



## PART 1 – GENERAL INFORMATION

Before deciding whether to trade with us in the products we offer, you should consider this PDS and whether dealing in contracts for differences and any other margin trading products offered by us (together referred to in this PDS as 'CFDs') is a suitable investment for you. We recommend you obtain independent financial and taxation advice concerning this PDS, the Product Details and the Customer Agreement before you apply to open an account with us.

CFDs are speculative products, the geared nature of which places a significantly greater risk on your initial investment than non-geared investment strategies such as conventional share trading. The risk factors associated with trading CFDs are set out further in section 5.

The Product Details are available on our website, or by email at your request, and contain technical information on the market details for our CFDs, the associated costs for the CFDs and any amounts that we may require you to pay or amounts that we will pay you in respect of your account with us.

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## 1. ABOUT US AND HOW TO CONTACT US

### 1.1 ABOUT US

IG Markets Limited is a company incorporated in England and registered in Australia as a foreign company (ABN 84 099 019 851). We hold an Australian Financial Services Licence (no. 220440) and are regulated by the Australian Securities and Investment Commission.

### 1.2 HOW TO CONTACT US

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## 2. REGULATORY BENCHMARK DISCLOSURE

### 2.1 BENCHMARKS FOR OTC CFDs

ASIC has developed seven disclosure benchmarks for OTC CFDs that can help retail investors understand the risks associated with CFDs, assess their potential benefits and decide whether investment in CFDs is suitable for them.

More information about the disclosure benchmarks can be found in Regulatory Guide 227.

This table sets out which benchmarks we meet and refers to related disclosure information which describes how we meet the benchmarks.

DISCLOSURE BENCHMARK	MEET BENCHMARK?	RELATED INFORMATION
<b>Client qualification</b> Addresses the issuers policy on investors qualification for CFD trading	Yes	IG Markets will assess client qualification when you apply to open an account. Further information can be found in section 6.1 of this PDS
<b>Opening collateral</b> Addresses the issuers policy on the types of assets accepted from investors as opening collateral	No	It is suggested that a limit of \$1,000 be accepted for opening payments made by credit card. IG Markets accept credit card payments for more than \$1,000 as initial funding in order to provide flexible payment options to clients. Further information can be found in section 6.7 of this PDS
<b>Counterparty risk – hedging</b> Addresses the issuers practices in hedging its risk from client positions and the quality of this hedging	Yes	IG Markets maintains and applies a written Counterparty Credit & Hedging Policy which is available at IG.com/au. Further information can be found in section 5.5 of this PDS
<b>Counterparty risk – financial resources</b> Addresses whether the issuer holds sufficient liquid funds to withstand significant adverse market movements	Yes	IG Markets maintains and applies policies to ensure it meets all financial regulatory obligations including the requirements of an Australian Financial Services Licensee. Further information can be found in section 5.6 of this, our Financial Statements available at <a href="http://www.iggroup.com.au">www.iggroup.com.au</a> and our Pillar 3 Disclosures available at <a href="http://www.iggroup.com">www.iggroup.com</a>
<b>Client money</b> Addresses the issuers policy on client money	Yes	IG Markets has a detailed Client Money policy and does not use client money for hedging with counterparties. Further information can be found in section 5.3 of this PDS and on our website at <a href="http://IG.com/au">IG.com/au</a>
<b>Suspended or halted underlying assets –</b> Addresses the issuers practices in relation to investor trading when trading in the underlying asset is suspended or halted	Yes	IG Markets does not allow new positions to be opened when the underlying market is halted or suspended. Further information can be found in section 4.4 of this PDS
<b>Margin calls</b> Addresses the issuers practices in the event of client accounts entering into margin call	Yes	IG Markets maintains and applies a written policy in relation to margin call practices and our discretions relating to close outs. Further information can be found in section 4.1 of our PDS

## 2.2 AUSTRALIAN CFD & FX FORUM – BEST PRACTICE STANDARDS

IG is a founding member of the Australian CFD & FX Forum. The CFD & FX Forum are committed to enhancing efficient operations, transparency and overall investor understanding and confidence in CFD's and FX within Australia and in the Australian industry as a whole. The CFD & FX Forum has established Best Practice Standards and each member is required to incorporate a statement of compliance regarding these standards into their respective product disclosure statements. IG complies with the standards, each of which is summarised in the table below. More details about the standards, including how IG complies with the standard is available on our website or by request.

STANDARD	DESCRIPTION
1. Compliance with Standards	Standard requires that members comply with the Standards.
2. RG227 Benchmark 1 – Client Qualification	Standard addresses RG227 Benchmark 1 and requires a written client qualification policy. See section 6.1 of this PDS.
3. RG227 Benchmark 2 – Opening Collateral	Standard addresses RG227 Benchmark 2 and specifies that only certain collateral should be used for new accounts and that a member's PDS should explain the member's policy in this regard. See section 6.7 of this PDS.
4. Educational Material	Standard describes the types of educational material which can be used to increase a customer's or prospective customer's understanding of CFD's and what a member should take into consideration in this regard.
5. Advertising and Promotional Material	Standard requires that member's brand advertising or sponsorship activity may mention the member's name or the product by name for recognition purposes only, but must not convey financial information about CFDs or FX. Members must also ensure that advertising and promotional material is only published in financial markets based content.
6. Customer Complaints	Standard requires customer complaints to be handled in an efficient and effective manner.
7. RG227 Benchmark 5 – Segregation and Protection of Client Money	Standard addresses RG227 Benchmark 5 and requires full segregation of all client funds in a separate client trust account. See section 5.3 of this PDS.
8. Customer Credit Risk	Standard requires management of customer credit risk by real time monitoring, placing limits on customer positions, back testing and stress testing.
9. Risk Warnings and Risk Mitigation Tools	Standard requires members to provide standardised risk warnings which a prospective customer must agree to prior to trading in CFDs and FX and members must maintain a margin policy. Customers must also be provided with a range of risk mitigation tools.
10. RG227 Benchmark 6 – Suspended or halted underlying assets	Standard addresses RG227 Benchmark 6 and requires that members not allow new CFD positions to be opened where there is a trading halt over the underlying asset or trading of the underlying asset has been suspended. See section 4.4 of this PDS.
11. RG227 Benchmark 3 – Counterparty Risk – Hedging	Standard addresses RG227 Benchmark 3 and requires members to have hedging strategies in place and maintain a policy to manage exposure to market risk from client positions. See section 5.5 of this PDS.
12. Financial Resources Requirements	Standard addresses RG227 Benchmark 4 and requires members to maintain a policy to maintain adequate financial resources. Members are required to maintain an NTA of over AUD 2 million or 10% of the average revenue calculated. See section 5.6 of this PDS.
13. Training and Competency of Employees	Standard requires that member's employees are adequately trained and are accredited in accordance with RG146. Members must also maintain a policy in this regard.
14. Employee Screening	Standard requires members to undertake pre-employment screening of all prospective employees. Members must also maintain a policy in this regard.
15. Dealing with Intermediaries	Standard requires that members will perform an initial due diligence to ensure intermediary relationships are appropriate. Members must also conduct an annual review on all intermediaries.
16. Business Continuity Management	Standard requires that each member has a BCM framework to ensure it can meet its financial and service obligations to customers in the event of a disruption.

## 3. SIGNIFICANT FEATURES OF CFDs

### 3.1 TYPES OF CFD

Contracts for Differences (CFDs) are an agreement between two parties which allow you to make a profit or loss by reference to fluctuations in the price of an underlying share or other instrument, without actually owning the underlying product. The amount of the profit or loss will be the difference between the price when the CFD is opened and the price when it is closed, adjusted to reflect notional dividends and interest payments, where applicable.

You do not own or have any rights to the underlying asset. Adjustments to your CFD contract may be made by reference to the underlying instrument in accordance with section 3.5 or in other circumstances we might separately notify you of.

We offer CFDs to our clients on individual shares, indices, options, currencies, futures contracts and such other CFDs as may be notified to you from time to time. Many CFDs will be traded in Australian dollars, however, some CFDs may be denominated in a 'home' currency, such as a CFD on IBM stock in US dollars.

### 3.2 HOW TO OPEN A CFD

A position is opened by 'buying' or 'selling' a CFD:

**BUYING** – If you expect an instrument (be it a share, currency, commodity, index price or other) to rise, you buy the CFD.

**SELLING** – If you expect an instrument (be it a share, currency, commodity, index price or other) to fall, you sell the CFD.

### 3.3 HOW TO CLOSE A CFD

To close a 'bought' or 'long' CFD you sell, and to close a 'short' or 'sold' CFD you buy. With most CFDs you can hold the position for as long as you like. This may be for less than a day, or for months.

Some CFDs have a set expiry date, upon which the position will be closed automatically. These CFDs can be closed before the expiry date, provided you do so before the last time for dealing. Last times for dealing for all products are available in the Product Details or upon request from our dealers. It is your responsibility to make yourself aware of the last time for dealing for any CFDs in which you deal. If a CFD with a set expiry date has not been closed prior to the

### 3.3 HOW TO CLOSE A CFD (CONTINUED)

last time for dealing, it will be closed by us once we have ascertained the closing level of the CFD. The Closing Level will be: the last traded price at or prior to the close or the applicable official closing quotation or value in the relevant underlying market as reported by the relevant exchange; minus any commission or spread which is applied to the CFD when it is closed.

### 3.4 PRICE IMPROVEMENT

When you offer to open or close a CFD with us and our quote moves to your advantage before we accept that offer, we may, at our discretion and only within certain limits, pass on such a price improvement to you. If we choose to pass on a price improvement to you, your offer to open or close the CFD in question will be altered to the more favourable price. We will not alter your offer price if this would result in a CFD at a less favourable price than your offer.

### 3.5 COMMISSION, FINANCING COSTS, INTEREST AND DIVIDEND ADJUSTMENTS

When you trade a share CFD with us you deal at the market bid or offer price. We will charge a commission based on the underlying notional value, in much the same way as if you were buying shares. The Product Details contain full details of our current commission charges. Unless you are notified otherwise or you agree to the same, there is no commission to pay on an Index CFD, Foreign Exchange CFD or CFD on Index Options; we quote an 'all-in' price, so the only charge is the dealing spread.

Dealing spread means the difference between our 'buy' and 'sell' quote. Where you have an open share CFD position, your account will be debited or credited to reflect interest and dividend adjustments as if you had bought or sold the underlying instrument. The direction of interest and dividend adjustments depends on whether the share CFD is used to create a long or short position.

With a long position, your account is debited to reflect interest adjustments and credited to reflect any declared cash dividends. The effect of these adjustments is to mirror the effect of buying shares in the normal way, where you would fund the position daily and receive declared cash dividends.

With a short position, your account is adjusted for interest in accordance with the formula set out in section 4.12 and debited to reflect any declared cash dividends.

Details of applicable interest charges are contained in section 4.12 below and in the Product Details.

Adjustments will be made to Index CFDs to reflect cash dividends paid on constituent shares of a particular index (see section 3.13 below).

### 3.6 CFDs ON INDIVIDUAL SHARES

Trading individual shares on margin using a CFD can allow you to take a position in a share without putting up the full contract value.

'Buying' a share CFD replicates the economic effect of buying a share position where you receive the benefit of all rises in the share price (and bear the cost of all falls in the share price). If a cash dividend is paid on the underlying share a positive adjustment is made to your account as a notional representation of that dividend.

A negative adjustment is made to your account as a notional representation of the cost of funding an equivalent share position.

Buying or selling a share CFD is similar to normal share dealing in at least two important respects:

- you deal at the 'buy' or 'sell' price of the underlying share on the stock market; and
- you pay a commission (calculated as a percentage of the value of the transaction).

Unlike normal share dealing however, instead of paying the full value of the transaction you make a payment of margin which will be a percentage of the underlying contract value. In the case of leading Australian shares, margins start from 5% of the value of the underlying share (see section 4.1 below). Details of the margin percentage requirements for different types of CFD are set out in the Product Details.

Your profit or loss will be made on the difference between when you open the CFD and when you close it and the sum of any notional adjustments representing dividends and interest, less our commission and in the case of short positions additional borrow charges.

Please also refer to section 24 of the Customer Agreement for information relating to our approach to trading when underlying assets are suspended or halted, including our discretions.

### 3.7 EXAMPLE OF OPENING AND CLOSING A 'BUY' CFD ON AN INDIVIDUAL SHARE

#### OPENING THE POSITION

ABC Example Limited shares are quoted at \$2.85/\$2.86 in the market, and you decide that they are going to rise. You decide to 'buy' 10,000 shares as a CFD at \$2.86, the offer price. While your ABC Example Limited position remains open, your account will be debited to reflect interest adjustments and credited to reflect any dividends.

#### CLOSING THE POSITION

Some weeks later, ABC Example Limited has risen to \$3.20/\$3.21 in the market and you decide to take your profit. You sell 10,000 shares at \$3.20, the bid price. Your profit on the trade is calculated as follows:

Closing level:	\$3.20
Opening level:	\$2.86
Difference:	\$0.34
Gross profit on trade:	$\$0.34 \times 10,000 = \$3400$

#### INITIAL MARGIN

The initial margin required to open your position is  $10\% \times \$2.86 \times 10,000 = \$2860$ . Applicable margin rates are detailed in the Product Details.

#### INTEREST ADJUSTMENTS

Interest costs are calculated daily on your overnight positions by applying the applicable interest rate to the daily closing value of the position. The daily closing value is the number of shares multiplied by the closing price. For example, the applicable interest charge (as calculated in accordance with section 4.12) might be 8.00% and the closing price of the shares on a particular day might be \$2.90. The closing value of a 10,000 share position would be \$29,000 (ie 10,000 shares x \$2.90). So the interest cost for the position for this particular day would be \$6.44 (ie  $\$29,000 \times 8.00\%/360$ ). Interest adjustments are calculated in accordance with the formula set out in section 4.12 and posted to your account on a daily basis.

#### COMMISSION

For share CFDs commission is payable on the opening and closing transaction value. In the above example (and using a commission rate of 0.1%) the commission payable would be: Opening  $10,000 \times 2.86 \times 0.1\% = \$28.60$ ; Closing  $10,000 \times \$3.20 \times 0.1\% = \$32.00$ . There is no GST payable (see section 8.5 below).

#### CALCULATING THE OVERALL RESULT

To calculate the overall or net profit on the CFD you also have to take account of the commission you have paid and the interest and dividend adjustments that have been credited or debited. In the above example, you might have held the position for 21 days, at a total interest cost of, say, \$162. During this time if ABC Example Limited declared a cash dividend of, for example, 6 cents per share you would receive a positive dividend adjustment of \$600 (10,000 x \$0.06) to your account.

Gross profit on trade:	\$3400
Total commission:	(\$60.60)
Interest adjustment:	(\$162)
Dividend adjustment:	\$600
Net profit on trade:	\$3777.40

### 3.8 EXAMPLE OF OPENING AND CLOSING A 'SHORT' OR 'SOLD' CFD ON AN INDIVIDUAL SHARE

#### CFD ON AN INDIVIDUAL SHARE

Selling a share CFD is the opposite: you replicate a short position in the underlying share where you benefit from all falls in the underlying share price (and conversely bear the cost of all rises in the underlying share price).

A negative adjustment will be made to your account representing a notional dividend if any cash dividends are paid on the underlying share and a positive adjustment will be made to your account representing the interest that you could have earned if the proceeds of the underlying share sale were placed on deposit. These adjustments will also incur admin fees as set out in 4.12 which may outweigh positive adjustments in low interest rate environments or increase negative adjustments if applicable.

This example shows how you can use a CFD to achieve the same economic effect as selling a share short.

#### OPENING THE POSITION

You think company XYZ Limited is about to fall.

The share is quoted in the market at \$3.71/\$3.72.

You sell 10,000 shares as a CFD to open a trade at \$3.71.

Commission =  $\$37.10$  (10,000 shares x  $\$3.71 \times 0.1\%$  commission rate).

Margin requirement for this trade =  $\$3710$  (10,000 x  $3.71 \times 10\%$  margin rate).

Your account balance of \$10,000 comfortably exceeds this. (For a full explanation of margin percentage requirements see section 4.1).

In this example your account is credited to reflect interest adjustments and debited to reflect any dividends.

### 3.8 EXAMPLE OF OPENING AND CLOSING A 'SHORT' OR 'SOLD' CFD ON AN INDIVIDUAL SHARE (CONTINUED)

#### INTEREST ADJUSTMENTS

The interest credit on your position is calculated daily, by applying the applicable interest rate (as calculated in accordance with section 4.12) to the daily closing value of the position. In this example:

The applicable interest rate = 3.00% (as calculated in accordance with section 4.12)  
The closing price of the share = \$3.70,  
The closing value = \$37,000 (10,000 shares x \$3.70).

Interest credit for this particular day = \$3.08 ( $\$37,000 \times 3.00\%/360$ ).

#### DIVIDEND ADJUSTMENT

Your position is still open at the time of the XYZ Limited ex-dividend date. The amount of the declared cash dividend is 10c per share. This dividend is debited from your account.

The dividend adjustment is calculated as follows:

10,000 shares x \$0.10 = \$1000

#### CLOSING THE POSITION

XYZ Limited subsequently rises to \$3.97/3.98 in the market and you decide to cut your loss and close the position.

You buy 10,000 shares at \$3.98 at the offer price to close the trade.

Commission = \$39.80 (10,000 shares x \$3.98 x 0.1% commission rate).

Your gross loss on the trade is calculated as follows:

Closing level:	\$3.98
Opening level:	\$3.71
Difference:	\$0.27
Gross loss on trade:	$\$0.27 \times 10,000 = \$2700$

#### CALCULATING THE OVERALL RESULT

To calculate the overall or total loss on the CFD you also have to take account the commission you have paid, the interest and dividend adjustments and the borrowing charge.

In this example, you might have held the position for 65 days, earning a total interest credit of, say, \$219. You have been debited a dividend adjustment of \$1000. The overall or total result of the trade is a loss, calculated as follows:

Gross loss on trade:	(\$2700)
Total commission:	(\$76.90)
Interest adjustment:	\$219
Dividend adjustment:	(\$1000)
Borrowing charge:	(\$56)
Overall or total loss:	(\$3613.90)

### 3.9 LIMITED RISK PROTECTION

We offer a guaranteed Limited Risk facility, which allows you to trade CFDs on a wide range of shares, indices and currencies without assuming a potentially open-ended liability. A Guaranteed Stop acts like an insurance policy and protects you against sudden moves or gaps in the market. When you trade on a Limited Risk basis you specify a Stop Order level at which your position will be closed should the market move against you. We guarantee that when the market reaches or goes beyond the level specified by you, we will close a Limited Risk CFD at exactly the agreed stop level. However, in determining whether our quote has gone beyond the agreed level, we will be entitled (but not obliged), at our discretion, to disregard any prices quoted by us during periods in the relevant Underlying Market that in our reasonable opinion may give rise to short-term price spikes or other distortions. In the event that a Guaranteed Stop on a long position is triggered as a result of a stock going ex-dividend (and any consequent price adjustment made by us pursuant to the Customer Agreement or otherwise), where the notional dividend is credited to your account we reserve the right to deduct part or all of that notional dividend credit from your account, or, in the event that a notional dividend credit has yet to be made, to reduce the notional dividend credit made to you. There is an extra charge for this service, which is similar in effect to an insurance premium. The premium will be added to your margin required for the position however you will only be charged if the Stop Order is triggered. Further Details of the charges for Limited Risk protection are set out in the Product Details. Limited Risk protection is not available on all CFDs and the size of the positions on which we are able to offer this facility may be limited. Details of availability and premium will be confirmed with you before you enter into a Limited Risk CFD with us.

### 3.10 EXAMPLE: BUYING A SHARE CFD WITH LIMITED RISK PROTECTION

#### OPENING THE POSITION

DEF Holdings Limited is quoted at \$8.67/8.69 in the market. You buy 2000 shares as a CFD at \$8.69, the offer price, on a Limited Risk basis. You decide to put your Guaranteed Stop Order at \$8.00. Should the market move against you, your position would be closed at exactly \$8.00, even if, for example, the share opened at a substantially lower level after an overnight profit warning.

The most you can lose on the position (excluding our commission, Limited Risk premium, interest and dividend adjustments) is \$1380 (\$8.69, the opening level, minus \$8.00, the Stop Order level = \$0.69.  $\$0.69 \times 2000$  shares = \$1380).

Commission = \$17.38 (2000 shares x \$8.69 x 0.1% commission rate).

The Limited Risk premium will be deducted as a cash entry only if the Guaranteed Stop Order is triggered, the margin required to open the position will include this premium. In this case the Limited Risk premium = \$52.14 (2000 shares x \$8.69 x 0.3% limited risk premium).

The margin percentage required for a Limited Risk trade of this type is equal to the maximum potential loss on the position including the Limited risk premium.

In this example the margin percentage requirement would be  $\$1380 + \$52.14 = \$1432.14$ .

Interest and Dividend adjustments are applied to Limited Risk positions in exactly the same way as to standard CFD positions, as described in section 3.5 above.

#### TRIGGERING THE GUARANTEED STOP ORDER

The following day, DEF Holdings Limited issues a trading statement that disappoints the market and the shares open sharply lower at \$7.25 before quickly trading down to a low of \$7.05.

Your Guaranteed Stop Order is triggered, and your position is closed at \$8.00, even though the share opened significantly below this level. You sell 2000 shares as a CFD at \$8.00.

Commission = \$16 (2000 shares x \$8.00 x 0.1% commission rate).

Limited risk premium = \$52.14 (2000 shares x \$8.69 x 0.3% limited risk premium).

Your gross loss on the trade is calculated as follows:

Opening level:	\$8.69
Closing level:	\$8.00
Difference:	\$0.69
Gross loss on trade:	$\$0.69 \times 2000 = \$1380$

If a Non-guaranteed Stop Order had been used your position may have been closed somewhere between \$7.25 (the opening market price) and \$7.05 (the lowest price at which it traded), depending on the price at which we were able to execute your order. This would represent a gross loss on the trade of at least \$2880 (based on a close-out price of \$7.25, the loss would be more if the closing price was less). Instead you have limited your gross loss to \$1380 (excluding transaction costs).

#### CALCULATING THE OVERALL RESULT

To calculate the overall or total loss of the CFD you also have to take account of the commission and the Limited Risk premium you have paid along with the interest and dividend adjustments.

In this example, you might have held the position for 1 day, at a total interest cost of \$3.86. There are no dividends to allow for.

Your total loss is calculated as follows:

Gross loss on trade:	(\$1380)
Total commission:	(\$33.38)
Limited Risk premium:	(\$52.14)
Interest adjustment:	(\$3.86)
Overall or total loss:	(\$1469.38)

Assuming you initially deposited \$4,000, the overall loss would be taken from your balance) leaving you with \$2,530.62.

You should view our Limited Risk facility as a form of insurance, protecting your capital against unexpected sharp price moves or even a longer term price move against your position.

You will only pay the limited risk premium if the guaranteed stop is triggered.

### 3.11 NON-GUARANTEED ORDERS: STOP ORDERS AND LIMIT ORDERS

We also offer various Non-guaranteed Orders such as Stop Orders (including conventional Stop Orders and Trailing Stops), and Limit Orders, each called an 'Order', that allow you to open or close a CFD when our quote for that instrument reaches or goes beyond the level of your Order.

In the case of orders to open, these Non-guaranteed Orders can apply for various periods which must be specified by you. Alternatively you can specify that the Order is to apply for an indefinite period (a 'good till cancelled' or 'GTC' Order) or until the contract expires. OTC orders that are attached to open positions will be in force until the position is closed.

If we accept one of these Orders, then when our bid (in case of Sells) or our offer (in case of Buys) reaches or exceeds the level of your Order your instruction will be triggered and subsequently executed. Please note that in the case of Stop Orders placed in respect of CFDs on Order Book Shares (and some other less liquid markets), the Order Book Share the subject of the CFD must actually trade on the Underlying Market at or beyond the specified level in order for your Order to be triggered.

It is your responsibility to understand how an Order operates before you place any such Order with us. Examples are set out below at 3.12 and further information can be found on our website or by asking our dealers. By placing an Order with us you acknowledge that you understand the terms and conditions attached to such an Order.

You should note that your Order may be executed irrespective of the length of time for which your Order is reached or exceeded. In volatile markets our quote might 'gap' through your Order level, so that the closing level or the opening level may be beyond the exact level specified by you.

It is important to understand that when you place an Order, you are dealing with us as principal, you are not dealing on the Underlying Market. While we seek to execute your Order at the level that might have been achieved had a similar order been placed on the Underlying Market, it may not be possible to determine what such a level might have been. We do not guarantee your Order will be executed at any such level. We will exercise our reasonable discretion to determine when Non-guaranteed Orders are triggered and the level at which they are executed.

You can cancel or amend the level of an Order with our agreement at any time before our quote or the relevant market reaches or exceeds your current specified level. We also reserve the right to aggregate and/or to work the instructions we receive from our clients to open or to close CFDs, including Stop Orders. Working the Order may mean that your Stop Order is executed in tranches at different bid prices (in the case of an Order to Sell) or offer prices (in the case of an Order to Buy), resulting in an aggregate opening or closing level for your CFDs that may differ both from your specified level and from the price that would have been attained if the Order had been executed in a single tranche. Aggregating an Order means that we may combine your Order with the Orders of other clients of ours for execution as a single Order. We may do so if we reasonably believe that this is in the overall best interests of our clients as a whole. However, on occasions, aggregation may result in you obtaining a less favourable price once your Order is executed.

Orders are available free of charge on most CFDs.

### 3.12 EXAMPLES OF NON-GUARANTEED ORDERS

#### EXAMPLE 1: SELLING A SHARE CFD WITH A CONVENTIONAL STOP ORDER

##### OPENING THE POSITION

XYZ International Limited is quoted at \$5.45/5.46 in the market.

You sell 5000 shares as a CFD at \$5.45, the bid price. You decide to put your Non-guaranteed Stop Order at \$5.70.

There is no cost or fee charged for placing a Non-guaranteed Stop Order. Should the market move against you, your position would be closed at \$5.70, however, should the market gap straight through your Non-guaranteed Stop Order, your position would be closed at the next available level that we consider representative, fair and reasonable.

In this example, we will assume that XYZ International Limited shares gap straight through the Stop Order level of \$5.70 and the position is closed at \$5.75, resulting in a loss of \$1500 (excluding our commission, interest and dividend adjustments).

This loss is calculated as:

Opening level:	\$5.45
Closing level:	\$5.75 (the Stop Order level + market slippage of \$0.05)
Difference:	\$0.30
Gross loss on the trade:	$\$0.30 \times 5000 \text{ shares} = \$1500$

Placing a Non-guaranteed Stop Order on a particular position can result in a substantial reduction in the margin requirement. The margin requirement is calculated as the difference between the current level of the position, \$5.45, and the Stop Order level, \$5.70, and adding a factor for market slippage. The market slippage factor is no more than 100% of the normal margin requirement.

In this example, the margin required would equal \$2067.50 (\$5.70 Stop Order level - \$5.45 opening level = \$0.25.  $\$0.25 \times 5000 \text{ shares} = \$1250$  plus additional \$817.50 required for market slippage calculated as 10% normal margin requirement  $\times \$5.45$ , opening level  $\times 5000 \text{ shares} \times 30\% \text{ slippage factor} = \$817.50$ ).

Margin requirements for positions with Non-guaranteed Stop Orders will not exceed the normal margin percentage requirement based on the current share.

Interest and dividend adjustments are applied to positions in exactly the same way as to standard CFD positions, as described in section 3.5 above.

#### TRIGGERING THE STOP ORDER

After you have held the position for a few weeks, XYZ International Limited releases some positive news which results in XYZ International Limited shares opening significantly higher. XYZ International Limited closed the previous day at \$5.05, but it opens at \$5.80/5.81. Your Non-guaranteed Stop Order is triggered, and your position is closed at \$5.81, where it would be possible to buy 5000 shares back to close the position.

Your Gross loss on the trade is calculated as follows:

Opening level:	\$5.45
Closing level:	\$5.81
Difference:	\$0.36
Gross loss on trade:	$\$0.36 \times 5000 = \$1800$

To calculate the total loss on the trade, you must also include commission, interest and any dividends that might be paid during the period the position was held.

Your total loss is calculated as follows:

Gross loss on trade:	(\$1800)
Total commission:	(\$56.30)
Interest adjustment:	\$50
Overall or total loss:	(\$1806.30)

#### EXAMPLE 2: BUYING A SHARE CFD WITH A TRAILING STOP

Trailing Stops are a type of Stop Order that track your profitable positions automatically – and close your trade should the market move against you. Trailing Stops prevent you having to monitor and move your stops constantly.

When you open your position you specify two numbers for your Trailing Stop:

- Stop distance** – how far away from the opening level your Stop is placed
- Step size** – the size of the increments by which the Stop can move

For example, say EFG Limited is quoted at \$28.20/28.24 in the market. You buy 5000 shares as a CFD at \$28.24, and you set a Trailing Stop with a Stop distance of 30 points and a Step size of 10 points.

The Stop initially sits at \$27.94, ie 30 points behind your opening price.

Immediately EFG Limited starts to rise. Very soon our sell price has risen to \$28.34 (10 points above your opening price) and your Stop 'steps' up by 10 points to \$28.04 to re-establish a 30-point distance from the new market level.

The rally continues and by late-afternoon EFG Limited is trading at \$28.89/28.93.

Your Stop has therefore moved automatically five more times, so you are now sitting on a healthy potential profit with your Stop waiting 35 points behind at \$28.54.

A surprise news announcement suddenly sends EFG Limited share prices plummeting and within minutes trading is back down at \$28.30/\$28.34. Your Trailing Stop has been triggered and your position is closed 35 points below the recent high – at \$28.54, still well above your opening price of \$28.24.

With a conventional Stop Order you would still be in the market because your Stop Order would have remained at its initial level of \$27.94. By contrast, a Trailing Stop follows the market in a profitable direction.

The only difference between a Trailing Stop and a conventional Stop Order is that the level of a Trailing Stop moves positively with the market whereas the level of a conventional Stop Order remains fixed (unless manually adjusted). Once a Trailing Stop is triggered, it is treated in exactly the same manner as a conventional Stop Order.

#### EXAMPLE 3: BUYING A SHARE CFD WITH A LIMIT ORDER

A Limit Order is an instruction to deal if our price moves to a more favourable level (eg to 'buy' if our price goes down to a specified level or to 'sell' if our price goes up to a specified level).

For example, if we were quoting shares in ABC Co Ltd at \$23.46/23.54 you might give a Limit Order to 'buy' at a limit of \$23.30. Your Limit Order will be triggered if at any time, our offer quote reaches the level of the Limit Order (in this case \$23.30). We will normally accept a Limit Order on any open position except positions on options.

### 3.13 INDEX CFDs

Trading on Index CFDs allows you to gain exposure to a large number of different shares in one single transaction. They can be used to take positions on the direction of a whole market without taking a view on the prospects for any particular company's shares. A short position can be used as a rough, low-cost, hedge to protect a diversified share portfolio against market falls. An Index CFD works in the same way as a CFD on an individual share in that they allow you to make a profit or loss by reference to fluctuations in the value of the underlying index, such as the Australia 200 Index. Unless you are notified otherwise or you agree to the same, there is no commission payable on opening or closing Index CFDs however in the case of Cash Index CFDs both interest and dividend adjustments may be applicable. When trading Index Future CFDs there is no adjustments for interest or dividends.

Index CFDs are opened in the same way as individual share CFDs (see section 3.2 above). You will be required to pay margin. Details of how this will be calculated are set out in section 4.1. There are two basic types of Index CFDs these are Cash Index CFDs and Future Index CFDs.

IG offers a wide range of European, US and Asian futures, several of which we quote 24 hours a day even when the underlying futures market is closed. For the main indices we offer cash and future markets.

When trading Index futures, it is important to remember that the current price of the future will not normally be the same as the price of the underlying cash index. There are, broadly speaking, two reasons for this:

Futures contracts usually trade at prices which reflect the interest advantage, and the disadvantage of future dividends, which is obtained by taking a long position in a futures contract rather than buying actual shares for cash. Interest rates are generally higher than dividend yields, so the future will usually have a natural premium, called a fair value premium, to the underlying index. Futures prices can respond to news or a change of sentiment more quickly than indices, which are not fully up to date until every individual share which they contain has traded. In a volatile market, futures contracts can trade at very substantial premiums or discounts to their underlying index. IG's quotes for Cash Index CFDs take account of these phenomena.

#### EXPIRIES AND ROLL OVERS

All Index future CFDs expire at the appropriate market level and date as detailed in the specific Product Details.

Australia 200 Futures for example expires at the special opening quotation on the expiry date plus or minus IG spread. (Please check contact details for appropriate expiry details).

Clients can ask for their trade to be rolled over to a later contract provided the request is made prior to the last rollover time for that trade. (Again as specified in the Product Details).

When rolling over clients pay half IG spread to close and are given 40% spread concession on the opening leg of the rollover trade. Controlled risk clients pay the Controlled Risk premium in addition to discounted spread on the opening leg of the roll over trade. For example, if the June Australia 200 contract expires on the 18th June. Positions would roll positions to

September (the next quarter) basis the 17th June settlements.

Assuming the following settlements:

June	5200
Sep	5250

The Normal IG Spread is 3 points with a 2 point Controlled risk premium (Note: Spread and CR Premium may be subject to change).

A client with a short position would buy to close their June position at 5201.5 and sell Sep at 5249.1 (1.5 points to close, 0.9 points to open).

A client with a long controlled risk position would sell to close their June position at 5198.5 and buy to open a Sep position at 5252.9 (1.5 points to close, 2.9 to open).

#### EXAMPLE OF A CASH STOCK INDEX CFDs DIVIDEND ADJUSTMENT

As explained earlier, futures contracts trade at prices which reflect the dividends companies are due to pay. When dividends are paid, these need to be adjusted for in the price of our cash Index CFDs contracts.

The ASX can pay dividends on any day of the week we will reflect this in our price at 16:00 AEST the day before the ex-dividend date.

For example, BHP announces a dividend of 30 cents per share and is the only company in the Australia 200 index that day to pay a dividend. BHP's share price closes on the night before the ex-date at \$30.00. All things being equal a company's share price will fall by the price of the dividend being paid so when the share's trade ex-dividend, they should open up 30 cents lower at \$29.70 on the morning of the ex-date.

If BHP constitutes 10% of the Australia 200 index and the Australia 200 index is trading at 5000 then BHP represents 500 points of the value of the Australia 200 index. A dividend that represent 1% of BHP will therefore equate to 5pts of the

Australia 200 index. At 16:00 on the night before the ex-date, we would adjust our fair value and take 5 points off the price of our cash Australia 200 index. IG would then charge or credit clients the dividend amount depending on their respective holdings at 16:00 on the day before the applicable shares ex-date.

#### INTEREST

Interest adjustments on Cash Stock Index CFDs are calculated and charged on a daily basis at an annual rate of interest for specifics on this calculation see section 4.12.

### 3.14 CFDs ON OPTIONS

We also offer a range of CFDs on the price of traded options on various products including leading indices, equities and forex. Details of these markets and products are listed in the Product Details. There is no commission to pay on CFDs on index options, currency options and commodity options; we quote an 'all-in' price, so the only charge is the dealing spread – the difference between our 'buy' and 'sell' quotes. For share options you pay a commission and this is set out in the Product Details. The margin requirements are also set out in the Product Details.

As an example, we offer index option CFDs on two types of traded options, puts and calls. A traded put option is the right to sell a market (the underlying market) at a fixed level, on or before a particular date. For example, a September 6500 FTSE 100 Index put is the right to sell the FTSE 100 Index at a level of 6500 on or before a specified date in September. A traded call option is the right to buy a particular market at a fixed level on or before a fixed date. For example, a December US 500 Index 2000 call option is the right to buy the December US 500 Index at 2000 on or before a specified date in December.

With traded options, the holder (or 'buyer') of the put or call has the right but not the obligation to exercise the option – they need only do so if it suits them. The writer (or 'seller') of the put or call has the obligation, if the option is exercised, to buy or to sell at the specified price (the 'strike price').

Profits or losses on option CFDs are made by reference to the movement of an option price. You are not buying or selling the option itself. It cannot be exercised by or against you and it cannot result in the acquisition or disposal of the underlying security, index or its constituents. You are able to close an option CFD at any time, within our dealing hours, before expiry but at expiry, the difference between the closing price level and the price level at which you opened your CFD will determine your profits or losses. Clients should note that some of the options prices quoted are calculated by us using the Black Scholes formula. This is available on request from us or is printed in most standard options texts.

Your risk in dealing on 'long' options positions is limited because the maximum loss you can sustain is the cost of the option premium (it can only fall to zero).

An option 'seller' sells an option believing that the underlying market will not move above or below the relevant strike price. If he is right, the option will expire worthless and he will receive the premium times traded size. It is very important to note that the seller of an option faces an open ended risk, as there is no upper limit on the price of an option, and there is no limit to the level at which the 'seller' may be obliged to 'buy' the option to close out a losing position.

As the risks associated with buying and selling options are different from other CFDs we offer, margin requirements are calculated differently. The margin you will be required to pay for placing a 'buy' CFD on an option is the price at which you 'buy' the option multiplied by the deal size. This is the total amount that you can lose on your CFD. The margin requirement for 'selling' an option is variable. If the option has intrinsic value it is said to be 'in the money' and its value moves one-for-one with the underlying market; therefore, at worst, an option seller can be charged margin equal to what he would have paid had he taken a position in the underlying market. The margin percentage is never less than half the margin percentage for the underlying future, because there is always the possibility that the option may come into the money. So the margin percentage can lie between a half and one times the equivalent for the underlying future.

### 3.15 FOREIGN EXCHANGE ('FOREX') CFDs

Forex CFDs allow you to gain exposure to movements in currency rates. Forex CFDs are opened in the same way as other CFDs. We will quote a bid and offer price for an exchange rate. For example we might quote the A\$ against the US\$ as 0.82492/0.8250. If you thought the A\$ was going to rise against the US\$ you would 'buy' the CFD at 0.8250. If you thought the A\$ was going to fall against the US\$ you would 'sell' the CFD at 0.82492. You can close your position in the same way. If the CFD is a buy, the closing level will be the lower figure quoted by us, if the CFD is a sell it will be the higher figure.

While holding a position overnight, your account is debited or credited using the applicable overnight Tom-Next rate (see Section 4.12). Details of currency trading sizes and margin requirements are set out in the Product Details.

#### LIMITED RISK PROTECTION

As with the other CFDs that we offer, you can also take Limited Risk protection on most Forex CFDs to limit your losses at the level you select. The Limited Risk protection premiums payable on Forex CFDs may be found in the Product Details.

### 3.16 EXAMPLES OF FOREX CFDs

#### EXAMPLE 1: BUYING \$US/YEN OPENING THE POSITION

You decide to go long of the US dollar against the yen, and ask for a quote for 5 contracts, the equivalent of US\$500,000 (contract sizes are set out in the Product Details). We quote you 118.028/118.03 and you buy 5 contracts at 118.03.

#### INTEREST ADJUSTMENTS

While the position remains open, an overnight adjustment is debited or credited to your account using the applicable Tom-Next rate. In this example, the credit for one day might be ¥400 (see Section 4.12 for a detailed example of overnight Tom-Next).

#### CLOSING THE POSITION

Three weeks later, US\$/yen has risen to 121.41/121.418, and you take your profit by selling 5 contracts at 121.41. Your gross profit on the trade is calculated as follows:

Closing transaction:	US\$500,000 (5 contracts) x 121.41 = ¥60,705,000
Opening transaction:	US\$500,000 (5 contracts) x 118.03 = ¥59,015,000
Gross profit on trade:	= ¥1,690,000

#### CALCULATING THE OVERALL RESULT

To calculate the overall or net profit, you also have to take account of the interest credit. In this example, you might have held the position for 20 days, and total interest credit you earned may have equalled ¥8,000.

Gross profit on trade:	¥1,690,000
Interest credit:	¥8,000
Net profit:	¥1,698,000 = US\$13,731 equivalent

You can choose which currency you wish to hold your account balance in. Conversions will be at a rate no less favourable to you than the rate specified at 4.12 below, below or above (as the case may be) the interbank spot exchange rate at the time of conversion.

Exchange rates are subject to fluctuations and clients should always be aware of the effect that exchange rates will have on their positions.

#### EXAMPLE 2: SELLING A\$/US\$ WITH LIMITED RISK PROTECTION

##### OPENING THE POSITION

You decide to go short the Australian dollar against the US dollar and ask for a quote for 2 contracts, the equivalent of A\$200,000. We quote you 0.7956/0.7958 and you sell 2 contracts on a Limited Risk basis. You decide to put your Guaranteed Stop Order at 0.8150. A limited risk premium of \$40 (\$200,000 \* limited risk premium of 0.0002), the equivalent of 2 points, will be deducted as a cash entry only if the Guaranteed Stop Order is triggered, the margin required to open the position will include this premium. This means that, should the market move against you, your position will be closed at exactly 0.8150, even if, for example, the market 'gaps' from 0.8140 to 0.8170 on unexpected news.

As your stop has been triggered the most you can lose on the position is:

Stop Order level:	A\$200,000 (2 contracts) x 0.8150 = US\$163,000
Opening level:	A\$200,000 (2 contracts) x 0.7956 = US\$159,120
Maximum possible trading loss (ignoring interest adjustment which will increase your loss):	= US\$3880 + the limited risk premium of \$40 (\$200,000*0.0002) = \$3920

#### INTEREST ADJUSTMENTS

Interest adjustments are applied to Limited Risk positions in exactly the same way as to standard Forex CFD positions.

#### CLOSING THE POSITION

A week later, our quote for A\$/US\$ has risen to 0.8114/0.8116. You think the Australian dollar may now go higher and close your position by buying two contracts at 0.8116, the offer price. Your loss on the trade is calculated as follows:

Closing transaction:	A\$200,000 (2 contracts) x 0.8116 = US\$162,320
Opening transaction:	A\$200,000 (2 contracts) x 0.7956 = US\$159,120
Gross loss on trade:	= US\$3200

You will not pay the limited risk premium as the guaranteed stop has not been triggered.

#### CALCULATING THE RESULT

To calculate the total loss, you also have to take account of the interest debit. In this example, you might have held the position for 7 days, the total interest debit incurred may have equalled US\$100.80.

Gross loss on trade:	US\$3200
Interest debit:	US\$100.80
Total loss:	US\$3300.80 = A\$4,067.03 equivalent

### 3.17 COMMODITIES AND MONEY MARKET CFDs

We also offer a range of CFDs on the price of various commodity, interest rate and bond futures. These are often generically referred to by us as Future CFDs. Details of these products are listed in the Product Details. There is no commission to pay on these types of CFDs; we quote an 'all-in' price, so the only charge is the dealing spread – the difference between our 'buy' and 'sell' quotes. The margin requirements are set out in the Product Details. These types of CFDs have set expiry dates, upon or after which the position will be closed automatically or rolled, as described in section 3.3.

#### 3.18 EXAMPLE: BUYING THE T-BOND (DECIMALISED)

##### OPENING THE POSITION

You believe long-term interest rates in the US will fall and therefore the price of Treasury Bonds will rise. You check the real-time price for our June Decimalised T-Bond on-line; the price is showing 13921/13925 and you decide to buy three contracts at 13925.

The Decimalised T-Bond is quoted in hundredths of a full Treasury Bond point (in the underlying market, T-Bonds are quoting in fractions of 1/32 of a full point). So 13925 is equivalent to 139-08 in the underlying, as 139-08 means 139 and 8/32, or 139 and 0.25 of a point. One contract is the equivalent of \$10 per hundredth of a full point.

##### CLOSING THE POSITION

As you predicted, interest rates do fall and the price of Bonds rises accordingly. You check our current quote, and we are quoting the price 14000/14004. You close your position by selling three contracts at 14000. Had you left your position open up until the expiry date, the position would have closed at the closing price on that date, minus the closing spread.

Calculating the overall result

Closing level:	14000
Opening level:	(13925)
Difference:	75

So the net profit on this trade would be 75 points x 3 contracts x \$10 per point = \$2250

#### 3.19 BINARY OPTIONS

A Binary Option is a special type of CFD with an 'all or nothing' payment profile. Binary Options allow you to trade on discrete financial, non-financial or political events, such as the closing level of a stock index on a particular day. All Binary Options have only two possible results. For example, the Binary Option for the Wall Street Index to finish up on the day: Wall Street will either finish up or it will not. If you thought it was going to finish up, you would 'buy' our Binary Option on Wall Street. If you thought it was going to finish down, then you would 'sell' the Binary Option.

For a Binary Option, there are just two possible settlement prices. Using the above example:

- if Wall Street closes up, then the Binary Option settles at 100;
- if Wall Street closes down (even if it is only a fraction of one point down), then the Binary Option settles at 0.

You can go long or short of any price that we quote. Binary Option prices are extremely sensitive to market fluctuations, particularly in the period immediately before expiry; however your level of risk is always certain. The deposit requirement for all Binary Options is an amount equal to your maximum loss on that Binary Option or, if you make a series of trades, your maximum possible loss on all of those trades.

We quote continuous two-way prices for every Binary Option, so you can take a profit on an open position or cut a loss at any time during our market hours.

We offer two basic types of Binary Option, with different types of trigger condition:

1. Binary Options where the trigger condition is either a price barrier (eg DAX 30 Index to close up on the day) or a price range (eg FTSE 100 Index to close between down-20 points and down-30 points on the day).
2. American-style OneTouch Binary Options where the trigger condition is that a price level is reached or exceeded before expiry. If the trigger condition is achieved, this type of Binary Option settles immediately at 100.

It is not possible to place stops (or limits) on binary positions, however binaries are a 'limited risk' transaction so the extent of your liability is limited when placing a binary trade. You should, however, be aware that a loss can be sustained in a relatively short period of time.

You should not deal on binaries unless you understand the nature and specifications of the contract you are entering. Market specific rules regarding binaries and binary settlement can be found in Product Details.



## 3.19 BINARY OPTIONS (CONTINUED)

### BASIS OF QUOTATION

A range of possible Binary Options may be offered on the daily move/official settlement of each market. The price quotation for each Binary Option is expressed in points. If the outcome described by the Binary Option occurs, that Binary Option will settle at 100. If it does not occur, the Binary Option will settle at zero (see Product Details for settlement rules) Spot Forex Binary Options are offered on various currency pairs. Quotations are based on the achievement of specified price levels in the spot rate concerned at the specified expiry time (see Product Details for settlement rules).

Our spread will vary according to the level of the price quotation and the time to expiry. Further details can be found in the Product Details.

### BINARY OPTION SETTLEMENT

If a market settles exactly on a Binary barrier after such rounding, that market will be taken to have settled above the barrier for the purposes of trade settlement. For instance, if the FTSE 100 Index closes exactly 20 points down, the FTSE Binary -10/-20 will settle at 100 and the FTSE Binary -20/-30 will settle at 0.

Further details on the types of Binary Options, the basis of our quotations, charges, the rounding of settlement levels and any other rules are set out in the Product Details. There is no commission on Binary Options; the only charge is the dealing spread.

## 3.20 EXAMPLES OF HOW BINARY OPTIONS WORK

### EXAMPLE 1: BUYING A WALL STREET 0/+20 BINARY OPTION

It is half an hour before the close of Wall Street, and the index is standing 15.5 points below the previous day's official settlement price. You think the market will rally before the close and end up on the day.

We quote a range of Binary Options on the daily settlement price of Wall Street. Our price for the market to finish between unchanged and up 20 points (0/+20) is 6.8 - 9.5.

You decide to buy 5 contracts at 9.5, the offer price. Each contract is worth \$10 per point. So you are risking  $9.5 \times 5 \text{ contracts} \times \$10 = \$475$ . You also know that, should the underlying market indeed finish up on the day, your position will be worth  $100 \times 5 \text{ contracts} \times \$10 = \$5000$ . This represents a potential return of over 1000%, decided in the next thirty minutes.

Ten minutes later, Wall Street has rallied and is up 2.5 points on the day. Our quote for the 0/+20 Binary Option is now 53.2 - 56.2. You decide to take your profit rather than risk waiting for the settlement price. You close the position at our bid price of 53.2.

Closing level:	53.2
Opening level:	9.5
Difference:	43.7
Net Profit on trade:	$43.7 \times 5 \times \$10 = \$2185$ .

### EXAMPLE 2: SELLING A E/\$ UP BINARY OPTION

The euro against the US dollar is standing 20 points below the previous day's settlement price (a spot rate derived from the price of EUR/USD at 20.00 London time). You think the market is not likely to recover by the next settlement. Our price for the euro/dollar to finish up is 38 - 41.5.

You decide to sell 10 contracts at 38, the bid price. Each contract is worth \$10 per point. The worst outcome for you would be for the euro/dollar to finish up and therefore for the Binary Option to expire at 100. So you are risking  $(100 - 38) \times 10 \text{ contracts} \times \$10 = \$6200$ . Should the underlying market not finish up on the day, however, the option would be worthless, meaning that you would make  $38 \times 10 \text{ contracts} \times \$10 = \$3800$ . Several hours later, the exchange rate has recovered slightly but is still 10 points down on the day. Our quote for the EUR/USD Up Binary Option is now 11.8 - 15.3.

You could take your profit here, but decide to hold on to the expiry. At 20.00 London time, the EUR/USD finishes just 4 points lower than the previous day's settlement price. It is close, but the EUR/USD has finished down and therefore the EUR/USD Up Binary Option expires at 0.

Opening level:	38.0
Closing level:	0.0
Difference:	38.0
Net Profit on trade:	$38.0 \times \$100 = \$3800$

## EXAMPLE 3: POLITICAL BINARY OPTION

IG is offering a binary market on the EU Referendum. That is, whether the United Kingdom will vote to remain in or out of the European Union. You believe the result of the referendum will be for UK to vote 'In'. The price for the EU Referendum - UK to Vote IN is 62 - 66. You decide to buy 5 contracts at 66, the offer price. Each contract is worth £10 per point. The worst outcome for you would be for the UK to vote 'Out' and therefore for the Binary Option to expire at 0. So you are risking  $66 \times 5 \text{ contracts} \times £10 = £3300$ . Should the UK vote 'In', however, the Binary Option would expire at 100, meaning that you would make  $(100-66) \times 5 \text{ contracts} \times £10 = £1700$ .

Several days later, sentiment has changed. Our quote for the UK to Vote IN is now 74 - 78. You could take your profit here, by selling at the bid price of 74, but decide to hold on until expiry. At the conclusion of the Referendum the result is a vote to keep the UK 'In'. Therefore the Binary Option expires at 100.

Opening level:	66.0
Closing level:	100.0
Difference:	34.0
Net Profit on trade:	$34.0 \times £50 = £1700$

## 3.21 SPRINT MARKETS

Sprint Markets are short-term trades created by you. Instead of waiting for us to tell you what we're offering, you can select the market that interests you, the direction in which you think it will head, and the amount you're willing to risk. At the same time, we will inform you of your potential profit or loss.

Our core Sprint Markets offering are a type of up-down Option that let you predict whether a market will trade higher or lower within a very short time period. Pick the direction you believe the underlying market will go, at your chosen expiry, set the timeframe and then select the amount you are willing to risk.

The minimum expiry time is 60 seconds from the time the option is purchased. We offer a range of maximum expiry times, depending on the transaction. All of these details are available on our website.

Please note that Sprint Markets cannot be closed once they have been placed, only left to expiry.

## 3.22 EXAMPLE OF HOW SPRINT MARKETS WORK

Sprint Markets allow you to decide whether you believe an underlying market will be higher or lower than its current level at your defined expiry point.

### EXAMPLE 1:

The Australia 200 is currently trading at 5350. You think it will be higher after the next five trading minutes, and so you decide to pay a premium of \$55.

After five minutes, the Option expires, and the Australia 200 has reached 5361, meaning you were correct. You receive the maximum possible payout, of \$96.25; this includes your \$55 premium, so your net profit is \$41.25.

If the Australia 200 had moved lower, you would have lost your premium of \$55.

## 3.23 IMPORTANT INFORMATION ABOUT THE EXAMPLES IN THIS SECTION

The examples in this section of the PDS are solely intended to illustrate how our products operate. They are not intended to give any representation about the performance of particular shares or other underlying products. Nor are they intended to give any representation about the volatility of particular shares or the Australian market in general.

The companies used in the examples are completely fictional. The data used in the examples has been gathered in the 12 months prior to the publication of this PDS.

## 4. PRODUCT COSTS AND OTHER CONSIDERATIONS

### 4.1 MARGIN

Upon opening a CFD, you will be immediately required to lodge margin with us, which will either be a set value; or a percentage of the value of the underlying transaction. The initial margin requirement must be placed on your account before a position is opened. For example, you buy a CFD of 10,000 HIJ Limited shares priced \$2.50. For this deal, you are required to pay margin of 10% to us. The initial margin payment you make to ensure your account has the minimum amount of equity required is therefore \$2500 (10,000 x \$2.50 x 10%).

#### INITIAL MARGIN REQUIREMENTS

For share, forex and some commodity and index CFDs the initial margin requirement is calculated as a percentage of the value of the opening CFD. Margin percentages for particular shares vary according to volatility and market conditions, and are normally between 5% and 75%. All other CFDs require a fixed amount per contract and these are available in the Product Details. The margin requirement for a Limited Risk CFD is equal to the maximum amount which could be lost in the currency of the trade.

The margin requirement for buying an option CFD is the opening price (or premium) multiplied by the contract value (per index point). This is the maximum possible loss on the position in the currency of the trade. The margin requirement for selling an option contract is variable and will be quoted to you on request immediately prior to opening the CFD.

It will never be less than half the margin requirement for the underlying contract or greater than the full margin or deposit that would be required for the underlying contract.

We may reduce the margin requirement for CFDs if you hold positions between which there is a margin offset. This could be through positions in the same instrument in opposing directions or writing option CFDs against open positions in the underlying instrument of that option. We may agree to accept other assets as collateral in fulfilment of your initial margin requirements but, if we agree to do this, the holding of these assets will be subject to a further written agreement between you and us. This agreement will set out how your assets will be held by us and the circumstances in which they may be realised.

Margin requirements can be obtained when logged onto your account, the deal ticket when opening a position or obtained from our dealing desk upon request.

#### TIERED MARGINS

Margins can increase as the aggregate size of your position increases. Tiered margining is used to set margin rates that reflect the size of an aggregate position (on non-limited risk open positions and orders to open) in a particular market. The majority of positions will attract our lowest margin rates, reflecting the liquidity of the market at smaller deal sizes. The largest positions may require greater margin, as it is more difficult to trade out of these positions quickly. We set margins in four tiers for every market that progressively increase as your aggregate size moves from one tier to the next. Only the portion of a position that falls into the higher tier will be subject to increased margin rates.

#### MARGIN USING NON-GUARANTEED STOPS

Attaching a stop loss to a position can result in a substantial reduction to the deposit requirement. Sometimes it may not be possible for the stop order to be transacted at the price you have selected and you may incur 'slippage'. This can happen over closed periods or when the market moves very quickly. For this reason a slippage factor is added to the required deposit.

For a position with an attached Non-guaranteed Stop loss order, the deposit requirement is calculated using the distance between the opening level of the position and the stop level and adding a factor for 'slippage'. The 'slippage factor' is a percentage of the margin requirement for a position without a stop (you can obtain more info when logged onto your account). The deposit requirement for positions with Non-guaranteed Stops will not exceed the deposit required for positions without a stop loss. For aggregated positions greater than the range of our tier 1 margin tier, the use of Non-guaranteed Stops will no longer reduce your initial deposit requirement.

#### FURTHER MARGIN PAYMENTS

For as long as a CFD is open, you are required to keep sufficient equity on your account to meet the margin requirement. Where margin is a floating amount rather than a fixed amount, we will dynamically recalculate the amount of margin that you are required to pay. For example where you buy a long CFD of 10,000 HIJ Limited shares priced at \$2.50, and are required to pay initial margin of 10%, the initial margin payment you make is \$2,500 (10,000 x \$2.50 x 10%). If one week after you open your HIJ Limited CFD, the price of HIJ Limited has risen to \$2.60, then your new margin requirement will be \$2,600 (10,000 x \$2.60 x 10%), ie an additional \$100.

Equally, if the price of HIJ Limited drops to \$2.40, then your new margin requirement will be \$2,400 (10,000 x \$2.40 x 10%), ie \$100 less. Whilst the movement in the price adjusts the margin required, the running P&L also changes

the funds available to meet the margin requirement more significantly. If the price of HIJ Limited moves from \$2.50 to \$2.60, the position would be running a profit of \$1,000, whilst if the price moves to \$2.40 the position would be running a loss of \$1,000. We will specify the margin value required on your CFD at the time that you open the CFD. However, we reserve the right to alter that value at any time during which the CFD remains open (including, for example but not by way of limitation, under volatile market conditions. In extreme conditions or situations value or per contract margin requirements higher than those shown in the Product Details may apply (for example, ahead of a general election). It could also occur if, for example, the company to which a share CFD relates goes into receivership or insolvency. If any such event should occur, and we increase the required margin levels as a result, we will take steps to notify you if you already have an open CFD, or, if you wish to open a new CFD. We will notify you if we change the margin value on an open CFD, and the further amount of money required from you to keep the CFD open.

#### MAKING MARGIN PAYMENTS

It is your responsibility to constantly monitor your open positions to ensure that you retain the correct margin value on open positions. To assess whether you are due to pay margin, you must add up the margin requirements for all open positions on your account. If the equity on your account (your cash balance including your running P&L, and Used Collateral (if applicable)) is less than the margin requirement on your account, you will be required to fund the shortfall. The amount for which you will be liable to pay will be sufficient to ensure that you have completely covered the margin requirement for all open positions on your account.

Your current margin position (and any deficit) can be viewed when you are logged in to your account or can be obtained from our dealers by telephone. We may notify you to inform you that you are liable to make an additional margin payment (a 'margin call'), however our failure to make a margin call in no way negates your obligation to monitor your margin position and pay any shortfall. If you do not pay us any shortfall immediately, the Customer Agreement gives us significant rights against you that you should be fully aware of. These rights include, but are not limited to, closing your open positions without prior notice to you. We have these rights as soon as you have a margin shortfall – however large or small.

Payments of margin are not a cost, per se, but you should be aware that we will not pay interest on margin payments (see 4.9 below).

Margin payments are required in the form of cleared funds unless we have agreed to accept other assets as collateral in fulfilment of your margin requirements which will be subject to a further written agreement between you and us.

We may agree to accept margin call payments using the Proof of Payment service whereby you can have 'yet to be cleared' funds allocated to your account in order to cover the margin. Processing of Proof of Payment is a manual process and not an instantaneous credit so if you are using this service your account will remain on margin call and your positions in danger of being closed out until the process is complete and the proof provided is accepted as sufficient by our credit department and reflected on your account. Full details of how to use Proof of Payment and fees (if any) are available on our website.

Please note that Proof of Payment is not guaranteed and the quickest way to provide margin payment is by credit or debit card.

#### MARGIN CALL PRACTICES AND OUR DISCRETIONS

Client accounts are monitored by an automated close out process which highlights accounts entering into a margin call. The close out process is designed with the objective to minimise client losses and allows us to be proactive, identify accounts on which the account equity doesn't cover the total margin requirement and endeavour to take action (as deemed appropriate by us) before the market moves further against open trades. In all events, the close out process does not guarantee to prevent an account from running into negative equity. Trading leveraged products carries a risk of incurring losses in excess of the deposited funds.

In normal circumstances we endeavour to notify you of a margin call by automated email which is generated and sent to your registered email address as soon as your account enters into margin call. This email serves as a notice that your account has breached the minimum required level of equity and any open trades are at risk of being closed out. You are responsible for monitoring your own account and ensuring adequate equity is maintained at all times. We have no obligation to notify you and will take action if deemed necessary without notification. These emailed notifications are a service that is provided to you on a best endeavours basis.

We do not provide notification when an account is approaching a margin call and you are responsible for monitoring your account at all times.

While being on margin call if your equity goes below the margin (or deposit) requirement the automated close out system or the dealing desk may, at their discretion, delete working orders, partially close or close some or all trades to reduce the margin requirement until it is fully covered by the account equity.

Any open positions are deemed to be at risk of being closed out as soon as the account enters into a margin call.

## 4.1 MARGIN (CONTINUED)

When closing trades our automated close process out and/or the dealing desk follow a best endeavours First In First Out (FIFO) policy for closing trades. The FIFO method is date and time based, where we aim to close out positions starting with the oldest first. Exceptions may apply dependant on market conditions and other factors including (but not limited to) on accounts with multiple positions that are held with or without stop orders, and here we endeavour to use the following order for close out:

- Position with no stops
- Positions with Non-guaranteed Stops
- Positions with guaranteed stops (each part following FIFO protocol)
- Positions in illiquid markets or trading sessions.

### IMPORTANT INFORMATION REGARDING OUR SHARE TRADING COLLATERAL SERVICE

If you are subject to a separate Collateral Agreement as part of our Share Trading Service, you should note that collateral can only be used on your CFD account to cover deposit requirements for open positions. Collateral cannot be used to cover running losses, so you will need to ensure that there are sufficient funds in your account to cover any such losses to avoid bringing your account into margin call. If you do not deposit additional funds to cover a losing CFD trade, we will follow our normal margin close out process.

Details of the collateral value can be found in the Product Details on the website. Please also refer to the Collateral Customer Agreement for information relating to our approach when using our Collateral Service.

### NOTIONAL VALUE

All CFDs have an underlying notional value and some deposits and margins are based on this. By way of example, a 'buy' CFD on 10,000 HIJ Limited shares at \$2.85 has a notional value of \$28,500 ( $\$2.85 \times 10,000$ ). If the relevant deposit rate is 10% the required deposit would equal \$2850. A index CFD worth \$25 per point and opened at our quote of 3000 would have a value of \$75,000 ( $3000 \times 25$ ).

## 4.2 COMMISSION ON INDIVIDUAL SHARE CFDs

Commissions are charged either on a percentage of the notional value or on a cents per share basis and are subject to a minimum charge. You may be informed of the commission rates and financing rates which apply when you open your account, and from time to time at our discretion. In the absence of such information from us, commission on individual shares will be charged according to the standard schedule as outlined in the Product Details. Further details of commission rates are given in the Product Details

## 4.3 LIMITED RISK PREMIUMS

Limited Risk CFDs are available on certain CFDs at our discretion by adding guaranteed stops. Limited Risk CFDs carry a Limited Risk premium, which is paid when the Stop Order is triggered. The margin required at the point a guaranteed stop is added to a position will include this premium. The Limited Risk premium will be as set out in the Product Details or as notified to you.

## 4.4 SPREAD ON INDEX CFDs, INDEX OPTION CFDs, FOREX CFDs TRANSACTIONS

Dealing spread is the difference between our quotes (the level at which you open a 'buy' or 'sell' a CFD). Dealing spreads vary according to the market concerned and are subject to variation, especially in volatile market conditions, and we may change our dealing spreads at any time. Wider spreads for stock indices apply when they are quoted outside normal market hours. The applicable spreads are provided in the Product Details. Because dealing spreads depend upon activity in an underlying market the dealing spread when you close a CFD may be different to the dealing spread when you opened it.

In extreme conditions we will, where possible, continue to quote prices even where the underlying markets are suspended. In these unusual circumstances, spreads may be quoted which are significantly wider than during normal market conditions.

## 4.5 ADDITIONAL COMMISSION ON FX DIRECT

Commissions are charged on top of the market spread when using Forex Direct. The commission charged will be based on the notional value of the trade in USD and is calculated as USD amount per million USD traded using the spot exchange rate. The commission varies depending on account activity during the previous month and will not exceed 60 USD per 1 million USD traded. Please contact our dealers for further information.

## 4.6 EQUITY OF YOUR ACCOUNT

The equity of your account will fluctuate according to the money you have deposited in your account, the trading conducted on your account and positions held. Your account equity is calculated as the balance on your account, including the P&L on all open position(s),- this is calculated using the opening level of your position(s) and our current quote.

Therefore your account equity is constantly calculated in line with market movements. This equity is used to assess your equity for use as margin requirement against current positions and to meet margin requirements on any new positions you may wish to take. The balance is used to establish if there is a requirement for additional margin. It is your responsibility to ensure that your account is sufficiently funded at all times, especially during volatile periods. If the equity on your account falls below the deposit requirement, you will only be allowed to close or reduce open positions, or reduce your market exposure should there be a margin offset in excess of 50% on open positions, until the equity on your account is back in excess of the total margin requirement for all open positions.

If any of your positions are denominated in a currency other than the base currency of your account, they will be continually valued at the applicable mid-market spot exchange rate as quoted by us. Your statement will then value all your positions in your chosen base currency, (see also section 5.4).

## 4.7 PROFITS/LOSSES ON YOUR ACCOUNT

Realised profits made on your trading activities increase the balance on your account. Any surplus funds may be withdrawn from your account, on request. Losses made on your trading activities decrease the balance on your account, and therefore the margin available for opening new positions or keeping existing positions open.

## 4.8 PAYMENTS TO THIRD PARTIES AND EMPLOYEES

Any payments by IG to third parties and/or its employees must comply with financial services regulation in Australia and the Future of Financial Advice ('FOFA') reforms. In particular, effective from 1 July 2014 any fee paid by us to a third party who:

- is an AFS licensee, or its representative, and
- provides financial product advice to retail clients ("Authorised Third Party"); or
- is an employee,

whether as your agent or otherwise and that relates in any way to your trading with us, must not be what is termed 'conflicted remuneration'.

Accordingly, as FOFA reforms currently apply, any payment made by us to an Authorised Third Party which relates in any way to your trading with us, must be subject to your express and ongoing consent. If this is relevant to your circumstances we will disclose this information to you separately and ask for your consent and your agreement to further Customer Service Fee (Agency Payment) Terms. If such payments (including an 'Introduction Fee' and, in some cases, an 'Execution Services Fee') do impact on you and you have questions about this at any time then please do not hesitate to contact us.

In addition, any payment made by us to an employee, that relates in any way to your trading with us and is 'conflicted remuneration' under the FOFA reforms, must also be subject to your express and ongoing consent. If this is relevant to your circumstances we will disclose this information to you separately and ask for your consent and your agreement to further payment Terms. If such payments do impact on you and you have questions about this at any time then please do not hesitate to contact us.

More generally, we will not make any payment relating to your trading with us that is 'conflicted remuneration' without your consent. Please note however that an amount, which may be calculated by reference to the commission or spread on CFDs opened by you, may be paid to third parties who are either not Authorised Third Parties or employees or where such payments are not deemed 'conflicted remuneration' (as such matters may evolve and be re-defined under the FOFA reforms over time) and therefore to whom such remuneration is not considered 'conflicted'. Any such amount will be paid by us and not by you.

We will provide you with details of any such payments on written request.

## 4.9 INTEREST

We do not pay interest to clients on money held by us in a separate account or on money paid to us as margin. This may be regarded as a cost, as you will have lost the opportunity to obtain interest (or some other return) on that money elsewhere.

## 4.10 COST OF BORROWING – 'SELLING' SHARE CFDs

Where you are short a share CFD position, you will incur a 'borrowing charge' which may vary. Generally, we will pass on the rate charged by our broker plus an administration fee of 0.5%.

The borrowing charge will be calculated and posted to your account daily. The borrowing charge, and the ability to go short, can be changed at short notice.

## 4.11 COSTS AND INITIAL MARGIN

You may be informed of the actual costs for commissions, interest rate charges, Limited Risk premiums, spreads and any other fees which apply to you, at the time your account is opened. At this time you may also be advised of specific margin requirements applicable to you and these may also be confirmed, either verbally or online, when placing an order. In the absence of such information from us, these costs and margin requirements are detailed in the current Product Details. The Product Details are updated from time to time and are available to you on our website or in writing by request.

## 4.12 INTEREST ADJUSTMENTS

For CFDs on shares, stock indices, and forex, spot metals and commodities without expiry dates adjustments to reflect the effect of interest are calculated and posted to your account daily:

For Australian Dollar denominated positions excluding forex and spot metals and commodities without expiry dates – a posting will take place for positions held at 4.50pm Sydney time.

For all other denominated positions excluding forex – a posting will take place for positions held at 10.00pm London time.

For CFDs on forex and spot metals – adjustments to reflect the effects of interest are calculated and posted based on positions held at 10.00pm London time. exceptions to the above are weekend postings, where there is an adjustment for three days as opposed to one, and public holidays. For further details on when these take place please see Product Details.

Interest adjustments for shares are calculated according to the formula  
 $D = n \times P \times i / 360$ .

Interest adjustments for stock indices are calculated according to the formula  
 $D = n \times L \times P \times i / 360$ .

Interest adjustments for Forex CFDs (excluding Bitcoins), which reflect the relative interest rates of the currencies concerned, are calculated according to the formula:  
 $D = V \times R$ ;

Interest adjustments for commodities with no expiry date (excluding Spot metals) are calculated according to the formula:  
 $D = V \times C$

In each case where:

- D** = daily interest adjustment
- n** = number of shares or lots
- P** = current share or index price
- L** = lot size
- i** = applicable interest rate
- V** = value per pip
- R** = Tom-Next points
- C** = Cost of carry points

The underlying market for Tom-Next is a tradeable two way price with market spread. Tom-Next prices are derived from the cost required to borrow overnight the currency that is being notionally sold less any interest earned from depositing overnight the currency that is being notionally bought, market forces and expectations are also able to influence this rate. IG charges an administration charge on top of this spread (further details of IG's charges are available on the website).

Cost of carry points include the market costs between days plus an IG administration cost.

The formulas use a 360-day divisor for Australian, US and European shares and indices, and a 365 divisor for UK, Singapore and South African shares and indices. Interest in respect of long positions is debited from your account and interest in respect of short positions may be debited or credited from your account. The applicable interest rate is generally dependent on the currency in which you are dealing unless otherwise stated in the Product Details.

In the case of Forex CFDs, interest in respect of long or short positions may be debited or credited from your account depending on the overnight Tom-Next.

Bitcoin positions pay funding at an annualised rate of 10% for long positions and 16% for short positions.

## 4.13 EXCHANGE FEES

You will be able trade share CFDs electronically through our platforms using quotes which are fed from the relevant stock exchange. You may subscribe to live exchange data for which we charge a monthly fee, which varies depending on the classification of your account and the exchange in question. We may rebate the fee at the end of each month if you qualify as an active user. Please visit the data feed section when logged onto the web-based platform for charges and criteria for active users. Please note that you we will charge the monthly fee until you unsubscribe however we reserve the right to remove your access to exchange prices if you do not have sufficient funds in your account to cover the data feed charges. Alternatively, we may offer a 'delayed data' service for some exchanges which provides you with a delayed price stream free of charge. The delayed data service provides a real-time quote on request.

## 4.14 PROREAL TIME CHARTS FEES

For clients who subscribe, the applicable chart fees may be charged to your account in accordance with the terms set out in the ProRealTime Chart section of the web-based platform. This fee may be credited to you if you qualify as an active user. You may contact us for active user terms.

We reserve the right to remove your access to charts if you do not have sufficient funds in your account to cover the chart fees, and/or that your account may be left with a debit balance as a result of ongoing chart fees.

## 4.15 OTHER FEES

Other services that may attract a fee are included in the table below. Please check our website for further details and applicable costs.

Credit card payment	Australian Mastercard debit
	Australian Visa debit
	Australian credit card
	NZ\$, HK\$, US\$ & Euro credit or debit card
Real Time Gross Settlement (RGTS) payment	New Zealand clients
Real Time Gross Settlement (RGTS) withdrawal	All
Telegraphic Transfer (TT)	All
Inactivity Fee	Accounts that have been inactive for 2 years or more and still hold funds
Cash in Transit (CIT)	May apply for some payments

## 4.16 CORPORATE ACTIONS

A dividend adjustment is applied after a share (or a component share in the case of stock indices) finishes trading cum-dividend in the underlying market. In the case of long positions, the dividend adjustment is credited to your account, in the case of short positions it is debited from your account. The dividend adjustment for shares (Australian or otherwise) varies depending on local tax arrangements which may vary from time to time. An adjustment will also be made to your account to reflect the effect of any corporate action affecting the underlying instrument if you have an open CFD position. These can include but are not restricted to special dividends, bonus share issues, scrip or rights issues, stock splits or consolidations.

## 5. SIGNIFICANT RISKS ASSOCIATED WITH CFDs

### 5.1 THE RISKS OF TRADING WITH US

Before you apply to begin trading with us, you must carefully consider whether using CFDs is appropriate for you in the light of your circumstances and financial position. You should be aware that margin trading is a high risk geared investment strategy and we do not consider it suitable for many members of the public. You should not deal in CFDs unless you understand the nature of the contract you are entering into and the extent of your exposure to risk from that contract.

- CFDs involve different levels of exposure to risk and, in deciding whether to trade in such instruments, you should be aware of the following points.
- Trading in CFDs carries a high degree of risk. The 'gearing' or 'leverage' involved in trading CFDs means that a small initial margin payment can potentially lead to large losses. The geared nature of CFDs also means that CFD trading can carry greater risks than conventional share trading, which is generally not geared.
- A relatively small market movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you.
- Most CFDs are off-exchange derivatives. This might be considered to involve greater risk than an on-exchange derivative as there is no exchange market on which to close out an open position – you are only able to open and close your positions with us.
- Foreign markets will involve different risks to Australian markets. The potential for profit or loss from CFDs relating to a foreign market or denominated in a foreign currency will be affected by fluctuations in foreign exchange rates. It is possible to incur a loss if exchange rates change to your detriment, even if the price of the instrument to which the CFD relates remains unchanged.
- CFDs are contingent liability transactions which are margined and require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately, and they may only be settled in cash.
- You may sustain a total loss of the margin that you deposit with us to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice. If you fail to do so within the required time, your position may be liquidated at a loss and you will be liable for any resulting deficit. You will be deemed to have received a notice requiring the payment of such funds, even if you are not at home or do not receive the messages we leave for you, if the notices are delivered to your nominated contact points.
- Even if a CFD is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered into the contract.
- Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that trading in the underlying market is suspended or restricted.
- A Limited Risk CFD limits the extent of your liability, but you may sustain the loss in a relatively short time. Placing a Non-guaranteed Stop Order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an Order if the underlying market moves straight through the stipulated price.
- We will not provide you with personal financial product advice relating to CFDs and we will not make CFD recommendations of any kind. The only advice we will give you will be as to how CFDs work.
- There is no clearing house for CFDs, and the performance of a CFD by IG MARKETS LIMITED is not 'guaranteed' by an exchange or clearing house.
- Our insolvency or default may lead to your positions being liquidated or closed out without your consent. As all deposits lodged with us are held on trust for you in a regulated trust account, in such circumstances those deposits would attract all the legal protections afforded to trust money. Net unrealised running profits are also held in trust by us (in excess of our regulatory requirements) and would normally be similarly protected for your benefit as beneficial owner, unless a Court were not to uphold the trust in relation to the net unrealised profits, in which event you would rank as an unsecured creditor of ours in relation to such net unrealised profits.
- Although by dealing with us you will not be dealing in securities, you need to be aware that you may still be subject to the Corporations Act 2001 and, in particular, the market manipulation and insider trading provisions of the Act.
- The obligations to you under the Customer Agreement and the CFDs are unsecured obligations, meaning that you are an unsecured creditor of ours.

### 5.2 DERIVATIVE MARKETS ARE SPECULATIVE AND VOLATILE

Derivative markets can be highly volatile. The prices of CFDs and the underlying securities, currencies, commodities, financial instruments or indices may fluctuate rapidly and over wide ranges and in reflection of unforeseen events or changes in conditions, none of which can be controlled by you. The prices of CFDs will be influenced by unpredictable events including, amongst other things, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the relevant marketplace.

### 5.3 YOUR MONEY IS DEPOSITED IN A SEPARATE TRUST ACCOUNT

Any money that you deposit with us, including your net running profits, will be held separately from our money, in a trust account, and held and dealt with in accordance with the Governing Legislation and the Customer Agreement. As permitted under Governing Legislation, your money may be co-mingled into one or more trust accounts with our other customers' money, which is also held on trust. We will not be liable for the solvency or any act or omission of any bank holding the trust accounts.

We do not use client money for the purpose of meeting obligations incurred by us when hedging with other counterparties. Any obligations incurred by us in connection with such transactions are funded by us from our own money. In addition, client money is not used to meet the trading obligations of other Customers.

Withdrawals from client money will only be made to you (or a third party where compliant with regulations) on your instruction, into your bank account, or to us where it is due and payable or where it is an excess to the Client Money Trust account.

In practice, this means your money is held on trust and not used by us, and is only withdrawn to be paid to you on request or by instruction, or to us when due and payable.

By way of example, client money is calculated for each client as:

Your free cash meaning money that is not currently being used by you for any purposes
plus
Margin paid by you on open positions, because this money forms part of your equity balance, because the company is required to repay it to you when you close your position
plus
Your running profits
less
Your running losses
less
Any amounts owed by you which are due and payable to the company

provided that, if the calculation above results in a negative number, zero must be used in the client money requirement calculation

### 5.4 CURRENCY RISK

Balances in currencies other than Australian dollars may be maintained by you on your account and, when requested by you and/or necessitated by your trading, conversions between currencies will be made at an exchange rate no more than 0.5% less favourable to you than the prevailing interbank mid-market spot rate at the time of the conversion.

A crystallised profit or loss that is realised in a currency other than your base account currency will be converted on close unless requested otherwise by you. Different frequency options are available when opening an account and can be modified by you using the self service function on our Electronic Trading Service or by request to us.

For example, if you open a CFD on the movement in price of IBM stock, it will be priced in US dollars. The deposit requirement for the CFD will be calculated in US dollars and you will be required to maintain the AUD equivalent as margin (assuming your account is denominated in AUD). Any variation in the AUD/USD exchange rate or the underlying CFD deposit calculation may alter the amount of Australian Dollars required to maintain the margin requirement. Any crystallised profit or loss on the CFD will be calculated and posted in US dollars. Conversion of this profit or loss to AUD is subject to your preferences.

You may choose to maintain your account in Australian dollars, US dollars or Sterling.

## 5.5 COUNTERPARTY RISK – CREDIT RISK & HEDGING

Credit risk is the risk that counterparty to us fails to perform its obligations which results in financial loss. Our management of credit risk is intended to protect the company and clients from any sudden changes in the liquidity, credit quality or solvency of our banks or brokers.

We primarily take on market risk to facilitate instant execution of client trades, and therefore market risk limits are generally very conservative. Our revenue model is flow-based, whereby revenue streams are derived from commission, finance and spread capture on client trading transactions, and not from taking on market risk.

Banks and brokers used for hedging are selected on the basis of a risk assessment using set criteria, and the most significant counterparties are required to have an investment grade rating from S&P (or be a subsidiary of an entity holding such a rating).

Our current broker counterparties are listed in public disclosure documents such as the Counterparty Credit Risk policy and IG Group Pillar 3 Disclosures.

These policies can be found at [IG.com/au](http://IG.com/au) and [www.iggroup.com](http://www.iggroup.com)

## 5.6 COUNTERPARTY RISK – FINANCIAL RESOURCES

Our Financial Requirements Policy details the specific financial requirements of our Australian Financial Services Licence (AFSL) and other regulatory financial obligations, the procedures we have in place and the oversight we conduct in order to comply with those obligations.

In addition, the policy describes our Corporate Governance Framework and Risk Management Framework as it relates to our financial requirements obligations and disclosures, as well as stress testing, which considers the effect of various scenarios on liquidity and the credit risk of a severe market fall.

In practice, financial resources requirements are monitored and reported internally on a daily basis and reported formally on a monthly basis. Further compliance oversight is conducted quarterly and an internal or external audit will also be conducted from time to time.

In the event that a financial resources obligation is not met, an internal escalation process will be adopted along with any regulatory breach reporting obligations.

Further information about IG Markets financial results can be found in our annual Financial Statements which are publicly available at [IG.com/au](http://IG.com/au), or free by request. Information about IG Group financial results can be found at [www.iggroup.com](http://www.iggroup.com).

## 5.7 ADVICE

We will not give you any personal financial product advice. Any general financial product advice that we may give you will have been prepared without taking into account your personal objectives, financial situation or needs. Accordingly, you should consider carefully trading with us and the appropriateness of any general advice having regard to your personal objectives, financial situation and needs, and obtain financial and legal advice before you open an account and trade with us.

Nothing in this PDS should be taken to be a recommendation to trade in CFDs or trade in any particular share, stock, index, commodity or currency by way of CFDs, and any reference to a particular share, stock, index, commodity or currency is for illustration only.

## 6. OTHER TERMS AND CONDITIONS OF CFDs

### 6.1 APPLYING TO OPEN AN ACCOUNT

Trading CFDs is a high risk geared investment strategy and we do not consider it suitable for everyone. Investors applying for a CFD trading account may be required to qualify through a set of assessment criteria which are set out in detail in our Client Qualification Policy. The assessment may be completed as part of the account opening process when applying for an account, and will be determined according to our Client Qualification Policy. The assessment may be conducted on-line or by telephone depending on the application channel, type and other relevant factors.

If applicable, a CFD Trading account may be opened for applicants who pass the assessment however those applicants who fail the assessment will not have an account opened; both will be notified accordingly. In addition, those applicants who fail the assessment may be offered education to assist with understanding our CFD Trading account. Applicants who initially fail the assessment may be reassessed in part or whole, or may re-apply for an account and re-sit the assessment.

Before you begin dealing with us you must complete an Application Form either on-line or by hard copy and be approved by us. Before completing the Application Form you should read this PDS, including the Customer Agreement. The Application Form requires you to disclose personal information. You should refer to the Customer Agreement and the Privacy Notice on our website which explains how we collect personal information and then maintain, use and disclose that information between our Associated Companies or third parties, and privacy issues specific to your use of our website.

The Customer Agreement contains a provision by which you agree that you enter into all CFDs in reliance on your own judgement, and that we will not be liable for any losses, costs, expenses or damages suffered by you arising from any inaccuracy or mistake in any information we give to you in the absence of fraud, wilful default or gross negligence or as required by legislation.

## 5.8 TAX

Our understanding of the tax treatment of CFDs is set out in section 8. There is a risk that our understanding may be incorrect and/or that the tax treatment of these products may change. In the event that we are obliged to pay any tax in respect of your personal liability for CFDs undertaken with us, the Customer Agreement contains an indemnity that would allow us to recover such payments from you.

## 5.9 ACKNOWLEDGMENTS

By signing the Application Form you acknowledge to us that you:

- have given consideration to your objectives, financial situation and needs and
- the risks of loss which accompany the prospects of profit associated with dealing in CFDs and have formed the opinion that dealing in CFDs is suitable for your purposes;
- were advised by us to obtain independent tax and financial advice concerning this PDS, including the Customer Agreement;
- received and considered this PDS, including the Customer Agreement.

## 5.10 CORPORATE EVENTS

We do not aim to make a profit from our clients from the outcome of corporate events such as rights issues, takeovers and mergers, share distributions or consolidations, and open offers. We aim to reflect the treatment we receive, or would receive if we were hedging our exposure to you in the underlying market. However:

- the treatment you receive may be less advantageous than if you owned the underlying instrument;
- we may have to ask you to make a decision on a corporate event earlier than if you owned the underlying instrument;
- the options we make available to you might be more restricted and less advantageous to you than if you owned the underlying instrument; and/or
- where you have a stop attached to your open share CFD position, the treatment that you will receive from us will always, to the greatest extent possible, aim to preserve the economic equivalent of the rights and obligations attached to your CFD position with us immediately prior to the corporate event taking place.

You warrant that the information (including financial information about yourself) provided to us in your Application Form (and at any time thereafter) is true and accurate in all respects. You acknowledge that we will rely upon the information you so provide to us in making a judgement about you as a potential client.

We will only deal with you, if in our sole judgement, you have qualified for an account as determined by our Client Qualification Policy. If in our sole judgement we consider that you have qualified, we will not be liable in any way to you or have any dealings or transactions between us set aside modified or varied if such experience, knowledge and understanding is found to be insufficient or that we were in error in making our judgement.

Under the terms of the Governing Legislation you will be classified as a retail client unless your CFD transactions are of a value as would bring you within the category of wholesale client. The Governing Legislation also contemplates certain categories of clients as satisfying certain criteria being categorised as wholesale clients (irrespective of the value of your CFD transactions) by applying to us to be so categorised.

If you download and sign an electronic Application Form from our website, you should note that you will be deemed by us to have acknowledged that you have either downloaded and read the electronic versions of this PDS and the Customer Agreement or received personally and read the paper copies of those documents.

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

## 6.1 APPLYING TO OPEN AN ACCOUNT (CONTINUED)

### TYPES OF ACCOUNT

We offer three types of accounts; Limited Risk, Trader and Select.

The Limited Risk Account only allows Limited Risk CFD positions. Assuming an AUD account, all positions require the equivalent AUD margin equal to the maximum potential loss of the CFD before you open the position. This account type is still subject to currency risk (see section 5.4).

If you have a Trader Account, you must place margin with us for each CFD. If your position moves against you or your margin requirement increases, you will be required to provide further margin to bring your account balance back up to the required margin level on an immediate basis.

If you have a Select Account, you must also place margin with us for each CFD. If your position moves against you, we may contact you to provide further margin to bring your account balance back up to the required margin level.

## 6.2 REPRESENTATIONS

The CFDs that we offer to enter into are offered solely on the basis of the information and representations contained in this PDS, including the Customer Agreement and no other information or representation is authorised and you should not rely on any such information or representation.

## 6.3 MARGIN TRADING DOCUMENTATION

CFDs that you enter into with us will be dealt with in accordance with this PDS. We may, in addition, provide you with further documentation such as a brochure. In the event of any conflict between the contents of this PDS and the contents of such further documentation, the PDS will prevail.

## 6.4 TRADING AS PRINCIPAL

We will enter into all CFDs with you as principal, not as an agent. We will treat you as our client for all purposes and you will be directly responsible for performing your obligations under each CFD.

## 6.5 MINIMUM TRADE SIZES

Minimum trade sizes for some CFDs are set out in the Product Details. These may be varied and you should check the current Product Details for up to date information.

## 6.6 TRADING LIMITATIONS AND RESTRICTIONS

We reserve the right to impose trading restrictions on client accounts, with or without notice. This includes, but is not limited to, maximum trade size and trade frequency. Maximum trade size and frequency can also vary by market and time.

## 6.7 CONFIRMATIONS AND STATEMENTS

CFDs opened or closed by telephone will be confirmed during your conversation with our dealer. CFDs opened or closed via the internet will be confirmed on-screen. We will provide you with information about your CFDs by providing you with a statement. Statements will be posted to our on line trading platform (and emailed or posted if requested). If you elect to receive statements by post we reserve the right to levy an administration charge. Confirmations will give the details of any CFDs that you open or close with us. Your statements will include a summary of the financial position of your account and details of all transactions on your account for the statement period. We make every effort to ensure that all details are correct. However, it is very important that you read your statements and contact us if you disagree with the contents or if you do not receive your statements.

You need to be aware of your account balance, your margin requirements for open positions, and whether you are approaching your margin call level. Your statement will also show whether your account has any excess funds available.

When we send you a confirmation or a statement you must review it and advise us of any mistakes or inaccuracies within the following time limits or you will be deemed to have accepted them, and they will be binding on you:

- if you receive your confirmations and statements by email, within 1 day of receiving your confirmation or statement or no later than 2 business days after the date on which your confirmation or statement was emailed to you; or
- if you receive your confirmation and statements by post, within 1 day of receiving your confirmation or statement or 5 business days after the date on which your confirmation or statement should have been received by you.

Any queries about your confirmations and statements should be made to our Customer Services Department. Any failure to advise of a mistake or inaccuracy will not preclude your right to make a complaint in accordance with our dispute resolution procedures (see section 6) but we reserve the right to rely upon the Terms of the Customer Agreement.

## 6.8 MAKING PAYMENTS TO US

Customers may deposit funds, as opening and ongoing collateral, through BPay®, electronic or telegraphic transfer, or by credit card. Unless agreed otherwise by us, payments will be required in Australian dollars. All funds must be cleared funds in our bank account before they will be counted towards the balance on your account.

Credit cards may be regarded as non-cash assets. Please be aware that using a credit card to fund your account may pose the risk of double leverage from the combined effect of utilising a credit facility to fund a leveraged trading account. We may agree to accept other assets as collateral in fulfilment of your initial margin requirements but, if we agree to do this, the holding of these assets will be subject to a further written agreement between you and us. This agreement will set out how your assets will be held by us and the circumstances in which they may be realised.

A fee or charge may apply for certain payment types and further information about these can be found on our website at [IG.com/au](http://IG.com/au).

Customers should note that, other than in highly exceptional circumstances, we will only accept payments into an account from the account holder and not from any third party. Money on your account with us may be set off against losses that you incur to other Associated Companies of ours.

## 6.9 PAYMENTS MADE BY US

You may request that money standing to the credit of your account be remitted to you. Payment of any such amounts will be subject to your leaving enough funds in your account to cover any margin requirements or any other charges that might arise for any reason. You should note that, other than in highly exceptional circumstances, all payments out of an account held with us must go directly to the account holder.

## 6.10 TRADING HOURS

Trading hours vary by market and are subject to change.

In some cases shorter opening hours may apply on days which are either Australian gazetted public holidays, UK Bank Holidays or US Public Holidays.

Please check our website or ask our dealing desk for current details and information on any restrictions on these hours.

## 6.11 MONITORING YOUR POSITIONS

You are responsible for monitoring your positions and maintaining the required margin percentage at all times. You may be required to make margin payments to cover your open positions at short notice, and you must be able to meet those obligations at all times.

For this reason, you must be contactable at all times. If you are going away on holiday and have positions open, you must make arrangements to keep in touch with us. This is so we can contact you if your margin has fallen into deficit.

## 6.12 ACCOUNT DEFICIT

You will not be allowed to deal in CFDs (other than to close or reduce your open positions) when there is a shortfall in the balance on your Account until such time as the balance is in excess of your margin requirements.

## 6.13 SECURITY OF YOUR ACCOUNT

We are unable to verify your voice on the telephone or your person via the internet or email. For this reason, we will use your Account number and password to identify you when you contact us. You are responsible for maintaining the security of your Account details, including your Account number and password. It is extremely important that you keep your Account number and password confidential. If you are aware or suspect that these details are no longer confidential then you should contact us as soon as practicable so that they may be changed. We will deem any CFD opened or closed by any person using your Account number and password to be binding upon you.

## 6.14 KEY DATES AND EVENTS

It is your responsibility to be aware of key dates and events, such as the expiry dates for particular CFDs.

## 6.15 OUR ABILITY TO CLOSE OUT YOUR CFD(S)

In the case of an emergency or exceptional market conditions, the Customer Agreement allows us to declare a 'force majeure' event. This might include the interruption of our power supplies or communications equipment, or the closure or suspension of any stock or futures market upon which we base our prices (such as the closure of many US exchanges following September 11 2001). In such circumstances we may increase the margin percentage required on your open CFDs and or close out some or all of your open CFDs. We will take all reasonable steps to inform you if we determine that any such 'force majeure' events exist. You should note that the Customer Agreement details certain other circumstances in which your CFDs may be closed.

## 6.16 SUPPLEMENTAL PRODUCT DISCLOSURE STATEMENT

If any of the information set out in this PDS becomes inaccurate or out of date, or if there is a material change in (or a significant event that affects) any of the matters referred to, we will issue a Supplemental Product Disclosure Statement ('SPDS') or, alternatively, a new PDS. In the Customer Agreement we reserve the right to do so by publishing the SPDS or new PDS on our website, and that Term constitutes your agreement to our doing so, and your acceptance of the responsibility to check our website for any such document prior to entering a CFD with us. In doing so you waive your right to any more positive notification of such changes, eg by email or post.

## 6.17 OTHER MATTERS YOU SHOULD CONSIDER

### NO INTEREST IN UNDERLYING INSTRUMENT

Neither you nor we acquire any interest in or right to acquire, and neither party is obliged to sell, purchase, hold or deliver or receive, the underlying instrument of any CFDs that you and we deal in.

## PUBLIC HOLIDAYS

We are not obliged to quote prices or accept orders or instructions in respect of any markets on which we offer CFDs on a public holiday in any jurisdiction which, in our reasonable opinion, affects the relevant underlying markets.

## OUT OF HOURS TRADING

Although we are open 24 hours a day, we are not obliged to quote prices or accept orders or instructions in respect of any markets on which we offer CFDs to which Out of Hours Trading applies during any time when the relevant exchange is closed for business. We will designate from time to time the markets on which we offer CFDs to which Out of Hours Trading applies on our website.

## JOINT CUSTOMERS

If you have opened a joint account:

- the liabilities of each of you will be joint and several;
- we may act upon instructions received from any person who appears to be an account holder; and
- any notice or other communication given by us to one account holder will be deemed to have been given to all account holders.

## SPECIALIST LANGUAGE SERVICES

If you have been dealing with us in a language that is not English, for example using some of our specialist Chinese or other foreign language speakers, then please note that these foreign language services may not be available at all times. English is the primary language in which our services are provided and the binding language of all our contractual documents. There may be occasions where you must take action in relation to your account and a representative who is fluent in that foreign language is not available. It is your responsibility to be able to monitor your positions and your account at all times.

# 7. DISPUTE RESOLUTION

## 7.1 COMPLAINTS PROCEDURE

Any complaints will first be investigated by our Customer Services Department and, if they are unable to resolve the dispute to your satisfaction by our Compliance Department.

If the Compliance Department is unable to resolve the matter and you are a retail client and by reason of the provisions of the Governing Legislation you are not or are not deemed to be a wholesale client in respect of the CFD transaction the subject of the Complaint, you may after 45 days have elapsed since the Complaint was made, then refer the matter to our independent external dispute resolution scheme, the Financial Ombudsman Service Limited (FOS).

If you would like more information on how complaints are handled, please contact our Customer Services Department. FOS can be contacted at – GPO Box 3, Melbourne Vic 3001; toll free on 1300 78 08 08; by email:info@fos.org.au or at www.fos.org.au



## 8. TAXATION CONSIDERATIONS

### 8.1 INTRODUCTION

The following is a summary of the Australian taxation implications of dealing in a Margin Trading Product known as Contracts for Differences (CFDs), and is based on the taxation laws as at the date of this PDS, and in particular Public Ruling TR2005/15 issued by the ATO on 31 August 2005 under Part IVA of the Taxation Administration Act 1953.

It is important to note that the ultimate tax implications to you will depend on your personal circumstances and, as such, you should consult an independent taxation advisor. Further, this PDS represents our understanding of the current view of the taxation laws and our interpretation of Public Ruling TR2005/15. It is important to note that our views have not been endorsed by the ATO and that tax laws and their interpretation are always subject to change.

The following summary represents our view of the current taxation treatment of gains and losses arising from trading CFDs as an Australian Tax Resident as at the date of this PDS. Taxation treatment will depend on your circumstances, and we strongly recommend that you consult an independent taxation advisor before deciding to open an account to deal in CFDs.

### 8.2 PROFIT OR LOSS ON CFDs

#### INCOME TAX

An Australian resident taxpayer generally calculates their taxable income by including assessable income and after allowing for losses incurred in gaining or producing assessable income.

CFDs can be characterised as cash settled Over-the-Counter (OTC) derivative products, in that your dealings with us under the Customer Agreement do not provide for a party to make or accept delivery of the underlying instrument. The ATO takes the view that CFDs are in law categorised as contracts of gaming and wagering, however this alone is not determinative of the tax treatment of gains and losses.

#### GAINS

The ATO has taken the view that gains from trading CFDs will be assessable income-

- (i) where the CFD is entered into as an ordinary incident of carrying on a business;
- (ii) where the profit was obtained in a business operation;
- (iii) where the profit was obtained in a commercial transaction for the purpose of profit making; or
- (iv) where the profit is made in carrying on or out a profit making scheme.

Further, the ATO has taken the view that even an isolated CFD transaction can be considered to produce assessable income for the taxpayer. It should be noted that the ATO's interpretation of what would fall within these parameters is very broad and appears likely to include all CFD trading, whether frequent or not.

However the Ruling also contemplates that a gain from a CFD entered into for the purpose of recreation by gambling (and not for a profit-making purpose) will not be assessable as income (or capital gain). The Ruling acknowledges that a taxpayer who enters into a CFD only once, or very occasionally, who has no expertise in the price of the underlying by which the gain or loss of the CFD will be calculated, does not engage in any income producing activities of a character bearing some association or connection with the CFD or its underlying, and in particular who gambles in the ordinary recreational way and who has entered into the CFD in circumstances such that the CFD may be seen to be part of that recreation, may establish that the gain or loss is a product of recreational gambling (and not the result of a profit making endeavour).

#### LOSSES

The Ruling also concludes that a loss from a CFD transaction where the gain would have been assessable is an allowable deduction.

### CAPITAL GAINS TAX

While gains or losses would most often be on revenue account because it is expected that the CFD is usually entered into for a profit-making purpose, where it can be said that there was never any such purpose, then in that event (unless it is for recreational gambling – see above), the gain or loss would be an assessable capital gain.

The ATO's view is that a CFD contract falls within the definition of a capital gains tax asset (a CGT asset) under section 108-5 ITAA 1997. However, pursuant to section 118-20 ITA 1997, to the extent a non-CGT provision includes an amount in the taxpayer's assessable income as a result of a CGT event, a capital gain arising from a CGT event is reduced. This means that, to the extent that profits made from trading CFDs are included in your assessable income, you will not be required to include the amount of the transaction in the calculation of any capital gains tax liability.

The ATO has also expressed the view that losses incurred in trading CFDs can be regarded as capital losses for the purposes of capital gains tax to the extent that they are not otherwise excluded by law. Accordingly, such losses can be set off against any capital gains tax liabilities. However pursuant to subsection 110-55(4) of the ITAA 1997, to the extent that a loss of a CFD is deductible under section 8-1 or section 25-40, the reduced cost base of the asset is reduced thereby reducing the amount of the capital loss.

Paragraph 118-37(1)(c) of the ITAA 1997 provides that capital gains and capital losses arising from 'gambling, a game or a competition from prizes' are to be disregarded. The ATO's position is that capital gains and capital losses from trading CFDs do not qualify for this or any other exemption in the ITAA 1997.

### 8.3 NOTIONAL INTEREST AND DIVIDEND ADJUSTMENTS

A share CFD is an agreement between two parties where one party pays to the other party an amount equal to the notional financial performance of a share between the time the CFD is opened and the time the CFD is closed. Any dividends paid in respect of the underlying share are notionally credited or debited as the case may be to each party in determining the notional financial performance of the share. At no time will you have an interest in the underlying share. An adjustment is also made representing the notional interest on funding of the underlying share position.

Any interest and dividend adjustments are notional amounts, which are unlikely to be characterised as dividends or interest for tax purposes. Instead, these notional adjustments will be taken into account in determining the overall profit or loss on the CFD. The taxation of the overall profit or loss on the CFD is set out at 8.2 above.

### 8.4 COMMISSIONS AND OTHER CHARGES

As profits or losses are assessable or deductible by you, any commissions, interest or other fees that you pay to us will be deductible.

### 8.5 GST

According to the GST Determination GSTD2005/3 issued on 22 June 2005, the provision, acquisition or disposal of a CFD is a financial supply under the provisions of the A New Tax System (Goods and Services) Tax 1999 ('GST Act') and the GST Regulations and is input taxed, with no GST imposed. Further the supply of interests in CFDs does not constitute gambling supplies, as defined in section 126-35 of the GST Act. A CFD does not therefore in the view of the ATO represent a gambling event.

The commission paid to us at the time of entering the CFD would constitute additional consideration for an input taxed financial supply. This would also apply to any premium for Limited Risk Protection on the basis that this charge is additional consideration for a variation to the ordinary CFD and, therefore, no GST is imposed.

## 9. GREY MARKETS

### 9.1 IPO GREY MARKET CFDs

An IPO Grey Market is the unofficial trading of a company before it is issued in an initial public offering ('IPO'). Our IPO Grey Market CFDs enable you to trade on the share price or market capitalisation you think a company will trade at when first issued.

#### OPENING THE POSITION

IPO Grey Market CFDs are opened in the same way as other CFDs. We will quote a bid and offer price for a valuation that is based on the market capitalisation or the stock price as specified in the Product Details available on our website. Settlement price is based on the share price or the market capitalisation at the end of the first day of trading as described in the Product Details available on our website. For example we might quote the stock price of an upcoming stock IPO at the close of business on its first trading day as 245/255. If you thought the stock IPO price was going to be higher at the close of the first trading day you would 'buy' the IPO Grey Market CFD at 255. If you thought the stock IPO price was going to be lower at the close of the first trading day you would 'sell' the IPO Grey Market CFD at 245. If the CFD is a buy, the closing level will be the lower figure quoted by us, if the CFD is a sell it will be the higher figure. Alternatively we might quote the market capitalisation of an upcoming stock IPO at the close of business on its first trading day as 122/132 billion dollars. If you thought the market capitalisation was going to be higher at the close of the first trading day you would 'buy' the IPO Grey Market CFD at 132 (\$bn). If you thought the market capitalisation was going to be lower at the close of the first trading day you would 'sell' the IPO Grey Market CFD at 122 (\$bn). If the CFD is a buy, the closing level will be the lower figure quoted by us, if the CFD is a sell it will be the higher figure.

#### CLOSING THE POSITION AND SETTLEMENT

You may close an IPO Grey Market CFD (during specified dealing hours as detailed in the Product Details) at any time prior to the last dealing time for the IPO Grey Market CFD. Details of the applicable last dealing time for each IPO Grey Market CFD will normally be available in the Product Details and may be obtained from our dealers on request. It is your responsibility to make yourself aware of the last dealing time.

When you close a IPO Grey Market CFD prior to the last dealing time, the closing level will, if the IPO Grey Market CFD is a 'buy', be the lower figure then quoted by us and if the IPO Grey Market CFD is a 'sell', the higher figure then quoted by us.

If you do not close a IPO Grey Market CFD on or before the last dealing time then we will close the IPO Grey Market CFD as soon as we have ascertained the settlement price, based on the share price at the end of the first day of trading. You acknowledge that it is your responsibility to make yourself aware of the last dealing time and of any spread that we may apply when you close a IPO Grey Market CFD.

#### SIGNIFICANT RISKS ASSOCIATED WITH IPO GREY MARKET CFDs

In addition to the risks set out in section 5 of our PDS, there are some risks associated with trading our IPO Grey Market CFDs which may differ from other CFDs we offer:

- If the shares are not issued, we reserve the right to void from the outset all positions
- You are not buying or selling the share itself and it cannot result in the acquisition or disposal of the underlying share
- Limited risk protection and non-guaranteed stop orders are not available on our IPO Grey Market CFDs
- Dealing spreads are subject to variation and we may change our dealing spreads at any time
- As our IPO Grey Market CFDs are off-exchange derivatives, this might be considered to involve greater risk than an on-exchange derivative as there is no exchange market on which to close out an open position – you are only able to open and close your positions with us
- IPO Grey markets are a market made instrument with prices made by us taking into account factors including any news available on the valuation of the underlying instrument and client trading activity
- Although by dealing with us you will not be dealing in securities, you need to be aware that you may still be subject to the Corporations Act 2001 and, in particular, the market manipulation and insider trading provisions of the Act

#### COMMISSION

There is no commission to pay on our IPO Grey Market CFDs; the only charge in the dealing spread which is the difference between our quotes (the level at which you open a 'buy' or 'sell' CFD). The maximum spread between our bid and offer on our IPO Grey Market CFDs is 30%.

#### MARGIN REQUIREMENT

The margin requirements are set out in the Product Details.

## 10.1 WHAT IS METATRADER 4?

MetaTrader 4, or MT4, is a standalone trading platform providing users with a range of automated trading tools and advanced charting functions.

MT4 is licensed to IG by MetaQuotes Software Corp ('MetaQuotes'), a third party entirely unrelated to IG. To use MT4 with IG's prices and trade execution, you first need to open an IG MT4 account and then download and install the MT4 platform on your PC.

## 10.2 YOUR MT4 ACCOUNT

Your MT4 account is a separate trading account, distinct from your standard CFD account(s). You can open an MT4 account from the **My Account** area of our web-based platform at any time.

After opening an account, we will provide you with a link to download MT4. We will also send your MT4 Account ID and password to your registered email address, enabling you to log in.

**The MT4 platform is used solely for trading and technical analysis. To manage your MT4 account, including depositing and withdrawing funds, you need to use the IG platform.**

### HOW TO FUND YOUR MT4 ACCOUNT

Log in to your IG account at [www.ig.com/au/login](http://www.ig.com/au/login) and use the switch account dropdown at the top of the platform to select your MT4 account.

You can then go to the **Payments** section of the **My Account** area to deposit, withdraw or transfer funds to/from your account. Any changes to your account balance will be reflected in the MT4 trading platform immediately.

In the event that the IG platform and the MT4 platform fall out of sync due to technical error, we will take reasonable steps to reconcile the difference as appropriate.

The 'Cash in Transit' facility that we provide for standard CFD accounts is not available for MT4 accounts.

### VIEWING OPEN MT4 POSITIONS IN THE IG PLATFORM

Our web-based platform will display all your open MT4 positions. However, any attached stops and limits will not be displayed as they are processed on our MT4 server. Likewise, any working orders will not be visible. If you wish to see your attached stops and limits or working orders, you must log in to the MT4 platform.

It is important to remember that **you cannot open, amend or close MT4 positions in the IG platform**. You must use the MT4 platform to trade.

### VIEWING ACCOUNT HISTORY AND STATEMENTS

You can access your MT4 account history and statements in the IG platform from the **History** section of **My Account**. Working orders will not be displayed on statements.

### CURRENCY RESTRICTIONS

Your MT4 account will be set up using the same currency as your current default account. All future withdrawals, deposits or fund transfers to/from your MT4 account must be in this currency.

We will also convert any profit or loss to this currency automatically whenever you close a trade.

We support MT4 accounts in the following currencies:

<b>AUD</b>	Australian dollar
<b>CAD</b>	Canadian dollar
<b>CHF</b>	Swiss franc
<b>DKK</b>	Danish krone
<b>EUR</b>	Euro
<b>GBP</b>	British pound
<b>JPY</b>	Japanese yen
<b>NOK</b>	Norwegian krone
<b>NZD</b>	New Zealand dollar
<b>SEK</b>	Swedish krona
<b>SGD</b>	Singapore dollar
<b>USD</b>	US dollar
<b>ZAR</b>	South African rand

If your default account is in a currency not listed above when you try to open an MT4 account, your application will not be successful and you will be asked to contact our helpdesk.

## 10.3 AUTOMATED TRADING: EXPERT ADVISORS (EAS AND SCRIPTS)

MT4 includes a built-in code editor enabling users to program their own trading strategies (called Expert Advisors or EAs) as well as scripts and custom indicators. These can be activated as one-off events, or set up to place trades automatically once certain conditions are met. EAs and scripts cannot be enabled or disabled by IG.

When using EAs and scripts, it is important to be aware of the following:

- Hypothetical or simulated performance of an EA or script is no guarantee of future performance
- It is your responsibility to test any EAs and scripts before use
- EAs and scripts created by third parties should be thoroughly assessed before use and have appropriate risk controls built in
- EAs and scripts have the potential to open multiple trades simultaneously across different markets. You should ensure you have the appropriate funds in place to accommodate any positions opened as a result of using EAs or scripts
- Automated trading as a result of EAs and scripts can only occur when you are logged in to the MT4 trading platform and connected to the internet. This includes instructions to close open positions. If MT4 is not running on your PC, or you are not connected to the internet, EAs and scripts will not be triggered
- EAs or scripts cannot be enabled or disabled using the MetaTrader mobile app. To do this you must use the desktop MT4 trading platform
- We may suspend the use of EAs or scripts for a short period of time immediately before and/or after certain economic announcements. During this time, all orders submitted via EAs or scripts will be rejected

**IG does not recommend or endorse any EA or script. IG takes no responsibility for clients' use of EAs and scripts, including any price spikes that may trigger automated trades.**

**In the event of a dispute arising through the use of an EA or script created by a third party, you should raise this with the author of the EA or script.**

## 10.4 EXECUTION DIFFERENCES BETWEEN MT4 AND IG'S PLATFORMS

All MT4 orders are processed on our MT4 servers using IG prices. This means there are certain differences in execution between trades placed on MT4 compared to our own platforms:

### OPENING AND CLOSING POSITIONS

#### Force open

All new positions placed on MT4 are 'force open'. If you incorrectly force open a position you will need to close it online as IG will not offset positions for you. By default on IG's dealing platforms, opening a new position in the opposite direction to an existing position closes the original trade. This will not happen on MT4.

To close a position on MT4, you need to open the order window for the trade you wish to close and then click the yellow **Close Position** button. Alternatively, click the **Close** button next to the relevant open position in the trade window.

#### Requotes

When trading on MT4, if the market price moves as you place an order you may be requoted. To mitigate this, you can change the Maximum Deviation settings in the order window, which defines the level of slippage you are prepared to accept when placing a trade.

#### Minimum trade sizes

The minimum trade size for MT4 positions is 0.1 contracts, or 10,000 of the first-named currency in any pair. There are no mini contracts and the reduced trade sizes offered on our introduction programme are not available on MT4.

#### Guaranteed stops

You cannot attach guaranteed stops to positions on MT4.

#### Price improvement

Positions opened on MT4 will not benefit from IG's price improvement technology.

#### Maximum number of orders

The maximum number of orders you can have open on a single MT4 account is 5000. This includes both open positions and pending orders. Once this limit has been met, an existing order will need to be closed before a new one can be opened.

#### Market prices

MT4 displays **unscaled** or 'real world' prices for all instruments. On IG's platforms, however, we show **scaled** prices for a few markets, including Spot Silver. This means the unscaled price has been multiplied to highlight what constitutes a one point/pip movement for that market.

## 10.4 EXECUTION DIFFERENCES BETWEEN MT4 AND IG'S PLATFORMS (CONTINUED)

### LEVERAGE

By default the leverage level on your MT4 account is set to 200:1 (0.5% margin rate). This can be decreased to 40:1 (2.5% margin rate) by contacting our helpdesk. This setting only applies to forex and commodity markets on MT4. Stock indices are unaffected.

Our tiered margining policy does not apply to trades on MT4.

### MARGIN REQUIREMENTS

The margin requirement for an MT4 position is derived using a points-based calculation as opposed to the percentage-based method used on IG's platforms. In the majority of cases, the margin required to cover an MT4 position will be very similar to the same position opened on an IG platform (assuming the margin rates are the same). However, unlike on IG's platforms, attaching a stop to your position on MT4 will not change the margin required.

To avoid ongoing margin discrepancies between the platforms, we regularly update the margin requirements for all MT4 positions to bring them in line with those placed on IG's platforms. These updates usually occur over the weekend, though we reserve the right to run them at any point (eg in response to major market moves or large forex rate changes).

If any of your positions happen to be near the margin threshold when we carry out these updates, you run the risk of being closed out of those positions. It is your responsibility to ensure you have sufficient funds on your MT4 account to cover any changes in margin as a result of these updates.

MT4 accounts are margined independently of all other accounts. When margining an account, we will not take the funds on any other account into consideration.

### PENDING ORDERS

MT4 performs no checks on your available funds when a pending order is placed. If a pending order is triggered, it is your responsibility to ensure that you have enough funds to cover the order at the time of execution – otherwise the pending order will be deleted.

### EXECUTION OF STOPS AND TAKE PROFITS (LIMIT ORDERS)

All stops and take profits on MT4 are processed on our MT4 servers. **We cannot guarantee that orders will be filled at the same level as if they were placed on an IG platform.**

### CLOSE-OUT PROCESS

When positions need to be cut back due to a lack of margin, the MT4 close-out process is different from IG's normal process:

- MT4 positions are closed out starting from the position with the largest loss
- IG positions are generally closed out on a first-in first-out basis

### TRADABLE INSTRUMENTS AND MARKET HOURS

We offer fewer tradable markets on MT4 than via the IG platforms. Only a subset of IG's forex, stock index and commodity instruments are available on MT4. Market opening hours may also vary. For full details, visit the product details section of our website.

### SPREADS

The spreads on MT4 are different from the spreads on IG's platforms. For a full breakdown of our MT4 spreads, visit the MT4 product details section of our website.

## MARKET CLOSURE DURING ECONOMIC ANNOUNCEMENTS

We may close our markets for a short period of time immediately before and/or after certain economic announcements. During this time, all orders will be rejected and any relevant stops or limits will not be triggered. When we reopen the markets, any relevant stops or limits will be triggered based on our opening level.

### TELEPHONE TRADING

We do not offer telephone trading for MT4. In certain circumstances, when trading via MT4 is not possible, we will accept telephone orders to close positions.

### RESETTING YOUR MT4 PASSWORD

IG will not store the password for your MT4 account. You can reset your MT4 password by logging in to the IG platform and going to **My Account > Settings > Reset MT4 Password**. Alternatively, you can call our helpdesk on 1800 601 734 or +61 (3) 9860 1733. We will send your new password to your registered email address.

## 10.5 GLOSSARY OF TRADING TERMS

Some terms used on MT4 differ from those on our platforms. Below are some examples – please note this is not an exhaustive list.

MT4 TERM	IG TERM
Take profit	Limit order
Stop loss	Stop order
Pending order	Order to open
Periods/Periodicity	Chart timeframe
Objects	Chart annotations
Order window	Deal ticket
Volume	Order size

## 10.6 FURTHER HELP

If you have any questions not covered here, additional information can be found on our help and support portal.

Alternatively you can visit MetaQuotes' dedicated MT4 forum. (Please note that this forum is administered by MetaQuotes and IG accepts no responsibility for its content. Furthermore we provide no assurance as to the suitability of any content on the forum as a trading aid and accept no liability whatsoever for any losses incurred.)

## 10.7 OTHER DISCLAIMERS

The MetaTrader 4 trading platform ('MT4') is licensed to IG by MetaQuotes Software Corp ('MetaQuotes'), a third-party unrelated to IG. IG makes no warranties regarding MT4, the services provided by MetaQuotes or any Expert Advisor.

IG disclaims any responsibility for, and will not be held liable for, any damages that you may suffer, including loss of funds, data or service interruptions, as a result of the use, operation, performance and/or error or malfunction of MT4 and/or any services provided by MetaQuotes or any Expert Advisor.

IG provides an execution-only service and you acknowledge that IG has not and will not provide investment advice to you in relation to any trading strategies you build or import into MT4.

## 11. OTHER INFORMATION

### 11.1 UNDERLYING MARKETS AND COMPANIES

References in this PDS or in any other materials prepared by us to any share traded on any exchange or to any share, stock, index, commodity or currency on which a CFD is based are included solely for the purposes of identification of the underlying instruments to which those CFDs relate. Such references are not to be construed as an express or implied endorsement of such share, stock, index, commodity or currency. We do not, therefore, accept any liability or responsibility for, and makes no representation or warranty, express or implied, as to, the accuracy or completeness of such information. You should make your own enquiries.

We are not associated or affiliated with, nor endorsed or approved by, Australian Stock Exchange Limited, SFE Corporation Limited, or any party, market or market index referred to directly or indirectly in this PDS. References in this PDS to the names of any markets or market indices are references to markets or indices owned or operated by third parties who are not in any way associated with us. References in this PDS to trade marks associated with or used in relation to such markets or indices are references to names or trade marks owned or claimed by third parties who are not in any way associated with us.

### 11.2 FINANCIAL AMOUNTS

Throughout this PDS, the symbol '\$' has been used to denote Australian dollars. Where necessary, A\$, US\$ and NZ\$ have been used to differentiate between Australian, US and New Zealand dollars, respectively.

We do not take into account labour standards, environmental, social or ethical considerations for the purpose of offering to enter into CFDs with you, other than dealing with you in a fair and equitable manner.

### 11.3 INTERPRETATION

Below is a list of some words used in this PDS and their meanings. The Customer Agreement defines many terms and expressions and you should refer to them if in any doubt about the meaning of any term or expression. You should also refer to the Product Details for specific information and on market terminology.

**'Account'** means an account of the Customer with us;

**'Act'** means the Corporations Act 2001;

**'Application Form'** means an application form to open an Account with us;

**'ASIC'** means the Australian Securities & Investments Commission;

**'ATO'** means the Australian Tax Office;

**'Associated Company'** means any holding company or subsidiary company from time to time of IG Markets Ltd and/or any subsidiary of such holding company or its subsidiaries;

**'Authorised Person'** means the Customer and/or any person authorised by the Customer to give instructions to us under the Customer Agreement;

**'Business day'** means any day other than a Saturday, Sunday and a gazetted public holiday in the State of Victoria, or designated as a holiday by the Australian Stock Exchange;

**'Customer Agreement'** means the Margin Trading Customer Agreement, as amended from time to time;

**'Product Details'** means the section of the public pages of our website designated as the Product Details as amended from time to time. If you do not have access

to our website a copy of these is available upon request, however, please note that they may change without notice to you and it is your responsibility to make yourself aware of the current Product Details, whether by telephone or otherwise, where they apply to any positions opened or closed by you;

**'Contract for Difference' or 'CFD'** means a contract with us whose value fluctuates by reference to fluctuations in the price of an underlying instrument, offered by us to customers from time to time on the terms and conditions set out on the Customer Agreement;

**'Daily stock index CFD'** means a stock index CFD that expires automatically at that day's official market settlement price. See section 3.12 for further details;

**'Day Order'** means a type of Non-guaranteed Stop or Limit Order as explained in section 3.10;

**'FOS'** means the Financial Ombudsman Service;

**'FCA'** means the Financial Conduct Authority of the United Kingdom;

**'Good Till Cancelled (GTC)'** means an instruction that the Order does not expire at the end of the trading day, although a GTC Order will usually terminate at the end of the contract period;

**'Governing Legislation'** means the Act and the regulations made under it and all applicable financial services laws (as defined by section 761A of the Act);

**'Limit Order'** means an order to buy or sell a specified amount of a security at a specified price or better;

**'Limited Risk'** means the protection offered by our Guaranteed Stop Orders. See sections 3.8 and 3.9 for further details;

**'Margin and Margin Percentage'** means the percentage of margin that you are required to have in your account to open a CFD and to maintain for the life of that CFD;

**'Margin Call'** means a demand for additional funds to be deposited in your account to meet margin percentage requirements because of adverse price movements;

**'Non-guaranteed Order'** means a Stop Order or Limit Order, which we execute as soon as possible after our quote reaches or goes beyond the level of such Order. See sections 3.10 and 3.11 for further details;

**'Order'** includes a Limited Risk Stop Order and Non-guaranteed Stop and Limit Orders as the context permits;

**'Product Module'** means a product specific module which forms part of this Agreement and sets out the terms and conditions that apply to specific types of CFDs and/or Services, and any amendments thereto. If, after your agreement to these Terms, you are sent a Product Module for a particular CFD type that you have not traded or been provided with before, then that Product Module will be effective and binding on you from the date that you first trade or open a CFD governed by that Product Module;

**'Stop Order'** means an order to buy or sell a specified amount of a security at a specified price or worse and includes both a conventional Stop Order (where the level of your stop is fixed) and a Trailing Stop (where the level of your stop automatically tracks moments in your position). See section 3.11 and 3.12 for further details;

**'Used Collateral'** means the amount of collateral provided from an IG share trading account to a linked CFD account offsetting the total deposit requirement;

**'we', 'us', 'our' or 'IG MARKETS LIMITED'** means IG Markets Limited and any Associated Companies, as the context may require.

### INFORMATION ABOUT IG MARKETS LIMITED

IG Markets Limited is a company incorporated in England and regulated by the UK Financial Conduct Authority and which holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission, number 220440. IG Markets Limited is registered in Australia as a foreign company (ABN 84 099 019 851).

IG Markets Limited is part of the IG Group, speciality finance and derivatives group offering off-exchange/over-the-counter (OTC) derivatives including CFDs. The IG Group was founded in 1974 and employs approximately 1100 staff worldwide.

The Australian Securities and Investments Commission holds no responsibility for the contents of this PDS or any other materials provided to you by IG Markets Limited.