

# prospero



## PRODUCT DISCLOSURE STATEMENT

Margin FX Contracts and Contracts for Difference

**Issuer:**  
Prospero Markets Pty Ltd  
ABN 11 145 048 577  
Australian Financial Services Licence No. 423034  
Date: 5 October 2021



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# 1. INTRODUCTION

## 1.1 IMPORTANT INFORMATION

This Product Disclosure Statement (**PDS**) has been prepared and issued by Prospero Markets Pty Ltd (ABN 11 145 048 577) (**Prospero Markets, we, us or our**). We hold Australian Financial Services Licence No. 423034 (**AFSL**).

This PDS provides you with key information about our financial products being over the counter derivatives, being margin foreign exchange contracts (**Margin FX Contracts**) and contracts for difference (**CFDs**) (together, the **Products**).

Prospero Markets is regulated by the Australian Securities & Investments Commission (**ASIC**). While ASIC is a robust regulator, ASIC does not endorse specific financial products. ASIC's regulation of Prospero Markets applies in respect of the services provided under our AFSL.

This PDS, the Terms and Conditions (**T&C**), Financial Services Guide (**FSG**) and our Target Market Determination are important documents. You should read this PDS, the T&Cs, the FSG and our Target Market Determination in their entirety before making any decision to enter into a Contract with us. A copy of this PDS, the T&Cs and the FSG can be downloaded from our Website at [www.prosperomarkets.com](http://www.prosperomarkets.com).

The information in this PDS is current as of 5 October 2021. We may issue a supplementary or replacement PDS as a result of certain changes.

## 1.2 GENERAL ADVICE ONLY

Prospero Markets does not and will not provide personal advice in any circumstances. The information contained in this PDS, our Website, Trading Platform, via email, at any training, events or otherwise is generic in nature and does not constitute any recommendation, advice or opinion that any of our Products are appropriate for you and does not take into account your objectives, financial situation or needs. The information in this PDS is general only. You should consider our financial products and the information in this PDS having regard to your objectives, financial situation and needs, and should consult with professional advisers, before entering into the financial products. We cannot guarantee specific results from trading in Products.

## 1.3 TARGET MARKET FOR OUR PRODUCTS

Prospero Markets publishes and maintains a Target Market Determination on its Website which sets out the class of consumers that comprises the target market for the Products issued under this PDS and matters relevant to the Products' distribution and review. Prior to signing up for an Account with us, you should read this document to assist your understanding of whether our Products are suitable to you.

We may ask for your personal information to assess whether you are reasonably likely to fall within the target market of our Products, but we are not obliged to assess the suitability of our Products for the circumstances of individual consumers. Any collection of information for the purpose of assessing whether you are reasonably likely to fall within the target market of our Products should not be deemed as personal advice or any other advice to you. You must not rely on our assessment of whether you are reasonably likely to fall within the target market since it is based on the information you provide and the assessment is only for our purposes of deciding whether to open an Account for you. You may not later claim you are not responsible for your losses merely because we have opened an Account for you. You remain solely responsible for your own assessments of the features and risks and seeking your own

advice on whether our Products are suitable for you. Please refer to Section 8 for our Client Qualification Policy.

Please also note that if you are an existing client of ours, we may still ask for your personal information to assess whether you are likely to continue falling within the target market of our Products.

**1.4 CURRENCY OF PDS**

The information in this PDS is up to date at the time it was prepared and issued but is subject to change at any time. Any updates will be posted on our Website.

If the new information is information which is materially adverse to you, we will issue either a new PDS or a supplementary PDS containing the new information. If the new information is not materially adverse to you, you will be able to find updated information on our Website or by calling us using the contact details given in this PDS.

If you received this PDS electronically, we can provide a paper copy free of charge upon request.

**1.5 OUR CONTACT DETAILS**

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

Writing to us at:	Prospero Markets, Level 4, 990 Whitehorse Road, Box Hill, Victoria 3128, Australia
Calling us:	1300 768 888
Sending an email to:	<a href="mailto:info@prosperomarkets.com">info@prosperomarkets.com</a>
Visiting our website:	<a href="http://www.prosperomarkets.com">www.prosperomarkets.com</a>

**1.6 OTHER JURISDICTIONS**

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 of Australia may be subject to legal restrictions. Any person who resides outside of Australia who gains access to this PDS should comply with any such restrictions. A failure to do so may constitute a violation of financial services laws. The offer to which this PDS relates is not available to investors in the United States of America or Japan.

**1.7 WARNING**

The Products offered by us in this PDS are derivatives and foreign exchange contracts as defined in the Corporations Act. Derivatives and foreign exchange contracts are complex and high-risk financial products. You should not engage in transactions or enter into Contracts unless you properly understand the nature of these Products and are comfortable with the attendant risks. You should obtain independent financial, legal, taxation and other professional advice prior to entering into a Contract to ensure this is appropriate for your objectives, financial situation and needs and in relation to the impact of any gains or losses on your particular financial situation.

You may incur losses to the extent of your total exposure to and deposits with us. It is important that you also understand that when you enter into a Product you are not trading in (and do not own or have any rights to) the Underlying Instrument.

This initial warning cannot set out and duplicate all of the important information in this PDS. You should read all of this PDS and the T&Cs before making a decision to invest in the financial products covered by this PDS. We recommend that you contact us if you have any questions arising from this PDS or the T&Cs prior to entering into any transactions with us.

Please read Section 5 of this PDS carefully for more information regarding risks associated with the Products.

## 2. ASIC REGULATORY GUIDE 227 DISCLOSURE BENCHMARKS

ASIC Regulatory Guide 227 requires OTC derivative 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.

There are seven (7) disclosure benchmarks required to be addressed. The table below sets out the benchmarks and the information which describes how we deal with the benchmarks.

Benchmark Description	Benchmark met?	How do we meet this benchmark?
<p><b>Benchmark 1: Client Qualification</b></p> <p>Addresses the issuer's policy on investor's qualification for trading.</p>	Yes	<p>Prospero Markets maintains and applies a written Client Qualification Policy which sets out the minimum qualification criteria that prospective retail investors will need to demonstrate before opening an Account.</p> <p>Further information can be found in Section 8.</p>
<p><b>Benchmark 2: Opening Collateral</b></p> <p>Addresses the issuer's policy on the types of assets accepted from investors as opening collateral.</p>	No	<p>To the extent that this benchmark requires that a limit of AUD 1,000.00 be accepted for opening payments made by credit cards, we accept credit card payments for more than AUD 1,000.00 as initial funding in order to provide flexible payment options to clients.</p> <p>Further information can be found in Section 6.4.</p>
<p><b>Benchmark 3: Counterparty risk – hedging</b></p> <p>Addresses the issuer's practices in hedging its risk from client positions and the quality of this hedging.</p>	Yes	<p>Prospero Markets maintains a written policy to manage our exposure to market risks from client Positions.</p> <p>Further information can be found in Section 5.4 and up to date Hedging Counterparties Policy on our Website.</p>
<p><b>Benchmark 4: Counterparty risk – financial resources</b></p>	Yes	<p>Prospero Markets maintains and applies a written policy to ensure that we meet all</p>

<p>Addresses whether the issuer holds sufficient liquid funds to withstand significant adverse market movements.</p>		<p>our financial obligations under the conditions of our AFSL, have adequate financial resources on an ongoing basis and conduct stress testing on a regular basis.</p> <p>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.</p> <p>Further information can be found in Section 5.4.</p>
<p><b>Benchmark 5: Client Money</b> Addresses the issuer's policy on its use of client money.</p>	<p>Yes</p>	<p>Prospero Markets maintains and applies a written Client Money Policy regarding the use of client money. These moneys are held and used in accordance with the Australian Client Money Rules.</p> <p>Further information can be found in Section 9.</p>
<p><b>Benchmark 6: Suspended or halted underlying assets</b> Addresses the issuer's practices in relation to investor trading when trading in the underlying asset is suspended or halted.</p>	<p>Yes</p>	<p>With the exception of Margin FX Contracts where there is no suspension or halting of the Underlying Market, we do not allow new Positions to be opened when the Underlying Market is halted or suspended.</p> <p>Further information can be found in Section 6.9.</p>
<p><b>Benchmark 7: Margin calls</b> Addresses the issuer's practices in the event of client accounts entering into margin call.</p>	<p>Yes</p>	<p>Prospero Markets maintains and applies a clear written policy detailing our Margin practices (please refer to Section 7). This policy details how we monitor clients' 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. Please note that all margin calls will be communicated to you via the Trading Platform.</p> <p>All open Positions are monitored on a real-time basis intraday, to ensure changing margin requirements are identified in a timely manner.</p> <p>Further information can be found in Section 7.</p>

### 3. PRODUCT INTERVENTION ORDER – CONTRACTS FOR DIFFERENCE

In October 2020, the ASIC Corporations (Product Intervention Order – Contracts for Difference) Instrument 2020/986 (“**Product Intervention Instrument**”) was issued under subsection 1023D(3) of the Corporations Act. The Product Intervention Instrument imposes certain conditions on specified dealings in OTC CFDs in relation to retail clients, prohibits giving or offering specified benefits to retail clients or prospective retail clients in specified circumstances, and requires CFD issuers to take reasonable steps to notify its retail clients of the terms of the Product Intervention Instrument.

The purpose of the Product Intervention Instrument is to reduce the risk of significant detriment to retail clients result from CFDs from the four aspects summarised in the table below. Please note that the Products offered by Prospero Markets under this PDS are OTC CFDs to which the Product Intervention Instrument applies.

Under the Product Intervention Instrument, the following measures are mandatory on and from 29 March 2021. Prospero Markets will implement the following measures on and from 17 February 2021, meaning that from 17 February 2021, all your dealings with us under this PDS are subject to the following measures.

Summary of the Product Intervention Instrument	References
<p><b>Leverage Ratio Limits</b></p> <p>The Product Intervention Instrument imposes specified leverage restrictions on the Initial Margins for all of our Products, including:</p> <ul style="list-style-type: none"> <li>• 30:1 for a Product referencing an exchange rate for a Major Currency Pair;</li> <li>• 20:1 for a Product referencing an exchange rate for a Minor Currency Pair, gold or a Major Stock Market Index;</li> <li>• 10:1 for a Product referencing a commodity (other than gold) or a Minor Stock Market Index;</li> <li>• 2:1 for a Product referencing crypto-assets; and</li> <li>• 5:1 for a Product referencing shares or other assets.</li> </ul>	<p>Sections 4.8, 4.9, 4.11</p>
<p><b>Aggregate Margin Close-out Protection</b></p> <p>If anytime your Net Equity drops below the Aggregate Close-Out Protection Amount, one or more open Positions will be closed by us automatically, as soon as the market condition allows, until your Net Equity returns to the Aggregate Close-Out Protection Amount.</p> <p>The Aggregate Close-Out Projection Amount is 50% of the higher of:</p> <ul style="list-style-type: none"> <li>• The aggregate Initial Margin requirements for your open</li> </ul>	<p>Section 7</p>

<p>Positions; or</p> <ul style="list-style-type: none"> <li>The aggregate Margin Requirements for your open Positions at the relevant time.</li> </ul>	
<p><b>Negative Balance Protection</b></p> <p>We offer Negative Balance Protection under this PDS for all Products. Under this protection, you will not lose more than the money you have in your Account.</p>	Section 5.5
<p><b>No Inducements</b></p> <p>We are prohibited from giving or offering certain inducements to retail clients and/or prospective retail clients, such as volume-based credits or rebates.</p>	Section 8.6

## 4. SUMMARY OF KEY INFORMATION – QUESTIONS & ANSWERS

### 4.1 WHAT DO THE TERMS IN THIS PDS MEAN AND HOW DO YOU INTERPRET IT?

A full list of defined terms is available in Section 14.

### 4.2 WHAT FINANCIAL PRODUCTS DOES PROSPERO MARKETS PROVIDE?

Our Products are OTC derivatives, being Margin FX Contracts and CFDs. You can find further details in section 4.6 and section 4.7 below. All our Products are considered as CFDs under the Product Intervention Instrument.

Prospero Markets publishes and maintains a Target Market Determination on its Website which sets out the class of consumers that comprises the target market for the Products issued under this PDS and matters relevant to the Products' distribution and review. Prior to signing up an Account with us, we encourage you to read this document to assist your own understanding and your own assessment on whether our Products are suitable to you.

### 4.3 WHO IS THE ISSUER OF THIS PDS AND THE PRODUCTS?

Prospero Markets is the issuer of this PDS and the Products.

### 4.4 WHAT TYPE OF ACCOUNT CAN YOU OPEN?

You may trade with Prospero Markets in both live and demo environments. Aside from our Demo Account, Prospero Markets offers other types of Accounts in a live environment.

We may change the features of certain types of Accounts from time to time by publishing these changes on our Website as well as adding or removing any types of Account. Please refer to our Website for details on the types of Accounts that you may open with us.

If you are unsure about how the Products work, we strongly recommend that you apply for a Demo Account and trial our Trading Platform prior to opening a live Account. Our Demo Accounts simulate our live trading environment and provide you with a virtual balance to trade with. This enables you to become familiar with the Trading Platform features and helps you to assess whether or not you feel that the Products are suitable for you.



#### 4.5 WHAT TYPE OF TRADING SOFTWARE DO WE OFFER?

You can trade in the Products through the trading platform known as the MT4 Trading Platform. We recommend that prior to engaging in live trading you open a Demo Account and conduct simulated trading. This will enable you to become familiar with the attributes of the Trading Platform. We hold a MetaQuotes licence for the Trading Platform, and we also rely upon MetaQuotes to ensure the Trading Platform, along with relevant systems and procedures are regularly updated and maintained.

The legal terms governing your Account and your dealing in the Products are set out in the T&Cs. You must read, understand and agree to the T&Cs prior to trading with us.

We will use our best efforts to make the Trading Platform available when you access it. However, we cannot give an absolute assurance or guarantee that the Trading Platform will be available on a continuous basis due to systems maintenance, system failures and other related technological or external factors. We have no liability to you for any loss, damage or cost which you may suffer as a result of transmission errors, technical faults, malfunctions, illegal intervention in network equipment, network overloads, malicious blocking of access by third parties, internet malfunctions, interruptions or other deficiencies on the part of internet service providers or other system errors.

We do not accept any liability in respect of any delays, inaccuracies, errors or omissions in any data provided to you in connection with the Trading Platform. We have no liability to you in the event that any viruses, worms, software bombs or similar items are introduced via the Trading Platform or any software provided by us to you in order to enable you to use the Trading Platform, so long as we have taken reasonable steps to prevent any such introduction.

You must carefully read and follow any operational rules or instructions for or on the Trading Platform. The Trading Platform from time to time may impose special operating rules (available on the Trading Platform) including but not limited to:

- posting Margin (such as when payment is required and when the payment is effective);
- how Margins are calculated (such as automatic adjustments outside of trading hours, including at the weekend); and
- how Orders are managed.

#### 4.6 WHAT IS A MARGIN FX CONTRACT?

A Margin FX Contract is an OTC derivative contract which enables traders to leverage a small Margin deposit for a much greater market effect in relation to currencies.

A foreign exchange contract involves the exchange of one currency for another. Margin FX Contracts differ 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). You do not own or have any interest or right to that Underlying Instrument or have the ability to trade it on an exchange by entering into a Margin FX Contract. Margin FX Contracts allow the investor an opportunity to trade foreign exchange on a margined basis as opposed to paying for the full value of the currency.

In every exchange rate quotation, there are two currencies. The exchange rate is the price of one currency (the “base” currency) in terms of another currency (the “terms” currency) such as the price of AUD in terms of USD. For example, if the current exchange rate for AUD as against USD is AUD/USD 0.70000, this means that AUD 1.00 is equal to, or can be

exchanged for USD 0.70.

The price of our Margin FX Contracts is based on the price of one currency relative to another. Margin FX Contracts do not have an Expiry Date and will remain open until closed in accordance with the Agreements. Terminating a Margin FX Contract involves clicking and selecting "Close Order" on the Trading Platform, which generates a realised profit or loss on the transaction, which is then settled between you and us.

The amount of any gain or loss made on a Margin FX Contract will be the net of:

- the difference between the price of the Contract when it is opened and the price of the Contract when it is closed;
- any Swap Charges or Swap Benefits relating to the Contract; and
- any Commissions (if applicable).

Please refer to Section 11 of this PDS which contains worked examples for Margin FX Contracts.

#### **4.7 WHAT IS THE PURPOSE OF TRADING MARGIN FX CONTRACTS?**

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. For example, some traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the underlying currency pair. 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.

Other traders may trade to hedge their exposures to the underlying currency pair. Foreign exchange exposures may arise from several different activities. Companies or individuals that are dependent on overseas trade are exposed to currency risk. This can be to purchase (or sell) physical goods and services (such as machinery) or even financial products (such as investing in securities listed on an international stock exchange).

Examples include:

- An exporter who sells its product priced in foreign currency has the risk that if the value of that foreign currency falls then the revenues in the exporter's home currency will be lower;
- An importer who buys goods priced in foreign currency has the risk that the foreign currency will appreciate thereby making the cost, in local currency terms, greater than expected;
- A person going on a holiday to another country has the risk that if that country's currency appreciates against their own, their trip will be more expensive.

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

Currency risk is the risk that arises from international business which may be adversely affected by fluctuations in exchange rates. Prospero Markets offers our clients the facility to buy or sell Margin FX Contracts to manage this risk, enabling clients to protect themselves against adverse currency swings, yet secure enhanced exchange rates when offered, thereby protecting the potential 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 traveler.

#### 4.8 WHAT IS A MAJOR CURRENCY PAIR AND WHAT IS A MINOR CURRENCY PAIR?

A Major Currency Pair means a pair of currencies that consists of any two of Australian dollar, British pound, Canadian dollar, euro, Japanese yen, Swiss franc and US dollar. A Minor Currency Pair means a pair of currencies that is not a major currency pair.

Under the Product Intervention Instrument, the maximum leverage we can offer for Margin FX Contracts referencing Major Currency Pairs is 30:1 and for Margin FX Contracts referencing Minor Currency Pairs is 20:1.

Prospero Markets provides Margin FX Contracts for a wide range of currency pairs with different leverages. Please refer to the Product Schedule for up-to-date information regarding which currency pairs are currently available and the applicable leverage/Margin information.

#### 4.9 WHAT IS A CFD?

A CFD is an OTC derivative contract which allows you to make a profit or loss from fluctuations in the price of an Underlying Instrument. You do not own or have any interest or right in the Underlying Instrument or have the ability to trade it on an exchange by entering into a CFD.

The amount of any gain or loss made on a CFD will be the net of:

- the difference between the price of the CFD when it is opened and the price of the CFD when it is closed;
- any Swap Charges or Swap Benefits relating to the CFD;
- any Rollover Charges or Rollover Benefits relating to the CFD;
- any Commissions charged relating to the CFD (if applicable); and
- any Corporate Action charges or benefits relating to the CFD (if applicable).

Please refer to Section 11 of this PDS which contains worked examples for CFDs.

We offer the following types of CFDs (the availability of which may change from time to time):

- Commodity CFDs;
- Equity CFDs, i.e., shares or other securities; and
- Index CFDs.

Specification details of each type of CFDs we offer are provided in the Product Schedule. We recommend that you view these prior to deciding which type of CFDs you wish to deal in.

##### **Commodity CFDs**

We offer a range of CFDs in respect of Commodities. Commodity CFDs allow you to speculate on the price of a Commodity, or hedge an exposure, indirectly in Commodity markets without physically owning it.

Under the Product Intervention Instrument, the maximum leverage we can offer for a CFD referencing a Commodity (other than Gold) is 10:1, and a CFD referencing gold is 20:1.

##### **Index CFDs**

We offer CFDs in respect of a range of Indices, thereby allowing you to take positions in relation to the overall direction of a market without taking a view on a particular underlying

stock or future. A short Position can be used as a rough hedge to protect a diversified share portfolio in the event of a market fall.

Our Index CFDs are valued based on the number of units per index point of the underlying index. For example, if the underlying index is 4600 then trading 10 Index CFDs with us for that underlying index would mean the face value of the Contracts is \$46,000.

Please refer to Section 4.11 for further details about Major Stock Market Index and Minor Stock Market Index.

### **Equity CFDs**

We offer CFDs in respect of a range of single stocks. Equity CFDs allow you to speculate on the price of a single stock, or hedge an exposure, without physically owning the stock.

Under the Product Intervention Instrument, the maximum leverage we can offer for an Equity CFD is 5:1.

### **4.10 WHAT IS THE PURPOSE OF TRADING CFDS?**

People who trade in CFDs 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, some traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the Underlying Instrument. These 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. Other traders trade CFDs to hedge their exposures to the Underlying Instruments.

### **4.11 WHAT IS MAJOR STOCK MARKET INDEX AND WHAT IS MINOR STOCK MARKET INDEX?**

A Major Stock Market Index means any index of

- CAC40;
- DAX;
- Dow Jones Industrial Average;
- EURO STOXX 50 Index;
- FTSE 100;
- NASDAQ-100 Index;
- NASDAQ Composite Index;
- Nikkei Stock Average;
- S&P 500; and
- S&P/ASX 200.

A Minor Stock Market Index means a stock market index that is not a Major Stock Market Index.

Please note that we offer different leverage for Index CFDs referencing Major Stock Market Indices and Minor Stock Market Indices. Under the Product Intervention Instrument, the maximum leverage we can offer a CFD referencing a Major Stock Market Index is 20:1 and a CFD referencing a Minor Stock Market Index is 10:1.

Please refer to our Product Schedule for detailed leverage/Margin information.

#### **4.12 WHAT IS A PRODUCT ISSUED “OVER THE COUNTER”?**

“Over the counter” or “OTC” means that you do not trade in financial products on an exchange or a regulated market. Rather, it is a bilateral transaction between you and us. This means you can only enter into Contracts with us. You do not have the protections normally associated with trading on a regulated market. It is not possible to close a Product by giving instructions to another provider, broker or Australian financial services licensee.

Further, unlike direct investments made by trading in an exchange, OTC derivatives are not standardised. You must read this PDS, the T&Cs and the specifications of each Contract prior to entering into any transaction with us.

#### **4.13 WHAT CHARGES ARE PAYABLE WHEN DEALING IN OUR PRODUCTS?**

The common fees and charges are set out in Section 10.

#### **4.14 WHERE CAN YOU FIND INFORMATION ABOUT OPENING HOURS?**

The opening hours of our Trading Platform are set out on the Website and Trading Platform. You can view live prices and place live Orders during the opening hours. You may still access the Trading Platform and view your Account, market information, research and our other services outside of these opening hours. However, there will not be any live prices or trading. We will provide services to you outside of these hours at our sole discretion. Opening hours of our Products may vary within these times, please check our Trading Platform for further information on opening hours for each Contract.

Opening hours of the Products may vary within the opening hours of our Trading Platform. Please note that quotes for a Product can only be given, and Contracts carried out, during the open market hours of the relevant Underlying Markets or exchanges, and the opening hours of the Trading Platform. Please refer to our Website and Trading Platform for further information. If you have any questions, please contact us.

#### **4.15 WHAT ORDER TYPES DOES PROSPERO MARKETS OFFER?**

Prospero Markets offers different types of Orders through the Trading Platform. You will be able to find information about Orders that apply to you on the Trading Platform when you log in. You should note that the Stop Loss Orders and Limit Orders are non-guaranteed Orders.

The price at which we accept an Order to trade will generally be based on filling the full volume of the Order in one Contract where possible. Partially filled Orders will be filled as soon as the opportunity arises. The type of Orders and how they may be filled, if at all, will depend on the rules of the exchange where the Underlying Instruments are being traded and the pricing model you have selected. For some Contracts that you choose to trade, there may be a minimum trade value or other restrictions (e.g., pricing) that relate to a particular market.

Prospero Markets has complete discretion on whether to accept and execute any Order requested.

If an Events of Default specified in the T&Cs occurs, we may impose a limit on the number of open pending Orders of each Account to prevent the degradation of the Trading Platform performance of all other clients. The limit is currently set at 500 Orders, but we reserve the right to change this limit.

You should discuss the operation of these Order types with one of our representatives, try them via the Demo Accounts, and read the user guide available on the Trading Platform. You should also refer to our T&Cs with respect to the operation of these order types.

Below is a high-level summary of the key categories of Orders we provide:

<b>Market Orders</b>
<p>A Market Order is an Order to buy or sell at the current market price as soon as possible, i.e. if the market is closed, the Order may not be entered into until the Underlying Market re-opens.</p>
<b>Stop Loss Orders</b>
<p>A Stop Loss Order is an Order placed to limit the loss on an open Position and allows you to specify a price at which you wish to close out or open a Contract. Stop Loss Orders must be placed a minimum distance from our current bid and offer prices. The minimum distance for each Stop Loss Order will be available on the file titled "Contract Specification/Stop Level" on the Trading Platform.</p> <p>A Stop Loss Order can be seen as a "resting" Market Order. The Order will become active when the price specified as the strike price in the Stop Loss Order is reached in the market, and the Stop Loss Order will then be converted into a Market Order when the strike price is equal to last traded price in the Underlying Market.</p> <p>Prospero Markets will execute a Stop Loss Order once the following conditions are met:</p> <ul style="list-style-type: none"><li>• The offer price has reached the strike price in the case of a buy Order or the Bid Price has reached the strike price in the case of a sell Order; and</li><li>• The relevant Underlying Market has traded at or through the level at which the Order is placed, in sufficient size that Prospero Markets could have replicated the Order.</li></ul> <p>We note that Stop Loss Orders are not guaranteed, and the execution of such Orders will depend on market volatility and liquidity. You cannot assume that you will always be able to have a Stop Loss Order and Prospero Markets has absolute discretion in determining whether to accept a Stop Loss Order. A Stop Loss Order is triggered automatically when the stop loss price is reached. Once the stop loss price is reached, the Stop Loss Order becomes a Market Order to buy or sell (depending on your instructions). Due to market volatility and liquidity, if it is not possible to fill your Stop Loss Order at the price you requested, Prospero Markets will fill the Stop Loss Order at the nearest available price.</p> <p>The Stop Loss Order could be activated by a short-term fluctuation in the markets, or in a fast-moving market, the price at which the trade is executed could be much different from the Stop Loss Order price. This is known as "gapping" and is due to market movements during the time it takes to open or close Contracts.</p> <p>As the markets are constantly moving, you can place a Stop Loss Order on all 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 executed at a different price (known as slippage) or not at all.</p> <p>There are no additional fees or charges associated with the placement of Stop Loss Orders</p>

(only the disclosed commission regarding the executed transaction if the order is triggered).

You acknowledge and agree that under the T&Cs we may impose a Stop Loss Order on one or more of your Contracts.

**Example of a Stop Loss Order**

Adam believes the EURO will strengthen against the USD. He therefore buys one lot (goes long), of EUR/USD at the price of 1.3000. Adam places a Stop Loss Order at price of 1.2970. If EURO had weakened against the USD instead of strengthening, Adam would have made a loss on his Position. EUR/USD drops to the price of 1.2950.

Loss when the Stop Loss Order is triggered at 1.2970	= USD(100,000 x (1.3000-1.2970)) = USD300.00
Loss if Adam did not put a Stop Loss Order	= USD(100,000 x (1.3000-1.2950)) = USD500.00
Loss if the Stop Loss Order is triggered and the Position is closed at 1.2960 due to market gap	= USD(100,000 x (1.3000-1.2960)) = USD400.00

**Limit Orders**

A Limit Order may be used by you to either open or close a Contract at a predetermined price that is more favourable to you than the current market price. We will execute your Limit Order when:

- for a buy-limit order: the Ask Price has reached the Order price; or
- for a sell-limit order: the Bid Price has reached the Order price.

Once the Limit Order price is reached, the Limit Order becomes a Market Order. Similar to Stop Loss Orders, Limit Orders are not guaranteed, and the execution of such Orders will depend on market volatility and liquidity.

**Example of a Limit Order**

If you want to speculate that the price of gold will decrease after hitting three-month peak price, instead of waiting for the market to reach this price, you place a sell Limit Order at USD 1,300.00. This Order will trigger a sell trade once the market price reaches USD 1,300.00 or higher, e.g. Where the price of gold changes from USD 1,299.50 to USD 1,300.50 (without hitting USD1,300.00 in between), the sell trade will be triggered due to the price movement and you will receive a fill price of USD 1,300.50 instead of USD 1,300.00.

**4.16 WHAT IS THE MINIMUM TRADING SIZE, THE MAXIMUM TRADING SIZE AND THE MINIMUM BALANCE TO OPEN AN ACCOUNT?**

The size of your Contract must exceed or equal to the relevant Minimum Trading Size and must not exceed the relevant Maximum Trading Size, each as specified on the Product Schedule on our Website and on the Trading Platform and may be changed from time to time.

The minimum balance to open an Account is set out on our Website and may be varied at our discretion.

When trading in Products, you may deposit an amount of fund that suits you and which is in

line with the amount you are willing to risk, noting that the risk on trading the Products is not limited to the capital you provide to us.

#### 4.17 HOW DO YOU DEAL IN PRODUCTS WITH US?

Prospero Markets only accepts dealing instructions via:

- the Trading Platform;
- phone calls; and
- any other means if we expressly agree with you in advance.

The preferred method of giving us dealing instructions is via the Trading Platform. We do not accept dealing instructions through any other means, such as emails or on-line messenger, unless we have previously agreed with you to do so in advance.

Regardless of whether you give us dealing instructions over the phone or via the Trading Platform, you are required to access the Trading Platform on a regular basis to confirm that your instructions have in fact been received by us, reconfirm all Orders that you place with us, review any confirmation we provide, to ensure its or their accuracy and monitor your Margin obligations. Any discrepancies identified must be reported to us immediately.

It is possible for a third party to place Orders on your behalf provided that a written and executed Power of Attorney or Authorised Person authority has been received and accepted by us.

#### 4.18 WHAT IS MARGIN?

To place a trade that creates an open Position/Contract you are required to pay us, or have in your Account, the Margin for that trade as calculated by us (**Initial Margin**). In addition to the Initial Margin, you have a continuing obligation in relation to Margin in respect of all open Positions on your Account, known as the **Variation Margin**.

Margin Requirements will fluctuate with the value of the Underlying Instrument on which the Contract is based. Further, where you deal in a Contract that is denominated in a currency other than the Base Currency of your Account, your Margin Requirements may also be affected by fluctuations in the relevant foreign exchange rate.

For detailed information please refer to Section 7.

#### 4.19 WHAT IS A MARGIN CALL?

A Margin Call is a call on you to top up the amount of money you have in your Account as Margin. You can monitor your Margin Requirements using the Trading Platform or otherwise by contacting us. If you do not meet a Margin Call in a timely manner or within the time frame specified in the Margin Call, some or all of your open Contracts will be reduced or closed out by us without further reference to you in accordance with the T&Cs. A Margin Call will not be considered to have been met unless and until cleared funds have been received in the nominated account and we have updated the Trading Platform.

#### 4.20 DO YOU RECEIVE INTEREST ON MONEYS HELD IN YOUR ACCOUNT OR PAY INTEREST ON MONEYS YOU OWE TO US?

We do not pay or charge interest on credit balances or debit balance on your Account. We



offer Negative Balance Protection to our clients. Please refer to Section 5.5 for more information about Negative Balance Protection.

#### **4.21 WHAT HAPPENS IF YOU HOLD A POSITION OVERNIGHT?**

When you hold a Position or Positions overnight in a Product (other than an Excepted Contract) they will be rolled to the next Trading Day, resulting in you paying a Swap Charge or receiving a Swap Benefit.

No Swap Charge is paid, or Swap Benefit is received in the case of Excepted Contracts, but there will be a Rollover Charge or Rollover Benefit.

For further information, please refer to Section 10.

#### **4.22 WHAT ARE THE RISKS OF MARGIN FX CONTRACTS AND CFDS?**

Our Products are OTC derivative products that are complex, highly leveraged and carry significantly greater risk than non-g geared investments.

You may lose substantially and may incur losses to the extent of your total exposure to and all funds deposited with us. Please refer to Section 5 for a detailed description of the key risks involved in trading our Products. You should obtain your own independent financial, legal, taxation and other professional advice as to whether our Products are an appropriate investment for you.

#### **4.23 WHAT ARE THE TAXATION IMPLICATIONS OF INVESTING OUR PRODUCTS?**

The taxation consequences of dealing in our Products depend on your personal circumstances. Some general taxation consequences are set out in Section 11.

The taxation consequences 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 Contract and CFD transactions and products on your particular financial situation.

#### **4.24 WHAT IF YOU DEFAULT IN YOUR OBLIGATIONS?**

Prospero Markets has extensive powers under the T&Cs to take action in response to a range of default events. We may suspend and/or terminate your Account, and close out all or any of your Positions, including cancelling any outstanding Orders.

#### **4.25 HOW DO YOU LEARN TO USE THE TRADING PLATFORM?**

Our Trading Platform contains an extensive user guide which is accessible from the "Help" menu. We also provide free practice accounts also known as Demo Accounts.

#### **4.26 WHAT IF YOU NEED FURTHER INFORMATION?**

You can contact us by our contact details listed out in Section 1.5 for further information.

## 5. KEY INFORMATION ABOUT OUR PRODUCTS

### 5.1 KEY FEATURES OF THE PRODUCTS

You must understand that:

- the Products are sophisticated, high-risk, OTC derivatives issued by Prospero Markets. They are not exchange-traded;
- the Products are for investing indirectly in the price movement of a range of instruments without having to own and pay full value for the Underlying Instrument;
- your Account must be funded before Contracts are issued to you. You do this by paying at least the Initial Margin;
- you remain liable to pay later Variation Margins and to maintain compliance with the Total Margin Requirements. If you fail to do so, your Contracts can be closed out;
- Unlike exchange-traded products, the Products are not standardised. The terms of a Contract may, at our discretion, be individually tailored to the requirements of the parties to the Contract – you and us; and
- You have no right or obligation to acquire the Underlying Instrument itself.

### 5.2 KEY BENEFITS OF THE PRODUCTS

The Products can provide an important risk management tool for those who manage foreign currency or exposures in the Underlying Instrument of a CFD. The significant benefits of using the Products as a risk management tool are to protect your exchange rate or movements in the Underlying Instrument of the CFD and provide cash flow certainty. Other benefits of using the Products apply equally for a client as a risk management tool or for the client who is a trader or speculator, and these are described below.

Benefit	Explanation	Margin FX Contracts	CFDs
<b>Protect from market movement</b>	The Trading Platform provided by Prospero Markets enables you to trade in the Products over the internet. The Trading Platform allows you to buy and sell various financial products to protect yourself against adverse market swings.  Prospero Markets also offers different types of Orders that enable you to manage volatility. You may manage downside risk by the use of Stop Loss Orders if the market rate reaches a particular level.	✓	✓

	In addition, you may use Limit Orders which allow you the opportunity to benefit from favourable upside market movements.		
<b>Trade in small amounts</b>	Prospero Markets allows you to make transactions in small amounts. You can start using our services even with an opening balance as little as AUD 1,000. When trading our Products, you may deposit the sum that suits you, or the amount which is in line with the amount you are willing to risk.	✓	✓
<b>Access to the Underlying Markets at any time when they are open</b>	<p>The Products enable you to take a Position with an exposure to a particular Underlying Instrument without needing to buy or sell the actual full value of the Underlying Instrument.</p> <p>Prospero Markets provides you with access to an advanced and multi-levelled system that gives you an opportunity to react quickly to breaking news that is affecting the Underlying Markets. It should be noted however, that trading in various markets is restricted to hours where Underlying Markets and the Trading Platform are both open.</p>	✓	✓
<b>Profit potential in falling markets</b>	<p>Since the market is constantly moving, there are always trading opportunities. For example, when you trade currencies, they literally work against each other. If the AUDUSD declines, for example, it is because the USD gets stronger against the AUD and vice versa. So, if you think the AUDUSD will decline (that is, that the AUD will weaken versus USD), you would sell AUD now and then later you buy AUD back at a lower price and take your profits. The opposite trading scenario would occur if the AUDUSD appreciates.</p> <p>Traditional securities and other financial investment products only deliver benefits in rising or stable markets. Our Products provide a simple and effective means to take advantage of falling markets.</p>	✓	✓
<b>Speculation</b>	You can also use the Products for speculation, with a view to possibly deriving gains from fluctuations with respect to the Underlying Instruments. Speculation may result in losses rather than gains.	✓	✓
<b>Hedging</b>	Our Products 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.	✓	✓

<p><b>Leverage</b></p>	<p>Our Products are leveraged trading instruments. While leverage can magnify losses, it can also magnify profits. Leverage allows you to take larger exposures, to more markets, than cash investors using the same capital base. Leverage also means that you 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.</p>	<p>✓</p>	<p>✓</p>
<p><b>Superior foreign exchange liquidity</b></p>	<p>The foreign exchange market is usually very liquid as there are typically a large number of buyers and sellers trading at any one time. The liquidity of this market, particularly with respect to that of the major currencies, helps ensure price stability and low Spreads. We do note that during events liquidity can vary.</p>	<p>✓</p>	<p>N/A</p>
<p><b>Real time streaming quotes</b></p>	<p>The Trading Platform uses the latest highly sophisticated technologies in order to offer you up-to-the-minute quotes. You may check your Account and Positions in real time and you may do so 24 hours a day (in most circumstances) on any global market which is open for trading and make a trade based on real-time information. We believe it is highly important for you to be able to control your funds whenever you wish and base your deals on real-time information.</p>	<p>✓</p>	<p>✓</p>

**5.3 KEY RISKS OF THE PRODUCTS**

Trading in the Products carries a high level of risk. Some of the key risks that apply to both Margin FX Contracts and CFDs, include, but are not limited to, the following:

<p><b>Derivative risk generally</b></p>	<ul style="list-style-type: none"> <li>• you could sustain a total loss of the amount that you deposit with Prospero Markets held in your Account. You should not risk capital more than you can afford to lose;</li> <li>• under certain market conditions, it could become difficult or impossible for you to manage the risk of any open Contracts by entering into opposite Contracts or closing out existing Contracts;</li> <li>• under certain market conditions, the prices of Contracts may not maintain their usual relationship with the market of the Underlying Instruments;</li> <li>• a high degree of leverage is obtainable in trading the Products despite the leverage restrictions under the Product Intervention Instrument. The use of leverage can work against you as well as in favour of you;</li> </ul>
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	<ul style="list-style-type: none"> <li>• as a result of high volatility, low liquidity or gapping in the underlying market, you may receive re-quotes, slippage or Hanging Orders. Hanging Orders are often already executed, but sitting in the terminal window until they can be confirmed;</li> <li>• there is no clearing house for the Products, and the performance of a Contract is not 'guaranteed' by an Exchange or clearing house.</li> </ul>						
<p><b>Macro-economic risk</b></p>	<p>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.</p>						
<p><b>Market risk</b></p>	<p>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 Instrument, these factors may affect your Position and our ability to execute, settle or close out Positions on your behalf.</p> <p>There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged.</p> <p>You can reduce your risk by understanding the market relevant to the Products, monitoring your Positions carefully and closing your open Positions before unacceptable losses arise.</p>						
<p><b>Loss from Leverage</b></p>	<p>The Products are highly leveraged financial products with low Margin Requirements. This means that a slight price fluctuation in the Underlying Instrument to which a Product is referable can result in proportionately much larger movements in the value of your investment leading to significant losses as well as gains. Price fluctuations may be as a result of uncontrollable events or changes in a variety of conditions as described below in Counterparty Risk. You must be aware that the high degree of leverage can work against you as well as for you, and the potential losses may be far greater than the money you deposit into your Account.</p> <p>You could be required to provide further funds to sustain your open Contracts. The prices of the Products may be volatile and fluctuate rapidly over wide ranges. The leveraged nature of the Products means that your Margin Requirements may change rapidly. You must monitor your open Contracts regularly.</p> <p>Below is a hypothetical example of how leverage (gearing) magnifies losses/profits (without taking into account of any fees or charges):</p> <table border="1" data-bbox="466 1832 1347 2004"> <thead> <tr> <th></th> <th>Trading directly in Commodities</th> <th>Trading Commodity CFDs</th> </tr> </thead> <tbody> <tr> <td>Initial outlay</td> <td>\$10,000</td> <td>\$10,000 (Initial Margin)</td> </tr> </tbody> </table>		Trading directly in Commodities	Trading Commodity CFDs	Initial outlay	\$10,000	\$10,000 (Initial Margin)
	Trading directly in Commodities	Trading Commodity CFDs					
Initial outlay	\$10,000	\$10,000 (Initial Margin)					

	Reference to commodities purchased	1,000	10,000
	Initial price	\$10.00	\$10.00
	Value	\$10,000.00	\$100,000.00
	Leverage	None.	10:1
	When the commodity price falls to \$8.75	Commodities now worth \$8,750.00 Loss of \$1,250.00 or -12.5%	Commodity CFD now worth \$87,500.00 Loss of \$12,500.00 or -125% on original outlay of \$10,000
	When commodity price rises to \$11.00	Commodities now worth \$11,000.00 Profit of \$1,000.00 or + 10%	Commodity CFD now worth \$110,000.00 Profit of \$10,000.00 or + 100%
<b>Margin</b>	<p>You must maintain sufficient funds in your Account to satisfy the Total Margin Requirements. You should be aware there is a high risk of Margin Requirements changing, and at times very rapidly. Failure to meet those Margin Requirements may result in:</p> <ul style="list-style-type: none"> <li>• some or all of your open Contracts being closed or liquidated by us with little or no notice to you; and</li> <li>• you being prevented from opening new Contracts or extending existing Contracts.</li> </ul> <p>Further, any additional funds must become cleared before they will be taken as satisfying your Margin Requirements. Your Position may be liquidated before you have an opportunity increase your funds in the Account.</p> <p>Please refer to section 7 for further details on our rights to close out your open Contracts.</p>		
<b>Client moneys may be withdrawn to pay Prospero Markets</b>	<p>The money which you pay into our Client Moneys trust account may be withdrawn to pay us moneys to which we are entitled. This includes amounts for any realised and unrealised losses as well as for any fees, charges and costs.</p> <p>Those moneys withdrawn to pay us are our moneys (and are not held for you), reducing the amount of moneys held in our Client Money trust account held beneficially for you.</p>		
<b>Foreign exchange risk</b>	<p>Foreign currency conversions required for your Account can expose you to foreign exchange risks between the time the Contract is entered into and the time the relevant conversion of currencies occurs.</p> <p>Foreign exchange markets can change rapidly. This exposes you to potentially adverse changes in the value of your Account, which can be</p>		

	<p>large (depending on foreign exchange rates) and volatile. This will directly affect the value of a Contract.</p>
<p><b>Gapping risk</b></p>	<p>The term 'gapping' refers to a situation where a Contract opens at a much higher or lower price than the previous close. In currency trading 'gapping' typically occurs when the currency re-opens for trading after a weekend. When 'gapping' occurs, you may not be able to exit an existing Contract at the price you have specified. Instead, your Order may be filled at the next best price that may be better or worse.</p> <p>Our ability to close out a Contract depends on the market for the Underlying Instrument. Stop Loss Orders (and other Order types) might not always be filled and, even if placed, might not limit your losses to the amount specified in the Order, since they are not guaranteeing that there will be no loss.</p> <p>You should consider placing Stop Loss Orders or other Orders that might limit your losses, if such Orders exist at the time you opened your Position, but also closely monitor your Account and the relevant market in case the Stop Loss Order is not fully filled or not filled at all and you need to take further action to limit your losses.</p>
<p><b>Execution risk (Slippage)</b></p>	<p>We aim to provide the best possible execution from our systems and fill Orders at the requested rate. However, there may be times where, due to an increase in volatility or volume or other market conditions, some price 'slippage' may occur. This generally occurs during significant news events or 'gapping'.</p> <p>Execution is also subject to available liquidity in the Underlying Instrument. Your Orders may not be filled due to the Underlying Instrument price moving significantly or liquidity exhausted, in which case your Order will be filled at the next available price.</p> <p>For the benefit of our clients, we treat slippage in the same way that they would be treated in the exchange-traded products in that we slip our clients to a better price if the interbank market from which we obtain prices has moved in your favour, and similarly a worse price if the market has moved against you. When executing our clients' transactions, our execution will reflect both positive and negative price movements in the Underlying Instrument.</p>
<p><b>Execution risk (Delays)</b></p>	<p>Execution delays may occur for a number of reasons such as technical issues with your internet connection to our servers. Connection strength may vary depending on the kind of device used. Interruptions may cause a delay in the transmission of data between our servers to the Trading Platform.</p>
<p><b>Adjustment Risk</b></p>	<p>Where an adjustment event occurs, we reserve the right to adjust the terms of your Contract, or not make the adjustment to the relevant Contract if it is not reasonably practicable. We may also elect to close your Contract in the event of the Underlying Instruments being subject of a take-over offer, prior to the closing date of the offer.</p>
<p><b>Execution risk (Hanging)</b></p>	<p>During periods of high volume, Hanging Orders may occur. This is where an Order sits in the "orders" window after it has been executed. Generally,</p>

<p><b>Orders)</b></p>	<p>the Order has been executed, but it is simply taking a few moments for it to be confirmed. During periods of heavy trading volume, it is possible that a queue of Orders will form. That increase in incoming Orders may sometimes create conditions where there is a delay in confirming certain Orders.</p>
<p><b>Liquidity</b></p>	<p>Liquidity risk typically occurs in volatile markets or in circumstances where there is a major news announcement. When there is a lack of liquidity in the Underlying Instrument, you may not be able to enter or exit a Contract at your requested price or have the whole of your Position filled at all or at the requested price.</p>
<p><b>Market Information Risk</b></p>	<p>We may make available to you through one or more of our 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 (<b>Market Information</b>).</p> <p>Market Information provided by us by email or through our Website is of a general nature and does not take into account your personal objectives, circumstances and situation. We and our 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.</p> <p>Market Information may quickly become unreliable for various reasons including, for example, changes in market conditions or economic circumstances. Neither Prospero Markets 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.</p>
<p><b>Market disruptions</b></p>	<p>A market disruption may lead to you being unable to deal in the Products when you wish, and you may suffer a loss because of that. This is because the market disruption events which affect the Underlying Instrument will also affect the Contracts on the same or very similar basis.</p> <p>Examples of disruptions include the “crash” of a computer-based trading system, a fire or other exchange emergency, or an exchange or government regulatory body declaring an undesirable situation has developed in relation to series of Products or any Underlying Instruments, and suspends trading in those products or currencies or cancels that trade.</p> <p>You can attempt to minimise the effect of market disruptions by obtaining information released by the market relevant to the Position and acting after the event as appropriate (if any) to the position held, such as closing out because the values have significantly changed since before the event.</p>
<p><b>Operational Risk</b></p>	<p>Operational risk is inherent when trading online. Disruptions in operational processes such as communications, computer networks or external events may lead to trade execution problems.</p> <p>We rely on a number of technology solutions to provide you with efficient services – we have partly outsourced the operation of this Trading</p>



	<p>Platform to a third party and in doing so we rely upon this third party to ensure the systems are updated and maintained.</p> <p>A disruption to the Trading Platform may mean you are unable to trade in a Product when desired and you may suffer a loss as a result. An example of disruption includes the “crash” of the Trading Platform.</p>
<p><b>Trading Platform Risk</b></p>	<p>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 phone 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 Trading Platform, it will mean you may be unable to trade in a Product when desired and you may suffer a loss as a result. Should the Trading Platform be unavailable, clients may place their orders via phone with a representative of Prospero Markets.</p> <p>Furthermore, in unforeseen and extreme market situations, such as an event causing market disruption or a global catastrophe, we reserve the right to suspend the operation of the Trading Platform or any part or sections of it. In such an event, we may, at our sole discretion (with or without notice), close out your open Positions at prices we consider fair and reasonable at such a time. We may impose volume limits on client accounts, at our 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.</p>
<p><b>Auto liquidation</b></p>	<p>Prospero Markets may without prior notice to you liquidate some or all your open Positions if your Account balance reaches or falls below the Stop Out Level applicable to your Account and in circumstances where the Aggregate Margin Close-Out Protection is triggered. This can generate fees and realised losses in your Account.</p> <p>Prospero Markets does not assure you that we will act on this right, at any time or in respect of all or any of your open Positions. You should not rely on this right to manage your risk and your obligation to maintain funds to meet your Margin Requirement.</p> <p>The more basic risks to you are that you fail to manage your own Account by maintaining adequate Margin Requirement, you fail to monitor your open Positions, you (wrongly) rely on us liquidating your open Contracts or you fail to manage your open Positions before the Account balance reaches or falls below the Stop Out Level applicable to your Account.</p> <p>You can manage the risk of us liquidating some or all your open Positions, or the risk of you wrongly relying on Prospero Markets to do this, by carefully monitoring your open Positions, placing and maintaining prudent Orders (including Stop Loss Orders), if such exist at the time you opened your Position and managing your open Positions before the Account balance reaches or falls below the Stop Out Level applicable to your Account.</p>
<p><b>Error and pricing</b></p>	<p>Prospero Markets may void from the outset any Contract containing or based on any manifest error or a price, or series of prices, which are</p>

	<p>subsequently determined to be unrepresentative of the actual market valuation of the Underlying Instrument. This is exercised in our discretion, so you have risk of a Contract later being cancelled, whether or not you were aware that there was an error in the pricing which we later decide has occurred. In the absence of our fraud or wilful default, we will not be liable to you for any loss, cost, claim, demand or expense following any such cancellation.</p> <p>We consider this to be a low risk, since it does not occur often, but it can occur. You can manage this risk by monitoring the available prices and your Account.</p>
<b>Conflicts</b>	<p>Trading with us carries an automatic risk of actual conflicts of interest because Prospero Markets is acting as principal in the Products you acquire and Prospero Markets sets the price of each Contract and also because it might be transacting with other persons, at different prices or rates, or Prospero Markets might be dealing with market participants in relation to its exposure to you or to any aspect of all of its clients' Accounts.</p> <p>You can monitor the pricing of any Products against other issuers of financial products which have comparable terms, and against the Underlying Markets.</p>
<b>Valuation</b>	<p>Prospero Markets decides the values of the Products issued to you. Typically, this is by some reference to (but not automatically solely derived from) the market value (or, if relevant, index level) of the relevant Underlying Instrument on the relevant Underlying Market which in turn affects the price quoted by any relevant hedging counterparty to us. Prospero Markets does not commit to providing prices directly from a market.</p> <p>If the market fails to provide that information (for example, due to a failure in trading systems or data information service) or trading in the Underlying Instrument is halted or suspended, Prospero Markets determines its value based only on its own information (not market pricing).</p> <p>Due to the nature of our Products, our discretion is unfettered and so has no condition or qualification.</p> <p>While there are no specific limits on our discretions, Prospero Markets must comply with our obligations as a financial services licensee to act efficiently, honestly and fairly. You therefore have the risk of relying on whatever value is determined by us in the circumstances permitted by the T&amp;Cs.</p>
<b>Not a regulated market</b>	<p>Our Products are OTC derivatives and are not covered by the rules for exchange-traded products. For example, trading on the ASX is governed by rules applicable to brokers and generally has the benefit of a guarantee system known as the National Guarantee Fund which provides protection from fraud or misconduct by brokers in connection with certain ASX trades. The ASX rules and the National Guarantee Fund do not apply to trading in the Products.</p> <p>OTC derivatives by their nature may not at times be liquid investments in themselves. If you want to exit a position, you rely on our ability to close</p>

	<p>out at the time you wish, which might not match the liquidity or market price of the Underlying Instrument.</p> <p>You can reduce your risk by carefully reading this PDS, the T&amp;Cs and taking independent advice on the legal and financial aspects relevant to you.</p>
<p><b>Regulatory bodies and changes</b></p>	<p>Changes in taxation and other laws, government fiscal, monetary and regulatory policies may have a material adverse effect in your dealings with us.</p> <p>Further, you may incur losses that are caused by matters outside the control of us. For example, actions taken by a regulatory authority exercising its powers during a market emergency may ultimately result in losses to you because of the effect of those actions on the Underlying Instrument and so, will affect the terms of your Contracts and/or Accounts (with or without any decision by us).</p> <p>A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled, which might lead to changes to the pricing for the Underlying Instrument for your Contracts.</p>
<p><b>Our power on default, indemnities and limitations on liability</b></p>	<p>If you fail to pay amounts due to us or fail to perform any obligation under your Contracts, Prospero Markets has extensive powers under the T&amp;Cs to take steps to protect its position.</p> <p>For example, Prospero Markets has the power to close out Positions, to decide whether to accept Orders or to execute them and to determine the rates of interest we charge. Additionally, under the T&amp;Cs, you agree to indemnify us for our losses and liabilities, including, for example, in default scenarios.</p> <p>Although these powers, limits on the liability of Prospero Markets and the indemnities you give to Prospero Markets are extensive and potentially expose you to significant risks, Prospero Markets must comply with our obligations as a financial services licensee to act efficiently, honestly and fairly.</p> <p>You should read the T&amp;Cs carefully to understand these matters.</p>
<p><b>No cooling-off</b></p>	<p>There are no cooling-off arrangements for our Products. This means that when we execute your Order, you do not have the right to return the Product, nor request a refund of the money paid to acquire the Product.</p>
<p><b>Investment Decisions</b></p>	<p>You are solely responsible for the selection of the Underlying Instruments for any Orders you place with us, and as such, the performance of any investment in the Products using your Account will depend mainly on your own investment decisions.</p>

**5.4 KEY RISK – COUNTERPARTY RISK**

Trading in the Products involves counterparty risk. First, there is a risk to you that Prospero Markets, as issuer of the Products, and therefore, your counterparty to the Products, may default on our obligations to you under the Products.

The obligations of us to make payments in respect of the Contracts are unsecured obligations of Prospero Markets, 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.

There is also a risk that parties, such as our hedging counterparties may not be able to meet their contractual obligations to Prospero Markets. This means that Prospero Markets could be exposed to the insolvency of its hedging counterparties or other defaults by our hedging counterparties.

### **Benchmark 3 – Hedging**

Credit risk refers to the risk that the hedging counterparty to us fails to perform its obligations which results in financial loss. We have put in place a risk management framework which is intended to manage the credit risk and market risk and to protect us and our clients from sudden changes in the liquidity, credit quality or solvency of our hedging counterparties.

You will be dealing in the Products with Prospero Markets as counterparty to every Contract. You will have an exposure to us in relation to each Contract. You will be reliant on our ability to meet our counterparty obligations to you to settle the relevant Contract. If we default on our obligations, you may become an unsecured creditor in an administration or liquidation and will not have recourse to any Underlying Instruments in the event of our insolvency.

We enter into OTC derivative transactions as principal with other counterparties to hedge the market risk arising from our transactions with you (and our other clients). We do not use monies received from you for Margin Calls and settlements to such providers.

We are also exposed to the financial risks of the financial institutions with which we hold Client Money (e.g. Margin) and with which we enter into hedging or offsetting transactions to manage our exposure to you. Accordingly, you are indirectly exposed to the financial risks of our counterparties as well as the financial institutions with which we hold Client Money. If the financial condition of us or assets of our counterparties or the parties with which we hold Client Money deteriorate, then you could suffer loss because the return of the Client Money could become difficult.

Within our risk management framework, we have assessed the market risk and counterparty risks arising from entering into transactions with you (and our other clients) and hedging counterparties and applied controls to mitigate those risks. Those controls include:

- the enforcement of leverage limits based on your Account and types of Products you trade;
- the enforcement of market risk limits on our net exposure and daily loss limits; and
- the selection and maintenance of one or more hedging counterparty relationships.

Our selection of hedging counterparties is based on the following factors:

- the counterparty's reputation;
- the regulatory status of the counterparty;
- the services provided; and

- the strength of operational controls and systems.

Our current Hedging Counterparties Policy, which notes our current approved hedging counterparties, is available on our Website.

#### **Benchmark 4 – Financial resources**

As an issuer of OTC derivative products with regards to the Products, Prospero Markets must comply with the financial requirements imposed under our AFSL as set out in ASIC Regulatory Guide 166 and other regulatory financial obligations. The goal of these requirements is to ensure that we meet the minimum level of financial resources required by law to conduct business and meet any liabilities as and when they may arise.

Prospero Markets monitors our exposure on a daily basis using real-time software tools and prepare detailed financial reports on a monthly basis to ensure applicable financial requirements are met. We also:

- perform daily reconciliation of Client Monies as required by section 2.2.1 of the ASIC Client Money Reporting Rules 2017;
- perform monthly reconciliation of Client Monies and report to ASIC as required by section 2.2.2 of the ASIC Client Money Reporting Rules 2017;
- perform a daily net tangible assets (NTA) calculation, ensuring that we meet the minimum NTA requirement set by ASIC; and
- perform regular stress testing ensuring that in the event of significant adverse market movements, we would have sufficient liquid resources to meet our obligations to you and our other clients without needing to have recourse to Client Money to do so.

The latest results of our financial audit are available upon request.

#### **5.5 NEGATIVE BALANCE PROTECTION**

Prospero Markets provides Negative Balance Protection for your Accounts. This means that at all times, your maximum potential loss would be limited to the balance on your Accounts. The terms on which we offer Negative Balance Protection are set out in the T&Cs in detail.

If you choose to deposit funds with us, including additional funds in response to a Margin Call or otherwise, then these amounts will be included as part of your Account balance, and the risk of potential loss will be all your Account balance at the time including these additional amounts. On the other hand, if you receive a Margin Call and choose not to deposit additional funds to satisfy the Margin Call, then your Account balance will not include the amount you would have needed to deposit with us to satisfy your Margin Requirements. However, in such instances, we may exercise our rights to close any or all of your open Contracts.

Please note that our Negative Balance Protection is offered on a net Accounts basis, meaning that if you have several Accounts (or sub-Accounts) with us, then the Negative Balance Protection will be netted across all of your Accounts. In other words, despite that one or more of your Accounts may go into negative, the Negative Account Protection will not be triggered until and unless your overall Net Equity across all Accounts drops to zero.

## 6. HOW TO TRADE?

### 6.1 YOUR ACCOUNT

Before you begin dealing in the Products, you should read the contents of this PDS, our Target Market Determination, the T&Cs and the FSG, as well as other documents and information on our Website, and decide whether the Products are appropriate for you.

To establish an Account, you will need to complete an online Application Form which accompanies the online access to our T&Cs. You may also request a hard copy of the Application Form by contacting us directly. By submitting the completed Application Form, you agree to the T&Cs. We may reject your Account application in our sole discretion.

We will ask you questions that help us assess whether to accept your Account application. If we decide that you do not satisfy our Client Qualification Policy, we may recommend that you open a Demo Account prior to opening a live Account. Please refer to Section 8 for our Client Qualification Policy.

This PDS summarises many important elements of the T&Cs. However, it is not a comprehensive description of the T&Cs and you must read the T&Cs in its entirety. You should also consider seeking legal advice before entering into any transaction, as the T&Cs contains important legal provisions that affect your dealings with us.

If Prospero Markets accepts your application, your Account will be established. Your Account covers all of the Products which you apply for in your Application Form and which Prospero Markets agrees to provide to you.

### 6.2 OPENING A DEMO ACCOUNT

If you are unsure about how the Products work, we strongly encourage that you apply for a Demo Account and trial our Trading Platform prior to opening a live Account.

Our Demo Accounts mirror our live Trading Platform and provide you with a virtual balance to trade with. This enables you to become familiar with the Trading Platform features and whether or not you feel that the Products are suitable for you.

### 6.3 BASE CURRENCY

We can apply a Base Currency of your Account in the major currencies - Australian dollar (AUD), United States dollar (USD) and other currencies as allowed by us from time to time.

Moneys received by us from you in a different currency to that of your chosen Base Currency will be converted back to the Base Currency at the exchange rate set by us.

All the financial information within your Account is displayed in the Base Currency.

When you deal in a Product that is denominated in a currency other than your Base Currency, all financing adjustments are made by us in that currency and then converted to your Base Currency at our current exchange rate.

#### 6.4 FUNDING OF YOUR ACCOUNT

To make a payment into your Account, you may make an electronic or telegraphic transfer, a credit card payment or otherwise through any other means agreed by us. Please contact Prospero Markets if you would like to receive information on our full list of payment options.

When transferring funds to Prospero Markets you must ensure that the funds are appropriately referenced with your Account number to enable us to easily identify your funds and apply them to your Account promptly. All payments made to Prospero Markets must be free of any withholding tax or deduction.

We will use all reasonable efforts to process your withdrawal using the same payment option you have used to fund your Account. Where this is not possible for any reason, we will pay you through electronic transfer.

Prospero Markets does not accept funds transferred from third parties, so it is your obligation to ensure that all funds transferred to us are from a bank account in a name which matches your Application Form. 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 bank account from which it was transferred.

Prospero Markets 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 T&Cs.

##### **Benchmark 2 – Opening Collateral**

We only accept cash or cash equivalent as opening collateral or funding of your Account. Prospero Markets does not accept cash in hand or physical cash deposits into any of our bank accounts, due to risks associated with money laundering.

We do not encourage the use of borrowed funds to purchase the Products. We attempt to limit the use of credit cards to fund an Account but note that with the advent of Visa and Mastercard Debit Cards it is not possible for us to distinguish between a debit and credit card. For this reason, we have not adopted the Opening Collateral Benchmark suggested by ASIC in Regulatory Guide 227 as it would impede your ability to use debit cards to fund your Account.

Please refer to our Website for available funding methods.

#### 6.5 OPENING AND CLOSING OF A CONTRACT

The particular terms of each Contract are agreed between you and Prospero Markets before entering into a Contract.

Prior to you entering into a Contract with us, Prospero Markets will require you to have sufficient funds in your Account to satisfy the Initial Margin requirements for the relevant number of Contracts. The payments you make to us are either held for Margin or withdrawn to pay the amounts for realised /unrealised losses or any fees and charges which you may owe.

A Contract is opened by either buying (going long) or selling (going short) a Contract:

- You go “long” when you buy a Contract in the expectation that the price of the Underlying Instrument to which the Contract relates will increase. This would

have the effect that the value of the Contract would increase; and

- You go “short” when you sell a Contract in the expectation that the price of the Underlying Instrument to which the Contract relates will decrease. This would have the effect that the value of the Contract would decline.

A Contract is open until it is closed, and the amount of profit or loss to you can then be calculated.

In order to close a Position, you need to click the “close” button on the Trading Platform. The closure of a Contract will generally result in a profit or loss being realised in your Account. If you close a Position, any related Orders you have placed against that Position will be cancelled. However, please note that we may not be able to allow you to close a Contract at a particular time and/or at the particular price, for example, without limitation, due to gapping or illiquidity.

In this PDS, Excepted Contracts means a CFD where the Underlying Instrument is a Commodity future or other futures product which will be automatically rolled over to a new Contract upon the Expiry Date. For Excepted Contracts, once a Contract hits its Expiry Date, it will be automatically “rolled” over to a new Contract. Before the applicable Expiry Dates, you may give instructions to request to close, or we can exercise our rights to close as set out in the T&Cs.

CFDs where the Underlying Instrument is a Commodity future or other futures product which will NOT be subject to automatic rollover, are not considered as Excepted Contracts. For this type of CFDs, you are required to manually roll them over upon Expiry Date. NOTE: If you do not manually roll over the Contract prior to or upon the Expiry Date, the Contract will be automatically closed by us upon its expiry. Further, this type of Contract will incur Swap Benefits and Swap Charges, instead of Rollover Benefits or Rollover Charges.

It is your responsibility to review the Product Schedule and Product specifications to determine whether certain Contracts are subject to automatic or manually rollover as well as the applicable Expiry Dates.

## 6.6 DEALING IN THE PRODUCTS

Quotes for prices for dealing in Products are indicative only and so are subject to the actual available price at the time of execution of your Order.

A quote given to you by us is not an offer to contract. Your clicking ‘buy’ or ‘sell’ on the Trading Platform will send a message to us indicating that you wish to trade on the terms and conditions indicated. This message will constitute an offer by you to buy or sell at the price and trade size chosen. If we accept your offer, the information about your offer to trade will appear on the Trading Platform. Your Order will not have been placed and no Contract will come into existence until this information is available on the Trading Platform. If the information about your offer to trade does not appear on the Trading Platform within two (2) minutes, you must notify us immediately. If you do not notify us, you will be deemed to have agreed only the transactions recorded by us. Similarly, if you dispute the contents of any transaction information sent by us to you, you must notify us immediately upon receipt by phone or email. If you do not, the transaction recorded by us will be deemed to have been agreed by you.

While Prospero Markets may endeavor to execute your Order, there is no assurance that the Order will be able to be executed at the price of your Order.



Quotes will be given and Contracts made during the open market hours of the Underlying Markets. The open hours of the Underlying Markets may be available on our Trading Platform and Website. Such hours may change according to the relevant Underlying Market's changes or in our discretion and the information on our Trading Platform or our Website may not be up-to-date.

You should be aware that the market prices and other market data that you view through our Trading Platform, our Website or other facilities that you arrange yourself may not be current or may not exactly correspond with the prices for the products offered by us.

If you access your Account and our Trading Platform outside of the hours when Orders may be accepted, you should be aware that the Orders might be processed later when the Underlying Instrument is open for trading. The market prices (and currency exchange values) might have changed significantly by the time the Order is executed.

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

## 6.7 PRICING AND SPREAD

Prospero Markets quotes a lower price and a higher price at which you can place your Order. This is referred to as the Spread. The higher quoted price is the indication of the price you can buy a Contract. The lower quoted price is the indication of the price at which you can "sell" a Contract (that is, close out an Open Contract). Spread means the difference between the Bid Price and the Ask Price.

The calculation of the price for a Contract, at the time the Contract is opened or closed, will be based on market prices available at the time and the expected level of interest rates, implied volatilities and other market conditions during the life of the Contract and is based on a complex arithmetic calculation.

Prospero Markets sets the Bid/Ask Prices so these prices may not be the same as those quoted in the relevant Underlying Market. The Spread is incorporated into the price of the Contract quoted to you and is not an additional fee or charge payable by you. The Spreads we quote are generally wider than the spreads available in the Underlying Market or quoted by our liquidity providers. The additional Spread represents our mark up.

When your Order is executed, for you to break even or before you can realise a profit, putting aside for the sake of simple illustration any fees or charges, the price at which you exit your position needs to have moved in your favour to at least equal to the original bid or Ask Price that you started the position (depending on whether you went long or short).

In addition, the available pricing may be limited by tick sizes, minimum steps, depending on the general market rules for trading the Underlying Instrument or Prospero Markets' hedging counterparties, so, depending on the Product you choose, your Order to exit your Contract might have to be in minimum increments of pricing before it can be accepted and executed. That could affect your net profit or loss.

## 6.8 PRICING MODEL

Prospero Markets offers prices for the Products based on its market making pricing model.

Although the prices of the Products on the Trading Platform are competitive, you should be aware that Prospero Markets is acting as principal to you and so is responsible for setting the prices of opening and closing Contracts and Prospero Markets does not act as your agent to find you the best prices.

## 6.9 CONFIRMATIONS OF CONTRACTS

If you transact in the Products, the confirmation of the Contract may be obtained only by accessing the daily statement online, which you can print for records. It is your obligation to review the confirmation of Contracts immediately to ensure its accuracy and to report any discrepancies within twenty (24) hours.

## 6.10 BENCHMARK 6 – SUSPENDED OR HALTED UNDERLYING INSTRUMENTS

Prospero Markets may at any time in its discretion and without prior notice impose limits on particular Products. Ordinarily we would only do this if the market for the particular Underlying Instrument has become illiquid or its trading status has been suspended or there is some significant disruption to the markets including trading facilities.

We will halt trading in Contracts when there is a trading halt in the Underlying Instrument.

If an Underlying Instrument to which a Contract relates is suspended or has been halted from trading, we will suspend trading in the Product, and we may choose to increase the Margin Requirements to support that open Position at our reasonable discretion. If the Underlying Instrument remains suspended for a period that we deem unacceptable to us in our sole discretion, we may close the open Position at fair value as determined by us. If an Underlying Instrument to a Product has been de-listed or ceases to be priced, we reserve the right to close all affected open Positions at the last available price.

## 7. MARGINS AND MARGIN CALLS

### 7.1 KEY FEATURES OF MARGINING

Prospero Markets applies the following main principles in relation to our Margin practices:

- You must provide Initial Margin before issuance of any Products and you are liable to meet all Margin Calls;
- When you have open Contracts, you are obliged to maintain at all times the Total Margin Requirements for all of your open Contracts;
- The Margin Call obligation is in addition to your obligation to maintain the Total Margin Requirements for your Account. There is no limit as to when you need to meet your Margin calls, how often or the amount of the Margin Calls;
- The timing and amount of each Margin Call will depend on movements in the market price of the open Contracts and the changes to your Net Equity and funds available for Margin;
- You have an obligation to meet the Margin Call even if we cannot successfully contact you. We are not obliged to notify you about your obligation under Margin Calls, though we may do so by email, phone call or otherwise, as a courtesy; and
- If you do not maintain the required Margin at all times or you do not pay the required Margin Call by the required time, we may in our reasonable discretion reduce your exposure by closing out one or more or all of your open Contracts with us without notice to you and you remain liable to pay us any remaining shortfall.

### 7.2 INITIAL MARGIN

Upon placing a trade that creates an open Contract you are required to pay us, and have in your Account, the Margin for that trade as calculated by us. This is known as the Initial Margin, and is calculated as follows:

**Initial Margin requirement = (Quantity of Contract Units x Contract Price) x Margin Percentage**

If there are not sufficient funds in your Account for a Contract to be opened (due to its Initial Margin requirement) then your Order will not be executed.

Once a Contract is opened, your Account will be adjusted, often continuously and quickly, for the applicable Total Margin Requirements according to market movements. Please refer to Section 7.3 below for Variation Margin.

Margin Requirements (and the associated Margin Percentage) vary with each Product within the leverage restrictions imposed under the Product Intervention Instrument, and a list of the requirements is set out on the Trading Platform. These may change regularly.

### 7.3 VARIATION MARGIN

Owing to the volatility of the market, the amount of required Margin may change after a Contract has been opened, requiring a further payment for Margin known as the Variation Margin. Margin amounts are calculated by us to cover potential movement in the market at any time but will change when the market changes (and might be insufficient coverage). If you have Contracts denominated in a currency other than the Base Currency, any fluctuations in

the exchange rate adverse to your Contract can lead to automatic adjustments to your required Margin, so you need to monitor your Contracts very carefully.

#### 7.4 NET EQUITY AND TOTAL MARGIN REQUIREMENT

Your Net Equity and Total Margin Requirement are constantly calculated in line with movements in prices for the Products, during the opening hours of our Trading Platform, and these amounts are displayed on the Trading Platform. It is your responsibility to monitor and manage your open Contracts and exposures and ensure that your Account is sufficiently funded at all times for Margin. This may include:

- closing or reducing one or more of your open Contract(s) in order to reduce your Total Margin Requirements; and/or
- depositing additional funds into your Account in order to satisfy the Total Margin Requirement.

If you choose to deposit additional funds into your Account, these additional funds must be cleared funds before they will be treated as having satisfied your obligations.

Please refer to the Product Schedule on our Website and the Trading Platform for the Margin Requirement for each Product.

#### 7.5 BENCHMARK 7 – MARGIN CALLS

In normal circumstances we will endeavour to notify you of a Margin Call via alert within the Trading Platform. This serves as notice that your Contracts are at risk of being closed out. While we will do our best to get in touch with you when your Account is approaching or has reached a Margin Call, we cannot guarantee that this will happen in every case. Market movements may be too great, and your Account may have reached a Stop Out Level (or certain Contracts have already reached any applicable product-specific close-out levels) before the Margin Call is made.

You are responsible for meeting all Margin Calls and monitoring your open Contracts. You are required to log-in to the system regularly when you have open Contracts to ensure you receive notification of any such Margin Calls. Please note that if you do not check the Trading Platform for Margin Call notifications, and hence do not meet them in a timely manner, Contracts will be closed out by us without further reference to you, in accordance with the Agreements. In rare circumstances, the markets could move against your Contracts giving us no time to make a Margin Call on you to request additional funds to protect your open Contracts.

Margin Calls are made on a net account basis i.e. if you have several open Contracts, then Margin Calls are netted across the group of open Contracts. In other words, the unrealised profits of one Contract will be used or applied towards the Margin Requirement for another Contract.

A Margin Call will not be considered to have been met by cash UNLESS AND UNTIL sufficient funds have been received by us in the nominated account AND we have updated the Trading Platform. It is your responsibility to pay your Margin on time and in cleared funds, so please keep in mind the possibility of delays in the banking and payments systems. If your payment is not credited by us by the time you are required to have the necessary Margin, you could automatically, and quickly, lose some or all your Contracts (and suffer further losses because of having to meet a shortfall). You should maintain a prudent level of funds in your Account and make payments in sufficient time to be credited to your Account.

Any losses resulting from us closing your Contracts will be debited to your Account and may

require you to provide additional funds to Prospero Markets.

### **Margin Level and Margin Call Level**

Margin Level is calculated as the percentage of Net Equity to Total Margin Requirements.

Margin Call Level is a specific Margin Level at which Prospero Markets will issue a Margin Call to you. For example, if the applicable Margin Call Level is 100%, it means that a Margin Call will be triggered once the Margin Level falls below 100%, i.e., when your Net Equity to Total Margin Requirements is less than 100%.

You may find out the applicable Margin Call Level through the client portal on our Website or by contacting us via phone. Prospero Markets has the right to change the applicable Margin Call Levels at any time.

## **7.6 STOP OUT LEVEL, AGGREGATE MARGIN CLOSE-OUT PROTECTION AND OUR RIGHT**

### **Stop Out Level**

Stop Out Level is a specific Margin Level at which Prospero Markets is entitled to close all or some of the open Contracts without notice to you. For example, if the applicable Stop Out Level is 100%, it means that Prospero Markets is entitled to close all or some of your Contracts without notice when the Margin Level (i.e., Net Equity to Total Margin Requirement ratio) falls below 100%.

You should note that the default and minimum Stop Out Level is 50% as set out in the Aggregate Margin Close-Out Protection provisions below. However, Prospero Markets is entitled to impose a higher Stop Out Level at its sole discretion and the applicable Stop Out Level will appear on the Trading Platform and/or the Website.

### **Aggregate Margin Close-Out Protection**

The default and minimum Stop Out Level is the Aggregate Close-Out Protection Amount which is defined as the greater of:

- 50% of the aggregate Initial Margin required for all open Contracts; and
- 50% of the aggregate current Margin requirements for all open Contracts.

If at any time your Net Equity is less than the Aggregate Close-Out Protection Amount, we will and are required to, as soon as market conditions allow, terminate one or more of your open Contracts until your Net Equity is restored to or above the Aggregate Close-Out Protection Amount or all your open Contracts have been terminated.

### **Our Rights**

We may exercise our rights (or obligations) to close out your open Contracts at our sole discretion with little or no notice to you. Any losses resulting from closing out your open Contracts will be debited to your Account. We will not be responsible for any losses you may suffer or incur in connection with any such closing of your open Positions or any lack of closing thereof.

You may find out the applicable Stop Out Level on the Website or by contacting us via phone. Prospero Markets has the right to change the applicable Stop Out Levels above the Aggregate Close-Out Protection Amount at any time.

### 7.7 CHANGING MARGIN PERCENTAGE, MARGIN CALL LEVEL AND STOP OUT LEVEL

We may vary the Margin Percentage, Margin Call Level and Stop Out Level at any time at our discretion. Without limitation, we may vary the Margin Percentage, Margin Call Level and Stop Out Level in response to or in anticipation of the following:

- changing volatility and/or liquidity in the Underlying Instrument or in the financial markets generally;
- economic news;
- changes in your dealing pattern with us;
- your credit circumstances change; or
- your exposure to us being concentrated in a particular Underlying Instrument.

You should note that there may be other circumstances which may give rise to us changing your Margin Percentage, Margin Call Level and Stop Out Level.

When the Margin Percentage, Margin Call Level or Stop Out Level is changed, you will need to close and open the Trading Platform in order to have relevant Margin updated.

### 7.8 YOU MUST MONITOR MARGIN

Through the Trading Platform, you have access to your Account and sufficient information to enable you to calculate the amount of any Margin Requirements and the total amount of Margin due from you in the Base Currency using our current exchange rate. It is your responsibility to ensure that you obtain all relevant information in respect of your Account, including all information in respect of your current open Positions. We will not be responsible for any losses you may suffer or incur as a result of you not obtaining or requesting any such information.

It is your responsibility to monitor at all times (including by checking on the Trading Platform) the amount of Margin deposited with us from time to time against the amount of any Margin currently required and any additional Margin that may be necessary or desirable, having regard to such matters as:

- your open Positions;
- the volatility of any relevant Underlying Instrument;
- the volatility of the relevant market;
- the volatility of the markets generally;
- any applicable exchange rate risk; and
- the time it will take for you to remit sufficient cleared funds to us.

## 8. BECOMING A CLIENT – BENCHMARK 1 CLIENT QUALIFICATION

### 8.1 QUALIFICATION POLICY

Trading in our Products is not suitable for everyone because of the significant risks involved. This section sets out how our Client Qualification Policy operates in practice.

### 8.2 MINIMUM QUALIFICATION CRITERIA

We assess your application against a list of qualifying criteria that addresses your understanding and experience with the Products. You must be aware of the features of the Products and the associated risks before investing in them. We do not accept retail investors unless you meet the minimum qualification criteria.

In accordance with RG 227, the factors that we take into account in assessing your understanding of and experience in the Products include:

- Previous trading experience in trading financial products;
- Understanding of leverage, margins and volatility;
- Understanding of the key features of the Products;
- Understanding the trading process and relevant technology;
- Ability to monitor and manage the risks of trading;
- Understanding that only risk capital should be traded.

Our assessment of your understanding of and experience in the Products is based on the information you provide. You warrant that the information you provide to us is true and accurate in all aspects. You understand that we will rely upon the information you provide in making a judgment about whether to accept you as a client.

Our assessment of your understanding and experience in trading the Products and any limits we set for your Account (or later change to those limits) should not be taken as personal advice to you nor does it imply that we are responsible for any of your losses from trading in the Products.

To the extent permitted by law, we do not accept liability for your choice to invest in any Products so you should read all of this PDS carefully, consider your own needs and objectives for investing in these Products and take independent advice as you see fit.

Even if we allow you to trade the Products, this does not mean we have assessed you as suitable for the Products. We urge you to use our Demo Accounts for a period of time to ensure you are familiar with the terminology of the Products and how they work. If in our sole judgment we consider that you have qualified, we will not be liable in any way to you, or have any dealings or transactions between us set aside, modified or varied, if your experience, knowledge and understanding are found to be insufficient or that we were in error in making our judgment.

### 8.3 CLIENT QUALIFICATION TEST

During the Account opening process with us, you will be required to take a Client Qualification Test which consists of a series of questions designed to assess your knowledge, experience, and understanding of Margin FX Contracts and CFDs, which may include but not limited to:

- leverage, Margins and volatility;

- key features of Margin FX Contracts and CFDs;
- the trading process and relevant technology; and
- the ability to manage and monitor trading risks.

If you do not pass the Client Qualification Test, one of our representatives may contact you to discuss how to improve your knowledge, experience and understanding of Margin FX Contracts and CFDs.

#### Other options to demonstrate your understanding and experience in the Products

Prospero Markets allows you to open an Account with us without completing the Client Qualification Test when you provide us with any of the following:

- a copy of previous trading statement demonstrating that you traded at minimum ten (10) lots with another licensed broker in the last twelve (12) months; or
- a completion certificate which shows your completion of an approved training course for trading.

We have sole discretion in assessing and determining whether any documents you provide are sufficient to demonstrate your understanding of and experience in the Products.

#### **8.4 TARGET MARKET ASSESSMENT**

During the Account opening process with us, we may choose to ask one or more questions which are designed to determine whether you are reasonably likely to fall within our stated target market (as outlined in our Target Market Determination).

Where you are not reasonably likely to fall within our target market, we may, but are not obliged to, decline to open an Account for you.

#### **8.5 CLIENT ON-BOARDING PROCESS**

We check minimum qualification criteria as part of our client on-boarding process through the Prospero Markets Application Form and our Client Qualification Test. If you do not meet our minimum qualification criteria, one of our sales representatives will contact you to discuss potential solutions to improve your understanding and knowledge of Margin FX Contracts and CFDs.

#### **8.6 WRITTEN RECORDS**

We document our assessment process and retain this information as records.

#### **8.7 PROHIBITION ON PROVIDING INDUCEMENTS**

We are prohibited from giving or offering a gift, discount, rebate, trading credit or reward to a retail client or a prospective retail client as an inducement to open or fund an Account to trade our Products.

This requirement will also apply to any persons or entities that assist you to open an Account or trade with us if they are captured under sections 5(2), 5(3) and 5(4) of the Product Intervention Instrument. The offering or provision of prohibited inducements by these persons or entities are without knowledge and agreement by us and we ask any retail clients or prospective retail clients to report these instances to us immediately.



## 9. CLIENT MONEY – BENCHMARK 5 CLIENT MONEY

### 9.1 TRUST ACCOUNT

We handle all Client Money we receive in accordance with and subject to the T&Cs and the following applicable laws (Australian Client Money Rules):

- Part 7.8 of Division 2 of the Corporations Act;
- the relevant regulations in the Corporations Regulations 2001;
- *ASIC Regulatory Guide 212: Client money relating to dealing in OTC derivatives*; and
- *ASIC Client Money Reporting Rules 2017*.

Client Money will be paid into a trust account maintained by us with an authorised deposit-taking institution (**ADI**). We will not be liable for the insolvency or any act or omission of any ADI holding the trust account. Your moneys may be co-mingled into one or more pooled trust accounts with other clients' moneys.

We do not use Client Money for the purpose of meeting obligations incurred by us when hedging with our counterparties. Any obligations incurred by us in connection with such transactions are funded by us from our own money.

We may invest any of your money held in any segregated trust account in the kinds of investments as permitted by the Australian Client Money Rules and you irrevocably and unconditionally authorise us to undertake any such investment.

We are solely entitled to any interest or earnings derived from your moneys being deposited in a segregated trust account or invested by us in accordance with the Australian Client Money Rules with such interest or earnings being payable to us from the relevant segregated trust account or investment account, as the case requires as and when we determine.

### 9.2 PROTECTION AFFORDED BY THE AUSTRALIAN CLIENT MONEY RULES

Under the Australian Client Money Rules, we must hold your moneys on trust.

Furthermore, the Australian Client Money Rules provide that in the event that we cease to be licensed (including because our AFSL has been suspended or cancelled), become insolvent or cease to carry on some or all of the activities authorised by our AFSL, Client Money held by us or an investment of Client Money, will be dealt with as follows:

- money in the trust account is held in trust for the persons entitled to it, and is paid in the order set out below in the third bullet point below;
- if money in the trust account is invested, the investment is likewise held in trust for each person entitled to money in the account;
- the money in the account is to be paid in the following order:
  - the first payment is of money that has been paid into the account in error;
  - the next payment is payment to each person who is entitled to be paid money from the account;
  - if the money in the account is not sufficient to be paid in accordance with the above paragraphs, the money in the account must be paid in proportion to the amount of each

- person's entitlement; and
- if there is any money remaining in the account after payments made in accordance with the above paragraphs, the remaining money is payable to us.

These rules override anything to the contrary in the Australian Bankruptcy Act 1966, in the Corporations Act or other law, or in the T&Cs.

### 9.3 WARNING ABOUT TRUST ACCOUNTS

It is important to note that our holding of your moneys in one or more pooled trust accounts may not afford you absolute protection. The purpose of trust accounts is to segregate the Client Money, including your moneys, from our own funds. However, an individual's Client Money is co-mingled into one or more trust accounts. Furthermore, trust accounts may not protect your moneys from a deficit in the trust accounts.

Should there be a deficit in the trust accounts and in the event that we become insolvent before the topping up of the trust accounts in deficit, you will be an unsecured creditor in relation to the balance of the moneys owing to you.

### 9.4 WHAT IS AN UNSECURED CREDITOR?

In the event that you become an unsecured creditor of us, you will need to lodge a proof of debt with the liquidator for the amount of moneys that are owing to you as evidenced by your account statements. The liquidator then assesses all proofs of debts to determine which creditors are able to share in the assets of the company, and to what extent depending on the amounts owing to them and any priority they may have to be paid.

## 10. FEES, COSTS AND CHARGES

### 10.1 GENERAL

Whilst we endeavour to include all fees and charges in the Spread quoted, in some circumstances you may incur additional fees and charges.

The fees and charges when dealing in our Product may incorporate any or all of the following:

- Swap Charges;
- Rollover Charges;
- Conversion Fees;
- Commissions;
- Corporate Action charges; and
- Administration charges.

The fees and charges may change from time to time and will be reflected in this PDS or on our Website as required.

### 10.2 COMMISSIONS

There may be Commissions payable on trades executed in some of our Products. Such Commissions for both opening and closing will be charged upon opening of the Contract. The details of any Commissions payable are available on the Trading Platform, and you should check those details before entering into a Contract with us.

### 10.3 SWAP CHARGES AND SWAP BENEFITS

When you hold a Position or Positions overnight in a Margin FX Contract or CFD (other than an Excepted Contract) they will be rolled to the next Trading Day, which will result in you paying a Swap Charge or receiving a Swap Benefit. The amount is determined by us and depends on factors including our Swap Rate, being the rates at which you receive or pay interest on Positions that remain open overnight.

Swap Rates for our Products are determined using the tom-next (tomorrow to next day) rate and plus a markup in the Underlying Market for the Underlying Instruments. Swap Rates are subject to change and for certain Products, Swap Rates applicable for a particular Trading Day may be zero. Swaps are charged or credited to each individual Positions, even if you have opposing Positions in the same Product.

Most liquidity providers around the world (including global banks, financial institutions, prime brokers, and other market participants) are closed for trading on Saturdays and Sundays. Therefore, the overnight interest of foreign exchange transactions is not calculated on these two (2) days however, most liquidity providers still calculate the holding cost for these two days. For this reason, the foreign exchange market will calculate the 3-day swap for the position overnight on a particular weekday (such as Wednesdays or Fridays), so the interest for holding the Position overnight on that weekday is generally three times that of the overnight position on other weekdays. If you hold a Margin FX Contracts or Index, Equity or Commodity CFDs at the close of the Trading Day on a Wednesday, the Swap Charge or Swap Benefit is multiplied by three (3) times.

We may need to vary the Trading Day in which a 3-day Swap is charged or credited in

accordance with any changes to settlement terms, public holidays or market closures. Swap is also charged or credited on public holidays in advance. Generally speaking, when a national holiday is encountered, swap fees will be calculated in advance. Please refer to our Website for detailed information on applicable Swap Rates for specific Products.

No Swap Charges or Swap Benefits is paid or received if you open and close a Position in the same trading day. No Swap Charge or Swap Benefit will be paid or received in the case of Excepted Contracts.

Swap Charges and Swap Benefits due will be accrued in the swap value field of the open trade Position. We may in our absolute discretion adjust the Swap Rate applicable to your Positions depending on your trading volume, Account balance and market conditions. We reserve the right to change the Swap Rate applicable. In the event thereof, you will receive proper notification of such change, and a revised PDS if required.

#### **Examples:**

##### *Long Margin FX Contracts*

If you are long on a Margin FX Contract where the bought currency interest rates are higher than the sold currency interest rates you will receive interest at the Swap Rate if you hold the Position overnight and do not close it before the settlement time. This is because you are holding the higher yielding currency. On the other hand, if you are long on a Margin FX Contract where the bought currency interest rates are lower than the sold currency interest rates then you will pay interest at the Swap Rate if you hold the Position overnight and do not close it before the settlement time. This is because you are holding the lower yielding currency.

##### *Short Margin FX Contracts*

If you are short on a Margin FX Contract where the sold currency interest rates are higher than the bought currency interest rates you will pay interest at the Swap Rate if you hold the Position overnight and do not close it before the settlement time. This is because you are holding the lower yielding currency. On the other hand, if you are short on a Margin FX Contract where the sold currency interest rates are lower than the bought currency interest rates then you will receive interest at the Swap Rate if you hold the Position overnight and do not close it before the settlement time. This is because you are holding the higher yielding currency.

#### **10.4 ROLLOVER CHARGE OR ROLLOVER BENEFIT**

A rollover will arise in an Excepted Contract when the underlying front month futures Contract is approaching the Expiry Date and we change our pricing feed. When the new price feed takes effect, you will immediately create a gain or loss in your open trade equity. This profit or loss will depend on your Contract size and direction and the price differential of the expiring contract and the new Contract on which the price will be now based. You will be credited or debited with a Rollover Charge or Rollover Benefit that will fully offset the effect of the abovementioned profit or loss. For example, if you have made a profit on the change to the new Contract Price feed you will receive a Rollover Charge, which will offset the gain.

Rollover Charges and Rollover Benefits due will be incurred at the time when the rollover occurs and you will immediately receive a gain or loss in the relevant Contract. In order to minimise the bid/offer Spread we will typically switch from using the front month to the next serial contract one (1) to four (4) trading days prior to the Underlying Instrument's last trading day when liquidity can be limited.

Please note that CFDs where the Underlying Instrument is a Commodity future or other futures product which will NOT be subject to automatic rollover, are NOT Excepted Contracts

and will not be subject to Rollover Charges or Rollover Benefits. This type of CFD will be subject to Swap Charges and Swap Benefits.

**10.5 CORPORATE ACTION CHARGES, AND CORPORATE ACTION BENEFITS**

**Equity and Index CFD Corporate Actions**

When a Corporate Action or an Insolvency Event occurs in relation to any Underlying Instrument and/or its issuer we may, acting in a commercially reasonable manner, make adjustments to your open Positions, Stop Loss Orders and Limit Orders to reflect those actions and to put you in a position as close as possible to that of a direct holder of the Underlying Instrument noting that you may not get all the benefits such as tax benefits, credits or deferrals. We are entitled not to provide you with the full benefit of a Corporate Action where we do not receive the benefit of a Corporate Action from our hedging counterparty and we have sole discretion to calculate the amount of adjustments.

Corporate Action charges and Corporate Action benefits will be accrued in the swap value field of the open Contract.

The actions we may take include, but are not limited to:

- changing Margin Requirement including Margin Percentage both in relation to open Contracts and new Contracts;
- making a reasonable and fair retrospective adjustment to the opening price of an open Position, to reflect the impact of the relevant action or event;
- opening and/or closing one or more open Positions on your Account;
- cancelling any Stop Loss Orders and Limit Orders;
- suspending or modifying the application of any part of this PDS;
- crediting or debiting sums to your Account as appropriate; and
- taking all such other action as we reasonably consider appropriate to reflect the effect of the relevant action or event.

**10.7 CONVERSION FEES**

Profits or losses accumulated in your Account in currencies other than the Base Currency nominated by you will be converted to the nominated Base Currency, but at Spreads that may be wider than those shown on the Trading Platform.

**10.8 ADMINISTRATION CHARGES**

We reserve the right to charge the following additional fees:

All charges are inclusive of GST (where applicable):

<b><u>Administration services</u></b>	<b><u>Fee</u></b>
<b>Receipt</b>	
Electronic Funds Transfer /	AUD0

Telegraphic Transfer	
Other funding methods	Refer to the Website
<b>Withdrawals</b>	
Domestic Electronic Funds Transfer / Telegraphic Transfer	AUD5 for amount less than AUD100; AUD0 for amount at or above AUD100.00. Note that the corresponding bank may charge you a fee for the transfer.
International Electronic Funds Transfer / Telegraphic Transfer	USD20. Note that the corresponding bank may charge you a fee for the transfer.
<b>Other</b>	
Duplicated statements by post	AUD5.00 per statement
Returned cheque fee	Upon application
Inactivity Fee	AUD\$10.00 per month. This fee will be triggered on a monthly basis following when an Account has no trading activity for six (6) months or more from the later of your last trade or opening of the Account. Trading activity includes the opening and/or closing of a Position or maintaining an open Position during that period. This fee is subject to the Negative Balance Protection.

### 10.9 INTEREST IN CLIENT MONEY ACCOUNTS

We are solely entitled to any interest or earnings derived from your moneys being deposited in a segregated trust account or invested by us in accordance with the Australian Client Money Rules with such interest or earnings being payable to us from the relevant segregated trust account or investment account, as the case requires as and when we determine.

## 11. TRADING EXAMPLES

### 11.1 MARGIN FX CONTRACTS

#### Example 1 – Making a Profit

Adam believes the EURO will strengthen against the USD. He therefore buys one (1) lot (goes long), of EUR/USD at the price of 1.3000.

The lot size for the currencies is 100,000 of the Base Currency, meaning that Adam has bought EURO 100,000 of EUR/USD.

During that time EUR/USD has increased to 1.3150, meaning that when he closes the Position at that higher price, Adam will make a gross profit of:

Calculation Method	Calculation	Gross Profits
Contract Size multiplied by the difference between the price when Adam entered into the Position and the price when he existed the Position	USD100,000 x (1.3150 – 1.3000)	USD1,500.00

#### Example 2 – Making a Loss

Following from the example above, if the EURO had weakened against the USD instead of strengthening, Adam would have made a loss on his Position. For example, if he had made the same trade (buying EUR 100,000 of EUR/USD at 1.3000), but the EURO drops against the USD and the Position is closed at EUR/USD 1.2950, he would have made a gross loss of:

Calculation Method	Calculation	Gross Loss
Contract Size multiplied by the difference between the price when Adam entered into the Position and the price when he existed the Position	USD100,000 x (1.3000 – 1.2950)	USD500.00

### 11.2 CFDs

#### Example 1 – Making a Profit

Adam believes the price of Australia 200 stock index will rise. He therefore buys one (1) lot (goes long), of AUSSIE200 at the price of 5,780.

Each index point of AUSSIE200 (lot size) is worth AUD 1, meaning that he has bought one (1) contract of AUSSIE200 with value of AUD 5780 (AUD 1 x price = 1 x 5,780).

During that time AUSSIE200 has increased to 5,800. This means that when Adam closes the Position at that higher price, he will make a gross profit of:

Calculation Method	Calculation	Gross Profits
Contract Size multiplied by the difference between the price when Adam exited the Position and the price when he entered the Position	AUD 1 x 1 x (5,800 – 5,780)	AUD 20

**Example 2 – Making a Loss**

Following from the example above, if Australia 200 stock index had dropped instead of risen, Adam would have made a loss on his Position. For example, if he had made the same trade (buy one lot of AUSSIE200 at the price of 5,780) but the AUSSIE200 drops and the position is closed at 5770, he would have made a gross loss of:

Calculation Method	Calculation	Gross Loss
Contract Size multiplied by the difference between the price when Adam exited the Position and the price when he entered the Position	AUD 1 x 1 x (5,770– 5,780)	AUD 10





## 12. TAXATION IMPLICATIONS

This section contains general information about the Australian taxation implications for Australian residents dealing in the Products and is based on Australian taxation laws as at the date of the PDS. It is general information only, and does not take into account your objectives, financial situation or needs.

Australian residents and non-Australian residents should seek professional taxation advice that is based on their individual circumstances and in the case of non-residents the taxation laws of both Australia and their country of taxation before trading in the Products.

### 12.1 TAXATION RULING: CONTRACTS FOR DIFFERENCE

The approach of the Commissioner of Taxation to the income tax and capital gains tax consequences of dealing in financial contracts for difference, such as CFDs (including Margin FX Contract), is reflected in Taxation Ruling 2005/15. We set out a summary of that ruling below.

A copy of Taxation Ruling 2005/15 is available at [www.ato.gov.au](http://www.ato.gov.au).

It is the Commissioner's view that any gain a taxpayer makes from dealing in a CFD (or a Margin FX Contract) will be assessable income under section 6-5 of the Income Tax Assessment Act 1997 (ITAA 1997), while any loss it makes from dealing in CFDs (or Margin FX Contracts) will be an allowable deduction under section 8-1 of ITAA 1997 provided that:

- the CFD (or a Margin FX Contract) transaction is entered into as an ordinary part of carrying on a business; or
- the profit is made, or the loss is incurred, as a consequence of a business operation or commercial transaction entered into for the purpose of profit-making.

A gain from dealing in a CFD (or a Margin FX Contract) will also be assessable income under section 15-15 of ITAA 1997 where a taxpayer is carrying on, or has carried out, a profit-making undertaking or scheme, and the gain from it is not assessable under 6-5 of ITAA 1997. Correspondingly, a loss from dealing in a CFD (or a Margin FX Contract) where the gain would have been assessable under section 15-15 of ITAA 1997 is an allowable deduction under section 25-40 of ITAA 1997.

A gain or a loss from a CFD (or a Margin FX Contract) entered into for the purposes of recreation by gambling will not be assessable under either section 6-5 or 15-15 of ITAA 1997, or deductible under section 8-1 or 25-40 of that Act.

The Commissioner is also of the view that a capital gain or a capital loss from a CFD (or a Margin FX Contract) entered into for the purpose of recreation by gambling will be disregarded under paragraph 118-37 (1)(c) of ITAA 1997.

### 12.2 ADDITIONAL MATTERS NOT COVERED BY RULING

The following matters are also relevant when dealing in CFDs (or Margin FX Contracts).

#### **CAPITAL GAINS TAX**

CFDs (including Margin FX Contracts) may constitute CGT assets under section 108-5 of ITAA 1997. On the maturity or closing-out of a CFD (or a Margin FX Contract), CGT Event C2 happens (section 104-25 of 1997). However, to the extent that a gain from dealing in a CFD (or a Margin FX Contract) as a result of a CGT Event is assessable under section 6-5 or 15-15 of ITAA 1997, a capital gain arising from the event is reduced (section 118-20 of ITAA 1997). To the extent that a loss made from dealing in a CFD (or a Margin FX Contract) is deductible under sections 8-1 or 25-40 of ITAA 1997, the reduced cost base of the asset is reduced, thereby reducing the amount of the capital loss (subsection 110-55(4) of ITAA 1997).

Finally, in calculating any capital gain or loss, a taxpayer is entitled to take into account the cost of acquiring, holding and disposing of the CFD (or a Margin FX Contract).

### **INTEREST**

Any interest received in relation to a CFD (or a Margin FX Contract) is assessable income.

### **INTEREST ON DEBIT BALANCES**

Any interest on the debit balance of an investor's account is deductible.

### **INTEREST PAID OR RECEIVED DUE TO HOLDING A CFD (OR A MARGIN FX CONTRACT)**

Interest that is paid or received due to holding a CFD (or a Margin FX Contract) forms part of any net gain or loss that a taxpayer makes when dealing in CFDs.

## **12.3 TAXATION OF FINANCIAL ARRANGEMENTS**

The Tax Laws Amendment (Taxation of Financial Arrangements) Act (the Legislation). This Legislation provides a framework for the taxation of gains and losses from certain financial arrangements. Gains from the financial arrangements are assessable and losses are deductible.

The Legislation generally applies to all "financial arrangements" as defined in subdivision 230-A or included by the additional operation of subdivision 230-J. However, certain financial arrangements, as detailed below are effectively subject to an exemption under subdivision 230-H.

Division 230 of the Legislation provides a range of elective methods for determining gains and losses; namely the fair value method, the retranslation method, the hedging method and the financial reports method. Where these selective methods are not, or cannot be made, the appropriate treatment is either the accruals or realisation method.

Relevantly, the Legislation does not apply to:

- financial arrangements of individuals;
- financial arrangements of superannuation funds (regulated and self-managed), approved deposit funds, pooled superannuation funds or managed investment schemes for the purposes of the Corporations Act where the value of the entity's assets is less than AUD 1 million;
- financial arrangements of ADIs, securitisation vehicles and financial sector entities with an aggregated annual turnover of less than AUD 20 million per year; or
- financial arrangements of other entities:
  - with an aggregated annual turnover of less than AUD 100 million – where the value of the entity's financial assets is less than AUD 100 million; and
  - where the value of the entity's assets is less than AUD 300 million; except where the taxpayer elects to have division 30 of the Legislation apply to all of its financial arrangements.

It will be appreciated that the Legislation will have limited application to investors in CFDs (including Margin FX Contracts). However, there may be special circumstances where it may be beneficial for you to elect to apply division 30 to your financial arrangements.

You should, therefore, seek independent tax advice on how the Legislation will apply to you.

**GOODS AND SERVICES TAX (GST)**

The Commissioner has also released a determination relating to the GST implications of trading in CFDs (including Margin FX Contracts): GST Determination GSTD 2005/3.

The Commissioner has stated that the costs incurred in having a CFD (or a Margin FX Contract) Position open, such as commissions (on both opening and closing), dividend and corporate event adjustments, Daily Funding Charges and Margins are all considered financial supplies under the A New Tax System (Goods and Services Tax) Act 1999 (the GST Act). Consequently, they are input taxed and no GST is payable on their supply. GST may apply to certain fees and costs charged to you and you should obtain your own advice as to whether an input tax credit is available to you for such fees and charges as it will depend on your personal circumstances.



## 13. GENERAL INFORMATION

### 13.1 OUR DISCRETIONS

Prospero Markets has discretions under the T&Cs which can affect your Account and Contracts. You do not have any power to direct how we exercise our discretions.

When exercising our discretions, we will comply with our legal obligations as the holder of our AFSL. We will have regard to our policies and to managing all risks (including but not limited to financial, credit and legal risks) for ourselves and all our clients, our obligations to our counterparties, market conditions and our reputation.

We will try to act reasonably in exercising our discretions, but we are not obliged to act in your best interests or to avoid or minimise a loss in your Account, or avoid causing you fees on Contracts.

Our significant discretions are:

- whether to accept your Order (including to Close out a Position) or to amend it;
- any risk limits or other limits or filters we impose on your Account or your trading;
- determining Margin Requirements, especially the amount of Initial Margin, and any grace time to meet any changed Margin Requirement;
- determining values of Underlying Instruments (for opening and closing Positions and for determining Variation Margin);
- setting Bid Prices and Ask Prices; and
- Closing your Positions and setting the price for closing.

You should consider the significant risks that arise from Prospero Markets exercising its discretions.

Our other discretions include:

- setting our fees and interest rates;
- adjusting your Positions for adjustments made in the market to the Underlying Instrument;
- adjusting, closing out or cancelling Contracts or Orders due to applying our compliance or operational policies;
- setting foreign currency exchange conversion rates;
- opening and closing your Account; and
- interpretation, variation and application of our policies.

Please note that while we have discretions, the trading conditions typically are set or applied for automatic outcomes, such as closing out all of your open Positions once a Stop Out Level is reached.

### 13.2 ANTI-MONEY LAUNDERING LEGISLATION

We are subject to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No.1) (**AML/CTF Laws**), which can affect our Contracts with you. In order to establish your Account,

we need to collect personal information from you or from businesses or government agencies that you authorise.

Once your Account is opened, we may disclose your personal information or stop transactions on your Account if required under the AML/CTF Laws, or under our AML/CTF procedures, without liability to you for any loss that arises due to that occurring.

### **13.3 CHANGING YOUR MIND – COOLING OFF PROVISIONS**

There are no cooling-off arrangements for our Products. This means that you do not have the right to return the Product, nor request a refund of the money paid to acquire the Product. You are bound by the terms when you enter into a Contract.

### **13.4 ETHICAL CONSIDERATIONS**

The Products do not have a managed investment component. Labour standards or environmental, social or ethical considerations are not taken into account by us when making, holding, varying or closing out our Contracts.

### **13.5 OUR INSURANCE**

Prospero Markets has a comprehensive insurance policy in place to cover a variety of different scenarios, some which may assist in the repayment of deficits arising from dealing in hedge counterparties or if there is fraudulent activity by one of our employees, directors or authorised representatives that results in your money being used in fraudulent activities.

If the insurance policy is insufficient or the insurer fails to perform its obligations, Prospero Markets may not be able to make the payments it owes to you.

### **13.6 SUPERANNUATION FUNDS**

Complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities. These are contained in the Superannuation Industry Supervision Act 1993, the regulations made under that Act, and circulars issued by past and present regulators of superannuation funds, namely the Insurance and Superannuation Commission, the Australian Prudential Regulation Authority and the Australian Taxation Office.

Some of the issues that should be considered by a trustee of a complying superannuation fund before entering into our financial products include:

- prohibitions on borrowing and charging assets and whether dealing in financial products would breach those borrowing and charging prohibitions;
- the dealing in financial products in the context of a complying superannuation fund's investment strategy, together with the fiduciary duties and other obligations owed by trustees of those funds;
- the necessity for trustees of a complying superannuation fund to be familiar with the risk involved in dealing in financial 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 have complying status.

### 13.7 COMPLAINTS AND DISPUTE RESOLUTION

We have a dispute resolution process in place to resolve any complaints or concerns you may have, quickly and fairly. We are committed to providing a high standard of service to clients. If you have a query about the quality or level of service, or if we have failed to meet your expectations, we would like the opportunity to investigate this for you.

You can make a complaint verbally by calling us or write to us via email or post, through the details below:

Customer Services Team – Prospero Markets Pty Ltd

Address: Level 4, 990 Whitehorse Road, Box Hill, Victoria 3128, Australia

Email: [support@prosperomarkets.com](mailto:support@prosperomarkets.com)

Phone: 1300 768 888

If your complaint is not resolved to your satisfaction within thirty (30) days, you have the right to lodge a complaint with:

Australian Financial Complaints Authority (AFCA)

In writing to: Australian Financial Complaints Authority

GPO Box 3, Melbourne VIC 3001

Phone: Free call 1800 931 678

Website: [www.afca.org.au](http://www.afca.org.au)

Email: [info@afca.org.au](mailto:info@afca.org.au)

*AFCA is a free service. AFCA will facilitate discussions and negotiations between the parties. At this stage the issues that are in dispute will be identified. If the dispute cannot be resolved through discussion, AFCA may facilitate conciliation between the parties. The conciliator will attempt to assist the parties to settle the dispute and agree on the terms of such settlement. If conciliation does not facilitate settlement of the dispute, AFCA will appoint an independent AFCA Decision Maker to make a decision taking into account relevant law, fairness and reasonableness. As a member of AFCA, any decision by the adjudicator is binding on Prospero if accepted by the client.*

If you have any questions or would like to receive more information about our dispute resolution procedures, please refer to our [Complaints Management Policy](#) or reach out to us.

### 13.8 PRIVACY POLICY

Depending on the type of service being sought, we may ask you to provide certain personal information, either in writing or verbally. As a financial service provider, we have an obligation under the AML/CTF Act to verify your identity and the source of any funds. This means that we will ask you to present identification documents such as a passport and driver licence, and we will retain copies of this information. This information will be kept strictly confidential and is used for the primary purpose of providing our services to you.

Your privacy is important to us and we are committed to compliance with the Privacy Act 1988

(Cth) and the Australian Privacy Principles. We will not share your information with a third party unless you provide us with written permission to do so, or unless required to do so in accordance with the law.

You can obtain a copy of our Privacy Policy from our Website. You have the right to obtain a copy of any personal information that we hold about you and update or correct such information.



## 14. INTERPRETATION AND GLOSSARY

### 14.1 INTERPRETATION

- The defined terms used in the PDS are capitalised and set out in this section.
- If there is any conflict between the terms of the PDS and any Applicable Law, the Applicable Law (to the extent it cannot be excluded or modified by this PDS or the T&Cs) will prevail.
- In the PDS any reference to a person includes bodies corporate, unincorporated associations, partnerships and individuals.
- In the PDS, all references to times of the day are to the time in Sydney, New South Wales, Australia, unless otherwise specified.
- Headings and examples in the PDS are for reference only and do not affect the construction of the PDS.
- In the PDS any reference to any enactment includes references to any statutory modification or re-enactment of such enactment or to any regulation or order made under such enactment (or under such a modification or re-enactment).

### 14.2 DEFINITIONS

In the PDS the following terms and expressions have, unless the context otherwise requires, the following meanings:

ACCOUNT	means the account you have with us.
ADI	means an Authorised Deposit-Taking Institution.
AFSL	means the Australian Financial Service Licence held by Prospero Markets Pty Ltd (AFSL No: 423034).
AGREEMENTS	means this PDS, the T&Cs, the Application Form, the Financial Service Guide, and any information on our Website or Trading Platform, as amended, varied, or replaced from time to time, which together govern our relationship with you.
AGGREGATE CLOSE-OUT PROTECTION AMOUNT	has the meaning given to it in section 7.6.
AML/CTF LAWS	means the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth) and all regulations, rules and instruments made under that Act.
APPLICATION FORM	means the application form and account opening documentation, including documentation required to be returned for the purposes of complying with the AML/CTF Laws, completed by you and submitted to us.
ASIC	means the Australian Securities and Investments Commission.



ASK PRICE	The current market price is made up of a level at which you can sell and a level at which you can buy. The level at which you can buy is always the higher of the two prices and is called the Ask Price.
ASSOCIATE	means: <ul style="list-style-type: none"> <li>a) a person who is an officer, employee, agent, representative or associate of a party;</li> <li>b) a Related Body Corporate of a party; and</li> <li>c) a person who is an officer, employee, agent, representative or associate of a Related Body Corporate of a party.</li> </ul>
AUD or \$	means Australian dollars.
AUSTRALIAN CLIENT MONEY RULES	means the provisions, as modified by ASIC from time to time, in Part 7.8 of the Corporations Act and the Corporations Regulations made under those provisions that specify the manner in which financial services licensees are to deal with Client Moneys and property, and any other laws and regulations listed in section 9.1 of this PDS;
AUTHORISED PERSON	means you and/or any person authorised by you to give instructions to us under the T&Cs.
BASE CURRENCY	means the currency as agreed under the T&Cs.
BID PRICE	the current market price is made up of a level at which you can sell and a level at which you can buy. The level at which you can sell is always the lower of the two prices and is called the Bid Price.
BUSINESS DAY	means any day other than a Saturday, Sunday or public holiday on which banks are open for business in Sydney, New South Wales, Australia.
CFD	means a contract for difference that we offer to our clients from time to time under this PDS and the terms of the T&Cs.
CGT	means capital gain tax.
COMMISSION	means the fee paid to us for initiating a Contract.
COMMODITY	means oil, gas or such other commodities as published through our Trading Platform.
CLIENT MONEY	means the moneys our clients have deposited with us and held by us under the Australian Client Money Rules.
COMPLAINT MANAGEMENT POLICY	means our dispute resolution policy published on our website at <a href="https://www.prosperomarkets.com/public/pdf/Complaints_Management_Policy.pdf">https://www.prosperomarkets.com/public/pdf/Complaints_Management_Policy.pdf</a> .
CONFIRMATION	means a message available on the Trading Platform to confirm the

	execution of your Order.
CONTRACT	means any contract, whether oral or written, including any derivative, option, future, contract for difference or other transaction relating to such financial products entered into by us with you. Contract is also referred to as Position in the Agreements.
CONTRACT PRICE	means the price we offer you to trade in our Products from time to time and which is calculated by us according to the T&Cs.
CONTRACT QUANTITY	means in relation to a Contract, the number of Contract Units as the case may be, traded by you as stated in the Confirmation.
CONTRACT UNIT	means relevant unit for the type of Position you wish to trade with us in accordance with the terms of the T&Cs.
CONTRACT VALUE	means the total value of the Position as calculated by us in accordance with the terms of the T&Cs.
CORPORATE ACTION	<p>means the occurrence of any of the following in relation to the issuer of any relevant Underlying Instrument:</p> <ul style="list-style-type: none"> <li>• any rights, scrip, bonus, capitalisation or other issue or offer of shares/equities of whatsoever nature or the issue of any warrants, options or the like giving the rights to subscribe for shares/equity;</li> <li>• any acquisition or cancellation of own shares/equities by the issuer;</li> <li>• any reduction, subdivision, consolidation or reclassification of share/equity capital;</li> <li>• any distribution of cash or shares, including any payment of dividend;</li> <li>• a take-over or merger offer;</li> <li>• any amalgamation or reconstruction affecting the shares/equities concerned; and/or</li> <li>• any other event which has a diluting or concentrating effect on the market value of the share/equity which is an Underlying Instrument.</li> </ul>
CORPORATIONS ACT	means the <i>Corporations Act 2001</i> (Cth).
EXCEPTED CONTRACTS	<p>means a CFD where the Underlying Instrument is a Commodity future or other future product which will be automatically rolled over to a new Contract upon the Expiry Date.</p> <p>For the avoidance of doubt, CFDs where the Underlying Instrument is Commodity future or other future product which will NOT be subject to automatic rollover, are not Excepted Contracts.</p>
EXPIRY DATE	means the day on which the Contract expires.
FSG	means our relevant Financial Services Guide, including any supplementary and replacement financial services guide.

GMT	means Greenwich Mean Time.
HANGING ORDER	has the meaning referred to in Section 5.3 under the section titled “Execution Risk”.
INDEX	means the market index on which a CFD is based.
INITIAL MARGIN	has the meaning referred to in Section 7.2.
LIMIT ORDER	has the meaning referred to in Section 4.15.
MAJOR CURRENCY PAIR	has the meaning referred to in Section 4.8.
MAJOR STOCK MARKET INDEX	has the meaning referred to in Section 4.11.
MARGIN	means the amount that you must pay to us and have in your Account to enter into or maintain a Position with us in accordance with the T&Cs.
MARGIN CALL	means a call on you normally made via the Trading Platform, requesting you to top up the amount of money you have in your Account as Margin.
MARGIN CALL LEVEL	means a particular Margin Level at or below which the Trading Platform will trigger a Margin Call automatically. Please refer to Section 7.5 for further information.
MARGIN LEVEL	means the percentage of Net Equity to Total Margin Requirements.
MARGIN PERCENTAGE	means such percentage as specified by us, and as amended by us in accordance with clause 10.4 in the T&Cs from time to time.
MARGIN REQUIREMENT	means the amount of money you are required to pay to us and deposit with us for entering into a trade and/or maintaining an open Position.
MARKET ORDER	means an order placed to buy or sell a Contract at the current price on our Trading Platform or as advised to you.
MAXIMUM TRADING SIZE	means such maximum Contract Quantity or Contract Value as we may specify through our Trading Platform from time to time for any type of Product.
MINIMUM TRADING SIZE	means such minimum Contract Quantity or Contract Value as we may specify on our Website from time to time for any type of Product.
MINOR CURRENCY PAIR	has the meaning referred to in Section 4.8.

MINOR STOCK MARKET INDEX	has the meaning referred to in Section 4.11.
NET EQUITY	means the aggregate of the current cash balance in your Account, adding all your realised and unrealised profits and losses, and deducting applicable charges and fees payable to us. The term Net Equity under this PDS has the same meaning as given to it in the Product Intervention Instrument.
ORDER	means an offer made by you under the Agreements.
OTC	means Over the Counter.
PDS	means this Product Disclosure Statement, including any supplementary and replacement Product Disclosure Statement.
POSITION	means the long or short Position you have taken with us. Position has the same meaning as Contract in this PDS.
PRODUCTS	means any of the Margin FX Contracts and CFDs we offer at any given time;
PRODUCT SCHEDULE	means the list of available Products offered by us and the associated details, which is available on our Website at <a href="http://www.prosperomarkets.com">www.prosperomarkets.com</a> .
RELATED BODY CORPORATE	has the meaning given in the Corporations Act, with any necessary modifications for companies incorporated outside Australia.
ROLLOVER BENEFIT	means a benefit you may receive on Excepted Contractss held overnight and which is described in the T&Cs.
ROLLOVER CHARGE	means a charge you may have to pay where you have a Futures Based CFD held overnight and which is described in the T&Cs.
SPREAD	means the difference in the bid and offer prices of a Product quoted from time to time by us and, where appropriate, expressed as a percentage of the relevant price.
STOP LOSS ORDER	has the meaning referred to in Section 4.15.
STOP OUT LEVEL	Means the Margin Level at which Prospero Markets has the ability to close all or some of your existing Contracts.
SWAP BENEFIT	means a benefit you may receive on a Position held overnight in a Position (other than an Excepted Contract) and which is described in the T&Cs.
SWAP CHARGE	means a charge you may have to pay on a Position held overnight in a Product (other than an Excepted Contract) and which is described in the T&Cs.
SWAP RATE	means the rate determined by us from time to time having regard to, among things, market rates and financing rates.

TOTAL MARGIN REQUIREMENT	means the sum of your Margin Requirements for all of your open Positions.
TRADING DAY	means Monday to Friday (Trading Platform Time) including public holidays during which our Trading Platform is open for trading. A Trading Day starts at 00:00 and ends at 24:00 of the Trading Platform Time.
TRADING PLATFORM	means the trading platform we make available to you by which you may trade with us online in our Products. This includes any electronic service provided by us, for example an internet trading service offering clients access to information and trading facilities, via an internet service, a WAP service and/or an electronic order routing system and relevant software provided by us to enable you to use an electronic trading service.
TRADING PLATFORM TIME	means the time zone our Trading Platform is set in. This may change from time to time and is generally GMT+2 or GMT+3. Please refer to our Website for the time zone of our Trading Platform Time.
UNDERLYING INSTRUMENT	means the instrument which we list as being available to underlie an Order or Contract. An Underlying Instrument could be currency, an index, Commodity, futures contract, or other instrument or asset or factor the reference to which the value of a Product is determined.
UNDERLYING MARKET	means the market in which the Underlying Instrument is traded.
USD	means the lawful currency of the United States of America.
VARIATION MARGIN	has the meaning referred to in Section 7.3.
WE/ US/ OUR	means Prospero Markets Pty Ltd (ABN 11 145 048 577).
WEBSITE	means any page hosted by the web domain name <a href="http://www.prosperomarkets.com">www.prosperomarkets.com</a> and includes the client portal.