

# ARUDA PTY LTD

## PRODUCT DISCLOSURE STATEMENT

### Over- the- Counter Contracts for Difference

Online Trading Facility

Issue Date: 28 May 2012

V5.

#### **IMPORTANT INFORMATION**

Financial Services are provided by Aruda Pty Ltd ABN 50 084 146 403 ("Aruda"). (AFSL 338 674) Please note that this Product Disclosure Statement ("PDS") does not constitute a recommendation, financial advice or opinion. Before entering into an Aruda Contracts for Difference (CFD), Margin FX transaction, you should seek independent advice to ensure this is appropriate for your particular financial objectives, needs and circumstances. This PDS' covers derivatives traded online through Interactive Brokers LLC (TWS) platform as over-the-counter ("OTC") products issued by Aruda and are not exchanged traded. This PDS is to help you decide whether CFD's described in this PDS are appropriate for you. You should also use this PDS to compare financial products and other issuers. This PDS outlines the key features of our CFD's, their risks, benefits, fees and costs of trading. In addition to reading and understanding this PDS you must complete the Client CFD Suitability Test. You trade at your own risk and are liable for all trading losses. Your potential liability is not limited to the amount you pay Aruda or your online trade account. Aruda may ask you to cover all shortfalls and your liability on short CFD's can be unlimited. You should carefully consider the risks of Aruda CFDs and your ability to cover liability before investing in Aruda CFDs. Decisions to enter into transactions involving CFD products are very important. They often have significant risks and consequences. OTC contracts can be highly speculative, leveraged and risky. Potential investors should be experienced in CFD products and /or other derivatives understanding accepting the risk.

We recommend that you also obtain independent taxation and accounting advice in relation to the impact of foreign exchange gains and losses on your particular financial situation. The taxation consequences of CFDs transactions can be complex and will differ for each individual's financial circumstances, and your tax adviser should be consulted prior to entering into a CFD transaction.

Aruda does not guarantee the investment performance of CFDs products or the investment performance of the underlying markets or instruments.

For information regarding our full range of products and services, please read our Financial Services Guide. If you have any queries regarding this PDS, please contact Aruda.

To the extent permitted by law, neither Aruda nor its affiliates accept any responsibility for errors or misstatements, negligent or otherwise, nor for any direct, indirect, consequential or other loss arising from any use of these documents and/or further communication in relation to them.

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## **Section 1 – Important Information**

### ***Purpose of this PDS***

Under the Corporations Act, a retail client must receive a Product Disclosure Statement (PDS) from a financial services licensee before acquiring a financial product. The PDS is the document that sets out the significant features of a financial product, including its risks, benefits and cost. The important purpose of this PDS is so you the investor have sufficient information to make an informed decision to the acquisition of our financial products.

This Product Disclosure Statement (PDS) Version 5 (V5) is dated 28 May 2012 and was prepared by Aruda Pty Limited (Aruda) as the issuer of financial products Over-The-Counter (OTC) contracts, Margin FX, CFDs (referred to as Transactions). Aruda as the issuer of financial products described in this PDS.

This PDS is designed to provide you with important information regarding CFDs products we utilise in the provision of our services, including the following information:

- Who we are
- How you can contact us
- Which products we are authorised to offer or utilise
- Benchmarks for OTC CFDs issued to retail investors
- Key features/risk/benefits of these products
- Applicable fees and charges for these products
- Any (potential) conflicts of interest we may have; and
- Our internal and external dispute resolution process.

This PDS is designed to assist you in deciding whether the products covered in this PDS are appropriate for your needs. This PDS has been prepared to assist you in comparing it with others you may be considering. The PDS is an important document and we recommend that you contact us should you have any questions arising from the PDS prior to entering into any transactions with Aruda. Before investing in CFDs referred to in this PDS consider your financial situation, needs and objectives.

The information in this PDS is general information only and does not take into account your personal objectives, financial situation and needs. This PDS does not advise you on whether CFD Transactions are appropriate for you.

You should read all of this PDS before making a decision to deal in financial products covered by this PDS. We recommend that you contact us if you have any questions arising from this PDS prior to entering into any Transactions with us. Aruda recommends that you consult your advisor or obtain independent advice before trading under the Aruda Online Trading Facility. CFD products are highly leveraged and speculative with a high degree of risk. Potential investors should understand and accept the risks before investing.

### ***Currency of PDS***

The information in this PDS is up to date at the time it was prepared but is subject to change from time to time. If the new information is information which is materially

adverse to you, we will either issue a new PDS or a supplementary PDS containing the new information. If the new information is not materially adverse to you, we will not issue a new PDS or a supplementary PDS to you, but you will be able to find the updated information on our website at [www.aruda.com.au](http://www.aruda.com.au) or by calling us using the contact details given in the Directory in this document. If the new information is materially adverse, we will issue a new or supplementary PDS with new information. If you ask us, we will send you a paper copy of the information.

### ***PDS Requirement***

Aruda is required to give this PDS because it is deemed to be the issuer of financial products which are OTC derivatives – CFDs and Margin FX. Each transaction which is agreed and entered into with Aruda as principle.

Your Transactions with Aruda under the Aruda Online Trading Facility can be CFDs. CFD transactions can be highly leveraged and speculative with a high degree of risk. Potential investors should be experienced in CFDs and understand and accept the risks of investing in CFD Transactions. These are sophisticated financial products so you should read this PDS in full before making any decision to invest in these financial products.

This PDS aims to provide you with the documents for establishing your Aruda Online Trading Facility and with enough information for you to decide whether to trade in these financial products with Aruda.

You may also use this PDS to compare this financial product with others. Some expressions used in this PDS have definitions given in the terms of your Aruda Online Trading Facility.

A CFD is an OTC derivative product that allows investors trading in them to take a position on the change in value of an underlying asset. References in this PDS include references to margin Forex and CFD or margin Forex type products. For Futures, options please see the Aruda PDS Derivatives- Futures & Options Online Trading Facility.

### ***Other Jurisdictions***

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

### ***Name of Service Provider & Contract Details***

The Service Provider is Aruda Pty Ltd ACN 104 482 993 (“Aruda”), and the Contact is John Robertson, Managing Director.

### ***Australian Financial Services Licence (“AFSL”)***

Aruda holds an AFSL [Number 338 674] and is authorised to provide the following services:

This licence authorises the licensee to carry on a financial services business to:

(a) provide financial product advice for the following classes of financial products:

- (i) derivatives; and
- (ii) securities;
- (b) deal in a financial product by:
  - (i) issuing, applying for, acquiring, varying or disposing of a financial product in respect of the following classes of financial products:
    - (A) derivatives; and
    - (ii) applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of the following classes of products:
      - (A) derivatives; and
      - (B) securities; and
  - (C) make a market for the following financial products:
    - (i) derivatives;

to retail and wholesale clients.

### **Contact Details of Aruda Pty Ltd (“Aruda”)**

Aruda Pty Ltd  
 PO Box 3794  
 Mosman NSW 2088  
 Tel: (612) 8004 0234  
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## **Section 2 – Disclaimer and Information**

### **Disclaimer and Information**

As of the 31st of March 2012, all issuers dealing in Over-the-counter (OTC) derivatives are required to meet the disclosure benchmarks outlined in *Regulatory Guide 227: Over-the-counter-contracts for difference: Improving Disclosure for Retail Investors*. These benchmarks are not mandatory, however if they are not satisfied the issuer has an obligation to disclose on an ‘if not, why not basis’ the reasons why the benchmark is not met and what they are doing to address the issue.

### **Meeting the Disclosure Benchmark**

Meeting the Disclosure Benchmark –RG 227 [www.asic.gov.au](http://www.asic.gov.au)

<b>1 Client qualification</b>	Benchmark 1 addresses the issuer's policy on investors' qualification for CFD trading.
<b>2 Opening collateral</b>	Benchmark 2 addresses the issuer's policy on the types of assets accepted from investors as opening collateral.
<b>3 Counterparty risk— Hedging</b>	Benchmark 3 addresses the issuer's practices in hedging its risk from client positions and the quality of this hedging.
<b>4 Counterparty risk— Financial resources</b>	Benchmark 4 addresses whether the issuer holds sufficient liquid funds to withstand significant adverse market movements.
<b>5 Client money</b>	Benchmark 5 addresses the issuer's policy on its use of client money.
<b>6 Suspended or halted underlying assets</b>	Benchmark 6 addresses the issuer's practices in relation to investor trading when trading in the underlying asset is suspended or halted.
<b>7 Margin calls</b>	Benchmark 7 addresses the issuer's practices in the event of client accounts entering into margin call.

## ***Client Qualification***

Many investors do not receive advice about whether or not CFDs are appropriate for their objectives, financial situation and needs, Australian Securities Investment Commission [www.asic.gov.au](http://www.asic.gov.au) (ASIC) has determined that issuers are to play a role in ensuring that only investors with a sound understanding of the features and risks of CFDs are eligible to open an account and trade. This is as ASIC believes that investors who thoroughly understand the features and risks of the product will be able to determine whether Over-the-counter (ie.non-exchange traded) contracts for difference OTC CFDs are an appropriate investment for them and to manage the risks associated with trading on an ongoing basis. This requirement is enforced through Disclosure Benchmark 1 of RG 227.

### ***Benchmark 1 of RG 227***

Benchmark 1 of RG 227 reads:

an issuer should maintain and apply a written client qualification policy that:

- (a) Sets out the minimum qualification criteria that prospective investors will need to demonstrate they meet before the issuer will agree to open a new account on their behalf;*
- (b) Outlines the processes the issuer has in place to ensure that prospective investors who do not meet the qualification criteria are not able to open an account and trade in CFDs; and*
- (c) Requires the issuer to keep written records of client assessments.*

A client suitability test has been implemented and maintained as part of the policy required to grade clients setting a benchmark to ensure unqualified investors are not able to open an account with Aruda to trade in OTC CFD's. The suitability test is included in the Account Opening Documents. Ensure you fully understand the products and agree they are appropriate for you before you trade.

Aruda has not considered your personal circumstances. This document only provides a summary of the significant features and risks of CFD products. Before trading in CFD products, you need to be satisfied that these financial products are appropriate to your financial objectives, situation and needs. Aruda strongly recommends that before opening an account and beginning to trade that you use the demonstration online system, read and understand this PDS. Always seek legal, taxation and financial advice.

To the extent permitted by law, neither Aruda nor its affiliates accepts any responsibility for errors or misstatements, negligent or otherwise, nor for any direct, indirect, consequential or other loss arising from any use of these documents and/or further communication in relation to them.

## RG 227 Benchmark Table

ASIC RG 227 Benchmark	ARUDA
<p><b>1 Client qualification</b></p> <p>If an issuer meets this benchmark, the PDS should clearly explain:</p> <ul style="list-style-type: none"> <li>that trading in CFDs is not suitable for all investors because of the significant risks involved; and</li> <li>how the issuer's client qualification policy operates in practice.</li> </ul> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described in RG 227.40, it should disclose this in the PDS and explain why this is so.</p>	<p>Aruda believes it meets this benchmark. See Page 7 of this PDS &amp; Annexure A</p>
<p><b>2 Opening collateral</b></p> <p>If an issuer meets this benchmark, the PDS should explain the types of assets the issuer will accept as opening collateral.</p> <p>If an issuer accepts non-cash assets as opening collateral (other than credit cards to a limit of \$1000), the PDS should explain why the issuer does so and the additional risks that using other types of assets (e.g. securities and real property) as opening collateral may pose for the investor. This includes, for example, the risks of 'double leverage' if leveraged assets are accepted as opening collateral.</p>	<p>Aruda meets this benchmark as it only accepts cash or cash equivalents as opening collateral. No credit cards or assets other than cash are used as opening collateral.</p> <p>See Page 18 of this PDS</p>
<p><b>3 Counterparty risk—Hedging</b></p> <p>If an issuer meets this benchmark, the PDS should provide the following explanations:</p> <ul style="list-style-type: none"> <li>a broad overview of the nature of hedging activity the issuer undertakes to mitigate its market risk, and the factors the issuer takes into account when selecting hedging counterparties; and</li> <li>details about where investors can find the issuer's more detailed policy on the activities it undertakes to mitigate its counterparty and market risk, and the names of any hedging counterparties.</li> </ul> <p>If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so.</p> <p>The PDS must include information about the significant risks associated with the product: s1013D(1)(c). The PDS should also provide a clear explanation of the counterparty risk associated with OTC CFDs. The PDS should explain that, if the issuer defaults on its obligations, investors may become unsecured creditors in an administration or liquidation and will not have recourse to any underlying assets in the event of the issuer's insolvency.</p>	<p>Aruda would meet this benchmark but does not due to:</p> <p>Aruda does not disclose or specify the names of its hedge counterparties. It uses the interactive Brokers LLC TWS Online platform using Interbank dealers for quotes.</p> <p>Aruda discloses in the PDS that in the event of Aruda insolvency client funds may or may not be protected. If Aruda defaults on its obligations of the counterparty risk associated with OTC CFDs investors may become unsecured creditors in an administration or liquidation.</p> <p>This PDS complies with the requirement to include information on Significant risks associated with CFDs P13.</p> <p>Aruda uses Interactive Brokers LLC TWS online platform and its counterparty's.</p>
<p><b>4 Counterparty risk—Financial resources</b></p> <p>If an issuer meets this benchmark, the PDS should explain how the issuer's policy operates in practice.</p>	<p>Aruda would meet this benchmark except that Aruda only makes available copies of its last audited annual</p>

<p>If an issuer does not meet the requirement on stress testing, it should explain why and what alternative strategies it has in place to ensure that, in the event of significant adverse market movements, the issuer would have sufficient liquid resources to meet its obligations to investors without needing to have recourse to client money to do so.</p> <p>An issuer should also make available to prospective investors a copy of its latest audited annual financial statement, either online or as an attachment to the PDS.</p>	<p>financial statements by inspection at our office. P15</p> <p>Aruda would otherwise meet this benchmark as it uses Interactive Brokers LLC online platform for all trades and its financials are publically available on its website <a href="https://www.interactivebrokers.com/en/general/about/financials.php">https://www.interactivebrokers.com/en/general/about/financials.php</a></p> <p>Interactive Brokers has stress testing of client accounts with all accounts prefunded.</p>
<p><b>5 Client money</b></p> <p>If an issuer meets this benchmark, the PDS should clearly:</p> <ul style="list-style-type: none"> <li>describe the issuer’s client money policy, including how the issuer deals with client money and when, and on what basis, it makes withdrawals from client money; and</li> <li>explain the counterparty risk associated with the use of client money for derivatives.</li> </ul> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described above, it should disclose this in the PDS. If an issuer’s policy allows it to use money deposited by one client to meet the margin or settlement requirements of another client, it should very clearly and prominently explain this and the additional risks to client money entailed by this practice.</p> <p>An issuer’s client money policy should be explained in the PDS in a way that allows potential investors to properly evaluate and quantify the nature of the risk, if any, to client money.</p>	<p>Aruda believes it meets this benchmark.</p> <p>Aruda deposits, withdraws all clients funds through a segregated Trust account with National Australia Bank.</p> <p>Client funds are then moved through Bank of America – Sydney to Interactive Brokers client account.</p> <p>Clients cannot trade without paying for the CFD trade and covering the margins.</p> <p>Please see P18 of this PDS</p>
<p><b>6 Suspended or halted underlying assets</b></p> <p>If an issuer meets the benchmark, the PDS should explain the issuer’s approach to trading when underlying assets are suspended or halted.</p> <p>If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so, as well as the additional risks that trading when underlying assets are suspended may pose for investors.</p> <p>To provide a full explanation of this aspect of the product, an issuer should explain any discretions it retains as to how it manages positions over halted or suspended assets, and how it determines when and how it uses these discretions. This should include disclosure of any discretions the issuer retains to:</p> <ul style="list-style-type: none"> <li>change the margin requirement on a position;</li> <li>re-price a position; or</li> <li>Close out a position</li> </ul>	<p>Aruda believes it meets this benchmark in all respects.</p> <p>Aruda’s approach to trading when underlying assets are suspended or halted is described in</p> <p>Aruda will endeavour to match the underlying financial security.</p> <p>Please see P22 and P16 of this PDS</p>
<p><b>7 Margin calls</b></p> <p>If an issuer meets this benchmark, the PDS should explain the issuer’s policy and margin call practices.</p> <p>If an issuer does not have such a policy in place, or one that does not</p>	<p>Aruda would meet this benchmark but does not due to:</p> <p>Aruda does not commit to taking any</p>

incorporate all of the elements described above, it should disclose this in the PDS and explain why this is so.

To provide full and accurate information about this aspect of CFD trading, the PDS should clearly state that trading in CFDs involves the risk of losing substantially more than the initial investment. This will ensure the issuer meets its obligation to include in the PDS information

reasonable steps to notify investors before making a margin call because of any timely considerations. Please see P21 of this PDS

Aruda's clients meet margin calls by pre-funding the accounts and through TWS automated margining system that will trim and / or close out positions.

### ***Relevant Documents***

Please read and understand the relevant accompanied documents – The Aruda Financial Service Guide (FSG), the Best Execution Guide and please execute the Aruda Account Opening Application V3 and. [www.aruda.com.au](http://www.aruda.com.au) By opening an account with Aruda you agree to the terms.

## **Section 3 – Terms and Conditions**

### ***Terms and Conditions***

This PDS, Best Execution and the FSG set out important information about the financial products and are binding on you and Aruda. Additional legal terms governing your dealing with us are set out in:

- your Client Account Opening Agreement with us;
- any supplementary terms for particular financial products

If you are unable to access the relevant information, please contact us and we will endeavour to make the information available to you through other means; and

- any supplementary terms for any electronic Trading Platform which you use to transmit your orders. You will need to execute a Client Services Agreement by completing the application form provided by Aruda. The Client Services Agreement sets out the general legal terms of your dealings with us for the products covered by this PDS and also for dealings not covered by this PDS (such as trading in other financial products offered by Aruda). By opening an account with us you agree to the terms of the Client Account Opening Agreement.

You are responsible for providing and maintaining means to access the trading platform not limited to a computer, modem and internet connection. If you cannot access the Online platform you may suffer a profit or loss in the CFD financial product offered by Aruda. Aruda does not provide trading platform as it outsourced this operation. Aruda uses Interactive Brokers LLC Trader Workstation.

[www.interactivebrokers.com](http://www.interactivebrokers.com) Aruda adviser's potential clients to review these websites.

Aruda offers this platform to you at its discretion. We recommend the use of the Free Demo account.

## **Section 4 – Key Features**

### ***Key Features of CFD Transactions***

A CFD is an OTC derivative product that allows investors trading in them to take a position on the change in value of an underlying asset.

CFDs are not standardised. The terms of the CFDs are individually tailored to the particular requirements of the parties involved in the contract – Aruda and the client. CFDs do not trade on an exchange. CFDs can be tailored to meet your specific circumstances.

CFD product broadly replicates the price movement of the underlying financial product. You have no right or obligation to the underlying financial product. This is unlike trading in the underlying financial product where you require the beneficial interest.

CFDs provide leverage as you only pay Aruda a margin not the full value.

Accordingly leverage can lead to large losses as well as gains. Leverage can lead to increased risk and can magnify losses – Significant Risks.

CFDs do not have an expiry date and will remain in place until you or Aruda, in its discretion close out the position. The trade can only be entered into with Aruda and closed out with Aruda.

CFD's strategies may be complex and have different levels of risk associated with each strategy.

Aruda discloses in this PDS that in the event of Aruda insolvency client funds may or may not be protected. If Aruda defaults on its obligations of the counterparty risk associated with OTC CFDs investors may become unsecured creditors in an administration or liquidation.

### ***Two CFD Pricing Models***

There are two pricing models or ways of trading CFDs with Aruda. Aruda earns income on volume of CFDs traded. Aruda charges commissions on execution of both models.

- **Direct Market Access (DMA)** where all CFD quotes made by Aruda are the same as the value or price of the underlying financial product (no spread).

For example:

Underlying price at AUDUSD @ 1.0000 / 1.0001

CFD price at AUDUSD @ 1.0000 / 1.0001

- **The Market Maker Model** is where Aruda quotes have direct reference to the underlying financial product with an additional spread applied.

For example:

Underlying price at AUDUSD @ 1.0000 / 1.0001

CFD price at AUDUSD @ 0.9999 / 1.0002

### ***CFD Profit and Loss***

The amount of Profit or Loss made on a CFD will be equal to the difference between the price or value of the CFDs underlying product when the CFD is Opened and the price or value of the CFDs underlying product when the CFD is Closed Out, multiplied by the number of CFDs held. This calculation can also be affected by funding charges, transaction costs and any other charges. This can be dependent on varying factors such as the length of time the open position was held as funding charges are determined daily.

### **CFD Quotes**

CFD quote for example where AUDUSD (Australian Dollar United States Dollar) is the underlying product, may be quoted as “1.000/ 1.0001”. This means you can

- a) Buy the CFD at 1.0001 and / or
- b) Sell the CFD at 1.000

## CFD Examples

### #1

100,000 AUDUSD CFDs purchased at a price of 1.0000 and later sold the CFDs– Closed Out the position, at a higher price of 1.0001

The Gross Profit would be  $(100,000 * 1.0001) - (100,000 * 1.0000) = \$10$  Profit

Sale Price 1.0001 less purchase price 1.0000 \* 100,000

The Net Profit is determined by deducting funding charges, transaction costs and any other charges.

### #2

100,000 AUDUSD CFDs purchased at a price of 1.0001 and later sold the CFDs– Closed Out the position, at a lower price of 1.0000

The Gross Loss would be  $(100,000 * 1.0000) - (100,000 * 1.0001) = \$10$  Loss

Sale Price 1.0000 less purchase price 1.0001 \* 100,000

The Net loss is determined by deducting funding charges, transaction costs and any other charges.

The examples use simplifying assumptions by not taking into account a Client’s tax rate or overall tax position, potential changes in interest rates charged to or earned on the Client’s Trading Account or the time value of money. While these variables will undoubtedly change the outcome of a Transaction, they are normal market variables which cannot now be predicted and so must be taken into consideration by a potential investor in Transactions.

Margin requirements, interest rates and external charges may of course change at any time.

## ***Key Benefits of CFD Transactions***

Trading in CFDs Transactions may assist with cash flow management.

CFDs Transactions also allow **speculative** trading to generate profits (as well as significant losses).

CFD trading solution enable you to take a trading position with exposure to the underlying financial product without needing to Buy or Sell the actual underlying financial product.

CFDs can be used as a **hedge** against your existing exposure to an underlying financial product.

CFD can be traded from both the **Long and Short positions** with a view of profiting (or loss) in rising or falling markets. If you take a long position (purchase CFDs) you profit from a rise in the price of the underlying financial product and you lose if the underlying market falls. Conversely, if you take a short (sell CFDs) you profit from a fall in the underlying financial product and lose if the underlying financial product rises.

CFDs involve a **high degree of leverage**. Investors deposit relative small amount of funds (Initial Margin) without paying full price for the underlying financial product.

This increases the potential risks and rewards. An additional payment is made to cover all net debt adverse market movements (Variation margin) or alternatively by closing out the position.

The following are examples of the Margins on FX

	Leverage Rate	Margin Requirement % <sup>1</sup>
USD, EUR, JPY, CHF, GBP, AUD, CAD	40:1	2.5% <sup>2</sup>
SEK, NOK, NZD	30:1	3.33%
HKD, MXN, SGD, ILS	20:1	5%
KRW	10:1	10%

CFDs are not standardised. The terms of the CFDs are individually **tailored** to the particular requirements of the parties involved in the contract – Aruda and the client. CFDs do not trade on an exchange. CFDs can be tailored to meet your specific circumstances.

Aruda has additional protection for clients by having clients pre-fund their account. CFDs as opposed to Exchange traded Transactions do not have the benefit of greater market liquidity and the regulations governing the market. You should note, however, that Aruda only facilitates your order placement for CFD Transactions through funded online trading platforms.

Foreign Exchange CFDs which are denominated in foreign currency can expose you to fast and large changes to the value of your trading account.

## Section 5 – Significant Risks

### *Significant Risks of CFDs*

You should be aware that trading in CFD financial products offered by Aruda involves risk.

Trading CFDs with Aruda carries a **Trading Risk**. You trade at your own risk and are liable for all trading fees and losses.

CFDs are highly leveraged in that the amount you pay – margin is less than the full face value of the underlying financial product. See Annexure for Margin FX levels examples. CFDs are typically **low margin, high leverage investments**.

Aruda highly recommends that you **do not risk monies** that you are not in a position to lose. Mitigation techniques such as stop loss orders are provided online. Stop loss orders shall be executed at or near the price value requested but are not guaranteed. See Annexure of this PDS for more information on order types.

**Unlimited Losses.** Your potential losses on CFDs may exceed and is not limited to the amount you pay as margin or your total account size. You could lose additional monies beyond the funds you have deposited with Aruda.

Under certain market conditions it could become difficult or impossible for you to **manage your risk** of the open positions. If the market moves adversely to your position you may have a substantial loss and / or be required to deposit **substantial additional funds** or have you or Aruda close out some / all of the position. Under certain market conditions the prices of CFDs may **not maintain their usual relationship** with the underlying financial product.

Foreign Exchange CFDs which are denominated in foreign currency can expose you to fast and large changes to the value of your trading account.

CFDs have the risk that Aruda will not meet its obligations to you under the CFD. Counterparty risk because CFDs are not exchange traded so you will have to consider the performance risk and credit risk with Aruda. Aruda discloses in the PDS that in the event of Aruda insolvency client funds may or may not be protected. If Aruda defaults on its obligations of the counterparty risk associated with OTC CFDs investors may become unsecured creditors in an administration or liquidation.

## **Section 6 – General Risks**

### ***General Risks of CFDs***

Aruda strongly recommends that, if you are not fully familiar with Transactions, you obtain independent legal, financial and taxation advice before proceeding with a transaction.

Further, Aruda recommends that you should consider the following:

It is your responsibility to understand the nature and risks associated with each Transaction.

In entering into any Transaction, neither Aruda nor any of its representatives will advise you, or is to be taken as advising you, as to any strategy, risk profile or financial result.

CFD contracts trading are highly speculative and volatile. There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged.

Past performance of markets and currencies in particular, is never an assurance of future performance.

The value of your Trading Account may fluctuate according to exchange rates and interest rates, as well as other market conditions which are outside of your control and which cannot be forecast.

Trading with Aruda may give rise to actual or potential conflicts of interests, because Aruda is acting as issuer and/or agent in its Transactions with you and also because it may be transacting with other persons, at different prices or rates, or Aruda will be trading with banks and other market participants. Information about prices or rates may come from several sources and may not be current at the time given to you.

Aruda does not take responsibility for information about rates or other financial market data or statements and Aruda relies on your acknowledgment that you do not rely on any such information given to you or discussed with you. Aruda only undertakes to perform the Transaction agreed with you at the price or rate for that Transaction, and not at any other price or rate available in the market.

The risks described here may not include all risk considerations that may be relevant to you when entering into a Transaction and using Aruda Online Trading Facility. Before dealing in these transactions you should be satisfied that the Transaction is suitable for you.

### ***Market Risk***

Financial markets can be volatile. Fluctuations in the financial underlying product may directly affect the CFD value. Close monitoring of accounts is recommended.

All market participants have a legal obligation to ensure that the markets are transparent, fair and orderly. Aruda brings clients attention to some practices when placing orders may create a false market and / or constitute market manipulation which is conduct prohibited under the Corporations Act. Clients may be liable for any costs to Aruda arising out of trading practices for any person suffering loss or penalty.

Given that Aruda is the counterparty to CFD transactions you have an exposure to Aruda for those transactions. If Aruda the issuer defaults on its obligations, investors may become **unsecured creditors** in an administration or liquidation and will not have recourse to any underlying assets in the event of the issuer's insolvency.

### ***Order Acceptance Risk for CFD***

Aruda has absolute discretion when you request to place an order whether or not to accept and execute. The effect of Aruda discretion is that your order may not be executed and you may suffer a loss as a result. Aruda is not responsible for any such losses. Order types are not guaranteed. You must actively monitor your account for open and closed positions. CFD positions remain open until they are closed out.

When using Internet based trading systems there are a number of related risks. Examples of these are but not limited to internet risks, software issues, data errors, security breaches and errors. These are outside the control of Aruda or its suppliers and no recourse against Aruda in relation to the use of online trading platform and errors. You must fully understand the risks of online trading and the limitations for Aruda. Online trading platforms may close from time to time and you will not be able to trade CFDs. You may suffer a loss as a result and have no recourse against Aruda.

Aruda can in circumstances restrict and / or prevent orders being placed. Some examples of these but not restricted to are

Availability of volume for an illiquid market and order type. Aruda will place a premium fee on placing any order. This fee will not surpass the maximum Aruda charges.

### ***CFD are not Regulated Market***

CFD financial products offered by Aruda are OTC derivatives and are not covered by exchange protections (for example compensation funds or guarantee funds). An example of exchange rules can be viewed at the Australian Stock Exchange [www.asx.com.au](http://www.asx.com.au) Under certain market situations (significant change) it may become difficult or impossible to reduce and/or close out your position.

CFD transactions are not transferrable or assign the CFD position to another. The underlying financial products World exchanges can be advised from your Aruda adviser.

Price and value adjustments can be made by Aruda if the circumstances are appropriate. Aruda has the discretion to determine the extent of the adjustment or close out a position reasonably. Aruda has proprietary risk models in its online platform that may reduce or close out a position with no obligation to consult the client. Aruda has a comprehensive insurance policy to cover a variety of different scenarios that can occur in trading CFDs. If Aruda became insolvent and was not able to provide financial services you could become an unsecured creditor or Aruda as Aruda is to an insolvent hedging counterparty. You should be aware of Aruda's hedging counterparties. Aruda uses Interactive brokers LLC

[www.interactivebrokers.com](http://www.interactivebrokers.com)

### ***Under Over Hedge***

As a result of your own CFD risk management procedures to match any exposure, you may direct Aruda to add to or Close Out some of your CFD contracts. Please note you are responsible for the cost of any additional hedging of the contracts entered into for adjustment purposes.

### ***Outside Control Risk***

You may incur losses that are caused by matters outside the control of Aruda or a Market Participant. For example, a regulatory authority exercising its powers during a market emergency may result in losses.

A regulatory authority can, in extreme situations, suspend trading of the underlying financial product which would alter the price at which a position is settled. This could also result in a loss to you.

### ***Market Disruption / Emergencies***

A market disruption may mean that you are unable to deal in a derivatives contract when you desire and you may suffer a loss as a result. Common examples of disruption include the “crash” of a computer based trading system, fire or other exchange emergency, an exchange regulatory body declaring an undesirable situation has developed in relation to a particular series of contracts and suspends trading.

Our powers on default, indemnities and limitations on liability: If you fail to pay, or provide security for, amounts payable to Aruda or fail to perform any obligation under your Transactions, Aruda has extensive powers with you to take steps to protect our position including, for example, the power to close out positions and to charge default interest. Under the Terms you also indemnify Aruda for certain losses and liabilities, including, for example, in default scenarios.

Further, Aruda’s liability to you is expressly limited (to the extent permitted by law) to performing its obligations.

### ***Credit Risk of CFDs***

Credit risk is common to all financial markets products that you may enter with Aruda. Your Trading Account may reflect collateral given to Aruda as security for your performance of your obligations. Aruda has a right to adjust your Trading Account towards satisfaction of any outstanding liability you have to Aruda.

Conversely, you are subject to our credit risk. If Aruda were to become insolvent, then we may be unable to meet our obligations to you in full or at all.

When you are trading through an online trading platform, Aruda is acting as your order placement agent; your Transaction will be at the risk of whichever Market Participant with whom Aruda transacts on your behalf. In those cases your Transaction will be subject to the terms which apply in the agreements between Aruda and the Market contracts on your behalf. Aruda takes no responsibility in any way whatsoever, and will not have any liability of any kind, whether under contract, tort, fiduciary duty or otherwise, for the creditworthiness and performance of those counterparts.

Aruda’s capital adequacy is subject to the conditions of its Australian Financial Services Licence. These require certain minimum capital requirements to be maintained. (Your CFD contracts are not, however, governed by any exchange rules.)

## ***Operational Risk of CFDs***

You rely on Aruda performing its obligations, such as settling your Transactions in a timely and accurate manner. I

Aruda is dependent on its reliability of its own operational processes that include communications, computers and computers networks.

Disruptions in Aruda's processes may lead to delays in the execution, settlement or determination of price of your Transaction. These disruptions may result in outcomes that are less favourable to you.

Aruda makes available to you through its services a broad range of financial information generated internally, from agents and third party providers. Accepting advice from Aruda you acknowledge the sources and accept the risk. Market information is not intended as advice. Aruda and its providers does in no way endorse, guarantee the accuracy, timeliness, correctness or completeness of any information. Aruda is not obliged to update any information in a timely manner. Information may change anytime without notice.

## ***Legal Risk***

Australia, as a member state of the United Nations, is obliged to implement United Nations Security Council sanctions. Australia also may be required to implement other international sanctions and sometimes imposes unilateral sanctions. Sanctions can cover several subject matters including financial restrictions. Consequently, Aruda may be prohibited from dealing with certain persons and entities.

This means that if Aruda is aware that you are a proscribed person or entity, Aruda may be required to suspend, cancel or refuse you services or close or terminate any account, facility, transaction, arrangement or agreement with you. We may also be required to freeze your assets. You could incur significant losses or costs as a result of these actions. If there is fraudulent activity by one of Aruda's employees, directors, authorised representatives or parties that result in your money being used fraudulently it is the obligation of Aruda to reimburse the loss.

## ***No Cooling Off Period with CFDs***

There is no cooling off arrangement for Transactions. There is no cooling off arrangements for the CFD offered by Aruda. You have no right to return the product, request a refund. If you change your mind you should immediately close out the CFD.

## ***Contract Size***

A CFD position size may change if there is an adjustment following a corporate action, such as a new issue of securities or a reorganisation of capital in the Underlying Security.

In entering into any CFD Transaction, neither Aruda nor any of its representatives will advise you, or is to be taken as advising you, as to any strategy, risk profile or financial result.

## ***Online Trading Platform***

There are a number of risks associated with using online based Trading Platforms. Such risks include, but are not limited to, risks related to the use of software and/or

telecommunications systems such as software errors and bugs, delays in telecommunications systems, interrupted service, data supply errors, faults or inaccuracies and security breaches.

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

Aruda has outsourced the operation of its Trading Platforms to various third parties, and in doing so has relied upon these third parties to ensure the relevant systems and procedures are regularly updated and maintained.

## Section 7 – Client Money

### *Client Money*

Funds deposited with Aruda are deposited into Aruda Trust account with National Australia Bank, Sydney. Your funds are at risk in the event another client defaults as individual funds are not separated from each other. Client funds are co-mingled.

Client funds are segregated from Aruda's own funds. Client monies are held, used and withdrawn in accordance with the Corporations Act and this PDS.

Aruda's agreement with its CFD clients does include terms permitting Aruda to withdraw Client Money from a Client Money Account for purposes other than margining, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives enabling it to meet all client liabilities. Aruda has the right to apply all clients moneys held in its Client Segregated Account to meet the default in that account, and all Client moneys may be used to meet any of the Client's liabilities under the Aruda Online Trading Facility TWS. Aruda has a right to adjust the Clients Trading Account towards satisfaction of any outstanding liability. Clients must be aware of their account value at all times and not let the account drop below minimum balance of \$10,000. This risk can be managed by checking the account balance online dynamically.

Funds can be deposited directly into the Aruda segregated Trust account by Direct debit, Electronic funds transfer (EFT) or BPay. Cheques may take 3 days to clear.

**Electronic Transfer of Funds (ETF)** – This is a transfer of funds that in most instances if lodged with an Australian bank, will be placed as cleared funds usually within the next business day with Aruda, but can be delayed through various external factors outside of yours or Aruda's control.

**International Electronic Transfer of Funds (IEFT)** – This is a transfer from an overseas bank that in most instances if lodged with an overseas bank will be placed as cleared funds usually within five (5) business days, but can be delayed through external factors outside of yours or Aruda's control.

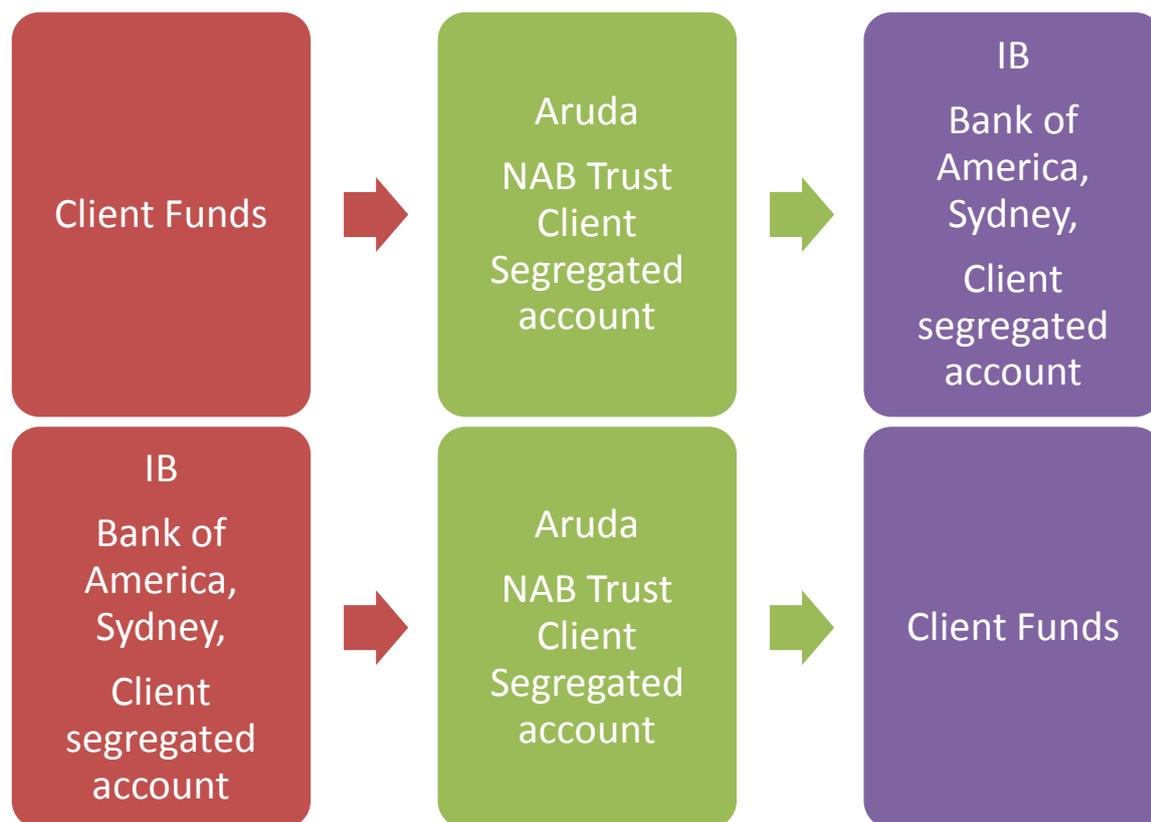
**Bank cheque** – This is a cheque that is issued by a bank that traditionally requires three (3) business days or more to clear and would be required to be deposited with a 'special answer' to be made available as cleared funds the following business day (if required), but can be delayed through external factors outside of yours or Aruda's control.

**Business cheque and personal cheque** – This is a cheque that is issued by a business or person that traditionally requires three (3) business days or more to clear and would be required to be deposited with a ‘special answer’ to be made available as cleared funds the following business day (if required), but can be delayed through external factors outside of yours or Aruda’s control.

If Aruda receives confirmation of RTGS and EFT, Aruda will determine this as cleared funds. Unfortunately, as IEFT, bank cheques, business cheques and personal cheques can be cancelled or withdrawn, Aruda will need to assess on a case by case basis whether this method of deposit is appropriate or, alternately if cleared funds will still need to be provided by you.

Whilst RTGS or EFT facilities may imply an immediate transfer of funds, you should also be aware that these processes can take additional time which could have some impact on your ability to trade and to control your Open Positions at that time. We recommend that you clarify with your bank or financial institution what timeframes or delays may be experienced in the transfer of funds via RTGS or EFT facilities to Aruda. Aruda will not suggest to you any amount of capital to use to safe guard from a Margin Call.

### ***Aruda / Client Cash Flow Diagram***



### ***Client Segregated Accounts***

When a Client trades in CFD Transactions through an online trading platform, Aruda is acting as the issuer of the CFDs, Client’s order placement agent. In this case, the Client’s moneys are first placed in Aruda’s trust account for all Aruda Online Trading Facility Clients and then may later be deposited with the Market Participant (who

may also be an intermediary who places the order through the on-line trading platform).

So, a Client's moneys placed with Aruda will initially be placed with Aruda's trust account and may stay with the Market Participant's account or it may eventually be placed in another Market Participant's segregated account for the intermediary and other clients of the Market Participant.

For Client's money deposited in a Market Participant's Segregated Account, the Client acknowledges that:

- individual client accounts are not separated from each other;
- all Clients' funds are co-mingled into Aruda's trust account and then possibly into one or more one Client Segregated Accounts with the intermediary of the Market Participant;
- Trust account and Client Segregated Account provisions may not insulate any individual client's funds from a default in the Market Participant's Client Segregated Account or the trust accounts of Aruda or the intermediary Market Participant; such a default may arise from any Clients' trading or the trading of other customers who use any of the Market Participants;
- Aruda is entitled to all interest earned on its trust account and accounts with the Market Participant, unless and to the extent Aruda otherwise determines;
- assets in the Client Segregated Account with a Market Participant belonging to non-defaulting customers are potentially at risk, even though they did not cause the default;
- a Market Participant has the right to apply all clients' moneys held in its Client Segregated Account to meet the default in that account; and
- all Client moneys may be used to meet any of the Client's liabilities under the Aruda Online Trading Facility.
- Clients who trade in CFD Transactions which are OTC contracts may not have the benefit of protective measures provided by the Corporations Act 2001 or an exchange's operating rules. In particular, Clients' funds may not have the same protection as funds deposited in Australia in a Market Participant's Client Segregated Account.

## **Section 8 – Types of CFD's**

### ***Types of CFDs***

Aruda may from time to time offer different types of CFDs. These can be but are not restricted to Margin FX, Share CFDs, Index CFDs and commodity CFDs.

Share CFDs where you hold a long position Aruda will credit your account with an amount equal to the dividend on the number of CFDs underlying securities on the next business day after the ex-dividend date. You receive no dividend imputation credits. Conversely, if you hold a short CFD position your account will be debited an amount equal to the dividend on the CFDs Underlying securities on the ex-dividend date.

Trading hours of CFDs will be dependent on the trading hours of the underlying financial product. Aruda will try and maintain this timeframe.

Any respect to corporate actions with respect to the underlying security on which the CFD is based will generally be made to your CFD position. You must request the

amount. The closing of CFD contracts may be affected if the underlying financial product is in suspension, takeover, trading halts and to limited to external administration.

Margin FX CFDs are offered in Aruda online platform. FX CFDs derive their price offered by Aruda from the real time changes in the price of the underlying financial product available to Aruda from its hedge counterparties (not exchange based). Prices can be traded 24 hours a day (subject to no platform disruptions). FX CFDs allow you to gain exposure to movements in currency rates. These have a bid/offer spread. Details of currency sizes Margins and financing charges can be seen at [www.interactivebrokers.com](http://www.interactivebrokers.com)

For example:

AUDUSD 1.0000 / 1.0001

## Section 9 – Margin Obligations

### *Margin Obligations for CFDs*

CFD being leveraged products are subject to margin obligations. That is clients must deposit funds to Aruda to cover CFD positions. CFD has two main components:

Aruda will not recommend the amount of capital to safeguard against a margin call.

When a CFD is transacted, Margin cover is usually required:

- as “initial” margin, to start the trading (Initial Margin);
- as “variation” margin, meaning adjustments to margin cover due to falls in the value of the financial product or underlying security (Variation Margin); or
- as “maintenance” margin –

**Initial Margin** is when you open a CFD you will be required to pay Aruda an amount representing the collateral for your exposure under the transaction to cover the risk payable when entering the CFD contract. These are not costs and typically range between 1% and %100 of the face value of the CFD contract. This % value may change at any time deemed appropriate.

### **Variation Margin**

Is determined by reference to the market value of the underlying financial product at the close of business each day. Each contract is marked to market and revalue each day. The differences between the current day and the previous day’s valuation is the amount debited (unrealised loss) or credited (unrealised profits) to your account.

Your margin requirement will be the sum of these two. No margin call will be made and it is reliant on the client monitoring their account at all times. Margin requirements can change at any time for risk reasons. Margin calls must be immediately.

If your online account is not properly funded the online platform will reduce and/or close out your CFD position resulting in a realised loss or profit. You must maintain sufficient cleared funds at all times and no recourse will be entered into. All losses and profits will be debited or credited to your online account.

### **Maintenance Margin**

to maintain the margin cover in light of adjustments to the percentage of value of the stock allowed as margin cover or other trading platform adjustments not related to the price movements of the financial products.

It is your responsibility to provide the collateral for your margin cover on time. In some cases it might take 48 hours or more for funds sent to Aruda to be credited to your Trading Account (depending on the rules of your Trading Account or online trading platform or other external factors outside the control of Aruda).

### ***Trading Halts or Suspensions***

During the trading term of your CFDs Aruda will determine the value of your trading account(s) based on the current value of the CFDs in your Aruda Professional account. These are normally marked to market on a continuous basis when the underlying financial product is open. If trading in the underlying financial product is halted or suspended the CFD position will be re-valued by Aruda for your trading account. Aruda is responsible in determining the value of the CFDs as it issues them as principle. Your account will show the Aruda valuations and calculations. The CFD will be revalue based on a number of factors, including the effect on the underlying hedge financial product which may be to nil.

## **Section 10 – How to Trade**

### ***How to Trade using the Dealing Facility***

#### **How to Trade using a Dealing Facility - Establishing your Dealing Facility**

You need to establish an Aruda Online Trading Facility by completing the application form set out in Aruda's Account Opening Document. By opening an Aruda Online Trading Facility, you agree to the terms of the facility set out in or incorporated by the Document.

The particular terms of a Transaction are decided by you and Aruda before entering into the CFD Transaction.

Before you make a CFD Transaction, Aruda may require you to provide an Initial Margin. This is paid to Aruda .

After you make a Transaction, confirmation of the Transaction will be given (such as being reported online or in an online account statement or record).

The fees and costs of transacting with Aruda are set out in this PDS.

If there is early termination, you may be liable for any fees, as well as any losses, depending on the marked-to-market value of your Transaction at termination.

Aruda may offer an online trading platform for placing orders and monitoring your Trading Account. Details of operational aspects of the trading platform are available separately from Aruda. It is important that you read and understand those operational rules, especially in relation to margin cover requirements and how orders are managed.

### ***Underlying Exchanges***

Most exchanges publish the latest information on their websites. Contract specifications and initial margin requirements are published, together with general market reports, operating rules, pricing information and clearing arrangements. In addition, exchanges such as Australian Stock Exchange (ASX) publish educational material and explanatory guidelines for listed products.

Australian Stock Exchange (ASX) [www.asx.com.au](http://www.asx.com.au)

Chicago Mercantile Exchange (CME) [www.cme.com](http://www.cme.com)

Chicago Board of Trade (CBT) [www.cbt.com](http://www.cbt.com)

New York Board of Trade (NYBOT) [www.nybot.com](http://www.nybot.com)  
New York Mercantile Exchange (NYMEX) [www.nymex.com](http://www.nymex.com)

If you cannot access any of the above websites, please contact Aruda so that we can forward a copy of the information to you by another means. This list is not exhaustive.

### ***Daily Valuation***

Following the close of business on each Business Day during the term of a Transaction, Aruda will determine your Trading Account's collateral value, based on the value of the Transactions in your Trading Account as at close of business. To close a CFD position you may contact Aruda, either by telephone or other means or by using the online trading platform, to determine the current market value or level for the CFD, with the view to closing the position (or part of it). Aruda will confirm the current market value or level and you will then decide whether to accept the value or level, and if so, you will instruct Aruda to close your open position in accordance with your instructions.

The total closing value is then determined by multiplying the number of CFDs by the value or price.

On the day that the CFD is closed, Aruda will calculate the remaining payment rights and obligations to reflect movements in the contract value since the previous business close (including interest and other credits/debits). The determination of the closing value may be affected by certain events described below.

If the CFD is over shares in a company which becomes externally administered, the Derivative is taken to be closed at that time. If this happens, Aruda will determine the closing price.

If the CFD is over shares which cease to be quoted on the exchange on which they were quoted when the CFD was entered into, or are suspended from quotation for 5 consecutive business days, we may elect to close the CFD or call additional margin, or both, as determined by Aruda.

### ***Dividends and other Corporate Actions***

#### **Dividends and other corporate actions - (Share Derivatives)**

The taker of the call option or the writer of a put option does not receive dividends (nor confer rights to any dividend imputation credits) or other shareholder benefits on the Underlying Securities until the shares are transferred after exercise.

If there is a corporate action by the company which issues the Underlying Security to which the Derivative relates, Aruda may make an adjustment to the terms of the Derivative in accordance with the terms of the Account. For example, an adjustment will ordinarily be made for subdivisions, consolidations or reclassifications of shares, bonus issues or other issues of shares for no consideration, rights issues and other similar events.

Aruda also has the right to decide to make an adjustment in any circumstance if Aruda considers an adjustment is appropriate. Aruda has a discretion to determine the extent of the adjustment so as to place the parties substantially in the same economic position they would have been in had the adjustment event not occurred. Aruda may elect to close a position if an adjustment event occurs and it determines that it is not reasonably practicable to make an adjustment. Aruda may also elect to close a Derivative, if the Underlying Securities are the subject of a takeover offer, prior to the closing date of the offer.

Derivatives do not entitle you to any voting rights in connection with the Underlying Security such as shares.

## Section 11 – Fees and Costs

### *Fees and Costs*

Fees and charges will be charged to your account at the time your transaction is executed. Commission is charged by Aruda (transaction fee) on each CFD executed. Aruda is remunerated through the fees and charges we charge you. These levels are negotiable prior to transacting. Commission is debited from your account when you enter or close out your CFD position. Commission is directly based on the volume transacted by you. Please contact your adviser for complete rates.

For Example:

Margin FOREX (bps* Trade Value)			Low	High
	AUD	0	0.04 bps * Trade Value	0.2bps * Trade Value
	CAD	%	0.04 bps * Trade Value	0.2bps * Trade Value
	CHF	%	0.04 bps * Trade Value	0.2bps * Trade Value
	EUR	%	0.04 bps * Trade Value	0.2bps * Trade Value
	GBP	%	0.04 bps * Trade Value	0.2bps * Trade Value
	HKD	%	0.04 bps * Trade Value	0.2bps * Trade Value
	JPY	%	0.04 bps * Trade Value	0.2bps * Trade Value
	USD	%	0.04 bps * Trade Value	0.2bps * Trade Value

Details of your commission are given before you finally transmit the order live, in you Trades summary box and in you online account statements. These fees are subject to change from time to time. A default higher rate will be set if no commission is negotiated when the account is opened.

### *Conversion Fee*

You will be charged a conversion fee when converting profits / losses generated in a foreign currency from the denominated (usually AUD) If you transact a CFD in a foreign currency all margin requirements, profit and losses and other variables (fees) will be in that currency. A conversion fee of +/- 0.5% on top of the transaction fee applied and no additional fees apply.

### *Interest Charges for CFDs on Long / Short positions*

Aruda pays no interest on the online trading account. Interest is calculated daily and credited / debited to your account on a monthly basis. Please contact your adviser for current benchmark rates.

### **Long Positions**

If you hold a long (Bought) position you will pay a financing charge on the open positions market value. This value is calculated daily. It is the quantity of the CFD multiplied by the closing price for the underlying product on that day.

Example: If you were paying 4% pa. over RBA cash rate (5% pa.). You would pay a financing cost of 9% pa.\* number of CFD.

### **Short Position**

If you hold a short (Sold) position you will pay a financing charge on the open positions market value. This value is calculated daily. It is the quantity of the CFD multiplied by the closing price for the underlying product on that day. This is paid at the RBA cash rate minus 3% pa. If the cash rate is negative no interest is paid.

Example: If you were paying 4% pa. under RBA cash rate (5% pa.). You would receive a financing cost of 1% pa. \* number of CFD.

### ***Interest on Credit / Debit Balances***

Interest is charged where your account balance is in debt. Aruda pays no interest on the online trading account unless negotiated with Aruda. If interest is paid it is dependent on the nominated currency for the account.

Debt interest is RBA cash rate minus 3% pa.

If you fail to pay for debts we can take steps to protect our position. These steps may include closing out any open positions, charge interest and charge any costs incurred by Aruda with recovering payment from you.

Example: If you were receiving 3% pa. under RBA cash rate (5% pa.). You would receive a financing cost of 2% pa. on your account balance over \$20,000.

Funds used for margins do not receive interest. If your account balance becomes a debt Aruda will charge interest of RBA cash rate +3% pa.

Example: RBA Cash rate 5% pa. + 3% pa. interest charge = 8%pa.

Current RBA cash rates are available at [www.rba.com.au](http://www.rba.com.au)

## **Section 12 – Finance Charges**

### ***Finance Charges***

If Aruda places any of your moneys into a Client Segregated Account or a trust account, Aruda will be entitled to earn any interest on positive balances in your account. It may entirely at its discretion pay such interest, at such rates and for so long as it chooses.

If your Trading Account comes into debit i.e. negative, the interest rate charged on each debit currency balance will be at Aruda's prevailing rate (accruing daily), which changes according to market conditions. (Note: if you have multiple Trading Accounts denominated in different currencies, each Trading Account balance is calculated separately. You may nominate your account balances to be converted into one nominated currency, refer to "Accounts denominated in Foreign Exchange" below.)

The debit interest generally will appear in your statement on a monthly basis, or only at other intervals, such as month end or end of the Transaction, depending on how you are dealing in those Transactions.

### ***Conversion Fee***

You will be charged a "conversion fee" when converting currencies to your Base Currency. This occurs each time there is a conversion from a term currency to your Base Currency. This is typically levied at the rate at which the transaction is

executed by Aruda plus or minus 40 basis points (0.4%) (depending upon the currency) up to a maximum of 100 basis points (1.00%).

### ***External Fees, Taxes and Charges***

Transactions will have taxation implications for Clients, depending on the current tax laws and administration, the nature of the Client for tax laws, the terms of the transactions and other circumstances. These are invariably complex and specific to each Client. You should consult your tax advisor before trading in these financial products.

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

Your account terms may allow Aruda to impose other fees or charges from time to time which do not relate directly to Transactions.

For example, you may be required to pay royalty or similar charges set by data providers (e.g. the ASX) for your use of information feeds or for online transaction services. Aruda may debit these amounts to your Account. The regulations and practices for the CFD underlying exchanges inside and outside of Australia may differ greatly, including margining, local taxes and the rules for trading. The Australian Tax Office [www.ato.gov.au](http://www.ato.gov.au) has released taxation Ruling 2005/15 describing the income tax and capital gains tax consequences of dealing in CFDs. Penalties may apply where the treatment outlined in the taxation ruling is not followed leading to a shortfall. Any losses or gains on CFDs should be included in your accessible income. You should seek independent taxation advice.

Tax File numbers withholding rules do not apply to CFD products.

### ***Accounts denominated in Foreign currency***

Your Trading Account may be denominated in Australian dollars and or any other currencies permitted by Aruda from time to time.

If you instruct Aruda to effect a Transaction denominated in a currency different from the denomination of your Trading Account currencies, Aruda will not convert the currency value of your Transaction into the selected currency which may be your local currency but will remain in the currency of the transaction provided an account designated in the similar currency has been set up. A specific instruction from the client is required to perform the FX conversion.

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

Foreign exchange markets can change rapidly. Exchange rates depend on a number of factors including for example, interest rates, currency supply and demand and actions of government. In some situations, exchanges of currency may be suspended. These will impact on the rates of conversion set by Aruda.

## ***Queries and Disputes***

Any disputes about fees or charges must be brought to our attention within five (5) calendar days of the fee being applied. Please see the section in this PDS on “Dispute Resolution”.

## **Section 13 – General Information**

### ***Dispute Resolution***

Aruda has an internal dispute resolution process in place to resolve any complaints or concerns you may have, quickly and fairly. Any complaints or concerns should be directed to the Complaints Officer (by telephone, facsimile, or letter) at the address and telephone/fax numbers provided in this PDS, or by email to [complaints@aruda.com.au](mailto:complaints@aruda.com.au)

Complaints received in writing will be responded to within a fortnight of receipt of your written complaint. We will investigate your complaint, and provide you with our decision, and the reasons on which it is based, in writing.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you have the right to refer your matter to the Financial Ombudsman Service (FOS). FOS is an external complaints and dispute resolution body. The contact details for FOS are:

#### **Financial Ombudsman Service**

G.P.O. Box 3, Melbourne VIC 3001

Telephone 1300 780 808

Web site: [www.fos.org](http://www.fos.org)

Email: info @fos.org.au

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

The FOS will consider your dispute if:

- a. you are an individual or a small business (a Small Business is defined as a business with less than 100 full time employees in manufacturing, or less than 20 employees in any other industry);
- b. the amount you are claiming is less than AUD\$280,000; and
- c. the dispute does not concern Aruda’s general policy or practice such as the level of interest rates or fees.

The **Australian Securities and Investments Commission** (ASIC) also has an Info line on (Ph 1300 300 630) which you may use to make a complaint and obtain information about your rights. [www.asic.gov.au](http://www.asic.gov.au)

### ***Ethical Considerations***

Aruda does not take into account labour standards, or environmental, social or ethical considerations when offering financial products to you.

## ***Privacy***

The law requires us to identify clients. We do this by collecting and verifying information about you. We may also collect and verify information about persons who act on your behalf. The collection and verification of information helps to protect against identity theft, money laundering and other illegal activities. All of the information collected by Aruda, in the Application Form or otherwise, is used for maintaining your Dealing Account and for the purpose of assessing whether you, as a prospective Client, would be suitable for the Transactions and financial services. If you have given us your electronic contact details, we may provide marketing information to you electronically.

In addition, during your relationship with us, we may also ask for and collect further information about you and about your dealings with us.

Aruda has obligations under, and has procedures in place to ensure its compliance with, the Privacy Act 2000. Significantly, these include the following:

### ***Collecting Personal Information***

In collecting personal information, Aruda is required to collect only information which is necessary for the purpose described above and ensure that collection of the information is by fair and lawful means; and to take reasonable steps to make you, the individual, aware of why the information is being collected and that you may access the information held by us.

If necessary, Aruda also collects information on directors of a corporate client or agents or representatives of the client. Aruda may be required by law to collect information, such as for taxation purposes or to identify persons who open or operate an account.

Aruda may take steps to verify information given to it, such as consulting registries, referees, employers or credit agencies.

This information will not be disclosed to any other person although Aruda may disclose this information to its related bodies corporate if you intend to use the services of any of those related bodies corporate.

### ***Using the Personal Information***

Once Aruda has collected the information from you, Aruda will only use the information for the purposes described above unless you consent otherwise.

Personal information may be disclosed to:

- any person acting on your behalf, including your advisor, accountant, solicitor, executor, attorney or other representative;
- related bodies corporate of Aruda if you use, or intend to use, services of those other corporations;
- any organisations to whom we outsource administrative functions;
- brokers or agents who refer your business to us (so that we may efficiently exchange information and administer your account);
- regulatory authorities; and
- as required or permitted by law or by court order.

This information will not be disclosed to any other person without your consent. You may access your personal information held by Aruda (subject to permitted exceptions) by contacting Aruda. We may charge you for that access.

As Aruda is obliged by law to take reasonable steps to ensure that the personal information used is accurate, up to date and complete, please inform us immediately if any of the information provided in this section changes.

### ***Retaining Personal Information***

Aruda has implemented and maintains secure protection of all personal information obtained from misuse, loss, unauthorised access, modification or disclosure. The information will be destroyed or de-personalised if Aruda no longer requires the information for the purpose referred to above.

## **Section 14 – Glossary**

**AFSL** Australian Financial Services Licence.

**AML Laws** Anti- Money Laundering & Counter terrorism Financing Act 2006 (Commonwealth) any related regulations.

**Aruda** means Aruda Pty Limited: ABN 50 084 146 403 AFSL 338 674.

**Aruda Online Trading Facility** means the terms of your Aruda Facility with Aruda by which you trade Transactions.

**ASIC** Australian Securities and Investments Commission

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

**Clearing** The process by which futures contracts and options executed on a Futures Exchange are registered and cleared in the name of a Clearing Participant with the relevant Clearing House.

**CFD An** over-the-counter derivative contract for differences, issued by Aruda as principle.

**Client** refers to the person who has the Aruda Online Trading Facility.

**Client Money Rules** The provisions in Part 7.8 of the Corporations Act and the Corporations Regulations made under those provisions that specify the manner in which financial services licensees are to deal with Client monies and property. The Operating Rules of the Futures Exchange upon which the relevant dealings take place which specify the manner in which the Participant is to deal with Client moneys and property.

**Close Out, Closed Out and Closing Out** in relation to a Transaction means discharging or satisfying the obligations of the Client and Aruda under the Transaction

**Commission** means the fee from time to time notified by Aruda to the Client to be the commission payable by the Client to Aruda in respect of each Transaction for which Aruda acts as an agent for the Client, which will include a point spread in respect of the buy and sell prices quoted by the Market Participant.

**Corporations Act** The Corporations Act 2001 of the Commonwealth of Australia, as amended from time to time or if the Corporations Act 2001 should be repealed or cease to any extent operate, then that legislation that is enforced in the State of New South Wales or any other State or Territory as the case may be from time to time in partial or complete substitution for the Corporations Act 2001 and references to specific provisions of the Corporations Act 2001 are to be construed as references to the provisions of that replacement legislation.

**Dealing Account** means your account with Aruda established under the Facility Terms, including all Trading Accounts and all Open Transactions in them.

**Foreign Exchange** means currency including Australian Dollars and foreign currency.

**Good 'til Cancelled (GTC)** An instruction that the order does not expire at the end of the trading day, although it normally terminates at the end of the trading month.

**Initial Margin** means an initial deposit or a margin payment, by whatever terms they are described, and any like payments.

**Limit Order** An order to buy or sell a specified amount of a futures contract at a specified price or better.

**Long** A bought position in a CFD contract.

**Margin** means the balance of the amount of cash or other assets required to cover dealing through a Trading Account.

**Market Agreement** means an agreement entered into by Aruda with a Market Participant (whether or not in writing) pursuant to which Aruda enters into Transactions on behalf of the Client.

**Market Order** An order to buy or sell a CFD contract immediately at the current price.

**Market Participant** means a person who either:

(a) has been issued with an authority from the Reserve Bank of Australia to engage in Transactions as dealer or agent when such authority is required for those Transactions: or (b) holds an Australian financial services licence, authorising it to deal in Transactions (including to arrange Transactions, whether by online trading platforms or otherwise), or a duly authorised agent of such dealer.

**Market On Open Order** An order to buy or sell a CFD contract at the best available price at the beginning of the trading session.

**Market On Close Order** An order to buy or sell a CFD contract at the best available price in the closing minutes of the trading session.

**OTC Contract** means an over-the-counter contract for a financial product, including Margin FX and CFDs Transactions.

**Points** means the smallest increment of currency unit (FX CFD) change

**Price** means, in relation to a Transaction, the price or rate quoted by Aruda or by a Market Participant (as adjusted for any Commission) and agreed to by the Client to express the value of the Transaction or the Underlying Security the subject of that Transaction.

**RBA:** Reserve Bank of Australia

**Short** A sold position in a CFD contract.

**Trading Account** means your account with Aruda established under the Terms for a specific method of dealing, and is part of the Dealing Account.

**Transaction** means any of the kinds of CFD Transactions or OTC Derivatives which are traded under the Terms.

**Underlying Security** means the reference security, other financial product or index underlying the CFD or OTC Derivative.

**Variation Margin** The difference between the value of a CFD contract when it is initially bought or sold and its value marked to market at any given time.

## Section 15 – Directory

### Aruda Pty Ltd

Address

PO BOX 3794

Mosman NSW 2088

Telephone: (612) 8004- 0234

Fax: (612) 9869 3776

Website: [www.aruda.com.au](http://www.aruda.com.au)

Email: [info@aruda.com.au](mailto:info@aruda.com.au)

# Annexure

## Annexure A- Client Qualification

### Benchmark 1: Client Qualification

Aruda maintains and requests a written client qualification policy that

- a) Sets out the minimum qualification criteria that prospective investors will need to demonstrate they meet before Aruda will agree to open a new account on their behalf;
- b) The process Aruda has in place is to meet the following criteria. If not the investor is unable to open an account. Aruda reserves the right to reject any application.
- c) Aruda will maintain written records.

Aruda provides and recommends the prior use of the Free demonstration Online TWS trading platform available to be downloaded from [www.aruda.com.au](http://www.aruda.com.au)

This is because Aruda does not provide Personal advice, whether Financial products (not limited to OTC CFD's) are appropriate for the investment objectives, needs and risk profile. This will not be considered that making the assessment constitutes the provision of personal financial product advice. The prospective investor will be assessed against qualifying criteria such as

- a) Previous experience in investing in financial products, including securities and derivatives;
- b) Understanding the concepts of leverage, margin and volatility;
- c) Understanding the nature of CFD trading, including that CFD's do not provide investors with interests or rights in the underlying asset over which the position is taken; understanding the process and technologies used in trading; and
- d) Preparedness to monitor and manage the risks of trading.

**To assist us assess your trading experience & knowledge please answer the following:**

#### Financial Details: Approximate Annual income

<b>Total Assets:</b> <b>\$AUD</b>	
<b>Total Liabilities:</b>	
<b>Total Annual Income:</b>	
<b>Total Assets:</b> <b>Investments</b>	
<b>Employment:</b>	

#### Trading Experience:

	YES	NO	Explanation / Length of Time
Shares			
CFD's			
Futures			
Forex			
Options			

**Experience: I have a good understanding of trading in leveraged derivatives with relevant involvement in the financial sector. Please circle the appropriate one.**

Yes	No
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**Qualifications: I have a good understanding of trading in leveraged derivatives with relevant education. Please circle the appropriate one.**

Yes	No
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**Aruda Provides a FREE Demonstration platform with User guides for your prior use.**  
[www.aruda.com.au](http://www.aruda.com.au)

## ***Annexure B - Order Types***

**Limit Orders** A Limit order is an order to buy or sell at a specified price or better. The Limit order ensures that if the order fills, it will not fill at a price less favorable than your limit price, but it does not guarantee a fill.

**Market Orders** A Market order is an order to buy or sell at the market bid or offer price. A market order may increase the likelihood of a fill and the speed of execution, but unlike the Limit order a Market order provides no price protection and may fill at a price far lower/higher than the current displayed bid/ask.

**A Stop order** is an instruction to submit a buy or sell market order if and when the user-specified stop trigger price is attained or penetrated. A Stop order is not guaranteed a specific execution price and may execute significantly away from its stop price. A Sell Stop order is always placed below the current market price and is typically used to limit a loss or protect a profit on a long stock position. A Buy Stop order is always placed above the current market price. It is typically used to limit a loss or help protect a profit on a short sale. Stop orders are not natively supported on all exchanges.

**A Stop Limit order** instruct the system to submit a buy or sell limit order when the user-specified stop trigger price is hit. The order has two components: the stop price and the limit price. When a trade has occurred at or through the stop price, the order becomes executable and enters the market as a limit order, which is an order to buy or sell at a specified price or better. A Stop Limit eliminates the price risk associated with a stop order where the execution price cannot be guaranteed, but exposes the investor to the risk that the order may never fill even if the stop price is reached. The investor could "miss the market" altogether.

**A Market if Touched (MIT)** is an order to buy (or sell) a contract below (or above) the market. This order is held in the system until the trigger price is touched, and is then submitted as a market order. An MIT order is similar to a stop order, except that an MIT sell order is placed above the current market price, and a stop sell order is placed below.

For further orders types please call you adviser or go to:

[www.aruda.com.au](http://www.aruda.com.au)

[www.interactivebrokers.com](http://www.interactivebrokers.com)