

Commodity Broking Services Pty Ltd

ABN: 32 110 128 286

Level 14, 309 Kent St Sydney NSW 2000

PRODUCT DISCLOSURE STATEMENT ("PDS")

PART 1

AUSTRALIAN FINANCIAL SERVICES

LICENCE NO: 280372

DATE: 30th July 2006

The information and any general advice in this PDS do not take into account your personal objectives, financial situation and needs. Before trading in the products referred to in this PDS you should read this PDS and be satisfied that any trading you undertake in relation to those products is appropriate in view of your objectives, financial situation and needs as well as considering the risks associated with dealing in those products. You should read all sections of this PDS before making a decision to acquire the financial products described herein.

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

This PDS is in 4 Parts. Part 1 provides general information. Part 2 contains information with respect to exchange traded derivatives other than information such as fees and the exchanges on which we trade and other information which may change from time to time. Part 3 contains information with respect to derivative products (other than exchange traded derivatives) but does not include information such as fees and other information which may change from time to time. Part 4 provides information on our fees, the exchanges on which we trade, a glossary of terms and other information which may change from time to time.

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1. Introduction

Under the Corporations Act, a retail client must receive a Product Disclosure Statement (“PDS”) from a financial services licensee before acquiring a financial product. The PDS is the document that sets out the significant features of a financial product, including its risks, benefits and costs. The purpose of this PDS is to provide you with sufficient information to make an informed decision in relation to the acquisition of financial products offered by us. This document is our PDS for exchange traded derivatives and Over the Counter (“OTC”) derivatives which are types of financial products.

This PDS seeks to explain to you in a clear, concise and effective manner about derivatives. Given that the financial products referred to in this PDS are a sometimes complex area of the financial markets, we have provided a glossary at the end of Part 4 of this PDS to assist your greater understanding. When we use the terms **CBS**, ‘we’, ‘us’ or ‘our’ in this PDS, the reference is to Commodity Broking Services Pty Ltd. When we use the term “you” we mean you as the user of our products. When we refer to “client” we mean you or another user of **CBS** products as applicable.

Before trading in the products referred to in this PDS you should give consideration to your objectives, financial situation and needs. You should also be aware of the risks involved and be satisfied that trading in the products is suitable for you in view of your financial circumstances. The risk factors in dealing in exchange traded derivatives are set out in section 3 of Part 2 of this PDS and for dealing in OTC derivatives in section 18 of Part 3 of this PDS.

This PDS is an important document and provides you with key information about our financial products. If you have any questions in relation to this PDS, please do not hesitate to contact us though the contact details given in section 2 of this Part 1 of this PDS.

2. Issuer/Contact Details

All queries should be made to:

Issuer: Commodity Broking Services Pty Ltd
(ABN 32 110 128 286; AFSL 280372)
Level 14,
309 Kent St,
Sydney, NSW 2001

Telephone: (02) 9401 4856
Facsimile: (02)6847 3676
Website: www.commoditybroking.com.au

3. Who is Commodity Broking Services Pty Ltd

Commodity Broking Services Pty Ltd is an Australian company structured to provide specialist On-line Broking and Educational services to its clients.

We take great pride in our company and products we offer. Our success has been in our ability to offer customers a professional and reliable service. Our knowledge base comes from close to 25 years experience on the frontline of investment products. We believe that given our experiences that we will be able design the correct strategy to fulfill our clients needs.

Our Structure

Our company is strategically broken into three levels:

On Line Broking Services

We are an internet based Broking firm exclusively involved in trading and investments in: FX, Gold & Silver, CFDs, Equities, and Futures.

Our IT partner is SAXO Bank. SAXO Bank is a European Bank based in Copenhagen, London and Singapore.

Agricultural Services

Our Agri services are based out of Warren in central west NSW. Our main aim is to assist clients to protect their livelihood via uncomplicated hedging techniques. Our focus is to be a major independent provider of AUD commodity swaps to producers and end users.

Education

Understanding the market you trade in is perhaps one of the most important aspects to an investment /hedging plan. CBS via its Market Awareness Program and Market Forum Seminars offers a short course to gaining this understanding.

For our clients to achieve their investment/trading plans we provide a comprehensive range of dealing, advisory and educational services.

To this end we work closely with our clients to determine the best strategy that is appropriate to suit their corporate/individual financial goals and circumstances.

We are approachable, firmly independent and carefully responsive to our clients as both they and the markets evolve. Our prime focus is to offer a service that is tailored to our client's specific needs.

4. *Dealing with Commodity Broking Services Pty Ltd*

Your dealings with CBS will be undertaken in accordance with the following documents that you will receive from a representative of CBS:

- Our Client Agreement which includes our Terms and Conditions;
- Our Financial Services Guide (“FSG”); and
- This PDS.

These documents, individually and together, create your legally binding Agreement with CBS and must be approved by CBS before you can begin dealing. All documents are available upon request or may be downloaded from our website i.e. www.commoditybroking.com.au. You should read these documents carefully.

5. *How do your Orders get Executed and Confirmed?*

You must follow the following steps to effect orders with CBS:

- (a) Read this PDS and the FSG;
- (b) Read, acknowledge and accept the terms and conditions contained in the Client Agreement Form (may be found on our website at www.commoditybroking.com.au);
- (c) Deposit cleared funds into CBS’s client trust account of at least the minimum initial account balance and sufficient to pay an initial margin on each contract of the amount required by CBS;
- (d) Based on the quotations, for exchange traded derivatives you will place an order with CBS using the on line trading platform and CBS will transmit your order directly to the markets and relevant exchanges via one of CBS’s principal liquidity and infrastructure partners;
- (e) Based on the quotations, for OTC derivatives you will enter into a contract with CBS using the on line trading platform;
- (f) You will receive an electronic confirmation from CBS which will give you full details of the transaction;
- (g) Pay on demand any calls made by CBS for variation margins to maintain the margin foreign exchange position held by you. In other words, clients that are making a loss are required to “top up” their accounts for any movement in the market which results in an unrealised loss for the client. The variation margin liability is incurred at the time the adverse movement comes into existence.
- (h) You can access details of your account any time online.

6. *How do you deal in CBS products?*

You may place orders or deal with *CBS* products in the following ways:

- By telephoning *CBS*'s dealing desk;
- Over the internet i.e. using *CBS*'s online trading platform;
- Email – please advise when you have sent it
- Using the on-line chat facility.

7. *The online trading platform*

CBS's online trading platform provides clients with the capability to execute deals over the internet i.e. by accepting the price quoted or offered to you by *CBS*.

This platform a very sophisticated, copyright protected, trading and information system and is designed to facilitate trade execution, order routing, automated hedging facilities, client reporting, risk management, markets analysis, market information distribution, back office processing, settlement and custody operations i.e. it offers a full on-line back office and position keeping service.

A full user guide is available to you upon request and/or by accessing our website.

8. *Prices of financial products using the online trading platform*

The real time prices provided by *CBS*'s online trading platform are the prices that *CBS* is offering for its financial products.

(a) Exchange Traded Derivatives - Futures and Option Contracts

In this regard, *CBS* will facilitate (arrange) for you to deal in these exchange traded derivative products by routing the order directly to the markets and relevant exchanges via one of *CBS*'s principal liquidity and infrastructure partners. These liquidity and infrastructure partners are some of the largest investment bank institutions in the world.

(b) OTC Derivatives - Margin Foreign Exchange and Contracts for Difference (CFD's)

In this regard, *CBS* is a market maker, not a broker, and accordingly will act as a principal, not as an agent, in respect of all transactions with you. In other words, *CBS* will be the counterparty to the transaction and each product purchased (or sold) by you is an individual agreement made between you and *CBS*.

Accordingly, should you decide to deal (transact), then depending upon the product, *CBS* will either route you order to a relevant exchange or alternatively, it will make you a price

(or market). Once you confirm all of the relevant details, the deal is done.

9. *Minimum Initial Account Balance*

There is usually a minimum account opening deposit of AUD \$10,000 or its currency equivalent. This may be varied at CBS's absolute discretion from time to time.

10. *Account Administration – Daily Trade Confirmation and Monthly Statements*

Each day, provided you have dealt, CBS will provide you with a daily trade confirmation and/or open position statement. At the end of each month, CBS will also provide you with a monthly statement, which will include:

- a summary of your financial position in the currency your account is denominated;
- ledger activity for the month, being details of all transactions on your account;
- an open positions report, which will list all your open positions and value of these open positions (using current market rates of the underlying financial instrument).

These will also be made available to you through our online trading platform. Please check all the contents of the statements in detail and contact us immediately if you disagree with any of their contents.

Since most financial products are traded on margin it is very important that you are aware of your daily equity balance, your margin requirements for your open position(s), any additional funds that are required and/or any free equity available. The summary of your financial position will be available to you online and will indicate your margin position and the amount of excess funds that are available, if any, that you may either utilise to increase your open positions or withdraw.

11. Account Balances

Account balances are maintained in Australian dollars unless specified by you, and then they will be in the currency you have nominated, that is, the Base Currency.

Since some of the financial products you may invest in will be denominated in a currency other than Australian dollars (e.g. the Dow Jones futures contract is denominated in US dollars), the financial trading requirements (margins, profits and losses etc) will be denominated in the currency of the underlying product. This amount will be automatically converted to your Base Currency on a monthly basis or upon your request at the settlement prices (or rates) quoted by *CBS*.

12. Real-time access through the online trading platform

CBS's trading platform enables you to view your position(s) and your account details online in real-time i.e. all executed transactions, pending orders, financial position, statements and other important information (we refer to the Client Agreement Form for additional information).

13. Terms and Conditions

The Client Agreement Form governs the contractual relationship between *CBS* and the client. The Client Agreement Form sets out the basis on which future transactions will take place and the obligations of both *CBS* and the client when accessing and trading on the trading platform. However, entering into the Client Agreement Form does not itself constitute a trade or in any way oblige you to enter into future transactions. This is always your decision.

CBS may in its discretion amend or vary the Client Agreement Form or withdraw in whole or in part any account provided by *CBS* to you.

CBS financial products are offered solely on the basis of the information and representations contained in this PDS, and any supplementary PDS, the *CBS* Client Agreement Form as amended from time to time, the FSG and any supplementary FSG and no other information or representation however provided and conveyed to you.

14. Acknowledgement

You acknowledge to *CBS* that you:

- Are aware that investing in *CBS* products carries a high level of risk and due to the potential volatility and fluctuations in financial markets you could sustain a total loss of the amount that you deposit with *CBS* to establish or maintain a contract and sustain significant losses;
- Are aware that if the market moves against your position, you may be required, at short notice, to deposit with additional money with *CBS* in order to maintain your position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time, your position may be liquidated at a loss and you will be liable for any shortfall in your account resulting from that failure.
- Have given consideration to your objectives, financial situation and needs and the significant risks of loss together with the prospects of profit are associated with dealing in financial products offered by *CBS* and have formed the opinion that dealing in those products is suitable for your purposes;
- The high degree of leverage that is obtainable in trading derivative contracts because of small margin requirements can work against you as well as for you. The use of leverage can lead to large losses as well as large gains.
- Have obtained appropriate and sufficient advice concerning the terms of this PDS, the Client Agreement Form and the FSG;
- Have consented to *CBS* collecting, maintaining, using and disclosing personal information about you and provided by you for another person.
- Have received or downloaded this PDS, the Client Agreement Form which includes our Terms and Conditions and the FSG and have read and understood them; and
- Agree that *CBS* will provide its services to you on the terms and conditions of this PDS and the other documents making up our Agreement.

15. Dispute Resolution

CBS has internal dispute resolution procedures and a copy of these procedures may be obtained by contacting us and requesting a copy.

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

1. Contact your Advisor and discuss your concerns.
2. If your complaint is not satisfactorily resolved, contact *CBS* to inform us about your complaint. You may do this by telephone, facsimile, email or letter. All complaints will be properly handled and investigated promptly. We will try to resolve your complaint quickly and fairly.
3. If your complaint is not resolved to your satisfaction, you have the right to refer the matter to the Financial Industry Complaints Service who may be contacted on 1300 780 808 or in writing at P.O. Box 579, Collins Street West, Melbourne VIC 8007.

CBS is a member of this complaints resolution scheme and our membership number is F-4312.

In order for a complaint to be considered by FICS, the claim must be less than \$100,000 unless you and *CBS* agree otherwise in writing.

3. You can contact the Australian Securities and Investments Commission (ASIC) on 1300 300 630. This is a Freecall Infoline.

This is another alternative that you may use to make a complaint and obtain information about your rights.