



**APEX FX TRADING**

**APEX DERIVATIVES PTY LTD  
ACN 143 512 501**

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**PRODUCT DISCLOSURE STATEMENT**

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**AUSTRALIAN FINANCIAL SERVICES  
LICENCE NO: 359820**

**DATE: 09/05/2012**

This Product Disclosure Statement is in three parts:

- Part 1 includes general information about Apex Derivatives Pty Ltd and the Financial Products
- Part 2 contains information about foreign exchange products
- Part 3 contains information about contracts for difference



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# PRODUCT DISCLOSURE STATEMENT

## PART 1

### 1. INTRODUCTION

#### 1.1 Information

This Product Disclosure Statement (“**PDS**”) has been prepared by Apex Derivatives Pty Ltd ACN 143 512 501 (“**Apex**”) as the issuer of Over the Counter (“**OTC**”) contracts for foreign exchange products and derivatives.

The information in this PDS is general information only and does not take into account your personal objectives, financial situation and needs. This PDS is subject to the provisions of the Client Agreement. Before making a decision to acquire the Financial Products you should read our Financial Services Guide (“**FSG**”) and this PDS. You should be satisfied that any trading you undertake in relation to the Financial Products is appropriate in view of your objectives, financial situation and needs.

When we use the terms “Apex”, “we”, “our” or “us” in this PDS the reference is to Apex Derivatives Pty Ltd. When we use the term “you” or “Client”, we mean you as the user of our Financial Products and our other clients if the context requires.

Please contact us if you have any questions in relation to this PDS.

#### 1.2 Purpose of this PDS

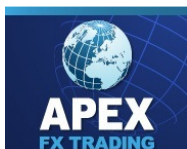
The purpose of this PDS is to provide you with sufficient information to make an informed decision in relation to the acquisition of our Financial Products. This PDS provides you with key information about our Financial Products to assist you to:

- decide if the relevant Financial Products meet your needs; and
- compare the Financial Products with similar products.

Please keep this PDS for future reference, together with all other documentation which you receive from us.

#### 1.3 Application

If you wish to apply to trade in Financial Products made available by Apex, then you should complete and submit the application form which accompanies this PDS.



#### **1.4 Important information about the risks involved in dealing in the Financial Products described in this PDS**

OTC contracts can be highly leveraged and speculative with a high degree of risk. Potential investors and traders should be experienced in foreign exchange contracts and derivative products and understand and accept the risks of investing in OTC contracts.

Before trading in the Financial Products referred to in this PDS you should give consideration to your objectives, financial situation and needs. We recommend that you take all reasonable steps to fully understand the possible outcomes of trades and strategies in relation to the Financial Products offered. You should also be aware of the risks involved and be satisfied that trading in our Financial Products is suitable for you in view of your financial circumstances.

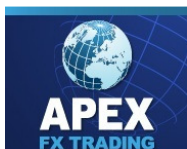
**We recommend that you consult your financial adviser or obtain other independent advice before trading in the Financial Products referred to in this PDS.**

#### **1.5 Your Suitability**

We may make an initial assessment of your suitability to invest in our Financial Products based on the information you give us. You should always make your own assessment of your suitability to trade our Financial Products. You should carefully consider the features of our Financial Products and their significant risks before investing in them.

Some key suitability considerations for you are:

- whether you have experience in trading in the underlying Financial Products;
- whether you understand the terms of our Financial Products and how they work;
- whether you understand the concepts of leverage, margins and volatility;
- whether you accept a high degree of risk in trading in Financial Products;
- whether you understand the nature of Financial Products trading, including that Financial Products do not provide investors with interests or rights in the underlying Financial Products over which a position is taken;
- whether you understand the processes and technologies used in trading in Apex's Financial Products;
- whether you can monitor your Financial Products investments and manage them in a volatile market;
- whether you can manage the risks of trading in Financial Products;



- whether you have financial resources to provide more Margin, especially on little or no notice; and
- whether you can bear substantial losses that might arise from trading in Financial Products, especially the potentially unlimited losses on dealing in short Financial Products.

Our assessment of your suitability is based on your information and any other information we ask and you give us. Our policy includes assessing the information you give us by your online responses, the information you give us and any responses you give us by email, telephone or in meetings. We may keep the information which you give us to help monitor our policy and for the requirements of a financial services licensee.

As a result of our assessment we may or may not allow you to open an Account with us.

Our assessment of your suitability to trade in our Financial Products and any limits we set for your Account (or later change to those limits) should not be taken as personal advice to you to trade in our Financial Products nor does it imply that we are responsible for any of your losses from trading in our Financial Products.

To the extent permitted by law, we do not accept liability for your choice to invest in any Financial Products so you should read all of this PDS carefully, consider your own needs and objectives for investing in these Financial Products and take independent advice as you see fit.

Even if we assess you as suitable to commence trading Financial Products with us, we urge you to experience trading on our (free) demonstration account for a while to ensure you are familiar with the terminology of our Financial Products and how the Trading Platform works.

## **1.6 Electronic PDS**

This PDS may be viewed online on Apex's website at [www.apexfxtrading.com.au](http://www.apexfxtrading.com.au) ("Website Domain"). If you access the electronic version of this PDS you should ensure that you download and read the entire PDS. A paper copy of the PDS is available free of charge on request.

## **1.7 Other Jurisdictions**

The offer to which this PDS relates is available only to persons receiving this PDS in Australia or New Zealand. This PDS does not constitute an offer or invitation in any place which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this PDS in jurisdictions outside Australia or New Zealand may be restricted by law and persons who



come into possession of it who are not in Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## **1.8 Changes to this PDS**

The information in this PDS is subject to change from time to time and is up to date as at the date of this document. If there is any material change to this information, we will issue a new or supplementary PDS with the new information. You will be able to find the updated information at our Website Domain or by contacting us. We will send you notice, drawing your attention to any new or supplementary PDS or information. If you ask us, we will send you a paper copy of the information.

- **ISSUER DETAILS**

- 2.1 Apex is required to give you this PDS because it is the issuer of the Financial Products described in this PDS.

Our contact details are set out in clause 16.

- **THE FINANCIAL PRODUCTS**

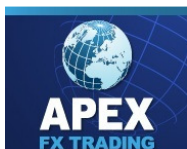
- 3.1 **Financial Products we offer**

This is a PDS for foreign exchange products (being Margin Foreign Exchange Contracts – see Part 2) and for other derivatives (being Contracts for Difference – see Part 3). These Financial Products are provided by Apex as OTC contracts.

- 3.2 **Foreign exchange contracts**

Foreign exchange entails the exchange of one currency for another. The exchange rate is the price of one currency in terms of another currency such as the price of the Australian dollar in terms of the US dollar. For example, if the current exchange rate for the Australian dollar as against the US dollar is AUD/USD 0.9500, this means that one Australian dollar is equal to, or can be exchanged for 95 US cents.

The foreign exchange products offered by Apex do not result in the physical delivery of the currency. The foreign exchange products offered by Apex are closed out by either you or us taking an offsetting position. The resultant profit or loss arising from the position being closed out will be credited or debited to your account. If a transaction is held to the nominated maturity date it will be



cash adjusted or cash settled according to the closing price of the relevant currency, as quoted by us, on that particular day.

The foreign exchange products that Apex offers are Margin Foreign Exchange Contracts ("**Margin FX Contracts**").

### **3.3 Contracts for Difference ("CFDs")**

A CFD is an agreement by which you can make a profit or loss from changes in the market price of the Underlying Financial Product of a CFD, without actually owning that Underlying Financial Product or having any direct interest in it. A CFD is a derivative product because the value of the CFD is derived from the value or price of the Underlying Financial Product.

Apex currently offers CFD products on some indices and commodities (e.g. gold, silver, oil and indices). In the future, Apex may also offer CFD products on bonds, equities, interest rates, treasury products. Should Apex offer additional CFD products we may amend this PDS or we may decide to notify Clients of the additional CFD products and provide a description of such CFD products on our website.

Each transaction (irrespective of the Financial Product) which is agreed and entered into by Apex with a Client will be entered into by Apex as principal. Apex makes a market in its Financial Products as it regularly states the price at which it is prepared to deal with the Client as principal.

### **3.4 Dealing in our Financial Products**

When trading in Financial Products offered by Apex you should be aware of the risks and benefits involved. We have provided some examples on our website to help illustrate how the Financial Products offered by Apex work and can be traded. These examples are illustrations only and actual results may differ.

For further information including the purpose and significant features of foreign exchange products, see Part 2 of this PDS. For further information including the purpose and significant features of CFD products, see Part 3 of this PDS.

Clients primarily transact using our online Trading Platform which gives Clients direct access to the rates and prices at which Apex is prepared to deal. For this purpose, Apex will procure access to a Trading Platform which it will make available for use by its Clients.

Thus, Clients are provided with direct access to our quoted rates and prices over the internet.



### 3.5 Market Making Pricing Model

Apex operates a Market Making Model for its Financial Products which means that Apex will be the “price maker” and hence, determines the buy and sell prices of the Financial Products it offers. The prices are offered to Clients via the Trading Platform.

There are some factors that will determine the price that Apex offers as market maker and these include:

- Fluctuations in interest rates;
- liquidity of the Financial Products;
- price of the Underlying Financial Products;
- gapping;
- volatility

The risks associated with Apex’s Financial Products (including the prices offered by Apex) are described in section 9 of Part 1 of this PDS.

### 3.6 Benchmark Disclosure

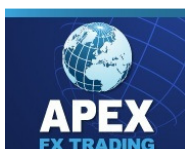
ASIC has introduced benchmarks for over-the-counter derivatives which include Apex’s Financial Products.

It is important to note that the benchmarks are not mandatory and are not law. ASIC has introduced them by way of stating in its Regulatory Guide 227 ASIC’s expectations. Not meeting the benchmarks is not an indication of breaches or failures. Rather, the benchmarks in RG 227 also require prominent disclosure in a PDS as to whether a CFD issuer (such as Apex) meets the benchmarks or, if not, the reasons why they are not met are explained in the PDS.

The following table summarises the benchmarks applying to Apex’s Financial Products, whether Apex meets them and, if not, why not.

The table also refers you to other Sections of this PDS for more information on relevant topics (to avoid duplicating the information in this PDS).

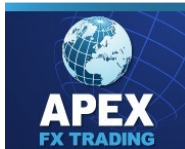
ASIC RG 227 Benchmark	Apex Response
<p><b>1. Client qualification</b></p> <p>If an issuer meets this benchmark, the PDS should clearly explain:</p> <ul style="list-style-type: none"> <li>• that trading in CFDs is not suitable for all investors because of the significant risks involved; and</li> </ul>	<p>Apex believes that it meets this benchmark. Please see section 1.5 of Part 1 of this PDS.</p>



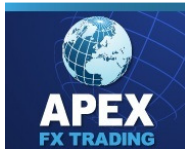
ASIC RG 227 Benchmark	Apex Response
<ul style="list-style-type: none"> <li>• how the issuer’s client qualification policy operates in practice.</li> </ul> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described in RG 227.40, it should disclose this in the PDS and explain why this is so.</p>	
<p><b>2. Opening collateral</b></p> <p>If an issuer meets this benchmark, the PDS should explain the types of assets the issuer will accept as opening collateral.</p> <p>If an issuer accepts non-cash assets as opening collateral (other than credit cards to a limit of \$1000), the PDS should explain why the issuer does so and the additional risks that using other types of assets (e.g. securities and real property) as opening collateral may pose for the investor. This includes, for example, the risks of ‘double leverage’ if leveraged assets are accepted as opening collateral.</p>	<p>Apex would meet this benchmark but does not due to it accepting payments by credit card of more than \$1,000 to be used as opening collateral. This is done to give flexibility to Apex’s overseas based clients.</p> <p>The additional risks of paying by credit card are described in section 4.4 of Part 1 of this PDS.</p>
<p><b>3. Counterparty risk -Hedging</b></p> <p>If an issuer meets this benchmark, the PDS should provide the following explanations:</p> <ul style="list-style-type: none"> <li>• a broad overview of the nature of hedging activity the issuer undertakes to mitigate its market risk, and the factors the issuer takes into account when selecting hedging counterparties; and</li> <li>• details about where investors can find the issuer’s more detailed policy on the activities it undertakes to mitigate its counterparty and market risk, and the names of any hedging counterparties.</li> </ul> <p>If an issuer does not meet this benchmark, it should disclose this in the PDS and</p>	<p>Apex would meet this benchmark but does not due to:</p> <ul style="list-style-type: none"> <li>• Apex does not disclose or specify the names of its hedge counterparties in its hedge counterparty policy which is available from Apex upon request.</li> </ul> <p>Apex states in its PDS that its policy is to continuously monitor Open Positions for its hedging purposes. Transactions in excess of a certain amount will be immediately entered on a “matched book” basis or “aggregate” basis. More information on Apex’s hedging activity is detailed in section 5.4 of Part 1 of this PDS.</p> <p>This PDS complies with the requirements to include information about the significant risks associated with the</p>



ASIC RG 227 Benchmark	Apex Response
<p>explain why this is so.</p> <p>The PDS must include information about the significant risks associated with the product: s.1013D(1)(c). The PDS should also provide a clear explanation of the counterparty risk associated with OTC CFDs. The PDS should explain that, if the issuer defaults on its obligations, investors may become unsecured creditors in an administration or liquidation and will not have recourse to any underlying assets in the event of the issuer’s insolvency.</p>	<p>Financial Products (see section 9 of Part 1 of this PDS) and also provides an explanation of the counterparty risk associated with OTC Financial Products covered by this PDS (see section 5.4 of Part 1 of this PDS).</p> <p>This PDS explains that, if Apex defaults on its obligations, investors may become unsecured creditors in an administration or liquidation.</p>
<p><b>4. Counterparty risk— Financial resources</b></p> <p>If an issuer meets this benchmark, the PDS should explain how the issuer’s policy operates in practice.</p> <p>If an issuer does not meet the requirement on stress testing, it should explain why and what alternative strategies it has in place to ensure that, in the event of significant adverse market movements, the issuer would have sufficient liquid resources to meet its obligations to investors without needing to have recourse to client money to do so.</p> <p>An issuer should also make available to prospective investors a copy of its latest audited annual financial statement, either online or as an attachment to the PDS.</p>	<p>Apex would <b>meet this benchmark except that:</b></p> <p>Apex makes available copies of its latest audited annual financial statement by emailing a copy to a client upon request.</p> <p>This PDS includes information about Apex’s policy on maintaining adequate financial resources see section 5.4 of Part 1 of this PDS under “Your Counterparty Risk on Apex”.</p>
<p><b>5. Client money</b></p> <p>If an issuer meets this benchmark, the PDS should clearly:</p> <ul style="list-style-type: none"> <li>• describe the issuer’s client money policy, including how the issuer deals with client money and when, and on what basis, it makes withdrawals from client money; and</li> </ul>	<p>Apex believes it meets this benchmark in all respects.</p> <p>Further information on the use of client money is outlined in sections 5.4 and 6 of Part 1 of this PDS.</p>



ASIC RG 227 Benchmark	Apex Response
<ul style="list-style-type: none"> <li>explain the counterparty risk associated with the use of client money for derivatives.</li> </ul> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described above, it should disclose this in the PDS.</p> <p>If an issuer’s policy allows it to use money deposited by one client to meet the margin or settlement requirements of another client, it should very clearly and prominently explain this and the additional risks to client money entailed by this practice.</p> <p>An issuer’s client money policy should be explained in the PDS in a way that allows potential investors to properly evaluate and quantify the nature of the risk, if any, to client money.</p>	
<p><b>6. Suspended or halted underlying assets</b></p> <p>If an issuer meets the benchmark, the PDS should explain the issuer’s approach to trading when underlying assets are suspended or halted.</p> <p>If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so, as well as the additional risks that trading when underlying assets are suspended may pose for investors.</p> <p>To provide a full explanation of this aspect of the product, an issuer should explain any discretions it retains as to how it manages positions over halted or suspended assets, and how it determines when and how it uses these discretions. This should include disclosure of any discretions the issuer retains to:</p> <ul style="list-style-type: none"> <li>change the margin requirement on</li> </ul>	<p>Apex believes it meets this benchmark in all respects.</p> <p>Apex’s approach to trading when Underlying Financial Products are suspended or halted, its discretion and how it manages its positions during this period is described in section 5.3 of Part 1 of this PDS.</p>



ASIC RG 227 Benchmark	Apex Response
<p>a position;</p> <ul style="list-style-type: none"> <li>• re-price a position; or</li> <li>• close out a position.</li> </ul>	
<p><b>7. Margin calls</b></p> <p>If an issuer meets this benchmark, the PDS should explain the issuer’s policy and margin call practices.</p> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described above, it should disclose this in the PDS and explain why this is so.</p> <p>To provide full and accurate information about this aspect of CFD trading, the PDS should clearly state that trading in CFDs involves the risk of losing substantially more than the initial investment. This will ensure the issuer meets its obligation to include in the PDS information about the significant risks associated with the product: s1013D(1)(c).</p>	<p>Apex does not meet this benchmark in certain respects.</p> <p>Apex does not ordinarily make Margin calls on its Clients. The PDS describes that the Client will not lose any more than the Total Equity in its Account and if the Total Equity balance is negative, Apex will post the additional funds required to bring the Total Equity balance of the Client’s Account back to positive (see section 4.1 of Part 1 of this PDS).</p> <p>Apex describes its Margin policy under Section 4.3 of Part 1 of this PDS.</p>

## 4 MARGINS and FUNDING

### 4.1 Margins

Trading takes place on a “margin’d” or “leveraged” basis. This means that Clients will be required to lodge sufficient funds as security with Apex (this is the initial margin) and may also need to cover adverse market movement which may arise against open contracts if they wish to continue to hold such contracts. These funds will be paid into the Client Money Account referred to in clause 6. Open positions will be accounted for on a mark-to-market basis whereby the Client’s account is either debited for unfavourable market movements or credited for favourable market movements.

Open positions will be monitored by Apex. If the value of an open position moves against a Client you will be required to “top up” your margin, or you may chose to close the open transaction.



As the face value of your transaction will constantly change due to changing market conditions, your margin requirement will also change resulting in margin variations. The amount of your margin obligation at any time will be displayed on the Trading Platform. Without instructions from you, Apex will automatically apply funds which you have deposited with Apex to meet your margin requirements in the event of adverse market movements, in order to keep the position open. For this reason you must ensure that you have sufficient funds on deposit with Apex to meet these changing margin requirements.

Your maximum liability when you trade in FX and CFD's is the total amount standing to your credit in your account at any point in time. You will not lose any more than the Total Equity balance in your account.

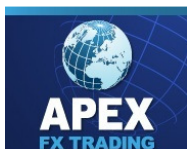
The maximum amount you can lose will be the positive Total Equity balance in your account. The Total Equity is the net total of:

- The amounts you deposit with APEX in your account;
- The profits minus losses in your account;
- Any dividend payment and other Corporate Action adjustment made in respect of your account;
- 
- Interest charges paid and charged balances in the currency ledgers on your account;
- Exchange Fees; and
- Other fees and costs relating to your Account (including administration charges).

We ensure that your liability does not exceed your positive Total Equity balance by placing one or more liquidation orders when your Total Equity falls below the levels outlined below. A liquidation order is an order placed by us to close a product. By closing your active trade, your Total Margin Requirement is reduced making it easier for your Total Equity to equal or exceed the Liquidation Level. We will continue to place liquidation orders against some or all of your active trades until earlier of:

1. Your Total Equity equals or exceeds the Liquidation Level; or
2. All of your positions have been closed.

If you do not want APEX to place liquidation orders, it is your responsibility to ensure that your Total Equity does not fall below the Liquidation Level. You may monitor your Total Equity by viewing your margin requirements on your client terminal. Any additional funds that you deposit into your Account will not contribute towards your Total Equity until those funds become cleared



funds. You may also contact Client Services should you have any queries about your current Margin obligations.

The minimum Total Equity required to hold a position after you have opened your account is as set out in the following table:

- FX – Liquidation is at 5% of the Total Margin Requirement (warning is at 20%);
- CFD – Liquidation is at 5% of the Total Margin Requirement (warning is at 20%)

**Example:** Assume your account balance is \$10,000 and your leverage is 100:1. If you buy 10 standard lots of EUR/USD (\$1,000,000) at a rate of .8995, which uses up \$10,000 (\$1,000 x 10) of the account's usable margin, leaving an available margin of \$0.

If the position were to go against you buy 80 pips to .8915, the floating trading loss would be \$8,000 and you would receive a liquidation warning. Meaning the position on your platform would turn red.

If the position were to go against you by an additional 15 pips (95 pips total) to .8900, the floating trading loss would be \$9,500 and the largest losing open positions will be closed on a margin call (liquidation). Without proper risk management, this high degree of leverage can lead to large losses.

Please note, APEX's liquidation levels are subject to change upon request of the client at APEX's sole discretion.

APEX will close out your largest losing position at the time your margin level reaches liquidation and your next largest position if required to meet margin levels.

The above levels are referred to as the "liquidation level" for the account. At or below this level we may close (that is, liquidate) some or all of your open positions. The resulting loss will be debited to your account.

If Apex does make a Margin call on you and you fail to pay a Margin call, APEX will exercise its rights in connection with a failure to pay a Margin call in accordance with the Agreement.

If your Total Equity balance is a negative value once all of your positions have been closed, APEX will recredit the Total Equity balance back to zero so that you do not have any outstanding obligations to APEX in relation to the Account. Please note that this recredit of the Account may take up to 48 hours to complete.



However, if you re-fund the Account yourself to continue trading before APEX has reccredited the account, the original deficit balance amount may not be automatically reccredited. If this occurs, please contact client services and we will reccredit the original deficit balance amount back to your account manually.

All relevant information about your account balance and margin requirements is available on the Trading Platform.

## 4.2 Initial Margin and Account Balance

Your account must always be funded with at least the required initial margin for a proposed transaction. This amount must be lodged or be available in your Client's account prior to a transaction being entered into.

The amount of the initial margin applicable to each transaction is determined by Apex in its sole discretion and is available at our Website Domain. It is typically 5% of the transaction value but may be as low as 1% or as high as 100% depending on the volatility of the relevant underlying market and the liquidity of the underlying currency. Apex may vary the initial margin rate at any time at its sole discretion. Notice of such variation will usually be given by email and any such notice will be deemed to have been received by the Client. Such variation will also be posted to Apex's Trading Platform.

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

## 4.3 Maintaining minimum Margin obligation

- It is **your obligation to monitor** the minimum amount of Margin required for your Account.
- It is **your obligation to maintain the minimum required Margin** at all times for so long as you have an Open Position in an Apex Financial Product, which means you must ensure that the Margin Cover amount is positive at all times.
- **Apex is not obliged to notify** (outside of Apex's Trading Platform) you about the amount of Margin Cover, though we may do so by email, telephone call or otherwise, as a courtesy.
- You have a risk of your **Apex Financial Products being Closed Out** if you do not have in your Account sufficient Margin credited to it, regardless of whether you have checked your Account's requirement for minimum Margin or whether you have tried to make a payment but it has not been credited to your Account.

## Margin policy



Apex applies the following main Margin principles:

- Each Client is required to pay a minimum required amount of Margin before issuance of Apex's Financial Products.

The minimum amount is determined by Apex based on a number of factors, including the market price of the underlying market, the Margin required to hedge the underlying market, the Margin which Apex is required to pay its Hedge Counterparty and Apex's risk assessment of the Client, and any unrealised loss on your Account at any point in time.

- Each Client is required to pay Margin before issuance of the Apex Financial Products in order to minimise credit risk to Apex and that therefore benefits all Clients.
- Each Client is required to pay the minimum required Margin even if Apex pays less to its Hedge Counterparty. This is to minimise the risk of any one Client benefiting from other Clients.

#### 4.4 Cleared funds

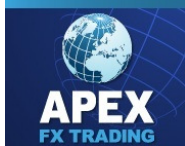
Only cleared funds which have been identified by Apex as money paid by or for a Client will be recognised for the purpose of determining the Client's account balance and in the absence of such cleared and identified funds, they will not be treated as having been paid to the credit of the Client's account. It may take Apex a number of days to identify a Client deposit and credit that payment to the Client's account.

Accepted Australian banking practice typically requires 3 Business Days' clearance for personal cheques and 1 Business Day's clearance for direct non-BSB deposits (depending on the timing of your transfer). Any delay in crediting your account payments is at your risk.

**Please be reminded that funding your Account by credit card from your credit card account has additional risks and costs for you.** By using these payment methods you effectively would be doubling your leverage by taking credit from your credit card account and trading with leverage on your Apex Account. This can add to the risks and volatility of you positions as well as incurs higher interest costs on your credit card account.

If you lose on your investments, you might not have other financial resources to repay your credit card account, incurring higher interest costs and possibly defaulting on your credit card terms.

Although Apex accepts payments of more than \$1,000 from credit card accounts to fund your Account and to meet later Margin payments, please carefully consider whether this payment method is suitable for your Financial Products trading and limit it to what you can afford.



## **5. LIMITING RISKS**

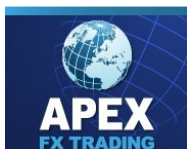
### **5.1 Closing out positions to avoid negative balances**

Apex adopts a no negative balance policy, which means that Apex guarantees that your account balance will not fall below zero in relation to any transaction. In the case of an adverse market movement, Apex will reasonably endeavour to close out or liquidate an open position before the value of the open position declines below the required margin to hold that position. Apex has implemented systems within the Trading Platform to ensure that we close out your positions if the required margin is not maintained. In any event, open positions will be automatically closed out at market price, if a Client's account balance is equal to or less than 0.25% of their position. If there is more than one position, the largest position will be closed out first. If positions are of equal value, then positions will be closed out on a first in first out basis and this position will be continued until the balance in the Client account is sufficient to cover outstanding positions. Any loss which may be generated in excess of the net amount deposited by you will be borne by Apex and not passed on to you under any circumstances.

### **5.2 Stop-loss and limit orders**

Apex offers you a way of managing both adverse and favourable movements by using stop-loss and limit orders. This allows you to place orders which potentially enable you to protect yourself against adverse market swings, and also to secure enhanced prices or exchange rates, when favourable upside market movements occur. For example, if your open position moves towards making a loss based on a level chosen by you, the stop-loss order would be triggered in order to close your open position. Conversely, if an open position moves favourably up to a level chosen by you, then the limit order would be triggered to enable you to close your open position and to take the profit. If you have such an order in place, then usually your transaction will be closed out if the rate or price reaches the level specified by you. You can use stop-loss and limit orders at no additional cost to you. In our discretion, we may be willing to accept contingent orders from you, subject to conditions acceptable to us. A contingent order is a stop-loss or limit order which is contingent upon the happening of a particular event.

However Apex cannot guarantee that your transaction will always be closed out at the level specified by you in your stop-loss or limit order, if the market gaps, for example in highly volatile trading conditions or in circumstances where the movement occurs outside our Trading Hours.



### **5.3 Suspension of Quotes**

We may decide in our absolute discretion to not quote prices or rates on the Trading Platform for a period determined by us before or after a critical news release, or an event of Force Majeure. You will not be able to enter into transactions during that period.

Quotes for dealing in Apex's Financial Products are indicative only and so are subject to the actual price at the time of execution of your transaction. There is no assurance that the Apex's Financial Product will actually be dealt with at the indicative quote. You have a risk in price movement until you make the trade.

Quotes are normally only given and transactions made on Apex's Financial Products, during the open market hours of the relevant exchange on which the Underlying Financial Products are trading.

Occasionally, Apex may, within its discretion, impose limited trading hours.

Apex may at any time in its discretion without prior notice impose limits on Apex's Financial Products in respect of particular underlying financial products. Ordinarily Apex would only do this if the market for the particular Underlying Financial Product has become illiquid or its trading status has been suspended or there is some significant disruption to the markets including trading facilities or the company has become externally administered.

You should be aware that the market prices and other market data which you view through the Trading Platform or other facilities which you arrange yourself may not be current or may not exactly correspond with the transaction prices for Apex's Financial Products quoted or dealt by Apex.

If you access your Accounts and the Trading Platform outside of the hours when live orders may be accepted on the relevant market, you should be aware that the orders may not be accepted until the relevant market is open to trading, by which time the current prices might have changed significantly.

### **5.4 Your Counterparty Risk on Apex**

When you deal in Apex's Financial Products, you have a counterparty risk on Apex. An element of counterparty risk is "credit risk", so you should consider your credit risk on Apex having the financial resources at the time to pay you the amounts it owes you. The risk on Apex is affected by Apex hedging its Financial Products.

#### **Your credit risk on Apex**

You have credit risk on Apex when your Account has a net credit balance.

Your credit risk on Apex depends on the overall solvency of Apex, which is affected by Apex's risk management.



**The moneys withdrawn from the Client Money Account is payment by the Client to Apex and so the moneys become the property of Apex. Apex commits to using those funds it receives as payment only to acquire and manage hedge transactions which correspond with the Apex's Financial Products issued to Clients or to pay the fees and charges on Apex's Financial Products due to Apex.**

Your more significant credit risk arises when the moneys are withdrawn and paid to Apex (rather than the risks for the likely short time when your money is in the Client Money Account). In this instance, you are taking credit risk on Apex because you become an unsecured creditor of Apex.

Your credit risk on Apex is managed and reduced by Apex:

- applying its risk management policy and Margin policy designed to reduce risk to Apex and therefore benefit all of its Clients;
- continuously monitoring Open Positions for its hedging purposes. Transactions in excess of a certain amount are immediately entered on a “matched book” basis or “aggregate” basis. Smaller transactions might or might not be offset or matched with similar transactions with Apex's Hedge Counterparty; and
- Apex using the funds paid as Margin by Clients only for hedging the CFDs and Margin FX Contracts (including managing its own margin obligations on these hedges), for paying amounts to which it is entitled, for fees and charges payable to it or to pay Clients.

Apex has a risk management policy which details how Apex:

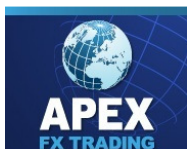
- monitors its compliance with its Australian financial services (AFS) licence financial requirements;
- chooses and monitors its Hedge Counterparties;
- is exposed to concentrations or movements in selected securities, investment sectors, CFDs, Margin FX Contracts client categories and particular Clients.

### **The amounts you pay**

Once an order for a Financial Product is received from you, Apex may (but does not always), at or about the same time, make a corresponding transaction (in its own name, on its account) with a Hedge Counterparty to hedge the transactions entered into with you.

Transactions in excess of a certain amount are immediately entered on a “matched book” basis or “back to back” basis. Smaller transactions may be held as principal or may be offset or matched with similar transactions with Apex's Hedge Counterparty.

In order to enter into those transactions, Apex is usually required to pay for its hedge or to deposit moneys with the Hedge Counterparty to maintain Apex's



open hedge position. Apex funds this payment obligation to its Hedge Counterparty from the proceeds of your Margin payments to Apex.

The amounts which you pay Apex for any Financial Products may be withdrawn from the Client Money Account to pay to or for the benefit of Apex so you will become an unsecured creditor of Apex for the entire net amount credited to your Account.

### **Risks from Apex's Hedge Counterparty**

It is possible that Apex's Hedge Counterparty, or the custodian used by the Hedge Counterparty, may become insolvent or it is possible that other clients of that Hedge Counterparty may cause a default which reduces the financial resources or capacity for that Hedge Counterparty to perform its obligations owed to Apex under the hedge contracts. Since Apex is liable to you as principal on the Financial Products, Apex could be exposed to the insolvency of its Hedge Counterparty or other defaults which affect the Hedge Counterparty.

### **Solvency of Apex**

The risks you have by dealing with Apex (due to it being paid all of your moneys deposited into the Client Money Account and Apex then making a corresponding hedge transaction with counterparties funded by those payments) cannot be simplistically assessed by reference to historical financial information about Apex or its Hedge Counterparties or general statements of principle.

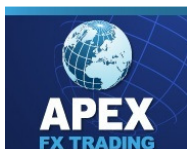
The credit risk you have on Apex depends on its solvency generally, as well as on the amount (and kind) of its capitalisation, its cash flow, all of its business risks, its Client and stock concentration risks, its counterparty risks for all of its business and transactions (not just the Financial Products), its risk management systems and actual implementation of its risk management policy.

Your credit risk on Apex will fluctuate throughout the day and from day to day, including due to the implied credit risk on Hedge Counterparties, whose credit risk to Apex (and so indirectly to you) cannot be assessed or verified on a continuous basis or perhaps at all due to lack of details and verification of the necessary details.

You should take into account all of those factors and not rely only on past financial statements since that could be materially incomplete information for your purposes, not current and therefore potentially misleading as a guide to the current solvency and creditworthiness of Apex.

The Apex annual directors' report and an audited annual financial report are available free on request by bona fide potential investors contacting Apex to arrange inspection of them at the offices of Apex.

### **Payments to you in Apex Insolvency**



If Apex becomes insolvent, here is how you can be paid for any net credit balance in your Account:

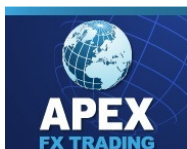
- Any of your moneys in the Client Money Account should be paid to you, after deduction for any amounts properly payable to Apex for the Financial Products which you have otherwise agreed are payable to Apex (and subject to any court orders to the contrary).
- The precise amounts and timing of payments will not be known until the net position with the Hedge Counterparties are known.
- Apex will use reasonable efforts to reclaim any moneys held with the Hedge Counterparties.
- Apex will need to assess whether it can feasibly sue to recover anything owed by the Hedge Counterparties.
- Apex will need to assess the amounts prudently available to pay Clients, and may choose to pay out interim amounts.
- Apex will need to assess fair and reasonable allocation to Clients, having regard to, for example any amounts paid from the Client Money Account, Account balances, amounts recovered from the Hedge Counterparty.

### **Hedge Counterparty risk**

Apex uses a number of Hedge Counterparties from time to time and does not intend to limit or restrict its use of Hedge Counterparties, therefore it is not reasonable or meaningful to identify in this PDS any particular Hedge Counterparties or give any particular information about them nor will Apex do so on its website.

You should note that:

- No Hedge Counterparty has been involved in the preparation of this PDS nor authorised any statement made in this PDS.
- No Hedge Counterparty has contractual or other legal relationship with you as holder of the CFDs or Margin FX Contract. A Hedge Counterparty is not liable to you and you have no legal recourse against it (because Apex acts as principal to you and not as agent) nor can you require Apex to take action against the Hedge Counterparty.
- Apex gives no assurance as to the solvency or performance of any Hedge Counterparty. Apex does not make any express or implied statement or representation about the solvency or credit rating of any Hedge Counterparty.
- The regulation of a Hedge Counterparty is no assurance of the credit quality of the Hedge Counterparty or of any regulated or voluntary scheme for



meeting the claims of creditors of the Hedge Counterparty. For example, although a Hedge Counterparty may be licensed by the Australian Securities and Investments Commission, that gives no assurance that the Hedge Counterparty has good credit quality or that it will perform its obligations to Apex.

- The credit quality of a Hedge Counterparty can change quickly. Apex is not able to make assessments of the credit quality of its Hedge Counterparties which it can disclose and reports by independent credit rating agencies may not be available because of their lack of consent or because they are not licensed to allow such reports to be cited in PDS given to retail clients.
- Although Apex has a policy for adopting and monitoring Hedge Counterparties and Apex's exposure to them, you may not take that as any assurance that Apex is responsible for the performance by Hedge Counterparties or their failure to perform.

Apex is not authorised to set out in this PDS any information published by the respective Hedge Counterparties and Apex takes no responsibility for third-party information about those Hedge Counterparties which may be available to you. If you require further information about the Hedge Counterparties used by Apex before deciding whether to invest in them.

## 6 CLIENT MONIES

### 6.1 Client Money Account

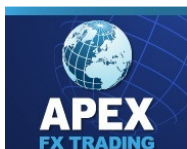
Money paid to Apex in connection with a financial service or a Financial Product (“**Client Money**”) will be paid into an account designated as a **Client Money Account**, with an Australian approved ADI and we will credit your Account to the value of amount you have paid into the Client Money Account usually no later than the next Business Day after it is received.

Only Client Money, interest and other money permitted by the Corporations Act will be paid into this account. The Client money is taken to be held in trust by Apex for the benefit of the Client. This means that those funds are not available to pay general creditors of Apex.

### 6.2 Withdrawals

Payments may be made out of or withdrawn from the Client Money account in limited circumstances, including:

- (a) payments in accordance with any written direction of the Client including a direction in the Client Agreement to pay fees and other



expenses relating to transactions in Financial Products and to settle transactions and to otherwise execute Client instructions;

- (b) when a Financial Product is issued or transferred according to Client instructions;
- (c) to meet proper charges;
- (d) to pay Apex money to which it is entitled;
- (e) to return monies to the Client;
- (f) to make payments otherwise authorised by Law; and
- (g) making certain investments authorised by the Corporations Act or Regulations (for example, an investment on deposit at interest with an Australian authorised deposit taking institution).

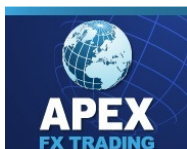
See the explanation in clause 6.8 as to how Client Money is dealt with.

### **6.3 Use of Client Money**

Client money may also be used for the purpose of meeting obligations incurred by Apex in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives by Apex (including dealings on behalf of people other than the Client). Accordingly, Apex may also use the funds in its Client Money Account to manage its own dealings with its hedging counterparties. For example, once a transaction is entered into with a Client, Apex may hedge the transaction to limit its risk. As such, Apex may be required to deposit monies with that hedging counterparty to maintain the open position and may withdraw money from the Client Money Account to meet its obligation.

### **6.4 Currency**

Client money will be held in the currency in which it is deposited with Apex unless the currency is one which is not offered by Apex, in which event the Client Money will be converted into US dollars or such other currency, if any, as may be specifically requested by the Client. Apex allows for Client Money to be held in most major recognised currencies. When executing transactions, Client Money will be converted into the currency relevant to the transaction at the Client's expense and when positions are closed out, any funds will again be converted into the currency in which the Client Money is held, at the Client's expense.



## **6.5 Interest**

The Client Agreement permits money in the Client Money Account to be deposited with an Australian bank to earn interest. All such interest will be retained by and for the benefit of Apex and will not be available to Clients.

## **6.6 Records**

Apex will maintain records which show particulars of all money received or paid to or from the Client Money Account.

## **6.7 Money is Commingled**

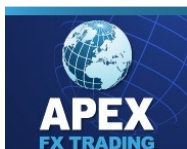
Client Money is segregated from Apex's own funds. Such funds are not available to pay general creditors in the event of receivership or liquidation of Apex. Monies lodged or deposited with us to meet margin requirements, are not treated as funds belonging to Apex but are treated as funds belonging to the Client. Refer to clause 6.8 for an explanation as to when Apex is entitled to withdraw Client Money as funds belonging to Apex.

However, you should be aware that each Client's Client Money is commingled with Client Money of other Clients in the Client Money Account.

- Moneys and other assets in the Client Money Account belonging to non-defaulting Clients are potentially at risk of being withdrawn and not being repaid to the Client even though they did not cause the default. This is because Apex is permitted by law to use the moneys to pay itself for its hedge of your transactions. Also, Apex is permitted by law to use Client moneys in the Client Money Account to meet obligations incurred by Apex in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives (not just our CFDs) by Apex.

However, in the case of Apex, no default by any client is likely to occur on the basis that we have implemented systems and procedures whereby the potential loss for any one client is limited to the amount deposited into their account with us (refer clause 5.1 under the heading "Closing out positions to avoid negative balances" for additional detail).

Notwithstanding the above, Clients are still exposed to the risk that they may not receive all money owed to them, if there is a deficiency in the Client Money Account, and Apex becomes insolvent or otherwise unable to meet the deficiency. It is possible that the hedging counterparty used by Apex may become insolvent and fail to return moneys in relation to moneys paid by Apex to its Hedge Counterparty to meet Apex's hedging obligations.



## **6.8 Client Money to which Apex is entitled**

Where a Client incurs a loss as a result of entering into a transaction in a Financial Product offered by Apex, then at the time that loss is realised (i.e. when the open position is closed out) Apex is entitled to the amount of funds held in the Client Money Account equivalent to the value of the loss.

Following is a description of the timing of cash flows during a typical transaction and when the funds are held as Client Money and when the funds cease to be held as Client Money (note this is a simplified example and disregards any fees or charges which may apply):

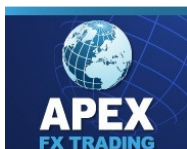
### **Day 1:**

- (i) Client A opens an account and deposits \$10,000.
- (ii) Apex deposits the \$10,000 in its Client Money Account.
- (iii) The balance of the Client Money Account is \$10,000.

### **Day 2:**

- (i) Client A decides to buy 20 Gold CFDs. Our quote is 1150.10/1150.70. The value of a movement from 1150.10 to 1151.10 is US\$10 as the minimum size of 1 CFD is 10 ounces of gold.
- (ii) Client A opens a transaction, say buy 5 contracts at a price of \$1150.70 per ounce. This represents a notional value of US\$57,535 (being: buy price (US\$1,150.70) x US\$10 x 5 (number of CFDs)). Let's say the margin obligation is the equivalent of A\$4,000.
- (iii) As counterparty to the transaction, Apex sells 5 contracts to Client A at a price of US\$1150.70.
- (iv) Apex does not always hedge its exposure. However, where the transaction is in excess of a certain amount (that is determined by Apex at its discretion) it is hedged with a hedging counterparty. In circumstances where it is considered appropriate to hedge, Apex enters into on a transaction with a hedging counterparty.

In this example, if Apex does not hedge the risk then there will be no obligation to any counterparty and Apex will monitor the open position and its risk. Client A's \$10,000 will remain in the Client Money Account.



If however, Apex chooses to hedge its exposure, Apex would buy 5 contracts from a hedging counterparty (in its name) at a price of US\$1150.70 and would have a margin obligation to that hedging counterparty of say, \$4,000. As described in clause 6.3 above, Apex would withdraw money from the Client Money Account to meet its obligation to the hedging counterparty. At this point, the money ceases to be Client Money and Apex uses that money for the purpose of meeting obligations incurred by Apex. The balance of the Client Money Account is now \$6,000 (with the remaining \$4,000 paid to Apex's hedging counterparty).

### **Days 3 to 5:**

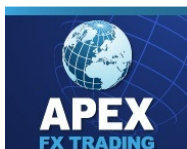
- (i) Client A continues to hold an open position;
- (ii) The underlying price of gold has decreased and our quote is 1110.20/1110.80 on Day 5.
- (iii) The notional value of Client A's open positions is now US\$55,510 (being: sell price (US\$1110.20) x US\$10 x 5 (number of CFDs)). Thus, Client A's margin obligation has increased by US\$2,525 (being the unrealised loss on the open positions namely, US\$57,535 less US\$55,510 = US\$2,025 which, at an exchange rate of 0.90, equals A\$2,250).

In this example, if Apex did not hedge the risk then there will be no obligation to any counterparty for the variation margin obligation. Client A's \$10,000 will remain in the Client Money Account.

If however, Apex chose to hedge its exposure, Apex has additional margin obligation to its hedging counterparty (representing the value of the unrealised loss of \$2,250). Similar to Day 2, Apex would withdraw money from the Client Money Account to meet its obligation to the hedging counterparty. At this point, the money ceases to be Client Money and Apex uses that money for the purpose of meeting obligations incurred by Apex. The balance of the Client Money Account is now \$3,750 (With the remaining \$2,250 paid to Apex's hedging counterparty).

### **Day 6:**

- (i) The underlying price of gold has decreased further and our quote is now 1100.20/1100.80.
- (ii) Client A enters into a transaction to close the open positions (by selling 5 contracts to Apex at a price of US\$1100.20) and realises a loss of US\$2,525 (as Client A had originally bought at a price of US\$1150.70) which, at an exchange rate of 0.90, equals



A\$2805.56.

Client A's account would be debited with the A\$2805.56 loss reducing the account balance to \$7,194.44.

Apex has made a profit of A\$2805.56 (as it had sold to Client A at US\$1150.70 and bought from Client A at US\$1100.20).

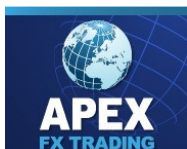
At this point, Apex is entitled to the A\$2805.56 which Client A has lost.

- (iii) If Apex had chosen not to hedge its exposure to its position with Client A, the \$2,805.56 would still be held in the Client Money Account but be money to which Apex is entitled i.e. it would no longer constitute Client money but it would be money belonging to Apex. Apex is then entitled to withdraw the money from the Client money Account. The current balance of the Client Money Account is \$10,000 of which Client A is entitled to \$7,194.44 and Apex is entitled to \$2,805.56.
- (iv) If Apex had chosen to hedge its exposure then Apex closes the position it has with its hedging counterparty (by selling 5 contracts at a price of US\$1100.20). Thus, Apex would realise a loss with its counterparty of A\$2805.56. The hedging counterparty would only return \$3,444.44 to Apex (being the initial margin amount of \$4,000 plus the additional margin obligation of \$2,250 less the realised loss of \$2,805.56). The balance of the Client Money Account on Day 5 was \$3,750. The deposit of \$3,444.44 received from Apex's hedging counterparty would be deposited in the Client Money Account bring the current balance to \$7,194.44 all of which Apex is holding for the benefit of Client A.

**Day 7:**

- (i) Client A notifies Apex it wishes to close its account. The balance of the account would be \$7,194.44 (being the original deposit of \$10,000 less the loss of \$2,805.56).
- (ii) Apex transfers \$7,194.44 to Client A form the Client Money Account.

As described in clause 6.7 above, Client A is exposed to the risk that they may not receive all money owed to them, if there is a deficiency in the Client Money Account, and Apex becomes insolvent or otherwise unable to meet the deficiency. It is possible that the hedging counterparty used by Apex may



become insolvent and fail to return moneys in relation to moneys paid by Apex to its Hedge Counterparty to meet Apex's hedging obligations. In this example, should the hedging counterparty fail to return the \$3,444.44, the balance of the Client Money Account would be only \$3,750 and yet Client A is entitled to \$7,194.44.

Provided Apex would remain solvent it will pay from its own funds any shortfall which was to arise. However, if Apex was not solvent, the client would receive \$3,750 from the Client money Account and represent an unsecured creditor for the remaining balance of \$3,444.44.

## **7 CLIENT AGREEMENT**

The Client Agreement governs the contractual relationship between Apex and the Client (including but not limited to the consequences of events of default). The Client Agreement sets out the basis on which transactions will take place and the obligations of both Apex and the Client when accessing and trading on the Trading Platform. However, entering into the Client Agreement does not itself constitute a trade or in any way oblige you to enter into transactions. You must confirm via our website that you accept the terms and conditions set out in the Client Agreement before you can enter into transactions with us.

## **8 HOW ORDERS ARE EXECUTED AND CONFIRMED**

### **8.1 How transactions are carried out**

You must follow the following steps to effect transactions with Apex:

- (a) read this PDS and our FSG;
- (b) read, acknowledge and accept the terms and conditions set out in the Client Agreement contained at our Website Domain;
- (c) set up an account with Apex in accordance with the steps contained on our Website Domain;
- (d) to begin executing transactions your account must be funded;
- (e) based on our quotations, you will enter into a transaction with Apex using the Trading Platform or by telephone. However, telephone orders may be rejected if the Client's instructions are insufficiently clear or do not comply with the requirements of the Client Agreement. All telephone orders will be reviewed and confirmed before the order is placed;



- (f) you will receive notification whenever transactions are executed by you (which gives details of each transaction);
- (g) you can access details of your account online via our Trading Platform.

## 8.2 How transactions are confirmed to you

Apex will maintain accurate records of all Client orders and trades executed. Apex will provide you with documentation to confirm the transactions you have executed. We will provide electronic access to all trade confirmations to you automatically via the Trading Platform or, in the event of a system failure, within 24 hours of execution of the transaction, if feasible. You can access your account or call an Apex representative at any time to view or obtain details of your transactions, account balances and open positions.

You must review any confirmation or statement to ensure its accuracy and you must report any discrepancies to us as soon as possible. Confirmations are deemed to be conclusive and binding on you if not objected to in writing within one Business Day of the transaction being entered into.

## 9. SIGNIFICANT RISKS

Trading in Margin FX Contracts and CFD products involves risks. It is important that you carefully consider whether trading our Financial Products is appropriate for you in light of your investment objectives, financial situation and needs.

- **Market risk** – The value of your position may change as a result of a movement in the underlying market price. You will suffer a loss if the underlying foreign exchange rate or market price moves unfavourably. There is no guarantee or assurance that you will make profits, or not make losses, or that any unrealised profits or losses will remain unchanged. Prices and rates depend on a number of factors including for example, interest rates, demand and supply and potentially, the actions of governments. It is impossible to guarantee prices based on a snap shot of your open positions until they are closed out.
- **Substantial losses** -Despite trying to close out open positions, your loss on a transaction could be substantial. If exchange rate or the price or value of an Underlying Financial Product moves against your position, you will be required to top up your account with sufficient funds to maintain your position. If you fail to maintain the required account balance your position may be closed out by Apex with resultant loss. You could sustain a total loss of the net amount that you deposit with Apex to establish or maintain a position (including “top up” amounts).

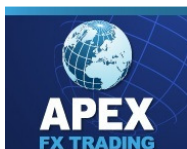


- **High volatility** – In volatile market conditions it may become difficult or impossible for you to manage the risk of open positions by entering into opposite positions or by closing out existing positions and in those circumstances nominated stop-loss or limit order prices may be missed with transactions being closed out at the next available rate or price.
- **Gapping** – There is a risk associated with potential time lags between the time when Orders are placed and when they are executed, known as “Gapping” where the market price of the Financial Product moves before an Order is executed. This can result in the trade being executed at a worse price than at the time the Order is placed. This is usually related to market liquidity when there is high buying or selling pressure, high volatility or a lack of liquidity.
- **Prices/rates** – Prices and rates quoted may not necessarily reflect the broader underlying market since Apex is a market maker. Apex will select closing prices to be used in determining margin requirements and in marking to market the positions in Client accounts. Although these prices can be expected to be reasonably related to those available on the relevant market, prices used may vary from those available to other participants in the market, and consequently Apex may exercise considerable discretion in setting prices and margin requirements.
- **Not a regulated market** – The Financial Products offered by Apex are OTC products and are not covered by the protections for exchange-traded products arising from domestic or international exchange rules (such as guarantee or compensation funds).
- **Credit or Counterparty risk** – As you are dealing with Apex as counterparty to every transaction, you will have an exposure to us in relation to each transaction if we are not ready, willing or able to meet our obligations, for example, if Apex were to become insolvent.

You should satisfy yourself that Apex is able to meet its obligations to you under any transaction. You can help your assessment of Apex’s financial ability to meet its counterparty obligations by requesting to inspect Apex’s annual financial reports at Apex’s office.

As a market maker Apex may, in its discretion, hedge its exposure to its Clients with a third party so that the hedged transaction will be offset or matched with a similar trade with the hedging party. Apex would then be exposed to the counterparty risk to that hedging party.

- **Leverage** – The Financial Products offered by Apex carry a leverage risk. These Financial Products enable the Client to outlay a relatively



small amount (or initial margin) to secure an exposure to the underlying currency or asset without having to pay the full price of holding the physical currency or asset. Trading on a margined basis is one of the riskiest forms of investment available in the financial markets. Leverage gives the user the ability to take a greater level of risk for a smaller initial outlay, thus amplifying the risks and rewards. However, leverage also increases risks and can magnify losses. Given the possibility of losing an entire investment, speculation in the foreign exchange market or CFD's should only be conducted with risk capital, which if lost will not significantly affect your financial wellbeing.

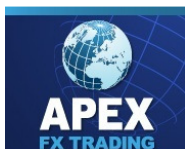
- **Margin risk** - You must be able to pay to Apex the amount of required Margin as and when required, otherwise all of your transactions may be Closed Out without notice to you.

Margin requirements are highly likely to change continuously, in line with market movements in the Underlying Financial Product.

You should consider there is a high risk of Margin requirements changing and changing at times very rapidly. There is a moderate to high risk that if the market value of the Underlying Financial Product moves rapidly against you, you may be required to pay more Margin on little or no notice.

You can minimise your risk of losing your positions after failing to meet Margin requirements by carefully selecting the type and amount of our Financial Products to suit your needs, monitoring the positions, maintaining a prudent level of cash balance in your Account and providing sufficient Margin within the time required by Apex. Please see section 4 of Part 1 of this PDS for further information about Margin.

- **Liquidity** – In some conditions it may be difficult or impossible for you to close out a position. This can happen, for example when there is a significant change in the price, value or rate of an Underlying Financial Product or currency over a short period of time. This may give rise to substantial losses.
- **Electronic Trading Platform** – There are risks associated with using internet-based trading platforms. Such risks include, but are not limited to, risks related to the use of software and telecommunications systems such as software errors and bugs, delays in telecommunications systems, connection or system failures, network down time, interrupted service, data supply errors, faults or inaccuracies and security breaches.



Apex has arranged with a service provider to provide it with the use of its automated electronic trading platform which Apex will make available for use by its clients. A disruption to the Trading Platform could mean you are unable to trade in a Margin FX Contracts or CFDs offered by Apex and that you may suffer a financial loss or an opportunity loss as a result.

These risks and the occurrence of disruptive events are generally outside the control of Apex and, accordingly, you will have no recourse against Apex in relation to the use or availability of the Trading Platform or any errors in the software and/or related information systems.

- **Use of the website** – You are responsible for providing and maintaining the means by which to access our Website Domain. Technical problems may delay or prevent you from accessing the website. If you are unable to access the internet and thus, the Trading Platform, it will mean you are unable to trade in a Financial Product and you may suffer a financial loss or opportunity loss as a result. Apex is not responsible for any external disruptions such as your computer or internet service provider not being operational.

In unforeseen and extreme market situations, Apex reserves the right to suspend the operation of the Trading Platform. In such an event, Apex may, at its sole discretion (with or without notice), close out your open positions at rates or prices it considers fair and reasonable, and it is not responsible for any loss that arises.

- **Trading Platform closed** – Due to the dynamic nature of our Financial Products and the underlying markets, it is possible that the value of your open positions will change outside Trading Hours while the trading function of our Trading Platform is closed, and the various underlying markets may be closed, for example during weekends. In these situations, you will not be able to trade in Margin FX Contracts or CFD's offered by Apex such as to open a new transaction or close out an open transaction until Trading Hours resume and the trading function of the Trading Platform and/or the relevant underlying market re-opens. You may suffer a financial loss or opportunity loss as a result. There is a risk that this may result in stop-loss or limit orders left to protect open positions, being executed only when trade resumes at levels worse than the specified price or rate of the order.
- **Client Money** – Client Money is held in a Client Money Account and is taken to be held in trust by Apex for the benefit of Clients, but the funds are commingled with the funds of other Clients and are not separated from them. Accordingly the funds of an individual Client may not be insulated from a default in the Client Money Account so that assets in the



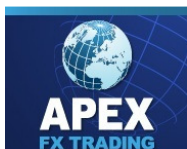
Client Money Account belonging to a Client are potentially at risk. We are permitted to use Client Money belonging to a Client to meet margin obligations of other Clients and our own positions. Thus, one Client's money deposited in the Client Money Account may be used to satisfy obligations arising from dealing on behalf of another Client (or Apex) which exposes each Client to counterparty risk i.e. the risk that they may not receive all of the money held by us on their behalf in the Client Money Account if there is a deficit in the Client Money Account and we become insolvent or otherwise unable to pay the deficiency.

- **Currency Risk** – Clients are exposed to the risk of currency movements when Client Money is converted into a different currency for the purpose of carrying out transactions, and again on converting moneys back to the currency in which the Client Money Account is held.
- **Fees and Charges** – Apex reserves the right to charge fees for services provided outside the standard Trading Platform functionality and may also charge for services or features which may be introduced in the future.
- **Manifest Errors** – A manifest error arises where there is a manifest or obvious misquote by us or other source on which we have relied in connection with a Transaction. In case of a manifest error we may modify the affected transaction to reflect what we in our sole and absolute discretion consider to be the correct or fair terms of such transaction in the absence of the manifest error or we may declare that any or all affected transactions are void in which case the transactions concerned will be deemed not to have been entered into. Apex is not liable for any loss which may be sustained in those circumstances.
- **Other** – Changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your trading in the Financial Products offered by Apex.

## 10. POLICIES

Apex has a number of policies that can affect your investments in the Financial Products. The policies are guidelines that Apex (including all of its staff) is expected to follow but policies are not part of the Client Agreement and do not give you additional legal rights or powers.

We may change our policies at any time without notice to you. We may amend, withdraw, replace or add to our policies at any time without notice to you. Our policies may help you understand how we operate but all of the important information is set out in or referred to in this PDS so you should only rely on this PDS and not on the policies.



A copy of the policies are available by contacting our office and we will arrange a free copy for you.

Our key policies relevant to Apex's Financial Products currently are:

- client suitability policy;
- client money policy;
- margin policy;
- risk management policy; and
- conflicts of interests management policy.

## **11. TRADING HOURS**

Apex provides trading facilities via its Trading Platform from Sunday 21:00 GMT (7:00am Monday morning Sydney time) to Friday 21:00 GMT (7:00 am Saturday morning Sydney time) – see also section 6 of Part 2 of this PDS. In the event that the Trading Platform is unavailable due to a systems disruption, then these services will be provided via the telephone.

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

## **12. TAXATION IMPLICATIONS**

Trading in foreign exchange and CFD products offered by Apex has the potential for generating substantial profits and losses. The tax implications of such profits or losses may be significant depending on the personal circumstances of each individual Client. Apex does not provide tax advice and we recommend that you seek your own professional tax advice as to the impact that any profits or losses generated from trading may have on your overall tax position.

The Australian Taxation Office has released Taxation Ruling 2005/15 which describes the income tax and capital gains tax consequences of dealing in CFD products. A copy is available at the ATO's website [www.ato.gov.au](http://www.ato.gov.au).

You should note that this is a public ruling for the purpose of Part IVAAA of the *Taxation Administration Act 1953* (Cth) and therefore, if the ruling applies to an investor, the Commissioner of Taxation is bound to assess that investor on the



basis outlined in the ruling. Penalties may apply where the treatment outlined in a taxation ruling is not followed and the investor has a tax shortfall.

Apex does not collect Tax for any authority in any form or manner unless required by law in which event Apex is authorised to deduct from any monies in the Client's account or held by Apex for the Client to pay any taxes as required by the appropriate revenue or other authority. Without limiting the foregoing, it is the Client's obligation alone to calculate and pay all taxes applicable to the Client in the Client's country of residence or otherwise as a result of the Client's trading activity using the service of Apex.

### **13. COOLING-OFF ARRANGEMENTS**

There are no cooling-off arrangements for the Margin FX Contracts or CFD products offered by Apex. This means that when you enter a transaction with Apex you do not have a right to return the Financial Product and you do not have the right to request Apex to repay the money you have paid to acquire a Financial Product. Should you change your mind after entering into a transaction with Apex, you should close out your position by entering into an offsetting and opposite transaction.

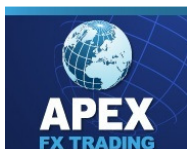
### **14. COMPLAINTS**

We want to know about any problems or concerns you may have with our advice or services so we can take steps to resolve the issue. We have internal and external dispute resolution procedures to resolve complaints from Clients. A copy of these procedures may be obtained by contacting us and requesting a copy.

Initially, all complaints will be handled and investigated internally. Should you remain dissatisfied with the outcome, you have the ability to escalate your concerns to an external body for a resolution.

If you have a complaint about the financial services provided to you, please take the following steps:

1. Contact Apex to inform us about your complaint. You may do this by telephone, in person, facsimile, email or letter. We will investigate your complaint promptly. We will try to resolve your complaint quickly and fairly.
2. If you are dissatisfied with the outcome of our investigation, you have the right to complain to the Australian Financial Ombudsman Service Limited ("FOS") who may be contacted on 1300 780 808 or in writing at G.P.O. Box 3, Melbourne VIC 3001.



Apex is a member of this complaints resolution scheme and our membership number is 15830. There is a limit to the dollar value of complaints that can be considered by FOS, as well the dollar value of the remedy which can be decided by FOS.

You can contact ASIC in Australia on 1300 300 630. This is a Freecall Infoline. This is an alternative that you may use to make a complaint and obtain information about your rights.

## **15. FEES AND OTHER COSTS**

### **15.1 Commission**

Apex does not charge fees or commission, such as brokerage, to its Clients apart from those Clients who are introduced to Apex by a third party (which may include third parties who are associates or related bodies corporate of Apex), in circumstances where such Clients agree to pay an additional fee or commission in respect of their trades. Any such fees and commissions will be paid to the introducing party by the Client, and will be reflected in the Client's statement of account from Apex. These fees may vary. Clients may request particulars of such fees or commissions within a reasonable time after receipt of this PDS, and before any of the financial services are provided to the Client.

### **15.2 Hedging counterparties**

If any commission is received from a hedging counterparty, this is payable by that hedging counterparty direct to us and is not an additional charge to the Client. Such commission from hedging counterparties may, for example, be based on volumes of business transacted with any such hedging counterparty.

### **15.3 Spread**

The prices and rates quoted by Apex in respect of our Financial Products will include a spread from which Apex generates its income. The spreads are embedded in the rates and prices quoted and represents the difference between the prices and rates quoted by Apex and the price or rate at which Apex buys or sells the Financial Products.

### **14.4 Interest**

Apex is entitled to retain any interest on monies held in the Client Money Account. Apex is entitled to retain that interest for its own benefit.



#### **14.5 Inactivity fees**

If there is no trading activity for a period of one year on a client account, we reserve the right to charge a fee of between \$10 and \$20 per year for you to maintain the account. If there are insufficient funds in the account for this purpose, Apex reserves the right to charge a lower administrative fee and/or to close the account.

#### **14.6 Review of Charges**

Apex reserves the right to review its charges where a service is made available outside the standard Trading Platform functionality.

### **15 OTHER INFORMATION**

Other information about Apex may be obtained by accessing our Website Domain or by contacting us.

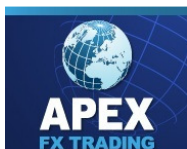
### **16 HOW TO CONTACT US**

You can contact us by the following means:

- **Telephone**  
Call us on 1300 993 346 or 61 2 8069 5290
- **Mail**  
Write to us at Suite 903, 66 King Street, Sydney NSW 2000
- **Fax**  
Send us a fax to 61 2 8088 6091
- **Email**  
Send us an email to [info@apexfxtrading.com.au](mailto:info@apexfxtrading.com.au)
- **In person**  
Level 9, Suite 903, 66 King Street, Sydney, NSW 2000
- **Visit our Website at** [www.apexfxtrading.com.au](http://www.apexfxtrading.com.au) or any other website which may be designated by Apex from time to time.

### **17 GLOSSARY**

In this PDS, the following words and expressions have the meanings set opposite them below:



**Account** means your account with Apex established under the Client Agreement, including all accounts and all transactions recorded in them.

**ASIC** – Australian Securities and Investments Commission.

**Business Day:**

- (a) for the purpose of foreign exchange contracts dealt with in Part 2, a day on which foreign exchange markets are open for business in New York, U.S.A.; and
- (b) for the purpose of CFDs referred to in Part 3 of this PDS, a day when the markets in the Underlying Financial Products to which the CFD relates, are open for the conduct of business in London.

**Client** – the party who accepts the terms of and agrees to the Client Agreement.

**Client Agreement** - the Client Agreement which you will be required to accept on our website before opening an account with us which agreement governs each transaction entered into between you and Apex.

**Client Money Account** – the Client Money Account described in clause 6 of this Part.

**Close Out, Closed Out and Closing Out** in relation to a transaction means discharging or satisfying the obligations of the Client and Apex under the transaction and this includes matching up the transaction with a transaction of the same kind under which the Client has assumed an offsetting opposite position.

**Contract for Difference (“CFD”)** – an agreement between you and Apex to trade the difference arising from movements in the price or value of an Underlying Financial Product.

**Corporations Act** – the *Corporations Act 2001 (Cth)*.

**Dollars or \$** - US dollars, unless otherwise expressly stated.

**Financial Products** – Financial Products as defined in the *Corporations Act* and, in particular, the foreign exchange contracts and contracts for difference described in clause 3 of this Part.

**FSG** – Financial Services Guide.

**GMT** - Greenwich Mean Time.



**Hedge Counterparty** means a person with whom Apex enters into a hedge contract to hedge Apex's exposure to the Financial Products.

**Margin** means the amount of cash or other assets paid to Apex and credited to your Account as Margin.

**Margin Cover** means the amount of Margin available for trading on your Account. It is calculated by Apex by subtracting from the Account value: (i) the required Margin; and (ii) that part of the value of Open Positions which is not available to be counted as Margin Cover (usually shown as a percentage of the unrealised value of the Financial Product).

**Margin Foreign Exchange Contract ("Margin FX Contract")** - a rolling spot foreign exchange contract between a Client and Apex in relation to an agreed currency pair.

**Open Position** means, at any time, a transaction which has not been Closed Out, or settled prior to the time agreed for settlement.

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

**PDS** – This Product Disclosure Statement.

**Trading Hours** - the period commencing at 22:00 Sunday GMT (Monday morning Sydney time) and ending at 21:00 Friday GMT (Saturday morning Sydney time), but excluding specified holiday periods, as notified in advance by Apex on its Website, from time to time.

**Trading Platform** – The MetaTrader Online Trading System or any other electronic trading system made available to Clients by Apex from time to time, through which a Client may electronically transmit information or undertake transactions, or otherwise engage in business with Apex, as such system may exist from time to time, including without limitation any hardware, software and/or communications link provided for that purpose.

**Underlying Financial Product** means the thing which is used as the basis for the calculations for prices for a Margin FX Contract (such as the foreign currency) or CFD such as a share or similar equity financial product, futures contract, exchange-traded units in a fund, an exchange traded fund or similar item (or a combination of one or more of those).

**Website Domain** (or our website) – [www.apexfxtrading.com.au](http://www.apexfxtrading.com.au), as well as any other website which may from time to time be designated by Apex.

**APEX FX TRADING**

**APEX DERIVATIVES PTY LTD  
ACN 143 512 501**

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**PRODUCT DISCLOSURE STATEMENT**

**PART 2: FOREIGN EXCHANGE PRODUCTS**

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**AUSTRALIAN FINANCIAL SERVICES  
LICENCE NO: 359820**

**DATE: 09/05/2012**

This is Part 2 of the Product Disclosure Statement which is in three parts:

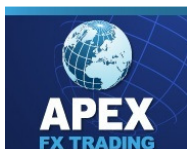
- Part 1 includes general information about Apex Derivatives Pty Ltd and the Financial Products
- Part 2 contains information about foreign exchange products
- Part 3 contains information about contracts for difference



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# PRODUCT DISCLOSURE STATEMENT

## PART 2

### 1 Important Notice and Disclaimer

Decisions to enter into transactions involving foreign exchange products often have significant risks and consequences. Please refer to Clause 9 of Part 1– *Significant Risks* for more information about the risks in trading Financial Products including foreign exchange products. This document provides you with some basic information regarding trading in foreign exchange products offered by Apex.

In preparing this PDS, we have not considered your personal circumstances. You should obtain your own legal, financial and taxation advice to ensure that you fully understand foreign exchange products and that they are appropriate for you.

To the extent permitted by law, neither Apex nor its affiliates accepts any responsibility for errors or misstatements, negligent or otherwise, nor for any direct, indirect, consequential or other loss arising from any use of this document.

### 2 Relevant Documents

This is Part 2 of our PDS. You should also receive or request a copy of Part 1 and read both Parts, together with our Client Agreement and the Financial Services Guide before deciding to trade in any foreign exchange product offered by Apex.

### 3 Products covered in this Part

This Part 2 contains information about foreign exchange products offered by Apex, being Margin Foreign Exchange Contracts (“**Margin FX Contracts**”).

### 4 Significant Features of Foreign Exchange Products

#### 4.1 What is a foreign exchange contract?

A foreign exchange contract is an agreement between two parties to exchange one currency for another currency at an agreed exchange rate on a predetermined date (being the ‘value date’ or ‘settlement date’ of the contract), where the date may range from either the same day or a date in the future.

Foreign exchange contract are available in most currencies. As foreign exchange is essentially about exchanging one currency for another, there are two currencies in every exchange rate quotation.



It should be noted that pursuant to the AFS Licence held by Apex:

- **“foreign exchange contracts** means “foreign exchange contracts” as defined in section 761A of the Corporations Act (including regulation 7.1.04 of the Corporations Regulations) and includes “derivatives”, as defined in section 761D of the Act, that are foreign exchange contracts”;
- **“derivative** means “derivatives” as defined in section 761D of the Corporations Act (including regulation 7.1.04 of the Corporations Regulations) and excludes “derivatives” that are “foreign exchange contracts” as defined in this licence.”

Technically, Margin FX Contracts are derivatives (per section 761D of the *Corporations Act*).

#### **4.2 What is an OTC contract?**

Unlike foreign exchange contracts traded on an exchange, OTC contracts are not standardised but are individually tailored to the particular requirements of the parties involved in the contract (subject to minimum contract values).

The terms involved in the negotiation of the foreign exchange contract are:

- (a) the currencies to be traded;
- (b) the amount of such currencies;
- (c) the maturity date of the contract i.e. the end date; and
- (d) the rate at which such currencies are to be exchanged.

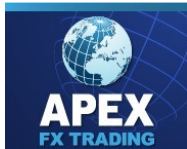
#### **4.3 How do the ApexMargin FX Contracts work?**

A Margin FX Contract is a rolling spot foreign exchange contract between a Client and Apex in relation to an agreed currency pair.

When you propose to enter into any Margin FX Contract you will be asked to nominate an amount and the two currencies to be exchanged. In every Margin FX Contract there are two currencies as follows:

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

The fixed currency is called the “base” currency and the variable currency is called the “terms” currency. Together, these are known as the currency pair. To find out more about the different currency pairs currently offered by Apex, we refer you to our Website Domain.



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.

The Margin FX Contracts offered by Apex do not result in the physical delivery of the currency. The Margin FX Contracts are closed out by either you or us (in limited circumstances as described in clauses 4.1 and 5.1 of Part 1 of this PDS) by taking an offsetting position or are cash adjusted or cash settled at the maturity date.

#### **4.4 What exchange rate applies?**

Apex acts as a market maker and quotes rates at which it is willing to enter into a Margin FX Contract, as buyer or seller. The rates quoted are based on, and with reference to the underlying foreign exchange market on which the Margin FX Contract is based. Apex 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. The decision to transact at a particular rate will always be the Client's decision.

The rates quoted include a spread in favour of Apex being the difference between the rate quoted by Apex and the rate at which we buy or sell the foreign exchange. This spread is factored into the rates quoted by Apex to Clients and is not an additional charge to the Client.

#### **4.5 How are the Apex Margin FX Contracts quoted?**

Apex's quotes are based on, and with reference to, the underlying foreign exchange market on which the Margin FX Contract is based.

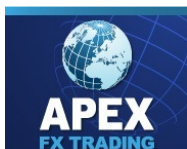
A foreign exchange quote e.g. AUD/USD "0.8910 / 0.8920" represents the bid/ask spread (in this case for AUD/USD). This quote means that you can:

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

#### **4.6 What is the minimum price movement quoted?**

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

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



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

#### **4.7 How are Margin FX Contracts entered into?**

Prior to entering into a trade or transaction, you must open an account with us and deposit a minimum of \$250.00.

When you propose to enter into a Margin FX Contract, you will access the Trading Platform and determine which currency pair you wish to trade and consider the rates being quoted by us. Should you decide to accept our quote you will follow the steps on the Trading Platform. You must have lodged in your account sufficient money to meet the relevant initial margin for the proposed transaction.

The initial margin is the amount you are required to provide to Apex when you enter into a transaction with us and which must be maintained throughout the term of the relevant transaction. The amount of the initial margin applicable to each transaction is determined by Apex in its sole discretion and current levels for each Margin FX Contract are available on the Trading Platform. It is typically 5% of the transaction value but may be as low as 1% or as high as 100% depending on the volatility of the relevant underlying market and the liquidity of the underlying currency. Apex may vary the initial margin rate at any time at its sole discretion.

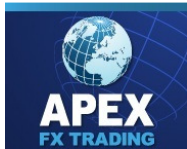
Each transaction which is agreed and entered into by Apex with a Client will be entered into by Apex as principal. Apex makes a market in its Margin FX Contracts as it regularly states the price at which it is prepared to deal with the Client as principal. Apex may hedge its transactions, in its sole discretion, with one or more counterparties selected by it.

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

Apex does not provide a market amongst, or between Clients. Each transaction by a Client is an individual agreement made between that Client and Apex, and is not transferrable, negotiable or assignable to or with any third party.

#### **4.8 How are Margin FX Contracts settled?**

Apex's Margin FX Contracts do not result in the physical delivery of the underlying currency to which the Margin FX Contract applies. Rather, every trade is closed out by either you or us taking an offsetting position or are cash adjusted or cash settled at the maturity date. In other words, there is no physical payment in the foreign currency that



is exchanged. Positions will always be closed out or cash settled and the Client's account will be either credited or debited according to the profit or loss on the trade.

#### **4.9 How are profits and losses calculated?**

The profit or loss from a transaction is calculated by keeping the units of one of the currencies constant (the base currency) and determining the difference in the number of units of the other currency (the terms currency). The profit or loss will be expressed in the base currency.

We have provided some examples on our website to illustrate how the Margin FX Contracts offered by Apex work and can be traded. These examples are illustrations only and actual results may differ.

#### **4.10 Important features of Apex's Margin FX Contracts**

Where Clients experience adverse market movements against their open positions, they can close out the open position, top up the account or wait for Apex to close out or force liquidate the trade.

However it may not be possible to close out a position before the minimum margin requirement is breached, although Apex maintains a no negative balance policy, and guarantees that the balance of your account will not fall below \$0.

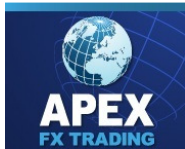
Apex allows Clients to manage both adverse and favourable movement by using stop-loss and limit orders as part of their risk management strategy (see clause 5 of Part 1).

### **5 Purpose of Apex's Foreign Exchange Products**

People who trade in foreign exchange products do so for a variety of reasons. Some trade for speculative purposes i.e. you may take a view of a particular market or the markets in general and therefore invest in foreign exchange products according to this belief with a view to profiting from anticipated exchange rate fluctuations e.g. a short-term trader who is looking to profit from intra-day and overnight changes and movements in the foreign exchange markets. Such traders look to profit from anticipated market movements in the currency pair in which they have traded.

Others trade foreign exchange products to hedge their foreign exchange exposures. For example, foreign exchange products can be used as a risk management tool to enable those with foreign currency exposures to protect themselves against adverse exchange rate movements.

Foreign exchange exposures may arise from a number of different activities. For example:



1. Companies or individuals who are dependent on overseas trade are exposed to currency risk. They may purchase (or sell) physical assets (such as machinery) or Financial Products (such as investing in securities listed on an international exchange);
2. An exporter who sells their 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;
3. 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; or
4. A person travelling to another country has the risk that if that country's currency appreciates against their own, the trip will be more expensive.

In each of the above examples, the person or the company is exposed to currency risk. Apex offers its Clients the facility to buy or sell Margin FX Contracts to manage this risk. This enables Clients to limit exposure and to protect themselves against adverse currency swings, yet secure enhanced exchange rates when offered, thereby protecting the profit margin made during the business transaction relating to the foreign currency trade or protecting the cost of international travel. This is commonly referred to as a hedge transaction.

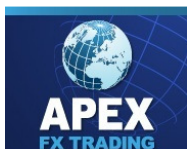
## **6 Significant Benefits of Foreign Exchange Products**

Margin FX Contracts provide important risk management tools for those who have foreign currency exposures. Apex offers its Clients the ability to buy and sell its Margin FX Contracts which enables Clients to protect themselves against adverse currency market swings. The significant benefits of using Margin FX Contracts offered by Apex as a risk management tool are to protect your exchange rate and provide cash flow certainty.

In addition to using Margin FX Contracts offered by Apex as a risk management tool, you can benefit by using them to speculate on changing exchange rate movements. You may take a view of a particular market, or the markets in general and therefore enter into transactions according to this belief in anticipation of making a profit.

These and other benefits are as follows:

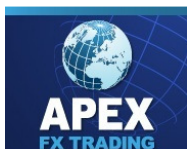
- **Exchange rate certainty** – Locking in a certain exchange rate for the purchase or sale of foreign currency will reduce or eliminate exchange rate uncertainty. This enables businesses and individuals who wish to pay for goods or services denominated in a foreign currency to reduce or minimise the negative impact of adverse currency movements. It also provides cash flow certainty.



- **Risk management** - Apex also offers you a way of managing adverse movements by using stop-loss orders and limit orders that enables you to potentially protect yourself against adverse market swings yet secure enhanced exchange rates when favourable upside market movements occur.
- **Access to the foreign exchange markets 24 hours a day, 5 days a week**- When using the Margin FX Contracts offered by Apex, you gain access to a highly advanced and multi-levelled system which provides you with the opportunity to trade 24 hours a day, 5 days a week, i.e. from Sunday 5.00pm GMT (Monday morning Sydney time) to Friday 5.00pm GMT (Saturday morning Sydney time). This gives you an opportunity to react instantly to news that is affecting the underlying markets. It should be noted however, that trading in the various currency pairs may be restricted to hours where liquidity is available for any given currency.
- **Profit potential in both rising and falling markets** - Since the currency markets are constantly moving, there are always trading opportunities, whether a currency is strengthening or weakening in relation to another currency. There is the potential for profit (and loss) in both rising and falling currency markets depending on the strategy you employ.

When you trade currencies, they literally work against each other. If the EUR/USD (the Euro and USD currency pair) declines, for example, it is because the USD gets stronger against the EURO. So, if you think the EUR/USD will decline (that is, that the Euro will weaken against the USD), you would sell EUR now and then later buy EUR back at a lower price and take your profits. The opposite trading scenario would occur if the EUR/USD appreciates.

- **Superior liquidity** - The foreign exchange market is generally very liquid so in most instances there are generally buyers and sellers trading enabling Apex to efficiently manage its risks by entering into transactions with its hedging counterparty, whenever it elects to do so. The liquidity of the foreign exchange market, particularly with respect to that of the major currencies, helps to ensure price stability. The liquidity comes mainly from banks that provide liquidity to investors, companies, institutions and other currency market players.
- **Real time streaming quotes** - The Trading Platform uses sophisticated technologies in order to offer you up-to-the-minute quotes. You may enter into Transactions 24 hours a day, 5 days a week (i.e. Monday morning to Saturday morning in Sydney).
- **Access to your account information 24 hours a day, 7 days a week** – You can access the Trading Platform at any time. You may check your account and



positions in real time and you may do so 24 hours a day, 7 days a week. This enables you to closely monitor your positions.

- **Flexible** –A benefit of entering into an OTC contract is that you are not bound by standardised contracts. Unlike exchange traded products, OTC contracts are not standardised. For example, Apex allows you to enter into transactions in small amounts (subject to any minimum contract value determined by Apex) with flexible settlement dates or maturity dates, whereas exchange traded products are a standard size and cannot be varied in duration. Margin FX Contracts can be rolled indefinitely until you decide to close out the transaction or it reaches the maturity date, provided that you continue to meet your margin requirements and maintain the required account balance.
- **Leverage** – The use of the Margin FX Contracts offered by Apex involves a high degree of leverage. These Financial Products enable the user to outlay a relatively small amount (or initial margin) to secure an exposure to the underlying currency without having to pay the full price of holding the physical currency. Leverage gives the user the ability to take a greater level of risk for a smaller initial outlay, thus amplifying the risks and rewards. However, it is important to fully understand that leverage also increases risks and can magnify losses – see clause 9 of Part 1.

## 7 Significant Risks of Financial Products offered by Apex

Trading in Margin FX Contracts offered by Apex involves risks which are similar to investing in futures contracts. It is important that you carefully consider whether such trading is appropriate for you, in light of your investment objectives, financial position and needs. Please refer to clause 9 in Part 1 of this PDS for details of the various risks involved.

Foreign exchange products carry a high degree of risk involving fluctuations in exchange rates. Derivative markets can be highly volatile. Any transaction involving currencies or commodities is exposed to changes in a country's political condition, economic climate, acts of nature and so on, which may substantially affect the price or availability of a given currency.

Apex recommends that you do not risk money that you are not in a position to lose and that you adopt a philosophy of capital preservation and implement risk mitigation techniques (such as the use of stop-loss orders).

## 8 Funding Cost/Benefit

In the case of Margin FX Contracts, you will not incur or receive what is known as a Funding Cost or SWAPS or Benefit or Roll Over Fees on any active or open trade.

\* \* \* \* \*



**APEX FX TRADING**

**APEX DERIVATIVES PTY LTD  
ACN 143 512 501**

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**PRODUCT DISCLOSURE STATEMENT**

**PART 3: CONTRACTS FOR DIFFERENCE**

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**AUSTRALIAN FINANCIAL SERVICES  
LICENCE NO: 359820**

**DATE: 09/05/2012**

This is Part 3 of the Product Disclosure Statement which is in three parts:

- Part 1 includes general information about Apex Derivatives Pty Ltd and the Financial Products
- Part 2 contains information about foreign exchange products
- Part 3 contains information about contracts for difference



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# PRODUCT DISCLOSURE STATEMENT

## PART 3

### 1 Important Notice and Disclaimer

Decisions to enter into transactions involving Contracts for Difference (“CFDs”) often have significant risks and consequences. Please refer to Clause 9 of Part 1 – *Significant Risks* for more information about the significant risks in trading Financial Products (including CFD products). This document provides you with some basic information regarding trading in CFD products offered by Apex.

In preparing this PDS, we have not considered your personal circumstances. You should obtain your own legal, financial and taxation advice to ensure that you fully understand CFD products and that they are appropriate for you. To the extent permitted by law, neither Apex nor its affiliates accepts any responsibility for errors or misstatements, negligent or otherwise, nor for any direct, indirect, consequential or other loss arising from any use of this document.

### 2 Relevant Documents

This PDS is subject to the detailed provisions of the Client Agreement. Please ensure you have received, and read and fully understand the Client Agreement and Financial Services Guide, and both Part 1 and Part 3 of this PDS before deciding to invest in any CFD product offered by Apex.

### 3 Products covered in this Part

This Part contains information about Contracts for Difference offered by Apex. Apex currently offers CFDs on some commodities (e.g. gold, oil and silver).

#### 3.1 What is a CFD?

CFDs are derivatives, that is, financial products which derive their price from the fluctuations of the price or value of an Underlying Financial Product (which could be a financial product, an interest rate, an index or a commodity). The Underlying Financial Product may be traded on an exchange (such as securities or futures contracts) or on any other type of market. CFD products allow you to receive many of the benefits of owning the Underlying Financial Product on which the CFD is based without physically owning it.

A CFD is an agreement between you and Apex to trade the difference arising from movements in the price or value of an Underlying Financial Product. CFDs are not



standardised and have no fixed size. As a party to a CFD, you can be paid an amount of money (profit), or be required to pay an amount of money (loss) arising from movements in the price or value of the Underlying Financial Product. Therefore, CFDs are cash adjusted between you and Apex. CFD products will always be closed out with your account either credited or debited according to the profit or loss of the trade.

**Trading a CFD product does not result in the ownership by you of any actual Underlying Financial Product and you will therefore have none of the rights as an owner in the Underlying Financial Product.**

CFDs can only be traded during those open market hours on which the Underlying Financial Product is traded. Apex does not typically quote a price for a CFD on a particular Underlying Financial Product if that Underlying Financial Product is illiquid or in suspension (e.g. a particular futures contract may be suspended by the relevant exchange).

Each CFD which is agreed and entered into by Apex with a Client will be entered into by Apex as principal. Apex makes a market in its CFD products as it regularly states the price at which it is prepared to deal with the Client as principal. Apex may in its sole discretion elect to hedge some or all of the transactions entered into by it with one or more counterparties selected by it for that purpose.

### **3.2 What is an OTC contract?**

Unlike financial products traded on an exchange, CFDs are OTC contracts which are not standardised but are individually tailored to the particular requirements of the parties involved in the contract i.e. Apex and the Client but subject to minimum contract values.

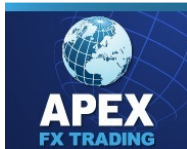
The terms involved in the negotiation of the contract (or transaction) are:

- (a) the Underlying Financial Products to be traded;
- (b) the amount of such assets;
- (c) the maturity date of the contract; and
- (d) the price at which the asset is to be traded.

### **3.3 How are transactions entered into?**

Prior to entering into a transaction, you must open an account with us and deposit a minimum of \$250.00.

When you propose to enter into a transaction, you will access the Trading Platform and determine which CFD product you wish to trade and consider the prices being quoted by us. Should you decide to accept our price you will follow the steps on the Trading



Platform. You must have lodged in your account sufficient money to meet the relevant initial margin for the proposed transaction.

### **3.4 What margin is required?**

In respect of each CFD product you will be required to pay initial margin. In addition, you may also be required to pay (or be entitled to receive from Apex) variation margin, which is the unrealised loss or profit on your open CFD position.

### **3.5 What is Initial Margin?**

The initial margin is the amount you are required to provide to Apex when you enter into a transaction with us and which must be maintained throughout the term of the relevant transaction. The amount of the initial margin applicable to each transaction is determined by Apex in its sole discretion and current levels for each CFD product are available on our margin and pip calculator on the Trading Platform. It is typically 5% of the transaction value but may be as high as 100% depending on the volatility of the relevant underlying market and the liquidity of the Underlying Financial Product. Apex may vary the initial margin rate at any time in its sole discretion.

### **3.6 Adjustment of Differences/Variation Margin**

Open positions are accounted for in real time on a mark-to-market basis to determine the current value of the CFD on which the Underlying Financial Product is normally quoted. Based on this determination, your account will either be debited in relation to any unrealised losses or credited in relation to any unrealised profits.

If you hold a long (or bought) position and the current value increases, Apex will credit an amount equal to the increase in value. If the current value decreases, Apex will debit you an amount equal to the decrease in value.

If you hold a short (or sold) position and the current value increases, you will be debited an amount equal to the increase in value to Apex. If the current value decreases Apex will credit your account with an amount equal to the decrease in value.

### **3.7 How are profits and losses on CFDs calculated?**

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

Apex's quotes are based on, and with reference to, the Underlying Financial Product on which the CFD is based after allowing for Apex's spread.



Example:

Assume the price of gold has been increasing and you consider that the price will continue to rise. You access the Trading Platform to review our Gold CFD quotes. Our quotes are based on, and with reference to, the Underlying Financial Product which, in this example, is a gold futures contract traded on ICE.

Our quote is 1150.10/1150.70. The value of a movement from 1150.10 to 1151.10 of US\$10 as the minimum contract size is 10 ounces of gold.

You buy 20 Gold CFDs at a price of US\$1,150.70.

The underlying price of gold increases and our quote is now 1170.20/1170.80.

You decide to sell the CFDs at a price of US\$1,170.20 and close out against the bought open position.

The resulting profit would be US\$3,900 (less any funding charge) being: Sale price (\$1,170.20) less buy price (\$1,150.70) x US\$10 x 20 (number of CFDs).

We have provided some further examples on our Website Domain to help illustrate how the products offered by Apex work and can be traded. These examples are illustrations only and actual results may differ.

### **3.8 Important features of Apex's CFD products**

Where Clients experience adverse market movements against their open positions, they can close out the open position, top up the account or (at their risk of loss) wait for Apex to automatically close out or force liquidate the trade (see clauses 4.1 and 5.1 of Part 1).

However it may not be possible to close out a position before the minimum margin requirement is breached, although Apex maintains a no negative policy and guarantees that the balance of your account will not fall below \$0.

Apex allows Clients to manage both adverse and favourable movement by using stop-loss and limit orders as part of their risk management strategy (see clause 5 of Part 1).

### **3.9 Types of CFDs offered by Apex**

Apex currently offers CFD products on some commodities (e.g. gold, oil and silver).



Commodity CFDs derive their price ultimately from the real time fluctuations of the price of the Underlying Financial Product being a commodity futures contract traded on the relevant futures exchange.

Prices are only quoted for Commodity CFDs, and can only be traded, during the open market hours of the relevant futures exchange on which the underlying futures contract is traded. Open hours of the relevant exchanges are available by viewing the relevant exchange website. We do not quote a price on a Commodity CFD if the underlying futures contract is illiquid or in suspension (e.g. a particular maturity date may be suspended by the ICE).

Commodity CFDs allow you to receive many of the benefits of owning the Underlying Financial Product on which the CFD is ultimately based (i.e. a futures contract) without physically owning it. Apex does not offer all commodity futures listed for trading on global futures exchanges. For more information on which Commodity CFDs Apex offers, please refer to our Website Domain or contact a representative of Apex.

#### **4 Purpose of Apex's CFD Products**

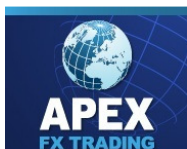
CFDs are generally used for one of two purposes – hedging or speculating. CFDs can provide those who deal in the Underlying Financial Product with a facility for managing the risks associated with changing prices for those investments. This strategy is known as hedging. CFDs are also traded by speculators, who trade in the anticipation of profiting purely from changing prices in the Underlying Financial Product.

Trading CFDs allows you to leverage your positions to take a much greater exposure than if you were to purchase the Underlying Financial Product. Trading in CFDs does however, involve significant risk. Transactions should only be entered into by traders and investors who understand the nature and extent of their rights, obligations and risks (for more information on risks see clause 9 of Part 1).

#### **5 Significant Features of CFDs**

The significant features of CFDs offered by Apex are:

- A CFD broadly replicates the price movement of the Underlying Financial Product i.e. if the price of the Underlying Financial Product changes, so will the value of the CFD.
- CFDs are products that provides the opportunity to profit (or incur loss) by dealing in the Underlying Financial Product without having to actually own the Underlying Financial Product.
- Unlike contracts traded on an exchange, OTC products are not standardised. The terms of a CFD are individually tailored to the particular requirements of the



parties involved in the contract i.e. Apex and the Client but subject to minimum contract values.

- Because you do not own the Underlying Financial Product itself, you have none of the rights associated with owning the Underlying Financial Product.
- CFDs are OTC derivative products with Apex acting as counterparty (and principal) in its dealings with you. It is a transaction between you and Apex and can only be entered into with Apex and closed out with Apex. It is not possible to close out the CFD with any other party.
- CFDs are subject to account balance requirements and are marked to market to the current contract value on a real time basis.

## 5.1 Quotes

A CFD quote e.g. where 1 Brent Crude Oil futures contract is the Underlying Financial Product (and the underlying quantity of the futures contract is 100 barrels), the CFD may be quoted as "52.70 / 52.77". This represents the bid/ask spread. This quote means that you can:

- buy the CFD at 52.77; and/or
- sell the CFD at 52.70.

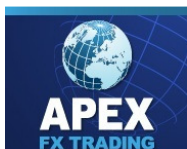
(You do not actually sell the CFD – you buy a CFD for selling the Underlying Financial Product – this is commonly referred to as “selling” the CFD.) You can close your position in the same way. If the CFD is a buy, the closing level will be the lower figure quoted by us; if the CFD is a sell it will be the higher figure.

## 5.2 Long and short positions

You can take both “long” and “short” CFD positions. If you enter into a long position (i.e. buy a CFD), you will make a profit from a rise in the price of the Underlying Financial Product, and you will make a loss if the price of the Underlying Financial Product falls. Conversely, if you enter into take a short position (i.e. sell a CFD), you will make a profit from a fall in the price of the Underlying Financial Product and you will make a loss if the Underlying Financial Product’s price rises.

If you enter into a long CFD position it is similar to borrowing funds from Apex to buy the Underlying Financial Product, and posting an amount of initial margin with us.

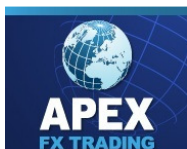
If you enter into a short CFD position it is similar to borrowing the Underlying Financial Product from Apex, selling it on the market with a view to repurchasing it at a future date, and in the meantime investing the proceeds of the initial sale in a bank account, with a proportion of these proceeds being held as margin by Apex.



## 6 Significant Benefits of CFDs

CFDs provide a number of benefits which must be weighed against the risks of using them. These benefits include:

- **Ability to use CFDs to hedge** -You can use CFDs to hedge your exposure to an Underlying Financial Product.
- **Ability to use CFDs to speculate** -You can use CFDs for speculation, with a view to profiting from market fluctuations in the Underlying Financial Product. You may take a view of a particular Underlying Financial Product and therefore invest in our CFD products according to this belief in anticipation of making a profit. CFDs enable you to take a position with an exposure to a particular Underlying Financial Product without needing to buy or sell the actual Underlying Financial Product.
- **Flexible** –A benefit of entering into an OTC contract (such as a CFD offered by Apex) is that you are not bound by standardised contracts. Unlike exchange traded products, OTC contracts are not standardised.
- **Real time streaming quotes** - The Trading Platform uses sophisticated technologies in order to offer you real time streaming quotes. You may enter into transactions whenever the underlying market of an Underlying Financial Product is open.
- **Access to your account information 24 hours a day, 7 days a week** – You can access the Trading Platform at any time. You may check your account and positions in real time.
- **Profit potential in both rising and falling markets** - Since the prices in the Underlying Financial Products are constantly moving, there are always trading opportunities, whether the price of the particular Underlying Financial Product is increasing or decreasing. Because you are able to take long or short positions using CFDs, there is the potential for profit and loss in both rising and falling markets depending on the strategy you adopt.
- **Leverage** -The use of CFDs involves a high degree of leverage. These Financial Products enable a user to outlay a relatively small amount (in the form of the initial margin) to secure an exposure to the Underlying Financial Product without having to pay the full price of holding the Underlying Financial Product. You can effectively take a position with the same potential to incur a profit (or loss) as you would get from purchasing or selling the Underlying Financial Product, but for less initial outlay than the equivalent physical transaction.



Leverage gives the user the ability to take a greater level of risk for a smaller initial outlay, thus amplifying the risks and rewards. However, it is important to fully understand that leverage also increases risks and can magnify losses – see clause 9 of Part 1.

- **Strategies** -Strategies may be complex and will have different levels of risk associated with each strategy. Please contact a representative of Apex to assist you in different trading strategies available to you.

## **7 Significant Risks of CFD Products offered by Apex**

For detailed information about the significant risks of trading in CFDs, please refer to clause 9 of Part 1.

## **8 How is the CFD Price Calculated?**

As a market maker, Apex's quotes are based on, and with reference to, the underlying futures contract on which the CFD is based, after allowing for Apex's spread.

The spread is the difference between the buy and sell price quoted by Apex to its Clients. This spread is factored into the prices quoted by Apex to Client's and is not an additional charge to the Client but should be taken into account in the cost of trading with Apex.

Apex cannot predict future market prices of Underlying Financial Products and our quotations are not a forecast of what we believe an Underlying Financial Product's value will be at a future date. The decision to transact at a particular rate will always be the Client's decision.

Apex does not provide a market amongst or between Clients. Each CFD purchased (or sold) by a Client is an individual agreement made between that Client and Apex and is not transferable, negotiable or assignable to or with any third party.

## **9 How are the Apex CFD Products Traded?**

Clients primarily transact in our CFDs using the Trading Platform. Accordingly, Clients are provided with direct access to our quoted prices over the internet.

We have provided some examples on our website to help illustrate how the CFDs offered by Apex work. These examples are illustrations only and actual results may differ.