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PRODUCT DISCLOSURE STATEMENT ("PDS")

PART 3

**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.

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1. Introduction

This Part 3 of our PDS is for margin foreign exchange products provided by CBS. Margin foreign exchange products are derivatives which is a type of financial product. These are Over the Counter ("OTC") products.

"Foreign exchange" generally refers to trading in foreign exchange products (currency) in the spot (cash) markets. Margin foreign exchange products can be differentiated from foreign currency as they allow the investor an opportunity to trade foreign exchange on a *margin*ed basis as opposed to paying for the full value of the currency. In other words, investors are required to lodge funds as security (initial margins) and to cover all net debit adverse market movement (variations margins) i.e. positions are monitored on a mark-to-market basis to account for any market movements. When clients are making a loss to an extent that they no longer meet the margin requirements they are required to "top up" their accounts or to "close out" their position.

Foreign exchange is essentially about exchanging one currency for another at an agreed rate. Accordingly, in every exchange rate quotation, there are two currencies. The exchange rate is the price of one currency (the "base" currency) *in terms of another* currency (the "terms" currency) such as the price of the Australian dollar in terms of the US dollar. For example, if the current exchange rate for the Australian dollar as against the US dollar is AUD/USD 0.70, this means that one Australian dollar is equal to, or can be exchanged for, 70 US cents.

A foreign exchange quote e.g. AUD/USD "0.71 / 0.72" represents the bid/ask spread (in this case for AUD/USD). This quote means that you can:

- (a) buy Australian Dollars at 0.71 against the US dollar; and/or
- (b) sell Australian Dollars at 0.72 against the US dollar.

Margin foreign exchange contracts provided by CBS are available in over 100 currencies. This means that all major currency pairs are available. However, some of the minor or more exotic currency pairs can not be traded with CBS.

2. CBS acts as principal

When dealing in margin foreign exchange products, 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.

CBS will regularly state, via its online trading platform, the price at which it is prepared to deal with you as principal. This is known as being a 'market maker'. Should you decide to transact with CBS then CBS will enter into a legally binding contract with you (as principal) i.e. it will be the counterparty to the transaction and each product purchased (or sold) by you will be an individual agreement made between you and CBS.

3. What products does this Part 3 of our PDS cover?

CBS margin foreign exchange products do not result in the physical delivery of the currency but are cash adjusted or closed by the client taking an offsetting opposite position **i.e. there is not a physical exchange of one currency for another**. Positions will always be closed and the client's account will be either credited or debited according to the profit or loss of the trade (we refer you to section 8 of this Part 3 of our PDS in regards to understanding realised versus unrealised profits and losses from transacting).

Our margin foreign exchange products are as follows:

(i) Spot and Forward Contracts:

When dealing in foreign exchange and OTC markets, each transaction will be either a Spot contract or a Forward contract.

- A Spot contract is for those transactions that require immediate settlement or where settlement occurs within two (2) business days; and
- A Forward contract is for transactions that are settled at some future date (i.e. greater than two (2) business days).

(a) Spot Contract

A Spot transaction is a margin foreign exchange contract where the settlement date is within two working days after the date of entering the transaction.

(b) Forward Contract

A forward contract is an agreement to buy or sell a specified amount of a commodity or financial instrument at a fixed price some time in the future.

A forward contract (also referred to as a forward outright on our trading platform) offered by CBS is a currency rate deal where the settlement date is later than two working days after the date of entering the transaction starting the day the deal is made until it ends. An open margin foreign exchange position for a forward date may be closed out or liquidated by the execution of an equal and opposite position. Accordingly, the deal ends in one of the following events:

- Termination initiated by you.
- The currency rate has reached the stop loss or profit target rate you specified or predefined.

We note that, at the settlement date, the forward contract will continue as a spot transaction with automatic rolling of the position until the position is closed by you.

The execution of an equal and opposite transaction will give rise to a “closed” forward position, namely a bought and a sold position for an identical amount of the commodity currency in the same terms currency for settlement on the same settlement date. Accordingly, upon settlement, the amount payable on the settlement date will be the net value of the opening and the closing transaction in the terms currency. In this situation, initial margins for the positions will not be required as no positions will be open. However, we note that the profits from such transactions cannot be paid until the settlement date and that the losses (if any) must be fully covered by variation margins pending settlement. To fully understand how these transactions are closed we refer you to section 8 of this Part 3 of our PDS.

Buying a foreign currency (either spot or forward) creates an asset. The position is said to be *long* the foreign currency. If the foreign currency appreciates, there will be an exchange gain. If the currency depreciates, there will be an exchange loss.

Selling a foreign currency (either spot or forward) creates a liability. The position is said to be *short* the foreign currency. If the foreign currency depreciates, there will be an exchange gain. If the currency appreciates, there will be an exchange loss.

We refer you to section 9.1 of this Part 3 of our PDS for more specific examples.

(ii) Option Contracts:

CBS offers options in a variety of currency crosses.

A buyer of an option acquires the right, but not the obligation, to buy or sell a specific amount of one currency for another at a predetermined price and date in the future. A “call” option is the right, without the obligation, to *buy* a currency. A “put” option is the right, without the obligation, to *sell* a currency.

In every foreign exchange transaction, one currency is purchased and another currency is sold. Consequently, every currency option is both a call and a put. For example: an option to buy USD against YEN is **both a USD call and a YEN put**.

There are always two (2) parties to an option contract – the buyer and the seller. The buyer of the option enjoys the right to exercise the option and the right not to exercise the option (i.e. to let it lapse). The seller of the option has the obligation to deal at the contracted rate if the buyer elects to exercise the option. The seller is also known as the writer or grantor of the option.

The client specifies the rate at which they want to purchase or sell the currency (“strike price” or “exercise price”) and they determine the period of time for the option to exist (“maturity” or “expiration date”).

The price of the option is known as the *option premium*. The buyer pays the premium to the seller as compensation for the risk involved in writing the option. The option premium is paid on the spot value from the date on which the option is contracted.

In other words, to facilitate the option deal, the buyer of the option (usually the client) is required to pay an amount (“premium”) to the seller (usually CBS). Paying the premium allows the client to keep the option until its maturity date, or to sell it at any given point of time prior to its maturity. The seller of the option (usually CBS) determines the price of the premium at which it is willing to grant the option, based on current rates, nominated delivery and expiry dates, the nominated strike rate and option style.

Clients can also sell options to CBS, however this is NOT recommended unless you are a professional trader. Since the seller of the option has the obligation to deal at the contracted rate if the buyer elects to exercise the option, there is unlimited risk to the seller of the option.

We note that all option contracts must have a minimum expiry date being seven (7) days from execution date to a maximum period (expiry date) of six (6) months.

Options traded with CBS are European options and thus, may only be exercised at the strike price at the expiration date which results in a cash adjustment between the strike price and the current market price as determined by CBS. This is in contrast to American Options which are capable of exercise at the strike price at any time before the expiration date.

All of these products can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. Stop losses are instructions placed by the client with CBS to close out an open position if a market trades through a specific level. Stop loss orders are often used to attempt to limit the amount which can be lost on a position. We note that stop losses are not guaranteed and the execution of such orders will depend on market volatility and liquidity. The operation of these order types should be discussed with your CBS representative. You should refer to our Client Agreement Form (“CAF”) with respect to the operation of these order types.

Each transaction agreed and entered into with a client will be entered into as principal. CBS will be making a market in its products as it will regularly state the price at which it is prepared to deal with the client as principal.

When trading CBS products you should be aware of the risks and benefits (as set out in Parts 1 and 3 of this PDS). Examples of how CBS Spot, Forward and Option contracts can be traded are provided in Section 9 of this Part 3 of our PDS. The examples provided in Section 9 of this Part 3 of our PDS are only provided for illustrative purposes and use figures which attempt to demonstrate how the relevant CBS products work. Those figures do not necessarily reflect CBS's or your personal circumstances and do not restrict in any manner the way in which CBS may exercise its powers or discretions. Those examples do not constitute general or personal financial product advice to any person reading this PDS.

4. *Purpose of CBS margin foreign exchange products*

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

- Companies or individuals, that are dependent on overseas trade, are exposed to currency risk. This can be to purchase (or sell) physical commodities (such as machinery) or even financial products (such as investing in securities listed on an international stock exchange).
 - An exporter who sells its product priced in foreign currency has the risk that if the value of that foreign currency falls then the revenues in the exporter's home currency will be lower; or
 - An importer who buys goods priced in foreign currency has the risk that the foreign currency will appreciate thereby making the cost, in local currency terms, greater than expected.
- A person going on a holiday to another country has the risk that if that country's currency appreciates against their own, their trip will be more expensive.

In each of the above examples, the person or the company is exposed to currency risk.

Currency risk is the risk that arises from international business which may be adversely affected by fluctuations in exchange rates. CBS offers its clients the facility to buy or sell foreign exchange products to manage this risk.

This enables clients to protect themselves against adverse currency swings, yet secure enhanced exchange rates when offered, thereby protecting the profit margin made by the corporate during the business transaction relating to the foreign currency trade or protecting the cost of the client's international holiday in the case of the traveller.

CBS products may also be used by the speculator. A client may take a view of a particular market or the markets in general and therefore invest in our products according to this belief in anticipation of making a profit.

5. *How is the foreign exchange rate calculated?*

CBS cannot predict future exchange rates and our rate quotations are not a forecast of where we believe foreign exchange rate will be at a future date. CBS calculates foreign exchange rates taking into consideration the current spot “inter bank” exchange rates and the amount of currency that you wish to buy or sell.

The calculation of the price to be paid (or the payout to be received) for margin foreign exchange products offered by CBS, at the time the contract is purchased or sold, will be based on CBS’s best estimate of market prices and the expected level of interest rates, implied volatilities and other market conditions during the life of the financial contract and is based on a complex arithmetic calculation.

The calculation will include a spread in favour of CBS. The contract prices (or the payout amounts) offered to clients hedging, trading or speculating on market prices may differ substantially from prices available in the primary or underlying markets where contracts are traded. This is due to the spread favouring CBS in the price calculation. CBS acts as a market maker and not a broker and makes its earnings from the spreads that are embedded in the currency rates. Different spreads are used depending on the value of the transaction.

CBS earns its income from the business spread (or margin) that we apply to our margin foreign exchange products. This is the difference between the rate at which we buy and sell the financial instruments (i.e. between the wholesale price achieved by CBS and your trade price). This spread is incorporated into the rates quoted to you and is not an additional charge or fee payable to you. These spreads will differ depending on the nature and value of the transaction and will depend on factors such as the size of the trade and prevailing market rates. Accordingly, the decision to transact at a particular rate will always be the client’s decision. However, once you agree to a particular exchange rate that is the total amount payable by you to CBS.

CBS does not provide a market amongst or between clients for investments or speculations. As stated above, each product purchased (or sold) by a client is an individual agreement made between that client and CBS as a principal and is not transferable, negotiable or assignable to or with any third party.

6. *Points*

It is arbitrary how many significant figures are used in an exchange rate quotation. The last decimal place to which a particular exchange rate is usually quoted is referred to as a “point” or “pip”. For example:

- In the quotation USD 1=AUD 0.7250, one point or one pip means AUD 0.0001.
- In the quotation USD 1=JPY 102.50, one point or one pip means JPY 0.01.

Of note, all points (or pips) are **not** of equal value.

7. *Calculating Profits and/or Losses*

The profit or loss from a transaction is calculated by keeping the units of one of the currencies constant and determining the difference in the number of units of the other currency. The profit or loss will be expressed in the units of the currency which is not kept constant. We refer you to section 9.1 of this Part 3 of our PDS for specific examples.

8. *Realised and Unrealised Profits and Losses*

Profits and/or losses are realised if both the buy and the sell side of the transaction are complete and have been matched against each other or closed out. Profits and/or losses are unrealised if only one side of the transaction has been completed.

In other words, if you do not instruct the system to match selected trades against previous trades then it will default to matching trades on a First In First Out (“FIFO”) basis. This will result in the transactions remaining open and only being matched at settlement date. This may result in additional fees (such as interest) being generated whilst awaiting settlement (as opposed to being matched and closed immediately where no additional fees will be incurred).

Please contact your CBS representative to assist you in understanding the importance of and how to match and close out trades.

9. *How are the CBS margin foreign exchange products traded?*

CBS provides an online trading platform which enables clients to trade in our products i.e. clients are provided direct access to currency rates over the internet.

As stated in section 3 of this Part 3 of our PDS, the margin foreign exchange products offered by CBS are Spot, Forward and Option Contracts.

When you trade margin foreign exchange products you are normally quoted a spot price. This means that if you take no further steps, your trade will be automatically rolled after two business days unless you initiate an equal and opposite transaction to close the position.. Alternatively, you may wish to swap the trade forward to a later date. This may be anywhere from a week up to several months depending on the time frame of the investment.

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

When you trade, you may trade a combination of two currencies. For example, you will buy US dollars and sell EURO. Or buy EURO and sell Japanese yen, or any other combination of widely traded currencies. But there is always a long (bought) and a short

(sold) side to a trade, which means that you are speculating on the prospect of one of the currencies strengthening and one of them weakening.

The trade currency is normally, but not always, the currency with the highest value. When trading US dollars against Japanese yen, the normal way to trade is buying or selling a fixed amount of US dollars, i.e. USD1,000,000. When closing the position, the opposite trade is done, again USD1,000,000. The profit or loss will be apparent in the change of the amount of yen credited and debited for the two transactions. In other words, your profit or loss will be denominated in Japanese yen that are known as the price currency. As part of our service, CBS will automatically exchange your profits and losses into your base currency if you require this.

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

9.1 Let's look at some examples for Spot and Forward contracts.

(i) Trading Scenario – Trading Rising Prices

If you believe that the Euro will strengthen against the dollar you'll want to buy Euro now and sell it back later at a higher price.	
You buy Euro	We quote EURUSD at bid 0.9875 and ask 0.9880, which means that you can sell say 100,000 Euro for 0.9875 USD or buy 100,000 Euro for 0.9880 USD. In this example you buy Euro 100,000 at the quote price of 0.9880 (ask price) per Euro.
Example 1: The market turns in your favour	Later the market turns in favour of the Euro and the EURUSD is now quoted at bid 0.9894 and ask 0.9899.
Now you want to sell your Euro and get the profit	You sell Euro at a price of 0.9894.
The profit is calculated as follows:	Sell price - buy price x size of trade (0.9894 minus 0.9880) multiplied by 100,000 = \$140 Profit (Note that the profit or loss is always expressed in the secondary currency)

Example 2: The market turns against you	Alternatively, let's assume the market turns against the Euro and the EURUSD is now quoted at bid 0.9865 and ask 0.9870.
Now you want to sell your Euro and realise the loss	You sell Euro at a price of 0.9865.
The loss is calculated as follows:	Sell price - buy price x size of trade (0.9865 minus 0.9880) multiplied by 100,000 = \$150 Loss (Note that the profit or loss is always expressed in the secondary currency)

(ii) Trading Scenario – Trading Falling Prices

If, on the other hand, you believe that the Euro will weaken against the dollar, you'll want to sell EURUSD.	
You sell Euro	We quote EURUSD at a bid price of 0.9875 and ask price of 0.9880 and you decide to sell Euro 100,000 at a price of 0.9875.
Example 1: The market moves in your favour	The Euro weakens against the dollar and the EURUSD is now quoted at bid 0.9744 and ask 0.9749.
Now you buy back your Euro	You buy EUR at a price of 0.9749.
Your Profit is then	Sell price-buy price x size of trade (0.9875 minus 0.9749) multiplied by 100,000 = \$1,260 Profit
Example 2: The market moves against you	The Euro strengthens against the dollar and the EURUSD is now quoted at bid 0.9990 and ask 0.9995.
Now you buy back your Euro	You buy EUR at a price of 0.9995.
Your Profit/loss is then	Sell price-buy price x size of trade (0.9875 minus 0.9995) multiplied by 100,000 = \$1,200 Loss

Remember that trading EUR 100,000 as we have done in our examples, does not mean that you have to put up Euro 100,000 yourself. It means that you have to deposit 3% of Euro 100,000, which is Euro 3000 on margin as a guarantee for the future performance of your position.

Let's look at some more specific examples.

Example 1

You have a margin deposit with CBS of USD100,000. You wish to speculate that the US dollar will rise against the Swiss franc and therefore decide to buy USD2,000,000.

CBS quotes you 1.5515-20. You buy USD at 1.5520.

Day 1: Buy USD2,000,000 vs CHF 1.5520 = Sell CHF3,104,000.

Four days later, the dollar has actually risen to CHF1.5745 and you decide to take your profit. Upon your request, CBS quotes you 1.5745-50. You sell at 1.5745.

Day 5: Sell USD2,000,000 vs CHF 1.5745 = Buy CHF3,149,000.

As the dollar side of the transaction involves a credit and a debit of USD2,000,000, your USD account will show no change. The CHF account will show a debit of CHF3,104,000 and a credit of CHF3,149,000. Due to the simplicity of the example and the short time horizon of the trade, we have disregarded the interest rate swap that would marginally alter the profit calculation.

This results in a profit of CHF45,000 = approx. USD28,600 = 28.6% profit on the deposit of USD100,000.

Example 2:

You follow the cross rate between the Euro and the Japanese yen. You believe that this market is headed for a fall. You ask CBS for a quote in EUR1,000,000. CBS quotes 112.05-10. You sell EUR at 112.05.

Day 1: Sell EUR1,000,000 vs JPY 112.05 = Buy JPY112,050,000.

You protect this position with a stop-loss order to buy back the euro at 112.60. Two days later, this stop is triggered as the euro strengthens short term in spite of your expectations.

Day 3: Buy EUR1,000,000 vs JPY 112.60 = Sell JPY112,600,000.

The EUR side involves a credit and a debit of EUR1,000,000. Therefore, the EUR account shows no change. The JPY account is credited JPY112.05m and debited JPY112.6m for a loss of JPY0.55m. Due to the simplicity of the example and the short time horizon of the trade, we have disregarded the interest rate swap that would marginally alter the loss calculation.

This results in a loss of JPY0.55m = approx.USD5,300 (USD/JPY 105) = 5.3% loss on the original deposit of USD100,000.

Example 3

You believe the Canadian dollar will strengthen against the US dollar. It is a long term view, so you take a small position to allow for wider swings in the rate:

You ask CBS for a quote in USD1,000,000 against the Canadian dollar. CBS quotes 1.5390-95 and you sell USD at 1.5390. Selling USD is the equivalent of buying the Canadian dollar.

Day 1: Sell USD 1,000,000 vs CAD 1.5390. You swap the position out for two months receiving a forward rate of CAD1.5357 = Buy CAD1,535,700 for Day 61 due to the interest rate differential.

After a month, the desired move has occurred. You buy back the US dollars at 1.4880. You have to swap the position forward for a month to match the original sale. The forward rate is agreed at 1.4865.

Day 31: Buy USD1,000,000 vs CAD 1.4865 = Sell CAD1,486,500 for Day 61.

Day 61: The two trades are settled and the trades go off the books. The profit secured on Day 31 can be used for margin purposes before Day 61.

The USD account receives a credit and debit of USD1,000,000 and shows no change on the account. The CAD account is credited CAD 1,535,700 and debited CAD 1,486,500 for a profit of CAD49,200 = approx. USD33,100 = profit of 33.1% on the original deposit of USD100,000.

9.2 Let's look at some examples for Option contracts

Example 1 – Buying a Put Option

With this example, you are expecting a fall in the dollar vs. the yen (USDJPY):

Buy USD Put / JPY Call
Strike price 133
Expiration 6 March 2005
Premium 70 JPY
Spot reference 133.8

In this example, you hold a USD put / JPY call option – or simply a USDJPY put. This gives you the right to **sell** USD (Put) and **buy** JPY (Call) at the price of 133.00. For this right, you are paying a premium of 70 JPY. Remember that when you are trading in currency pairs that you are always simultaneously buying/selling or selling/buying the

two currencies. Therefore, currency options are simultaneously put/call options or vice versa.

In this scenario, the market price on the day you purchase the option is 133.80. When buying the option, you are speculating that the dollar will weaken significantly against the Yen and fall well under the 133 level in the coming days.

Let's say that, as you have anticipated, the option expires in the money (in this case, below the 133 strike price, meaning that the option has intrinsic value on expiration), due to a significant decline in the USDJPY spot rate. The spot rate on exercise date, 6 March 2005 is say, 130.75.

To realise your profits, you exercise your right to sell at the 133 strike price to the seller (CBS), or "writer" of the put option. Then you buy back USDJPY at the 130.75 market price to close the position and take the profit.

The profit scenario is then:

Strike price – closing spot price – premium i.e. $133.00 - 130.75 - 0.70 = \text{JPY } 1.55$ profit

If the spot rate was quoted above the strike price (133.00), the option would have been out of the money and you would have lost your premium, but your risk in this transaction was limited to the premium and nothing more. As you can see, you can make unlimited profit but the maximum loss is the premium paid. Because you paid the 70 JPY premium up front, your break-even point is not simply the strike price of 133, but the difference of the strike price minus the premium, or 132.30.

10. Margin Obligations

All contacts will be subject to margin obligations. Accordingly, the client is responsible to meet all margin payments required by CBS.

Initial Margin means the initial deposit (an up front payment) of funds required by CBS to cover the risk to CBS and as security for the client's obligations. Furthermore, additional margin (also known as variation margin) may be payable in the event of adverse market movements to keep the position open.

Positions will be monitored by CBS on a mark to market basis to account for any market movements. If the value of the position moves against you then you will be required to "top up" the initial margin and, if so, you will be subject to a margin call i.e. to pay additional margin or alternatively to close the position in order to reduce your initial margin to a level acceptable to CBS. The variation margin liability is incurred at the time of the occurrence of any movement in the market that results in an unrealised loss, regardless as to when the call to pay is made by CBS on you.

Initial margin obligations will be as follows:

- In the case of Spot and Forward contracts, the initial margin immediately payable is between 1% - 10% of the face value of the contract.
- In the case of Option contracts, the initial margin immediately payable is the full amount of the premium value.

You must be in a position to fund such requirements at all times. Initial and variation margin must be paid immediately after the call. The general policy of CBS is that payment of the call must be received within 24 hours of the call although in times of extreme price volatility this may mean as little as 1 hour. In rare circumstances, the markets could move against your position giving CBS no time to make a margin call on you to request additional funds for CBS to protect its positions.

If you fail to meet any margin call or in the rare circumstances where CBS does not have time to make a margin call due to exceptional market movements, then CBS may in its absolute discretion and without creating an obligation to do so, close out, without notice, all or some of your open positions (or transactions) and deduct the resulting realised loss from the initial margin (and other excess funds held in your account with CBS).

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

The products offered by CBS can be highly volatile and you should ensure that you are always contactable by CBS. If you are unable to be contacted for the purpose of CBS making the call, we may close out your open positions without actually speaking to you.

Margin calls will be made on net account basis i.e. should you have several open positions, then margin calls are netted across the group of open transactions. In other words, the unrealised profits of one transaction can be used or applied as initial or variation margins or to offset the unrealised losses of another transaction.

You will only be allowed to deal in and maintain positions on the basis of cleared funds being provided for your margin obligations or your net balance is in credit. Margin calls can be made by CBS at any time and you are responsible for ensuring that they are met.

CBS has the right to limit the size of your open positions, whether on a net or gross basis under any appropriate circumstances as determined by CBS. CBS also has the right to refuse any request made by you to place an order to establish a position at any time at CBS's discretion without having to give you notice.

11. The Trading Platform

Rather than supporting our clients via more traditional telephone and voice based trading activities, CBS brings the foreign exchange markets to our clients using a highly efficient, properly controlled on-line trading environment i.e. CBS allows its clients to trade margin foreign exchange products using a very sophisticated, highly secure, trading and information system, which operates over the internet. This platform is known as *[Insert Platform Name]* and provides clients with real-time market prices and fully integrated user access, credit and risk management controls.

Other than for large transactions (i.e. those transactions in excess of \$10 million), transactions can be placed and/or executed automatically using the Falcon Trader Clients seeking to execute a “large transaction” will need to “request a quote” from CBS prior to execution of the order. This “request for a quote” is performed online. Should the system be unavailable, clients may place their orders via telephone with a representative of CBS. We note that phone orders may incur an additional fee (other than for those large transactions whereby clients are requesting a quote). This is a result of CBS taking on the additional risk to execute the transaction.

Once an order is received, either electronically or via the telephone, CBS will at or about the same time perform a “back to back” transactions (in its own name) with a Foreign Exchange Dealer (i.e. a regulated and licensed entity) to hedge its book so that it has no direct market exposure.

12. Confirmation of Transactions

Once you have entered an order into the Falcon Trader the system will automatically report the main elements of that order to you in a ‘pop up’ window. This is a “preliminary notification” and will enable you to print a confirmation of the primary data, including the quantity, price and the date and time the order was transmitted to CBS.

We make special mention that the details contained in the ‘pop up’ window are not designed to comply with Section 1017F of the Corporations Act, but rather as a quick reference point and for your convenience. Once an order has been executed you can obtain a comprehensive trade confirmation by accessing the “Trades Booked” statement online. This is an online report that you can access and print upon demand and highlights all of the particulars concerning the transaction in accordance with Section 1017F of the Corporations Act.

13. Costs of Margin Foreign Exchange Products

(a) Principal trading and margin requirements

CBS does not charge fees or commissions for you to enter into our margin foreign exchange products (other than for small transactions i.e. those transactions less than \$50,000 in any currency transaction. We refer you to parts (a) and (b) of this section 13 of this Part 3 of our PDS for additional information). CBS acts as a market maker, and makes its earnings from the spreads that are embedded in the currency rates (refer section 5 of this Part 3 of our PDS).

However, as highlighted in section 9 of this Part 3 of our PDS, where you enter a transaction you will be required to pay initial margin and may be required to pay additional margin in the event of adverse market movements against your position. Such payments are not costs but are cleared funds required by CBS to cover our risk and as security for the client's obligations.

The margin amounts are payable into the CBS client trust account and are held, used and withdrawn in accordance with the Corporations Act 2001 requirements and our agreed terms and conditions specified in the Client Agreement Form. In particular, CBS may withdraw funds from the client trust account in order to secure trading facilities to enable it to provide the financial product to you.

The premium for an option at a particular time represents a consensus of the option's current value which is comprised of intrinsic value and time value. Intrinsic value is simply the difference between the spot price and the strike price. A put option will have intrinsic value only when the spot price is below the strike price. A call option will have intrinsic value only when the spot price is above the strike price. Time value is more complex. When the price of a call or put option is greater than its intrinsic value, it is because it has time value. Time value is determined by CBS considering the following factors:

- the spot or underlying price;
- the expected volatility of the underlying currency;
- the exercise price;
- time to expiration; and
- the difference in the "risk-free" rate of interest that can be earned by the two currencies.

Time value falls toward zero as the maturity date or expiration date approaches.

(b) Roll over fee

You will be charged a “roll over” or “renewal fee” with respect to Spot and Forward transactions. As long as the deal remains open, it is charged a “roll over” or “renewal fee” every night at 22:00 (GMT time) as described in the sections 15 and 16 of this Part 3 of our PDS.

(c) Conversion fee

You will be charged a “conversion fee” when converting currencies to your Base Currency. This occurs each time there is a conversion from a Term Currency to your Base Currency. This is levied at the rate at which the transaction is executed plus or minus 0.5% (depending upon the currency). For example, if your USD position is converted to AUD (your Base Currency) at 0.7275, then a fee of 0.75% will be levied, resulting in the currency being transacted at 0.7225.

14. *Minimum fee for small transactions*

A minimum fee is levied on transactions with a face value less than \$50,000 per currency pair. This fee will be disclosed to you (in a dollar amount) prior to you executing the transaction and will vary depending upon the currency and amount of the transaction.

15. *Interest on Credit and Debit Balances*

Interest is the price paid for the use of money. An interest rate is the ratio of the amount of interest to the amount of money. When interest rates are expressed to two (2) decimal places, one unit in the second decimal place is known as a ***basis point***. For example:

- In the quotation 5.75%, one basis point means 0.01; alternatively
- In the decimal notation 0.0575, one basis point means 0.0001.

Your net free credit balance accrues interest at the daily interest rate determined by CBS. Your net free credit balance is your cash balance, per currency, plus or minus all positions mark to market, less any initial margin requirements for all open positions. The interest rate paid is dependent on the balance of your account it can be zero or if a balance greater than 15,000 can be 3% below the LIBOR rate. LIBOR stands for the London Interbank Offered Rate and is the rate of interest at which banks borrow funds from other banks, in marketable size, in the London interbank market. Accordingly, the LIBOR rate is the most widely used benchmark or reference rate for short-term interest rates.

Interest is calculated daily, but credited to your account monthly. The amount is equal to the amount of your net free credit balance (per currency) multiplied by the annual rate of interest for the number of days you are owed interest. This amount is then divided by 360 to get a daily amount.

For example, let's assume that you have the following scenario:

Base Currency – Australian Dollars i.e. AUD

Account balance = \$20,000

You have one open position which requires an initial margin of AUD \$5,000

You have an unrealised loss of this open position equal to AUD \$2,000

LIBOR Rate = 5.5%

This means that your net free balance = \$13,000 (i.e. \$20,000 - \$5,000 - \$2,000)

Interest = (net free credit balance x interest rate x number of days interest owed)/360

= (\$13,000 * 0.0525 * 1)/360

= \$1.90 interest earned per day.

We note that the following do not accrue any interest:

- the funds used to meet your margin obligations when you open a position; and
- unrealised profits i.e. gains on open positions.

In the event your account balance becomes a debit *CBS* will charge you interest at 3% above the LIBOR rate. Provided you meet all calls for variation margin it is unlikely your account will go into debit. However, in the event of a major market movement against your position and you fail to meet a call for variation margin *CBS* may exercise its right to close your position. If the realised loss is greater than the amount you have deposited with *CBS* then your account will go into debit.

16. Interest you may receive or pay when Margin Foreign Exchange products are “rolled over” or “renewed”.

Margin foreign exchange contracts that are “rolled over” or “renewed” (i.e. Spot or Forward contracts) will result in you paying or receiving interest at the rollover rate. The rollover rate is the interest rate differential between the two applicable currencies.

For example:

- if you have a long AUD/USD position (i.e. you have bought the Australian Dollar against i.e. sold the US Dollar) and interest rates are higher in Australia than in the USA then you receive interest at the rollover rate if you hold the position overnight and do not close it before the settlement time. This is because you are holding the higher yielding currency.
- However, if the USA interest rate is higher than the Australian interest rate and if you hold the position overnight and do not close it before the settlement time, then you will be required to pay interest at the rollover rate. This is because you are holding the lower yielding currency.
- There is also a financing cost that the client will receive or pay for the

unrealised profit/loss attributed to the open position. This will be calculated by using the EOD (End of Day) profit/loss and the prevailing interest rate for the relevant profit/loss.

The rollover rate will therefore vary depending upon:

- the currency pair your are trading;
- the applicable interest rates in the interbank markets according to the period of rollover i.e. the interest rates offered for each currency pair (paid or earned);
- the size of the position; and
- the spread that is applied at CBS's discretion.

You should note that the rollover rate (i.e. the interest that you pay or receive) is reflected in the price at which the open position is rolled forward or renewed i.e. it is included in the price (or rate at which the contract is rolled/renewed) and is not an addition cost.

17. Significant Benefits of the CBS Margin Foreign Exchange Product

Margin foreign exchange products such as Forward contracts and Options provide an important risk management tool for those who manage foreign currency exposures. The significant benefits of using margin foreign exchange products offered by CBS products as a risk management tool are to **protect your exchange rate and provide cash flow certainty**. Other benefits of using CBS apply equally for a client as a risk management tool or for the client who is a trader or speculator and these are described below.

Protect an Exchange Rate

CBS provides an online trading platform, enabling clients to trade in OTC derivatives such as margin foreign exchange contracts over the internet. This facility provides clients with direct access to our system to enable them to buy and sell currency rates to protect themselves against adverse market swings.

CBS also offers clients a way of managing volatility by using stop loss orders that enable clients to protect themselves against adverse market swings yet secure enhanced market rates when offered. Clients can eliminate downside risk by the use of stop loss orders if the exchange rate reaches a particular level. In addition, clients may also use limit orders which allow clients the opportunity to benefit from favourable upside market movements.

Provide cash flow certainty:

By agreeing a rate now for a time in the future you will determine the exact cost of that currency, thereby giving certainty over the flow of funds. Any profit (or loss) you make using the CBS product would be offset against the higher (or lower) price you physically have to pay for the foreign currency.

In addition to using margin foreign exchange products as a risk management tool, clients can benefit by using margin foreign exchange products offered by CBS to speculate on changing exchange rate movements. You may take a view of a particular market or the markets in general and therefore invest in our products according to this belief in anticipation of making a profit.

The significant benefits of using margin foreign exchange products offered by CBS as a trader or a speculator (and for the client seeking to use the CBS product as a risk management tool) are as follows:

- **Trade in small amounts**

The CBS system enables you to make transactions in small amounts. You can start using CBS even with a deposit margin as little as AUD \$10000. When trading in a margin foreign exchange product offered by CBS you may deposit the sum that suits you, or the amount which is in line with the amount you are willing to risk. With CBS you are in full control of your funds. As stated above, a minimum fee is levied on transactions with a face value less of than \$50,000 per currency pair.

- **Access to the foreign exchange markets at any time**

When using CBS you gain access to a highly advanced and multi-leveled system which is active and provides you the opportunity to trade 24 hours a day from Sunday evening (20:00 GMT) to Friday evening (22:00 GMT). This gives you a unique opportunity to react instantly to breaking news that is affecting the markets. It should be noted however, that trading in the various currency crosses may be restricted to hours where liquidity is available for any given currency cross.

- **Profit potential in falling markets**

Since the market is constantly moving, there are always trading opportunities, whether a currency is strengthening or weakening in relation to another currency. When you trade currencies, they literally work against each other. If the EURUSD declines, for example, it is because the US dollar gets stronger against the Euro and vice versa. So, if you think the EURUSD will decline (that is, that the Euro will weaken versus the dollar), you would sell EUR now

and then later you buy Euro back at a lower price and take your profits. The opposite trading scenario would occur if the EURUSD appreciates.

- **Superior liquidity**

The foreign exchange market is so liquid that there are always buyers and sellers to trade with. The liquidity of this market, especially that of the major currencies, helps ensure price stability and low spreads. The liquidity comes mainly from large and smaller banks that provide liquidity to investors, companies, institutions and other currency market players.

- **Competitive spreads, commissions**

With CBS you do not generally pay commissions for the trades you enter. CBS acts as a market maker, not as a broker, and makes its earnings from the spreads that are embedded in the currency rates. When trading Spot and Forward transactions you may roll over your positions and then you pay a “roll over” or “renewal fee” (refer section 10 of this Part 3 of our PDS and to our Client Agreement Form).

CBS can charge a commission if the client is receiving a particular service that warrants the expenditure.

- **Real time streaming quotes**

The CBS high-edge system uses the latest highly sophisticated technologies in order to offer you up-to-the-minute quotes. You may check your accounts and positions in real time and you may do so 24 hours a day [from Sunday evening (20:00 GMT) to Friday evening (22:00 GMT)] and make a trade based on real-time information. CBS believes it is highly important for you to be able to control your funds whenever you wish and base your deals on real-time information.

- **Full control over your account and positions**

With CBS, you are able to control your costs and risks. At CBS we believe your financial activities should be under your full control. CBS uses the latest technologies in order to ensure your stop loss orders are filled. CBS is committed to the principle that you never lose more than what you are prepared to lose. Please see our Terms and Conditions which are included in our Client Agreement Form.

18. Significant Risks Explained

You should be aware that trading in the margin foreign exchange products offered by CBS involves risks. It is important that you carefully consider whether trading our

products is appropriate for you in light of your investment objectives, financial situation and needs.

The following is a description of the significant risks associated with trading margin foreign exchange products offered by CBS:

Derivatives Risks Generally

Derivative markets can be highly volatile. Accordingly, the risk of loss in trading in derivatives contracts can be substantial. You should carefully consider whether our products are appropriate for you in light of your personal and financial circumstances. In deciding whether or not you will become involved in trading derivatives, you should be aware of the following matters:

- (a) You could sustain a total loss of the amount that you deposit with CBS to establish or maintain a contract.
- (b) If the derivatives market moves against your position, you will be required to immediately deposit additional funds as additional margin in order to maintain your position i.e. to “top up” your account. Those additional funds may be substantial. If you fail to provide those additional funds CBS may close your positions. You will be liable for any shortfall resulting from that closure.
- (c) Under certain market conditions, it could become difficult or impossible for you to manage the risk of open positions by entering into opposite positions in another contract or close existing positions.
- (d) Under certain market conditions the prices of contracts may not maintain their usual relationship with the underlying foreign currency market.
- (e) The margin foreign exchange products offered by CBS involve risk. However, the placing of contingent orders such as a stop loss order will potentially limit your loss. A stop-loss order shall be executed at or near the exchange rate requested by the client but is not guaranteed at the exact level. Accordingly, stop-loss orders may not limit your losses to the exact amounts specified. A transaction of this nature shall be executed as soon as the exchange rate is either identical to the order given by the client, or indicates an identical amount of loss, in dollar terms, requested by the client.
- (f) A “spread” position (i.e. the holding of a bought contract for one specified date and a sold contract for another specified date) is not necessarily less risky than a simple “long” (i.e. bought) or “short” (i.e. sold) position. Furthermore a “spread” may be larger at the time you close out the position than it was at the time you opened it.
- (g) A high degree of leverage is obtainable in trading the margin foreign exchange products offered by CBS because of the 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. The impact of leverage is that even a slight fluctuation in

the market could mean substantial gains when these fluctuations are in your favour, but that could also mean considerable losses if the fluctuations are to your detriment.

- (h) If you propose to trade in options, the maximum loss in buying an option is limited to the amount of the premium paid by you as the option may expire without being exercised. On the other hand, selling options can result in unlimited losses and should only be performed by professional traders.
- (i) As CBS is the market maker i.e. the issuer of the margin foreign exchange products described in this Part 3 of our PDS, you are exposed to the financial and business risks, including credit risk, associated in dealing with CBS.
- (j) Changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in the margin foreign exchange products offered by CBS.

Market Volatility

Foreign exchange currency markets are subject to many influences which may result in rapid currency fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility.

Given the potential levels of volatility in the foreign exchange markets, it is therefore recommended that you closely monitor your positions with CBS at all times. Foreign exchange currency markets are highly volatile and are very difficult to predict. Due to such volatility, in addition to the spread that CBS adds to all calculations and quotes (as described in section 6 of this PDS), **no product offered by CBS may be considered as a safe trade.**

Under certain conditions it could become difficult or impossible for you to close a position. For example, this can happen when there is a significant change in prices over a short period. Lack of liquidity in foreign exchange markets due to extreme volatility or uncertainty of trading in those markets may also affect the ability of CBS to open or close a position thereby reducing profits or increasing losses.

However, CBS offers clients a way of managing volatility by working orders. Clients can potentially limit downside risk by the use of stop loss orders where CBS will enter into an opposite position to your existing position with you if the exchange rate reaches a particular level. In addition, clients may also use limit orders which allow clients the opportunity to benefit from favourable upside market movements.

You should be aware that if you acquire a margin foreign exchange product offered by CBS for trading or speculative purposes (that is where you do not have a currency risk you need to protect yourself from), you will be fully exposed to movements in price between the currencies.

The risk of loss will be increased where you borrow to acquire the product as the total loss which may be incurred will be the loss on the margin foreign exchange product together with the amount you borrowed.

Counterparty Risk

Given you are dealing with CBS as counterparty to every transaction, you will have an exposure to us in relation to each transaction. This is common to all OTC financial market products.

You are reliant on CBS's ability to meet its counterparty obligations to you to settle the relevant contract. CBS may choose to limit this exposure by entering into opposite transactions as principal in the wholesale market in relation to its exposures with clients. In addition, CBS must comply with the financial requirements imposed under its AFS Licence.

Foreign Exchange Risk

Your account is maintained in the currency you have nominated, that is, the base currency. Where you deal in a margin foreign exchange product that is denominated in a currency other than the base currency, all initial and variation margins, option premiums, profits, losses, rollover/renewal fees, interest rate payments/receipts and financing credits and debits in relation to that product are calculated using the currency in which the product is denominated.

Accordingly, your profits or losses may be affected by fluctuations in the relevant foreign exchange rate between the time the order is placed and the time the position is closed, liquidated, offset or exercised.

Upon closing a position that is denominated in a currency other than the base currency of your account, you will be able to request that the foreign currency balance be converted to the base currency of your account. Any conversion will be at the exchange rate quoted by CBS. Until the foreign currency balance is converted to the base currency, fluctuations in the relevant foreign exchange rate may affect the unrealised profit or loss made on the position.

Opportunity Cost

Once you have locked in your exchange rate you will not be able to take advantage of subsequent favourable exchange rate movements should that occur, in relation to your existing contract. On the other hand, you will be protected from any future adverse movements.

Market Information

CBS may make available to you through one or more of its services, a broad range of financial information that is generated internally or obtained from agents, vendors or partners (“third party providers”). This includes, but is not limited to, financial market data, quotes, news, analyst opinions and research reports, graphs or data (Market Information”).

Market Information provided by us by email or through our website is not intended as advice. CBS does not endorse or approve the Market Information and we make it available to you only as a service for your own convenience. CBS and its third party providers do not guarantee the accuracy, timeliness, completeness or correct sequencing of the Market Information or warrant any results from your use or reliance on the Market Information.

Market Information may quickly become unreliable for various reasons including, for example, changes in market conditions or economic circumstances. Neither CBS nor the third party providers are obligated to update any information or opinions contained in any Market Information and we may discontinue offering Market Information at any time without notice.

Systems Risk

CBS relies on a number of technology solutions to provide you with efficient foreign exchange services i.e. CBS has outsourced the operation of this trading platform to a third party, namely Saxo Bank. In this regard CBS relies upon this third party to ensure the systems are updated and maintained.

A disruption to the CBS online trading platform may mean you are unable to trade in a margin foreign exchange product offered by CBS when desired and you may suffer a loss as a result. An example of disruption includes the “crash” of our computer based trading system.

Use and Access to the Website

You shall be responsible for providing and maintaining the means by which to access the CBS website, which may include without limitation a personal computer, modem and telephone or other access line.

While the internet and the World Wide Web are generally reliable, technical problems or other conditions may delay or prevent you from accessing the CBS website. If you are unable to access the internet and thus, the CBS trading platform, it will mean you may be unable to trade in a margin foreign exchange product offered by CBS when desired and you may suffer a loss as a result.

Furthermore, in unforeseen and extreme market situations, CBS reserves the right to

suspend the operation of our online trading platform or any part or sections of it. In such an event, CBS may, at its sole discretion (with or without notice), close out your open contracts at prices it considers fair and reasonable at such a time.

CBS may impose volume limits on client accounts, at its sole discretion.

Out of the Money Options

This is a term used to describe an option that cannot, at current prices, be exercised at a profit. An out-of-the-money option is a call option whose strike price is higher than the current market level or a put option whose strike price is below market.

A client contemplating purchasing a deep out-of-the-money option (i.e. an option with an exercise price significantly above, in the case of a call option, or significantly below, in the case of a put option, the current price) should be aware that the chance of such an option becoming profitable is generally remote.

You should also note that:

- When you buy a foreign exchange option you may lose the entire premium paid as the option may expire without being exercised by you in which case the options are worthless.
- When you sell foreign exchange options, although you receive the premium amount up-front, you are exposed to potential losses in the future in the event that the price of the underlying instrument moves against your position. Accordingly, you may only sell a foreign exchange options at our discretion and by paying sufficient margin to us to ensure that you have the necessary level of cover appropriate to the risk of your position, unless you are selling the foreign exchange options to close an existing position or the short foreign exchange options is covered by another long foreign exchange options.

Clients' Monies

Funds deposited with CBS are deposited into our client trust account i.e. segregated from CBS's money and held and invested in accordance with the Client Agreement Form and in accordance with the Corporations Act 2001.

For money deposited in our client trust account, the client is required to acknowledge as part of our Terms and Conditions that:

- individual client accounts are not separated from each other;
- all clients' funds are co-mingled into the one trust account;
- the client money provisions may not insulate any individual client's funds from a default in our client trust account. Such a default may arise from any clients'

trading;

- assets in the client trust account belonging to non-defaulting clients are potentially at risk, even though they did not cause the default;
- CBS is entitled to withdraw, deduct or apply any amounts payable to CBS under the terms of this PDS or the Client Agreement Form or the FSG or the Corporations Act 2001;
- CBS may pay, withdraw, deduct or apply any amounts from the client trust account to use in its business i.e. in order to secure trading facilities to enable CBS to provide the financial product to you.

Risk Capital

In cases where you are speculating we suggest that you do not risk more capital than you can afford to lose. A good general rule is never to speculate with money which, if lost, would alter your standard of living.

Superannuation Funds

It should be noted that complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities which are contained in the Superannuation Industry Supervision Act 1993, the regulations made under that Act and circulars issued by past and present regulators of superannuation funds including the Insurance and Superannuation Commission, the Australian Prudential Supervisory Authority and the Australian Taxation Office.

Without being an exhaustive list, following are some of the issues that should be considered by a Trustee of a complying superannuation fund:

- Prohibitions on borrowing and charging assets and whether dealing in CBS margin foreign exchange products would breach those borrowing and charging prohibitions;
- The purpose of dealing in CBS margin foreign exchange products in the context of a complying superannuation fund's investment strategy as well as the fiduciary duties and other obligations owed by Trustees of those funds;
- The necessity for a Trustees of a complying superannuation fund to be familiar with the risk involved in dealing in CBS margin foreign exchange 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 of including adverse taxation consequences if a superannuation fund fails to meet the requirements for it to continue to hold complying status.

Other

Changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in the margin foreign exchange products offered by CBS.

19. Product Specific Acknowledgements

You are required to acknowledge to CBS by way of the Client Agreement Form that you:

- Understand that transactions between you and CBS do not take place on a regulated exchange and are not covered by the protections for exchange traded contracts arising under the Corporations Act, the operating or clearing rules of a regulated exchange (such as the Sydney Futures Exchange Limited or Australian Stock Exchange Limited).
- You may lose all of your initial margin and any other moneys credited to your account (excess cash, variation margins, realised profits). Calls for margin payments could be for substantial sums. If a margin call is not met by the time for payment, CBS will be entitled to close out (or liquidate) all open transactions.
- Even if a margin call is promptly met, if the market is volatile *CBS* may make one or more further margin calls, in its absolute discretion. If a margin call is not met immediately, CBS will be entitled to close out all open transactions.
- There is no limit on the amount of margin which may be called.
- Under market conditions from time to time, it could be difficult or impossible to close out a transaction at a price that would confine the loss sustained by you within the amount of your account. Your loss on a transaction could be very substantial.
- Foreign exchange markets can be very volatile. You may incur large losses in short periods of time and may be unable to limit your losses. Your losses may not be limited to the funds in your account or amount of margin paid by you.
- Stop-loss orders may not always be filled and, in any event, may not limit your losses to the amounts specified.
- Transactions are leveraged. This can lead to large losses, disproportionate to your initial deposit, margin payments or other money credited to your account.
- CBS does not enter into any transaction by way of gaming or wager.

20. *Trading Hours*

Falcon Trader provides you the opportunity to trade 24 hours a day from Sunday evening (20:00 GMT) to Friday evening (22:00 GMT).

We make special mention that day orders expire at 22:00 GMT (21:00 GMT during daylight saving). This is equivalent to 5:00 pm New York time. This means that all day orders that have not been executed by 22:00 GMT lapse and you need to provide *CBS* with a new order.

21. *Taxation Implications*

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

22. *Cooling-off Arrangements*

There are no cooling-off arrangements for the margin foreign exchange products offered by *CBS*. This means that when you enter a transaction with *CBS* you do not have a right to return the product and thus, you do not have the right to request *CBS* to repay the money you have paid to acquire the product. Should you change your mind after entering into a margin foreign exchange product with *CBS*, you should close out your position by taking an opposite transaction.