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# Combined Financial Services Guide and Product Disclosure Statement (Margin)

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Issuer: PKF Capital Markets (Seychelles) Limited ("PKF Capital")  
Seychelles Company Registration Number 8410175-1  
Securities Dealer License No. SD001

Date: January 23, 2017

This document (referred to as the "**Disclosure Document**") is comprised of two parts:

- Part 1 – PKF Capital Financial Services Guide ("FSG"), which provides general information about PKF Capital and your relationship with us; and
- Part 2 - the Product Disclosure Statement (Margin) ("PDS"), which contains key information about the Margin Products offered by PKF Capital, including product features, costs, terms, and risks and the how PKF Capital meets regulatory.

This Disclosure Document is important and both parts should be read in their entirety, together with the Client Agreement. This is important to enable you to make informed decisions about the products offered by us. Key terms that are used in this Disclosure Document are capitalised and have the meanings given to them in the Glossary on page 55 of this Disclosure Document.

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# PART 1: FINANCIAL SERVICES GUIDE

The purpose of this FSG is to provide you with key information about PKF Capital and the financial services that we offer to ensure that you receive the information you need to assist you in making an informed decision about whether you wish to use those financial services. Among other things, it includes information about:

- the costs, remuneration and other benefits that may be paid to us, our employees or others;
- any associations or relationships we may have with financial product issuers;
- our dispute resolution procedures and how you can access them if you have a complaint against us; and
- how you can contact us.

This Disclosure Document relates only to the following financial products:

- Margin FX; and
- Contracts For Difference (referred to throughout this Disclosure Document as "CFDs").

These products are referred to throughout this Disclosure Documents as "Margin Products".

If you would like further information, please ask us. Further information about PKF Capital's financial services and products is also available free of charge on our website or by contacting us using the details set out below on page 11 under the heading "Our Details". Also, important information about PKF Capital can be found in our financial statements.

Before entering into a Margin Product with PKF Capital, you must carefully read all material provided to you by us, including in particular, this Disclosure Document and the Client Agreement. A copy of the Client Agreement can be downloaded from our website or is available on request. This Disclosure Document and the Client Agreement contain important information about the financial services and products we offer, including information about the associated risks and costs and details of other fees and charges which may apply.

When we use the terms "PKF Capital", "we", "our" or "us" in this Disclosure Document the reference is to PKF Capital Markets (Seychelles) Limited. When we use the term "you", we mean you as the acquirer of our financial products. When we refer to "client" we mean you or another acquirer of our financial products as applicable.

Nothing in this Disclosure Document shall constitute an offer, or a commitment to enter into a Margin Product, or any other foreign exchange or derivative transaction with you.

## **ABOUT PKF CAPITAL**

PKF Capital is a Seychelles incorporated company and licensed Securities Dealer with the Financial Service Authority of Seychelles (FSA), license number SD001.

We provide various trading services (and/or systems), support features and resources enabling clients to trade in the various financial products described in this Disclosure Document. PKF Capital makes Trading Platforms available to clients, which enable them to buy and sell the various financial products offered by PKF Capital.

Our mission is to provide clients with access to the global markets by offering world-class trading services and direct easy access. With the global experience of the PKF Capital team, we aim to provide a well-respected online trading platform through which we offer:

- Competitive, live pricing;
- a Direct Market Access model;
- Up-to-date research and market commentary; and
- World-class trading services.

## **REGULATION**

PKF Capital Markets (Seychelles) Limited is regulated in Seychelles by the Seychelles International Business Authority.

PKF Capital holds a Securities Dealer Licence ("SD Licence") and is authorised by that SD Licence to provide the following financial services to retail and wholesale clients:

- Provide financial product advice with respect to derivatives and foreign exchange contracts (so we can recommend Margin Products);
- Deal in derivatives and foreign exchange contracts (enabling us to conduct or execute Margin Products); and
- Make a market in derivatives and foreign exchange contracts (this includes quoting the prices of Margin Products).

## **WHO IS RESPONSIBLE FOR THE FINANCIAL SERVICES PROVIDED?**

PKF Capital is responsible for the financial services provided, including the distribution of this Disclosure Document.

## **WHO WE ACT FOR**

PKF Capital will always act as principal in respect of any Margin FX or CFD Transaction with you and not as your agent or broker. When we receive your

instructions and execute them, we are the "other side" of the Transaction and are the party with whom you are entering a contract.

## **NATURE OF ANY ADVICE**

PKF Capital will only provide general information or advice regarding financial products that you can acquire through us. This information or advice will not take into consideration your particular objectives, financial situation or needs. These issues should be considered by you before making any investment decision on the basis of any information or general advice that we provide to you.

We recommend that you take all reasonable steps to fully understand the possible outcomes of trades and strategies in relation to utilising a PKF Capital Trading Platform.

## **HOW YOU CAN GIVE US INSTRUCTIONS**

You can instruct us in the following ways:

- Electronically through our internet online trading platform to which you will be granted access;
- By telephone; or
- In limited circumstances (and only where agreed between us) by SMS, chat session, fax or email if we have verified your details (such as username, address and signature). It is your responsibility to ensure that instructions sent by you have in fact been received by us.

Prior to accepting your instructions, PKF Capital will require you to acknowledge that you accept the terms and conditions of our Client Agreement. PKF Capital reserves the right not to accept instructions in any of the ways described above where we cannot verify the identity of the client.

You may enquire about any of the financial services and products we provide, or any Transaction, by telephone, facsimile, email or letter to your client sales executive using the contact details set out on page 11 below under the heading "Our Details".

## **HOW YOUR PERSONAL INFORMATION IS DEALT WITH**

Please read the privacy statement ("Privacy Statement") below. This Privacy Statement sets out how PKF Capital may collect, use or disclose information about you when you interact with PKF Capital and your associated rights. By signing the Application Form or selecting 'accept/agree' online, you consent to the matters outlined in the Privacy Statement.

### ***Personal Information***

If you complete the Application Form, trade online with us, or communicate with us (including by using our website, speaking to us on the telephone or sending us correspondence or information by post or email to us), you will be supplying us with,

and we will be collecting, information that is "Personal Information" which we will deal with in accordance with our Privacy Policy as outlined on our website.

### ***Collection and disclosure of Personal Information***

We may collect and use your Personal Information for the following purposes:

- assessing your Account application;
- assessing the credit and other exposure that PKF Capital has to you (see below for more details regarding the use of your Personal Information for credit checking purposes);
- marketing of similar products and services;
- determining future product and business strategies and to develop PKF Capital's products and services;
- communicating with you in relation to PKF Capital's products and services including in relation to any Transaction and/or your Account;
- providing products and services to you; and
- PKF Capital's hedging arrangements or transactions with hedging counterparties.

When we communicate with you for the above purposes, you consent to receiving communications from us in any form, including by email.

Your Personal Information may be disclosed to entities associated with PKF Capital, PKF Capital's counterparties or third party product or service providers for the above purposes. It may also be disclosed to any financial institution nominated by you and may be disclosed to your financial adviser if you request so in writing.

We will not disclose your Personal Information to any other third party except where required to or permitted to by law, where you have authorised us to do so, or where disclosure is connected to the purposes for which the information was collected.

You can, by contacting us, instruct us not to disclose Personal Information to companies related to us.

If you do not wish to be kept informed of PKF Capital's marketing or promotional activities electronically, please contact us via email. We do not sell Personal Information to other organisations.

While the information we ask you to supply is not required by law, we may not be able to assess your application if the information is not supplied.

### ***Credit Checks***

PKF Capital may provide Personal Information that you provide to us to one or more third-party credit reporting agencies to conduct a credit check on you which will be used for the purposes of determining your creditworthiness.

## ***Your rights***

You have rights to access, correct, alter or delete the Personal Information we hold about you.

You can contact us by phone, fax or email to request access to your information. In normal circumstances, we will give you full access to your information. However, there may be some legal or administrative reason to deny you access, in which case we will tell you of that reason. Further, we may impose a charge to give you full access where your request requires the compilation of information that has been archived or is significant in volume.

Please visit our website for full details of our privacy policies.

## **REMUNERATION AND COSTS**

PKF Capital earns its income through the following sources:

- (a) **Spread.** PKF Capital may apply a "spread" to each Margin Product. This is essentially the difference between the rate at which we buy or sell financial products with our hedging counterparties and the rate at which we buy and sell those financial products with our clients (referred to as the PKF Capital Price). It is calculated by PKF Capital in its sole discretion before we quote a price to you (i.e. it forms part of any price we quote to you and is not charged to you separately). Spread is discussed further below on page 27 of this Disclosure Document.)
- (b) **Reimbursement:** PKF Capital is reimbursed an amount of income from its hedging counterparties, which is based upon the volume of transactions executed with that counterparty. Higher volume generally relates to a higher reimbursement.
- (c) **Commission:** PKF Capital charges Commission on each CFD where the underlying instrument is a share listed on a stock exchange. The Commission is charged as a percentage of the Transaction Value of the relevant Transaction or a specified minimum value (whichever is the greater). The rates of Commission and any minimum amount of Commission vary depending on factors such as the stock exchange where the underlying instrument is listed. The Commission rates for any particular underlying instrument can be found in our Product Schedule. Commission is charged at the time you enter a CFD and will be itemised separately in your Account. As Commission applies per Transaction you should note that it will be charged both when you open a position and then again when you close it. PKF Capital charges Commission only on CFDs in respect of shares, all others products including Margin FX and CFDs in respect of indices, commodities and fixed income products are Commission free.
- (d) **Conversion cost:**

PKF Capital may be reimbursed an amount or may charge a "conversion cost" when converting currencies to the currency in which the client's

Account is denominated. This occurs each time there is a conversion from trade currency (denominated in the term of the foreign exchange currency pair or CFD underlying instrument) to your "account denominated" currency or base currency. PKF Capital uses the same rate and spread between the bid price and offer price for the conversion as it offers for trading the relevant currency pair on its Trading Platform. This spread is paid by you, but is incorporated into the currency rates and is not an additional charge or fee payable by you above those currency rates. Please also see the risks section on page 51 under the heading "Exchange rate risk" for additional information on how trading in Margin Products exposed to other currencies can affect your return.

- (e) **Funding Costs:** Subject to compliance with the terms of the Margin Product, any Margin Product that is open at the end of a Business Day will be rolled over to the next Business Day (unless the position is closed by you or us) You may incur/receive a Funding Cost when your transaction is rolled. Funding Costs are discussed further below on pages 27 and 28 in section 5 of the PDS.
- (f) **Interest on client money:** PKF Capital places client moneys into our Segregated Funds Account which is a client trust account. PKF Capital is entitled to retain any interest earned on positive balances in the client trust account. PKF Capital may entirely at its discretion pay to the client all or part of such interest, at such rates and for so long as it chooses.

Clients must at all times keep a positive balance in their Accounts, if however, any of the client's denominated currency account balances becomes a debit i.e. negative, PKF Capital will charge an overdrawn rate on each debit currency balance that will be at the prevailing bank cash base rate plus 15% per annum (accruing daily).

- (g) **Credit Card Payments:** PKF Capital may charge you a fee for accepting a credit card payment from you. This fee will be a percentage of the face value of the payment, as displayed on our website from time to time. This fee applies to all credit card payments. We may waive the credit card payment fee for the payment for your initial funds lodged with PKF Capital on opening an Account.

The amounts described in (a), (b) and (c) above are factored into the prices quoted to you (i.e. they are not itemised as additional charges). All amounts described above, including fees and charges, may be amended, or new fees and charges added, by PKF Capital from time to time in the manner described sections 8 and 10 of the PDS.

### ***Timing of payments***

Payments in connection with a Margin Product may be required before the Transaction is entered into, during the course of the Transaction or after the expiry of the Transaction, depending on the exact structure that you arrange with us. Typical timing of payments for Margin Products involve you depositing sufficient amounts in your Account (to be deposited by us into the Segregated Client Account) to meet applicable initial margin requirements to enter into that Margin Product, then ongoing margin



requirements for the life of the Transaction. Further details regarding margin are set out in section 9 of the PDS.

### ***Our prices***

When you trade Margin Products with us, the prices we quote to you are derived by reference to the market price of the relevant underlying instrument (in respect of CFDs) or the relevant underlying currency pair (in respect of Margin FX), as provided to us by our Liquidity Providers. This price is referred to throughout this Disclosure Document as the PKF Capital Price.

PKF Capital operates a "Direct Market Access" model which means that it ensures that either PKF Capital or its Liquidity Provider will place an equal matching position in the underlying market for every Margin FX or CFD Transaction we enter into with you.

### ***Margin requirements***

Where you enter a Margin Product with us you will be required to pay an up-front margin requirement and maintain a minimum free margin on an ongoing basis. You may also be required to pay additional margin, in the event of adverse market movements against your position(s). Such payments are not costs but are funds required by PKF Capital to cover our risk and as security for your obligations to us. Margin requirements are discussed in further detail in section 9 of the PDS.

The margin amounts are payable to PKF Capital and will be deposited by us into the PKF Capital Segregated Funds Account referred to above.

## **HOW OUR EMPLOYEES ARE REMUNERATED**

Employees are paid by way of salary and bonus linked to performance. Bonuses are discretionary and are based on achievement of pre-determined objectives.

Our employees may also qualify for non-monetary benefits if they meet performance targets. Incentives may include non-monetary rewards such as sports tickets and attendance at conferences. The type of these benefits will vary depending on particular circumstances, such as the employee's position and the particular service provided. We maintain a register of any benefits that our representatives receive.

## **OUR ASSOCIATIONS & RELATIONSHIPS WITH OTHERS**

We do not have any relationships or associations with financial product issuers which might influence us in providing you with our financial services. PKF Capital is the issuer of the financial products it offers.

PKF Capital may deal with introducing brokers who may request that PKF Capital collect fees from you on their behalf pursuant to arrangements between you and them. You agree that we may collect those fees from you. Those introducing brokers may also receive a percentage of the fees we have described in paragraphs (a) to (d) under

the heading "Remuneration and Costs" which is calculated based on a number of factors including trade volume and frequency.

## **OUR INSURANCE ARRANGEMENTS**

PKF Capital has professional indemnity ("PI") insurance arrangements in place as required by the Securities Dealer license and the FSA. Our PI insurance takes into account the nature and volume of our business, the number of clients and kind of clients we have, our representatives and the maximum potential extent of liability.

## **WHAT DO I DO IF I HAVE A COMPLAINT?**

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

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

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

1. Contact PKF Capital to inform us about your complaint. You may do this by telephone, facsimile, email or letter to the Complaints Officer using the contact details set out below under the heading entitled "Out Details".
2. If you are still dissatisfied with the outcome of our investigation you have the right to complain to the FSA.

## **OUR DETAILS**

Issuer: PKF Capital Markets (Seychelles) Limited  
Seychelles Company Registration Number 8410175-1  
Securities Dealer License No. SD001

You can contact us by the following means:

### ***Seychelles***

- **Telephone**  
Call us on +248 434 6770
- **Mail**  
Write to the General Manager at F19 First Floor, Eden Plaza, Eden

Island, Seychelles.

- **Email**  
Send us an email to [pkfcapital@pkf.com](mailto:pkfcapital@pkf.com)
- **In person**  
Visit our offices at F19 First Floor, Eden Plaza, Eden Island, Seychelles.  
Office hours are 9am to 5pm.
- **Visit our Website at [www.pkf.sc](http://www.pkf.sc)**

# PART 2: PRODUCT DISCLOSURE STATEMENT (MARGIN)

## 1. Introduction

PKF Capital Limited (Seychelles Company number 8410175-1) is the issuer of this PDS and the products referred to in this PDS.

The information in this PDS is general information only and does not take into account your personal objectives, financial situation and needs. You should consider these things and seek independent professional advice before making a decision about our financial products. Trading in margin products such as those described in this Disclosure Document is not suitable for all investors.

**Trading in the Margin Products described in this Disclosure Document involves the risk of losing substantially more than your initial investment and any margin payments.**

### ***Do you have all the relevant documents?***

Before making a decision to acquire our financial products you should obtain and read the most recent versions of:

- this Disclosure Document;
- the Client Agreement;
- the Margin Platform Addendum, the PKF Capital Rate Schedule and the Product Schedule.

You must be satisfied that any trading you undertake in relation to the products described in this Disclosure Document is appropriate in view of your objectives, financial situation and needs. If you wish to acquire any of our financial products, you are required to agree to the terms of the Client Agreement.

The Client Agreement is incorporated by reference into this Disclosure Document. This Disclosure Document and the Client Agreement may be viewed online on PKF Capital's website. A paper copy of the Disclosure Document and the Client Agreement is available by contacting PKF Capital using the details set out above on page 11 under the heading entitled "Our Details".

As discussed throughout this Disclosure Document, certain specific information that is subject to change frequently (e.g. current fees, charges, trading hours for specific underlying instruments and Margin Requirements) that is applicable to a Margin Product is contained in the Margin Platform Addendum, PKF Capital Rate Schedule and Product Schedule. These documents are subject to change frequently and you should ensure you have the most up-to-date versions prior to entering Margin Product with us. The most up-to-date versions are available, free of charge, from the PKF Capital website or by contacting us.

## ***Purpose of PDS***

Together with the information in the FSG, the PDS part of this Disclosure Document sets out the significant features of the Margin Products offered by PKF Capital, including the risks, benefits, costs and fees and other related information applicable to each Margin Product. The purpose of the PDS is to provide you with sufficient information to make an informed decision as to whether or not you wish to enter into a Margin Product with us. You may also use the PDS to compare the financial products described with those of other issuers of similar products.

The PDS is an important part of the Disclosure Document and provides you with key information about our financial products.

## ***Important Notice and Disclaimer from PKF Capital***

Decisions to enter into transactions involving foreign exchange and CFD products are very important. They often have significant risks and consequences. Refer to the section entitled "Significant Risks Explained" on pages 46 to 51 for more information about significant risks in trading foreign exchange and CFD products such as the Margin Products described in this Disclosure Document.

This Disclosure Document may not contain all of the information that you need in order to fully understand Margin Products and all the risks involved, and you should undertake your own independent assessment having regard to your circumstances. You should not enter into any Margin Product with PKF Capital unless you:

- understand and accept the terms, conditions and risks of the Margin Product;
- are satisfied it is suitable for your financial situation, objectives and needs; and
- understand foreign exchange and derivative markets and how they operate.

It is your responsibility to ensure that you fully understand the products and each Margin Product, how they are traded and the risks involved. We recommend you fully utilise the information available to you in this Disclosure Document and participate in any training that may be offered by PKF Capital from time to time (details of which are available by contacting us or on our website) and that you obtain independent advice (including tax, legal and financial advice).

To the extent permitted by law, neither PKF Capital nor its affiliates accepts any responsibility for errors or misstatements, negligent or otherwise, nor for any direct, indirect, consequential or other loss arising from any use of this Disclosure Document and or/further communication in relation to it.

## ***Other Jurisdictions***

This Disclosure Document does not constitute an offer or invitation in any place which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this Disclosure Document in jurisdictions outside Seychelles may be restricted by law and persons who come into possession of it who are not in Seychelles (as the case may be) should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

**Regulatory Guide**

The following table sets out seven disclosure benchmarks for over the counter Contracts For Difference and Margin FX transactions. The benchmarks’ aim is to help investors assess the potential benefits and risks associated with deciding whether an investment in CFDs & Margin FX is appropriate for them. Product disclosure statements address the benchmarks on an “if not, why not” basis. The table below sets out PKF Capital’s disclosure against the benchmarks for this PDS:

Benchmark	Meets	Explanation
1. Client qualification	✓	<p>Before opening a live CFD/margin FX account PKF Capital is required to ensure prospective clients understand the complex nature of derivative trading and the trading platforms used to trade them. Clients should read the PDS carefully and ensure that you fully understand the risks involved.</p> <p>Trading in CFDs, Margin FX and Commodities and any other product that PKF Capital offers may not be suitable for all investors due to the significant risks involved. PKF Capital can only accept new clients who meet a certain level of experience and knowledge in trading Over-the-Counter (OTC) derivatives such as CFD, FX and Commodities.</p> <p>PKF Capital will determine your level of experience and knowledge by asking you questions either via telephone and/or an online quiz in order to assess your understanding and experience with OTC derivatives. If we make a determination that you do not have enough experience or knowledge or understanding, PKF Capital will recommend that you obtain further experience and/or education before opening an account. Applicants who initially fail the assessment may re-apply for an account and redo the assessment.</p>
2. Opening Collateral	✓	This benchmark requires an issuer to only accept cash or cash equivalents (such as

			<p>credit cards) as opening collateral when establishing an account and limits credit card payments to \$1000.</p> <p>To open an account PKF Capital allows clients to deposit funds via bank transfer or international SWIFT/wire transfer or via BPAY.</p> <p>Once the account is open PKF Capital will accept credit card deposits to top up the account as well as all other payment method as described on the PKF Capital web site under deposits and withdrawals. Please refer to section 13sub section (iv) to understand the risks associated with depositing funds via credit cards.</p>
3. Counterparty Risk Hedging	-	✓	<p>PKF Capital runs a Direct Market Access model and for all client positions it takes an equal position in the underlying market. This significantly reduces the counterparty risk in terms of hedging, however please see section 15 “Significant Risks Explained” subsection “Counterparty Risks” and section 11 “Liquidity Buffers” for full details of the way PKF Capital manages its risks and what risks you may be exposed to.</p>
4. Counterparty Risk Financial Resources	-	✓	<p>PKF Capital maintains and applies policies that meet the financial requirements of a holder of a Seychelles Securities Dealer Licence. See section 15 “Significant Risks Explained” subsection “counterparty risk” and section 16 “How We Handle Your Money”.</p> <p>Client funds reconciliations are prepared and reviewed daily and an annual financial audit is carried out by PKF Capital’s auditors.</p>
5. Client Money		✓	<p>PKF Capital has clearly defined Client Money policy and holds client money in registered banks in each jurisdiction it operates. Client funds are held in segregated client accounts and are never co-mingled with PKF Capital’s own funds.</p> <p>PKF Capital has some limited rights to withdraw funds from the segregated accounts to post margin with its liquidity providers to</p>

		cover open positions for its clients. See section 16. "How we Handle Your Money" for details.
6. Suspended or halted underlying assets	✓	PKF Capital does not allow trading in positions where there is a trading halt in an underlying Reference instrument. See "Significant Risks Explained" subsection "Abnormal Market Conditions or Force Majeure" and sub section "Discretionary Powers of PKF Capital" and section 5 "Other key information about margin products" sub section "Adjustment for Corporate Action" for details.
7. Margin Calls	✓	<p>PKF Capital has a clear policy in relation to margin and our rights to close out positions. See section 9.1 "Margin requirements".</p> <p>You should be aware that CFDs and margin FX involve the risk of losing substantially more than the initial investment and that it is your responsibility to make sure you meet minimum margin requirements at all times. Markets trade over 24 hour periods and can move quickly and PKF Capital will not issue margin calls and it remains the client responsibility maintain minimum margin at all times. Clients should understand and be aware of the time it may take to deposit funds to PKF Capital. Only cleared funds received by PKF Capital will be taken into account. Not meeting minimum margin may result in some or all of your positions being closed without further notice at what may be significant losses to you. The full policy is explained in section 15 "Significant Risks Explained" sub section "Obligation to Actively Monitor Your Transactions".</p>

## 2. What Margin Products does this PDS cover?

Our Margin Products are over-the-counter ("OTC") contracts. They are not traded on or guaranteed by, a licensed exchange. Rather, they are traded "over-the-counter", and the counterparties are you and us.



Each Margin Product which is agreed and entered into by us with you will be entered into by PKF Capital as principal. PKF Capital "makes a market" in its products, which means that it states the price at which it is prepared to deal with the client on a principal to principal basis (referred to as the PKF Capital Price).

In this Disclosure Document, unless otherwise specified or the context otherwise requires, all references to "price" in relation to a Margin Product are references to the PKF Capital Price, and all references to "spread" in relation to a Margin Product are references to the PKF Capital Spread.

The Margin Products described in this Disclosure Document are as follows:

- (i) **Margin FX Transactions** - A Margin FX Transaction is a leveraged, rolling spot foreign exchange transaction between you and PKF Capital in relation to a specified amount of an agreed currency pair (this amount is also referred to as the Notional Amount). Your Margin FX Transaction may be rolled indefinitely provided that you continue to meet your Margin Requirement and maintain the minimum required Free Margin (or unless PKF Capital elects to exercise any of its termination rights (discussed in sections 10 and 12 of the PDS)).

Margin FX Transactions are closed by an offsetting opposite position (i.e. the same currency pair and for the same Notional Amount) being opened at the relevant price offered by PKF Capital for the currency pair at the time the position is closed. The net amount of any profit or loss of the Margin FX Transaction is either credited or debited to your Account. There is no exchange of the Notional Amount of the currency underlying the Margin FX Transaction by the parties.

### Margin FX Transaction - Example 1

#### Opening Trade

The Trading Platform is showing the price of NZD/USD as being 0.7447 (bid) / 0.7450 (offer). You believe NZD/USD will appreciate over the coming trading session and decide to go long. (i.e. buy NZD at the quoted offer rate and sell USD at the quoted bid rate).

Client goes long 100,000 NZD/USD (i.e. BUYS NZD and SELLS USD) at a rate of 0.7450.	To cover the position, the client's Free Margin (this is the balance of available money in your Account) is reduced by 1% of the Transaction Value of the base currency (NZD 1,000).
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#### End of Trading Day - Rollover

Subject to compliance with the terms of the relevant Margin Product, your open positions held at the end of the trading day will be rolled over to the next Value Date until the position is closed (either by you or us).

You are holding a 100,000 NZD/USD long position at 5pm New York Time Tuesday.	You receive \$7.60 which is approximately the NZD OCR (for this example, 3.00%) less the US Federal Funds rate (for this example 0.25%) on an annual basis paid daily, less the PKF Capital Rollover Margin.
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### Closing Trade

The PKF Capital Trading Platform is showing the price of NZD/USD as being 0.7420 (bid) / 0.7423 (offer). After an unexpected news release, you have changed your mind and believe the NZD will fall further so decide to close the position.

You close your \$100,000 position (i.e. SELL NZD and BUY USD) at a rate of 0.7420	The trade has lost \$404.31 NZD which is debited from your Account once the trade has been closed. Any margin left will be returned to your Free Margin balance.
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- (ii) **Contract For Difference (CFD) Transactions** – A CFD Transaction is a leveraged rolling agreement between you and PKF Capital under which you will either make payments to, or receive payments from, PKF Capital depending on changes in the PKF Capital Price of an underlying reference instrument. Your CFD Transaction may be rolled indefinitely provided that you continue to meet your obligations under the Transaction (including in relation to meeting Margin Requirement and maintain the minimum required Free Margin) or unless PKF Capital elects to exercise any of its termination rights (discussed in sections 10 and 12 of the PDS).

CFD Transactions are closed by an offsetting opposite position (i.e. in respect of the same underlying instrument and for the same Notional Amount) being opened at the price offered for the underlying instrument by PKF Capital at the time the position is closed. In other words, the net amount of any profit or loss of the CFD Transaction is either credited or debited to your Account, there is no exchange of the underlying instrument by the parties. A CFD Transaction with PKF Capital does not provide you with any interest in or ownership of the underlying instrument that is the subject of the CFD Transaction.

### CFD Transaction - Example 1

The Trading Platform is showing the price of shares in a company called ABC Holdings Ltd as being NZ\$4.13 (bid) / NZ\$4.14 (offer). You believe ABC Holdings Ltd's share price is undervalued and you decide to enter into a CFD in respect of those shares in the expectation that the share price will rise.

### Opening Trade

You "BUY" a CFD in respect of shares in ABC Holdings Ltd with a Notional Amount of 10,000 at the offer price:	$10,000 \times \text{NZ\$}4.14 = \text{NZ\$}41,400.00$
Commission is payable at the rate of 0.2% of the value of your position:	$\text{NZ\$}41,400 \times 0.002 = \text{NZ\$}82.80$
An Initial Margin of 10% is required: (Note: Initial Margins will vary from trade to trade, but are typically between 0.5% and 30% of the value of your opening position, depending on the type of underlying instrument, its liquidity and volatility). You may obtain a full list of margin requirement on our web site or by contacting us.	$\text{NZ\$}41,400.00 \times 10\% = \text{NZ\$}4,140.00$

You now have a long CFD position in ABC Holdings, worth NZD41,400.00.

### End of Day

Funding Costs will be payable by you on a nightly basis in respect of the Transaction Value of your open "BUY" position. This charge is comprised of the Overnight Deposit Rate ("ODR") for the country that issued the underlying instrument plus a PKF Capital Rollover Margin (for the purposes of this example, 3% per annum). For example, an ODR of 1% combined with the PKF Capital Rollover Margin of 3% would equate to an overnight financing rate of 4.00% per annum.

Accordingly, assuming for the purposes of this example that the relevant ODR and PKF Capital Rollover Margin remains the same for each night the Transaction is rolled and that the closing price for shares in ABC Holdings Ltd on each day was NZ\$4.29, you would pay  $(10,000 \times \text{NZ\$}4.29) \times 4.00\% / 365 = \text{NZ\$}4.70$  daily for holding your position overnight. This amount would be debited from your Account on the next trading day.

Funding Costs at 4.00% of the value of your open BUY position:	$(10,000 \times \text{NZ\$}4.29) \times 4.00\% / 365 = \text{NZ\$}4.70$
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### Closing Trade

7 days later the ABC Holdings Ltd share price increases and is now quoted on the Trading Platform as being NZ\$4.39 (bid) / NZ\$4.40 (offer). You decide that this is a good time to sell and realise your profit.

You settle your "BUY" position by entering into a "SELL" trade in respect of 10,000 shares in ABC Holdings Ltd at the bid price of NZ\$4.39:	$10,000 \times \$4.39 = \text{NZ\$}43,900$
As the CFD relates to a share, Commission is payable. In this example, the rate of Commission is 0.2% of the value of your position:	$\text{NZ\$}43,900 \times 0.002 = \text{NZ\$}87.80$
Your margin requirement (in respect of this particular position) is now zero as this position is now closed. Any previous margin amount is now returned to your Account.	0

### Summary

Opening value of your CFD position	NZ\$41,400
Closing value of your CFD position	NZ\$43,900
Gross profit on trade	NZ\$2,500
Overnight financing charges (for 7 nights)	$\text{NZ\$}4.70 \times 7 = \text{NZ\$}32.90$
Commission (2 trades - one BUY and one SELL)	$\text{NZ\$}82.80 + \text{NZ\$}87.80 = \text{NZ\$}170.60$
Net profit on trade	$(\text{NZ\$}2500 - (\$32.90 + \$170.60)) = \text{NZ\$}2,296.50$

### Closing of Contracts

All of the Margin Products described in this Disclosure Document are closed out by an offsetting opposite position (i.e. in respect of the same underlying instrument or currency pair (as applicable) and for the same Notional Amount) being opened at the price offered for the underlying instrument by PKF Capital at the time the position is closed. That is, there is never a physical exchange of the currencies or other

underlying instrument that relates to the Margin Product. Positions will always be cash settled and your Account will be either credited or debited the net amount of profit or loss of the trade.

### **3. Key Features of our Margin FX Transactions**

Our Margin FX products are available in most currencies. Foreign exchange is essentially about exchanging one currency for another at an agreed rate. Accordingly, in every exchange rate quotation, there are two currencies, known as a currency "pair".

When you enter into a Margin FX Transaction with PKF Capital, you will select a combination of two currencies offered by PKF Capital (i.e. a "currency pair"). For example, you may 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 Margin FX Transaction, which means that you are speculating on the prospect of one of the currencies strengthening and one of them weakening. You will either be entitled to be paid an amount of money (if the value of the underlying currency pair has moved in your favour) or will be required to pay an amount of money (if the value of the underlying currency pair has moved in PKF Capital's favour).

#### ***Exchange Rates***

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 0.8600, this means that one Australian dollar is equal to, or can be exchanged for 86 US cents.

Unlike foreign exchange contracts traded on an exchange, the Margin FX Transactions described in this Disclosure Document are not standardised but are individually tailored to the particular requirements of the parties involved in the contract (i.e. PKF Capital and the client.).

#### ***Opening a Margin FX position with PKF Capital***

You enter into a Margin FX Transaction with PKF Capital by "opening a position" using one of the Trading Platforms or by contacting the Trading Desk:

- (a) If you believe the price of the base currency will increase, you would BUY the currency pair. This is also referred to as taking a "long" position.
- (b) If you believe the price of the base currency will decrease, you would SELL the currency pair. This is also referred to as taking a "short" position.

Further detail about our Trading Platforms is set out at pages 33 and 34 of this Disclosure Document in the section entitled "Trading Platforms". As discussed in that section, your choice of Trading Platform can affect your Transaction (e.g. in relation to calculation of margin).

## **Contract Terms**

The terms you specify for each Margin FX Transaction are:

- (a) the currency pair to be traded; and
- (b) the Notional Amount of the currency pair.

The rate at which such currencies are to be exchanged will always be the prevailing PKF Capital Price. PKF Capital also provides you with the ability to specify either a Stop Loss Order or Limit Order in relation to a Transaction (discussed in more detail on pages 29 and 30).

## **Rollover**

Open positions held at the end of the Business Day before their Value Date will, unless closed out or terminated, be rolled over to a new Value Date. Funding Costs may apply, as discussed at pages 27 and 28 of the Disclosure Document.

## **Quotes**

For example, a quote on the Trading Platform of AUD/USD "0.8610 / 0.8620" represents the bid/offer spread in respect of the relevant currency pair (in this case AUD/USD) at which PKF Capital is prepared to trade (i.e. the PKF Capital Price). This quote means that you can:

- (a) sell Australian Dollars at 0.8610 against the US dollar; and/or
- (b) buy Australian Dollars at 0.8620 against the US dollar.

## **Points**

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 0.8650, one point or one pip means AUD 0.0001 i.e.  $0.8651 = 0.0001$ .
- In the quotation USD 1 = JPY 102.50, one point or one pip means JPY 0.01 i.e.  $102.51 = 0.01$ .

Note that points (or pips) are not of equal value (a point for USD/AUD is AUD 0.0001 whereas a point for USD/JPY is JPY 0.01).

## **Calculating profit and loss**

Any profit or loss in respect of a Margin FX Transaction is determined by the difference in price between your opening trade, and the closing trade (i.e. an offsetting trade in respect of the same currency pair and having the same Notional Amount):

1. plus or minus any Funding Costs paid or received in connection with the Margin FX Transaction (discussed below on pages 27 and 28 and also see the example under the heading "End of Trading Day - Rollover" in section 2(i)) above;
2. minus any Conversion Costs (discussed above on page 8 under the heading entitled "Remuneration and costs");
3. minus any fees, charges and indemnified costs and losses payable to PKF Capital (discussed above on pages 7 and 8 under the heading "Remuneration and Costs" and below on page 34 under the heading entitled "Cost of Margin Products"); and
4. minus such other sums as may from time to time be due to PKF Capital under the Client Agreement (discussed below on pages 43 and 44 under the heading entitled "Client Agreement").

Where you fail to pay amounts when due, PKF Capital shall be entitled to terminate and close out any or all of your open Transactions as described in section 10 below.

#### **4. Key Features of our CFD products**

A Contract for Difference ("CFD") is a financial instrument that changes in value by reference to fluctuations in the price of an "underlying instrument", such as, for example, a share, commodity or index. Under a CFD Transaction, you and PKF Capital agree to exchange the difference in value of a Notional Amount of the underlying instrument between when the CFD Transaction is opened and when it is closed. You will either be entitled to be paid an amount of money (if the value of the underlying instrument has moved in your favour) or will be required to pay an amount of money (if the value of the underlying instrument has moved in PKF Capital's favour).

PKF Capital currently offers CFDs in respect of a number of different types of underlying instruments, including shares (also sometimes described as "individual equities"), indices, commodities, bonds and financial derivatives such as futures contracts and such other financial instruments that may be notified to you from time to time. A full list of the underlying instruments in respect of which we offer CFDs can be found in our most recent Product Schedule (available on our website) or by contacting us.

CFDs will often have characteristics or requirements that are inherent and unique to the particular type of underlying instrument to which they relate (for example Minimum Trade Sizes or Maximum Trading Sizes, available trading hours, disclosure rules and margin requirements). You should ensure that you understand all features of a particular underlying instrument and how it can affect your CFD before trading with PKF Capital.

The Minimum Trading Sizes, Maximum Trading Sizes, Margin Requirements, Trading Hours and Commissions for a particular underlying instrument can change

frequently. Current details can be obtained from our most recent Product Schedule or by contacting us.

### ***Opening a CFD position with PKF Capital***

You enter into a CFD with PKF Capital by "opening a position" by using one of the Trading Platforms or by contacting the Trading Desk:

- (a) If you believe the price of the "underlying" will increase, you would BUY the CFD Transaction. This is also referred to as taking a "long" position.
- (b) If you believe the price of the "underlying" will decrease, you would SELL the CFD Transaction. This is also referred to as taking a "short" position.

Further detail about our Trading Platforms is set out on pages 33 and 34 of this Disclosure Document in the section entitled "Trading Platforms". As discussed in that section, your choice of Trading Platform can affect your Transaction in certain ways (e.g. in relation to calculation of margin).

### ***Contract Terms***

The terms you specify for each CFD Transaction are:

- (a) the underlying instrument to be traded; and
- (b) the Notional Amount of the underlying instrument.

The rate at which the underlying instrument will be exchanged will always be the prevailing PKF Capital Price. PKF Capital also provides you with the ability to specify either a Stop Loss Order or Limit Order in relation to a Transaction (discussed in more detail on pages 29 and 30).

You may hold the position for as long as you wish (subject to meeting all terms applicable to the Transaction including margin requirements and any applicable Funding Costs), or unless PKF Capital elects to exercise any of its termination rights (discussed on pages 39 to 42 in the section entitled "Amendments and Termination"). You may "settle" or close your trade at any time while the underlying market is trading by requesting the current PKF Capital Price and trading in the opposite direction to your initial trade. For instance, if your first (opening) trade was a BUY trade, you would close this trade by giving an instruction to SELL an identical quantity of the corresponding underlying instrument.

The price at which you may open and close your CFD Transaction will always be the PKF Capital Price. This is determined by the best price for the relevant underlying instrument PKF Capital can obtain from its liquidity suppliers at any given time plus the PKF Capital spread. PKF Capital may also charge a Commission on any CFD Transactions you make in respect of shares or equities. Details on Commission are set out on pages 7 and 8 of this Disclosure Document under the heading



"Remuneration and Costs". PKF Capital will also seek to replicate the economic effect of any Corporate Action in the value of your CFD Transaction. For example, if you have an open CFD Transaction in respect of shares, your Account may be credited (if you hold a long position) or debited (if you hold a short position) to reflect dividend adjustments as if you actually held the underlying instruments. Further detail regarding adjustments for Corporate Action is set out on pages 30 to 32 of this Disclosure Document.

You must acquaint yourself with the relevant rules and legislation for the exchange on which the underlying instrument is traded when trading and are bound by those rules when entering into a CFD Transaction with PKF Capital. PKF Capital is entitled to refuse to trade with you if your Transaction would breach any Applicable Law. Breach of an Applicable Law is an Event of Default that entitles PKF Capital to terminate some or all of your Transactions (see page 41 below and sections 18 to 20 of the Client Agreement).

### ***Rollover***

Open positions held at the end of the Business Day before their Value Date will, unless closed out or terminated, be rolled over to a new Value Date. Funding Costs may apply, as discussed at pages 27 and 28 of the PDS.

### ***Calculating profit and loss***

Any profit or loss in respect of a CFD Transaction is determined by the difference in price between your opening trade, and the closing trade (i.e. an offsetting trade in respect of the same underlying instrument and having the same Notional Amount):

1. plus or minus any Funding Costs paid or received in connection with the CFD Transaction (discussed below in section 5 and also see the example under the heading "End of Day" under the heading on page 25);
2. where the underlying instrument to the CFD Transaction is denominated in another currency, plus or minus movements in that currency together with any Conversion Costs (discussed above on page 8 under the heading entitled "Remuneration and Costs");
3. minus any Commissions payable by you in respect of the CFD Transaction (discussed above on pages 7 and 8);
4. plus or minus any adjustments for Corporate Action applied by PKF Capital (see pages 30 to 32 of this Disclosure Document to information about adjustments for Corporate Action);
5. minus any fees, charges and indemnified costs and losses payable to PKF Capital (discussed above on page 8 under the heading "Remuneration and Costs" and on page 34 under the heading "Cost of Margin Products"); and
6. minus such other sums as may from time to time be due to PKF Capital under the Client Agreement.

Where you fail to pay amounts when due, PKF Capital shall be entitled to terminate and close out any or all of your open Transactions as described in section 10 below.

**CFD Example 2 – Buying a CFD in respect of an Individual Equity (making a loss)**

Following on from the example fact scenario used in Example 1 on pages 16 and 17, the Trading Platform is showing the price of ABC Holdings Ltd's shares as being NZ\$4.13 (bid) / NZ\$4.14 (offer). Again, you believe that the share price of ABC Holdings Ltd is undervalued. You decide to enter into a CFD Transaction in respect of those shares in the expectation that the share price will rise.

The opening trade and end of day financing charges are identical to those in Example 1 above. However, in this example, instead of ABC Holdings Ltd's share price increasing as you had expected, the share price instead declines and accordingly the trade makes a loss.

**Closing Trade**

7 days later ABC Holdings Ltd share price has declined and is now quoted as being NZ\$3.89(bid) / NZ\$3.90(offer). You decide to take the loss and close your position.

You settle your "BUY" position by entering into a "SELL" trade in respect of 10,000 shares in ABC Holdings Ltd at the bid price of NZ\$3.87:	$10,000 \times \text{NZ}\$3.89 = \text{NZ}\$38,900$
Commission is payable at the rate of 0.2% of the value of your position:	$\text{NZ}\$38,900 \times 0.002 = \text{NZ}\$77.80$
Your margin requirement (in respect of this particular position) is now zero as this position is now closed. Any previous margin amount is now returned to your Trading Account.	0

**Summary**

Opening Value of your CFD Transaction	NZ\$41,400
Closing Value of your CFD Transaction	NZ\$38,900
Gross loss under CFD Transaction	(NZ\$2,500)
Overnight financing charges (for 7 nights)	$\text{NZ}\$4.70 \times 7 = \text{NZ}\$32.90$
Commission (2 trades - one BUY and one SELL)	$\text{NZ}\$82.80 + \text{NZ}\$77.80 = \text{NZ}\$160.60$
Net loss on CFD Transaction	$(\text{NZ}\$2,500 + (\text{NZ}\$32.90 + \text{NZ}\$160.60)) = (\text{NZ}\$2,693.50)$

**CFD example 3 – Buying CFD in relation to Gold (Making a profit)**

You believe the price of gold will rise based on a news event and want to gain price exposure to gold to take advantage of this move without physically purchasing gold. The PKF Capital Trading Platform is showing a price for gold of 1,389/1,389.5. You decide to enter into a CFD with PKF Capital in respect of spot gold (XAU/USD) with a Notional Amount of 100 ounces.

### Opening trade

You "BUY" a CFD with a Notional Amount of 100 in respect of XAU/USD at the offer price	$100 \times \text{USD}1,389.5 = \text{USD}138,950$
No commission on Gold CFDs (only CFDs in respect of shares/equities attract a Commission).	0
An Initial Margin of 1% is required	$1\% = \text{USD } 1,389.5$

Later in the day gold is trading at 1,400.5/1,401 per ounce on the Trading Platform and you decide to close the CFD Transaction for a profit.

### Closing trade

You "SELL" a CFD in respect of XAU/USD with a Notional Amount of 100 at the bid price:	$100 \times \text{USD}1,400.5 = \text{USD}140,050$
As the position is closed margin is no longer required	0
Profit/Loss = (sell price – buy price)	$140,050 - 138,950 = \text{USD}1,100$

### ***CFD example 4 – Buying CFD in relation to Gold (Making a loss)***

As in Example 3 you believe the price of gold will rise based on a news event and want to gain price exposure to gold in order to take advantage of this move. The PKF Capital Trading Platform is showing a price for gold of 1,389/1,389.5. You decide to enter into a CFD with PKF Capital in respect of spot gold (XAU/USD) with a Notional Amount of 100 ounces.

### Opening trade

You "BUY" a CFD in respect of XAU/USD with a Notional Amount of 100 at the offer price	$100 \times \text{USD}1,389.5 = \text{USD}138,950$
No commission on Gold CFDs (only CFDs in respect of shares/equities attract a Commission).	0
An Initial Margin of 1% is required	$1\% = \text{USD}1,389.50$

Later in the day however, the price of gold has dropped and is now trading at USD1,350.5/1351 per ounce on the Trading Platform. You no longer believe the price will rise and decide to close the CFD Transaction to avoid any further loss.

## Closing trade

You "SELL" a CFDs in respect of XAU/USD with a Notional Amount of 100 at the bid price:	100 x 1,350.50USD = USD135,040
As the position is closed margin is no longer required	0
Profit/Loss = (sell price – buy price)	135,040 - 138,950 = -USD3,910

## Summary

You took a CFD position in respect of 100 ounces of gold (XAU/USD), however the price of XAU/USD moved unfavourably to you, resulting in you incurring a loss of US\$3,910. You were required to deposit US\$1,389.50 into your Account as initial margin in to enter into the CFD Transaction and as you did not hold it overnight (i.e. it was opened and closed within the same business day) no overnight financing was required meaning no Funding Costs were payable by you.

### ***CFD example 5 – Selling a CFD in relation to an index (making a profit)***

You believe the US equity markets are going to decline and so you decide to enter into a CFD Transaction by taking a "short position" on the S&P500 index. PKF Capital is showing a price of USD 1030 (bid) / 1034 (offer).

## Opening Trade

You sell a CFD in respect of the S&P500 Index with a Notional Amount of 10 at the bid price.	10 x 1030 = USD 10,300.00
No commission is payable on Index CFDs (only CFDs in respect of shares/equities attract a Commission).	0
An Initial Margin of 1% is required:	USD 103.00

## End of Day

A financing charge is applied to your Account on a nightly basis in respect of your open positions. This charge is comprised of the Overnight Deposit Rate ("ODR") for the country that issued the underlying instrument plus or minus a PKF Capital Rollover Margin (as at the date of this PDS, 3%). Typically, you will pay PKF Capital Funding Costs on long positions and receive Funding Costs from PKF Capital on short positions, however if the ODR is below the PKF Capital Rollover Margin, you may end up paying Funding Costs to PKF Capital, even when you hold a short position. This is demonstrated by the following example:

Assuming the US overnight deposit rate is 2% and you hold a short position the overnight financing calculation would be 2% (US ODR) - 3% (PKF Capital Margin) = -1%.

Overnight financing charge at -1% of the Notional Amount of your open SELL position. As the rate is negative you will not receive a payment of Funding Costs from PKF Capital but will be paying the Funding Costs to PKF Capital instead.	<b>10,300 x -1% /365 = USD 0.28</b>
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### Closing Trade

Tuesday, 6 April, at 8:34, the S&P Index has declined to (bid/offer) 1010/1013 and you decide to take profit by closing the position.

Close the position by selling a CFD in respect of the S&P 500 Index with a Notional Amount of 10 at the offer price	<b>10 x 1013 = USD 10,130.00</b>
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### Summary

Opening Value of your CFD position	USD 10,300.00
Closing Value of your CFD position	<b>USD 10,130.00</b>
Gross loss on Trade	USD 170.00
Overnight financing charges (for 7 nights)	USD 0.28 x 7 = 1.96
Commission (no commission on index trades)	USD 0
Net profit on Trade	170 – 1.96 = USD168.04

## 5. Other key information about Margin Products

### *Your Account*

Prior to first entering into any Transactions with PKF Capital, you must first open an account with PKF Capital ("**Account**").

PKF Capital may, in its absolute discretion, accept or decline a request to open an Account. PKF Capital will notify you either that PKF Capital accepts your Account opening request and that an Account has been opened for you or that PKF Capital has declined your request. For the avoidance of doubt and notwithstanding any other provision in this Disclosure Document or the Client Agreement, if you have multiple Accounts, Transactions on one Account will be treated as separate from Transactions on a different Account that may be in your name or that you hold with PKF Capital, unless, in its sole discretion, PKF Capital agrees otherwise.

### *Interest*

Details of the Interest Earning Amount and when Deposit Interest may be paid are set out in the Margin Platform Addendum and may vary depending upon the Trading Platform used to enter into Margin Products.

### ***Fees, commission and other charges***

Full details of all fees, commissions and other charges are described in the section of the FSG above entitled "Remuneration and Costs".

You are required to pay to PKF Capital each fee, commission and charge in respect of each Transaction specified at the relevant time or as otherwise notified by PKF Capital to you or its clients generally. The current applicable fees, charges and commissions are set out in the most recent Product Schedule and will be automatically deducted from your Account upon you accepting the relevant service or entering the relevant transaction.

You authorise PKF Capital, in accordance with its usual practice, to withdraw the amount of any such fee, commission or charge from the PKF Capital bank account where Client Moneys are held (including, where relevant, the Segregated Funds Account), and to debit your Account accordingly, at any time any such fee, commission or charge when it becomes payable.

PKF Capital is entitled to deduct or withhold any Tax, as required by law to be deducted or withheld, from any payment made under the Client Agreement, or any payment made under any Transaction or any amount credited to the PKF Capital bank account where Client Moneys are held (including, where relevant, the Segregated Funds Account) or any Account.

Also refer to the information set out in the section entitled "Remuneration and Costs" in the FSG.

### ***Spread***

A different PKF Capital Spread will apply for each different Transaction. All spreads are calculated by PKF Capital in its sole discretion. Factors which affect PKF Capital's calculation of a particular spread can include: trade volume (more trades with a client can reduce the spread), trade size (larger trades can reduce the spread), currency availability (more liquid currencies like USD often have a lower spread), and estimated volatility (more volatile markets will increase the spread to manage our own volatility risk).

### ***Financing and Rollover of Margin positions***

Each open Margin Product is automatically valued and rolled over by PKF Capital at close of Business each day, and overnight funding costs (referred to as Funding Costs) will either be payable by you to PKF Capital, or paid to you by PKF Capital, as described in this section.

PKF Capital determines the Transaction Value as at the Close of Business. PKF Capital determines the PKF Capital Rollover Interest Rate for each currency as at the Close of Business.

You authorise PKF Capital to withdraw any Funding Costs payable by you in respect of a Margin Product from the Segregated Funds Account immediately after the Close of Business.

### ***Funding Costs***

Funding Costs are calculated based on the full Transaction Value of your open positions. The Funding Cost is calculated at 5pm New York time each day based on the size of the open position and the rates applicable for the instrument traded, and is payable by you, or to you (as applicable) after the Close of Business for that day.

The current official interest rates and PKF Capital Rollover Margins can be found in our Rates Schedule. For the purposes of calculating Funding Costs, interest rates are calculated on the basis of an annual rate, divided by 360 or 365 (according to relevant market practice), for and including the Business Day on which that Close of Business occurs.

The way Funding Costs are calculated is dependent on the type of Margin Product traded. Note also that the spread relevant to the PKF Capital Rollover Interest Rate may differ according to the Trading Platform used.

#### **(a) *Margin FX Transactions***

The Funding Cost depends on the interest rate differential between the two currencies in the currency pair of your transaction as well as the application of a PKF Capital Rollover Margin. Whether Funding Costs are payable by you to PKF Capital, or to you from PKF Capital, will depend on whether you hold a long (bought) or short (sold) position, which currency has the higher yield (i.e. interest rate) and the effect of the PKF Capital Rollover Margin.

For example, if you are long AUD/USD (i.e. you have bought AUD against USD) and interest rates are higher in Australia than in the US, PKF Capital may pay you Funding Costs when the position is rolled overnight because you are holding a higher yielding currency (subject to the application of the PKF Capital Margin). However, if the interest rate in the US is sufficiently higher than Australian interest rates, or as a result of the PKF Capital Rollover Margin being applied, you may be required to pay Funding Costs to PKF Capital.

In summary, Funding Costs for Margin FX Transactions are calculated as follows:

- (a) Where you are buying a currency with a higher interest rate than the currency you are selling, PKF Capital credits your Account with an amount equivalent to overnight interest to the next spot date minus the PKF Capital Rollover Margin.
- (b) Where you are selling a currency with a higher interest rate than the currency you are buying, PKF Capital debits your Account with an amount equivalent to overnight interest to the next spot date equal plus the PKF Capital Rollover Margin.

## **(b) CFD Transactions**

For CFD Transactions, Funding Costs are based on the official interest rate for the country where the underlying instrument is issued plus the PKF Capital Rollover Margin.

Amounts may be payable to clients that hold a short position PKF Capital will in this case pay the interest rate to the client less the PKF Capital Margin.

Funding Costs for CFD Transactions are calculated as follows:

- (a) Where you are long the relevant CFD Transaction, PKF Capital debits your Account with an amount equivalent to overnight interest to the next trading date equal to the PKF Capital Rollover Interest Rate. This is based on the overnight funding rate of the denominated currency of the underlying instrument plus the PKF Capital Rollover Margin (as at the date of this Disclosure Document, 3%). For example, if you hold a CFD on a UK based share the Funding Costs will be LIBOR plus the PKF Capital Rollover Margin. If you hold it on a Friday you will be charged Funding Costs for three days to cover Friday, Saturday and Sunday
- (b) Where you are short the relevant CFD Transaction, PKF Capital will (subject to the circumstances described below) pay you Funding Costs (i.e. it will credit your Account with an amount equivalent to overnight interest to the next trading date equal to the PKF Capital Rollover Interest Rate). Funding Costs for CFDs are based on the overnight funding rate of the denominated currency of the underlying instrument less the PKF Capital Rollover Margin (as at the date of this Disclosure Document, 3%). Note that if this calculation results in a negative number, Funding Costs are payable by you to PKF Capital, and PKF Capital will debit your account with the amount instead.

## **Stop Loss Orders**

PKF Capital offers Stop Loss Orders (Stops) (both conventional stop as well as trailing stops) on all Margin FX Transactions and CFD Transactions free of charge. A Stop Loss Order requests us to place an order when the PKF Capital Price reaches the price specified in the Stop Loss Order. For example, you can use a Stop Loss Order to request PKF Capital close a position you are holding to attempt to limit your losses, but you can also use a Stop Loss Order to request PKF Capital to close part of a position or even open a new position if desired.

A Stop Loss Order must specify the period of time that the relevant request will be valid. Specifying a "Day Order" will mean your Stop Loss Order will apply until the next Close of Business for the relevant Underlying Market for the underlying instrument or currency that relates to your Margin Product or earlier. On the Trading Platform you may be able to specify the period for which the Stop Loss Order is valid up to a maximum of 24 hours from making the Stop Loss Order. Alternatively, you can specify that a Stop Loss Order is to apply for an indefinite period (known as a "good till cancelled" or "GTC" Stop Loss Order).



As PKF Capital uses a Direct Market Access model, orders will be executed at the PKF Capital Price. The Direct Market Access Model gives you assurance that there is no conflict of interest between PKF Capital and you when executing an order. However, it is important to note that the Direct Market Access model means PKF Capital is not able to provide any guarantee that a Stop Loss Order will be executed at the price you specify (see the paragraphs headed "Slippage" below).

PKF Capital offers the following types of stops:

- **Conventional stops:** A conventional Stop Loss Order will be executed when the PKF Capital Price reaches the rate specified in the order. It can be specified by reference to the actual rate or as an offset from the current PKF Capital Price. For example, you hold a CFD in respect of gold with a Notional Amount of 1 ounce which was bought when the price was USD 1440.50 per ounce. You expect the price to rise, but want to attempt to limit your loss to USD 40 if you are wrong and the price declines. You would place a Stop Loss Order at 1400.50 or 40 points below the market price.
- **Trailing stops:** Trailing Stops are a type of Stop Loss Order that track your profitable positions automatically, and closes your trade should the market move against you. Trailing Stops prevent you having to move your stops constantly. When you open your position you specify how far away from the opening level the Stop Loss Order is placed.

### ***Slippage***

When you place a Stop Loss Order then when our bid price (in case of Sells) or our offer price (in case of Buys) reaches or exceeds the level of your Stop Loss Order your instruction will be triggered and subsequently executed. As we use a Direct Market Access model, it is important to note that the Stop Loss Order will be executed at the first available PKF Capital price that is traded after the level specified in your Stop Loss Order is reached. This may not be the price you set in your Stop Loss Order. The price at which your Stop Loss Order is executed can be significantly different from the price you set in the Stop Loss Order, particularly if the relevant market is moving quickly or has low liquidity (for example, if a major world event occurs that has a significant impact on the underlying instrument that causes a sudden decrease in the value of that instrument).

Another common example is if you have entered into a CFD Transaction in respect of a share and the company releases news overnight when the relevant stock market on which that share is traded is closed. This can result in a significant difference in price when the market opens compared to price at which it had closed. If your Stop Loss Order level is between the PKF Capital close price and open price the next day, we will execute your Stop Loss Order at the first available PKF Capital price that the instrument actually trades at once the stock market reopens.

You should ensure that you are familiar with the rules around Stop Loss Orders and also see the risk section of this document.

### ***Limit orders***

A Limit Order, like a Stop Loss Order, is an instruction to PKF Capital to execute a trade when the price of an instrument reaches a specified price level. It is usually used to close a position at a profit, and is sometimes referred to as a "take profit order". However, it is not mandatory to have an existing position to place a Limit Order as it can also be used to request PKF Capital to open you a position at a specified price. In contrast to a Stop Loss Order, a Limit Order must be set above the current price for long positions and below the current price for short positions.

PKF Capital may, on the request of a Client by way of the Trading Platform, agree to a Limit Order in relation to a Margin Product.

The Client acknowledges and accepts the risk that while PKF Capital will endeavour to give effect to the Limit Order at the price or rate set out in the Limit Order, market conditions, including Abnormal Market Conditions, may arise such that PKF Capital may not be able to do so. Market conditions may mean that PKF Capital is only able to effect the Limit Order and enter into the relevant Transaction at a price or rate that is substantially different from the price specified in the Limit Order.

### ***Adjustment for Corporate Action***

Corporate Action refers to an event (including a dividend payment, corporate restructuring, rights issue, bonus issue, share buy-back or share split) initiated by a company that affects the securities issued by that company.

PKF Capital will act reasonably and in good faith, taking into account the nature of a Corporate Action that has occurred, in order to endeavour to preserve the economic value of the relevant Transaction following a Corporate Action occurring.

If a Corporate Action occurs, PKF Capital is entitled to:

- (i) change the PKF Capital Prices;
- (ii) change the PKF Capital Spread;
- (iii) change Margin requirements;
- (iv) change Minimum Trade Sizes and Maximum Trade Sizes; or
- (v) suspend the acceptance of or refuse to accept trades or orders for any affected underlying instrument.

In addition, if a Corporate Action occurs, PKF Capital is entitled to do any of the following in relation to a Transaction that is directly or indirectly affected by the Corporate Action and that was in place prior to the relevant Corporate Action:

- (i) retrospectively change the opening PKF Capital Price of a Transaction;
- (ii) change the agreed execution price of the order;

- (iii) close any open Transaction and cancel any Limit or Stop Loss Order;
- (iv) open a new trade or order in the relevant underlying instrument (for example if there has been rights issue, where a new security is issued to all existing shareholders, then PKF Capital may open a position (together with any associated Stop or Limit Orders) in that new instrument for you at the appropriate proportion to reflect your ownership if it is also tradeable; or
- (v) make an appropriate credit or debit to your Account.

PKF Capital can exercise the above rights with or without notice depending on the nature of the Corporate Action concerned. If PKF Capital exercises a right before giving notice, PKF Capital will inform the affected Clients as soon as reasonably practicable that we have done so.

If a dividend adjustment applies to an equity or index to which a CFD Transaction relates and the CFD Transaction was open at the Close of Business on the last of PKF Capital's trading days (for that equity or index) prior to the relevant ex-dividend date PKF Capital will apply a dividend adjustment as follows:

**(a) Dividends in relation to Equity CFDs**

In the case of CFD Transactions in respect of individual equities the dividend adjustment will be applied as follows:

- (i) Clients holding long individual equity CFD positions will be credited an ex-dividend adjustment net of the tax requirements of the relevant tax authority (as determined by PKF Capital acting reasonably).
- (ii) Clients holding short individual equity CFD positions will be debited an ex-dividend adjustment net of the tax requirements of the relevant tax authority (as determined by PKF Capital acting reasonably).

**(b) Dividends in relation to Index CFDs**

In the case of adjustments to CFD Transactions in respect of indices, the rate of adjustment will be determined by PKF Capital acting reasonably (taking into account factors such as, for example, the weighting of the companies concerned in the relevant index). Adjustments are applied as follows:

- (i) Buy trades are credited with the relevant adjustment.
- (ii) Sell trades are debited with the relevant adjustment.

PKF Capital may terminate or vary the dividend adjustment depending on changes in law, regulation, rates of tax and in particular the withholding tax requirements of any relevant tax authority.

## **6. Purpose of PKF Capital Products**

PKF Capital's products allow clients to gain an exposure to financial market movements. They may do this either to protect themselves from existing exposures that they already have by entering into transactions that create an equal and opposite position to offset the exposure (also known as hedging) or to speculate on those financial market movements with a view of making a profit.

For example, foreign exchange exposures may arise from a number of different activities. A person migrating to another country (or purchasing an asset overseas, such as property) has the risk that if that country's currency appreciates against their own, their conversion costs will be greater or they may receive less funds. An exporter who sells its product 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. 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.

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 travelling or business which may be adversely affected by fluctuations in exchange rates.) PKF Capital 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. This is commonly referred to as a hedge transaction.

In addition to using PKF Capital's products as a risk management tool, clients can benefit by using some of the products offered by PKF Capital to speculate on changing market 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.

## **7. How are the PKF Capital Products Traded?**

Clients primarily transact using one of the PKF Capital Trading Platforms through which clients are provided with direct access to our quoted prices over the internet.

PKF Capital may, but is not obliged to, send a daily report by electronic mail to you (in addition to deal confirmations generated in respect of Transactions you enter into). Clients entering into Margin FX Transactions and CFD Transactions also have access to real time statements available through their online Account.

### ***Trading Platforms***

PKF Capital offers a number of different Trading Platforms to allow clients to place orders and view their positions electronically. Clients may decide to use any of the Trading Platforms based on their own preferences. You can get more information on the different Trading Platforms we offer on our website or by contacting us by phone.

We may from time to time update existing Trading Platforms or add additional Trading Platforms to allow us to provide trading services to our clients or to change functionality or add additional features. We may also cease to offer existing Trading Platforms at our sole discretion. You will be notified of any changes and most updates will be applied automatically at logon. You are required to use only the latest version of our Trading Platforms at all times when connecting to our servers.

The features and products available as well as the rates and spreads may be different on each platform. This may be due to a number of reasons, including the way a particular platform has been designed such as how it calculates certain rates and fees and the availability of data feeds and interfaces. Where differences affect the calculations or charges for trading they are highlighted in this PDS or on the relevant Trading Platform or Product Schedule. Training on each of the Trading Platforms may also be available. Please contact us for further information regarding training offered by PKF Capital.

We currently offer the following Trading Platforms:

#### **1. PKF Capital Trading Platform**

This is our main trading platform and allows you to trade our full range of Margin Products. It is the trading platform we recommend for those new to trading as well as those who demand the latest features and functions. PKF Capital Trading Platform is a windows based platform using the Microsoft dot net framework that runs on your PC.

#### **2. Meta Trader 4 (MT4)**

This is a popular trading platform produced by MetaQuotes Software company. We offer this trading platform for those traders already familiar with MT4 or want to take advantage of a large number of third party applications and robots available for this platform. You can trade Margin FX as well as certain CFDs on our MT4 platform. MT4 is a Windows based platform that runs on your PC.

In addition, we refer you to the FSG which describes other ways in which you can give us instructions in respect of a Transaction. Other important terms and conditions regarding the use of the Trading Platforms (including certain exclusions of PKF Capital's liability to you e.g. in regards to PKF Capital acting on orders and instructions) is contained in sections 6 and 22 of the Client Agreement.

As each Transaction you enter into with us is a Transaction between you and PKF Capital and is not traded on an exchange or market, you will not be able to sell, transfer or assign the transaction to any other person. PKF Capital may at its discretion assign or transfer its interest in the transaction to any other person.

## **8. Costs of Margin Products**

Please see the section of the FSG entitled "Remuneration and Costs" which explains the costs associated with our financial products, and our remuneration and any special relationships we have. As noted earlier in this Disclosure Document, an electronic or paper copy of this Disclosure Document is available free of charge on our website or by contacting us.

As discussed throughout this Disclosure Document, certain specific information that is subject to change frequently (e.g. current fees, charges, underlying instrument trading hours and Margin Requirements) that is applicable to Margin Products is contained in the Margin Platform Addendum, PKF Capital Rate Schedule and Product Schedule. These documents are subject to change frequently and you should ensure you have the most up-to-date versions prior to entering Margin Product with us. The most up-to-date versions are available from the PKF Capital website or by contacting us.

We have also provided some examples on our website to help illustrate how PKF Capital products work. These examples are illustrations only and actual results may differ. If you contact us we can provide you with a paper version of those illustrations free of charge.

## **9. Margin Obligations**

Margin Products are subject to margin obligations (i.e. clients must deposit from time to time funds for security / margining purposes).

For additional information with respect to Margin Requirements and the minimum required Free Margin we refer you to the Client Agreement and the terms of the Margin Platform Addendum.

You are obliged to maintain the Margin Requirement(s) being either:

- (a) in the case of Margin Products entered into using a Trading Platform, the relevant Margin Requirement(s) specified in the Margin Platform Addendum; and
- (b) in all other cases, the Margin Requirement(s) advised by PKF Capital.

You are obliged to pay to PKF Capital such sums of money in the Client Base Currency by way of margin as PKF Capital may require under the Client Agreement or as otherwise notified by PKF Capital to you to meet Margin Requirements and Free Margin. You are to ensure that moneys paid to PKF Capital are correctly designated in all respects, including, where applicable, that those moneys are by way of margin and to which Account they should be applied.

### **9.1 Margin Requirements**

When you enter into a Transaction, and while that Transaction remains open, you will be required to pay PKF Capital an amount we refer to as the 'Margin

Requirement'. This amount represents collateral for your exposure under the Margin Product and covers the risk to PKF Capital. Typically, the Margin Requirement will be an amount between 1% and 30% of the face value of your open Margin Product depending on the instrument traded (however, this percentage requirement may change at any time and at the discretion of PKF Capital and you should refer to the Product Schedule on our website to confirm the actual percentage requirement for your Transaction). Payment of the required Margin Requirement to PKF Capital is necessary before you can open the Transaction.

If there is a change in the price of the underlying instrument or currency of your Transaction, the Margin Requirement applicable to the Transaction will change during the period the Transaction remains open (often called variation margin). The amount of your Margin Requirement at any one time will be displayed on the Trading Platform. PKF Capital will automatically, without requiring further instruction from you, apply funds that you have deposited in your Account with PKF Capital to meet your Margin Requirement in the event of adverse market movements to keep your Transactions open. For this reason, you must ensure that you have sufficient funds on deposit in your Account with PKF Capital to meet your changing Margin Requirement.

The Margin Requirement may differ depending on the Trading Platform on which Transactions are entered:

a) **Metatrader Platform:** The Margin Requirement is:

- i. the total value of all outstanding Transactions entered into on Metatrader, calculated by PKF Capital in its sole discretion (being the sum of each nominal position in a currency of each outstanding Margin FX or CFD Transaction entered into on Metatrader, converted, where necessary, to the client base currency at the PKF Capital Exchange Rate at that time and excluding nominal positions of two Transactions entered into on Metatrader where the client is the buyer of one currency pair or underlying instrument in one transaction and the seller of the same currency pair or underlying instrument in the other (as applicable), for the same Notional Amount), multiplied by the percentage representing the level of leverage the client has chosen in respect of Transactions entered into on MT4 Trader, ranging between 1% to 100%; and
- ii. sufficient to ensure a "margin level" of greater than 100%, where "margin level" means the Margin Requirement referred to in (i) plus Free Margin, also known as equity (being the updated balance of cleared funds in the client's Account, increased or decreased by the client's aggregate unrealised profit or loss, as the case may be) divided by that Margin Requirement and multiplied by 100 (expressed as a percentage).

**b) PKF Capital Trading Platform**

The Margin Requirement is the total value of all open positions on the PKF

Capital trading platform, converted, where necessary, to the client base currency at the PKF Capital exchange rate at that time, *multiplied by* the minimum margin percentage for the instrument of that position as specified in the PKF Capital Product Schedule.

PKF Capital may at any time increase or decrease the Margin Requirement for a Transaction, including any open Transaction, without prior notice to you.

If you do not have sufficient funds on deposit in your Account to meet your Margin Requirement, PKF Capital may at any time automatically close out any of your open Transactions.

## **9.2 Free Margin**

The term Free Margin refers to the amount that you have available in your Account to meet any increase in your Margin Requirement (without the need to deposit additional funds into your Account).

It is your responsibility to maintain sufficient Free Margin to meet your current obligations in relation to each of your Transactions.

You should also maintain sufficient Free Margin to ensure you can continue to meet potential future margin obligations should your margin requirements increase, or the Trading Platform become unavailable (this is in addition to maintaining the minimum required Free Margin).

You may request PKF Capital to withdraw an amount of Free Margin to make a payment to you. PKF Capital may withhold any such withdrawal if it considers that:

- funds may be required from you to meet any current or future margin call;
- you have any contingent liability to PKF Capital or to any of its associates;
- there is an unresolved dispute between PKF Capital and you; or
- it is necessary or desirable to enable PKF Capital to comply with applicable law.

To view the amount of Free Margin required at any particular time, please check the Trading Platform.

## **9.3 Notifications regarding Margin Requirement and Free Margin**

It is your responsibility to actively monitor and manage your Transactions and your obligations, including ensuring that you meet your Margin Requirement and maintain the minimum required Free Margin. It is also your responsibility to ensure you are aware of any changes in the Margin Requirement or the minimum required Free Margin. PKF Capital is under no obligation to contact you in the event of any change to the Margin Requirement or minimum required Free Margin or any actual or potential shortfalls in your Account.

## **9.4 Ongoing monitoring of Margin Obligations**



Open positions will be monitored by PKF Capital on what is known as a "mark to market" or "MTM" basis to account for any market movements. If the value of any of your open Transactions moves against you then you will be required to "top up" your Account in order to meet the Margin Requirement for that Transaction (i.e. deposit additional amounts into your Account) or alternatively you may choose to close an open Transaction in order to reduce your Margin Requirement to a level acceptable to PKF Capital.

The currency in which your Account is maintained is referred to as the "account currency" and unless otherwise agreed, will be denominated in your local currency. The Margin Requirement, profits, losses and all other variables (such as conversion fees) will be debited or credited to your Account in the account currency (i.e. in the currency you wish your Account to be maintained).

If you transact in Margin Products in a currency other than the account currency, all Margin Requirements, profits and losses will be converted to the account currency. This is performed automatically. For example, if you execute a Margin Product in USD and your account currency is New Zealand dollars, any Margin Requirement, profit or loss will be converted from USD to New Zealand dollars at the PKF Capital Exchange Rate as shown on the Trading Platform.

It should also be noted that in conditions of extreme market volatility PKF Capital reserves the right to increase the minimum level of the initial margin. Current and up-to-date initial margin levels are available on the PKF Capital Product Schedule, which is available on our website.

## **9.5 Failing to meet Margin Obligations**

You must be in a position to fund your Margin Requirements and maintain the minimum required Free Margin at all times or any of your open positions may be closed out by PKF Capital.

It is also important to note that, in general, Margin Requirements are determined on a per Transaction basis i.e. should you have several open Transactions, then Margin Requirements are calculated on each exposed position and not netted across the group of open transactions. In other words, the unrealised profits of one Transaction cannot be used to offset the unrealised losses of another Transaction. This may vary dependent on which Trading Platform you elect to use. Please confirm with us prior to trading.

If you do not ensure you maintain the required level of Margin Requirement and maintain the minimum required Free Margin, some or all of your open Transactions may, without prior notice to you, be closed out and the resulting realised loss (or profit) debited (or credited) to your Account.

If the available funds in your Account are insufficient to fully satisfy your obligations to PKF Capital, you will be required to pay us the remaining difference, as well as any costs or charges that we incur in recovering the remaining difference from you.

You will only be permitted to deal in and maintain open Transactions on the basis of cleared funds being provided to meet your Margin Requirement and to maintain the minimum required Free Margin. It is your responsibility to provide cleared funds to meet your margin obligations on time. When making deposits, you should bear in mind banking practice in relation to fund transfers or deposits from other institutions which may mean that deposits are subject to a period of delay before being treated as cleared funds (this can be 1 or more Business Day's clearance time depending on the type of payment and timing of the deposit). You should also be aware that payments made to your Account outside PKF Capital business hours may not be credited to your Account and available to be used as Free Margin prior to the opening of business on the next Business Day. Any delay in crediting your margin payments is at your risk.

The margin amounts are payable into the PKF Capital client trust account and are held, used and withdrawn in accordance with the requirements of our Client Agreement. All interest that may accrue on the client trust account is kept by PKF Capital. Such margin amounts may be used or withdrawn to:

- make a payment for, or in connection with, the entering into, margining or settling of a Transaction by PKF Capital;
- make a payment to you, a liquidity provider, or another designated third party;
- make a payment in respect of withholding tax;
- meet the amount of any fees, commissions or other charges properly payable under the Client Agreement;
- make a payment to PKF Capital in reimbursement for any payment made by PKF Capital to or on behalf of the client; to withdraw any portion of the funds that is not client money; or
- where PKF Capital has deposited its own money into the Segregated Funds Account, cover a shortfall in the Segregated Funds Account, to withdraw that money once it is no longer required to cover the shortfall.

## 10. AMENDMENTS AND TERMINATION

### *Amendment*

The information in this Disclosure Document is subject to change from time to time and is up-to-date as at the date of this document.

PKF Capital may amend, modify or replace the current Client Agreement and this Disclosure Document at any time using any of the following methods:

- **Written notice:** written notice to you;
- **Notice on website:** posting notice accordingly and/or an amended form of the Client Agreement and/or a supplementary or new Disclosure Document on its website;

- **Notice on Trading Platform:** posting notice accordingly and/or an amended form of the Client Agreement and/or a supplementary or new Disclosure Document on a Trading Platform; and
- **As permitted by Applicable Law:** as otherwise permitted by Applicable Law.

PKF Capital may also, in its sole discretion, amend the Margin Platform Addendum, Product Schedule and the Rates Schedule from time to time by publishing updates on the PKF Capital website. It is your responsibility to regularly check the Margin Platform Addendum, Product Schedule and Rates Schedule as published on PKF Capital website to monitor any amendments to such documents.

PKF Capital may make available to you any such notice and/or supplementary or new Disclosure Document, by any one or more of the means specified above, and if the notice and/or supplementary or new Disclosure Document is made available to you by more than one means, it is deemed to be made available to you at the earliest possible time.

A notice and/or supplementary or new Disclosure Document posted on PKF Capital's website or on a Trading Platform is deemed to have been made available to you at the time the relevant document was posted by PKF Capital on its website or on a Trading Platform.

### ***When amendments take effect***

Any amendment, modification or replacement to or of the Client Agreement or Disclosure Document is effective on the date specified in the relevant notice and/or supplementary document. Amendments to the Margin Platform Addendum, Product Schedule and the Rates Schedule can happen very regularly, and any amendment to any of these documents is effective immediately upon being posted on PKF Capital's website or a Trading Platform.

Any amendments will apply to new Transactions as well as open Transactions:

- ***New transactions:*** The amendment, modification or replacement to or of the Client Agreement is deemed to be accepted by you if you:
  - continue to enter into Transactions by way of a Trading Platform; or
  - allow any outstanding Transaction to roll over.
- ***Open Transactions:*** This amendment, modification or replacement, where applicable, also amends the terms of any outstanding Transaction on that effective date.

In addition to the powers of amendment set out above, there are other circumstances in which PKF Capital has the power to unilaterally amend the Client Agreement, the

Disclosure Document, Margin Platform Addendum, Product Schedule and the Rates Schedule and terminate or alter Transactions (including open Transactions). These are summarised below and set out in full detail in the Client Agreement:

- **Force Majeure:** If Force Majeure arises, PKF Capital may take whatever steps in relation to the Client Agreement or any Transaction that, in its opinion, are necessary or desirable, including, changing Margin Requirements, hours within which clients may enter into Transactions, amending or terminating the Client Agreement or any other document or any Transaction, and other action.
- **Abnormal Market Conditions:** If, in the opinion of PKF Capital, Abnormal Market Conditions exist, it may (but is not obliged to) terminate some or all of your open Transactions (either on a certain date or immediately)
- **PKF Capital's right to break:** If PKF Capital is at any time unable to obtain acceptable wholesale prices or rates under any of its Hedging Arrangements, PKF Capital may terminate any or all outstanding Transactions by notice to the Client.
- **Dealing in futures contracts:** If PKF Capital is requested or required by any government, regulatory or other public authority to cease or limit carrying on business of dealing in one or more types of Transactions or any consent, licence or authority that is relevant to PKF Capital carrying on its business in the relevant jurisdiction is rescinded, modified or varied in any material respect, PKF Capital may terminate any or all open Transactions by notice.
- **Illegality:** If at any time it is unlawful or contrary to any present or future requirement (whether or not having the force of law) of any government, regulatory or other public authority or of Applicable Law for PKF Capital to exercise any of its rights or perform or comply with all or any of its obligations in connection with the Client Agreement or any Transaction or any Hedging Arrangements, then PKF Capital may terminate any or all open Transactions by notice.
- **Withdrawal of Transactions:** PKF Capital may, by notice to a Client, notify the Client that PKF Capital will cease to deal in any type of Transaction. The Client will be required to close out of any open Transaction of that type prior to a specified Termination Date. Any Transactions not so closed out are liable to be closed by PKF Capital.

The Client is liable to PKF Capital for any costs and expenses incurred by PKF Capital, acting reasonably, in connection with or arising out of the exercise by PKF Capital of its amendment, termination and close out rights, together with interest on those costs and expenses at the Cost of Funds

### ***Events of Default***

If, at any time, an Event of Default has occurred in respect of the Defaulting Party, the Non-defaulting Party may give a Termination Notice to the Defaulting Party

designating a Termination Date for the termination of all (or some only) Transactions.

If an Event of Default occurs pursuant to subparagraphs (b), (c) or (d) below, PKF Capital may immediately terminate all (or some only) Transactions without giving a Termination Notice to the Defaulting Party.

An **Event of Default** is any of the following events or circumstances with respect to PKF Capital or the Client, as appropriate (the **Defaulting Party**, the other party being the **Non-defaulting Party**):

- (a) **Misrepresentation:** any representation or warranty made by PKF Capital or the Client under or in connection with the Client Agreement or a Transaction is later found to be incorrect or misleading in a material respect;
- (b) **Failure of Client to meet Margin Requirement:** the Client fails to maintain margin at least equal to the then-current Margin Requirement;
- (c) **Failure of Client to meet any other Credit Requirement:** the Client fails to satisfy any Credit Requirement;
- (d) **Losses exceed applicable Credit Requirement:** the unrealised losses of outstanding Margin FX Transactions or CFD Transactions of the Client exceed any applicable Margin Requirement at any time;
- (e) **Breach of other obligations:** the Client fails to perform or comply with any of its other obligations under the Client Agreement or any Transaction;
- (f) **Breach of Applicable Law:** the Client is in breach of any Applicable Law;
- (g) **Conduct of Client:** the conduct of the Client is such that, in the opinion of PKF Capital, it would cause a reasonably prudent financial person dealing in transactions (such as Margin FX Transactions, CFD Transactions or other Transactions as may be provided for under the Client Agreement) to be of the view that the Client could be unable to perform and comply with any of the Client's obligations under the Client Agreement or any Transaction, including strict compliance with any time limit;
- (h) **Death or mental incapacity of Client:** where the Client is a natural person:
  - (i) the Client dies or becomes of unsound mind; or
  - (ii) the Client's person or estate is liable to be dealt with in any way under any law relating to mental health;
- (i) **Inability to contact Client:** in the absence of the Client making alternative arrangements, the Client is not contactable by PKF Capital for any period of 24 hours in order for PKF Capital to obtain instructions relating to any Transaction, any order or any obligations of the Client under the Client Agreement or any Transaction;
- (j) **Bankruptcy of Client:** the Client becomes bankrupt or enters into a composition or arrangement for the benefit of creditors or becomes insolvent

under administration as defined in the Companies Act;

- (k) **Insolvency:** PKF Capital or the Client, where the Client is a company:
  - (i) is put into liquidation voluntarily or otherwise (except for the purpose of reconstruction approved in advance in writing by PKF Capital);
  - (ii) enters into any compromise or arrangement with or assignment for the benefit of any of its creditors or members;
  - (iii) any liquidator, administrator, receiver, manager, receiver and manager, managing controller or official or statutory manager is appointed; or
  - (iv) is or becomes insolvent as defined in the Companies Act;
- (l) **Moratorium, etc.:** PKF Capital or the Client imposes a moratorium on payments to creditors or ceases or threatens to cease carrying on business;
- (m) **Withdrawal of security by Client:** any guarantee of or security given in respect of the Client's obligations under the Client Agreement is, without the consent of PKF Capital, withdrawn or becomes defective or insufficient.

## 11. Liquidity Buffers

PKF Capital automatically enters into hedging transactions with various liquidity providers in order to hedge its exposure to a Transaction as it operates a "Direct Market Access model". This means that the liquidity provider places an equal matching position in the underlying market for each Margin FX or CFD Transaction PKF Capital enters into with you. It is the liquidity provider's price, plus a PKF Capital spread, that is quoted to you as the price for a Margin Product. PKF Capital always hedges every position it has with its clients at the time the trade is executed and does not run its own positions and does not trade against its clients.

To reduce the counterparty risk with these liquidity providers, PKF Capital only uses major international banks or regulated providers and carefully evaluates its liquidity providers for credit risk and stability purposes.

PKF Capital is required to, and as matter of course, keeps a buffer of its own capital in liquid form to reduce the risk that a default by a counterparty will have an impact on PKF Capital being able to meet the liabilities it has to its clients. The amount of capital that is allocated to the buffer is monitored on a daily basis

## 12. Client Agreement

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

into future transactions. This is always your decision. You must confirm via the website that you accept the terms and conditions set out in the Client Agreement before you can trade with us.

Under the terms of the Client Agreement, PKF Capital may automatically close out transactions you have open if you do fail to meet your obligations to PKF Capital. Your transactions may also be closed out by PKF Capital upon the occurrence of certain events set out in the Client Agreement. You should ensure you are familiar with the events contained in the Client Agreement that may trigger a close out of your transactions, namely:

- (i) the occurrence of an Event of Default, including (in the case of the Client) breach of its obligations under the Client Agreement, breach of applicable law, inability to perform the Client Agreement, incapacity, inability to contact the Client (for 24 hours or more), bankruptcy, withdrawal of security or (in the case of the client or PKF Capital) any material misrepresentation or insolvency event;
- (ii) where PKF Capital is at any time unable to obtain acceptable wholesale prices or rates from any of its hedging counterparties;
- (iii) if, in the opinion of PKF Capital, abnormal market conditions exist;
- (iv) if PKF Capital is requested or required by any public authority to cease or limit carrying on business of dealing in one or more types of Transaction;
- (v) any consent, licence or authority that PKF Capital has obtained from a public authority is rescinded, modified or varied in any material respect; or
- (vi) if at any time it is unlawful or contrary to policy for PKF Capital to perform its obligations or exercise its rights (under the Client Agreement or any Transaction), or for PKF Capital or any hedging counterparty to comply with its obligations to the other.

Where termination occurs, the relevant Transactions are terminated and the net balance payable is determined by PKF Capital and paid by the relevant party. PKF Capital may thereafter refuse to enter into further Transactions.

If PKF Capital specifies any further type of Transaction that it may enter into with you or if PKF Capital otherwise determines (in its sole discretion) that amendments to the Client Agreement are necessary, PKF Capital may amend the Client Agreement. Any such amendment will be notified to you by way of the PKF Capital website or each Trading Platform or electronic mail or such other form of communication as PKF Capital determines to be appropriate. A copy of the Client Agreement, as amended, will be available on PKF Capital's website and you will be bound by the amended Client Agreement immediately upon entering into any further Transaction. In addition, PKF Capital may, in its sole discretion, amend the Rates Schedule from time to time by publishing updates on the PKF Capital website.

### 13. How do your Orders get Executed and Confirmed?

Prior to trading in Margin Products with PKF Capital you must follow the following steps:

- (i) Read this Disclosure Document;
- (ii) Read, acknowledge and accept the Client Agreement contained on the website together with the Margin Platform Addendum, Product Schedule and Rates Schedule;
- (iii) Set up an Account with PKF Capital in accordance with the steps contained on the website;
- (iv) Transfer an initial margin into the Account. You can do this by bank transfer. Subsequent top ups may also be made by credit card (credit card payment fees may apply).

**Warning:** we provide the facility to deposit via credit card for your convenience only as this is often the fastest way to transfer funds. However, if you transfer margin by using your credit card, you run the risk of "double-margining". This refers to the fact that you are entering into a leveraged transaction *and* you are borrowing from your credit card provider to make the payment. You should be very confident of your trading abilities before transferring margin using a credit card.

- (v) Based on the quotations offered by PKF Capital, you can enter into a Margin Product with PKF Capital using a Trading Platform. The Trading Platform will provide a confirmation of each trade;
- (vi) You can access details of your Account any time online using the Trading Platform.

### 14. Significant Benefits of the PKF Capital Products

PKF Capital's trading products provide important risk management tools for those who manage financial market exposures. PKF Capital offers its clients the ability to buy and sell foreign currency using Margin FX Transactions. In addition, it offers the ability to buy and sell CFDs in respect of a number of different types of "underlying instruments", including shares indices, commodities, bonds and financial derivatives such as futures contracts. The significant benefits of using products offered by PKF Capital as a risk management tool are to protect your existing portfolios or exchange rate and provide cash flow certainty.

Other benefits are described as follows:

- **Manage Volatility**



PKF Capital offers clients a way of managing volatility by working market orders that enables clients to protect themselves against adverse market movements yet secure enhanced market rates when offered. Clients, in normal market conditions, can minimise downside risk by the use of Stop Loss Orders. In addition, clients may also use Limit Orders which allow them the opportunity to benefit from favourable upside market movements.

- **Provide Cash Flow Certainty**

By agreeing a rate of exchange now for a time in the future you will determine the exact cost of that currency, thereby giving certainty over the flow of funds. This applies equally to deliverable and non-deliverable products. In the case of a non-deliverable product any profit (or loss) you make using the PKF Capital product would be offset against the higher (or lower) price you physically have to pay for the foreign currency.

- **Tailored and Flexible**

A major benefit of entering into an OTC contract is that you can tailor the transaction to meet your specific circumstances. Unlike exchange traded products, OTC contracts are not standardised and can be personally tailored to suit your requirements. For example, PKF Capital allows you to enter into transactions in small amounts and the settlement date is negotiable, whereas many exchange traded products are a standard size and cannot be varied in duration. Margin Products can be rolled indefinitely (provided you continue to meet all terms of the Margin Product including meeting the Margin Requirement and maintaining the requisite amount of Free Margin) until you decide to close the Margin Product or PKF Capital exercises any of its termination rights.

- **Virtual 24 Hour Trading**

When using PKF Capital we will endeavour to provide you with access to our Trading Platforms which provides you the opportunity to trade 24 hours a day from Sunday 5pm New York time (Monday morning New Zealand time) until 5.00pm New York time Friday (Saturday morning Australian and New Zealand time). (Note that the trading hours for a particular Margin Product can vary depending on the availability of the market for the relevant underlying instrument). This gives you the opportunity to react instantly to news that is affecting the markets.

- **Potential to profit in both rising and falling markets**

As financial markets are constantly moving, there are always trading opportunities, whether a currency is strengthening or weakening in relation to another currency. There is the potential for profit and loss in both rising and falling markets depending on the strategy you employ.

- **Leverage**

As Margin Products are highly leveraged, when you deal in foreign currencies or CFDs you can potentially benefit from movements in the price of the

underlying instrument without having to pay the full price of holding the physical instrument. You can effectively take a position with the same result as purchasing or selling a financial instrument for less outlay than the equivalent physical transaction and still potentially benefit from a price move. Leverage gives the user the ability to take a greater level of risk for a smaller initial outlay, thus amplifying the risks and rewards. However, you need to fully understand that leverage also increases risks and can magnify losses – see *Significant Risks Explained*.

- **High Level of Liquidity**

The foreign exchange market is very liquid enabling PKF Capital to efficiently manage its risks by entering into transactions with its hedging counterparties. The liquidity comes mainly from large and smaller banks that provide liquidity to investors, companies, institutions and other currency market players.

- **Real time quotes**

PKF Capital uses sophisticated technology and/or liquidity providers (counterparties) in order to offer you up-to-the-minute quotes. You may check your Account and positions in real time and you may do so 24 hours a day and trade based on real-time information.

## **15. Significant Risks Explained**

You should be aware that trading in the Margin Products described in this Disclosure Document offered by PKF Capital involves risks. It is important that you carefully consider whether trading in Margin Products is appropriate for you in light of your investment objectives, financial situation and needs.

Financial margin based products carry a high degree of risk. Any transaction is exposed to, among other things, changes in a country's political condition, economic climate, acts of nature and so on, all of which may substantially affect the price or availability of a given underlying instrument or currency.

At all times, if you have Transactions open with us your potential loss can be substantial and is not limited to any amount (even when you have placed a Stop Loss Order in respect of the Transaction). It is reasonably foreseeable that, at the end of a Transaction, you may receive, in total, less than the amount paid to PKF Capital under that Transaction. Please see the sections entitled "Calculating profits or loss" on pages 19 and 20 (in relation to Margin FX) and page 22 (in relation to CFDs), as well as the risks section below, for information on circumstances that may produce this result.

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

***Trading margin contracts such as the Margin FX and CFDs described in this document involves the risk of losing substantially more than your initial investment and any margin payments.***

The following is a description of significant risks associated with trading Margin Products offered by PKF Capital.

- **Derivatives Risks Generally**

The risk of loss in trading in derivatives contracts can be substantial. You should carefully consider whether trading is appropriate for you in light of your personal and financial circumstances. In deciding whether or not you will become involved in trading, you should be aware of the following matters:

- (a) You could sustain a total loss of the amount that you deposit with PKF Capital to establish or maintain a position. Your loss is not limited to that amount (i.e. you could lose additional money beyond the funds you have deposited with us). In this situation PKF Capital will require those funds to be paid immediately.
- (b) If the market moves against your position, you will be required to deposit additional funds as margin in order to maintain your position and the minimum required Free Margin. Those additional funds may be substantial. If you fail to provide those additional funds PKF Capital will close out some or all of your open transactions.
- (c) Under certain market conditions, it could become difficult or impossible for you to manage the risk of open transactions by entering into opposite transactions to close out existing positions.
- (d) Under certain market conditions the prices of our products may not maintain their usual relationship with the underlying financial market.
- (e) The products offered by PKF Capital will always involve risk. Stop Loss Orders may be available and may be used to attempt to limit your potential loss (see pages 29 and 30 for further details). However, Stop Loss Orders are not effective in all cases and under certain market conditions, prices can go through the level specified in a Stop Loss Order and may be executed at a price that is worse for you than the price you had specified in that Stop Loss Order. Under no circumstances does PKF Capital guarantee that a Stop Loss Order will be executed at the price you specify.
- (f) The high degree of leverage that is obtainable in trading some of the products offered by PKF Capital because of the small margin requirements can work against you as well as for you. The use of leverage can lead to large losses because even a slight fluctuation in the market could result in substantial losses if the fluctuation is in a direction that is unfavourable to your position. Trading in the products offered by PKF Capital may result in the total loss of the amount you deposited with PKF Capital plus you may be liable for further losses.

You are exposed to the full Transaction Value of the position at all times. Should the underlying instrument on which you are holding a position reduce in value to zero you will be liable for the full Transaction Value which can be substantially larger than the margin amount. For example, say you are holding a long CFD position with a Notional Amount of 1,000 in respect of a share in a company trading at \$20.00 per share (i.e. assuming no conversion costs, a Transaction Value of \$20,000). The company then fails resulting in the share price having a value of zero (i.e. Transaction Value of \$0). You will be liable for the difference at which you bought the position  $1000 \times \$20 = \$20,000$  and the closing position  $1000 \times 0 = \$0$ , which is \$20,000.

- (g) It is impossible to predict how the value of an underlying instrument may move in the future. Historic levels do not indicate future levels. For example, in the case of a Margin FX Transaction, prices of currencies are highly volatile and can fluctuate suddenly over wide ranges due to unforeseen events or changes in market conditions. It is impossible to predict whether it will be economically beneficial to you to enter into a Transaction with PKF Capital.
- (h) The Margin Products described in this document are complex financial products and carry a high degree of risk. You must ensure you fully understand each Transaction you enter into with PKF Capital, the risks associated with the Transaction and your risk profile. We recommend you fully utilise the information available to you in this PDS and participate in training that may be offered by PKF Capital, and that you obtain independent advice (including tax, legal and financial advice) prior to entering into any Transaction with PKF Capital.

- **Market Volatility**

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

Given the potential levels of volatility in the financial markets, it is therefore recommended that you closely monitor your positions with PKF Capital at all times.

In certain market conditions such as during times of price volatility in markets, quotes provided by PKF Capital may 'gap'. A gap means that a price may unexpectedly jump from one price level to another without trading at rates in between those two price levels or quotes. It is not possible for us to predict when a price 'gap' will occur or by how much. Price gaps are generally a result of unexpected news or previously unknown data being released (e.g. news of terrorist attacks, revaluation of a currency, geopolitical upheaval or natural disasters). In such an event PKF Capital reserves the right to make cash adjustments where there have been losses incurred by us as a result of an order you have active on the Trading Platform.

- **Counterparty Risk**

Given you are dealing with us as a counterparty to every transaction, you will have an exposure to us in relation to each transaction. In all cases, you are reliant on our ability to meet our obligations to you under the terms of each transaction. This risk is sometimes described as counterparty risk.

We limit our exposure to our clients by entering into opposite transactions as principal in the wholesale market. Also, we must comply with the financial requirements imposed under our Securities Dealer Licence and our authorisation from the FSC.

This includes keeping client's funds segregated from our own funds and keeping a minimum balance of our own funds available in liquid form.

You are also subject to our credit risk. If our business becomes insolvent we may be unable to meet our obligations to you.

If PKF Capital was to go into liquidation you would be an unsecured creditor of PKF Capital, except to the extent that funds are held upon trust for you in our Segregated Funds Account (see the section titled "How We Handle Your Money", below).

- **Obligation to Actively Monitor Your Transactions**

You are responsible for actively monitoring and managing your transactions at all times meeting your obligations including ensuring that you meet your Margin Requirement and maintain the minimum required Free Margin. PKF Capital is under no obligation to contact you in the event of any change to the Margin Requirement or minimum required Free Margin or any actual or potential shortfalls in your Account.

Failure to maintain the required level of Margin Requirement and maintain the minimum required Free Margin, may result in some or all of your open transactions, without prior notice to you, being closed out by PKF Capital and the resulting realised loss (or profit) debited (or credited) to your Account.

- **Basis Risk**

The terms of a particular transaction may not be a perfect hedge against a particular type of risk or exposure where you are using a margin based product as a risk management tool. Even small differences between the terms of the transaction and the underlying asset, liability or position to which the transaction relates may create a basis risk.

- **System Risks**

PKF Capital relies on a number of technology solutions to provide you with its on line Trading Platforms. Trading on a PKF Capital Trading Platform may differ from trading on other electronic trading systems.

A disruption to the PKF Capital Trading Platforms may mean you are unable to trade in products offered by PKF Capital when you wish and you may suffer a financial loss or opportunity loss as a result.

During a disruption of a PKF Capital Trading Platform, it may be possible for you to continue to use our financial products by contacting us over the phone; however, this will not be possible in every case.

- **Electronic Trading**

There are significant risks associated with using and relying on a web-based, electronic trading platform. Such risks include, but are not limited to, risks related to the use of software and/or telecommunications systems such as software errors and bugs, delays in telecommunications systems, interrupted service, data supply errors, faults or inaccuracies and security breaches.

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

There are important provisions regarding the use of the Trading Platforms contained in the Client Agreement. You must ensure that you fully understand these provisions and the risks involved in relying on an on-line, electronic trading system and the limitations in the service that PKF Capital can provide in relation to the Trading Platforms.

- **Trading Platform Closed**

Due to the dynamic nature of the financial markets, it is possible that the value of your open positions will change while the trading function of one or more of our Trading Platforms is unavailable. In this case, you will not be able to trade in a product such as open a new transaction or close out an open transaction until the trading function of the trading platform is available again. You may suffer a financial loss or opportunity loss as a result.

- **Transactions are not transferable by you**

As each transaction you enter into with us is a transaction between you and PKF Capital and is not traded on an exchange or market, you will not be able to sell, transfer or assign the transaction to any other person. PKF Capital may at its discretion assign or transfer its interest in the transaction to any other person.

- **Abnormal Market Conditions or Force Majeure**

PKF Capital reserves the right to close out some or all of your open transactions between you and PKF Capital if an event occurs that is beyond your or our control, where such event either wholly or partially prevents, hinders, obstructs,

delays or interferes with your ability to meet your obligations under the Client Agreement.

There is a risk that trading in the underlying instrument relating to the CFD is halted. In this event PKF Capital will mirror the trading halt in the CFDs. As PKF Capital uses a Direct Market Access model any impact on the underlying instrument will be reflected in the CFD position. This will mean that if you hold an open position when the underlying instrument is put on trading halt you will not be able to close the position until the trading halt is removed from the underlying instrument. If the trading halt extends beyond the end of day, you will still be charged overnight funding in the normal way. PKF Capital has the right to change the margin requirements at any time and if the underlying instrument is put on hold PKF Capital can increase the margin requirement all the way up to 100% if it deems that to be necessary to protect its own position. It may do this for example if the trading halt is due to likelihood that the company faces bankruptcy or a similar event. PKF Capital also has the right when the underlying instrument is on trading halt in good faith to re-price or close the CFD position to reflect what it perceives as a realistic value or situation.

We refer you to the Client Agreement which sets out examples of such events and you must ensure that you fully understand these events.

- **Discretionary Powers of PKF Capital**

Under the Client Agreement, PKF Capital has a number of discretionary powers which may affect your trading activities. These powers are set out in this Disclosure Document as well as the Client Agreement and you should ensure that you fully understand them.

- **Exchange rate risk**

While any Margin FX Transaction will always carry exchange rate risk, so may certain CFD Transactions. Your amount of profit or loss from a CFD relating to an underlying instrument traded on a foreign market or denominated in a foreign currency can be affected by fluctuations in foreign exchange rates (in addition to fluctuations in the price of the relevant underlying instrument). In such circumstances, you may suffer loss due to unfavourable movements in a relevant foreign exchange rate, notwithstanding that the price of the underlying instrument to which your CFD relates remains unchanged.

## **16. How We Handle Your Money**

Funds representing margin moneys (i.e. Margin Requirement and Free Margin) paid by the client to PKF Capital are deposited into our Segregated Funds Account which is a client trust account. This means that those client funds (and property) deposited with us are held in safe keeping and segregated from our own funds (or property). In brief, this means that those funds are not available to pay general creditors in the event of receivership or liquidation by PKF Capital. Such amounts are not treated as funds belonging to PKF Capital but are treated as funds belonging to the client and will be invested by PKF Capital

in accordance with the Securities Dealer License.

For money deposited in our Segregated Funds Account, the client is required to acknowledge in the Client Agreement that:

- individual client accounts are not separated from each other;
- all clients' funds are co-mingled into the one account;
- the client money provisions may not insulate any individual client's funds from a default in our Segregated Funds Account. Such a default may arise from any clients' trading; and
- assets in the Segregated Funds Account belonging to non-defaulting clients are potentially at risk, even though they did not cause the default.

- **Client Monies**

PKF Capital holds client funds in a segregated client money account in accordance with the provisions of its Securities Dealer Licence in relation to the protection of client money and client property.

### **Use of client money**

PKF Capital may, subject to Applicable Law, withdraw moneys from a Segregated Funds Account for the purpose of:

- (a) **Entering into, margining and settling Transactions:** making a payment for, or in connection with, the entering into, margining or settling of Transactions by PKF Capital;
- (b) **Payment to Client:** making a payment to the Client;
- (c) **Payment to other persons as permitted under the Client Agreement:** making a payment:
  - (i) to a Hedging Counterparty or to the Buffer Account;
  - (ii) in respect of withholding tax; or
  - (iii) to another person designated by PKF Capital in connection with a Transaction entered into under the Client Agreement and agreed to by the Client,

such payments being, for the purposes of this clause, payments made to persons specified by the Client in accordance with the specific written authority of the Client;

- (d) **Fees, commission, charges, interest etc.:** meeting the amount of any fees, commissions, interest on client money (as discussed above in subparagraph (f) on page 8 of the FSG) or other charges (including, for example, any Rollover Enhancement Income) properly payable under



the Client Agreement by the Client to PKF Capital in respect of any Transaction;

- (e) **Reimbursement of PKF Capital:** making a payment to PKF Capital in reimbursement for any payment made by PKF Capital to or on behalf of the Client for which PKF Capital is entitled to be reimbursed by the Client under the Client Agreement;
- (f) **Withdrawing money that is not Client Money:** where funds are deposited into the Segregated Funds Account that include Client Money and other money, withdrawing that portion of the funds that is not Client Money; or
- (g) **Withdrawing PKF Capital money:** where PKF Capital has deposited its own money into the Segregated Funds Account to cover a shortfall in the Segregated Funds Account, withdrawing that money once it is no longer required to cover the shortfall.

Once PKF Capital has exercised its rights under the Client Agreement against Client Money, those funds become funds of PKF Capital and not the client and as such, amounts are no longer held in the Segregated Funds Account in name of the client. Please review sections 9 and 10 of the Client Agreement for further information.

## 17. Trading Hours

In respect of Margin FX, from Monday to Friday, PKF Capital operates a 24 hour a day trading platform opening on Sunday 5pm New York and closing at 5.00pm New York time Friday. This means that you are able to view live prices and place live orders during these hours for all currencies.

In respect of CFDs, you can view prices and place live orders for CFDs during the hours when the underlying instrument is open for trading. To get details of the trading hours for each underlying instrument, see the Product Schedule (available on our website).

Outside these hours, you may still access the Trading Platform and view your Account, market information, research and our other services. However, there will not be any live prices or trading. It is at the sole discretion of PKF Capital to provide services to you outside these hours. Any changes to operating hours will be displayed on our website. See section 12 of the Client Agreement for further details.

### ***Phone Dealing***

In addition to placing orders via the online Trading Platforms PKF Capital also offers you the option of placing orders via the phone. This facility is available between 8:30am and 5:00pm CAT Monday to Friday (subject always to the availability of any relevant underlying market).

### ***PKF Capital business hours***

PKF Capital's business hours are 8:30am and 5:00pm CAT Monday to Friday. You should be aware that payments made to your Account outside PKF Capital business hours may not be credited to your Account and available to be used as Free Margin prior to the opening of business on the next Business Day.

## **18. Taxation Implications**

Foreign exchange and derivatives transactions can create tax implications. Generally, if you make a gain attributable to an exchange rate or price fluctuation then that part of the gain is included in your assessable income. Conversely, if you make a loss attributable to an exchange rate or price fluctuation then that part of the loss is deducted from your assessable income. However, the taxation laws are complex and vary depending on your personal circumstance and the purpose of your currency trading. Accordingly, you should discuss any taxation questions you may have with your tax adviser before using our products or services.

## **19. Cooling-off Arrangements**

There are no cooling-off arrangements for the foreign exchange products offered by PKF Capital.

This means that when you enter a transaction with PKF Capital you do not have a right to return the product and you do not have the right to request PKF Capital to repay the money you have paid to acquire the product. Should you change your mind after entering into a transaction with PKF Capital, you should close out your position by taking an opposite transaction.

## Glossary

Key terms used in this Disclosure Document are set out below. Any other terms used in this document and not defined have the meanings given to them in the Client Agreement (as context permits).

**Abnormal Market Conditions** means that, in the opinion of PKF Capital, abnormal, emergency or unusual conditions exist in any foreign exchange, securities, commodities, derivatives or futures market or exchange the effect or likely effect of which is that:

- (a) the prices, rates or availability of any currency, security, commodity, derivative or future is materially affected; or
- (b) PKF Capital or any of its Associates, is not able or is not willing to make prices or rates in any currency, security, commodity, derivative or future;

**Account** means, in relation to the Client, a running account maintained by PKF Capital for the purpose of recording certain credits and debits in relation to Transactions, margin and other financial requirements, as set out or described in the Client Agreement;

**Applicable Law** includes each statute and each regulation in each relevant jurisdiction and other instrument under any such statute or regulation that:

- (a) applies to the conduct by PKF Capital of its business; or
- (b) applies to the performance by PKF Capital or the Client of its obligations under the Client Agreement or any Transaction; or
- (c) otherwise applies to PKF Capital or to the Client;

**Application Form** means the application form and account opening documentation completed by the Client and submitted to PKF Capital;

**Buffer Account** means each buffer account opened by PKF Capital with a Hedging Counterparty for the purposes of providing a buffer or margin in relation to the Hedging Arrangements;

**Business Day** means:

- (a) a day (not being a Saturday or Sunday) on which banks and foreign exchange markets are open for business in Seychelles; and
- (b) in the case of a payment or the determination of an exchange rate or interest rate, a day on which banks and foreign exchange markets are open for business in the principal financial centres of the countries of the relevant currencies;

**CFD** means a Transaction that is entered into to swap the difference in price of a Notional Amount of an underlying instrument between the opening and closing of the Transaction that is, subject to its terms, automatically rolled over to the next Trading Date at Close of Business;

**Client Agreement** means the client agreement and includes each schedule (including the Rates Schedule) and Product Schedule **and** any addendum to the agreement and any other document expressed by PKF Capital to be part of the agreement as amended from time to time;

**Client Money** means, in relation to the Client:

- (a) all money which:
  - (i) in the course of carrying on its business of dealing in Transactions, PKF Capital or any person on its behalf holds for, or receives from or on behalf of, the Client; and
  - (ii) is not immediately due and payable on demand to PKF Capital or that other person for its own account; and
- (b) where the money is required by the schedule to be held in a Segregated Funds Account, all such money held in a Segregated Funds Account;

**Close of Business** means 5:00 p.m. (New York time) each day, other than a Saturday or a Sunday;

**Close Out Formula** means the standard formula or formulae used by PKF Capital, at the time of termination of a Transaction, to determine any Settlement Amount;

**Commission** is an amount payable in respect of the opening and closing of each CFD Transaction relating to shares or equities, as described on pages 7 and 8 of this Disclosure Document, under the heading "Remuneration and Costs";

**Corporate Action** means an event (including a dividend payment, corporate restructuring, rights issue, bonus issue, share buy-back or share split) initiated by a company that affects the securities issued by that company;

**Cost of Funds** means, in relation to an amount payable by the Client to PKF Capital, the rate per annum equal to the cost to PKF Capital (as determined by PKF Capital) if it were to fund that amount;

**Deposit Interest** has the meaning set out in clause 8.1 of the Client Agreement;

**Direct Market Access (DMA)** means a method used to hedge client positions in the market by a broker-dealer. There are two different models used by CFD and FX broker-dealers, the Market Maker model and Direct Market Access model. PKF Capital uses the Direct Market model for every Margin Product you trade with us, meaning we will immediately do an equal and opposite trade in the underlying market to cover the risk of that Margin Product. This also provides better transparency as you will be able to see your order in the underlying market order book (provided you have access for the relevant markets that have order books). In contrast, under a Market Maker model (which PKF Capital does **not** use), the broker will take the positions on their own book and they may then hedge these separately or not as they choose. This can create a conflict of interest as for each position where you make a loss, the market maker provider makes a gain and vice versa.

**FSA** means the Financial Services Authority of Seychelles.

**Force Majeure** means any event or cause beyond the reasonable control of PKF Capital, including:

- (a) Abnormal Market Conditions; or
- (b) an act of God, inevitable accident, fire, lightning, cyclone, earthquake, landslide, volcanic eruption or other natural phenomenon; or
- (c) sabotage, revolution, insurrection, act of war (whether declared or not) or war-like operations; or
- (d) a confiscation or expropriation, embargo, quarantine restriction or any like event; or
- (e) any strike, dispute or lockout; or
- (f) an epidemic, toxic emission or any like event; or
- (g) a requirement, restriction, prohibition, intervention, law, regulation, decree or other legally enforceable order of any Public Authority; or
- (h) an explosion, nuclear accident or any like event; or
- (i) a telecommunications, network, power or equipment failure or damage, or power or water shortage,

as a result of which, in each case in the opinion of PKF Capital, it is impossible, impractical or illegal for PKF Capital to perform and comply with any of its obligations under the Client Agreement or any Transaction;

**Free Margin** means, at any time, the amount in an Account available to meet any additional margin requirements (if applicable) at that time and which is determined in accordance with the schedule;

**Funding Costs** means the amount relating to the overnight financing of open positions, either payable by you to PKF Capital, or by PKF Capital to you, as described on pages 27 and 28 of this Disclosure Document in section 5 of the PDS;

**Hedging Counterparty** means a counterparty to any Hedging Arrangements;

**Hedging Arrangements** means certain hedging arrangements that PKF Capital as principal has entered into or may enter into with one or more third parties for the purposes, among other things, of hedging its exposures under this Agreement and Transactions;

**Interest Earning Amount** means the amount as may be determined by PKF Capital from time to time at which we agree to pay interest;

**Limit Order** means, in relation to a Transaction, an order placed by the Client with PKF Capital to enter into that Transaction when the applicable exchange rate reaches a pre-determined level;

**Margin FX** means a Transaction that is entered in respect of a Notional Amount of a spot foreign exchange currency pair that is, subject to its terms, automatically rolled over to the next Value Date at Close of Business;

**Margin Platform Addendum** means the terms and conditions published under the heading "Margin Platform Addendum" on the PKF Capital website from time to time;

**Margin Products** means Margin FX and CFDs.

**Margin Requirement** means, at any time, the amount calculated by PKF Capital in accordance with this Disclosure Document and the Margin Platform Addendum (where applicable);

**Maximum Trading Size** means, at any time in relation to a Transaction, the maximum Transaction Value that PKF Capital specifies at that time either generally or for each of its electronic platforms;

**Minimum Trading Size** means, at any time in relation to a Transaction, the minimum Transaction Value that PKF Capital specifies at that time either generally or for each of its electronic platforms;

**Notional Amount** means, in respect of a Margin Product, the amount against which the PKF Capital Price for the underlying instrument or currency relevant to that Margin Product is applied in order to determine your and PKF Capital's payment obligations;

**PKF Capital**, "we", "our" or "us" means PKF Capital Markets (Seychelles) Limited.

**PKF Capital Exchange Rate** means, in relation to the exchange of one currency into another at any time, the exchange rate applicable to those currencies that PKF Capital, acting reasonably, determines at that time having regard to current market rates;

**PKF Capital Price** means, at any time in relation a Margin Product, the bid or offer price, as the case may be, at which PKF Capital, as price maker, is prepared to deal in that Margin Product at that time;

**PKF Capital Rollover Interest Rate** means, in relation to a Rollover and a currency, the relevant Base Rate plus or minus, as the case may be, the PKF Capital Spread at the relevant Close of Business; and

**PKF Capital Rollover Margin** refers to the amount of margin that is applied by PKF Capital in connection with determining Funding Costs, as described in Section 5 of this Disclosure Document on pages 27 and 28. The PKF Capital Rollover Margin is 3% at the date of this Disclosure Document, however can change from time to time at the discretion of PKF Capital;

**PKF Capital Spread** means, at any time, the difference between the bid and offer prices of an underlying instrument, exchange rate or interest rate (as applicable) quoted by PKF Capital at that time;

**Rates Schedule** means, at any time, the schedule or other document of PKF Capital containing its Credit Requirements, Margin Interest Thresholds, interest rates and certain other rates, fees, commissions and charges applicable to Transactions at that time, which is either published on the PKF Capital website or otherwise available on request from PKF Capital;

**Segregated Funds Account** means a bank account held with a registered bank in Seychelles (or another jurisdiction PKF Capital deems appropriate to operate a bank account) designated as a client funds account and recognised by the relevant bank as having such a status under the relevant rules in Seychelles.

**Settlement Amount**, in relation to each Terminated Transaction and the corresponding Termination Date, means the Termination Currency Equivalent of the amount calculated by PKF Capital in accordance with the Close Out Formula necessary to compensate, as the case may be, PKF Capital (in which case the amount is expressed as a positive number) or the Client (in which case the amount is expressed as a negative number) for that party's total losses and costs in connection with or consequent upon the termination of that Terminated Transaction on that Termination Date;

**Stop Loss Order** means, in relation to a Transaction, an order placed by the Client to instruct PKF Capital to attempt close out that Transaction when the applicable rate moves to a pre-determined level (discussed in further detail on pages 29 and 30 of this Disclosure Document);

**Tax(es)** includes any tax, levy, impost, stamp or other duty and any other charge, deduction or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of these);

**Termination Date** means a date for the termination of all or some Transactions either as specified in a Termination Notice or as otherwise provided by this Agreement;

**Termination Notice** means a notice given by PKF Capital in accordance with this Agreement terminating all or some Transactions;

**Trading Date** means, in respect of a CFD Transaction, the Business Day when the relevant underlying instrument is open for trading;

**Trading Platform** means, as the context may require, either:

- (a) an electronic trading platform (as described in section 7 of the PDS on pages 33 and 34); or
- (b) telephone or other means as may be specified by PKF Capital in writing with respect to a type of Transaction;

**Trading Platform Communication** means any order or instruction or other communication sent by way of the Trading Platform by or on behalf of the Client (or purportedly by or on behalf of the Client);

**Transaction** means any transaction into which PKF Capital and the Client have entered or propose to enter involving, or referable to the value of, or granting rights or accepting obligations in respect of or by reference to one or more currencies or underlying instruments;

**Transaction Value** means, at any time in relation to a Transaction, the current value of that Transaction, being the Notional Amount of each financial instrument or currency of that Transaction, converted, where necessary, to the Client Base Currency at the PKF Capital Exchange Rate at that time;

**Value Date** means:

- (a) in relation to a Margin FX Transaction, the spot delivery day for the currency pair to be purchased and sold pursuant to that Transaction as generally used in the relevant currency market; and
- (b) in relation to any other Transaction, the Business Day determined by PKF Capital for the currency pair to be purchased and sold pursuant to that Transaction;