



# Product Disclosure Statement

## Margin

### Foreign Exchange and Contracts for Difference

## MARGIN FOREIGN EXCHANGE AND CONTRACTS FOR DIFFERENCES PRODUCT DISCLOSURE STATEMENT

Please note: except where specified, this Product Disclosure Statement refers to both Margin Foreign Exchange and Contracts for Difference.

### Section 1 – Important Information

#### 1.1 PURPOSE OF THIS PDS

This Product Disclosure Statement (**PDS**) is dated 17 July 2017 and was prepared by AGM Markets Pty Ltd ABN 87 158 706 766; AFSL 422662 (trading as First Index) (**AGM Markets, we, our, us** or the **Company**) as the issuer of over-the-counter (**OTC**) derivatives including margin foreign exchange contracts (**FX Contracts**) and contracts for differences (**CFDs**). It describes the key features of FX Contracts and CFDs, their benefits, risks, the costs and fees of trading and other related information. You should read all of this PDS.

This PDS is designed to help you decide whether the Products described in this PDS are appropriate for you.

#### 1.2 RISK WARNING

FX Contracts and CFDs can be highly leveraged and carry a significantly higher risk than non-leveraged investments. Potential investors should be experienced in derivatives and understand and accept the risks of investing in OTC derivatives.

The information in this PDS is general only and does not take into account your personal objectives, financial situation and needs. This PDS does not advise you on whether these Products are appropriate for you. The Products that are described in this PDS and are issued on the Account Terms. You should read all of this PDS and the Account Terms before making a decision to deal in the Products covered by this PDS. We recommend that you contact us if you have any questions arising from this PDS prior to entering into any Contracts with us. AGM Markets also recommends that you obtain your own independent legal, tax and investment advice, taking into account your particular needs and financial circumstances before trading with us.

A Glossary is provided at section 8 of this PDS.

#### 1.3 AGM MARKETS DOES NOT GIVE PERSONAL ADVICE

AGM Markets will not give you personal financial advice. The information in this PDS is general in nature and does not take into account your personal objectives, financial situation and needs. This PDS does not constitute personal advice to you on whether FX Contracts or CFDs are appropriate for you.

#### 1.4 JURISDICTIONS

The Products offered by this PDS may be subject to legal restrictions in jurisdictions outside Australia. Any person residing outside Australia who gains access to this PDS should comply with any such restrictions. Failure to do so may constitute a violation of financial services laws. The offers to which

this PDS relates are not available to investors in the USA or Japan.

### **1.5 CURRENCY OF PDS**

The information in this PDS is up to date at the time it was prepared but is subject to change at any time. Any updates will be posted on our Website ([www.firstindex.com](http://www.firstindex.com)). If the new information is information that is materially adverse to you, we will either issue a new PDS or a supplementary PDS containing the new information. If the new information is not materially adverse to you, we will not issue a new PDS or a supplementary PDS to you, but you will be able to find the updated information on our Website or by calling us using the contact details given in section 1.6 below. A copy of this PDS can be downloaded from the Website or you can call AGM Markets to request that a paper copy be provided to you free of charge.

Please note that examples provided in this PDS are for information purposes only and do not necessarily reflect the current or future market. References to other parties and/or instruments are for information purposes as well. Examples do not constitute general or personal financial advice.

### **1.6 CONTACT**

AGM Markets can be contacted at:

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## Section 2 – Regulatory Guide 227

Regulatory Guide 227 (RG227) issued by ASIC sets out 7 disclosure benchmarks for OTC CFDs and Margin FX Contracts that are aimed at helping you understand the risks associated with CFDs and FX Contracts, their potential benefits and whether trading in OTC derivatives is suitable for you.

More information about the disclosure benchmarks contained in this PDS can be found in RG227.

The following table outlines the disclosure benchmarks and how AGM Markets meets each one:

Benchmark	AGM Markets	Additional Information
<b>1. Client Qualification</b>	AGM Markets assesses a potential Client's knowledge and experience during the application process. Should a Client not meet the predetermined criteria, they will have the opportunity to retake the assessment after receiving further education.	Please see section 4.1.
<b>2. Opening Collateral</b>	This benchmark states that AGM Markets should generally only accept cash or cash equivalents (such as credit cards) and limit credit card payments used for opening collateral to AUD\$1,000. AGM Markets does not meet this benchmark because it does not place a limit on credit card payments. This provides our Clients with payment flexibility and choice of funding method.	Please see section 4.3.
<b>3. Counterparty Risk Hedging</b>	AGM Markets maintains and applies a written policy to manage its exposure to market risk due to Client Positions.	Please see section 4.18.
<b>4. Counterparty Risk Financial Resources</b>	AGM Markets maintains and applies a written policy to ensure it meets the financial requirements of its AFSL.  It is important to note that AGM Markets also conducts regular stress-testing on its financial position to ensure it is adequately capitalised at all times.	Please see section 4.19.

<b>5. Client Money</b>	AGM Markets maintains and applies a clear policy with regards to the use of Client money. AGM Markets keeps Client money in a segregated Trust Account with a reputable Australian bank.	Please see section 4.5.
<b>6. Suspended or Halted Underlying Assets</b>	AGM Markets does not allow Clients to open new Positions when there is a trading halt in an Underlying Asset. AGM Markets may exercise its discretion to determine a value to Close Out a Contract.	Please see section 4.10.
<b>7. Margins Calls</b>	<p>AGM Markets makes Margin Calls through its Online Trading Platform. Clients must monitor their Online Trading Platform and the Account Balance at all times while you have open Contracts with us.</p> <p>AGM Markets reserves the right to Close Out Positions when it deems it necessary and at its own discretion.</p>	Please see section 4.9.

### Section 3 – Features of our Products

#### 3.1 FX CONTRACTS

##### Key features of FX Contracts are:

- They are OTC derivatives issued by AGM Markets.
- They are available in most currencies around the world.
- When you trade, there is always a long (bought) and a short (sold) side to a FX Contract, which means that you are speculating on the prospect of one of the currencies strengthening and the other weakening.

##### Key benefits of FX Contracts are:

Foreign exchange contracts provide an important risk management tool for those who manage foreign currency exposures. AGM Markets offers FX Contracts to Clients as a risk management tool to protect themselves against adverse currency market swings. The key benefits of using FX Contracts for hedging purposes are to protect your exchange rate and provide relative cash flow certainty.

In addition to using FX Contracts as a risk management tool, you may also benefit from speculating on changing exchange rate movements. You may take a view of a particular market, or the

markets in general and therefore invest in the Products according to this belief in anticipation of making a profit.

These and other benefits of our Products are as follows:

- **Exchange rate certainty** – Our Products may be used as a risk management tool for hedging foreign exchange currency exposures. This may enable businesses and individuals who wish to pay for goods or services denominated in a foreign currency to reduce the negative impact of adverse movements in the currency market on their personal or business costs by entering into appropriate Contracts. As such FX Contracts may be used to improve cash flow certainty.
- **Risk management tools available** - AGM Markets also offers you a way of managing adverse movements by using Stop Loss Orders and Stop Limit Orders (see section 4.17) that enable you to protect yourself against adverse market swings yet secure enhanced exchange rates when favourable upside market movements occur. All Stop-Loss Orders are subject to agreement by us. Where we accept your Stop-Loss Order, market conditions may move against you in a way that prevents execution of your Stop-Loss Order. It therefore may not be possible to fill your Stop-Loss Order at the exact level that you have requested. Where it is not possible to fill your Stop-Loss Order at the price you requested AGM Markets will fill the Stop-Loss Order at the nearest available price. In addition, you may use Stop Limit Orders, which allows you the opportunity to benefit from favourable upside market movements.
- **Access to the foreign exchange markets 24 hours a day, 5 days a week** - The Online Trading Platform opens at Sunday 05:00pm Eastern Standard Time (EST) (being Monday morning, Australian Eastern Standard Time) and closes at 05:00pm, EST on Friday (being Saturday morning AEST). This gives you an opportunity to react instantly to news that is affecting the underlying markets.

Trading in the some Products may be restricted to hours where liquidity is available for any given currency.

- **Profit potential in both rising and falling markets** – Because the currency markets are constantly moving, there are often trading opportunities, regardless of whether a currency is strengthening or weakening against 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 EURUSD (the EURO and USD currency pair) declines, for example, it is because the USD gets stronger against the EURO. So, if you think the EURUSD on the Online Trading Platform.

- **Superior liquidity** – The foreign exchange market is generally very liquid, this means that in most instances there are generally buyers and sellers trading. 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 Online Trading Platform uses sophisticated technologies in order to offer you regularly updated quotes.
- **Access to your Account information 24 hours a day, 7 days a week** – You can access the Online Trading Platform at any time, subject to the availability and connectivity of the Online Trading Platform which sometimes may be outside of our control. You may check your Account and Contracts in real time.
- **Tailored** – A major benefit of our Product is that you can tailor the FX Contract to meet your specific circumstances. Unlike exchange-traded Products, FX Contracts are not standardised and can be personally tailored to suit your requirements. For example, AGM Markets allows you to enter into FX Contracts in small amounts, whereas exchange traded Products are a standard size and cannot be varied in duration. Your FX Contracts will continue until you decide to Close Out the Contract, provided that you continue to meet your Margin requirements and maintain the required Account balance.

**Key risks of FX Contracts are:**

- FX Contracts are not afforded the protection of exchange-traded derivatives arising from any domestic or international exchange rules (such as guarantee or compensation funds).
- There is no assurance that you will make profits or not make losses due to the speculative and volatile nature of the FX market.
- Your recourse against AGM Markets is limited to our resources and an actual recovery against our hedge counterparties (where relevant) used by us to hedge FX Contracts issued to you. You have no recourse against any hedge counterparty of AGM Markets and you are dependent on our success in recovering against the hedge counterparty and allocating that to your Position. This risk is known as counterparty risk. See section 4.18 “Hedge Contracts and Limited Recourse”.
- Margin requirements - You are liable to pay Margin before a FX Contract is issued and you may be required to pay more Margin before the FX Contract is Closed Out. Margin requirements can change rapidly. If you do not meet your Margin requirements, including at little or **no** notice, all or a portion of your Contracts may be Closed Out without notice to you.
- FX Contracts carry the risk of significant loss because of their leveraged nature where you pay only a Margin. You can lose more than the Margin you pay and you can be liable to pay more for any further shortfall on your investment which was not covered by your Margin.

**Operation of FX Contracts**

The FX Contracts offered by AGM Markets are rolling spot FX Contracts between you and AGM Markets in relation to an agreed currency pair.

When you propose to enter into any FX Contract you will be asked to nominate an amount and the two currencies to be exchanged. In every FX Contract offered by AGM Markets there are two



currencies as follows:

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

The fixed currency is called the **Base Currency** and the variable currency is called the **Term Currency**. Together, these are known as the **currency pair**. The currencies involved in any FX Contract must be currencies which are offered by AGM Markets. As at the date of this PDS, AGM Markets offers over 40 different currency pairs. To find out more about the different currency pairs AGM Markets offers, we refer you to our Website at [www.firstindex.com](http://www.firstindex.com).

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

The foreign exchange Products offered by AGM Markets do not result in the physical delivery of the currency. The foreign exchange Products offered by AGM Markets are Closed Out on the Online Trading Platform, resulting an adjustment in your Account.

### **3.2 CFDs**

**Key features of CFDs are:**

- They are OTC derivatives issued by AGM Markets.
- Their price is referable to the price movement of the Underlying Asset i.e., if the price of the Underlying Asset changes so will the price of the CFD.
- They require Margin to establish and maintain the CFD.
- They do not have an expiry date and will remain until they terminate because of the termination of the Underlying Asset or until you or, in its discretion, AGM Markets, Closes Out the open Contract.
- They provide ease of access to invest indirectly in a range of Underlying Assets around the world.

A CFD is an OTC derivative by which you can make a profit or loss from the price movement of the Underlying Asset without actually owning that Underlying Asset or having any indirect interest in the Underlying Asset.

Essentially, the amount of any profit or loss made on a Contract will be equal to the difference between the price of the Underlying Asset when the CFD is opened and the price of the Underlying Asset when the CFD is closed, multiplied by the number of the Underlying Assets to which the CFD relates. The calculation of profit or loss is also affected by other payments, including payments relating to dividends declared in relation to the Underlying Asset and Transaction Fees.

You can take both “long” and “short” Positions. If you take a long Position, you profit from a rise in the Underlying Asset, and you lose if the price of the Underlying Asset falls. Conversely, if you take a short Position, you profit from a fall in the price of the Underlying Asset and lose if the Underlying Asset price rises.

As well as dealing CFDs on individual equities, you can also trade CFDs on many indices. The same principle applies - go short if you think the market index is going to fall, or go long if you think

the index is going to rise. This can be useful if you want to follow a specific market trend rather than individual shares.

Index CFDs aim to reflect the fair value of the index but the actual bid and offer price may differ slightly from the actual index level. Each index is traded as a number of currency units per index point. For example if the S&P / ASX 200 index is valued at 1000 then trading 10 index CFDs would mean the value of the trade was \$10,000. With an Initial Margin requirement of 5%, the trade would require \$500 in cleared funds to be paid into our account before.

#### **Key risks of CFDs are:**

- CFDs carry the risk of significant loss because of the leverage obtained by you paying only a Margin (i.e., less than the full market value of the Underlying Asset). You can lose more than the Margin you pay and you can be liable to pay more for any further shortfall on your investment which was not covered by your Margin. However, in a case of your Account balance becoming negative, we may, in our discretion, not request you to top up your Account as long as you have complied with the Account Terms. It remains your responsibility to monitor your Margin level and comply with your obligations.
- CFDs are typically low, highly leveraged investment. You should be prepared for greater risks from this kind of leveraged OTC derivative, including being liable to pay us more than your initial investment.
- Margin requirements can change rapidly in response to changes in the market for the Underlying Asset.
- You are dealing with AGM Markets as principal in an OTC derivative so you are exposed to the risk of performance by AGM Markets at the time you close your Position. All of your Margin is payment to AGM Markets for its own benefit and is not held on deposit for you.
- CFDs offered by AGM Markets are OTC derivatives, that is, they are not cleared through a regulated market such as the ASX and you will not be afforded the protection which you would receive from exchange traded derivatives arising from any domestic or international exchange rules (such as guarantee or compensation funds).
- Your recourse against AGM Markets is limited by our recourse and actual recovery against any hedge counterparty, where applicable, who may be used by AGM Markets to hedge its CFDs issued to you. You have no recourse against any hedge counterparty of AGM Markets and you are dependent on our success in recovering against the hedge counterparty and allocating that to your Position. This risk is known as counterparty risk. See section 4.18.
- CFD which are denominated in foreign currency can expose you to fast and large changes to the value of your Account, potentially triggering the need for more Margin to be paid by you, including at short or no notice.

## **Purpose of CFDs**

People who trade in CFDs may do so for a variety of reasons. CFDs may help to manage cash flow, price and market risk.

Some trade for speculation, that is, with a view to profiting from fluctuations in the price or value of the Underlying Asset. For example, share CFD traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the Underlying Asset. CFD traders may have no need to sell or purchase the Reference Securities themselves, but may instead be looking to profit from market movements in the Reference Securities concerned.

Others trade CFDs to hedge their exposures to the Underlying Asset. For example, CFDs can be used as a risk management tool to enable those with existing holdings of exchange traded options, or “short” CFD Positions, to hedge their Position. If the price of the Underlying Asset the investor holds falls, the short CFD Positions will wholly or partly offset the losses incurred on the physical holdings.

The use of CFDs involves a high degree of leverage. CFDs enable a user to outlay a relatively small amount (in the form of Initial Margin) to secure an exposure to the Underlying Asset.

This leverage can work against you as well as for you and carries a high degree of risk. The use of leverage can lead to large losses as well as large gains. The leveraging in a CFD may lead to a loss larger than the Initial Margin and Variation Margin that you have deposited with or paid to us to establish or to maintain the CFD. For example, if you have a positive view about the prospects of a company, you could either buy 5,000 shares of the company at (say) \$5.00 and pay your broker \$25,000 (plus costs) or you could buy CFDs in respect of the company’s shares and use an Initial Margin of \$500 (plus costs) on an account with a leverage of 50:1.

For the experienced investor, this leverage provides an attractive means of gaining exposure to the performance of the Reference Securities without the need to invest in the physical share.

We may, in our discretion, not request you to top up your Account in a case of negative Account Balance. The responsibility is on you to monitor your Positions and comply with relevant Margin requirements.

## **CFD Terms**

Unlike direct investments by trading on a regulated market CFDs are not standardised. The terms of CFDs are issued on the Account Terms with AGM Markets.

CFDs do not give you a right to acquire the Underlying Asset. This is different from direct trading in the Underlying Asset where you acquire a beneficial interest in the actual Underlying Asset and so you would also get a direct interest in any shareholder rights, such as dividends and any attached dividend imputation credits and voting rights.

As the holder of a CFD, you do not have a beneficial interest in the Underlying Asset and you have none of the rights of a holder of that security, such as voting rights. You are not entitled to dividends or other distribution which may be paid on the Underlying Asset nor to direct AGM Markets on other decisions which may be made in respect of the Underlying Asset. Adjustments may be made to the Balance of your Account in respect of your CFD in respect of dividends or

other distributions paid in respect of the CFD's Reference Securities. See section 4.13.

## **Section 4 – How to Trade**

### **4.1 BECOMING A CLIENT – BENCHMARK 1**

#### **Qualification Policy**

Trading in our Products is not suitable for everyone because of the significant risks involved. This section sets out how our client qualification policy (Client Qualification Policy) operates in practice.

#### **Minimum Qualification Criteria**

AGM Markets will conduct an assessment of your suitability against a list of qualifying criteria that addresses your understanding and experience with the Products. You must be aware of the features of the Products and the associated risks before investing in them. We do not accept retail investors unless you meet the minimum qualification criteria. The factors that we take into account in assessing your suitability include:

- Previous trading experience in trading financial products;
- Understanding of leverage, margins and volatility;
- Understanding of the key features of the Products;
- Understanding the trading process and relevant technology;
- Ability to monitor and manage the risks of trading; and
- Understanding that only risk capital should be traded.

AGM Markets' assessment of your suitability is based on the information you provided. You warrant that the information you provide to us is true and accurate in all aspects. You understand that we will rely upon the information you provide in making a judgment about whether to accept you as a Client.

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

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

Even if we assess you as suitable to trade the Products, we urge you to use our demo Accounts for a period of time to ensure you are familiar with the terminology of the Products and how they work. If in our sole judgment we consider that you have qualified, we will not be liable in any way to you, or have any dealings or transactions between us set aside, modified or varied, if your experience, knowledge and understanding are found to be insufficient or that we were in error in making our judgment.

#### **Client Qualification Test**

When you start the Account opening process with us online, you will be asked the level of previous experience you have in FX Contracts and CFDs. As part of the Account opening process, you will be required to demonstrate through a Client Qualification Test your understanding of the following:

- leverage, Margins and volatility;
- key features of FX Contracts and CFDs;
- the trading process and relevant technology; and
- the ability to manage and monitor trading risks.

The above test must be passed with a 60% or higher score to allow an Account to be opened. The test may be attempted three (3) times.

#### **Other options to demonstrate suitability**

AGM Markets allows you to open an Account with us without completing the Client Qualification Test when it is provided with any of the following:

- a copy of previous trading statement demonstrating that you traded at minimum 10 lots with another licensed broker per year; or
- a completion certificate which shows your completion of an approved training course for trading.

AGM Markets has sole discretion in assessing and determining whether any documents you provided are sufficient to demonstrate your suitability.

#### **Client On-boarding Process**

AGM Markets checks minimum qualification criteria as part of its client on-boarding process through the Application Form and our Client Qualification Test. If you do not meet our minimum qualification criteria, one of our sales traders will contact you to discuss potential solutions to improve your understanding and knowledge of FX Contracts and CFDs.

#### **Written Records**

We document our assessment process and retain as records.

## **4.2 ESTABLISHING YOUR ACCOUNT**

Before you begin trading with AGM Markets you must establish your Account. You establish an Account by completing the Application Form on our Website or contacting AGM Markets directly. By opening an Account, you agree to the Account Terms, Financial Services Guide and this PDS.

Trading in the Products may not be suitable for all investors due to the significant risks involved. AGM Markets can only accept retail investors who can demonstrate a satisfactory understanding of the different aspects of trading. This will be done by AGM Markets conducting an assessment comprised of questions in order to assess your understanding and experience with OTC derivatives. If necessary, we will recommend that you obtain further experience and education before opening an Account. Applicants who initially fail the assessment may re-apply for an Account and redo the assessment.

AGM Markets reserves the right to refuse to open an Account for any reason.

## **4.3 FUNDING YOUR ACCOUNT**

Once your application has been approved you may fund your Account. AGM Markets provides a

number of different deposit methods that may change from time to time. Clients may deposit funds, as opening and ongoing collateral, through bank transfer, credit card payment, any of the payment facilities available on our Website or transfer funds from another AGM Markets Account. Please contact AGM Markets to find out more information on deposit methods.

All deposits must be cleared funds before they will be available to you for trading. This can take up to 48 hours, or longer over non-banking days.

To fund your account AGM Markets requires that you transfer money from an Account that is held in the same name as the AGM Markets Account holder, otherwise it will not be accepted.

When a withdrawal request is made, AGM Markets will normally return the Balance and profits (if applicable) to the same place which the deposit was received. However, in exceptional circumstances, and at our discretion, an alternative solution may be considered.

#### **4.4 QUOTES**

##### **FX Contract Quotes**

The quotes provided by AGM Markets generally reflect the underlying foreign exchange market on which the Products are 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 0.8910 against the USD; and/or
- b) sell Australian Dollars at 0.8920 against the USD.

Generally, exchange rate quotations are to 4 decimal points (but this is not always the case, for example, the YEN is quoted to 2 decimal places).

##### **CFD Quotes**

Prices for CFDs are quoted with a bid price and an ask price. The CFD quote given to you by AGM Markets allows you to buy the CFD at the higher quoted price or to sell at the lower quoted price.

#### **4.4 OPENING A POSITION**

A Position is opened by either buying (going long) or selling (going short). You go “long” when you buy a Product in the expectation that the price of the Underlying Asset will increase. You go “short” when you sell a Product in the expectation that the price of the Underlying Asset will decrease.

The particular terms of each Position are decided by you and AGM Markets before entering into the Contract.

Before you enter into a Contract, AGM Markets will require you to pay an Initial Margin. The Initial Margin is calculated as a percentage of the Contract value, this is because you do not pay the full value of your Position.

After you enter into a Contract, a Confirmation will be provided for you (this may be reported online in a pop up window or in an online account statement or record). See section 4.20 for more information.

### **Types of Order**

You will have the ability to make one of four main types of Order, these are:

- Trailing Stop Order;
- New or Pending Order;
- Stop-Limit Order; and
- Stop-Loss Order.

Please see section 4.17 for more information on each of these.

## **4.5 CLIENT MONEYS TRUST ACCOUNT – BENCHMARK 5**

Before you transfer any money to AGM Markets, you should read this PDS carefully regarding how your money will be handled and used, and consider the risks to you of depositing with AGM Markets.

Moneys paid by you to AGM Markets for our Products are deposited into a trust account (referred to in this PDS as Client Moneys Trust Account) established and maintained by AGM Markets, and are dealt with in accordance with the Client Money Rules set out in Part 7.8 of the Corporations Act and ASIC Regulatory Guide 212: Client Money Relating to OTC Derivatives, collectively referred to as Australian Client Money Rules.

Your money may be held in one or more Client Moneys Trust Accounts with other Client Money, but segregated from our own funds, in accordance with the Australian Client Money Rules. In brief, this means that those funds are not available to pay general creditors in the event of receivership or liquidation of AGM Markets (unless a court orders differently).

However, your money may be co-mingled into one or more Client Money Trust Accounts with our other Client Money, which is also held on trust. This means that a short fall in Client Money owing to one Client may impact on the funds available to other Clients. You must understand that our holding of your Client Money in a Client Money Trust Account may not afford you absolute protection.

When you make a payment which is deposited into the Client Money Trust Account, you are making payments which will be used only for the fees and charges in respect of your Products and the balance will be held as Margin until it is withdrawn to be paid to AGM Markets in accordance with this PDS and the Account Terms.

## **4.6 USE OF CLIENT MONEY – BENCHMARK 5**

Money held in a Client Moneys Trust Account may be withdrawn, invested or used by us in accordance with the Australian Client Money Rules, including using Clients' money for the purpose of meeting obligations incurred when AGM Markets hedges with counterparties. As such, hedge counterparty's insolvency may have impact on funds available to you, and the funds you may have paid to AGM Markets may at risk if there is a default and a lack of funds in the Client Money Trust Account.

We have an insurance policy in place to cover a variety of different scenarios, some of which may assist in the repayment of deficits. However, if we are not able to source these funds and we become insolvent and unable to provide financial services, you could become an unsecured creditor of AGM Markets and lose some or all of your money.

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 debt 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.

We will only make a withdrawal from Client Money to:

- process a withdrawal for a Client;
- transfer Margin to a hedge counterparty;
- withdraw fees charged as part of a deposit or withdrawal transaction;
- pay money to us which we are entitled to as a result of a client trading with AGM Markets; and
- make a payment that is otherwise authorised by law or in compliance with the operating rules of a licensed market.

However, you should note that by authority of the the Account Terms we are entitled, and you authorise us to:

- withdraw, deduct, pay or apply, from your Client Money held in any trust account or invested by us, towards any Margin or amounts payable by you to us and/or any associate of ours under the Account Terms, including, without limitation making a payment for or in connection with, the margining, adjusting or settling of dealings in or Contracts entered into by you or the payment of interest, fees or charges to us, it being acknowledged and agreed by you that such amounts belong to us and may be used by us in our business from time to time; and
- withdraw, deduct, pay or apply, from your Client Money held in any trust account or invested by us, any amounts to meet obligations incurred by us in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives by us (including dealings on behalf of people other than you), including without limitation for the payment of amounts to our hedge counterparties to hedge our exposure to you and other Client.

We may invest any of your Client Money held in any trust account in the kinds of investments as permitted by the Australian Client Money Rules and you irrevocably and unconditionally authorise us to undertake any such investment.

We are solely entitled to any interest or earnings derived from Client Money being deposited in a trust account or invested by us in accordance with the Australian Client Money Rules, with such interest or earnings being payable to us from the relevant trust account or investment account, as the case requires as and when we determine.



#### 4.7 YOUR PROFITS OR LOSSES

The amount of any profit or loss you make on a FX Contract or CFD will be based on the difference between the amount paid for the Product when it is issued (including fees and charges) and the amount credited to your Account when the Position is Closed Out (including allowance for any fees and charges). Your profit or loss will also take into account other payments, such as Margin payments, adjustments for dividends declared in relation to the Reference Securities or for other Corporate Actions.

#### 4.8 MARGINING OF FX CONTRACTS AND CFDS

Margin is usually required in these cases:

- as “Initial Margin”, to start the trading (**Initial Margin**). The Initial Margin will typically be a percentage of the value of Contract;
- as “Variation Margin”, meaning adjustments to Margin due to falls in the value of the Product or Underlying Asset (**Variation Margin**); or

Margins in FX Contracts are required in the Term Currency. For example, if a Client has a Contract in AUDYEN, the Margin will be applied in YEN, which is the Term Currency. In the case where a Client has no YEN or a negative Account Balance in YEN, but has sufficient funds in an alternate currency (at the current market rate), it can be used to offset the Margin.

The minimum Initial Margin will be set by AGM Markets in terms of a percentage of the Australian Dollar equivalent value of the Contract. In the case of a CFD, the Initial Margin immediately payable is typically between 5% to 30% of the Contract value but may be as high as 100%. For example, the value of a CFD Contract might be AUD\$220,000 and AGM Markets is likely to set the Initial Margin (for the CFD Contract) at AUD\$22,000, which is 10% of the value of the CFD.

The Margin is provided by you paying cash to AGM Markets. Sufficient funds must be paid into your Account with AGM Markets before you can trade.

Owing to the volatility of the market, Margin requirement may change after a Contract has been opened, requiring a Variation Margin to be paid by you at that time. Variation Margins are calculated to cover the maximum expected movement in the market at any time. The Variation Margin liability is incurred at the time of the occurrence of any movement in the market that results in an unrealised loss, regardless as to if or when a call to pay more Margin is made by AGM Markets on you.

AGM Markets may decide when to call for the extra Margin and how much.

Where your Account Balance falls below your Margin requirement, your Account will be placed on Margin Call. When your Account Balance moves into deficit you have two options. You can either reduce your Contracts in order to reduce the total Margin requirements or deposit additional funds into your Account to increase the Account Balance and satisfy the Margin Call. When you are in Margin Call, you are not allowed to open any new Contracts.

#### **4.9 MARGIN CALL – BENCHMARK 7**

Owing to the volatility of the market, the amount of Margin requirement may change after a Contract has been opened, requiring a further payment of Variation Margin at that time. You must maintain the Margin requirement in your Account. It is your responsibility to monitor your Margin level and make deposits into your Account when necessary to ensure Margin requirement is met and maintained. If you do not maintain the Margin requirement or you do not respond to Margin Call by the required time, your Contracts may be Closed Out and you will remain liable to pay us any remaining shortfall. Any losses resulting from closing out your Contracts will be debited to your Account and you may be required to provide additional funds to AGM Markets.

AGM Markets requires you to maintain 30% of the total Margin requirement in your Account at all times in addition to the Margin used to enter into a Contract. This amount acts as a buffer in the event that your Contract moves. i.e. If you wish to open a Contract and the value of the Contract exceeds 70% of the Margin in your Account, you will be required to:

- choose to enter into a smaller Contract; and/or
- deposit funds to 'top-up' your Account Balance before this Contract can be opened.

Should you fail to maintain 30% of the total Margin requirement in your Account, the Online Trading Platform will automatically trigger a Margin Call. The Margin Calls will be displayed in the area of the Online Trading Platform that displays your Account Balance.

In the case where you choose to deposit additional funds to cover the Margin requirement, it is your responsibility to provide the payment for your Margin in cleared funds on time. It can take up to 48 hours, or longer over non-banking days, for your funds to be credited to your Account. This can be due to external factors outside the control of AGM Markets, and any delay in crediting your Margin requirement is at your own risk. We are not responsible to you for how long it takes for your payments to AGM to be credited as cleared funds. Therefore, you should monitor your Account and make payments allowing ample time for the funds to be cleared and deposited into your Account.

Please contact AGM Markets for arranging your payment methods.

#### **4.10 SUSPENDED OR HALTED UNDERLYING ASSETS**

You will not be able to enter into any new Contracts where there is a trading halt or suspension in the Underlying Asset.

If trading in the Underlying Asset is suspended or halted by the relevant Exchange (or the relevant index is suspended), the Position, where possible, will be valued by AGM Markets for your Account.

Foreign exchange markets trade continuously. The markets open at 05:00pm EST Sunday evening (Monday morning AEST) and close at 05:00pm, EST on Friday (Saturday morning AEST). They are open 24 hours during this period.

Prices are continuously streamed during this period. Because foreign exchange is not an exchange-

traded Product, it is not possible to suspend or halt the streaming of these prices.

#### **4.11 CLOSING A POSITION**

FX Contracts and CFDs with AGM Markets do not have an expiry date. They remain open until they are closed in accordance with the Account Terms. The Contracts will be rolled over by debiting or crediting your Account with the amount calculated in accordance with the Interest fees. During the rollover period, trading may be disabled for 2 to 5 minutes and there may be widened spreads as liquidity reduces. You may suffer financial gain or loss as a result. We do not bear any liability in relation to the rollover period. AGM Markets will not charge a rollover fee where a Contract is subject to rollover.

If you wish to close a Contract, you need to follow the prompts on the Online Trading Platform. AGM Markets will display the current market value of your Contract on the Online Trading Platform and you will then decide whether to accept the value, and if so, instruct AGM Markets to close your open Position in accordance with your Instructions. The total closing value is then determined by multiplying the quantity by the value of the Underlying Asset. On the day that the Contract is closed, AGM Markets will calculate the remaining payment rights and obligations to reflect movements in the Contract value since the previous business close (including other credits/debits).

AGM Markets decides the prices it offers to Clients. In general, without limiting our discretion, it should be expected that we will act reasonably and have regard to a range of relevant factors at the time, such as the value of any hedge Contract taken by AGM Markets to hedge its CFD issued to you, the closing price of the Underlying Asset, any foreign currency exchange rates which are relevant due to the denomination of your Contract or Account(s) and any suspension or halt in trading of the Underlying Asset. In the worst case, it is possible that the closing price determined by us maybe zero. AGM Markets also has the right to decide to make an adjustment in any circumstance if we consider an adjustment is appropriate. AGM Markets has a discretion to determine the extent of the adjustment so as to place the parties substantially in the same economic Position they would have been in had the Adjustment Event not occurred.

AGM Markets may elect to close a Position without prior notice to you if an Adjustment Event occurs and it determines that it is not reasonably practicable to make an adjustment. Although there are no specific limits on our discretions, AGM Markets must comply with its obligations as an AFSL holder to act efficiently, honestly and fairly. On termination of your Contract, you will be liable for the costs, fees and charges as described in this PDS (see Section 6 – Costs, Fees & Charges”). Of course, your investment might suffer a loss, depending on the marked-to-market value of your Contract at termination compared with the total cost of your investment in that Contract up to the time of termination.

#### **4.12 SWAP CHARGE OR SWAP BENEFIT**

Where a Margin FX Contract is held overnight the Contract will be subject to an interbank Swap Rate that reflects the interest rate differential between the two applicable currencies in the Contract. The rate is dependent on the currency pair, the applicable Swap Rate in the interbank markets according to the duration of the rollover period, the size of the Contract and the AGM Markets Spread that is applied at our discretion. For example, if you have a long Australian Dollar / GBP (AUD/GBP) Contract and hold it over the 5PM EST time (Close of Business) and interest rates are higher in AUD than in GBP, then you may receive a Swap Benefit. This is because you are long the highest yielding currency. The Swap Benefit will be applied to your Account. Conversely, if you were short AUD/GBP in the above scenario then you may receive a Swap Charge at the AGM Markets Swap Rate. The Swap Charge would likewise be deducted from your Account. In circumstances where the two interest rates are almost equal to each other a Swap Charge may be imposed for both long and short open Contracts. A double negative Swap Rate implies that there is no interest advantage gained by borrowing in one currency to then invest in the other.

The Swap Rate that is applied will also be tripled for Contracts held on the Wednesday – Thursday roll over. Due to the settlement structure within the spot market, trades that are open on Wednesday will be settled on the following Monday, so there is a need to account for interest earned / charged over this period.

#### **4.13 DIVIDENDS**

If you hold a long CFD whose Underlying Asset pays dividends, you may be credited with an amount equal to the gross unfranked dividend on the relevant number of the Underlying Asset on the Business Day after the ex-dividend date (CFDs do not confer rights to any dividend imputation credits).

Conversely, if you hold a short CFD, your Account may be debited an amount equal to the gross unfranked dividend on the Reference Securities on the ex-dividend date.

We are under no obligation to adjust the CFD in connection with a dividend payout.

#### **4.14 CORPORATE ACTIONS**

If there is a Corporate Action by the company which issues the Underlying Asset, AGM Markets may in its discretion make an adjustment to the terms of the CFD in accordance with the Account Terms. We are under no obligation to monitor Corporate Actions or bring them to your attention. AGM Markets is also under no obligation to adjust the CFD in connection with a Corporate Action.

AGM Markets may choose to adjust your CFD at its own discretion in the following manner: an adjustment will ordinarily be made for subdivisions, consolidations or reclassifications of shares, bonus issues or other issues of shares for no consideration, rights issues buy backs, in specie distributions, takeovers, schemes of arrangement or similar Corporate Actions, a Corporate Action event that has a dilutive or concentrative effect on the market value of the shares or, if the CFD relates to an index, a substantial adjustment to the composition of the index outside its own terms allowing for adjustments or weightings, a failure to publish the index or a suspension or a

cancellation of the index.

While you may not direct AGM Markets how to act on a Corporate Action or other shareholder benefit (unless and until default by AGM Markets), we aim whenever reasonably practical to give you an opportunity to participate and tell us of your election. This is also subject to the terms of the particular Corporate Action or other shareholder benefit and so might not give you much time or as much investment return had you held the Underlying Asset directly.

We have the right to decide to make an adjustment in any circumstance if we consider an adjustment is appropriate. AGM Markets has a discretion to determine the extent of the adjustment so as to place the parties substantially in the same economic Position they would have been in had the Adjustment Event not occurred.

We may elect to close a Position (without prior notice to you) if an Adjustment Event occurs and it determines that it is not reasonably practicable to make an adjustment. We may also elect to close a CFD if the CFD's Reference Securities are the subject of a take-over offer, scheme of arrangement or other mechanism for change in control, prior to the closing date of the offer.

CFDs do not entitle you to direct us on how to exercise any voting rights in connection with the Underlying Asset such as shares.

#### **4.15 NO OTHER SHAREHOLDER BENEFITS**

As a holder of a CFD over an Underlying Asset, you do not have rights to vote, attend meetings or receive the issuer's reports, nor can you direct AGM Markets to act on those rights. Other benefits such as participation in shareholder purchase plans or discounts are unavailable.

#### **4.16 DEALING**

Quotes for prices for dealing in FX Contracts and CFDs are indicative only and so are subject to the actual price at the time of execution of your FX Contract or CFD. There is no assurance that the FX Contract or CFD will be dealt with at the indicative quote.

Quotes can only be given and Contracts made during the open market hours of the relevant Exchange on which the Reference Securities are traded. The open hours of the relevant Exchanges are available by viewing the relevant Exchange website or by contacting AGM Markets.

AGM Markets may at any time in its discretion without prior notice impose limits on CFDs in respect of particular Reference Securities (see section 5 - "Significant Risks"). Ordinarily AGM Markets would only do this if the market for the particular Underlying Asset has become illiquid or its trading status has been suspended or there is some significant disruption to the markets including trading facilities.

You should be aware that the market prices and other market data which you view through our Online Trading Platform or other facilities which you arrange yourself may not be current or may not exactly correspond with the prices for CFDs offered by AGM Markets.

If you access your Account outside of the hours when orders may be accepted, you should be aware that the orders may be processed at a later time when the relevant Exchange is open to

trading, by which time the market prices might (and currency exchange values) have changed significantly.

#### **4.17 ORDER TYPES**

The types of Order you may place are:

- Stop-Loss Order;
- Stop-Limit Order;
- Trailing Stop Order; and
- New or Pending Order.

##### **Stop Loss Order**

We may at our discretion accept an order from you to close a Contract if our price moves to or beyond a level specified by you. This is known as a “Stop-Loss Order”. You would generally choose to place a Stop-Loss Order to provide some risk protection. 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 try to close your open Position or to open a Position, depending on the Contract you have.

For example, your Stop-Loss Order would be triggered if our bid price (for a Stop-Loss Order that requires an order to sell an Underlying Asset) moves against you to a point that is beyond the level specified by you (and accepted by us). Conversely, your Stop-Loss Order would be triggered if our offer price (for a Stop-Loss Order that requires an order to buy an Underlying Asset) moves against you to a point that is beyond the level specified by you (and accepted by us).

All Stop-Loss Orders are subject to agreement by us, so you cannot be assured that you will always be able to have a Stop-Loss Order. While AGM Markets has absolute discretion whether to accept a Stop-Loss Order, it will generally try to do so, subject to market conditions and the reasonableness of your Stop-Loss Order. Your order may not be reasonable if, but not limited to, the level you have specified is beyond the level allowed for orders for the Underlying Assets or trading in the Underlying Asset has been halted or suspended on the Exchange.

Even if we accept your Stop-Loss Order, market conditions may move against you in a way that prevents execution of your Stop-Loss Order. For example, in volatile markets, our quoted prices might gap through your Stop-Loss Order level, so that the closing level of quotes may be beyond the exact level specified by you. A gap in market prices reflects the market for the security, so can occur for any reason, without any apparent reason or at any time. It therefore may not be possible to fill your Stop-Loss Order at the exact level that you have requested. Where it is not possible to fill your Stop-Loss Order at the price you requested AGM Markets will fill the Stop-Loss Order at the nearest available price.

Another example is that not all the Stop-Loss Order can be filled because the underlying market does not have enough buyers and sellers in the volume of the Underlying Asset to allow AGM Markets to hedge its Contracts which it makes in order to completely fill your Stop-Loss Order. If the opening price of the Underlying Asset is beyond the level of your Stop-Loss Order, your order will be filled at the opening level, not at your Stop-Loss Order level.

### Example of Stop-Loss Order:

- You speculate that the price of US30 is going to fall, however you only want to lose USD\$200 if you are incorrect in this speculation.
- You open a 1 lot Contract at the price of USD\$19,871 and set the Stop-Loss Order at USD\$20,071 (i.e. 19871 + 200).
- If the price of US30 does not decrease but continues to appreciate, the Stop-Loss Order will be triggered and your Contract will be closed limiting your loss.
- However as explained above it will not always be possible to close your Contract at the stop-loss price that you have specified. If for example there is a rapid movement in price and the price of USD\$20,071 is not available, the trade will instead be closed at the nearest available price. If for example the next available price is USD\$20,074 then this transaction will generate a loss of USD\$203 rather than the USD\$200 you had intended.

In any case the requesting of a Stop-Loss Order of any kind is not a guarantee that it will actually be made. As with any order you place and that is accepted by AGM Markets even where it is in accordance with the Account Terms. For example, our hedge counterparties are required to ensure there is an orderly market, so their trading may be stopped by them or modified (by way of converting a Stop-Loss Order to them to a Stop-Limit Order) in order to comply with their obligation to maintain an orderly market. That means the Stop-Loss Order you place with AGM Markets will be similarly affected, since the Company may hedge Client open trades by making corresponding orders with its hedge counterparties.

### Stop Limit Order

A Stop Limit Order is a particular kind of Stop-Loss Order. A Stop Limit Order means that the Order will not be filled at all below the limit of the Order. This means that if the new or opening price gaps beyond your Stop-Limit Order, the Order will not be filled. You may use a Stop Limit Order to open Contract at a predetermined price that is more favourable to you than the current market price.

Limit Orders are commonly used to enter and to take profit at predefined levels:

- Limit Orders to buy are placed below the current market price and are executed when the “Ask” price hits or breaches the price level specified. If placed above the current market price, the order is filled instantly at the best available price below or at the limit price.
- Limit Orders to sell are placed above the current market price and are executed when the Bid Price breaches the price level specified. If placed below the current market price, the order is filled instantly at the best available price above or at the limit price.

When an Limit Order is triggered, it is filled as soon as possible at the price obtainable on the market. Note that the price at which your Order is filled may differ from the price you set for the Order if the opening price of the market is better than your limit price. In the case of AGM Market’s Products, the Order will be filled if possible, and any remaining volume will remain in the market as

a limit Order.

#### Example of a Stop Limit Order

- If you want to speculate that the price of AUD/USD will decrease after hitting parity with the USD, instead of waiting for the market to reach this price, you place a Sell Limit Order at 1.00000 AUD/USD.
- This Order will trigger a sell trade once the price of 1.00000 is reached or higher.
- When the price of AUD/USD appreciates above 1.00000 and immediately changes from 0.99980 to 1.00050, the sell trade will be triggered due to the price movement and you will receive a fill price of 1.00050 instead of 1.00000.

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

#### New Order or Pending Order

A New Order or Pending Order is an instruction by you to either buy or sell a Margin FX at a price outside the current quote.

There are four types of New or Pending Order:

- Buy Stop Order - an order to open a long Margin FX at a price higher than the price at the time of placing the order.
- Sell Stop Order - an order to open a short Margin FX at a lower price than the price at the time of placing the order.
- Buy Limit Order - an order to open a long Margin FX at a lower price than the price at the time of placing the Order.
- Sell Limit Order - an Order to open a short Margin FX at a price higher than the price at the time of placing the Order.

#### Trailing Stop Order

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

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

- When you place a trade which then acts as a Trailing Stop Order Instruction to close the open Contract; or
- When you amend a Stop-Loss Order to a Trailing Stop Order. Trailing Stop Orders are subject to gapping.

#### 4.18 COUNTERPARTY RISK - HEDGE CONTRACTS AND LIMITED RECOURSE

AGM Markets maintains and applies a written policy to manage its exposure to market risk from



open Contracts held by Clients. This includes a risk management and compliance system in place to manage our trading exposure and assessing any new and current hedge counterparties where AGM Markets chooses to hedge. This assessment takes into account the risks involved when dealing with hedge counterparties, and ensures that the hedge counterparty is of credible financial standing, licensed by a comparable regulator, and is of sound reputation.

Once a Position is opened by a Client, we may, but are not obliged to, make a similar position (in our own name, on our own account) with a hedge counterparty in order to limit our market exposure to later changes in the value of the Contract. We may, in our absolute discretion decide not to hedge, or only hedge part of, our Client Positions, in which case we may be exposed to more risks. Our risk management system is constantly under review and monitored closely, including our financial resources.

Where we choose to hedge, it is possible that our hedging counterparty may become insolvent or it is possible that other Clients of the hedge counterparty may cause a default which reduces the financial resources or capacity for the hedge counterparty to perform its obligations owed to AGM Markets under the hedge contracts.

Since AGM Markets is liable to you as principal on the FX Contracts or CFDs, AGM Markets could be exposed to the insolvency of its hedge counterparty or other defaults which affects the hedge counterparty. AGM Markets limits its liability to you to the extent to which AGM Markets recovers against its hedge counterparty and allocates that to your Position.

It is important to note that under this arrangement your rights are only as against AGM Markets, which is the issuer based and regulated in Australia.

If AGM Markets 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 Company's insolvency.

It is therefore possible that AGM Markets might not fully recover from its hedge counterparty due to reasons not arising from your own Positions, or it may incur costs in seeking the recovery or choose to terminate recovery efforts early, thereby reducing the proceeds available to AGM Markets to allocate in its discretion to you under the Contract issued to you. It is important to understand that you have no rights or beneficial interest in any Contract which AGM Markets has with its hedge counterparty (whether AGM Markets decides to hedge or not) and you cannot force AGM Markets to make any decision about seeking recovery against its hedge counterparty. You are dependent on AGM Markets taking that action to seek recovery and how it pursues that action, although AGM Markets would act honestly, fairly and efficiently in deciding if and how to pursue that recovery action.

While in theory this is a significant risk to you, broadly this is economically comparable to the same risk to you if you were to deal in the market directly with the same hedging counterparties and incur your own costs of seeking recovery, perhaps in overseas jurisdictions. By entering into these Contracts, you get the benefit of our obligation to you as issuer of the Contract; the benefit of AGM Markets dealing with market participants who might not ordinarily deal with you directly.

AGM Markets prices may be the same level (or price) at which it is offered by its hedge counterparty (where applicable), or may vary significantly from prices offered elsewhere in the market according to a variety of factors impacting AGM Markets. FX Contracts may be:

- entered into on a “matched book” basis or “back to back” basis; or
- “offset or matched” with a similar trade with the hedge counterparty; or
- not hedged with a counterparty; or
- offset internally within AGM Markets against a Position entered into by another customer.

#### **4.19 COUNTERPARTY RISK - FINANCIAL RESOURCES**

AGM Markets maintains a written policy to ensure it maintains adequate financial resources and complies with the financial requirements of our AFSL. Steps taken on a daily basis to ensure our financial requirements are maintained include, but are not limited to, daily monitoring of Client equity, Client Money accounts, and transferring money owed to Clients to segregated Client Money Trust Accounts if needed.

The credit risk which you have on AGM Markets 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 Product concentration risks, its counterparty risks for all of its business and Contracts, its risk management systems including regular stress tests and actual implementation of that risk management.

Financial markets can be very volatile and market exposure can sometimes have a substantial impact on financial resources. Stress testing is conducted regularly to ensure AGM Markets holds sufficient liquid funds to withstand significant adverse market movements. This is done on an annual basis or more regularly if market conditions warrant it.

Your credit risk on AGM Markets will fluctuate throughout the day and from day to day, including due to the implied credit risk on hedging counterparties, whose credit risk to AGM Markets (and so indirectly to you) cannot be assessed or verified on a continuous basis or perhaps at all. 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 credit-worthiness of AGM Markets. We are required to prepare and lodge with ASIC within four months of the end of the financial year an audited annual financial report. This is available from us free of charge upon request.

#### **4.20 CONFIRMATIONS OF CONTRACTS**

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

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

All Confirmations will be made by way of an update to your Account in the Online Trading Platform.

You will not be sent email Confirmation of your Contracts. It is your obligation to review the Confirmation immediately to ensure its accuracy and to report any discrepancies within 48 hours.

#### **4.21 MARKET CONDUCT**

Some practices in placing orders can constitute market manipulation or creating a false market which is conduct prohibited under the Corporations Act. It is the Client's responsibility to be aware of unacceptable market practices and the legal implications. The Client may be liable for penalties to regulators such as ASIC or be liable to AGM Markets for costs to us arising out of those trading practices of the Client which lead to the Client, AGM Markets or any other person suffering loss or penalty.

#### **4.22 DISCRETIONS**

AGM Markets has discretions under the Account Terms which can affect your orders and Positions. You do not have any power to direct how we exercise our discretions.

When exercising our discretions, we will comply with our legal obligations as the holder of an AFSL. We will have regard to our policies and to managing all risks (including financial, credit and legal risks) for ourselves and our Clients, our obligations to our counterparties, market conditions and our reputation. We will endeavour to act reasonably and in good faith in exercising our discretions.

Our significant discretions are:

- whether to accept your order (including to Close Out a Position) or to amend it;
- any risk limits or other limits we impose on our Account or your trading;
- determining Margin Requirements, especially the amount of Initial Margin, minimum Margin Requirements, the time to meet any changed Margin Requirement;
- determining whether AGM Markets will hedge your Position with its hedging counterparties;
- determining Margin Requirements, especially the amount of Initial Margin, minimum Margin Requirements, the time to meet any changed Margin Requirement;
- determining values of Reference Securities (for opening and closing Positions and for determining Margin);
- whether to cancel your order where in AGM Markets' reasonable opinion you have engaged in scalping, arbitrage, market manipulation, insider trading or any other fraudulent or nefarious behavior;
- where, in the reasonable opinion of the Company, a Black Swan Event has occurred or is occurring, AGM reserve the right in its absolute discretion to re-adjust Contract prices;
- setting Bid prices and Ask prices; and
- closing your Positions and setting the Closing Value.

Our other discretions include:

- setting our fees and interest rates (i.e. Base Rates);

- adjusting our Positions for adjustments made by the market or an Exchange to the Underlying Security;
- setting foreign exchange rates;
- opening and closing your Account;
- giving you a grace period for full compliance in paying by cleared funds any amount you owe; and
- interpretation, variation and application of our policies.

## Section 5 – Significant Risks

Trading in FX Contracts and CFDs involves a number of significant risks. You should seek independent advice and consider carefully whether FX Contracts and CFDs are appropriate for you given your experience, financial objectives, needs and circumstances.

### 5.1 SIGNIFICANT RISKS

You should consider these significant risks involved in FX Contracts and CFDs:

**Market risk:** Financial markets such as stock markets and currency exchange markets can change rapidly; they are speculative and volatile. Prices depend on a number of factors including for example, interest rates, demand and supply, actions by the company concerned and actions of governments. Each Exchange may reserve the right to suspend securities from trading or withdraw their quotation.

The past performance of a market is not an assurance of future performance. Therefore, there is no guarantee or assurance that you will profit, or not suffer a loss, or that unrealised profits or losses will remain unchanged. You may incur losses in short periods of time and may be unable to limit your losses. Your losses may not be limited to the credit Balance of your Account or amount of Margin paid by you.

It may become difficult or impossible for you to Close Out a Position. This can, for example, happen when there is a significant change in the Underlying Assets value over a short period.

Stop-loss orders may not always be filled and, in any event, may not limit your losses to the amounts specified in the order. For further information, see section 4.17.

FX Contracts and CFDs are not futures Contracts and are not covered by the protections for exchange traded Products, even if the CFD's Reference Securities are traded on a futures exchange.

**Foreign Exchange Risk:** Foreign currency conversions required for your Account can expose you to foreign exchange risks between the time the Contract is entered into and the time the relevant conversion of currencies occurs. Foreign exchange markets can change rapidly. This exposes you to adverse changes in the value of your Account which can be large (depending on foreign exchange rates) and volatile. This will directly affect the value of a Position.

**Not a Regulated Market:** The CFDs offered by AGM Markets are not traded on a licensed market. Accordingly, the protections associated with licensed markets are not available to individuals, corporations or other entities trading in our Products.

**AGM Markets and Counterparty Risk:** You have exposure to AGM Markets for the performance of each Contract. This is common to all OTC Financial Market Products.

If AGM Markets' financial capacity were to be reduced or become under external administration, then it may be unable to meet its obligations to you in full, or at all. AGM Markets may, but not obliged to, limit its exposure by entering into back to back Positions with its hedge counterparty. In addition, AGM Markets must comply with the financial requirements imposed on it under its AFSL.

Where AGM Markets uses back to back Positions with its hedge counterparty, we are exposed to the financial performance of said hedge counterparty. The hedge counterparty may fail to perform its obligations to AGM Markets, which might impact on our resources to perform its obligations to you. In order to manage the overall risks and to continue to provide efficient trading systems for Products at a reasonable cost, AGM Markets limits its exposure to you under FX Contracts and CFDs by the amount it actually recovers against its counterparties (see section 4.19 - "Hedge Contracts and Limited Recourse") and as it allocates to your Contract.

**Client Moneys Trust Account:** For so long as your moneys are held in the Client Moneys Trust Account, there is a risk that the moneys may be withdrawn and not be re-paid to you. This is because the moneys may be used for a purpose other than in respect of your Account namely the risk of being withdrawn and not being re-paid to you because AGM Markets may use the moneys in the trust account to meet obligations incurred by AGM Markets in connection with, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives (not just CFDs) by AGM Markets, including dealings on behalf of people other than the Client whose moneys were deposited into the trust account.

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

You are responsible for the means by which you access on the Online Trading Platform or your other contact with AGM Markets. If you are unable to access the Online Trading Platform, it may mean that you are unable to trade (including closing Positions) and you can suffer a profit or loss as a result.

AGM Markets may also suspend the operation of the Online Trading Platform or any part of it, without prior notice to you. Although this would usually only happen in unforeseen and extreme market situations, our discretion is not limited. If the Online Trading Platform is suspended, you may have difficulty contacting AGM Markets, or at all, or your orders may not be able to be executed at prices quoted to you.

AGM Markets may impose volume limits on Client accounts or filters on trading, which could prevent or delay execution of your orders, at your risk. You have no recourse against AGM Markets in relation to the availability of the Online Trading Platform nor for their errors and software.

**Margin risk:** You could sustain a loss, greater than and not limited to, the Initial Margin and Variation

Margin that you have deposited with us to establish or maintain an FX Contracts and CFD. If the market moves against your Position, you are responsible for monitoring and meeting the Margin cover requirements.

Your obligation to meet the Margin cover is not dependent on us giving you notice of that (i.e., a “Margin Call” see section 4.8). You may be required to deposit with us a Variation Margin in order to maintain your Position. The amount of the Variation Margin may be substantial.

If you fail to provide those additional funds within the required time, your entire Position may be liquidated at a loss and you may be liable for any shortfall in your Account resulting from that failure.

If a Position is Closed Out, all of it may be closed not just a proportion needed to cover the Margin Call.

There is no limit on the amount of Margin that may be called in order to meet a revised valuation of your Contract.

**Leverage Risk:** There is a high degree of leverage that is involved in FX Contracts and CFDs because of the small Margin requirements. This leverage can work against you as well as for you. As mentioned above under “Margining”, the leveraging in a Contract may lead to a loss larger than the Initial Margin and Variation Margin that you have deposited with or paid to us to establish or to maintain the Position.

**Under or Over Hedge:** If you have not correctly hedged your exposure by giving orders to us to enter into Contracts, you may decide under your own risk management policies to add or to Close Out some of those Contracts (to match your exposure). The loss or profit arising as a result of this additional trading with AGM Markets will be credited or debited to your Account. You will need to take into account the cost of additional hedging adjustment Contracts when considering your overall risk management, including Stop-Loss Orders.

**Gapping:** In the event of rapid market movement, Gapping may occur. Gapping occurs when market prices do not follow a continuous trend. Should Gapping occur in the Product which you are trading, you may not be able to Close Out the Position at the price which you have placed your order.

**Our powers on default, indemnities and limitations on liability:** If you fail to pay, or provide security for, amounts payable to AGM Markets or fail to perform any obligation under your Contracts, AGM Markets has extensive powers under the Account Terms with you to take steps to protect our Position including, for example, the power to Close Out Positions and to charge default interest. Under the Account Terms you also indemnify AGM Markets for certain losses and liabilities, including, for example, in default scenarios.

Further, our liability to you is expressly limited (to the extent permitted by law) to performing its obligations. You should read the Account Terms carefully to understand these matters.

**Operational risk:** There is always operational risk in a FX Contract and CFD. For example, disruptions in operational processes such as communications, computers and computer networks, or external events may lead to delays in the execution and settlement of a Contract. We are not liable to you if losses arise owing to delays, errors or failures in operational processes outside our control due to faults in the Online Trading Platform or in the provision of data by third parties.

## 5.2 GENERAL RISKS

AGM Markets strongly recommends that, if you are not fully familiar with FX Contracts and CFDs, you obtain independent legal, financial and taxation advice before proceeding with a Contract.

Further, AGM Markets recommends that you should consider the following:

- It is your responsibility to understand the nature and risks associated with each Contract.
- In entering into any Contract, neither AGM Markets nor any of its representatives will advise you, or is to be taken as advising you, as to any strategy, risk profile or financial result.
- FX and CFD trading is highly speculative and volatile. There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged.
- Past performance of markets, and currencies in particular, is never an assurance of future performance.
- The value of your Account may fluctuate according to exchange rates and interest rates, as well as other market conditions which are outside of your control and which cannot be forecast.
- Trading with AGM Markets may give rise to actual or potential conflicts of interests, because AGM Markets is acting as principal in its FX Contracts and CFDs with you and also because it may be transacting with other persons, at different prices or rates, or AGM Markets will be trading with banks and other market participants. The policy used by AGM Markets is that as principal it issues the FX Contracts and to you based on the price it gives you, not by acting as broker to you. AGM Markets may obtain its price by dealing with its own hedge counterparty.
- Information about prices or rates may come from several sources and may not be current at the time given to you. AGM Markets does not take responsibility for information about rates or other Financial Market data or statements and AGM Markets relies on your acknowledgment that you do not rely on any such information given to you or discussed with you. AGM Markets only undertakes to perform the Contract agreed with you at the price or rate for that Contract, and not at any other price or rate available in the market.
- Contracts are valued by AGM Markets. Typically, this is by direct reference to the market value (or, if relevant, index level) of the relevant Underlying Asset on the relevant Exchange. If the Exchange fails to provide that information (for example, due to a failure in the Exchange's trading system or data information service) or trading in the Underlying Asset is halted or suspend, AGM Markets may exercise its discretion to determine a value to Close Out a Contract.
- Where an Adjustment Event occurs with CFDs, AGM Markets may or may not adjust the terms of your CFD accordingly. AGM Markets may also choose to Close Out your Position in the event it deems it reasonable to do so.

## Section 6 – Costs, Fees & Charges

### 6.1 IMPORTANT PAYMENT FEATURES

By using or continuing to use our services, you agree that all fees and charges received by us as described in the FSG, the Account Terms and this PDS (other than third party fees and charges) are a benefit given to AGM Markets by you in exchange for the market making and dealing services provided by AGM Markets.

### 6.2 TRANSACTION FEES

AGM Markets may charge a Client the following fees:

#### **BROKERAGE FEE OR COMMISSION**

On some FX Contracts and CFDs we may charge you a fee or commission (brokerage). You will be notified in advance of this type of fee or commission being charged.

#### **SPREAD**

AGM Markets may receive income from the spreads on the Contracts, i.e. AGM Markets may receive the difference between the bid and ask price on a given Contract.

#### **WITHDRAWAL FEE**

AGM Markets will charge you a “withdrawal fee” of up to AUD\$50.00 for the transfer of funds from your Account. This is to reflect costs imposed on AGM Markets for such withdrawals and the precise fee to be paid will be calculated to reflect the costs that AGM Markets has incurred on your behalf. AGM Markets may in its sole discretion choose to waive this fee.

### 6.3 FINANCE CHARGES/CREDIT

There is no Finance Charge specific to the FX Contracts and CFDs. The Finance Charge is applied to your Account only if the value of Withdrawable Funds is negative.

The Withdrawable Funds are the amount of cash that AGM Markets calculates would be paid to you from the Account if requested.

Withdrawable Funds are calculated using the following formulae:

*Cash Balance of the Account + value of any unrealised profits - unrealised losses of all open Contracts in the Account - value of all Margin cover requirements for all Contracts on the Account = Withdrawable Funds*

This amount is subject to final adjustment by AGM Markets at any time to reflect:

- A payment of cash to you for any reason;
- Changes in value or level of Reference Securities, interest rates and currency rates; or
- Changes in value or level of unposted (or unreported) but accrued Finance Charges or Transaction Fees.



Applying the Finance Charge in this manner benefits you as it only applies to the overall Positions you have. As the Withdrawable Funds of the Account are calculated on open Contracts on your Account, it is important for you to make sure that sufficient cash is credited to your Account.

The Finance Charge debited to your Account will be calculated using the Base Rate applied to the negative amount of Withdrawable Funds. See Section 8 Glossary for a definition of the Base Rate.

For example, if the Withdrawable Funds are AUD\$-10,000 for 5 days and assuming the Base Rate is 5.5 % p.a., then the Finance Charge will be calculated as  $AUD\$10,000 \times (5.5\%/365 \text{ days} \times 5\text{days}) = AUD\$7.53$  or AUD\$0.021 per day.

A Finance Charge may be imposed if you have not paid AGM Markets an amount you are required to pay, for example an overdue payment to close an Account. The rate of Finance Charge for such shortfall is the Base Rate plus 4% p.a.

#### **6.4 EXTERNAL FEES, TAXES AND CHARGES**

You are responsible for any stamp duty, duty, GST or similar goods and services or value added tax payable in respect of trading in Contracts (except for any income tax payable by AGM Markets). Bank charges and fees imposed on AGM Markets to clear your funds or in respect of your payments will also be charged to your Account.

Your Account Terms may allow AGM Markets to impose other fees or charges from time to time which do not relate directly to Contracts (and so are not costs, fees or charges for acquiring or later dealing in the FX Contract and CFD itself). For example, you may be required to pay royalty or similar charges set by data providers (e.g., the ASX) for your use of information feeds or for online services. AGM Markets may debit these amounts to your Account..

#### **6.5 FX CONTRACT EXAMPLES**

Here are some examples to illustrate the variables for a typical Contract and how they affect the calculations. The variables of your actual Contracts will, of course, differ, so please check with AGM Markets before entering any Contract.

The fees, charges and Leverage Rate used in this example are hypothetical only and you should either contact AGM Markets or view the Website prior to trading for all relevant and current information.

##### **Example 1: Buying USD/JPY**

This example assumes that:

- the Account Base Currency selected is USD;
- no brokerage, commission or Transaction Fee is charged;
- the Leverage Rate is 100:1 for Margin FX Contracts i.e. Initial Margin is set at 1% of the Margin FX Contract; and
- 1 Lot is equivalent to 100,000.

#### Opening the position

You decide to go long on the USD against the JPY, and ask for a quote for 5 Lots, the equivalent of USD\$500,000. We quote you 73.41/73.43 and you buy 5 Lots at 73.43.

#### Closing the position

Later, USD/JPY has risen to 76.87/76.89, and you take your profit by selling 5 Lots at 76.87. Your gross profit on the trade is calculated as follows:

- Opening transaction: USD\$500,000 (5 Lots) x 73.43 = JPY¥36,715,000
- Closing transaction: USD\$500,000 (5 Lots) x 76.87 = JPY¥38,435,000  
Gross profit on trade: = JPY¥1,720,000 JPY equivalent to USD\$22,375.44 (at the stated sell rate of 76.87)

#### Example 2: Buying CFD over gold

This example assumes that:

- the Account Base Currency selected is AUD
- no brokerage, commission or Transaction Fee is charged
- the Standard Account Leverage Rate is 100:1 for a CFD i.e. Initial Margin is set at 1% of the Contract Value;
- 1 Lot of gold is equivalent to 100 ounces; and
- the price of the AGM Market's CFD moves in line with the market price of the spot gold.

#### Opening the position

You consider that gold is undervalued and wish to speculate the price will go higher, you decide to buy gold, and ask for a quote for 1 Lot, the equivalent of 100 ounces. We quote you AUD\$1,724.65/1725.15 and you buy 1 Lot at 1725.15.

- Initial Margin

The Initial Margin required to open your position was  $1\% \times \text{AUD}\$1,725.15 \times 100 = \text{AUD}\$1,725.15$

#### Closing the position

Later, gold has risen to 1,750.00/1,750.05, and you take your profit by selling 1 Lot at 1,750. Your gross profit on the trade is calculated as follows:

- Closing level: AUD\$1,750.00
- Opening level: AUD\$1,725.15
- Difference: AUD\$24.85
- Gross profit on Contract:  $\text{AUD}\$24.85 \times 100 = \text{AUD}\$2,485$

#### Calculating the overall result

To calculate the overall or net profit, you also have to take account any fees or charges where these apply to your Contract. For example if the daily Swap Charge was AUD\$5.70 and you rolled the position for 10 days, the total Swap Charge adjustment would be AUD\$57 (AUD\$5.70 x 10 days):

- Gross profit on trade: AUD\$2,485.00
- Swap Rate adjustment: AUD\$57.00
- Net profit: (Gross Profit on trade – Swap Charge =) AUD\$2,428.00

Please see section 4.12 for more information about Swap Charges and Swap Benefits.

#### **6.6 NOTES TO ALL EXAMPLES IN THIS PDS:**

- The above examples are to illustrate the impact of key variables on the outcome of a Contract. They are not forecasts or projections of any particular Contract.
- The worked examples illustrate in dollar terms how trading incurs fees (including our fees), charges or other payments. These examples are not intended to be exhaustive and document every trading strategy.
- The examples make simplifying assumptions by not taking into account an investor's tax rate or overall tax Position, potential changes in interest rates charged to or earned on the Account or the time value of money. While these variables will undoubtedly change the outcome of a Contract, they are normal market variables which cannot now be predicted and so must be taken into consideration by a potential investor in Contracts.
- Margin requirements, interest rates and external charges may of course change at any time.

### **Section 7 – General Information**

The legal terms governing your dealing in trades with AGM Markets are set out in the Account Terms.

The Account Terms have the legal terms for your dealings with us for the Products covered by this PDS. By opening an Account with us you agree to the Account Terms.

#### **7.1 ACCOUNTS DENOMINATED IN FOREIGN EXCHANGE**

Your Account may be denominated in Australian Dollars or any other currencies permitted by AGM Markets from time to time.

If you make a Contract denominated in a currency different from the denomination of your Account currency, AGM Markets will not convert the currency value of your Contract into the selected currency which may be your local currency but will remain in the currency of the Contract provided an account designated in the similar currency has been set up. A specific instruction from the Client is required and the calculation will generally only occur on a monthly basis at month end if your Account is traded over the desk.

The foreign currency conversions can expose you to foreign exchange risks between the time the Contract is entered into and the time the relevant conversion of currencies occurs.

#### **7.2 QUERIES AND DISPUTES**

Any disputes about a Confirmation must be brought to our attention within 48 hours of the Confirmation being issued. Any disputes about fees or charges must be brought to our attention within five (5) calendar days of the fee being applied. Please see section 7.9.

### **7.3 ABOUT AGM MARKETS**

Further information about AGM Markets is available on its website at [www.firstindex.com](http://www.firstindex.com)

### **7.4 AGM MARKETS INSURANCE**

AGM Markets is covered by compensation arrangements, which satisfy the requirements of section 912B of the Corporations Act 2001 (Commonwealth). Subject to its terms and conditions and exclusions, these arrangements cover certain Clients for loss or damage suffered as a result of breaches of the relevant obligations of AGM Markets, its employees and representatives in relation to its AFSL.

Subject to its terms and conditions and exclusions, the compensation arrangements also cover certain breaches by the employees and representatives of AGM Markets at the relevant time.

If the insurance policy is insufficient or the insurer fails to performance obligations, AGM Markets may not be able to make the payments it owes to you.

### **7.5 TAXATION IMPLICATIONS**

FX Contracts and CFDs will have taxation implications for Clients, depending on the current tax laws and administration, the nature of the Client for tax laws, the terms of the Contracts and other circumstances. These are invariably complex and specific to each Client. You should consult your tax advisor before trading in the Products. The following information should be regarded as general information only.

#### **(a) Australian Taxation Regime for CFDs**

The Australian Taxation Office (ATO) has released Taxation Ruling 2005/15 which describes the income tax and capital gains tax consequences of dealing in CFDs and FX Contracts. A copy of Taxation Ruling 2005/15 is available from the ATO's website [www.ato.gov.au](http://www.ato.gov.au). Potential investors should note that this is a public ruling that the purpose of Part IVAAA of the Taxation Administration Act 1953 (Commonwealth) and therefore, if the ruling applies to the investor, the Commission 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. The following statements do not set out all of the content of the Taxation Ruling and there might be other taxation aspects that are relevant to your particular circumstances.

#### **(b) Profits and Losses on Contracts**

Any gains derived or losses incurred by you in respect of a Contract ordinarily should be included in

your assessable income. When calculating the amount of profit or loss, you need to consider the difference between the closing value and the open Contract value and any fees, and dividends or other distribution amounts on open Contracts paid or received by you. If you hold your Contracts for the purpose of trading, you should seek independent taxation advice relevant to your circumstances.

**(c) Dividends and Imputation credits**

CFDs themselves do not pay dividends nor carry imputation credits. Adjustments are made for the gross amount of dividends paid on the Underlying Asset (see section 4.13) that therefore is taken into account in determining the overall profit or loss on the CFD.

**(d) Tax File Number Withholding Rules**

The tax file number withholding rules only apply to those investments as set out in income tax legislation. AGM Market's current understanding is that those withholding rules do not apply to its Products; however, if it is later determined to apply and you have not provided AGM Markets with your tax file number or an exemption category, AGM Markets may be obliged to withhold interest payments at the highest tax rate and remit that amount to the ATO.

**(e) GOODS AND SERVICES TAX**

With the exception of fees and charges as set out in this PDS, amounts payable for or in respect of CFDs are not subject to goods and service tax, in accordance with Australian Taxation Office Ruling GSTD 2005/3, available from [www.ato.gov.au](http://www.ato.gov.au).

**7.6 COOLING OFF**

There is no cooling off arrangement for FX Contracts and CFDs. This means that you do not have the right to return or cancel the Contract, nor request a refund of the money paid to acquire the Position. If you change your mind after entering into a Contract with AGM Markets, you must close it out, and take the risk of Transaction Fees and a loss incurred in doing so.

**7.7 JURISDICTIONS**

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

**7.8 GOVERNING LAW**

This PDS, the Account Terms and all Contracts with AGM Markets will be governed and construed in

accordance with the laws of Victoria and the Commonwealth of Australia and be subject to the exclusive jurisdiction of the Courts of Victoria.

## **7.9 DISPUTE RESOLUTION**

AGM Markets wants to know about any problems you may have with its service so we can take steps to resolve the issue. If you have a complaint about the Product or service provided to you, please contact your advisor, and then take the following steps:

- 1) Contact AGM Markets and tell us about your complaint. You may do this by telephone, facsimile, email or letter.

We will try to resolve your complaint quickly and fairly. Complaints received in writing will be acknowledged within 2 Business Days of written receipt of your complaint and we will use our best endeavors to try to resolve your complaint within 45 days of receipt of your written complaint.

- 2) If you still do not get a satisfactory outcome, you have the right to complain to the Financial Ombudsman Service Australia Ltd (**FOS**), if your complaint is within its rules. FOS is an external dispute resolution scheme.

The contact details for FOS are:

Financial Ombudsman Service Australia

G.P.O. Box 3

Melbourne VIC 3001

Telephone 1300 780 808 [www.fos.com.au](http://www.fos.com.au)

We are a member of the FOS complaints resolution scheme. The service to you is free.

- 3) The Australian Securities and Investments Commission (ASIC) also has an Infoline on (Ph 1300 300 630) which you may use to make a complaint and obtain information about your rights.

## **7.10 PRIVACY**

Your privacy is important to us and we are committed to comply with the Privacy Act 1988 (Cth) and the Australian Privacy Principles in the way that we handle your personal information.

AGM Markets has a Privacy Policy which describes its obligations in managing the personal sensitive information of Clients, potential Clients and orders. A copy of our Privacy Policy is available on our Website at [www.firstindex.com](http://www.firstindex.com).

## **7.11 REMUNERATION OF OUR ADVISERS AND THIRD PARTIES**

### **Remuneration and Other Benefits Received by Our Employees**

AGM Markets PTY LTD; ABN 87 158 706 766; ASFL NO.422662; FIRST INDEX – Level 1, 189 BALACLAVA ROAD, CAULFIELD NORTH, VIC, 3161  
TEL +613 9013 0190 FAX +613 9523 6252

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

#### **Sharing of Commissions and Other Amounts**

We may share charges or benefits with our associates or other third parties or receive remuneration from them in respect of Contracts we enter into with you. We may share such amounts with introducing advisers and referrers for the introduction or referral of Clients to us.

#### **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 or installments payable for the Products or services undertaken with us.

#### **Franchisee Arrangements**

AGM Markets Franchisees will receive certain payment amounts based on relevant Client's trading activity. Please refer to clause 23 of the AGM Markets Terms and Conditions for an explanation of the amounts to be received by the Franchisee and how these figures are calculated.

### **7.12 LIMITATIONS OF LIABILITY AND INDEMNITY**

You will indemnify and keep indemnified AGM Markets and its respective directors, officers, employees and agents from and against all sums of money, actions, proceedings, suits, claims, complaints, demand, costs, expenses and any other amounts whatsoever claimed against any of them in connection with any Contracts or obligations contemplated by this PDS other than money payable by us to you under the Contract contemplated.

In the absence of gross negligence or wilful default by us, AGM Markets is excluded from all liability in contract, tort or otherwise relating to or resulting from use of any services or Products AGM Markets provides.

### **7.13 AML/CTF LAWS**

AGM Markets is subject to AML/CTF Laws that can affect your trading of our Products.

You acknowledge that we may require information from you from time to time to comply with the AML/CTF Laws. By submitting an Application Form, opening an Account or transacting with AGM Markets, you undertake to provide us with all information and assistance that we may require to comply with the AML/CTF Laws.

We may pass on information collected from you and relating to transactions as required by the AML/CTF Laws or other Applicable Laws and regulations and we are under no obligation to inform

you we have done so. We may undertake all such anti-money laundering, counter-terrorism financing, and other checks in relation to you (including restricted lists, blocked persons and countries lists) we deem necessary or appropriate, and we reserve the right to take any action in relation to those checks without any liability whatsoever to you.

You also warrant that:

- you are not aware and have no reason to suspect that:
  - the moneys used to fund your Account 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; or
  - the proceeds of your investment will be used to finance any illegal activities; and
- neither you nor your directors, in the case of a company, are a politically exposed person as the term is used in the AML/CTF Laws – please contact us if this is applicable to you.

#### **7.14 Superannuation funds**

Complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities. These are contained in the Superannuation Industry Supervision Act 1993, the regulations made under that Act, and circulars issued by past and present regulators of superannuation funds, namely the Australian Prudential Regulation Authority and the Australian Taxation Office.

Some of the issues that should be considered by a trustee of a complying superannuation fund before entering into the Products include:

- prohibitions on borrowing and charging assets and whether dealing in the Products would breach those borrowing and charging prohibitions;
- the dealing in the Products in the context of a complying superannuation fund's investment strategy, together with the fiduciary duties and other obligations owed by trustees of those funds;
- the necessity for trustees of a complying superannuation fund to be familiar with the risk involved in dealing in the Products and the need to have in place adequate risk management procedures to manage the risks associated in dealing in those Products; and
- the consequences, including adverse taxation consequences if a superannuation fund fails to meet the requirements for it to continue to have complying status.

#### **Section 8 – Glossary**

**Account** means your Account with AGM Markets established under the Account Terms.

**Account Balance** means the net value of your Account and is calculated by AGM Markets on the basis of:



- i) the net value of any open Contracts you may have as a result of Contracts you have entered into with us (as calculated by us by reference to prevailing market prices);
- ii) any fees which you may be required to pay to us in accordance with the Agreements; and
- iii) any other payments that you are required to make to us and payments which we are required to make to you.

**Account Terms** means the Terms & Conditions document, being terms of your Account with AGM Markets by which you enter into Contracts.

**AFSL** means Australian Financial Services Licence.

**Adjustment Event** means, any event in respect of which we consider in our absolute discretion an adjustment to the terms of a Contract is appropriate, including:

- a) if the Underlying Asset in respect of a Contract is a share, debenture, unit or other security (or depositary receipt of any kind in respect of any of them) - a bonus issue for combination of rights issued, rights issue, stock split, share or other capital consolidation, security reclassification or sub-division return of capital, buy back, special dividend (however legally constituted), in specie distribution, takeover, scheme of arrangement or similar event or other corporate action event in respect of the security, whether or not the event triggers an adjustment to any exchange traded derivative of it;
- b) a distribution to existing holders of the Underlying Asset granting them the right to receive dividends or other proceeds equally and proportionately with payments made to holders of the Underlying Assets; or securities, rights or warrants granting the right to a distribution of shares or to purchase, subscribe, or receive shares, in any case for payment (in money cash or money's worth) at less than the prevailing market price per share as determined by us;
- c) an event that has a dilutive or concentrative effect on the market value of the shares or other Underlying Asset;
- d) if the Underlying Asset is an index, a substantial adjustment to the composition of the index outside its own terms allowing for adjustments or weightings; a failure to publish the index or a suspension or cancellation of the index; and
- e) if the Underlying Asset is a derivative which is able to be traded on a Financial Market – any event in respect of which the operator of the Financial Market makes an adjustment to the terms of the derivative.

**Agreements** means the Account Terms, this PDS, the Application Form, the Financial Service Guide and any other information located on the Website and the Online Trading Platform, which together govern our relationship with you.

**AGM Markets** means AGM Markets Pty Ltd ABN 87 158 706 766 Australian Financial Services License No.422662.

**AML/ CTF Laws** means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and any regulations, rules, instrument made under that Act, as updated, replaced or amended from time to time.

**Applicable Laws** means all laws, legislation, regulation and subsidiary regulation, instruments and orders of a regulatory authority or a court, rules and procedures of any relevant jurisdiction which apply to us, our Clients, the Agreements and the Contracts contemplated by the Agreements, including, without limitation, the Corporations Act and rules and regulations made pursuant to the Corporations Act, ASIC class orders and other instruments, and any laws, rules, regulations or directives of the jurisdiction of your residence.

**Application Form** means the form of application which a person is required to complete and return to us in order to become our client and to open an Account.

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

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

**Australian Dollars** or **AUD\$** means the lawful currency of the Commonwealth of Australia.

**Base Currency** is the first currency quoted when requesting a quote for a Margin FX Contract, for example in the quote AUDUSD, the AUD is the Base Currency.

**Base Rate** means the amount nominated by AGM Markets from time to time, as notified to you or posted on the Website.

**Business Day** means a weekday which is not a Saturday, Sunday or public holiday in Sydney, Australia.

**CFD** means an OTC derivative contract for the parties to pay in cash the difference in prices of an Underlying Asset on the terms of the Account Terms, whose term continues until the closing date.

**Claim** means any or all, actual or potential claim, action, complaint, suit, cause of action, arbitration, debt due, costs, claim, entitlement, allegation, demand in respect of damages and any other benefit verdict and judgment whether both at law or in equity or arising under the provisions of any statute, award or determination.

**Client** refers to the person who has an Account with AGM Markets.

**Client Money** means the money that Clients have deposited with AGM Markets and which is held by us under the Australian Client Money Rules.

**Close Out, Closed Out** or **Closing Out** in relation to an open Contract means discharging or satisfying the obligations of the parties under the open Contract and by entering into an opposite Contract in relation to the same Product with the same contractual counterparty, which will offset the Position created by the open Contract.

**Confirmation** means any confirmation of a Contract issued by us either through an update in

your Account on our Online Trading Platform, or on our behalf to you:

**Contract** means an OTC derivative between you and us which is an agreement to pay or receipt the change in the value of an Underlying Asset, which will result in long or short exposure.

**Contract Terms** means the unique terms of any particular Contract, which includes the unique set of price information, minimum and maximum quantities, expiry, and other commercial features which we will make available to you on the Online Trading Platform or otherwise prior to our entry into the particular Contract.

**Corporate Action** includes but is not limited to dividends, bonus issues, reconstructions, rights issues and stock splits in respect of an Underlying Asset.

**Corporations Act** means the *Corporations Act 2001* (Cth) and regulations made under it.

**Exchange** means the Sydney Futures Exchange operated by Sydney Futures Exchange Limited (ABN 83 000 943 377), the Australian Securities Exchange operated by ASX Limited, the Options Clearing House operated by Australian Clearing House Pty Limited (ABN 48 001 314 503), or any other exchange or market in which AGM Markets participates from time to time in order to issue Products based on Underlying Assets, whether directly or through agents or other market participants.

**Finance Charge** means a charge payable by you in respect of your Contract, in accordance with the Account Terms.

**Financial Market** has the meaning given to it in the Corporations Act.

**Financial Product** has the meaning given to it in the Corporations Act.

**Franchisee** means any person who has entered into a franchising agreement with us that authorises them to market and promote the Financial Products and services we provide under the Agreements to Clients.

**FSG** means any Financial Services Guide that we may issue in connection with the services offered under the Agreements.

**FX Contracts** mean margin foreign exchange contracts offered by AGM Markets.

**Initial Margin** means, in relation to a Contract, the initial amount, which you must pay to us in order to enter into a Contract which represents collateral for your initial exposure under the Contract.

**Instructions** means a direction given by you whereby which you offer for us to enter into a Contract with you on terms which have been quoted to you and which you have agreed to. The process for

giving Instructions and the nature of an Instruction are set out in clause 5 of the Terms and Conditions.

**Loss** means a damage, loss, cost, expense or liability incurred by a person, however it arises and whether it is present or future, fixed or unascertained, actual or contingent.

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

**Margin Call** means a demand for additional funds to be deposited into your Account to meet Margin requirements associated with your open Contracts, usually arising due to price movements, which are adverse to your open Contracts.

**Online Trading Platform** means the online trading platform which you are given access to by us to enable you to view certain details about your Account and to enter into Contracts with us by giving us Instructions.

**Order** means any request placed by the Client to enter into a Contract.

**OTC** means over-the-counter.

**PDS** means any product disclosure statements which AGM Markets may have issued in connection with our Product or our services, including any supplementary or replacement product disclosure statement.

**Position** means the long or short position that you have taken with us. Position has the same meaning as Contract in this PDS.

**Product** means any Financial Product which we may make available to you under the Agreements, subject to the Product Information.

**Product Information** means the particular terms and features of each type of Products, which will be available on the Online Trading Platform or otherwise provided to you prior to our entry into any Contract with you.

**Swap Rate** means the rate determined by AGM Markets from time to time having regard to, among things, market rates and financing rates.

**Term Currency** means the second currency in a quoted currency pair. This is known as either the Term, Variable or Quote Currency .

**Transaction Fee** means the fee or commission from time to time specified by AGM Markets to be the amount payable by you to AGM Markets in respect of each Contract as set out in this PDS or as later varied in accordance with the Account Terms and this PDS.

**Underlying Asset** means the financial instrument, such as security, currency, commodity, futures contract or index which the value of a Product is referable to.

**Variation Margin** means an amount which you are required to pay to AGM Markets to meet additional Margin requirement.

**Website** means [www.firstindex.com](http://www.firstindex.com).

**Withdrawable Funds** means the amount calculated by AGM Markets as the amount of cash which would be paid to you from the Account if requested. For CFDs covered by this PDS, the Withdrawable Funds of the Account, being:

- the cash balance of the Account;
- plus the value of any unrealised profits and minus the value of any unrealised losses of all open positions in the Account; and minus the value of all Margin cover requirements for all Contracts on the Account and all Accounts.