularly with respect to that of the major currencies, helps ensure price stability and low spreads. The liquidity comes mainly from large and smaller banks that provide liquidity to investors, companies, institutions and other currency market players.	✓	x
<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. Charterprime 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.	✓	✓

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

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

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

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

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

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

**Limited Recourse** – If Charterprime chooses to hedge your trade with a hedge counterparty, you as a client have no rights or beneficial interest in any product which Charterprime has with its hedge counterparty and you cannot force Charterprime to make any decision about seeking recovery against Charterprime's hedge counterparty. You will also not have any recourse to any underlying assets to contracts you enter into with Charterprime.



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

**Changing Spread** – You understand there may be a wider difference between ‘buy’ and ‘sell’ prices you are quoted on closing a position than when it was opened.

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

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

Below is a hypothetical example of how gearing (leverage) magnifies losses/profits (without taking into account fees & charges):

	Index purchase amount	CFD purchase amount
Initial outlay	\$10,000	\$10,000 (as initial margin)
Reference index purchased	1000	10,000
Initial price	\$10.00	\$10.00
value	\$10,000	\$100,000
gearing	0%	90%



Result where index price falls	Index price falls to \$8.75. Index holding now worth \$8,750 (i.e. loss of \$1,250 or -12.5%)	Index price falls to \$8.75. CFDs now worth \$87,500 (i.e. loss of \$12,500 or -125% on original outlay of \$10,000)
Result where index price rises	Index holding now worth \$11,000 (i.e. profit of \$1,000 or +10%)	CFDs now worth \$110,000 (i.e. profit of \$10,000 or +100% on original outlay of \$10,000)

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

**Double Leverage** – You should be aware that using a credit card as opening collateral exposes you to the risk of double leverage, being the combined effect of using a credit card to fund a leveraged trading account.

**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 Charterprime 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. 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 Charterprime representative.

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

**Electronic Trading platform risk**– You shall be responsible for providing and maintaining the means by which to access the electronic trading platform, which may include without limitation a personal computer, modem and telephone or other access line. While the internet and the World Wide Web are generally reliable, technical problems or other conditions may delay or prevent access thereto. If you are unable to access the internet and thus, the electronic trading platform, it will mean you may be unable to trade in a product offered by Charterprime 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 Charterprime. Furthermore, in unforeseen and extreme market situations, such as an event like September 11, or a global catastrophe, Charterprime reserves the right to suspend the operation of the electronic trading platform or any part or sections of it. In such an event, Charterprime 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. Charterprime may impose volume limits on client accounts, at its sole discretion. Please note that such measures would only be implemented in extreme market conditions.





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

**Charterprime Risk** - the risk of Charterprime being unable to operate its business as a result of a regulatory impediment such as Charterprime ceasing to hold an Australian Financial Services Licence or because ASIC impose a stop order on the PDS issued by Charterprime or Charterprime ceasing to exist. Since Charterprime may decide not to hedge certain transactions with its clients this will expose Charterprime to market risk which may impact on its ability to settle liabilities owing to you.

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

Additional risks to be carefully considered are contained in the table below:

Risk	Explanation	Margin FX	CFDs
<b>Market Volatility</b>	<p>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.</p> <p>Given the potential levels of volatility in certain markets, it is therefore recommended that you closely monitor your positions with Charterprime at all times. Certain markets are highly volatile and are very difficult to predict. Due to such volatility, in addition to the spread that Charterprime adds to all calculations and quotes, <b>no Margin FX or CFD product offered by Charterprime, or any other financial services provider, may be considered as a safe trade.</b></p> <p>However, Charterprime offers clients a way of managing volatility by working orders. Certain products can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. Stop losses are instructions placed by the client with Charterprime 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. <b>We note that stop losses are not guaranteed and the execution of such orders will depend on market volatility and liquidity.</b> The operation of these order types should be discussed with your Charterprime 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</p>	✓	✓



	<p>of liquidity in foreign exchange markets due to extreme volatility or uncertainty of trading in those markets may also affect the ability of Charterprime 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.</p> <p>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.</p> <p>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>		
<p><b>Counter-party Credit Risk</b></p>	<p>Margin FX and CFD contracts are not traded on a regulated exchange. Investors must deal directly with Charterprime to open and close positions. Given you are dealing with Charterprime 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 Charterprime to make payments in respect of the contracts are unsecured obligations of Charterprime, 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>You are reliant on Charterprime’s ability to meet its counterparty obligations to you to settle the relevant contract. Charterprime 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, Charterprime must comply with the financial requirements imposed under its AFS Licence.</p>	<p>✓</p>	<p>✓</p>
<p><b>Foreign Exchange Risk</b></p>	<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, option premiums, profits, losses, rollover fees, interest rate payments/receipts and financing credits and debits in relation to that product are calculated using the currency in which the product is denominated.</p> <p>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>✓</p>	<p>✓</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. 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</b>	<p>Charterprime may make available to you through one or more of its services, a broad range of financial information that is generated internally or obtained from agents, vendors or partners (third party providers). This includes, but is not limited to, financial market data, quotes, news, analyst opinions and research reports, graphs or data (Market Information).</p> <p>Market Information provided by us by email or through our website is not intended as advice. Charterprime does not endorse or approve the Market Information and we make it available to you only as a service for your own convenience. Charterprime 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 Charterprime 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 Charterprime's operational processes such as communications, computers, networks or external events may lead to delays in the execution of or settlement of a transaction. Charterprime relies on a number of technology solutions to provide you with efficient services – Charterprime may outsource the operation of this trading platform to a third party and in doing so Charterprime relies upon this third party to ensure the systems are updated and maintained.</p> <p>A disruption to the Charterprime electronic trading platform may mean you are unable to trade in a product offered by Charterprime 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 to establish or maintain a position.</p> <p>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.</p>	✓	✓



	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.		
<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 Superannuation Industry Supervision Act 1993, and associated regulations and regulatory guidance material. Without being an exhaustive list, the following 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 Trustee 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>	✓	✓
<b>Investment Decisions</b>	You are solely responsible for the selection of the underlying asset for any orders you place with us, and as such, the performance of any investment in Margin FX or CFDs using your trading account will depend mainly on the your own investment decisions.	✓	✓
<b>Adjustment Risk</b>	Where an adjustment event occurs, Charterprime 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. Charterprime 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.	✗	✓
<b>Third Party Plugins</b>	Third party plugins can be risky. They are often called "expert advisers" or "mirror trading plugins". Charterprime is not responsible for, and will not indemnify you from, reliance on any statements made by their makers or promoters of third party plugins, or any loss incurred in connection with third party plugins that you use.	✓	✓



Key risks about third party plugins are:

- You can lose control of your trades and suffer financial loss.
- The software may stop working leaving you stuck with Open Positions leading to financial loss.
- You can lose more money than your initial deposit.
- They may result in you being margin called and your positions may be liquidated.
- Some are offered by fraudulent or illegal / underground entities in remote parts of the world.
- Some create or are otherwise effected by price latency which may result in significant losses on your account due to inaccurate pricing.

If promoters of these plugins make promises that are too good to be true, then you should avoid them.

#### 14. FEES AND CHARGES

Charterprime earns its income from the business spread (or margin) that we apply to our CFD and Margin FX products as well as holding risk on its own books. The business spread is the difference between the rate at which we buy and sell the financial instruments (i.e. between the wholesale price achieved by Charterprime and your trade price). The spread is generally determined by market liquidity, currency pairs and market conditions. This spread is incorporated into the rates quoted to you and is not an additional charge or fee payable by you. Accordingly, the decision to transact at a particular rate will always be your decision. In respect of unpaid amounts due to Charterprime, you agree to pay interest at a rate equal to 3% pa over the cash rate of the Reserve Bank of Australia (or of such monetary authority as may replace it). Such interest accrues and is calculated daily from the date payment was due until the date you pay in full and is compounded monthly.

**Margin FX Rates** are subject to negotiation by you with Charterprime prior to transacting any business and are detailed below. Fees and commissions, once disclosed and agreed, will be charged to your trading account at the time your transaction is executed.

The calculation of the price to be paid (or the payout to be received) for Margin FX products offered by Charterprime, at the time the contract is purchased or sold, will be based on our 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. In any case, the spread will not exceed the greater of 20% or 1 cent (or equivalent currency unit).

**The calculation will include a spread in favour of Charterprime.** 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 Charterprime 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.

Charterprime does not provide a market amongst or between clients for investments or speculations. Each product purchased (or sold) by you is an individual agreement made between you and Charterprime 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 use. These fees include fees for failed trades, off-market transfers, other administrative fees including monthly fees for access to certain information and services.

Fees must be paid to us immediately upon execution of the trade, and will be deducted from your account in accordance with the Application Terms & Conditions. In the event of an increase in fees and charges, Charterprime will notify you at least 30 days before the change takes effect.

### CFDs

As noted above, Charterprime earns its income from the business spread (or margin) that we apply to our CFD 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 Charterprime 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.

Charterprime is remunerated through the fees and commissions that we charge you and apply as follows:

**Market Made** - The fee charged to you for a CFD transaction traded on a market made basis comprises a commission payment and a spread. The spread is floating and the commission charged will vary between a minimum rate of 0.10% of the gross transaction value (i.e. the leveraged amount) and a maximum of 1.00% of the gross transaction value (i.e. the leveraged amount). Consequently, the total fee charged to you is the sum of these components.

Fee rates are subject to negotiation by you with Charterprime prior to transacting any business.

Fees and commissions, once disclosed and agreed, will be charged to your trading account at the time your transaction is executed. In the event of an increase in fees and charges, Charterprime will notify you at least 30 days before the change takes effect.

### Administration Charges- CFDs only

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

Administrative Service	Fee (incl. GST)
Withdrawal (electronic only) – excluding closing the account	At bank rates
Withdrawal (same day value)	At bank rates
Telephone Conversation Transcript	AUD \$50



Charterprime reserves the right to change any of the above administration fees applicable to CFDs. You will receive proper notification of such a change, and a supplementary or revised PDS if required. In the event of an increase in fees and charges, Charterprime will notify you at least 30 days before the change takes effect.

### Transaction Fees – CFDs only

Charterprime charges no transaction fees for CFDs but reserves the right to change that. You will receive proper notification of such a change, and a supplementary or revised PDS if required. In the event of an increase in fees and charges, Charterprime will notify you at least 30 days before the change takes effect.

### Conversion Fee

Charterprime does not charge a conversion fee when converting currencies to your Base Currency at the present time. When there is a conversion from a Term Currency to your Base Currency the exchange at the spot rate for the applicable currency pair at posted on the trading platform at the time of the transaction. We will notify you if we decide to charge a Conversion Fee.

## FINANCING CHARGES

### CFDs

In the event of you holding a long CFD position overnight you may be required to pay a financing charge at an interest rate. If you hold a short CFD position overnight you may be entitled to receive interest. Commodity CFDs over futures contracts do not incur financing costs. Interest calculations are based on the total notional value of your open position, and are calculated as set out below using the LIBOR (London Interbank Offer Rate) or LIBID (London Interbank Bid Rate) plus or minus a margin. Interest is calculated and debited from or credited to your account on a daily basis. No interest is paid or received if you open and close a position in the same trading day. Interest is debited from and credited to your account on a daily basis. For more information on how finance charges are calculated for different products, see clause 13 of the

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

Standard overnight interest rates applicable are outlined below.

### Overnight Interest



Long	Short
LIBOR +1.8%	LIBID – 1.8%

The amount of interest paid/received by Charterprime will vary each day, depending upon factors such as the closing price of the underlying asset on which the product is based, size of the position, duration of rollover period, Charterprime spread, changes to holdings within your portfolio and/or changes to LIBOR or LIBID.

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

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

### Margin FX

In the event of you holding a Margin FX position overnight you may be required to pay a financing charge or maybe entitled to receive an interest payment, depending on underlying interest rate differentials of the applicable currencies. The financing charge paid or received is dependent on the size of the position, duration of rollover period and Charterprime spread,. 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 Charterprime 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. For more information on how finance charges are calculated for different products, see clause 13 of the

## 15. MARGINS

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 Charterprime's discretion mostly by the liquidity of the underlying asset on which the product is based. It is typically 0.5-25% of the contract value but may be as high as 100% depending on the volatility of the relevant market and the liquidity of the underlying asset. For more information on how to calculate your initial margin requirements, refer to clause 10.

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 Charterprime to cover our risk and as security for your obligations. The amount is determined by the relevant third party service provider, however Charterprime 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.

The Margin amounts are payable into the Charterprime 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, Charterprime will utilise client deposits to meet margin calls, and other payment/settlement obligations.

All contracts will be subject to Margin obligations. Accordingly, you are responsible for meeting all margin payments required by Charterprime. It is your sole responsibility to monitor and manage your open positions and exposures, and ensure Margin Calls are met as required. Margin Calls will be notified via 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. Please note that if you do not check the trading platform for Margin Call notifications, and hence do not meet them in a timely manner, positions will be closed out by Charterprime, without further reference to you, in accordance with the executed Account Application Terms & Conditions. A Margin Call will not be considered to have been met UNLESS AND UNTIL cleared funds have been received by Charterprime in the nominated account.

Positions will be monitored by Charterprime on a continuous basis to account for any market movements. If the value of the position moves against you then you will be required to “top up” the Initial Margin and, if you are unable to do so, you will be subject to a Margin Call i.e. to pay additional Margin or alternatively to close the position in order to reduce your Initial Margin to a level acceptable to Charterprime. 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 Charterprime on you.

You must be in a position to fund such requirements at all times. Initial and Variation Margin must be paid immediately after the call. The general policy of Charterprime 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 against your position giving Charterprime no time to make a Margin Call on you to request additional funds for Charterprime to protect its positions.

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

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

CFD and Margin FX products can be highly volatile and you should ensure that you are always contactable by Charterprime. If you are unable to be contacted for the purpose of Charterprime making a Margin Call, we may close out your open positions without actually speaking to you.

Margin calls will be made on a 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 is in credit. Margin calls can be made by Charterprime at any time and you are responsible for ensuring that they are met.

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

## 16. MARGIN FX TRADING EXAMPLE

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

The current Charterprime quote for EUR/USD is 1.3200. You place an opening trade to buy 10 lots of EUR/USD Margin FX at the market offer price, in this case 1.3200. This means that for every 0.0001 change in the EUR/USD the profit or loss position will change by 10 US dollars. Checking the EUR/USD 'market information' page on the platform reveals that the margin requirement on the currency pair is 1% of the notional value.

Opening trade: Buy 10 EUR/USD Margin FX at 1.3200

Notional value of trade:  $1.3200 / 0.0001 \times 10$  Margin FX = US\$1,320,000

Margin requirement: US\$1,320,000 x 1% = US\$13,200

Over the trading session, the EURO/USD moves against you – down to 1.3100. This is near the level where you're expecting to stop your loss, so you decide to close the trade by selling 10 Margin FX lots at the bid price 1.3100.

Closing trade: Sell 10 AUD/USD Margin FX lots at 1.300

Profit (Loss) calculation:  $(1.3200 - 1.3100) \times 10,000 \times 10$  Margin FX lots = US\$10,000

Your trade has resulted in a loss of US \$10,000.

*\*You neither pay nor receive financing charges if the trade was opened and closed on the same day.*

## 17. CFD TRADING EXAMPLE

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

### Placing a trade



The WS 30 INDEX is trading at 15,000. You think that the WS 30 INDEX price is going to rise in value so you decide to go long and buy 1 WS30 contract at **US\$15,000**. Your position value therefore is **US\$15,000**.

### **Margin required**

**The margin requirement on the WS 30 INDEX in this example is 10%, therefore the initial margin required is US\$1,500. Should the equity you maintain fall due to market conditions below US\$1500, you are at risk of a margin call and automatic liquidation of your position.**

### **Your open position**

You now hold a position of **1 WS 30 INDEX contract** at US\$15,000

Later that day the WS 30 INDEX moves to 14,500 so you decide to sell 1 WS 30 INDEX CFD at 14,500.

### **Closing the position**

In this example you closed the position within the same day as opening and did not hold it overnight therefore there is no financing charge and because your account in this example is not charged a commission there is no commission charge.

Your gross loss is therefore  $US\$15,000 - US\$14,500 = US\$500$ .

### **Your P&L**

Your percentage return on investment on this trade is  $US\$500$  (loss) divided by  $US\$1,500$  (initial margin) = 33%

Compare this to the underlying percentage price change  $(US\$15,000 - US\$14,500) / US\$15,000$  which is just 3.3%

**If however the markets had moved against you by 3.3% you would have lost US\$500 which is a loss of 33%.**

## **18. FUNDING YOUR ACCOUNT**

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

- Bank transfer;
- Credit card.

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

When transferring funds to Charterprime 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 Charterprime must be free of any withholding tax or deduction.



Charterprime 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.

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

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

## **19. ORDER TYPES**

Charterprime accepts Margin FX and CFD transaction order instructions primarily via the electronic trading platform and will not ordinarily accept order instructions via telephone. When you trade by telephone your instructions to open or close a trade must be given to our trader during the same telephone conversation in which the quote was given.

We will not accept an order left with other employees, on an answering machine or on a voice mail facility.

### **19.1 STOP LOSS ORDER**

A Stop-loss order is an order placed to limit the loss on an open position, and can be used on for a selection of both FX and CFD contracts. Stop-loss orders must be placed a minimum distance from Charterprime'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 order are available currently, namely, a stop-loss order at a set price; and a trailing stop-loss order which enables you to link a stop-order at a set distance to the market. As the market moves away from the stop-order's strike price, the strike price will be adjusted in the steps defined when the order was placed. In case the market move towards the stop orders strike price the order will remain at the initial level with the initial strike price.

For example if you want to protect a long position in Colgate-Palmolive 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 Colgate-Palmolive moved to \$52.00, the strike price of the stop-order will be adjusted to \$45.00. If Colgate-Palmolive moves to \$57.00, the strike price will be adjusted to \$50.00 and so forth. When the price in Colgate-Palmolive moves down to \$50.00, your stop order will be triggered and routed as a market order.

Stop-loss orders placed on index CFDs will be filled if the underlying index 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.

Charterprime will execute a Stop-loss order once the following conditions are met:

- Charterprime's offer price has reached the order price in the case of a buy order or Charterprime'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 Charterprime could have replicated the order.

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

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).

## **19.2 LIMIT ORDERS**

A Limit Order may be used by you to either open or close a position at a predetermined price that is more favourable to you than the current market price.

We will execute your Limit Order when your offer price has reached the price of your buy-limit order or our bid price has reached the price of your sell-limit order.

## **19.3 STOP-ENTRY ORDERS**

A stop-entry order is an order placed to open a new Position or increase an existing Position at a price which is inferior to the current market price. You may use this type of order when you expect that the price will move significantly in the future from its existing trading range.

Stop-entry orders can be placed to open new Positions in all our products.

You should also note that stop-entry orders must be placed at a minimum distance from a current bid and offer prices, which distance is determined at our discretion.

## **19.4 TRAIL STOP ORDERS**

A Trailing Stop Order is a type of Stop Loss Order and is an instruction by you to close an Open Position at a price less advantageous than the quote at the time it is placed but it is designed to track the movement of profitable positions and move accordingly.

You may set a Trailing Stop Order at the following times:

- When you place a trade which then acts as a Trailing Stop Loss Order instruction to close the Open Position; or
- When you amend a Stop Loss Order to a Trailing Stop Order.



The above order types may be subject to change from time to time. It remains your sole responsibility to familiarise yourself with the order types and their functionality. If you are not sure how they work, please contact our representative for more information.

## 20. APPLICATION TERMS AND 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 in addition to this PDS. It is provided to you separately by Charterprime.

We recommend that you consider seeking independent professional 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 Charterprime's rights in respect thereof;
- Client obligations regarding confirmations (discrepancies);
- Process for closing out a trade, and Charterprime's rights in relation to price calculation;
- Interest payable/receivable on open positions;
- Scalping;
- Requirements regarding the appointment of authorised persons by the client;
- Default events;
- Charterprime rights following a default event;
- Amendment and termination rights;
- Client Indemnity in favour of Charterprime
- Charterprime's limitation of liability;
- Fees and charges;
- Restrictions on assignment of agreement;
- Telephone recordings;
- Provision of general advice;
- Governing law (NSW); and
- Electronic trading platform conditions/process.



## 21. CLIENT MONIES

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

Please note that monies provided by you to meet margins, deposits, fees, transaction settlements, or other costs may be immediately on-forwarded from the segregated account by Charterprime to our licensed third party clearing and execution providers, and applied against your margin, exchange, fee and settlement obligations, until 3 April 2018. Once the client money reforms commence on 4 April 2018, Charterprime will no longer use retail or sophisticated investor client money to margin, guarantee, secure, transfer, adjust or settle dealings in derivatives on behalf of people other than you. Charterprime will be using house funds and wholesale client funds for those purposes instead.

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.

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

Charterprime 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 Charterprime on this account is determined by the provider of the deposit facility. Similarly, Charterprime is entitled to invest any of your money held in any segregated trust account as permitted by the Australian Client Money Rules. On realization of an investment of your moneys, the initial capital invested must either be invested in another investment or deposited into the segregated trust account. In the event the amount received upon realization of an investment of your moneys is less than the initial capital invested, Charterprime will pay an amount equal to the difference into a segregated trust account for the benefit of you. Charterprime is solely entitled to any earnings or money additional to the initial capital invested derived from the investment of the funds by Charterprime. No fee is charged for investing your moneys in accordance with the Australian Client Money Rules.

Under the Australian Client Money Rules, we must hold your moneys on trust. Furthermore, the Australian Client Money Rules provide that in the event we lose our Australian Financial Services Licence, become insolvent, merge with another licensee or cease to carry on some or all of the activities authorised by the licence, customer money held by us or an investment of customer money, will be dealt with as follows:

- the money in the account is to be paid in the following order:
  - money that has been paid into the account in error;
  - the next payment is payment to each person who is entitled to be paid money from the account;
  - if the money in the account is not sufficient to be paid in accordance with the above paragraphs, the money in the account must be paid in proportion to the amount of each person's entitlement; and
  - if there is any money remaining in the account after payments made in accordance with the above paragraphs, the remaining money is payable to us.



We are entitled to keep hold of your funds in your account to cover negative cash balances, Margin, any funds, including without limitation, cheque or credit card payments, unrealised losses and realized losses and any other amounts due under the Client Agreement. We also have the right to deduct, without notice or recourse to you, any monies deposited or credited to your account in error by us.

Client trades can only be placed when there are cleared funds in the client's account. Accordingly, no scenario is anticipated which would result in a shortfall in the client trust account.

Furthermore, segregated accounts may not protect your moneys from a default in the segregated customer accounts. Should the failure of another client or in the event of the failure of Charterprime, there may be a deficit in the segregated accounts. If we become insolvent, you will be an unsecured creditor in relation to the balance of the moneys owing to you.

In the event that you become an unsecured creditor of us, you will need to lodge a proof of debt with the liquidator for the amount of moneys that are owing to you as evidenced by your account statements. The liquidator then assesses all proofs of debts to determine which creditors are able to share in the assets of the company, and to what extent depending on the amounts owing to them and any priority they may have to be paid.

You agree that, in the event that there has been no movement on your trading account balance for a period of at least six (6) years (notwithstanding any payments or receipts of charges, interest or similar items) and Charterprime is unable to trace you despite having taken reasonable steps to do so, Charterprime may release any money balances from the segregated account.

## **22. TAXATION**

### **22.1 Introduction**

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

The information contained in this section is of a general nature only and is not intended to constitute legal or taxation advice and should not be relied upon as such. The taxation implications of your transactions will depend on your own individual circumstances and Charterprime 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.





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.

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

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

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

### **22.3 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 CFDs is included in your assessable income outside the CGT provisions (refer to Section 22.2 above) the capital gain resulting from the CGT event will be reduced. Similarly, to the extent that any loss incurred in respect of Margin FX or CFD transactions is deductible, the deductible amount will not contribute to a capital loss for you.

### **22.4 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, Charterprime may be required to withhold tax from any payment at the top marginal tax rate.

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.

### **22.5 Expenses**

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



## 22.6 Taxation of Financial Arrangements

New rules have been recently 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.

## 22.7 Goods and Services Tax

No GST should be payable in relation to your trading of Margin FX or CFDs with Charterprime. This is on the basis that they are considered to be 'financial supplies' under the A New Tax System (Goods and Services Tax) Act 1999. Consequently, they are input taxed and no GST payable on their supply. However, 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.

## 23. DISCLOSURE OF INTERESTS

We do not have any relationships or associations which might influence us in providing you with our services. However, Charterprime may share fees and charges with its associates or other third parties or receive remuneration from them with respect to your dealings with us, in accordance with the Corporations Act and ASIC Regulatory Guides.

In particular, Charterprime 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. Charterprime may choose to hold the risk of transacting with you on its own books or it may conduct transactions to hedge its liability to you in respect of your Margin FX or CFD positions by undertaking transactions in the underlying currencies. Charterprime's hedging 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 the rates you will be offered for financial products or services undertaken with Charterprime.

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

## 24. COOLING-OFF ARRANGEMENTS

There are no cooling-off arrangements for financial products. This means that when we arrange for the execution of a contract, you do not have the right to return the product, nor request a refund of the



money paid to acquire the product. You are bound by the terms of a contract, when you enter into it, despite the fact that settlement may occur at a later day.

## **25. LABOUR STANDARDS AND ENVIRONMENTAL, SOCIAL AND ETHICAL CONSIDERATIONS**

We do not take labour standards or environmental, social or ethical considerations into account when offering the Margin FX and CFD products.

## **20 PRIVACY**

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

## **26. DISPUTE RESOLUTION**

Charterprime has an internal dispute resolution process in place to resolve any complaints or concerns you may have, as quickly and fairly as possible in the circumstances. Any complaints or concerns should be directed to the Complaints Officer (by telephone, facsimile, or letter) at the address and telephone/fax numbers provided in section 2 of this PDS. We will seek to resolve your complaint within 45 days or such further time period that may reasonably be required given the nature of the complaint. We will investigate your complaint, and provide you with our decision, and the reasons on which it is based, in writing.

If you are dissatisfied with the outcome or if the complaint is not resolved in a timely manner, you have the right to lodge a complaint with the Financial Ombudsman Service [contact details below], an approved external dispute resolution scheme, of which Charterprime is a member.

### **Financial Ombudsman Service**

Member no.: 30251  
Address: GPO Box 3 MELBOURNE VIC 3001  
Telephone: 1800 367 287  
Facsimile: 03 9613 6399  
Website: [www.fos.org.au](http://www.fos.org.au)  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **27. GLOSSARY**

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



Term	Definition
<b>Account</b>	Account of the client dealing in the products issued by Charterprime, which is established in accordance with the terms and conditions of the Application Terms & Conditions
<b>AFSL</b>	Australian Financial Services Licence
<b>Base currency</b>	Your account is maintained in the currency you have nominated, that is, the base currency.
<b>Business Day</b>	A day (other than a Saturday or Sunday or public holiday) on which trading banks in Sydney, Australia are open for business.
<b>Account Application Terms &amp; Conditions</b>	The agreement provided to you by Charterprime, 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 Charterprime in order to set up an account with Charterprime to deal in products issued by Charterprime. This document is also known as "Client Agreement".
<b>CFD</b>	Contract for Difference
<b>Confirmation</b>	Document or documents confirming evidence exchanged between Charterprime and the client, confirming the terms of the product transaction.
<b>Corporations Act</b>	Corporations Act 2001 (Cth) which governs the provision of financial services.
<b>Deal</b>	Has the same meaning as provided in the Corporations Act.
<b>EST</b>	Eastern Standard Time, Australia
<b>FOS</b>	Financial Ombudsman Service Ltd
<b>FSG</b>	Charterprime's financial services guide as amended, supplemented or updated from time to time.
<b>Initial Margin</b>	An amount required to be deposited by the client with Charterprime to open a Margin FX or CFD position.
<b>LIBID</b>	LIBID stands for London Interbank Bid Rate The rate charged by one bank to another for a deposit in the wholesale money markets in London.
<b>LIBOR</b>	LIBOR stands for 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
<b>Margin</b>	The Initial Margin or Variation Margin or both.



<b>Margin Call</b>	A demand for additional funds made to the client by Charterprime to meet any additional margin requirement.
<b>Margin FX</b>	Margin foreign exchange
<b>PDS</b>	Product Disclosure Statement
<b>Term Currency</b>	This is the currency of the position you have taken
<b>Variation Margin</b>	The amount deposited by the client with Charterprime including any increase or reduction arising from settlement of a closed position
<b>We, Us or Charterprime</b>	Charterprime Pty Ltd ACN 156 005 668, holder of AFS licence No. 421210