



# AXIFOREX

## COMBINED FINANCIAL SERVICES GUIDE & PRODUCT DISCLOSURE STATEMENT

**AxiForex Pty. Ltd.**

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## FINANCIAL SERVICES GUIDE

### **About this Financial Services Guide (FSG)**

This Financial Services Guide (FSG) is designed to provide you with important general information regarding our services and is typically issued prior to providing you with any of our financial products or services. The information contained within this guide includes the following:

- Who we are and how you can contact us;
- The services we are authorised to provide to you;
- How you can communicate with us;
- How we are remunerated for these services;
- The disclosure documents and statements you will receive;
- Our internal and external dispute resolution processes; and
- How we deal with your personal information.

Please contact us if you would like further information on this FSG or on any of our services.

AxiCorp Financial Services Pty Ltd "AxiCorp", has authorised Corporate Authorised Representatives (Companies) and Authorised Representatives (Individuals) to provide financial services. As the licensee, AxiCorp is responsible for the service you receive from our representatives and us.

AxiForex Pty Ltd is authorised, as well as its nominated representatives by AxiCorp provide the following financial services to retail and wholesale

- deal in foreign exchange contracts and derivatives;
- make a market in foreign exchange contracts and derivatives; and
- provide financial product advice in relation to foreign exchange contracts and derivatives.

We provide the following products and services:

- Foreign exchange spot contracts ("Spot Contracts");
- Foreign exchange forward contracts ("Forward Contracts"); and
- Currency exchange and payment transfer information and support.

To the extent that we authorise our representative to do so, your adviser can help you to apply for the

financial products referred to the above and can also give you general financial product advice in relation to them. If your adviser is unable or unwilling to provide you with advice or services in respect of certain products, the adviser will refer you to another representative of AxiCorp, who should be able to assist you.

The financial services and products referred to in this FSG are issued by AxiCorp Financial Services Pty Ltd ACN 127 606 348 (trading as "AxiTrader") holder of Australian Financial Services Licence number 318232.

### **OUR CONTACT DETAILS**

The details of your Corporate Authorised Representative are:

AxiForex Pty Ltd  
 Level 10, 90 Arthur Street  
 North Sydney NSW 2060  
 Australia  
 Phone: +61 2 8037 7370  
 Email: [AxiForexSupport@AxiForex.com](mailto:AxiForexSupport@AxiForex.com)

### **Our advice policy**

We will provide you with general advice about our products and the financial markets related to our financial products. We do not provide personal advice.

Any advice does not take into account your personal objectives, financial situation or needs. In this instance, you should seek independent professional advice to ascertain whether our products are appropriate for you.

**Using our services**

If you wish to utilise our services you may issue instructions in person, via the telephone or via such other method (eg fax, email or electronic) as may be mutually agreed between us.

***Other documents you may receive:*****Product Disclosure Statement (PDS)**

All our financial products and services are issued under a Product Disclosure Statement ("PDS"). If you desire to acquire a financial product, we will provide you with our PDS relating to that service or product before you invest in or purchase that product. We will not provide you with our PDS for an underlying asset. This will help you make an informed decision about whether to acquire or utilise such products.

Any PDS we give you will provide further, general information about the different products which we issue and will identify the risks, terms and conditions, our fees charges and commissions, and any association we have that may influence our advice in respect of the product.

**General Transaction documents**

We will provide you with the relevant documentation to facilitate the requested Transactions. These may include, but not be limited to, client agreements, terms and conditions, and deal confirmations.

**Factual information**

We can provide you with written factual information regarding current or historical market rates.

**Our record keeping obligations**

We will maintain comprehensive and accurate records of your Transactions and advice provided.

**Who we act for**

AxiCorp is responsible for the financial services we provide to you under its Australian Financial Services Licence, and we do not act for or on behalf of any other financial services licensee. AxiCorp is a market maker, not an agent, when dealing in its financial products, which are off market over-the-counter ("OTC") derivatives, AxiCorp acts as principal in all transactions with you in respect of these financial products.

**Remuneration of other benefits received by our employees**

Our employees who provide you with advice may receive remuneration for the provision of these services. Our employees also receive salaries, performance-related bonuses and other benefits.

**Referral benefits for other services providers**

You may have been referred to us by a service provider who may receive financial or non-financial benefits from us. These should have been disclosed to you by the service provider in question. Please note that such benefits will not impact Transaction fees or other amounts payable in respect of Transactions with us.

**Transaction fees**

Our PDS provides further details regarding specific Transaction fees and costs. However, please note that our fee is built into the exchange rates quoted when you seek to transact. We also reserve the right to charge other fees such as a Transaction fee, telegraphic transfer fee, dishonored cheque fee, express delivery fee or any other relevant fee. Details of all fees and costs will be disclosed to you when entering into a Transaction.

**Disclosure of any relevant conflicts of interest**

We do not have any relationships or associations which might influence us when providing you with our services.

We may share our fees and charges with associates or third parties.

**Making a complaint**

We have an internal dispute resolution process in place to resolve any complaints or concerns you may have, quickly and fairly. These should be directed to our Complaints Officer who will seek to resolve your complaint within 14 days.

If you are dissatisfied with the outcome, you have the right to lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA is an approved external dispute resolution scheme, of which we are a member, and can be reached on 1800 931 678. You may also make a complaint via the ASIC Info line on 1300 300 630.

**Compensation arrangements**

We have professional indemnity insurance in place that complies with section 912B of the Corporations Act and ASIC Regulatory Guide 126. The policy will cover work done for us by our representatives and employees after they cease to work for us.

**Our privacy policy**

We are committed to protecting your privacy. We have systems and processes in place which safeguard against the unauthorised use or disclosure of your personal information. Please contact us if you have any concerns or if you would like to see a copy of our privacy statement.

**PRODUCT DISCLOSURE STATEMENT****1. INTRODUCTION**

This Product Disclosure Statement ("PDS") has been prepared and issued by AxiForex Pty Ltd (CAR: 001253785) ("AxiForex", "we" or "us"). It provides you with key information about our foreign exchange products.

This PDS is designed to assist you in making an informed decision regarding opening an Account and trading our products. Before deciding whether to acquire our Products, you should read this PDS, the Financial Services Guide and the Product Schedule and consider whether our products are suitable investment for you.

The PDS is made available on our Website and we will provide a paper copy free of charge upon request. The information contained in the PDS is current at the date of publication and replaces all previous versions. We may issue a supplementary or replacement PDS from time to time and, where it is not materially adverse to you, may be updated by us by publishing it on our Website. The version of this PDS published on our Website at the time of entering into a Transaction governs that Contract and supersedes all previous PDS, oral or written representations.

The PDS does not form part of the Client Agreement; nor should it be read instead of the Client Agreement.

Additional information is incorporated into this document by reference. That means it is available at [www.Axiforex.com](http://www.Axiforex.com).

**Jurisdiction**

The distribution of this PDS may be restricted in certain jurisdictions outside Australia. Persons into whose possession this PDS comes are required to inform themselves of, and to observe, such restrictions. This PDS does not constitute an offer or solicitation to anyone in any jurisdiction in which such an offer is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

If you are a non-resident of Australia dealing with us you should note:

- the law governing your dealings with us is the laws of New South Wales, Australia;
- your rights against us are restricted as set out in the Client Agreement;
- moneys which you deposit with us are not loans to us, and will be dealt with in accordance with the provisions in Parts 7.8 of the Corporations Act 2001 and the regulations made under those provisions that specify the manner in which the financial services licensees are to deal with client moneys and property ("Australian Client Money Rules");
- times are AEST times, unless stated otherwise.

**Warning**

You should not undertake Transactions or enter into spot Transactions (“Spot Contracts”) or forward Transactions (“Forward Contracts”) unless you properly understand the nature of foreign exchange products and are comfortable with the attendant risks. You should obtain financial, legal and taxation and other independent advice if necessary prior to entering into a Transaction to ensure it is appropriate for your objectives, needs and circumstances and in relation to the impact of any foreign exchange gains or losses on your particular financial situation.

**Use of Examples**

The use of examples in this PDS is provided for illustrative purposes only and does not necessarily reflect current or future market prices or the prices that we will apply to trade; nor how such trades have an impact on your personal circumstances.

**Anti-Money Laundering Legislation**

We may require further information from you from time to time to comply with the Anti-Money Laundering and Counter-Terrorism Financing Act (AML/CTF Act). By opening an account and transacting with us, you undertake to provide us with all additional information and assistance that we may reasonably require to comply with the AML/CTF Act.

You also warrant that:

- you are not aware and have no reason to suspect that:
  - the monies used to fund your Transactions have been or will be derived from or related to any money laundering, terrorism financing or other illegal activities, whether prohibited under Australian law, international law or convention or by agreement;
  - the proceeds of your investment will be used to finance any illegal activities; and
- you are not a politically exposed person or organisation

**Purpose and Contents of this Product Disclosure Statement**

This PDS is designed to provide you with important information regarding our range of foreign exchange products, including the following information:

- Who we are;
- How you can contact us;
- Which products we are authorised to offer;
- Key features/risks/benefits of these products;
- Fees and charges for these products;
- Any potential conflicts of interest we may have; and;
- Our internal and external dispute resolution process.

**Name and Contact Details of Issuer/Service Provider**

We are the issuer of this PDS and the financial product provider.

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

Writing to us at:

AxiForex Pty Ltd  
 Level 10, 90 Arthur Street  
 North Sydney NSW 2060  
 Australia  
 Phone: +61 2 9965 5830  
 Email: [AxiForexSupport@AxiForex.com](mailto:AxiForexSupport@AxiForex.com)

**Representations**

The information contained in this PDS is general advice only and does not take into account your particular financial objectives, needs and circumstances. You should obtain your own professional advice to ensure you fully understand the nature and risks of these products and determine their suitability for your situation.

Neither this PDS nor the Spot Contracts or Forward Contracts issued by us are endorsed or approved by the Australian Securities and Investments Commission (ASIC).

**Nature of Services we Offer**

We provide foreign exchange services to retail and wholesale clients. We are the issuer of this PDS and hold Australian Financial Services Licence number 318232 which authorises us to provide the following financial services:

- provide financial product advice regarding foreign exchange contracts and derivatives;
- deal in foreign exchange contracts and derivatives; and
- make a market in foreign exchange contracts and derivatives.

We buy and sell foreign exchange products and foreign currency.

We provide general advice and neither collect nor take into consideration, information regarding your financial circumstances and needs. It is recommended that you take all reasonable steps to fully understand the outcomes of specific foreign exchange products and strategies adopted in relation to utilising the general information provided by us to you. You should obtain financial, legal, taxation or other professional advice.

## 2. PRODUCT SUMMARY

We are authorised to buy and sell foreign currency on spot or forward exchange terms and to give general product advice regarding the specific Transaction or product.

A summary table of the key characteristics of our Transactions follows. However, you should ensure you read and understand this PDS in its entirety.

Issue	Summary	PDS Ref Clause
<b>Who is the issuer of this PDS and the foreign exchange products?</b>	We are both the issuer of this PDS and the provider of the foreign exchange products.	1
<b>What is a foreign exchange Transaction?</b>	Foreign exchange is about exchanging one currency for another. In a Transaction one currency can be bought or sold in exchange for another currency.	3
<b>What foreign exchange products do we provide?</b>	Spot Contracts and Forward Contracts.	4 & 5
<b>How do I enter into a foreign exchange contract?</b>	Prior to transacting in foreign exchange, you must read and understand the Financial Services Guide, this PDS, the Application, and the Client Agreement, which will be provided to you by us detailing the applicable terms and conditions. You must complete the Application and the documents referred to in it in order to set up an account with us. We reserve the right to refuse to transact with any person.	3
<b>How do you place a Transaction order with AxiForex?</b>	We accept Transaction instructions in any of the following ways: <ul style="list-style-type: none"> <li>• telephone (calls will be recorded), or</li> <li>• in writing (including email, facsimile or electronically where agreed)</li> </ul>	3
<b>Market Orders</b>	We provide a facility for you to place an order at a rate nominated by you.	3

<b>What fees and charges are payable in respect of a Transaction, Spot Contract or Forward Contract?</b>	<p>Whilst we endeavor to include all fees and charges in the spread quoted, in some circumstances you may incur the following fees and charges of up to AUD \$30 each in relation to a Transaction or product:</p> <ul style="list-style-type: none"> <li>• Transaction fee;</li> <li>• telegraphic transfer fee;</li> <li>• cheque dishonour fee;</li> <li>• express delivery fee.</li> </ul> <p>Details of all fees and costs will be disclosed to you when entering into a Transaction. The exchange rate quoted has a variable buy/sell spread which takes into account our remuneration.</p>	3
<b>What will be the rate of the foreign currency Transaction?</b>	The exchange rate is the price at which the Transaction takes place and will be quoted to you and agreed when the Transaction is entered into.	
<b>What will be the rate/pricing for the foreign exchange product?</b>	<p>For foreign exchange Spot Contracts, the applicable exchange rate will be that agreed when the contract is entered into, with Transaction settlement in normal circumstances occurring two Business Days later. Cleared client funds are required on the first Business Day after the Transaction date, with funds to be remitted for settlement on the second Business Day after the Transaction date.</p> <p>Forward Contracts can be for a fixed term or a fixed delivery date and can also include an optional designated delivery period. To take out a Forward Contract you will need to advise us of the amount of the particular currency you wish to buy or sell, the other currency involved and the settlement date you would prefer. Pricing of the contract will depend on a number of factors, including the settlement date chosen, the current spot exchange rates and, in each currency pair, the current forward exchange rate (comprised of the interbank market rate plus credit risk and liquidity premiums) derived from current interest rate differentials between the currency pairs.</p>	4 & 5

<b>Advance Payments</b>	An additional payment may be required to be paid for entry into a Forward Contract. This acts as collateral or a security buffer in the event of a default by you. Typically we will require an additional payment ("Advance Payment") calculated as a percentage of the contract value.  If you do not meet an Advance Payment Instalment request in a timely manner or within the time frame specified, positions may be reduced or closed out by us without further reference to you in accordance with the terms of the Client Agreement. This can result in a loss.	5
<b>What are the key benefits?</b>	Some of the key benefits for each type of contract offered by us are set out in Clause 4 & 5.	4 & 5
<b>What are the key risks?</b>	Whilst it is acknowledged that the majority of deliverable Transactions are a necessary aspect of some businesses, you should also be aware of some potential key risks of Transactions, particularly in respect of Forward Contracts that may be applicable to your circumstances, as set out in Clause 4 & 5.  You should obtain independent professional advice and carefully consider whether they are appropriate for you in light of your knowledge, experience and financial needs and circumstances.	4 & 5
<b>What are the tax implications of foreign exchange Transactions and products?</b>	Foreign exchange Transactions and products may have tax implications. The taxation consequences can be complex and will differ for each individual's financial circumstances.	9
	We recommend that you obtain independent	

	taxation and accounting advice in relation to the impact of Transactions and products on your particular financial situation.	
<b>Dispute resolution</b>	We have an established policy for dealing with complaints and we are a member of AFCA, an external dispute resolution scheme.	13

### 3. TRANSACTIONS AND PRODUCTS

#### Transactions

Foreign exchange is about exchanging one currency for another. In a Transaction one currency can be bought or sold in exchange for another currency. The exchange rate is the price at which this Transaction takes place. For example: if the current exchange rate for the Australian dollar against the USA dollar is AUD/USD 0.8900, this means that an Australian dollar is equal to, or can be exchanged for 89 US cents.

#### Foreign exchange products

The principal purpose of foreign exchange products is to enable individuals and entities with foreign exchange needs, to pay or receive international currencies for goods or services, convert moneys, manage their foreign currency risk and protect their funds against adverse exchange rate movements. These products enable future exchange risk to be hedged and provide a degree of certainty of foreign exchange rates and exposures.

#### Foreign exchange exposures

Foreign exchange exposures may arise from a number of different activities. A traveler going to visit another country has the risk that if that country's currency appreciates against their own, their trip will be more expensive.

An exporter who sells its product in foreign currency has the risk that if the value of that foreign currency depreciates then the revenues in the exporter's home currency will be lower.

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, higher than expected.

Fund managers and companies who own foreign assets are exposed to falls in the currencies where they own the assets. This is because if they were to sell (repatriate) those assets at the depreciated exchange rate applicable to those assets, this would have a negative effect on the home currency value.

Other foreign exchange exposures are less obvious and relate to the exporting and importing in local currency,



but where the negotiated price is being affected by exchange rate movements.

### **Nature of foreign exchange products**

Spot Contracts and Forward Contracts are not traded on a licensed financial market, or exchange, but are bilateral agreements between you and AxiForex, with each party responsible for assessing the credit standing and capacity of the other party before entering into the Transaction.

### **Client Application**

We will provide you with the requisite application forms to establish a relationship with us. If you wish to proceed, you will need to return a signed copy of the Application, which incorporates the Client Agreement and which in turn sets out your rights and obligations. You will then be bound by the Client Agreement.

### **Client instructions, statements and confirmations**

We accept order instructions in any of the following ways:

- telephone (calls will be recorded);
- in writing (including email or facsimile, where agreed); or
- on our on-line web application.

It is your obligation to confirm with us that any order instructions you provide to us have, in fact, been received by us.

It is your obligation to immediately review order confirmations that we provide, to ensure their accuracy. Any order discrepancies identified must be reported to us immediately.

Should you have any queries relating to your confirmations, we encourage you to contact us on +612 8037 7370.

Should you wish, for any reason, to close out or alter the Spot Contract or Forward Contract you have entered into, we are under no obligation to agree to such closure or alteration.

If we agree to close out or alter your contract this may be subject to payment of any expenses and/or exchange rate loss incurred.

### **What is a Market Order**

You may enter into an agreement with AxiForex under which your Spot Contract or Forward Contract becomes binding only when a certain exchange rate nominated by you ("Nominated Rate") is reached. You may amend or cancel the instructions given by you by telephone at any time before the Nominated Rate is reached. However, once your Nominated Rate is reached and the Market Order is filled by us, you are bound to settle the Transaction in accordance with the terms of the relevant Spot or Forward Contract at the Nominated Rate.

### **Terms of Market Orders**

The key terms of Market Orders may be summarised as follows:

A Market Order is binding from the time that your instructions are received by us. You may cancel a Market Order at any time before your Nominated Rate is reached by giving us notice by telephone or email. However, you may not cancel a Market Order after the Nominated Rate has been reached, whether or not we have notified you that your Nominated Rate has been reached. When your Nominated Rate is reached, we will notify you and upon such notification, you will be legally bound by the Transaction.

Your Nominated Rate will be reached only when the exchange rate nominated in your Market Order has been filled with us. In some cases, the exchange rate may spike to the extent that your Nominated Rate has been reached, but has changed before we are able to fill your Market Order, we will not fill your Market Order in those circumstances.

As soon as you receive our notification that your Nominated Rate has been reached, you must take action to ensure that the cleared and transferable funds are paid into our account before the date on which the funds that are being exchanged must be received by us ("the Settlement Date"). If we do not receive the funds in time, we may close out the Transaction.

Market Orders are not available for amounts less than AUD50,000 or equivalent.

The maximum period of validity for a Market Order is 21 days.

We will notify you when your Market Order has been filled.

### **Fees and Charges**

Our fee for foreign exchange products is built into the exchange rates quoted (buy/sell spread) when you seek to transact. Because we deal as principal, the exchange rate we offer you may not be the same as the rate we obtain ourselves.

The rate offered to you may depend upon a number of factors including Transaction size, term of the product, our business relationship with you, the prevailing market rates and the differing interest rates applicable to the currency pair involved in the forward exchange Transaction.

Further, we reserve the right to charge the following additional fees of up to AUD\$30 each:

1. Transaction fee;
2. Telegraphic transfer fee;
3. Dishonoured cheque fee;
4. Express delivery fee.

Details of fees and costs will be disclosed to you when entering into a Transaction.

You may also incur additional fees and charges from banks transmitting/receiving beneficiary funds. We do not receive advance notice of, nor will we be liable for, the imposition of such fees. As these fees and charges are beyond our control it is not possible to predict whether or not they will be incurred or determine their amount.

We are also entitled to retain any interest earned on client money held in the segregated trust accounts we must maintain under the Corporations Act. The rate of interest is determined by the provider of each segregated trust account.

If you fail to make any payment required under the Client Agreement when it falls due, interest will be charged on the outstanding sum at a rate of five per cent per annum over the cash rate determined by the Reserve Bank of Australia (or of such monetary authority as may replace it) for interbank loans.

Interest accrues and is calculated daily from the date payment was due until the date the client pays in full and is compounded monthly.

#### 4. SPOT CONTRACTS

A Spot Contract enables an exchange of two currencies on agreed terms. The applicable exchange rate will be that agreed when the contract is entered into (Transaction Date), with Transaction settlement occurring in normal circumstances two Business Days later, but earlier if nominated by you (Settlement Date) if on a Value Today – settlement on the day the Spot Contract is entered into – or Value Tomorrow – settlement on the day after it is entered into. Client funds are required to be remitted before settlement.

##### Benefits of Spot Contracts

The significant benefits of Spot Contracts are:

- they are a simple and efficient method of facilitating payments internationally;
- they can be used to provide advance payments to open account settlements and settle letters of credit.

##### Risks of Spot Contracts

In addition to the general risks associated with foreign exchange Transactions referred to later in Clause 6, the significant risks of Spot Contracts are:

- whilst efficient, spot exchange rates can be volatile and unpredictable, even during a single trading day; and
- utilising the spot market to manage future foreign exchange requirements may expose you to a high risk of unfavourable movements in foreign currency values, and
- there is no cooling off period.

#### Example of Spot Contract

- ABC Pty Ltd has an invoice due for immediate payment in foreign currency in the amount of USD100,000;
- ABC Pty Ltd purchases USD100,000 from us at the prevailing spot rate of 0.7500 which equals AUD133,333,33 (USD100,000/0.7500) (plus transmission costs if applicable);
- We send a written email confirmation to ABC Pty Ltd and ABC advises us of the intended beneficiary of the USD100,000;
- ABC Pty Ltd pays cleared AUD to us by its preferred settlement method (i.e. inward Telegraphic Transfer, Direct Credit, BPay or Direct Debit) within one business day in Sydney, New South Wales, Australia after the Transaction Date;
- Upon receipt of the total AUD owed to us under the Spot Contract, we remit USD100,000 to the beneficiary/ies in accordance with the instructions supplied by ABC Pty Ltd.

#### 5. FORWARD CONTRACTS

A Forward Contract enables you to buy or sell one currency against another for settlement at a future date. Many of you will need to exchange currencies at a future time other than two days in advance, but in order to manage their exposures and cash flows, they want to secure the rate of exchange now. Forward Contracts are generally used by importers, exporters and investors who seek to lock in exchange rates for a future date in order to hedge their foreign currency cash flows.

Forward Contracts can be for a fixed term or a fixed delivery date, and include an optional designated delivery period. Both the current spot (market) rate and the forward rate adjustment are used in determining the rate of exchange for a Forward Contract. The forward rate adjustment is a calculation involving the applicable interest rates and spot prices of the currencies involved. Forward Contracts reflect time and the difference in the interest rates between any two currencies.

The deals are flexible as to the Settlement Date, the size of the Transaction and as to currencies involved. Like Spot Contracts, Forward Contracts are bilateral contracts between two parties and hence each party is responsible for assessing the credit standing and capacity of the other party.

## Entering a Forward Contract

You will need to advise us of the amount of currency that you wish to buy or sell, the other currency involved and the Settlement Date. Pricing of the contract will depend on a number of factors, including the Settlement Date and the current spot rates. The current forward exchange rate is comprised of the interbank rate plus credit risk and liquidity premiums, as well as a forward premium or discount, which is derived from current interest rate differentials between the currency pairs.

## Advance Payments

All Forward Contracts must be settled by delivery of the full amount being transferred by the Settlement Date. This means that we must be able to sight the cleared funds in our bank account before the Settlement Date. When you enter into a Transaction with us, we enter into a matching Transaction with our own liquidity providers. If you do not settle your Transaction, we still have to settle ours. In order to cover the risk that you do not settle your Transaction, we may ask you for an Advance Payment.

The amount of any Advance Payment will be a fixed percentage of the value of the Transaction and will normally be between 5% and 15%, but could be more depending on the duration of the Forward Contract. While the amount of any Advance Payment is at our complete discretion, as a general guide, an Advance Payment may be required if:

- your company has only recently commenced business with limited operating experience;
- the credit rating is not of a high or satisfactory level as assessed by us;
- the contract amount requested is considered by us to be a higher foreign exchange risk than normally acceptable;
- the Settlement Date and/or currencies involved are considered by us to be a higher than normal credit risk in the event the Transaction had to be cancelled during the life of or at maturity of the contract;
- we have no history of trading with you; or
- the volatility of markets warrants extra collateral from you to hold the position.

The fact that we have not asked for an Advance Payment does not mean that we will not ask for a further payment if the exchange rate trends unfavourably. Equally, the fact that you have already made an Advance Payment does not mean that we will not ask for one or more Advance Payments if the exchange rate continues to move unfavourably.

If we have requested an Advance Payment at any stage of the Transaction, you must pay it promptly. We would normally expect to receive the Advance Payment within 48 hours of the request, failing which we reserve the right to close out the Transaction without notice and ask you to pay the full amount of any loss occasioned by us immediately.

**We do not pay interest on Advance Payments. IMPORTANT: You should not enter into a Forward Contract if you are unable or unwilling to provide an Advance Payment of between 5% and 15% (or more if we so decide – see above) of the value of the Transaction with the possibility of one or more further payments being requested at any time prior to the Settlement Date. If we ask you to pay a Deposit at any time and you fail to do so, we may close out your Forward Contract without prior notice.**

## Example

*The Advance Payment is calculated as follows:*

If you entered into a Forward Contract to buy USD100,000 against AUD at a rate of AUD/USD 0.7500 this would equate to AUD133,333.33. You would need to make an Advance Payment of AUD6,666.66 being 5% of the AUD equivalent, at the commencement of the Transaction. Interest is not paid on these Advance Payments. Whilst Advance Payments are refundable to you at Settlement, they are more commonly applied to the last payment on the contract at maturity.

We may offer a “no Advance Payment” Forward Contract facility to clients who have either built a satisfactory trading history with us or have had a satisfactory credit assessment, as determined by us.

## Pre-Delivery of the Forward Contract

You may also ask for pre-delivery of a portion or the total value of the Forward Contract prior to the expiry or maturity of the Forward Contract. This might occur where your supplier has contracted to deliver goods to you at various times over the period of the Forward Contract. This may result in an adjustment of the exchange rate based on the revised delivery date and the difference in interest rates between the two currencies. Remaining balances of the Transaction must be completed by Settlement Date.

## Extension of a Forward Contract

You may extend the Settlement Date of the Forward Contract only if agreed to by us. For example, this may be considered if there was a delay in the receipt of goods expected from your overseas supplier beyond the original delivery date. These can be transacted in either of two ways:

- We can offset the remaining balance of the original Forward Contract against a newly established Forward Contract with a new extended Settlement Date. We will quote you a rate that takes into account the current spot exchange rate and the forward margin for the adjusted time frame. However, by offsetting the remaining balance of the original Forward Contract, a profit or loss to you would result depending on the current exchange rates compared to the original Forward Contract rates. This profit or loss would have to be settled at this time;
- We can extend the remaining balance of the forward contract by quoting you an extension

margin onto your original Forward Contract exchange rate.

This method factors the profit or loss of the original Forward Contract into the new Forward Contract for the extended period (rather than settling this at the time of extension). This is known as a Historical Rate Rollover ("HRR"). When quoting an HRR rate, the pricing incorporates an interest charge on the above profit or loss in the new forward contract. This charge is associated with the funding or borrowing of the profit or loss for the term of the extension period.

In extending the Forward Contract, we may require you to lodge an Advance Payment.

### Closure of a Forward Contract

Although the terms of the Forward Payment Contract that you enter into with us are legally binding, you may wish to close out your Forward Contracts at any time up to and including the Settlement Date. Based on certain factors, for example, if your underlying transaction had been cancelled and your forward foreign exchange hedge is no longer required, you may call us to close-out your Forward Contract by entering into a reversing Transaction of your original Forward Contract at the prevailing exchange rate. We will provide you with a quote for closing-out your Forward Contract. This quote will incorporate some of the components used when pricing your original Forward Contract, but will be adjusted for prevailing market rates over the remaining term of the Forward Contract. Depending on the market rates at the time of closing-out this may result in either a gain or loss to you. There are no additional fees for the closing-out of a Forward Contract.

### Benefits of Forward Contracts

The significant benefits of Forward Contracts are:

- They are a simple method of covering future currency exchange risk, eliminating the concern about unfavourable movements in exchange rates.
- You can lock in a guaranteed rate of exchange, and manage your cash flows and costs accordingly.
- You can choose to settle the whole amount of the Forward Contract on one date.

### Risks of Forward Contracts

In addition to the general risks associated with Transactions referred to in Clause 6, the significant risks of Forward Contracts are:

- The principal risk with a Forward Contract is that as the exchange rate and delivery date are fixed, any opportunity for future financial benefit due to favourable market movements is lost.
- If the future exposure/obligation which has been hedged by the Forward Contract ceases to exist prior to delivery, then the contract may need to be closed out early. This could be at a loss if the market has moved adversely from your original entry price, or it could be profitable if the market price has moved in your favour.
- There is no cooling off period.

- An Advance Payment may affect your cash flow. Closures, extensions or redeliveries of a Forward Contract may result in a financial loss to you.

### Example of a Forward Contract

- ABC Pty Ltd has an invoice due for payment in 90 days time in foreign currency in the amount of USD100,000
- ABC Pty Ltd enters into a Forward Contract with a maturity date in 15 days time at the 15 day forward rate of 0.7500 (prevailing spot rate of 0.7525 adjusted by the prevailing forward margin of 0.0025 [minus 25 points]). The USD100,000 then converts to an equivalent of AUD133,333.33
- ABC Pty Ltd is required to pay a 5% deposit of AUD6,666.67 to us upon entering into the Forward Contract.
- We send a written confirmation (email) to ABC Pty Ltd and ABC Pty Ltd advises us of the beneficiary/ies of the USD100,000.
- Before the Settlement Date, ABC Pty Ltd pays the equivalent AUD (less any deposit already received) to us by its preferred settlement method (i.e. Inward Telegraphic Transfer, Direct Credit, BPay or Direct Debit)
- Upon receipt of the total cleared AUD equivalent owed to us under the Forward Contract, we remit USD100,000 to the beneficiary/ies in accordance with the instruction supplied by ABC Pty Ltd.

## 6. GENERAL RISKS OF TRANSACTIONS

Foreign exchange products such as Spot Contracts and Forward Contracts comprise an important risk management tool for those who manage foreign currency exposures.

Whilst there are numerous hedging and certainty benefits for those with foreign currency exposures to manage in the course of their business activities, foreign exchange products and Transactions entail a number of significant risks and are not suitable for all. You should seek prior independent advice and consider carefully whether entering into Transactions is appropriate in terms of your experience, your financial objectives, needs and circumstances.

Some of the risks involved in trading Spot Contracts and Forward Contracts, include the following;

### Market Risk

In certain market conditions, it can become difficult or impossible to liquidate a position (this can, for example, happen when there is a significant change in prices over a short period of time).

Consistent with market conditions, the prices of our products may be volatile and fluctuate rapidly over wide ranges. Price fluctuations may occur as a result of uncontrollable events or changes in a variety of conditions such as, but not limited to, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the relevant marketplace.

### Counterparty Risk

When you enter into a Transaction with us, you are reliant on the ability of AxiForex to meet our obligations to you. While we are required under our Australian Financial Services Licence to maintain surplus liquid funds at all times, you will always be assuming a risk in relation to our solvency. This risk is also sometimes referred to as "counterparty risk".

However, we do not assume any risk in relation to exchange rate movements ourselves. To reduce your exposure to us in each Transaction, we enter into a hedging Transaction with one of our liquidity providers/counterparties as soon as you enter into a Transaction with us. Your risk is, therefore that one of our counterparties defaults. At this stage we transact with large international banks. We may of course add to this bank or change banks.

### Regulatory Risk

Changes in taxation and other laws, government, fiscal, monetary and regulatory policies in Australia or overseas may have a material adverse effect on your dealings in our products.

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or external events. Disruptions in our processing may lead to delays in the execution and settlement of your Transaction.

### Segregated Trust Account

Any money that you deposit with us will be segregated, held in trust and used in accordance with the Australian Client Money Rules.

However, we are entitled amongst other things to :

- withdraw, deduct or apply any amounts payable by you to us and/or any associate of ours under the Client Agreement from your moneys held in any segregated trust account by us including, without limitation making a payment for, or in connection with the Advance Payments, adjusting or setting of dealings in our products entered into by you or the payment of charges or interest to us, with all such amounts belonging to us under the Client Agreement,
- pay, withdraw, deduct or apply any amounts from your moneys held in any segregated trust account or used by us as permitted by the Australian Client Money Rules. The Australian

Client Money Rules relevantly permit us to withdraw money from the segregated trust account in the following circumstances:

- to defray brokerage and other proper charges (e.g. commissions);
- from 4 April 2018, to meet an obligation incurred by us in connection with derivative transactions which will be cleared through a domestic licensed clearing and settlement facility or a foreign clearing and settlement facility (note this will not usually be the case with financial products offered under this document); and
- where interest is earned on the account, and we have disclosed to you that we intend to keep any interest payments (which we have done in section 3 above).

Your moneys may be co-mingled into one or more segregated trust accounts with our other customers' moneys.

We are also obliged to deposit any moneys due to you in relation to dealings in our products and we must deposit them into a segregated trust account. Those obligations to you under the Client Agreement are unsecured obligations, meaning that you are an unsecured creditor of us.

### Record-keeping, reconciliation and reporting under the Australian Client Money Rules

From 4 April 2018, new derivative retail client money reporting rules will apply to us. Under the client money reporting rules, we will be required to comply with various record-keeping, reconciliation and reporting obligations in relation to any "reportable client money" we hold. "Reportable client money" is money held by a retail client in connection with OTC derivatives or overseas exchange-traded derivatives (such as foreign futures contracts).

Under the new client money reporting rules, we must:

- keep accurate records of the amount of reportable client money we receive from you, and retain them for seven years;
- perform a daily and monthly reconciliation of the amount of reportable client money we have recorded against the amount actually held in the client money account, some of which will include your client money;
- notify ASIC within five business days if we fail to perform a reconciliation in accordance with the client money reporting rules or if we identify a discrepancy when performing a reconciliation;
- prepare and give to ASIC an annual directors' declaration and an external auditor's report on our compliance with the client money reporting rules within three months of the end of the financial year; and

- establish, implement and maintain policies and procedures designed to ensure our compliance with the client money reporting rules.

- if there is any money remaining in the account after payments made in accordance with the above, the remaining money is payable to us.

### Wholesale status

Please note that we will assess your wholesale client or retail client status from time to time. Wholesale clients are defined as clients who are provided with financial services and/or products other than as retail clients (s 761G(4) of the Corporations Act). There are various categories of wholesale client including the following:

- a person acquiring a financial product where the price or value of the financial product is at least A\$500,000;
- a person who has net assets of at least A\$2.5 million or gross income for each of the past two financial years of at least A\$250,000;
- if the product or service is provided for use in connection with a business that employs at least 20 people (or 100 people for a manufacturing business);
- a "professional investor" as defined in s 9 of the Corporations Act; or
- a sophisticated investor as defined in s 761GA of the Corporations Act.

If you satisfy the criteria to be classified as a "wholesale client" we may classify you as such. We are under no obligation to inform you if we classify you as a wholesale client.

### Protection afforded by the Australian Client Money Rules

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

- money in the segregated trust account is held in trust for the persons entitled to it, and is paid in the order set out below in the third bullet point;
- if money in the segregated trust account is used, these uses are likewise held in trust for each person entitled to money in the account;
- the money in the account is to be paid in the following order:
  - money that has been paid into the account in error;
  - the next payment is payment to each person who is entitled to be paid money from the account;
  - if the money in the account is not sufficient to be paid in accordance with the above, the money in the account must be paid in proportion to the amount of each person's entitlement;

These rules override anything to the contrary in the Australian Bankruptcy Act 1966, in company law or in the Client Agreement.

### Warning about segregated trust accounts

It is important to note that our holding your moneys in one or more segregated trust accounts may not afford you absolute protection.

The purpose of segregated trust accounts is to segregate our customers' money, including your moneys, from our own funds. However, an individual customer's money is co-mingled into one or more segregated trust customer accounts.

Furthermore, segregated trust accounts may not insulate your moneys from a default in the segregated trust accounts. However, it is our policy to top up a segregated account from our own funds where there is a deficit in that account due to the default of a customer.

Should there be a deficit in the segregated trust accounts and in the unlikely event that we become insolvent before the topping up of the segregated trust accounts in deficit; you will be an unsecured creditor in relation to the balance of the moneys owing to you.

#### **What is an unsecured creditor?**

In the event that you become an unsecured creditor of us, you will need to lodge a proof of debt with the liquidator for the amount of moneys that are owing to you as evidenced by your account statements.

The liquidator then assesses all proofs of debts to determine which creditors are able to share in the assets of the company, and to what extent depending on the amounts owing to them and any priority they may have to be paid.

### **7. CLIENT AGREEMENT**

In order to open an account, you are required to sign the Application, under which you agree to be bound by the Client Agreement which is an important legal document containing the terms and conditions which govern our relationship with you.

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

We note the following key terms in the Client Agreement, many of which have been summarised throughout this PDS.

- Client acknowledgements regarding knowledge and suitability to trade foreign exchange products;
- Client representations and warranties;
- Deposit requirements for Forward Contracts and our rights in respect of them;
- Client obligations regarding confirmations (discrepancies);
- Our rights following a default event;
- Fees and charges;
- Restrictions on assignment of agreement;
- Telephone recordings;
- Governing law (New South Wales); and
- Termination and close out.

### **8. DISCRETIONARY POWERS OF AXIFOREX**

We have a number of discretionary powers which may affect your trading activities, including the right to close out your Transaction/s without prior notice to you. We refer you to the Client Agreement which sets out these powers and suggest that you should read and fully understand them before entering into a Transaction. You should understand that we may refuse to enter into a Transaction, or close out any open Transactions, without notice, in circumstances such as the following:

- if you fail to make any payment when it is due, including the payment of any Deposit that has been requested by us;
- if you fail to provide any material information that we have requested or any information you have given us is or becomes, in our opinion, materially inaccurate or misleading;
- in the event of your death or loss of mental capacity;
- if bankruptcy or winding up proceedings are commenced against you;
- if the performance of our obligations under the Client Agreement becomes illegal;
- if a serious dispute has arisen between us; or
- if you breach an important term of this Client Agreement or of any Transaction.

You should be aware that we may be obliged to freeze or block your account if information comes to our attention that leads us to believe that it is being used in connection with money laundering or terrorist financing activities or if we are directed to do so by a regulatory authority. If this occurs, we will not be liable to you for any consequential losses whatsoever and you agree to continuously indemnify us if we suffer loss as a result of action taken by a third party beneficiary arising from any such action we have taken in relation to your account.

### **9. TAXATION CONSIDERATIONS**

Foreign Exchange Transactions and foreign exchange products may have tax implications. The taxation consequences of Transactions and products can be complex and will differ for each individual's financial circumstances and the nature and characterisation of the foreign exchange. We recommend that you obtain independent taxation and accounting advice in relation to the impact of Transactions and products on your particular financial situation.

## 10. REMUNERATION AND OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

Our employees who provide you with advice or Transaction execution may receive commissions for the provision of these services. Our employees also receive salaries, performance-related bonuses and other benefits.

## 11. REFERRAL BENEFITS FOR OTHER SERVICES PROVIDERS

You may have been referred to us by a service provider who may receive financial or non-financial benefits from us. These should have been disclosed to you by the services provider in question. Please note that such benefits will not impact Transaction fees, the rate you will be offered or Deposits payable for financial products or services undertaken with us.

## 12. DISCLOSURE OF ANY RELEVANT CONFLICTS OF INTEREST

We do not have any relationships or associations which might influence us in providing you with our services. However, we may share fees and charges with associates or other third parties or receive remunerations from them with respect to your dealings with us.

We will always act as principal for our own benefit in respect of all Transactions with you.

## 13. MAKING A COMPLAINT

We have an internal dispute resolution process in place to resolve any complaints or concerns you may have, quickly and fairly. Any complaints or concerns should be directed to the Client Services team (by telephone or email). We will do our best to resolve the issue at the first point of contact. However, if we are unable to do so to your satisfaction you may refer the complaint to the Complaints Officer. We will investigate your complaint and provide you with our decision and the reasons on which it is based, in writing. We will seek to resolve your complaint within 21 calendar days.

If we are unable to resolve the complaint within 45 calendar days we will: (a) inform you of the reasons for the delay; (b) provide you with updates on progress of the complaint; and (c) specify a date when a decision can be reasonably expected. We would expect that in most cases the above process would deal with the matter fully and to your satisfaction.

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

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

Online complaints form: <https://www.afca.org.au/make-a-complaint/>

The Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001

Toll Free (Australia only): 1800 931 678

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

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

## 14. OUR PRIVACY POLICY

We are committed to protecting your privacy. The information you provide to us and any other information provided by you in connection with your Transactions will primarily be used for the processing of your application and for complying with certain laws and regulations. We have systems and processes in place which safeguard against the unauthorised use or disclosure of your personal information. We may use this information to send you details of other services or provide you with information that we believe may be of interest to you. Please contact us if you have any concerns or if you would like to see a copy of our privacy statement. You should also refer to Clause 15 of the Client Agreement.

## 15. NO COOLING OFF PERIOD

There is no cooling off period regime that applies to any of the products described in this PDS. You are, therefore, bound by the terms of a Spot Contract or Forward Contract, when you enter into it, despite the fact that settlement may occur at a later date.

## 16. DOCUMENTS TO BE PROVIDED BY ACCOUNT TYPES

You must provide us with your Application, or at any time requested by us, such of the documentation as set out in the Application