Product Disclosure Statement

Margin Foreign Exchange

Over-the-counter Options

AND

Contracts for Difference

Issued on 10 October 2021

Issued by **AVA CAPITAL MARKETS AUSTRALIA Pty Ltd**

ABN: 72 143 340 907
AFSL: 406684
www.avatrade.com.au

Please note: except where specified, this Product Disclosure Statement relates to Margin Foreign Exchange, Over-the-counter Option and Contracts for Difference transactions simultaneously.

Financial Services are provided, and this Product Disclosure Statement has been prepared and issued, by Ava Capital Markets Australia Pty Ltd ABN 72 143 340 907AFSL 406684 ("AVA"). Please note that the information contained in this Product Disclosure Statement ("PDS") does not constitute a recommendation, advice or opinion and does not take into account your individual objectives, financial situation, needs or circumstances. This is an important document and should be read in its entirety. Before entering into a Margin Foreign Exchange ("Margin FX") Over-the-counter Option ("Option") or Contracts for Difference ("CFD") transaction, you should obtain independent advice to ensure this is appropriate for your particular financial objectives, needs and circumstances.

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 Margin FX, Option or CFD 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 Margin FX, Option or CFD transaction.

AVA does not guarantee the investment performance of Margin FX, Option or CFD products nor the investment performance of the underlying markets or instruments. Past performance is no indication or guarantee of future performance.

All clients shall be bound by the contents of this PDS. The information in this PDS is current as at 29 March 2021, and may be updated from time to time where that information is not materially adverse to clients. Updated information shall be provided on our website www.avatrade.com.au. AVA may issue a supplementary or replacement PDS at any time, which shall be available on our website or shall be distributed in electronic form as required.

This PDS does not constitute an offer or invitation in any place outside Australia where or to any person to whom it would be unlawful to make such an offer or invitation. The distribution of this PDS (electronically or otherwise) in any jurisdiction outside Australia may be restricted by law and persons who come into possession of this PDS should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable law.

If you received this PDS electronically, we can provide a paper copy free of charge upon request. For information regarding our full range of products and services, please read our Financial Services Guide ("FSG"), our Target Market Determination ("TMD") and visit our website. If you have any queries regarding this PDS, please contact AVA.

Warning Margin FX, Option and CFD products are considered speculative products which are leveraged and carry significantly greater risks than non-geared investments, such as shares. You should not invest in Margin FX, Option or CFD products unless you properly understand the nature of Margin FX, Option or CFD products, and are comfortable with the attendant risks. You should obtain financial, legal, taxation and other professional advice prior to entering into a Margin FX, Option or CFD transaction to ensure this is appropriate for your objectives, needs and circumstances.

AVATRADE
TRADE WITH CONFIDENCE

1. PURPOSE AND CONTENTS OF THIS PRODUCT DISCLOSURE STATEMENT ("PDS")

This PDS is designed to provide you with important information regarding Margin Foreign Exchange (Margin FX), Over-the-counter Option (Options) and Contracts for Difference (CFD) transactions including the following information:

- Who we are
- How you can contact us
- Which products we are authorised to offer or utilise
- 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.

The information in this PDS is subject to change from time to time. Where changes are material, we will issue a revised or supplementary PDS to all clients. This PDS does not constitute an offer or solicitation to anyone outside the authorised jurisdiction.

Defined terms used in this PDS are defined in the Glossary in section 30 or elsewhere in this PDS. If you would like further information, please ask us. Further detail about our services is available on our website www.avafx.com.au.

2. NAME & CONTACT DETAILS OF ISSUER/SERVICE PROVIDER

The Issuer/Service Provider is Ava Capital Markets Australia Pty Ltd ABN 72 143 340 907 ("AVA").

AVA holds an AFSL Number 406684 and is authorised to provide general financial product advice, deal and make a market in derivatives and foreign exchange contracts to retail and wholesale clients.

You can contact our office by any of the means listed below:

Writing to us at:	Ava Capital Markets Australia Pty Ltd Ground Floor, 320 Pitt Street Sydney NSW 2000
Calling us:	1800 206 496
Sending an email to:	info@avatrade.com.au
Visiting our website:	www.avatrade.com.au

3. TERMS & CONDITIONS

Information provided to you in our FSG and PDS is important and is binding on you. Additional legal terms governing our relationship are detailed in the Account Application Terms & Conditions. You must complete, sign and return the Application (either online, electronically, fax or by post), and have your account approved by AVA. AVA reserves the right to refuse to open a Margin FX, Option or CFD account for any person.

AVA does not guarantee the performance, return of capital from, or any particular rate of return, of a Margin FX, Option or CFD product or transaction. Clients may lose more than the amount of funds in their Margin FX, Option or CFD account, and should only invest risk capital (that is, capital you can afford to lose). Retail Clients are entitled to negative balance protection under ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986 and thus their losses will be limited to funds deposited in their Margin FX, Option or CFD account. Please note that the historical financial performance of any Margin FX, Option or CFD or underlying instrument/market is no guarantee or indicator of future performance.

Please note that the examples provided in this PDS are only provided for illustrative purposes only and do not necessarily reflect current or future market or product movements, the values that AVA will apply to a trade, nor how such trades impact your personal circumstances. The figures used in the examples do not necessarily reflect your personal circumstances and do not restrict in any manner the way in which AVA may exercise its powers or discretions. Those examples do not constitute general or personal financial product advice to any person reading this PDS.

AVA accepts Margin FX, Option and CFD transaction order instructions primarily via the electronic trading platforms and will also accept order instructions via telephone.

You are required to access the relevant electronic trading platforms daily to confirm that any order instructions have in fact been received by us, reconfirm all orders that you place with us, review order confirmations we provide, to ensure their accuracy and monitor your Margin obligations. Any order discrepancies identified must be reported to us immediately.

AVA will provide all clients, via the electronic trading platforms or the website, with access to both daily and historical account statements allowing you to check your open positions, Margin requirements and cash balances, and trading confirmations. Should you have any queries relating to your statements we encourage you to contact us.

We may assess wholesale client or retail client status from time to time. If you satisfy the criteria to be classified as a wholesale client, we may classify you as such. We are under no obligation to inform you if you classify you as a wholesale client.

From 5 October 2021, ASIC will be implementing new obligations for AVA relating to new design and distribution obligations on the way we issue and distribute our products. As a result, we highly recommend that you read our TMD, which can be found on our website. The TMD will provide you with information regarding the appropriate target market, class of consumers, key attributes and other information relating to the issuance or distribution of the products.

4. ADVICE

AVA is authorised to buy and sell Margin FX, Option and CFD contracts and to give advice in relation thereto. We only provide you with general advice, which does not take into account your particular needs, objectives and circumstances. No personal advice will be provided to any client under any circumstances.

5. AVA SUMMARY TABLE

The following summary table is provided for ease of reference. However, please ensure that you read this PDS in its entirety.

Item	Summary	PDS Section reference
Who is the issuer of this PDS and the products?	Ava Capital Markets Australia Pty Ltd	**2**
What is Margin FX?	Margin FX is an over-the-counter derivative product which enables traders to leverage a margin deposit for a greater market effect in relation to currencies. A foreign exchange contract involves the exchange of one currency for another. Margin FX differs from spot and forward foreign exchange trading in that they are legally classified as derivatives rather than foreign exchange contracts, and are cash settled (i.e. no physical delivery is available). Margin FX trading generally involves taking forward positions in a foreign currency and instead of those contracts being settled by exchange of the relevant currencies, the positions are "closed out". Closing out involves entering into an equal and opposite position with us, which generates a profit or loss on the transaction, which is then settled between us. The resulting profit or loss of the trade is the net result of the difference between the opening and closing exchange rates of each transaction, adjusted for transaction costs.	**6**
What is an Option	An Option is a contract between two parties giving the buyer the right, but not the obligation, to purchase or sell an Underlying Instrument from or to the seller at a specified price (the "Strike Price") at a specified time ("Expiration").	**8**

Item	Summary	PDS Section reference
	Options allow buyers to profit from market moves in specified directions with limited risk, and allow sellers to profit from offering such asymmetric exposure to the buyers. In consideration of this right, the buyer pays the seller an agreed price upfront (the "Premium"). A Call Option gives the buyer the right to buy an Underlying Instrument, whereas a Put Option gives the buyer the right to sell an Underlying Instrument, at the specified price at the specified time. Options are cash settled at expiration, meaning they are automatically closed out at Intrinsic Value. For Call Options, Intrinsic Value is the amount by which the price of the Underlying Instrument exceeds the Strike Price at Expiration. For Put Options, Intrinsic Value is the amount by which the Strike Price exceeds the price of the Underlying Instrument at Expiration. Quoted prices for dealing in Options are indicative only and are subject to the actual price at the time of execution. Options can be exchange-traded or over-the-counter (bilateral, principal to principal contracts). AVA only offers over-the-counter options.	
What is a CFD?	A Contract for Difference (CFD) is a contract under which the parties agree to exchange the cash difference between the opening value and the closing value of the contract. The CFDs we offer are over-the-counter financial products that give the holder exposure to price movements of an Underlying Instrument. Like other derivatives, CFDs allow investors to participate in the returns from movements in an Underlying Instrument, without the need to own that Underlying Instrument. CFDs allow you to make a profit or loss from the fluctuation in the Underlying Instrument and the amount of any profit or loss on a CFD Trade will be the total of the difference between the opening value of the CFD (Quantity x Our Price) and the closing value of the CFD (Quantity x Our Price); less any Commission, and Daily Financing Fee you incur and are required to pay to us in respect of the CFD.	**10**
What fees and charges are payable in	Ava does not charge fees on Margin FX, Option or CFD transactions. As issuer of the derivatives, AVA's profit margin is built into the terms of the derivative price (which	**16**

Item	Summary	PDS Section reference
respect of a Margin FX, Option and CFD contracts?	is unknown prior to the date of issue, and cannot be properly ascertained until after the trade is closed). Where you hold a position overnight, you may be entitled to or liable for financing fees. You will also be liable for fees for related services that may be charged directly by our nominated third-party service providers depending upon the type of service you utilise. These fees include fees for failed trades, off-market transfers, other administrative fees including monthly fees for access to certain information and services.	
How do I open a Margin FX, Option or CFD account?	Prior to transacting in Margin FX, Options or CFDs, you must read and understand our FSG, this PDS and the Account Application Terms & Conditions (which will be provided to you by AVA) detailing the applicable terms and conditions. We also highly recommend that you read our TMD to understand the target market of the derivative products. You must complete, sign and return the Account Application Terms & Conditions and have your account approved by AVA. AVA reserves the right to refuse to open an account for any person.	**3 , 21 and 23**
How do I place a Margin FX, Option or CFD transaction order with AVA?	AVA accepts Margin FX, Option and CFD order transaction instructions electronically, via our on-line trading platforms and via telephone.	**3, 6, 8 and 10**
How is Margin determined for Margin FX and CFD contracts?	Your Initial Margin is the amount AVA debits from your account as soon as you open a new Margin FX or CFD position or place an order to open a new Margin FX or CFD position. This acts as collateral or a security buffer and protects us in the event of a default by you. We will require an Initial Margin calculated as a percentage of the contract value. From 29 March 2021, leverage ratios and initial margin requirements will be subject to the ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986. Please refer to the table in Section 17 of this PDS or our website for more information on Initial Margins. The Variation Margin is the unrealised profit or loss on your open position. This is the difference between the value of the	**17 and 21**

Item	Summary	PDS Section reference
	product when it was bought or sold and its current market price. Should your position move in your favour we may refund part or all of the Variation Margin to you. If you do not meet a Margin Call in a timely manner or within the time frame specified in the Margin Call, positions will be reduced or closed out by AVA without further reference to you in accordance with the terms of the Application Terms & Conditions. A Margin Call will not be considered to have been met unless and until cleared funds have been received in the nominated account and AVA has updated the trading platform. If your Margin level for your CFD account falls below 50%, AVA is required to close out your CFD positions until your funds are more than 50% of the margin requirements, or until you have no more open CFDs.	
How is Margin determined for Option contracts?	Margin is the collateral you are required to hold in your account as a buffer against adverse market moves that would deplete the net liquidation value of your account. In the Options trading platforms, margin is calculated on a portfolio basis for each underlying asset (e.g. each currency pair), including both Margin FX and Options positions. This is known as "risk-based margining". We calculate margin by looking at the largest reasonable potential one-day loss that each portfolio of Margin FX and Options might incur across a range of market moves and implied volatility changes. To equate this approach with the margin calculations AVA uses for Margin FX in other platforms, we use the Margin FX margin requirements to determine the range of market moves to be used in our analysis. We recalculate the value of the portfolio at seven price scenarios (higher and lower per the margin percentage, and five points in between) and two different volatility levels (higher and lower per the option tenor and implied volatility). The worst loss observed across all these scenarios is taken as the Required Margin.	**15 and 18**

Item	Summary	PDS Section reference
	Required Margin is recalculated every time a trade is executed, and regularly throughout each trading day. Purchased Options, on their own, require no margin, as the Premium is deducted from your cash balance at the time of trade. The maximum potential loss of a purchased option is the Premium paid.	
How are payments made in and out of your account?	You may transfer funds to us using mainly any of the following methods: Bank transfer; Cheque; or Credit Card *In no circumstances does AVA accept cash deposits.* You will only be able to withdraw moneys available to you after your Margin obligations have been met. All transfers from AVA to you will be made to the bank account nominated in your Application Terms & Conditions.	**3, 16, and 21**
Do I pay or receive any financing charges?	In the event of you holding a Margin FX or CFD position overnight you may be required to pay a financing charge or maybe entitled to receive an interest payment, depending on underlying interest rate differentials of the applicable currencies.	**16**
What are the key risks of Margin FX, Option and CFD transactions?	Investment in Margin FX, Option or CFD products carries a high level of risk and returns are volatile. You should only ever trade with risk capital, i.e. money you can afford to lose, and should obtain independent professional advice to carefully consider whether these products are appropriate for you considering your knowledge, experience and financial needs and circumstances.	**15**
What are the tax implications of Margin FX trading?	Margin FX, Option and CFD transactions may have tax implications. The taxation consequences of trading in Margin FX and CFDs can be complex and will differ for each individual's financial circumstances. We recommend that you obtain independent taxation and accounting advice in relation to the impact of Margin FX and CFDs transactions on your particular financial situation.	**25**
AVA's powers in the event of default	AVA has extensive powers per the Customer Agreement and General Terms and Conditions to act in response to a range of default events. AVA may terminate your account, and close out all or any of your Margin FX, Option or CFD positions, including cancelling any outstanding orders.	**3 and 23**

Item	Summary	PDS Section reference
How do I obtain further information?	**You can contact our head office as per contact details in this PDS.**	**2**

6. MARGIN FX CONTRACTS OFFERED BY AVA

Please note: this section applies to Margin FX's ONLY

Margin FX contracts provided by AVA are available in more than 30 pairs of currencies This means that all major currency pairs are available. However, some of the minor or more exotic currency pairs cannot be traded with AVA. Please check our website for up-to-date information regarding which currency pairs are currently available.

AVA Margin FX products do not result in the physical delivery of the currency but are cash adjusted or closed by the Client taking an offsetting opposite position **i.e. there is not a physical exchange of one currency for another**. Margin FX products are derivatives, not foreign exchange contracts. Positions will always be closed and the client's account balance will be either credited or debited according to the profit or loss of each trade.

7. PURPOSE OF TRADING MARGIN FX CONTRACTS

Please note: this section applies to Margin FX's ONLY

People who trade in Margin FX contracts may do so for a variety of reasons. Some trade for **speculation**, that is, with a view to profiting from fluctuations in the price or value of the underlying instrument or currency. For example, Margin FX traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the underlying currency. Margin FX traders may have no need to sell or purchase the underlying currency themselves, but may instead be looking to profit from market movements in the currency concerned.

Others trade Margin FX to **hedge** their exposures to the underlying currency. Foreign exchange exposures may arise from a number of different activities.

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

A person going on a holiday to another country has the risk that if that country's currency appreciates against their own, their trip will be more expensive.

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

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

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

Note: The risk of loss in trading in derivatives and/or leveraged products can be substantial. Clients should carefully consider whether trading such products is appropriate considering their financial circumstances and objectives.

Please refer to Section 18 for worked examples.

8. OPTION CONTRACTS OFFERED BY AVA

Please note: this section applies to Options ONLY

Options contracts are available for trading with AVA on more than 30 pairs of currencies. This means that all major currency pairs are available. However, some of the minor or more exotic currency pairs cannot be traded with AVA. Please check our website www.avatrade.com.au for up-to-date information on the range of options currently available.

AVA Options contracts do not result in the physical delivery of the currency but are cash settled at expiration, or closed by the Client prior to expiration, **i.e. there is not a physical exchange of one currency for another**. Options contracts are cash settled at expiration, meaning they are closed at intrinsic value, which is the cash value of the spot position that would be the result of an option being exercised at the Expiration time.

Intrinsic Value is defined as follows:

- Long Call Options: Spot Bid Price minus the Strike Price, if positive, or Zero.
- Short Call Options: Spot Offer Price minus the Strike Price, if positive, or Zero.
- Long Put Options: Spot Offer Price minus the Strike Price, if positive, or Zero.
- Short Put Options: Spot Bid Price minus the Strike Price, if positive, or Zero.

Options contracts are derivatives, not foreign exchange contracts. Positions will always be closed and the client's account balance will be either credited or debited according to the profit or loss of the trade.

AVA Options Contracts are European style options, which means that they can only be exercised for cash value at the expiration time on the expiration date. Prior to expiration, options can be bought and sold subject to available liquidity and market trading hours.

9. PURPOSE OF TRADING OPTION CONTRACTS

Please note: this section applies to Options ONLY

Individuals, corporations, investment managers and other types of institutions trade Options contracts for a variety of reasons. Some trade for **speculation**, that is, with a view to profiting from fluctuations in the price or value of the underlying instrument or currency. Other use options as a way to hedge other exposure to the underlying instrument or currency.

Speculation: Options traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the underlying currency. These traders may have no need to sell or purchase the underlying currency themselves, but may instead be looking to profit from market movements in the currency concerned. There are four building blocks, or basic strategies, employed when trading options for speculation:

(i) LONG CALLS: An investor will buy Call Options if he expects the underlying asset to rise in price. The worst-case loss is limited to the premium paid for the option. At expiration, the investor will profit by the amount by which the spot bid price exceeds the strike price, minus the original cost of the option.

(ii) LONG PUTS: An investor will buy Put Options in order to profit from a fall in the underlying asset. At expiration, the investor will profit by the amount by which the strike price exceeds the underlying spot offer price, minus the original cost of the option.

(iii) SHORT CALLS: An investor may SELL Call Options, in the absence of any other related position, to profit if the underlying asset does NOT rise, or does not exceed the Strike Price at expiration by more than the premium collected. For example, if EUR/USD is trading at 1.3100 and an investor sells a Call Option struck at 1.3200, he will collect a premium, not unlike the premium collected by an insurance company when selling a policy. If, at expiration, EUR/USD is trading below 1.3200, the option will expire worthless, and the investor will keep all the premium. If, however, EUR/USD has risen above 1.32, the investor will suffer losses as if he had been short EUR/USD at an entry price of 1.3200, which will be offset by the premium collected. His breakeven rate, therefore, will be 1.3200 plus the premium collected, quoted in pips.

(iv) SHORT PUTS: An investor may sell PUTS to profit from a market that rise, or does NOT fall below the strike price. An investor might also sell puts in order to acquire the underlying asset at a target price. For example, an investor who would be happy to buy EUR/USD at 1.30 when it is trading at 1.31 may sell a 1.30 put for one month, and earn a premium of 120 pips. If, at the end of the month, EUR/USD is trading above 1.30, the option will expire worthless and the investor will keep the premium of 120 pips. If, however, EUR/USD is trading below 1.30, the option will be exercised, and the investor will keep the 120 pips, giving him an effective purchase price of 1.2880. (In fact, the option will be case settled at intrinsic value, and the investor would buy EUR/USD at the market rate, using the net profit of the short put position to offset the purchase price).

Hedging: Many corporations and other institutions use Options contracts to hedge cash flows and other currency exposures inherent in their businesses. For example, a Canadian importer of cars priced in US Dollars is exposed to the USD/CAD exchange rate, as the importer must pay for the car in US Dollars, but sets a fixed price to his customers in Canadian Dollars. If the USD/CAD rate rises, his profit per car will decline, possibly to the point of creating losses on each car sold. To protect against this risk, the importer may purchase Call Options on the USD/CAD rate, using the profits to offset the additional cost of the cars. It may be desirable to use options instead of forward contracts, if the importer is unsure of the number of cars he will purchase. His worst case will always be the purchase price of the options. If the USD/CAD rate declines, he will enjoy extra profits on the CAD price of his cars.

Please refer to Section 19 for worked examples.

Note: The risk of loss in trading in derivatives and/or leveraged products can be substantial. A client should carefully consider whether trading such products is appropriate for them considering their financial circumstances and objectives.

10. CFD CONTRACTS OFFERED BY AVA

Please note: this section applies to CFD's ONLY

A contract for difference (**CFD**) is an over-the-counter derivative product comprising an agreement under which one party is entitled to be paid an amount of money (profit), or must pay an amount of money (loss), resulting from movements in the price or value of an underlying instrument or security (without actually owning that underlying instrument or security). This transaction concludes with the parties settling the difference between the purchase price and the sale price.

The CFD is a contract between you and AVA, which means both parties act as principals to the transaction and have a direct credit exposure to each other. You do not trade through an Exchange and are not afforded the protections normally associated with exchange-traded derivatives, such as guarantee arrangements.

Please refer to Section 20 for worked examples.

AVA offers CFDs in relation to stocks, indices and commodities.

Are CFDs appropriate for you?

You must carefully consider whether CFDs are appropriate for you considering your financial circumstances, experience and investment objectives. In making this decision you should be aware you could both gain and lose large amounts of money. You risk losing money because:

(a) You could lose all the margin funds you deposit with AVA to establish or maintain a CFD position. In addition, you could lose further amounts as explained below.
(b) If the market moves against your position, or your position is rolled over into a new contract with a differing value you may be required, at short notice, to deposit with AVA further money as margin to maintain your CFD position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time to reach at least 50% of your Margin level, then your CFD position will be closed. You will be liable for any shortfall in your Account resulting from the closure.
(c) You could lose all monies deposited with AVA, and in addition, be required to pay us further funds representing losses and other fees on your open and closed CFD positions. For example, although you may only invest $1,000 in a CFD position, if the market moves against you could lose the full value of the CFD position. Under certain conditions, it could become difficult or impossible for you to liquidate or close a CFD

position. For example, this can happen when there is significant change in prices over a short period.

For retail clients, negative balance protection under ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986 limits retail losses to only the monies deposited with AVA. Retail clients will not be required to pay us further funds.

11. PURPOSE OF TRADING CFD CONTRACTS

Please note: this section applies to CFD's ONLY

People who trade in CFD contracts may do so for a variety of reasons. Some trade for **speculation**, that is, with a view to profiting from fluctuations in the price or value of the underlying instrument. For example, CFD traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the underlying instrument. CFD traders may have no need to sell or purchase the underlying instrument themselves, but may instead be looking to profit from market movements in the instrument concerned. Others trade CFD to **hedge** their exposures to the underlying instrument.

12. MARGIN FX, OPTION AND CFD PRODUCT FEATURES

AVA Trading as Principal

AVA will regularly state, via the electronic trading platforms, the price at which it is prepared to deal with you as principal. This is known as being a 'market maker'. When dealing in Margin FX, Options and CFDs, as with all over-the-counter derivatives, AVA is the issuer and a market maker, not a broker. Accordingly, each transaction agreed and entered into with you will be entered into as principal, not as agent. Should you decide to transact with AVA then AVA will enter a legally binding contract with you (as principal) i.e. it will be the counterparty to the transaction and each contract purchased (or sold) by you will be an individual agreement made between you and AVA.

Long & Short Positions

You can open both long and short Margin FX and CFD positions with AVA. Should you open a long position, your intention would be to profit from a rise in the price of the underlying instrument, and you would suffer a loss should the price of the underlying instrument fall. Conversely, should you open a short position, your intention would be to profit from a fall in the price of the underlying instrument, and you would suffer a loss should the price of the underlying instrument rise.

You can both buy and sell Options with AVA. Should you buy an Option, your intention would be to profit from a rise in the price of the Option. Conversely, should you open a short Option position, your intention would be to profit from a fall in the price of the Option, and you would suffer a loss should the price of the Option rise.

Option prices are impacted by four factors prior to expiration: The price of the underlying instrument, Time to Expiration, Implied Volatility, and Interest rates.

Factor	Call Option	Put Option
Price of Underlying Increases	Value Increases	Value Decreases
Time to Expiration Decreases	Value Decreases	Value Decreases
Implied Volatility Increases	Value Increases	Value Increases
Interest Rate of CCY1 Increases vs CCY2*	Value Increases	Value Decreases

* where CCY1 is the first currency and CCY2 is the second currency of the underlying currency pair

At expiration, the only factors determining the value of an option are the strike price and the market price of the underlying.

To close an open long or short position, you just need to close the position by accepting the price offer. The closure of a position will generally result in a profit or loss being realised in your account. Should you wish to close only part of your open long or short position you can do so by selecting only part of the amount to be closed when you select the close a position option.

Many Margin FX and CFDs do not have an expiry date. They remain open until they are closed in accordance with the terms of the Application Terms & Conditions. A Margin FX, Option or CFD position can only be closed by contacting AVA. To close a Margin FX, Option or CFD position, you must access the electronic trading platform to determine the current market price for the underlying instrument, with the view to close the position (or part of it). AVA will confirm the current market price and you will then decide whether to accept the price, and if so, you will instruct AVA to close your open position in accordance with your instructions.

You should note that AVA is not obliged to accept your orders. Typically, this would occur should you exceed the limits imposed on your account by AVA, or where there are insufficient funds in your account to meet your Margin obligations.

The rates quoted for a Margin FX, Option or CFD by AVA include a spread which usually favours AVA (although as we offer fixed spreads, this may not always be the case). This spread is not an additional charge or fee payable by you. These spreads will differ depending on the Margin FX, Options and CFDs traded.

When trading an AVA product, you should always be aware of the risks and benefits as detailed in this PDS.

Electronic Platforms

AVA provides an electronic trading platforms which enables clients to trade in our products i.e. clients are provided direct access to Margin FX, Option and CFD rates over the internet. The terms of use applicable to utilising our electronic trading platforms, are detailed in the Customer Agreement you are required to execute prior to trading. Some of the key provisions include the following:

- AVA reserves the right, in its sole discretion, to institute or change any policies at any time relating to the use of our electronic trading platforms. Any such changes will be advised to you directly via our electronic trading platforms, email or our website.
- Clients are granted a non-exclusive and non-transferable licence to use the electronic trading platforms subject to the terms of the General Terms & Conditions and Customer Agreement.
- Clients shall only use our electronic trading platforms for its internal business or investment purposes.
- Clients shall not permit any third party to copy, use, modify, disassemble, translate or convert in connection with use of our electronic trading platforms or distribute the platforms to any third party.
- Our electronic trading platforms may be used to transmit, receive and confirm the execution of orders, subject to market conditions and applicable rules and regulations.
- AVA consents to the Client's access and use in reliance upon the Client having adopted procedures to prevent unauthorised access to and use of the electronic trading platforms, in any event, the Client agrees to any financial liability for trades executed through the electronic trading platforms.
- Where a Client is granted access to an electronic trading platforms, the Client acknowledges and warrants that it has received a password granting it access to the electronic trading platform; is the sole owner of the password provided; and accepts full responsibility for any transaction that may occur on an account opened, held or accessed through the use of the password provided to the Client by AVA.
- Clients agree to accept full responsibility for the use of the electronic trading platforms and for any orders transmitted through the electronic trading platforms. AVA must be notified immediately should a Client become aware of any unauthorised use, loss or theft of the Client's, username, password or account numbers; or inaccurate information with respect to the content of statements including, cash balances, open positions or transaction history.
- The electronic trading platforms are provided on an "as–is" basis and AVA makes no express or implied representations or warranties to the Client regarding their operation or usability.
- AVA does not warrant that access to or use of the electronic trading platforms will be uninterrupted or error-free, or that the service will meet any particular criteria with respect to its performance or quality nor do we make any warranty as to the timeliness, sequence, accuracy, completeness, reliability or content of any information, service or transaction provided through the use of the electronic trading platforms or the results obtained from its use. AVA expressly disclaims all implied warranties, including without limitation warranties of merchantability, title, fitness for a particular purpose, non-infringement, compatibility, security or accuracy.
- Under no circumstances, including negligence, will AVA be liable for any direct, indirect, incidental, special or consequential damages including, without limitation,

business interruption or loss of profits that may result from the use of, unavailability of, or inability to use the electronic trading platforms.

- Clients agree that the use of the electronic trading platforms is at the Client's risk and the Client assumes full responsibility for any losses resulting from the use of or materials obtained via the electronic trading platforms.
- Please note that stop-outs (automatic closing of a position when Margin Calls have not been met) are implemented on our electronic trading platforms at the sole discretion of AVA, and no liability for the direct or indirect consequences thereof shall be accepted by AVA in relation thereto.

Pricing

When you trade Margin FX or CFD products you are normally quoted a spot price. This means that if you take no further steps, your trade will be automatically rolled over after one Business Day unless you close the position.

When you trade, you may trade a combination of two currencies. For example, you will buy US dollars and sell Euro. Or buy Euro and sell Japanese yen, or any other combination of widely traded currencies. But there is always a long (bought) and a short (sold) side to a trade, which means that you are speculating on the prospect of one of the currencies strengthening and one of them weakening.

When trading US dollars against Japanese yen, the normal way to trade is buying or selling a fixed number of US dollars, i.e. USD1,000,000. When closing the position, the opposite trade is done, again USD1,000,000. The profit or loss will be apparent in the change of the amount of yen credited and debited for the two transactions. In other words, your profit or loss will be denominated in Japanese yen that are known as the price currency. As part of our service, AVA will automatically exchange your profits and losses into your Base currency if it is required.

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

For Options trading, the price of the option contract is quoted in the same terms as the spot price. The pricing currency is the second currency of the underlying currency pair; as a service, the total cost or proceeds of every option traded is automatically converted to the account currency at the prevailing exchange rate.

Unlike Margin FX and CFDs, the total cost or proceeds of the option contract is debited or credited to the cash balance of your account immediately upon execution. In this way, you are assured that the most you can lose when buying an option is the price paid; there is no margining of the option premium itself.

To arrive at the actual price paid or received for an option, you must multiply the quoted price by the fixed currency amount, arriving at the price in the pricing (second) currency. If that currency is not your account base currency, you must convert it using the prevailing exchange rate. For example, say a EUR/USD 1.30000 July 18 Call Option is offered at 0.00965. A call on 100,000 EUR/USD would cost (100,000 x 0.00965) = USD 965.00. If your account base currency is AUD, this premium will be automatically converted to AUD and deducted from your cash balance.

When the option is closed, the closing price is credited/debited to the cash balance in the same manner.

Prohibition on Arbitrage and Manipulation

Internet, connectivity delays and price feed errors can sometimes create a situation where prices displayed do not accurately reflect market rates. The concept of arbitrage and 'scalping', or taking advantage of internet delays, is expressly prohibited on the platforms, and AVA strictly forbids any form or price or trade execution manipulation arising out of platform errors or omissions of any nature. AVA reserves the right to void any such transactions and withhold funds suspected of being derived from such activities, and will not accept any liability to clients for losses incurred in such circumstances.

13. ASIC REGULATORY GUIDE 227 DISCLOSURE BENCHMARKS

ASIC Regulatory Guide 227 requires Margin FX and CFD issuers to publish certain information addressing a range of disclosure benchmarks. These benchmarks are required to be addressed on an 'if not, why not' basis, and are intended to assist retail investors to properly understand the complexity and risks of trading in OTC derivative products, particularly with regard to leverage.

There are 7 disclosure benchmarks required to be address, all of which we are of the view, have been met by AVA. AVA's compliance with each benchmark is addressed in the following table:

Benchmark description	How does AVA meet this benchmark?	Relevant sections of the PDS which provide further

		relevant information
Client qualification	AVA maintains and applies a written policy which sets out the minimum qualification criteria that prospective retail investors will need to demonstrate before we will open a trading account for you. AVA also maintains a written policy/procedure to ensure such criteria are properly applied, and unsuitable investors are not accepted. We also maintain records of our assessments. Please note that we do not provide personal advice regarding the suitability of trading in these products for your personal financial circumstances and objectives. However, AVA does not accept retail investors unless they are able to satisfactorily answer the questionnaire (to be included shortly) in our trading account application form which addresses the following criteria: - Previous trading experience in financial products - Understanding of leverage, margins and volatility - Understanding of the key features of the product - Understanding the trading process and relevant technology - Ability to monitor and manage the risks of trading - Understanding that only risk capital should be traded	3, 4, 6, 8,10, and 23
Opening collateral	AVA only permits clients to open an account and trade with cleared funds (i.e. transfer of cash from your banking account to your trading account). Please note that an account may be opened with a cash transfer from your bank account or with a credit card (but only to a maximum amount of $1,000 for credit cards). No other financial products will be accepted as collateral to open a trading account, although we may accept such as collateral to meet subsequent margin calls in special agreed circumstances.	3, 21
Counterparty risk – hedging	AVA maintains and applies a written policy to manage our exposure to market risk from client positions. This includes strict risk management controls to monitor and manage (hedge) our trading exposures on an intraday basis, and includes a process for assessing our hedging counterparties (to ensure they are of sufficient financial standing, are licensed by a comparable regulator, and are of sound reputation).	15

	Currently, AVA uses its parent company, AVA TRADE LTD to hedge all trades on a back-to-back basis.	
Counterparty risk – financial resources	AVA maintains and applies a written policy to ensure the ongoing maintenance of adequate financial resources. We further maintain a detailed Risk Register, in which the key risks of our business are addressed and reviewed. Please note that we have a designated compliance officer who monitors our compliance with our licence conditions and ASIC RG 166 (financial) obligations, as well as review and input from our independent external legal and accounting advisers. Further, our external independent auditor conducts an audit at the conclusion of every financial year, a copy of which can be provided to you upon written request. Please note we do not undertake stress testing in relation to unhedged market exposures, as we fully hedge all transactions with clients, with our AVA TRADE LTD.	15
Client money	AVA maintains and applies a clear policy regarding the use of client money. Please note that money you deposit into your trading account is co-mingled with other client money in our client trust account. Such monies are only applied to client trades/settlement obligations and to pay agreed fees etc, in line with the Corporations Act requirements. Please note that subject to the Australian Client Money Rules, monies deposited into your trading account to meet margins, deposits, fees, transaction settlements, or other costs shall may be immediately on-forwarded (where applicable) to our licensed third party clearing and execution providers, and applied against your margin, exchange, fee and settlement obligations. Retail and Sophisticated Investor client money is not used in connection with the margining, guaranteeing, securing, transferring, adjusting or settling of dealings in derivatives by AVA or on behalf of people other than the client. Client monies which are held pending future transactions and payments, are retained in our segregated account in accordance with the Corporations Act. It is important to note that holding your money in one or more segregated accounts may not afford you absolute protection. AVA enters into arrangements with third party execution and clearing providers for the facilitation of transactions	15, 24

	and settlements, and avails certain monies (such as the funds of wholesale clients other than Sophisticated Investors) received for margin calls and settlements to such providers for this purpose. Accordingly, clients are indirectly exposed to the financial risks of our counterparties and organisations with whom AVA holds client funds. If the financial condition of AVA or assets of our counterparties or the parties with which we hold client assets deteriorate, then clients could suffer loss because the return of the client capital could become difficult. Client trades can only be placed when there are cleared funds in the client's account.	
Suspended or halted underlying assets	An underlying financial product may be placed in a trading halt on the relevant exchange in various circumstances. Additionally, it may be suspended or delisted in certain circumstances. AVA may, in its absolute discretion, cancel your order in respect of a CFD transaction which has not yet been opened, or close any open CFD, where the underlying financial product is the subject of a trading halt, suspension or delisting. If the CFD is over a security which ceases to be quoted on the Exchange or is suspended from quotation for 5 consecutive Business Days on that exchange, we may elect to close the CFD, rather than change the margin requirements or re-price the position. When you place an order for a CFD with us, it is likely that we will place a corresponding order to purchase or sell the relevant product to hedge our market risk. AVA has the discretion as to when and if it will accept an order. Without limiting this discretion, it is likely that we will elect not to accept an order in circumstances where our corresponding order cannot be filled. Accordingly, AVA may at any time determine, in our absolute discretion, that we will not permit the entry into CFDs over one or more underlying financial products.	3, 23
Margin calls	AVA maintains and applies a written policy detailing our margining practices. This details how we monitor client accounts to ensure you receive as much notice as possible regarding margin calls, our rights regarding the levying of margin calls and closing out of positions when such calls are not met in a timely manner, and what factors we consider when exercising such close-out rights.	15, 17, 21

All open positions are monitored on a real-time basis intraday, to ensure changing margin requirements are identified in a timely manner.

AVA seek to provide you with timely and sufficient notice of margin calls, to facilitate your ability to meet them. However, please note that certain market conditions or events may trigger extreme volatility, requiring urgent funds to be applied to retain your open positions. Please note that all margin calls will be communicated to you via the trading platforms and it is your obligation to ensure you are always available to receive and action such margin calls when you have open positions with us.

However, we reserve our full rights to immediately close positions in relation to which margin calls have not been met, in order to protect against exposure to further losses in the positions. If your Margin Level for your CFD account drops below 50%, we are obliged to close your positions until the Margin Level reaches 50%, or until there are no open positions remaining.

We reiterate that trading in CFD, Option and Margin FX products carries a high level of risk and returns are volatile. The risk of loss in trading can be substantial, and <u>you can incur losses in excess of the capital you have invested</u>. Accordingly, you should only trade with risk capital i.e. money you can afford to lose, and which is excess to your financial needs/obligations.

14. KEY BENEFITS OF TRADING MARGIN FX, OPTION AND CFD CONTRACTS

Margin FX, Option and CFD products can provide an important risk management tools for those who manage foreign currency exposures. The significant benefits of using Margin FX, Option or CFD products as risk management tools are to **protect your exchange rate and provide cash flow certainty.** Other benefits of using these products apply equally for a client as a risk management tool or for the client who is a trader or speculator. The benefits of trading Margin FX, Option and CFD contracts are described in the table below.

Benefit	Explanation	Margin FX	Options	CFDs
Protect an Exchange Rate	AVA provides electronic trading platforms, enabling clients to trade in over-the-counter (as opposed to exchange-traded) derivatives such as Margin FX, Option or CFD contracts over the internet. This facility provides clients with direct access to our system to enable them to buy and sell currency rates to protect themselves against adverse market swings. AVA also offers clients a way of managing volatility by using stop loss orders that enable clients to protect themselves against adverse market swings yet secure enhanced market rates when offered. Clients can eliminate downside risk by the use of stop loss orders if the exchange rate reaches a particular level. In addition, clients may also use limit orders which allow clients the opportunity to benefit from favourable upside market movements.	✓	✓	✓
Provide Cash Flow Certainty	By agreeing a rate now for a time in the future you will determine the exact cost of that currency, thereby giving certainty over the flow of funds. Any profit (or loss) you make using the AVA product would be offset against the higher (or lower) price you physically have to pay for the foreign currency. In addition to using Margin FX and Option products as a risk management tool, clients can benefit by using Margin FX and Option products offered by AVA to speculate on changing exchange rate movements. You may take a view of a particular market or the markets in general and therefore invest in our products according to this belief in anticipation of making a profit.	✓	✓	✗
Leverage	Margin FX, Options and CFDs are leveraged investments and trading	✓	✓	✓

	instruments. While leverage can magnify losses, it can also magnify profits. Leverage allows Clients to take larger exposures, to more markets, than cash investors using the same capital base. Leverage also means that Clients can employ more investment and trading strategies than 'long only' investors. These include trading 'pairs', trading across asset classes, going short and taking exposures around short term events.			
Trade in Small Amounts	The electronic trading platforms enables you to make transactions in small amounts. You can start using the electronic trading platforms even with an opening balance as little as AUD $100. When trading in a Margin FX, Option or CFD contract offered by AVA you may deposit the sum that suits you, or the amount which is in line with the amount you are willing to risk. With AVA, you are in full control of your funds.	✓	✓	✓
Access to the Foreign Exchange Markets at Any Time	When using AVA, you gain access to a highly advanced and multi-levelled system which is active and provides you with the opportunity to trade 24 hours a day on any global market which is open for trading. This gives you a unique opportunity to react instantly to breaking news that is affecting the markets. It should be noted however, that trading in the various currency crosses may be restricted to hours where liquidity is available for any given currency cross.	✓	×	×
Profit Potential in falling Markets	Since the market is constantly moving, there are always trading opportunities, whether a currency is strengthening or weakening in relation to another currency.	✓	✓	✓
Hedging	CFDs, Option and Margin FX contracts can be used to hedge investments, and reduce existing market risk. Clients can	✓	✓	✓

	hedge directly, on a portfolio basis, or to cover specific risks of investments.			
Lower Costs	Generally, over-the-counter derivative contract exposures come at lower transaction costs than the same exposure taken in the Underlying Instruments. Clients pay no AVA fees to open or maintain a trading account. In some limited circumstances, AVA reserves the right to pass on exchange fees where they are charged to AVA.	✓	✓	✓
Superior Liquidity	The foreign exchange market is so liquid that there are always buyers and sellers to trade with. The liquidity of this market, particularly with respect to that of the major currencies, helps ensure price stability and low spreads. The liquidity comes mainly from large and smaller banks that provide liquidity to investors, companies, institutions and other currency market players.	✓	×	✓
Real Time Streaming Quotes	The electronic trading platforms use the latest highly sophisticated technologies in order to offer you up-to-the-minute quotes. You may check your accounts and positions in real time and you may do so 24 hours a day (in most circumstances) on any global market which is open for trading and make a trade based on real-time information. AVA believes it is highly important for you to be able to control your funds whenever you wish and base your deals on real-time information.	✓	✓	✓

15. KEY RISKS OF TRADING MARGIN FX CONTRACTS, OPTIONS AND CFD'S

Trading in Margin FX, Option and CFD products carries a high level of risk and returns are volatile. The risk of loss in trading can be substantial, and you can lose more than the capital invested. You should obtain independent professional advice and carefully consider whether Margin FX, Option or CFD products are appropriate for you considering your knowledge, experience and investment objectives, financial needs and circumstances.

It is also important that you read and understand the terms and conditions of trading in the Application Terms & Conditions and this PDS before entering into any Margin FX, Option or CFD transactions. We recommend that you also read our TMD to gauge whether your knowledge, experience and investment objectives, financial needs and circumstances align with the nature of the financial product.

Some of the key significant risks involved in Margin FX, Option and CFD trading include, but are not limited to, the following:

Macro-economic Risk – the general state of the Australian and international economies as well as changes in taxation policy, monetary policy, interest rates and statutory requirements are some of the factors which may influence the progress of currency markets.

Market Risk- This is the risk that the markets move in a direction not anticipated**.** External market forces can cause markets and prices to change quickly, such forces include 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 marketplace. As the price of your position is based on an underlying asset these factors may affect your position and our ability to execute, settle or close out transactions on your behalf.

Gapping -In fast moving or illiquid markets "gapping" may occur. Gapping occurs when market prices do not follow a "smooth" or continuous trend and are typically caused by external factors such as world, political, economic and corporate related events. Should gapping occur in the underlying asset on which your product is based, you may not be able to close out your position or open a new position at the price at which you have placed your order. Further, in instances of "gapping" any conditional orders opened on your account will be filled at the next best available price which may be substantially different from the price selected when entering your conditional order.

Variation Margins - Should the price of the underlying asset on which your product is based move against you, you may receive a Margin Call from us and, at short notice, be required to deposit a Variation Margin into your account in order to maintain your position. Should we make a Margin Call which may be substantial, you must deposit the amount of funds that we request into your account immediately. In the event of you failing to make Margin payments we may reduce or close all your open positions without further notice and you will be liable for any shortfall. Positions are marked-to-market daily, with payments being settled daily to account for market movements. You must be able to fund such requirements at all times. Initial and Variation Margin must be paid immediately after the call. The general policy of AVA is that payment of the call must be received within 24 hours of the call although in times of extreme price volatility this may mean as little as 1 hour. In rare circumstances, the markets could move against your position giving AVA no time to make a Margin Call on you to request additional funds for AVA to protect its positions.

Leverage – As these products are leveraged, a small price movement in the underlying asset on which they are based can result in substantial profits or losses exceeding your Initial Margin. In addition, you could be required to pay further funds representing other fees on your open and closed positions. The prices of our products may be volatile and fluctuate rapidly over wide ranges. Price fluctuations may be a result of uncontrollable events or changes in a variety of conditions as described above in Market Risk.

Liquidity – Under certain conditions, it may be difficult or impossible to close out a position. This can occur when there is significant change in the price of the underlying currency over a short period of time.

Stop Loss Orders unavailable - Certain products can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. Stop losses are instructions placed by the client with AVA to close out an open position if a market trades through a specific level. Stop loss orders are often used to attempt to limit the amount which can be lost on a position. We note that stop losses are not guaranteed and the execution of such orders will depend on market volatility and liquidity. So, whilst stop losses generally allow you to control potential losses should the market move against you, please be aware that stop loss orders may not always limit your losses the way you anticipate. The operation of these order types should be discussed with your AVA representative.

Client Assets - Client accounts are not separated from each other, but may be co-mingled into one segregated account (which is separate to AVA's monies/assets). It is important to note that holding your moneys in one or more segregated accounts may not afford you absolute protection. The purpose of segregated accounts is to segregate our customers' money, including your money, from own funds. However, individual customer's money is co-mingled into one or more segregated customer accounts. Furthermore, segregated accounts may not protect your moneys from a default in the segregated customer accounts. Should there be a deficit in the segregated accounts and in the unlikely event that we become insolvent before the topping up of the segregated accounts in deficit; you will be an unsecured creditor in relation to the balance of the moneys owing to you.

Powers of AVA – Should you fail to pay any amounts due and payable, including Margin Calls, or maintenance of minimum account balances, AVA have extensive powers to close out positions and charge default interest. Under the Application Terms & Conditions you also indemnify AVA and its employees, agents and representatives against certain losses and liabilities. You should read the Application Terms & Conditions carefully to ensure you understand these powers and responsibilities.

Electronic Trading Platform Risk– You shall be responsible for providing and maintaining the means by which to access the electronic trading platform, which may include without limitation a personal computer, modem and telephone or other access line. While the internet and the World Wide Web are generally reliable, technical problems or other conditions may delay or prevent access thereto. If you are unable to access the internet and thus, the electronic trading platforms, it will mean you may be unable to trade in a product offered by AVA when desired and you may suffer a loss as a result. Should the system be unavailable, clients may place their orders via telephone with a representative of AVA. Furthermore, in unforeseen and extreme market situations, such as an event like September 11, or a global catastrophe, AVA reserves the right to suspend the operation of any electronic trading platform or any part or sections of it. In such an event, AVA may, at its sole discretion (with or without notice), close out your open contracts at prices it considers fair and reasonable at such a time. AVA may impose volume limits on client accounts, at its sole discretion. Please note that such measures would only be implemented in extreme market conditions, and such discretion only reasonably exercised in the best interests of the client.

Regulatory Risk– changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in Margin FX, Option or CFDs, as may any regulatory action taken against AVA.

AVA Risk - the risk of AVA being unable to operate its business as a result of a regulatory impediment such as AVA ceasing to hold an Australian Financial Services Licence or because ASIC impose a stop order on the PDS issued by AVA or AVA ceasing to exist.

No cooling off- There are no cooling-off arrangements for Margin FX, Option or CFD contracts. This means that when AVA arranges for the execution of a Margin FX, Option or CFD contract, you do not have the right to return the product, nor request a refund of the money paid to acquire the product.

Additional risks to be carefully considered are contained in the table below:

Risk	Explanation	Margin FX & Options	CFDs
Market Volatility	Markets are subject to many influences which may result in rapid fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility. Given the potential levels of volatility in certain markets, it is therefore recommended that you closely monitor your positions with AVA at all times. Certain markets are highly volatile and are very difficult to predict. Due to such volatility, in addition to the spread that AVA adds to all calculations and quotes, **no Margin FX, sold Option or CFD product offered by AVA, or any other financial services provider, may be considered as a safe trade.** However, AVA offers clients a way of managing volatility by working orders. Certain products can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. Stop losses are instructions placed by the client with AVA to close out an open position if a market trades through a specific level. Stop loss orders are often used to attempt to limit the amount which can be lost on a position. **We note that stop losses are not guaranteed and the execution of such orders will depend on market volatility and liquidity**. The operation of these order types should be discussed with your AVA representative. You should refer to our Application Terms & Conditions with respect to the operation of these order types.	✓	✓

Risk	Explanation	Margin FX & Options	CFDs
	Under certain conditions it could become difficult or impossible for you to close a position. For example, this can happen when there is a significant change in prices over a short period. Lack of liquidity in foreign exchange markets due to extreme volatility or uncertainty of trading in those markets may also affect the ability of AVA to open or close a position thereby reducing profits or increasing losses. A "spread" position (i.e. the holding of a bought contract for one specified date and a sold contract for another specified date) is not necessarily less risky than a simple long (i.e. bought) or short (i.e. sold) position. Furthermore, a "spread" may be larger at the time you close out the position than it was at the time you opened it. You should be aware that if you acquire a product offered for trading or speculative purposes (that is where you do not have a risk you need to protect yourself from), you will be fully exposed to movements in the underlying asset. The risk of loss will be increased where you borrow to acquire the product as the total loss which may be incurred will be the loss on the product together with the amount you borrowed.		
Counter-party Credit Risk	Margin FX, Option and CFD contracts are not traded on a regulated exchange. Investors must deal directly with AVA to open and close positions. Given you are dealing with AVA as counterparty to every transaction, you will have an exposure to us in relation to each transaction. This is common to all OTC financial market products. The obligations of AVA to make payments in respect of the contracts are unsecured obligations of AVA, which means that you are subject to our credit risk. If we were to become insolvent, we may be unable to meet our obligations to you. AVA hedges all trades on a back-to-back basis with its parent company AVA TRADE LTD. You should be aware that in the unlikely event that AVA TRADE LTD does not meet its financial obligations to AVA, this may in turn cause AVA not to meet its financial obligations to you. You have no contractual or other legal relationship with	✓	✓

Risk	Explanation	Margin FX & Options	CFDs
	AVA TRADE LTD and accordingly you will have no legal recourse against AVA TRADE LTD in the event of default. AVA enters arrangements with third party execution and clearing providers for the facilitation of transactions and settlements, and subject to the Australian Client Money Rules avails certain monies received for margin calls and settlements to such providers for this purpose. Accordingly, clients are indirectly exposed to the financial risks of our counterparties and organisations with whom AVA holds client funds. If the financial condition of AVA or assets of our counterparties or the parties with which we hold client assets deteriorate, then clients could suffer loss because the return of the client capital could become difficult. - You are reliant on AVA's ability to meet its counterparty obligations to you to settle the relevant contract. AVA may choose to limit this exposure by entering into opposite transactions as principal in the wholesale market in relation to its exposures with clients. In addition, AVA must comply with the financial requirements imposed under its AFS Licence. Please contact us in writing at the address/email provided herein, should you wish to obtain a free-of-charge copy of our latest audited financial statements which may assist in your assessment of credit risk.		
Foreign Exchange Risk	Your account is maintained in the currency you have nominated, that is, the Base currency. Where you deal in a product that is denominated in a currency other than the Base currency, all Initial and Variation Margins, option premiums, profits, losses, rollover fees, interest rate payments/receipts and financing credits and debits in relation to that product are calculated using the currency in which the product is denominated. Accordingly, your profits or losses may be affected by fluctuations in the relevant foreign exchange rate between the time the order is placed and the time the position is closed, liquidated, offset or exercised. Upon closing a position that is denominated in a currency other than the Base currency of your account, you will be able to request that the foreign currency balance be converted to the Base currency of your account. Any conversion will be at the exchange rate quoted by AVA.Until the foreign currency balance is converted to the Base currency, fluctuations in the relevant foreign	✓	✓

Risk	Explanation	Margin FX & Options	CFDs
	exchange rate may affect the unrealised profit or loss made on the position.		
Market Information	AVA may make available to you through one or more of its services, a broad range of financial information that is generated internally or obtained from agents, vendors or partners (third party providers). This includes, but is not limited to, financial market data, quotes, news, analyst opinions and research reports, graphs or data (Market Information). Market Information provided by us by email or through our website is not intended as advice. AVA does not endorse or approve the Market Information and we make it available to you only as a service for your own convenience. AVA and its third party providers do not guarantee the accuracy, timeliness, completeness or correct sequencing of the Market Information or warrant any results from your use or reliance on the Market Information. Market Information may quickly become unreliable for various reasons including, for example, changes in market conditions or economic circumstances. Neither AVA nor the third party providers are obligated to update any information or opinions contained in any Market Information and we may discontinue offering Market Information at any time without notice.	✓	✓
Operational Risk	Operational Risk is inherent in every transaction, for example, disruption to AVA's operational processes such as communications, computers, networks or external events may lead to delays in the execution of or settlement of a transaction. AVA relies on a number of technology solutions to provide you with efficient services - AVA has partly outsourced the operation of its trading platforms to third parties and in doing so AVA relies upon these third parties to ensure the systems are updated and maintained. A disruption to an AVA electronic trading platform may mean you are unable to trade in a product offered by AVA when desired and you may suffer a loss as a result. An example of disruption includes the "crash" of our computer based trading system.	✓	✓
Risk Capital	You could lose all the Initial Margin that you deposit to establish or maintain a position.	✓	✓

Risk	Explanation	Margin FX & Options	CFDs
	All derivatives involve risk and there is no trading strategy that can eliminate it. The placing of contingent orders (such as a stop-loss order) may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders. In cases where you are speculating we suggest that you do not risk more capital than you can afford to lose. A good general rule is never to speculate with money which, if lost, would alter your standard of living.		
Superannuation Funds	It should be noted that complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities which are contained in the Superannuation Industry Supervision Act 1993, and associated regulations and regulatory guidance material. Without being an exhaustive list, following are some of the issues that should be considered by a Trustee of a complying superannuation fund: ▪ Restrictions on borrowing and charging assets and whether dealing in over-the-counter derivative products would breach those borrowing and charging restrictions; ▪ The purpose of dealing in over-the-counter derivative products in the context of a complying superannuation fund's investment strategy as well as the fiduciary duties and other obligations owed by Trustees of those funds; ▪ The necessity for a Trustees of a complying superannuation fund to be familiar with the risk involved in dealing in over-the-counter derivative products and the need to have in place adequate risk management procedures to manage the risks associated in dealing in those products; and ▪ The consequences of including adverse taxation consequences if a superannuation fund fails to meet the requirements for it to continue to hold complying status. You must notify us if you are funding your account with superannuation funds, as that may impact your classification as a wholesale or retail client.	✓	✓
Investment Decisions	You are solely responsible for the selection of the underlying asset for any orders you place with us, and as	✓	✓

Risk	Explanation	Margin FX & Options	CFDs
	such, the performance of any investment in Margin FX, Options or CFDs using your trading account will depend mainly on your own investment decisions.		
Adjustment Risk	Where an adjustment event occurs, AVA reserves the right to adjust the terms of your CFD or order, OR not make the adjustment to the relevant CFD if it is not reasonably practicable. AVA may also elect to close your CFD position in the event of the underlying securities being subject of a take-over offer, prior to the closing date of the offer.	×	✓

16. FEES & CHARGES

AVA does not charge any fees on Margin FX, Option of CFD products but is compensated only by the spreads between where we purchase and where we sell the contracts. In addition, we charge overnight interest on Margin FX positions. Rates are subject to negotiation by you with AVA prior to transacting any business and are detailed below. Fees and commissions, once disclosed and agreed, will be charged to your trading account at the time your transaction is executed. AVA may decide at a later date to change the fee from an additional spread to a commission but will inform clients prior to this occurrence.

The calculation of the price to be paid (or the payout to be received) for CFD, Option or Margin FX products offered by AVA, at the time the contract is purchased or sold, will be based on our best estimate of market prices and the expected level of interest rates, implied volatilities and other market conditions during the life of the financial contract and is based on a complex arithmetic calculation.

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

AVA earns its income from the business spreads that we apply to our Margin FX, Option and CFD products. This is the difference between the rate at which we buy and sell the financial instruments (i.e. between the wholesale price achieved by AVA and your trade price). This spread is incorporated into the rates quoted to you and is not an additional charge or fee payable by you. These spreads will differ depending on the contracts traded. Accordingly, the decision to transact at a rate will always be your decision. However, once you agree to an exchange rate that is the total amount payable by you to AVA.

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

You will also be liable for fees for related services that may be charged directly by our nominated third-party service providers depending upon the type of service you utilise. These fees include fees for failed trades, off-market transfers, other administrative fees including monthly fees for access to certain information and services.

Fees must be paid to us immediately upon execution of the trade, and will be deducted from your account in accordance with the Application Terms & Conditions.

Administration Charges

AVA reserves the right to charge fees for certain administrative services which occur in the course of your dealings with us. Administrative services to which fees are applicable are outlined in the table below.

Administrative Service	Fee (incl. GST)
Withdrawal (electronic only) – excluding closing the account	NIL. Additional bank charges may apply for international wire transfers
Telephone Conversation Transcript	Upon request

AVA reserves the right to change any of the above administration fees applicable. You will receive proper notification of such a change, and a supplementary or revised PDS if required.

Conversion Fee

AVA does not charge any additional conversion fee when converting currencies to your Base Currency. When there is a conversion from a Term Currency to your Base Currency AVA will use the spot rate for the applicable currency pair as posted on the trading platform at the time of the transaction.

Financing Charges

In the event of you holding a long CFD position overnight you may be required to pay a financing charge at an interest rate. If you hold a short CFD position overnight, you may be entitled to receive interest. Interest calculations are based on the total notional value of your open position, and are calculated as set out below using the LIBOR (London Interbank Offer Rate) plus or minus a margin. Interest is calculated and debited from or credited to your account daily. No interest is paid or received if you open and close a position in the same trading day.

The LIBOR rate changes frequently and is the most widely used benchmark or reference rate for short term interest rates world-wide. LIBOR is calculated daily by the British Bankers Association and published on their website with a 1 week rolling delay.

Standard overnight interest rates applicable are outlined below.

Overnight Interest	
Long	**Short**
LIBOR +2.5%	LIBOR – 2.5%

The amount of interest paid/received by AVA will vary each day, depending upon factors such as the closing price of the underlying asset on which the product is based, changes to holdings within your portfolio and/or changes to LIBOR.

In the event of holding an FX position overnight, the financing credit is applied for holding a long position in the currency that has a higher interbank rate and a short position in a currency that has a lower interbank rate. Conversely, a financing debit is applied for holding a short position in the currency that has a higher interbank rate and a long position in a currency that has a lower interbank rate.

AVA may in its absolute discretion reduce the financing rates applicable to your long and short positions depending on your trading volume or account balance. AVA reserves the right to change the financing rates applicable. It is your responsibility to visit our website regularly for up-to-date information regarding financing charges.

17. MARGIN

Where you enter a transaction, you will be required to pay an initial margin (an initial deposit/up-front payment). An initial margin means an amount of collateral that is required from you as security to enter a margin position. Typically, we will require an Initial Margin calculated as a percentage of the contract value. The Initial Margin will vary depending on the type of product you trade and is determined at AVA's discretion mostly by the liquidity of the underlying asset on which the product is based.

From 29 March 2021 onwards, we are required under the ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986 to provide all retail clients, trading with CFD accounts, an initial margin and equivalent leverage ratio of at least the following:

Underlying Asset of CFD	Required Initial Margin (as % of CFD's notional value)	Equivalent Leverage Ratio
Major currency pair	3.33%	30:1

Major stock market index	5%	20:1
Minor currency pair	5%	20:1
Gold	5%	20:1
Minor stock market index	10%	10:1
Non-gold commodity	10%	10:1
Other Assets not listed above	20%	5:1

The only exception is the purchase of Options. These may be purchased using free available cash balances, and as such, no margin is required to be posted where the only positions held are long options positions.

In addition, to maintain your position, you may be required to pay additional margin in the event of adverse market movements against your position. Such payments are not costs but are cleared funds required by AVA to cover our risk and as security for your obligations. The amount is determined by the relevant third party service provider, however AVA in its absolute discretion, can impose margin requirements above and beyond those set by service providers.

The current margin rates applicable to each type of transaction are provided on our website (www.avatrade.com.au) prior to entering into a trade.

The Margin amounts are payable into the AVA client trust account and are held, used and withdrawn in accordance with the Corporations Act requirements and our agreed terms and conditions specified in the Account Application Terms & Conditions. AVA will utilise client deposits to meet margin calls, and other payment/settlement obligations.

All contracts will be subject to Margin obligations. Accordingly, you are responsible for meeting all margin payments required by AVA. It is your sole responsibility to monitor and manage your open positions and exposures, and ensure Margin Calls are met as required. Margin Calls will be notified via the trading platforms or/and email, and you are required to log-in to the system daily when you have open positions to ensure you receive notification of any such Margin Calls. The method for notification of margins may vary between trading platforms, however the specific method and your obligations will be advised to you on the relevant trading platform. Please note that if you do not check the trading platforms for Margin Call notifications, and hence do not meet them in a timely manner, positions will be closed out by AVA, without further reference to you, in accordance with the executed Account Application Terms & Conditions. A Margin Call will not be considered to have been met UNLESS AND UNTIL cleared funds have been received by AVA in the nominated account.

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

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

If you fail to meet any Margin Call i.e. if we fail to receive cleared funds, we may reduce or close all your open positions without further notice or in the rare circumstances where AVA does not have time to make a Margin Call due to exceptional market movements, then AVA may in its absolute discretion and without creating an obligation to do so, close out, without notice, all or some of your open positions (or transactions) and deduct the resulting realised loss from the Initial Margin (and other excess funds held in your account with AVA). You must maintain a Margin Level of at least 50% for your CFD account, otherwise we are obliged to automatically close out your positions until your account reaches 50% of the Margin Level, or until there are no open CFD positions.

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

Margin FX, Option and CFD products can be highly volatile and you should ensure that you check your trading platform daily. We may close out your open positions without prior notification, as per our terms and conditions.

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

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

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

18. MARGIN FX TRADING EXAMPLE

Please note: this section applies to Margin FX Contracts ONLY

This section provides you with some trading examples of Margin FX Contracts and have been provided for illustration purposes only. Please ensure that you understand how the trades work and the calculations associated with taking different positions for different derivative products. Should you require any assistance, or are unsure about how figures are calculated for any of the products, please contact our customer service team, or use our Demo Account for practice.

Example 1:
You are trading on the FX market and are speculating that the Euro will appreciate against the US Dollar. In this instance, you would look at taking a position where you buy (go long) the Euro and simultaneously sell (go short) the US Dollar.

Opening Price	1.3800	On this day, AVA is offering a BID/OFFER rate of 1.3797/1.3800. You decide to Buy 1 contract of $10,000 notional value. You also implement a stop loss of 20 pips and a profit target of 20 pips for this trade
Closing Price	1.3780	
Difference	(0.0020)	
Contract Value	10,000 (Notional Value)	
Dollar Loss	$20.00 (10,000*0.0020)	

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Opening Price	1.3800	You would buy EUR/USD at 1.3800. Your Stop loss will be at 1.3780 and your profit target will be at 1.3820. The market is dynamic in its movement. If the market reaches your Stop level first, you will lose $20 on this trade, but if the market reaches the target level first, you will make a profit of $20.
Closing Price	1.3820	
Difference	0.0020	
Contract Value	10,000 (Notional Value)	
Dollar Profit	$20.00 (10,000*0.0020)	

Example 2:

You are trading on the FX market and are speculating that the Euro will appreciate against the US Dollar. In this instance, you would look at taking a position where you buy (go long) the Euro and simultaneously sell (go short) the US Dollar.

On this day, AVA is offering a BID/OFFER rate of 1.3797/1.3800. You decide to Buy 1 contract of $10,000 notional value. You also implement a stop loss of 20 pips and a profit target of 20 pips for this trade.

You would buy EUR/USD at 1.3800. Your Stop loss will be at 1.3780 and your profit target will be at 1.3820.

The market is dynamic in its movement. If the market reaches your Stop level first, you will lose $20 on this trade, but if the market reaches the target level first, you will make a profit of

$20. You hold the position overnight and the Account currency is USD, the LIBOR +2.5 is 0.39. You will be required to pay finance charge of $10.68493, being (.39/365) * 10,000.

For LOSS Trade:

Opening Price	: 1.3800
Closing Price	: 1.3780
Finance Fee:	: (10.684)
Difference	: (0.0020)
Contract Value	: 10,000 (Notional Value)
Dollar Loss	: $30,684

For PROFITABLE Trade:

Opening Price	: 1.3800
Closing Price	: 1.3820
Difference	: 0.0020
Finance Fee:	: (10.684)
Contract Value	: 10,000 (Notional Value)
Dollar Profit	: $9,316

19. OPTION TRADING EXAMPLES

Please note: this section applies to Options ONLY

This section provides you with some trading examples of Options and have been provided for illustration purposes only. Please ensure that you understand how the trades work and the calculations associated with taking different positions for different derivative products. Should you require any assistance, or are unsure about how figures are calculated for any of the products, please contact our customer service team, or use our Demo Account for practice.

EXAMPLE 1

You are operating a gold mine and expect to extract 1,000 ounces for export in the next three months. You know your production costs and need to be able to sell at a high price in order to be profitable. Gold is trading at USD 1242 per ounce, and you wish to protect your business against a fall in the price of gold below USD 1200 per ounce.

The option you wish to buy has the following terms:

Underlying asset	: XAU/USD (Spot gold)
Underlying price	: Bid 1242.60 / Offer 1243.90
Option type	: Put Option

Contract size	: 10 ounces
Expiration date	: 3 Months from today
Strike price	: 1200.00
Option price	: 14.70 Offer per ounce

Each contract, or lot, is an option on 10 ounces. To protect 1,000 ounces, you need to buy 100 put contracts. The total cost of protection is 14.70 x 10 x 100 = USD 14,700. This is akin to an insurance premium.

<u>After three months, you have 1,000 ounces of gold ready to sell.</u>

Scenario 1: The price of gold has risen to USD 1300 per ounce. You sell the gold in the market for USD 1,300,000. The put option is worthless, as the price of gold is higher than the strike price. You have spent USD 14,700 on the option.

Scenario 2: The price of gold has dropped to USD 1120 per ounce. You sell your gold in the market for USD 1,120,000. The put option is now “in-the-money” as the price of gold is below the strike price. You receive (1200 – 1120) x 10oz x 100 contracts = USD 80,000 payout at option expiration. Your total proceeds from the option and selling your gold is USD 1,200,000 and you have been protected against the fall in the price of gold, as desired. You have spent USD 14,700 on the option.

EXAMPLE 2

You are speculating in the FX market, and believe that the exchange rate between the Australian Dollar and the Euro will stay in a tight range for the two months. The current EUR/AUD exchange rate is quoted by AVA at a bid/offer price of 1.4158/1.4164. You believe the rate will remain between 1.4000 and 1.4200 and wish to profit from this view.

<u>The trade: Sell a 2-month 1.4000/1.4200 Strangle on 100,000 EUR/AUD.</u> You are selling a 1.4000 Put and a 1.4200 Call as follows:

EUR/AUD price	: 1.4158/1.4164	
Option type	: Put Option	Call Option
Contract (lot) size	: 10,000	10,000
Trade size	: 10 lots = 100,000	10 lots = 100,000
Expiration date	: 2 Months	2 Months
Strike price	: 1.4000	1.4200
Option price	: .01232/.01238	.02242/.02393
Option proceeds:	: AUD 1,232.00	AUD 2,242.00

By selling BOTH the call and the put, you earn AUD 3,476.00 up front. If the EUR/AUD rate is between the two strikes at expiration, as you expect, both options will expire worthless and you will keep all the premium (proceeds) as profit. If EUR/AUD is outside this range, you will have losses for any intrinsic value, which may be greater than the premium earned.

Scenario 1: After 2 months, at option expiration:

EUR/AUD price	: 1.4060/1.4065	
Option type	: Put Option	Call Option
Trade size	: 10 lots = 100,000	10 lots = 100,000
Strike price	: 1.4000	1.4200
Expiration status	: Out-of-the-money	Out-of-the-money
Expiration cost	: AUD 0.00	AUD 0.00

Both options expire worthless, total profit AUD 3,746.00.

Scenario 2: After 2 months, at option expiration. EUR/AUD is much higher.

EUR/AUD price	: 1.4680/1.4685	
Option type	: Put Option	Call Option
Trade size	: 10 lots = 100,000	10 lots = 100,000
Strike price	: 1.4000	1.4200
Expiration status	: Out-of-the-money	In-of-the-money
Expiration cost	: AUD 0.00	AUD 4,850

Cost at expiration AUD 4,850.00 which is greater than the premium earned upfront, for a net loss of AUD 1,374.00.

Scenario 3: After 1 month, with 1 month left to expiration, your view has changed. You decide to exit the trade and buy back the options, because you fear the market will be more volatile.

EUR/AUD price	: 1.4280/1.4286 which is 122 pips higher than at inception.	
Option type	: Put Option	Call Option
Trade size	: 10 lots = 100,000	10 lots = 100,000
Strike price	: 1.4000	1.4200
Option price	: .00325/.00460	.02146/.02294
Option cost	: AUD 46.00	AUD 2,294.00

Total cost to buy back both options is AUD 2,340.00 for a net profit of AUD 1,406. As the spot price went higher, the put value fell and the call value rose, while both options depreciated with time.

20. CFD TRADING EXAMPLES

Please note: this section applies to CFDs ONLY

This section provides you with some trading examples of CFDs and have been provided for illustration purposes only. Please ensure that you understand how the trades work and the calculations associated with taking different positions for different derivative products. Should you require any assistance, or are unsure about how figures are calculated for any of the products, please contact our customer service team, or use our Demo Account for practice.

EXAMPLE 1

You are speculating on the CFD Index market.

You speculate that, intraday, the Aussie Index will decrease in value.

You would therefore take a SHORT position on the index.

Say the Aussie Index is trading at $4,200. You decide to go short 1 CFD (value of $1 per index point). You hold the SHORT position till the index goes down to $4,180 and then close your trade. You would have made a net profit of $20.

Trade

Opening Price	: 4,200 - Short
Closing Price	: 4,180
Difference	: 20
Contract Value	:1 CFD
Dollar Profit	: $20.00

EXAMPLE 2

You are speculating on the share value of Coca Cola. It currently has a value of $25.42. You feel that it will decrease in value. So, you decide to go SHORT the CFD's of Coca Cola.

You want to go short 100 share CFD's and have allowed for the price to rise (go against you) to $25.46. You are targeting a low price of $25.36. i.e., the share price of Coca Cola should fall to $25.36 for you to make a profit.

The share price in fact rises and your stop loss is triggered at $25.46, hence booking a loss of $4.

For LOSS Trade

Opening Price	: $25.42 SHORT
Closing Price	: $25.46

Difference	: (0.04)
Number of CFD	:100
Dollar Loss	: $4.00 (100*0.04)

Please note that AVA spread is part of the BID/OFFER price displayed on the platforms and hence the profit/loss made on the trade is the actual profit/loss excluding any overnight financing costs.

Example 3:

You are speculating on the CFD Index market.

You speculate that, the Aussie Index will decrease in value. You would therefore take a SHORT position on the index.

Say the Aussie Index is trading at $4,200. You decide to go short 1 CFD (value of $1 per index point). You hold the SHORT position till the index goes down to $4,180 and then close your trade the next day. The Libor + 2.5% is 0.39. You would have made a net profit of $24.487670.

For PROFIT Trade

Opening Price	: $4,200 SHORT
Closing Price	: $4,180
Difference	: (20)
Finance Charge	: 4.4876706 (4,200*0.39/365)
Number of CFD	1
Dollar Profit	: $24.49

21. FUNDING YOUR ACCOUNT

You may transfer funds to us using any of the following methods:

- Bank transfer;
- Cheque; or
- Credit Card
- PayPal
- Webmoney
- Moneybookers
- Neteller

In no circumstances does AVA accept cash deposits.

When transferring funds to AVA you must ensure that the funds are appropriately referenced with your account number and name exactly as it appears on your AVA trading account to enable us to easily identify your funds and apply them to your account promptly. All payments made to AVA must be free of any withholding tax or deduction.

AVA will only act on funds that have cleared, so we recommend that you maintain sufficient Margin in your account at all times to maintain your open positions.

AVA does not accept funds transferred from third parties, so it is your obligation to ensure that all funds transferred to us are from the bank account you have nominated in your Application. We may, in our absolute discretion, without creating an obligation to do so, return any funds transfer or cheque received from a third party back to the account from which it was transferred.

AVA will not accept any liability or responsibility for any losses that you may suffer as a result of, or arising out of, or in connection with, us returning any transfer of moneys or cheque from a third party, including any losses incurred by you because you are subsequently in default of your obligations under the Customer Agreement and General Terms & Conditions.

22. STOP LOSS ORDERS

A Stop-loss order, or Stop order, is an order placed to limit the loss on an open position, or to determine an entry point for a new position, and can be used for FX, Option, and CFD contracts. Stop-loss orders must be placed a minimum distance from AVA's current bid and offer prices. The minimum distance for a stop loss order for each will be advised to you upon request. A stop-loss order can be placed on the online trading platforms for any traded product.

A stop order can be seen as a “resting” market order. The order will become active when the limit price specified in the stop order has been seen in the market. The stop order will then be converted into a market order.

For a Buy stop order, the stop order becomes a market order when the stop price is equal to or greater than the last offered price in the underlying market. The process of the fill will be precisely as described under the order type. For a Sell stop order, the stop order becomes a market order when the stop price is equal to or lower than the last bid price in the underlying, be it an FX rate, an Option, or a CFD contract.

A second form of stop loss order may be available on some platforms, called a “trailing” stop-loss order. Trailing stop-loss orders enable you to automatically update a stop price at a set distance to the market, so that accumulating profits are protected by a “trailing” stop price. A sell trailing stop order sets the stop price at a fixed amount below the market price with a linked “trailing” amount. As the market price rises, the stop price rises by the trailing amount, but if the market price falls, the stop price does not change, and the stop order becomes a market order when the stop price is hit. "Buy" trailing stop orders similarly have limit levels that follow the market price down, but are stationary as the market rises, thus protecting short positions in a rising market.

For example: If you buy the EUR/USD at 1.3001 and want the position to close automatically if it moves 100 pips against you, you would enter a stop-loss order into the Trading Platform at 1.2901. (If your position was a sell, you would enter the stop-loss order above the current price i.e.1.3101.)

Please note that your stop-loss orders may be filled at prices inferior to those at which they were originally placed.

AVA will execute a stop-loss order once one of the following conditions are met:
• AVA's offer price has reached the stop-loss order price in the case of a buy order, or AVA's Bid price has reached the stop-loss order price in the case of a sell order; or
• The price offered by AVA on the Trading Platform has traded at or through the level at which the stop-loss order was placed.
•In some market conditions, such as Gapping in the underlying market, the price offered by AVA on the Trading Platform will also Gap through your specified price (stop level), then the stop-loss order will be executed at the next available price.

Due to the above factors, AVA does not guarantee that your stop-loss order will be executed at the same price you requested.

Stop-loss orders placed on share CFDs will be filled if the underlying security trades at prices equal to or below the price at which you have placed your stop loss order subject to there being sufficient liquidity in the underlying security. Your stop loss orders may be filled at prices below those at which you have placed your stop loss order.

AVA will execute a Stop-loss order once the following conditions are met:

- AVA's offer price has reached the order price in the case of a buy order or AVA's bid price has reached the order price in the case of a sell order and;
- the relevant underlying market has traded at or through the level at which the order is placed, in sufficient size that AVA could have replicated the order.
- AVA will not execute stop loss orders based on crossings or special trades that have gone through the underlying market. If the relevant underlying market, and therefore our CFD price, gaps through the stop level then the order will be executed at the next available price at which the order could have reasonably been executed.

As the markets are constantly moving 24 hours a day, you can place a 'stop loss' on any open positions. Whilst this allows you to control potential losses should the market move against you, in most circumstances, stop loss orders may not always limit your losses the way you anticipate. There are no guarantees in relation to stop-loss orders, and due to the speed at which prices can move, they may be effected at a different price (known as slippage) or not at all.

There are no additional fees or charges associated with the placement of stop-loss orders (only the disclosed commission regarding the executed transaction if the order is triggered).

23. NEGATIVE BALANCE PROTECTION

From 29 March 2021 onwards we are obliged to provide negative balance protection for our retail clients on our trading platforms. With negative balance protection, the most you can lose is the entirety of your deposited funds with us, at the time the negative balance is incurred. This means that if retail clients incur a liability trading CFDs, your compensation is limited to the money/property already in the client account.

24. APPLICATION TERMS & CONDITIONS

To open an account, you are required to accept our Customer Agreement and General Terms & Conditions. This is an important legal document containing the terms and conditions which govern our relationship with you. It is provided to you separately by AVA.

We recommend that you consider seeking independent legal advice before accepting the General Terms & Conditions, as the terms and conditions detailed therein are important and affect your dealings with us.

We note the following key terms in the Customer Agreement and General Terms & Conditions, some of which have been summarised throughout this PDS:

- Client acknowledgements regarding knowledge and suitability of Margin FX, Option and CFD products;
- Client representations and warranties;
- Client account operating details;
- Margin FX, Option and CFD trading requirements;
- Margin requirements and AVA's rights in respect thereof;
- Client obligations regarding confirmations (discrepancies);
- Process for closing out a trade, and AVA's rights in relation to price calculation;
- Interest payable/receivable on open positions;
- Requirements regarding the appointment of authorised persons by the client;
- Default events;
- AVA rights following a default event;
- Amendment and termination rights;
- Client Indemnity in favour of AVA
- AVA's limitation of liability;
- Fees and charges;

- Restrictions on assignment of agreement;
- Telephone recordings;
- Provision of general advice;
- Governing law (NSW); and
- Electronic trading platform conditions/process.

25. CLIENT MONIES

All money deposited into your account by you or a by person acting on your behalf, or which is received by AVA on your behalf, will be held by AVA in one or more segregated accounts it must maintain pursuant to the Corporations Act. The purpose of segregated accounts is to segregate customer monies from our own company funds. Please note that individual client accounts are not separated from each other, but may be co-mingled into one segregated account (which is separate to AVA's monies/assets). It is important to note that holding your moneys in one or more segregated accounts may not afford you absolute protection.

Furthermore, segregated accounts may not protect your moneys from a default in a segregated customer account. Should there be a deficit in a segregated customer account and in the unlikely event that we become insolvent before topping such account, you will be an unsecured creditor in relation to the balance of moneys owing to you.

Please note that to the extent permitted by the Australian Client Money Rules, monies provided by you to meet margins, deposits, fees, transaction settlements, or other costs may be immediately on-forwarded by AVA to our licensed third party clearing and execution providers, and applied against your margin, exchange, fee and settlement obligations. Client monies which are held pending future transactions and payments, are held in our segregated account in accordance with the Corporations Act. Retail and Sophisticated Investor monies are not used in connection with the margining, guaranteeing, securing, transferring, adjusting or settling in dealings in derivatives by AVA or on behalf of people other than the client.

AVA does not accept payments from or make payments to any third parties. In accordance with Australian anti-money laundering regulations, AVA reports, where necessary, any suspect transactions to AUSTRAC.

AVA is entitled to retain all interest earned on client moneys held in segregated accounts with a bank or approved deposit-taking institution. The rate of interest earned by AVA on this account is determined by the provider of the deposit facility.

Under the Australian Client Money Rules, we are required to comply with various record-keeping, reconciliation and reporting obligations in relation to the retail and sophisticated client money held in the client money trust. Under these rules, AVA must:

- Keep records of retail and sophisticated client money received and retain such records for 7 years;

- Perform a daily and monthly reconciliation of the retail and sophisticated client money on AVA's accounts with the actual retail and sophisticated client money held in the client money trust;
- Notify ASIC within 5 business days if AVA identifies a breach of the ASIC Client Money Reporting Rules or if a discrepancy is identified by the reconciliation;
- Lodge with ASIC an annual director's declaration and an external auditor's report on AVA's compliance with the ASIC Client Money Reporting Rules within 4 months of the end of AVA's financial year; and
- Establish, implement and maintain policies and procedures designed to ensure AVA's compliance with the ASIC Client Money Reporting Rules.

26. TAXATION

26.1 Introduction

If you trade in Margin FX, Options or CFDs, you may be subject to Australian taxation. This section outlines general information about significant Australian income tax and GST implication of trading derivatives.

The information contained in this section is of a general nature only and is not intended to constitute legal or taxation advice and should not be relied upon as such. The taxation implications of your transactions will depend on your own individual circumstances and AVA recommends that you obtain independent professional taxation advice on the full range of taxation implications applicable to your own personal facts and circumstances.

Taxation laws are complex in nature and their interpretation and administration may change over the term of your transacting. We will not advise you of any changes in taxation laws should they occur. You must take full responsibility for the taxation implications arising from your own transacting, and any changes in those taxation implications during the course of your transacting.

The information provided below is for Australian resident investors only and is based on interpretation of taxation laws in Australia current as at the date of this PDS. If you are not an Australian resident, you should consult a taxation advisor in your own jurisdiction to determine the tax consequences of transacting in derivatives.

The information in this section is based on the assumption that you will hold derivatives on revenue account. This means that you will be carrying on a business of trading or transacting these financial products, and/or you will enter into them for the purpose of making profits. We have not considered the taxation position if you enter into derivatives for the purposes of hedging risks associated with other securities or underlying assets held by you on capital account.

The availability of tax deductions or losses incurred as a result of transacting in derivatives to offset current and future year income will depend on your personal circumstances and you will need to seek advice from your tax advisor in this regard.

26.2 Tax Consequences of Transacting in Margin FX, Options and CFDs

The ATO has not issued any specific Tax Ruling or Determination in respect of Margin FX and Over-the-counter Options. However, they are similar in nature to CFDs in that they are all derivatives which provide the investor with exposure to price movements in underlying assets traded on markets, without directly investing in those underlying assets.

The taxation of CFDs is set out in ATO Tax Ruling TR 2005/15. TR2005/15 therefore may provide some guidance on the taxation treatment of Margin FX and our Options. Under TR2005/15, if you enter into a contract exposing you to future price movements in markets in the ordinary course of your business or for profit-making purposes, it is likely that any profit derived or loss incurred by you will be included in, or allowed as a deduction from, your assessable income. Tax Ruling IT2228 sets out a similar ATO view of profits or losses from trading in futures contracts. Any profit or loss arising in respect of a Margin FX, Option or CFD transaction should be included in your assessable income (or allowed as a deduction) at the time the profit or loss is 'realised' for tax purposes. Realisation will generally occur at the time the position is closed our (on expiry or sale).

Ordinarily, derivative transactions would be entered for a profit-making purpose. However, where a derivative is not entered for a profit-making purpose, the ATO may consider the transaction as an unusual form of recreational gambling. Proceeds from gambling are generally not subject to tax unless you are carrying on a business of gambling. In the ATO's view, 'gambling' refers to activities involving primarily chance which have a recreational or sporting character, and not the more technical legal meaning of wagering or the more popular meaning or mere risk taking. Ultimately, the nature of the proceeds an investor derives from transacting in derivatives will depend upon the particular circumstances of the investor.

26.3 Capital Gains Tax

Margin FX, Options and CFDs may constitute a capital gains tax (CGT) asset held by you for the purposes of applying the CGT provisions to any capital gain or capital loss realised by you. However, to the extent that a gain arising as a result of a CGT even in relation to Margin FX, Options or CFDs is included in your assessable income outside the CGT provisions (refer to Section 26.2 above) the capital gain resulting from the CGT event will be reduced. Similarly, to the extent that any loss incurred in respect of Margin FX, Option or CFD transactions is deductible, the deductible amount will not contribute to a capital loss for you.

26.4 Treatment of Transaction Fees

The transaction fees payable upon purchase or close out of Margin FX, Option and CFD positions will be deductible if the gain or loss on the transaction is assessable or deductible. If the gain or loss is a capital gain or loss, the transaction fees will form part of the cost base or incidental costs of disposal of the product.

26.5 Expenses

Certain expenses incurred by you in connection with trading in Margin FX, Option or CFDs may be deductible to the extent that they are incurred for the purpose of deriving your assessable income. The deductibility of these expenses will depend on your own personal circumstances. You should obtain your own advice as to whether such expenses will be deductible to you.

26.6 Taxation of Financial Arrangements

New rules were introduced with general application from 1 July 2010 which set out the method by which gains and losses from financial arrangements will be brought to account for tax purposes (referred to as the Taxation of Financial Arrangements (TOFA) rules).

The TOFA rules apply to financial arrangements held by certain investors whose assets or aggregated turnover exceeds specified thresholds. The TOFA rules also apply to investors who have made an election to apply to TOFA rules to their financial arrangements. You should obtain your own advice as to whether the TOFA rules apply to you in relation to the taxation treatment of Margin FX, Option and CFD transactions.

26.7 Goods and Services Tax

No GST should be payable in relation to your trading of Margin FX, Options or CFDs with AVA. This is on the basis that they are considered to be 'financial supplies' under the A New Tax System (Goods and Services Tax) Act 1999. Consequently, they are input taxed and no GST payable on their supply. However, independent advice should be sought from your accountant or financial adviser confirming this, before acting in reliance thereon.

27. DISCLOSURE OF INTERESTS

We do not have any relationships or associations which might influence us in providing you with our services. However, AVA may share fees and charges with its associates or other third parties or receive remuneration from them with respect to your dealings with us.

AVA is a market maker, not a broker, and accordingly will always act as principal for its own benefit in respect of all Margin FX, Options and CFD transactions with you. AVA may conduct transactions to hedge its liability to you in respect of your Margin FX, Option or CFD positions by undertaking transactions in the underlying currencies. Such trading activities may impact (positively or negatively) the prices at which you may trade Margin FX, Option and CFD products.

You may have been referred to us by a service provider who may receive financial or non-financial benefits from us; these should have been disclosed to you by the service provider. If disclosure is required by AVA, we will disclose such fee to you in the terms and conditions associated with the service or product.

28. PRIVACY

Your privacy is important to us. The information you provide AVA and any other information provided by you in connection with your account will primarily be used for the processing of your account application and for complying with certain laws and regulations. We may use this information to send you details of other services or provide you with information that we believe may be of interest to you. Full details of our privacy policy are available from our website www.avatrade.com.au.

29. DISPUTE RESOLUTION

AVA has an internal dispute resolution process in place to resolve any complaints or concerns you may have, as quickly and as possible in the circumstances. All internal dispute resolution processes are compliant with ASIC Regulatory Guide 271. We will confirm receipt of your complaint within 1 business day of you lodging a complaint with us. Any complaints or concerns should be directed to the Chief Executive Officer (by telephone, facsimile, or letter) at the address and telephone/fax numbers provided in section 2 of this PDS. We will seek to resolve your complaint within 30 calendar days or such further time that may reasonably be required given the nature of the complaint. We will investigate your complaint, and provide you with our decision, and the reasons on which it is based, in writing.

If you are dissatisfied with the outcome or the complaint handling process, you have the right to lodge a complaint with the Australian Financial Complaints Authority ("AFCA"), a scheme to deal with complaints from consumers in the financial system.

Australian Financial Complaints Authority

Online: www.afca.org.au

Email: info@afca.org.au

Phone: 1800 931 678

Mail: Australian Financial Complaints Authority GPO Box 3 Melbourne VIC 3001

You may also make a complaint via the ASIC free call Infoline on 1300 300 630.

Below is a list and the meaning of some words used in this PDS.

Term	Definition
Account	Account of the client dealing in the products issued by AVA, which is established in accordance with the terms and conditions of the Application Terms & Conditions
Account Application Terms & Conditions	The agreement provided to you by AVA, detailing the applicable terms and conditions as amended, supplemented or updated from time to time. You must complete, sign and return the Account Application Terms & Conditions, and have your account approved by AVA set up an account with AVA to deal in products issued by AVA.
AFSL	Australian Financial Services Licence
Base currency	Your account is maintained in the currency you have nominated, that is, the base currency.
Business Day	A day (other than a Saturday or Sunday or public holiday) on which trading banks in Sydney Australia are open for business.
Call Option	The right to buy the underlying asset at a fixed price (the "Strike") and time (the "Expiration")
CFD	Contract for Difference
Confirmation	Document or documents confirming evidence exchanged between AVA and the client, confirming the terms of the product transaction.
Corporations Act	Corporations Act 2001 (Cth) which governs the provision of financial services.
Deal	Has the same meaning as provided in the Corporations Act.
EST	Eastern Standard Time, Australia
Expiration	The date and time at which an Option expires or is exercised
AFCA	Australian Financial Complaints Authority
FSG	AVA's financial services guide as amended, supplemented or updated from time to time.

Implied Volatility	Annualized standard deviation of daily returns implied by an option price, per the Garman-Kohlhagen options pricing formula, given the price for the underlying security, the strike price and expiration date, and interest rates.
Initial Margin	An amount required to be deposited by the client with AVA to open a Margin FX, sold Option or CFD position.
Intrinsic Value	The value of an Option if it could be exercised immediately. For Calls, the amount by which the Market Price of the asset exceeds the Strike, or Zero if negative. For Puts, the amount by which the Strike Price of the asset exceeds the Market Price, or Zero if negative.
Margin	The Initial Margin or Variation Margin or both.
Margin Call	A demand for additional funds made to the client by AVA to meet any additional margin requirement.
Margin FX	Margin foreign exchange
Margin Level	A percentage calculated as follows: (Equity divided by Used Margin) multiplied by 100.
PDS	Product Disclosure Statement
Put Option	The right to sell the underlying asset at a fixed price (the "Strike") and time (the "Expiration")
Strike	The price at which an option buyer has the right to trade the underlying asset
Term Currency	This is the currency of the position you have taken
Used Margin	The amount of money that must be maintained in your Account to ensure that you have sufficient funds to cover Initial Margin requirements and also to cover against unrealised losses on all of your open transactions at any one time.
Variation Margin	The amount deposited by the client with AVA including any increase or reduction arising from settlement of a closed position
Volatility	The annualized standard deviation of daily returns of an asset, expressed in percent. The price of an option varies directly with the volatility of the underlying asset.

We, Us or AVA	Ava Capital Markets Australia Pty Ltd
Australian Client Money Rules	the provisions in part 7.8 of the Corporations Act and the regulations made there under, including but not limited to the ASIC Client Money Reporting Rules 2017 as amended from time to time.
Sophisticated Investor	the category of wholesale client as defined in s 761GA of the Corporations Act 2001 (Cth).