

**CONTRACTS FOR DIFFERENCE
Product Disclosure Statement
& Customer Agreement**

**City Index Australia Pty Ltd
ACN 141 774 727
AFSL 345646
Effective Date: 14 April, 2011**

Important Notice

This Product Disclosure Statement (**PDS**) dated 14 April, 2011 has been issued by City Index Australia (**CIA**) and replaces all previous versions. The PDS should be reviewed in its entirety including Section 2 on Risks. Where CIA produces this document in a foreign language the English version shall prevail.

In accordance with the Customer Agreement, this document may have been made available on our website.

Before dealing in CIA's Products you should consider whether they are appropriate based on your investment needs, financial circumstances and trading experience. It is important for you to consider the PDS in deciding whether to acquire, or to continue to hold, the CFDs.

CIA's Products are leveraged and speculative and are not suitable for all investors. The prices of CIA's Products and the underlying securities, currencies or financial instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled.

You will deal in all CIA's Products on margin. Accordingly, you are advised that:

- by participating you will be required to pay margins to CIA;
- You may be required to deposit money as margin in order to maintain open positions; and
- the relatively low margin requirements permit a high degree of leverage. Accordingly, a relatively small price movement in a CIA Product may result in an immediate and substantial loss to you and a loss in excess of the amount invested.

You must also read the Customer Agreement and complete an Application Form and be approved by CIA.

The Application Form requires you to disclose personal information. You should refer to the Privacy Statement in Section 15 which explains how CIA collects personal information and then maintains, uses and discloses that information.

Updating this PDS

Information in this PDS may be updated from time to time without notice where that information is not materially adverse to customers. CIA may provide updated information on the CIA website: www.cityindex.com.au. A copy of the updated information is also available upon request free of charge by contacting CIA.

CIA will issue a supplementary or new PDS if changes to the PDS are material adverse to you. If we issue a supplementary or new PDS, we will notify you by sending a written notice (which contains a link to the supplementary PDS or new PDS) to your email address at least 14 days prior to the effective date of the supplementary PDS or new PDS. Alternatively, we may notify you by posting the supplementary PDS or new PDS on our website.

This PDS and any new or supplementary PDS is available in electronic form from our website at www.cityindex.com.au or you can call 1800 139 103 to obtain it in paper form.

Important Notice

Representations

CIA's Products are offered on and from the date of this document solely on the basis of the Customer Agreement and this PDS or as modified from time to time. No other information or representation is authorised nor is any person authorised by CIA to give any information to Clients or to make any representation.

Financial amounts

The financial amounts in this PDS are expressed in Australian Dollars unless otherwise stated.

CIA does not give investment advice

CIA will not give you Personal Advice. This Product Disclosure Statement does not constitute a recommendation or opinion that CIA's Products are appropriate for you.

Accordingly, before applying to deal in CIA's Products, you must consider your objectives, financial situation and needs and the significant risks of loss which accompany the prospects of profit.

CIA recommends obtaining independent advice concerning this Product Disclosure Statement and the Customer Agreement.

Australian Investments & Securities Commission (ASIC) and this Product Disclosure Statement

ASIC's role in authorising CIA is limited and does not imply approval or endorsement of the business, trading or solvency of CIA.

The ASIC has not approved this, the Customer Agreement or any other document.

Underlying Instruments

References in this PDS or in the Internet Trading Platform (ITP) to any company whose securities are traded on any exchange on which a CIA Product is based are included solely for the purposes of identification of the Underlying Instruments to which those CIA's Products relate. Such references are not to be construed as an express or implied endorsement by such company or other entity of the CIA's Products. Nor does any such company or other entity accept any responsibility for any statement in this PDS or undertake any liability in respect of the CIA's Products. Those companies and other entities are not

involved in the issue of the CIA's Products and have not been party to the preparation of this PDS or furnished any information specifically to CIA for the purpose of its preparation.

Furthermore, CIA has no affiliation with such companies and other entities and has no access to information concerning those companies and other entities, other than that which is in the public domain. CIA does not, therefore, accept any liability or responsibility for, and makes no representation or warranty, express or implied, as to the accuracy or completeness of such information. You should make your own enquiries.

Use of examples in this Product Disclosure Statement

Examples stated in this PDS are provided only for illustrative purposes. The examples use figures which attempt to demonstrate how the CIA Products and their requirements work. The figures do not necessarily reflect those of CIA or your personal circumstances and do not restrict in any manner the way in which CIA may exercise its powers or discretion.

The examples do not constitute personal advice to any person reading this PDS.

Words and terms in this document have the same meaning defined in the Customer Agreement.

Jurisdiction

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

If you are dealing with CIA, you should note:

- the law governing your dealings with CIA is the law of New South Wales, Australia; and
- times are Australian Eastern Standard, unless stated otherwise.

Summary of Fees and Charges

This Section is a summary of Rates & Charges only. Please refer to Section 12 for details.

Transaction Fees

CIA charges minimum transaction fees on Share CFDs.

CIA does **not** charge transaction fees on Indices, Commodities, Interest Rate or FX CFDs.

The actual transaction fee charged on any given transaction will be either the minimum specified for that product or an amount based on the value of the transaction.

How is the Transaction Fee calculated?

For transactions that do not qualify for the minimum fee the transaction fee is calculated as a percentage of the value of the transaction as follows:

Fee = Value of Transaction X Rate

If the Value of the transaction is, for example, less than AUD10,000 the minimum transaction fee of AUD10 will apply.

How is the Transaction Fee charged?

Fees will be debited from a Client account as soon as a CFD trade is executed. All fees are charged in the currency in which the instrument is denominated. Charges are detailed on the daily and monthly statements.

Clients should note that CIA may change its fee structure from time to time in which case you will receive a notice electronically.

Guaranteed Stop Loss Orders

The GLSO fee is calculated as a percentage of the notional value of the transaction and the minimum is 0.7% of the value of the order.

The GLSO premiums applicable to all CIA products are detailed in the ITP.

Exchange Fees

You may be liable to pay an exchange fee. The exchange fee covers fees that CIA must pay to a Stock Exchange for use of real-time prices in CIA's ITP software.

Daily Financing Fees

If you are the Long Party to a Rolling CFD position overnight you pay a Daily Financing Fee and if you are the Short Party to a Rolling position overnight you may be paid a Daily Financing Fee. However, in certain market conditions we may require you to pay a Daily Financing Fee where you would ordinarily have received a Daily Financing Fee.

The Daily Financing Fee is determined by adding or subtracting the Financing Spread from the Reference Interest Rate.

Daily Financing Fees do not apply to Future CFDs.

The Financing Spreads are set out in Section 12.6.

How is the Daily Financing Fee charged?

The Daily Financing Fee is charged or paid to Client accounts at the close of business daily. Daily Financing Fee is charged or paid in the currency in which the instrument is denominated.

Bid Offer Spread and Minimum Tick Value

Because of the difference between the buying and selling price of a CFD, the relevant CFD price must move favorably before you can break even.

The value of the difference between the bid and offer depends on the tick value. All Share CFDs have a point movement value that is the same as that of the underlying product in the relevant market.

All tick values are specified for each instrument within the ITP trading platform.

FX Rollovers

If you are the Long Party in a high yielding currency position overnight you may receive a benefit.

Summary of Fees and Charges

If you are the Short Party in a high yielding currency position overnight you will be charged.

These rates are calculated on an ongoing basis and any charge or benefit will be incorporated into the price of your position on the next value date.

Interest on Account Balances

Interest on deposits will be paid monthly in arrears to Australian-resident qualifying accounts only.

The qualification criteria are set out in Section 12.10.

Clients may contact our Client Services Department for the current interest rate.

Administration fees

CIA may charge you for some administration services such as remittance of money to overseas bank accounts or collection of outstanding amounts.

Please refer to Section 12 for details.

Summary of Risks

This Section is a summary of Risks only. Please refer to Section 2 for details.

Margins

You will deal in all CIA's Products on margin. Accordingly:

- by participating you will be required to pay margins to CIA;
- Margin requirements can change from time to time;
- The relatively low margin requirements permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a CIA Product may result in an immediate and substantial loss to you and a loss in excess of the amount invested.
- During trading halts or suspensions CIA may increase margin requirements to 100% at short notice.

Market Risks

Clients are advised that losses may:

- Arise from the bid-offer spread and widening of the bid-offer spread may occur without notice;
- be caused by fluctuations in equity prices, interest rates and currency valuations;
- be caused by a the suspension of trade in any underlying financial market or instrument from which a CIA Product is derived or a lack of liquidity in any such instrument;
- be caused from changes in the interest rates of the respective currencies traded.

Cooling Off

Clients are advised that after executing transactions, Clients may not cancel the contract relating to the transaction.

Delisting and Trading Halts

Clients are advised that trading halts, suspensions and delisting of Underlying Instruments are common.

CIA may in its absolute discretion, suspend trading in a CIA Product or cease to quote a product where there is a reasonable basis to believe an orderly market can no longer be provided.

Clients are warned that during trading halts or suspensions positions in CFDs cannot be reduced or closed and CIA may increase margin requirements to 100% at short notice.

Where an Underlying Instrument is suspended or halted CIA will use the last traded price (unless there are reasonable grounds to price differently) of that Underlying Instrument for the purposes of determining margin requirements and financing fees.

Margin Close Out

CIA has the right (but not the obligation) to close out a Client's open position without notice when funds maintained in the Client's account fail to satisfy the margin requirements.

Consequently, Clients may not be able to control the time or price at which an open position is closed.

Summary of Risks

CIA's Refusal to Deal or Quote

CIA may refuse to accept an order or provide quotes at CIA's discretion, or under the terms of the Customer Agreement.

Operational Risks

CIA's Products are typically traded over the internet. Clients are therefore exposed to the operational risks associated with conducting transactions electronically and in some cases may make it impossible for a Client to place, execute, confirm or cancel an order.

This includes but may not be limited to:

- The stability of the ITP trading platform;
- Reliability and stability of local and international communication connections;
- Reliability and stability of Clients' own personal computer or internet connection.

Credit & Counterparty Risk

As CIA issues its Products, Clients are directly exposed to the financial risk associated with dealing with CIA and indirectly exposed to the financial risks of CIA's counterparties and organisations with whom CIA holds Client funds.

If the financial conditions of CIA or assets of our counterparties or the parties with which we hold Client assets deteriorate, then Clients could suffer loss because the return of the Client margin and other Client property could become difficult.

Major Counterparty:

- City Index Limited

A copy of the latest financial statements of City Index Australia Pty Ltd, the CFD issuer, are available free of charge upon request.

Segregated Accounts

All money that Clients deposit with CIA will be segregated from CIA's own funds and managed in accordance with the Customer Agreement.

However, it is important to note that the holding of Client Money in one or more segregated accounts may not afford Clients absolute protection.

ADIs holding segregated funds:

- Commonwealth Bank of Australia
- JP Morgan Chase N.A Sydney Branch

Table of Contents

1.	SUMMARY OF KEY BENEFITS AND FEATURES	2
2.	RISK DISCLOSURE	6
3.	ABOUT CITY INDEX AND ITS PRODUCTS	12
4.	GETTING STARTED	14
5.	SHARE AND INDEX CONTRACTS FOR DIFFERENCE	17
6.	COMMODITY CONTRACTS FOR DIFFERENCE	22
7.	INTEREST RATE CONTRACTS FOR DIFFERENCE	24
8.	FOREIGN EXCHANGE CONTRACTS FOR DIFFERENCE	26
9.	OPTION CONTRACTS FOR DIFFERENCE	28
10.	MARGIN OBLIGATIONS	45
11.	ORDERS YOU CAN PLACE	49
12.	RATES & CHARGES	53
13.	TAXATION CONSIDERATIONS	60
14.	DISPUTE RESOLUTION	62
15.	PRIVACY STATEMENT	63
16.	OTHER MATTERS YOU SHOULD NOTE	66
17.	GLOSSARY	67

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Product Disclosure Statement

1. Summary of key benefits and features

Potential in Rising and Falling Markets

Traditional securities and other financial investment products only deliver benefits in rising or stable markets. CFDs provide simple and effective means to take advantage of falling markets.

Single Platform – Multiple Markets

City Index's Internet Trading Platform offers CFDs over domestic and international markets in shares, indices, foreign currencies, commodities and interest rates, all from a single account.

Leverage

CFDs are a leveraged investment and trading instrument. While leverage can magnify losses, it can also magnify profits. Leverage allows Clients to take larger exposures, to more markets, than cash investors using the same capital base.

Multiple Strategies

Leverage also means that Clients can employ more investment and trading strategies than "long only" investors. These include trading "pairs", trading across asset classes, going short and taking exposures around short term events.

Hedging

CFDs can be used to hedge investments, and reduce existing market risk. Clients can hedge directly, on a portfolio basis, or to cover specific risks of investments.

Lower Costs

Generally, CFD exposures come at lower transaction costs than the same exposure taken in the Underlying Instruments.

No Account Fees

Clients pay no CIA fees to open or maintain a CFD trading account. In some limited circumstances, CIA reserves the right to pass on exchange fees where they are charged to CIA.

Key Features

This summary outlines some key questions that are explained in this PDS. However, you should ensure that you read and understand this PDS in its entirety before investing in CFDs.

Question	Answer
Who is the issuer of this PDS?	The issuer of this PDS is City Index Australia Pty Ltd. City Index Australia Pty Ltd is a wholly owned subsidiary of City Index (Holdings) Limited, a UK-registered company.

Product Disclosure Statement

Question	Answer
What is a contract for difference?	<p>A contract for difference (CFD) is a contract under which the parties agree to exchange the cash difference between the opening value and the closing value of the contract. The CFDs we offer are over-the-counter financial products that give the holder exposure to price movements of an Underlying Instrument. Like other derivatives, CFDs allow investors to participate in the returns from movements in an Underlying Instrument, without the need to own that Underlying Instrument.</p> <p>CFDs allow you to make a profit or loss from the fluctuation in the Underlying Instrument and the amount of any profit or loss on a CFD trade will be the total of:</p> <ul style="list-style-type: none">- the difference between the opening value of the CFD (Quantity x Our Price) and the closing value of the CFD (Quantity x Our Price); less- any Commission and Daily Financing Fee you incur and are required to pay to us in respect of the CFD.
What is leverage?	<p>Leverage refers to the use of a small amount of cash or other equity to supplement an investment of a larger exposure.</p> <p>This allows you to make a larger investment than you would have been able to make from investing equity alone. Leveraged products such as CFDs allow you to use a small amount of equity to take a large exposure in an Underlying Instrument.</p> <p>Leverage allows an investor to amplify both their returns and their losses, and investors may also experience increased volatility in the return on their investments.</p>
How do I open and close CFD positions?	<p>CFD positions can be opened by either buying or selling a CFD, depending on whether you require a Long or Short position.</p> <p>CFD positions can be closed by taking the equal or opposite position to the open CFD position. That is, purchase a Long CFD to close a Short position, or sell a Short CFD to close a Long position.</p> <p>Typically Clients trade CFDs over the Internet Trading Platform (ITP) provided by City Index although Clients can transact over the telephone.</p>

Product Disclosure Statement

Question	Answer
<p>What are the costs involved with CFDs?</p>	<p>The costs involved in opening a CFD will vary depending on the contract traded. For example, whether it is a Share CFD or Future CFD and whether it is a Long or Short CFD.</p> <p>Costs may include:</p> <ul style="list-style-type: none"> - Commission, - Daily Financing Fee, - Bid - Offer Spread and - other costs or charges for trading in CFDs are described in Section 12.
<p>How are CFDs priced?</p>	<p>The prices of the CFDs traded with us are generally based on the prices of the Underlying Instrument to which the CFDs relate.</p> <p>A further discussion of the pricing is set out in section 3.4</p>
<p>What are the risks involved in CFD trading?</p>	<p>As with all leveraged investments, CFD trading can be risky and is not appropriate for everyone. There are a number of types of risk that you should be aware of before beginning to trade, including the possibility of losing more money than you invest. Some of these types of risk include:</p> <ul style="list-style-type: none"> - Leverage risk; - Close out risk; - Counterparty risk - Operational and system risk; - Market price and volatility risk; - Segregated account risk; - FX risk; - Operational Risk and; - External market price risk. <p>Please refer to Section 2 for further information.</p>
<p>What are Long and Short positions?</p>	<p>An investor will take a "Long position" where they buy something, with the expectation that it will increase in value and will take a "Short position" where they sell something, with the expectation that it will decrease in value.</p> <p>A "Long" CFD is where you purchase a CFD in the expectation that the value of the Underlying Instrument will increase in which case the value of the CFD will increase.</p> <p>A "Short" CFD is where you sell a CFD in the expectation that the value of the Underlying Instrument will fall in which case the value of the CFD will fall.</p>

Product Disclosure Statement

Question	Answer
What is Margin Requirement?	Margin Requirement is the amount of money that you are required to deposit with us as consideration for entering into a Trade and maintaining an Open Position
What is the Margin Level?	The Margin Level on your Account is the ratio of Net Equity (the sum of your account balance(s) and Unrealised P & L) to Total Margin (expressed as a percentage). Your Margin Level is stated on the Trading Platform
What is a Margin Close Out?	After opening a CFD if the market goes against you and your Margin Level falls below your Margin Close Out Level, we may close out some or all of your open positions with us.
What is Order Aware Margining?	In certain instruments, the placing of a Stop Loss Order or Guaranteed Stop Loss Order against an open position will result in a lower Margin Requirement for that position; this is called Orders Aware Margining.
How do I open an account with City Index?	<p>Prior to opening an account with City Index you should ensure that you have read this PDS, FSG and Customer Agreement and understand the CFDs offered through this PDS.</p> <p>After doing this, if you are satisfied that CFD trading is appropriate for you, you can open an account by completing the Application which is available online at www.cityindex.com.au and provide the required documents (if any).</p>
What are the tax consequences of trading in CFDs?	The tax consequences of trading in CFDs will vary depending on a person's individual circumstances and whether they are traded on a revenue or capital account. We recommend that you obtain your own independent tax advice.

Product Disclosure Statement

2. Risk Disclosure

Are CIA's Products appropriate for you?

You must carefully consider whether CIA's Products are appropriate for you in the light of your financial circumstances, financial markets experience and investment objectives. In making this decision you should be aware you could both gain and lose large amounts of money. You risk losing money because:

- You could lose all the margin funds you deposit with CIA to establish or maintain a CFD position. In addition, you could lose further amounts as explained below.
- If the market moves against your position, or in the case of Commodity CFDs your position is rolled over into a new contract with a differing value you may be required, at short notice, to deposit with CIA further money as margin in order to maintain your CFD position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time your CFD position may be closed. You will be liable for any shortfall in your Account resulting from the closure.
- You could lose all monies deposited with CIA, and in addition, be required to pay CIA further funds representing losses and other fees on your open and closed CFD positions. For example, although you may only invest \$1,000 in a CFD position, if the market moves against you could lose the full value of the CFD position.
- Under certain conditions, it could become difficult or impossible for you to liquidate or close a CFD position. For example, this can happen when there is significant change in prices over a short period. Refer to Section 2.1 for a more detailed explanation about these risks.
- CIA will not, in all circumstances, accept your request to place an order. Refer to Section 0 for further details.
- If CIA accepts your request to place an order, such an order may not always limit your losses to the amounts that you had hoped. Market conditions may make it impossible to execute such orders. Refer to Section 2.1 for more detailed explanation about these risks.

- The high degree of leverage that is obtainable in dealing in CIA's Products because of small margin requirements can work against you as well as for you. The use of leverage can lead to large losses as well as large gains.

2.1 Market Risk

Derivative markets are speculative & volatile

Derivative markets can be highly volatile. The prices of CIA's Products and the underlying securities, currencies, financial instruments or indices may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled.

The prices of CIA's Products will be influenced by, amongst other things, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the relevant marketplace.

Dealing may be affected by factors in the Underlying Instrument

The prices of the CIA's Products are derived from the prices in the Underlying Instruments.

Sometimes markets move so quickly that "gapping" occurs. Gapping refers to a situation in which you are exposed to the risk of losses when market prices or rates are not determined along a "smooth" or continuous path due to external factors such as global political and economic, and specific corporate actions. If "gapping" occurs in the Underlying Instrument, it will also occur in the price of the relevant CIA Product. In this case, you may be unable to close out your position or open a new position at the price at which you have placed your order or may have liked to place your order.

At other times the Underlying Instrument may lack liquidity because of insufficient trading activity or the aggregate of all requests for orders at a particular price or range of prices determined by CIA exceeds the volume that can be traded in the Underlying Instrument. In such cases, CIA may not be able to provide sufficient volume in the product, and it may not be possible for you to close out your position or open a new position. Under these circumstances, a special market quotation may be substituted for Our

Product Disclosure Statement

Price. Please refer to Section 3.4 of this document and to the Customer Agreement.

Finally, trading in the Underlying Instrument may be suspended or halted. In such cases, CIA may not be able to offer the corresponding CIA Product, and it may not be possible for you to close out your position or open a new position.

Where an Underlying Instrument is suspended or halted City Index will use the last traded price of that Underlying Instrument for the purposes of determining margin requirements and financing fees. Where City Index has reasonable grounds to believe that a different price reasonably reflects the value of the CFD then it may, at its absolute discretion, price the CFD differently.

As a result, a potentially profitable deal may not be executed, or it may not be possible to close out a position in a timely fashion at the price you want, resulting in reduced profits or higher losses.

Foreign exchange risks

Your Account is maintained in the currency you have nominated, that is, the Base Currency.

Where dealing in a CIA Product that is denominated in a currency other than the Base Currency of your Account, all Margins, profits, losses and financing credits and debits in relation to that CIA Product are calculated using the currency in which the CIA Product is denominated.

Accordingly, your profits or losses may be affected by fluctuations in the relevant foreign exchange rate between the time the order is placed for the CIA Product and the time the position is closed, liquidated or offset.

Upon closing a position in a CIA Product that is denominated in a currency other than the Base Currency of your Account, you will be able to request that the foreign currency balance is converted to the Base Currency of your Account. CIA may automatically convert these balances back into your Base Currency. Any conversion will be at the CIA Exchange Rate quoted by CIA (this may be different to the price quoted for a CIA FX CFD). Until the foreign currency balance is converted to the Base Currency, fluctuations in the relevant foreign exchange rate may affect the ultimate profit or loss made on the CFD position when revalued in the Base Currency.

Loss caused by spread

Because of the difference between the buying and selling price of a CFD, the relevant CFD price must move favourably before you can break even. In other words, even if the CFD price does not move at all and you close out your position, you will incur a loss to the extent of the spread and of any CIA charges and transaction fees which have been charged.

Furthermore, the spread may be larger at the time you close out the position than it was at the time you opened it.

Interest rate fluctuations

The interest that you receive or pay in relation to your Account balance will be affected by fluctuations in the interest rate specified by CIA for the currency in which you hold your deposit.

Should you deal in a CIA Product denominated in a foreign currency, the fluctuations in the relevant Financing Rate will also affect your profits and losses.

Rolling over FX CFDs

When holding FX CFD positions overnight, Clients are advised that losses may be incurred due to changes in interest rates in the respective currencies and swap points normally received in your favour could be charged against you.

Rolling over Future CFDs

Upon expiry of any Futures CFD, open positions will be closed out at the settlement price on the expiry date of the CFD contract.

Unless specifically requested by a Client, CIA will not re-establish positions in the next serial Futures CFD.

If requested, the position will be re-opened at the prevailing Our Price of the next serial CFD contract.

Clients are advised that the next serial CFD may trade at a premium or discount to the settling contract and Clients may immediately have a profit or loss without conducting a new transaction.

Changes in Margin Requirements

CIA may, under the Customer Agreement, exercise its right to alter the Margin Requirement of any CFD position at any time at its discretion. Please refer to the Customer Agreement for more information.

Product Disclosure Statement

If CIA determines that an Event Outside Our Control or Market Disruption Event (see the Customer Agreement for further information) exists then it may (without prejudice to any other rights under the Customer Agreement and at its sole discretion) increase the Margin Requirement. Accordingly, Clients should be prepared at any time to have funds equal to the notional value of their CFD positions available to meet any increase in the Total Margin.

2.2 Risks associated with Options

Trading Option CFDs can be more complicated than trading other CFD products and it is important to know the difference between dealing in Calls and Puts and going long and short Option CFDs. It is also important to understand that the price of an Option CFD is not solely dependent on the underlying market.

You must familiarise yourself with the nature of Option CFDs and Binary Option CFDs. We have identified here the major risks of dealing in Option CFDs. However, the issues discussed are not exhaustive.

Market Risk

When buying Vanilla or Binary Option CFDs your risk is limited to the number of contracts multiplied by the price paid. When selling a Vanilla Option CFD the risk is unlimited as there is no upper limit to the price of the Option CFD. Therefore the seller may be obligated to buy back the Option CFD to close a sold position at any price. If the Option CFD finishes at zero, the seller can buy back the Option CFD at zero at expiry and will receive the full sale price of the Option CFD multiplied by the number of contracts.

Limited Hours Trading

The Option products offered by City Index trade limited hours and are not quoted outside the normal operating hours of the Underlying instrument. That is, during parts of the business day City Index does not provide a price as the Underlying Instrument may not be traded. In these cases, you will not be able to close a position.

Restricted Orders

No stop losses can be placed on your open Option CFD positions. This means, that you must be able to monitor your open positions and trade using Market Orders to limit your losses.

Contractual Terms

In addition to our rights to void any Trades or Open Positions under the General Terms, if an event occurs which has the effect of making it impossible to ascertain whether the event on which a Binary Option

is based will occur or not, we may, acting reasonably, void any Trades in relation to that specified event.

If, prior to the expiry of a Binary Option Trade, the outcome of the specified event on which an Open Position in a Binary Option Market is based becomes publicly known, we may, in addition to our rights under the General Terms:

- a) void any Trade which creates an Open Position if we believe that the opening Trade was placed after the outcome of the specified event became publicly known;
- b) void any Trades which closes an Open Position if we believe that the closing Trade was placed after the outcome of the specified event became publicly known.

Suspension

In some circumstances an Underlying Instrument can be suspended which may cause extreme volatility in an Option Price or suspension of prices. Where there is an underlying Option market, you will be able to be quoted a price where one is available. In other circumstances when trading daily Options CFDs and Binary Option CFDs it may be impossible for City Index to evaluate whether a financial event has occurred or determine the settlement price of an Option. In these circumstances City Index may take such actions as specified in our terms and conditions – See CFD and Binary Supplements.

Spread

Due to a lack of liquidity or extreme volatility the bid-offer spread quoted by City Index may change. This means that the price must move further in your favour to realise a profit. Or conversely, may increase your potential loss.

Volatility

As Binary Options approach Expiry their prices typically display high volatility. A relatively small movement in the price of the Underlying Instrument may result in a significant price movement of the relevant Option.

2.3 CIA acts as Principal & Product Issuer

CIA is a market maker, not a broker, and accordingly will act as a principal, not as an agent, in respect of all transactions.

Product Disclosure Statement

As CIA issues the CIA Products, Clients are exposed to the financial and business risks, including credit risk, associated with dealing with CIA.

2.4 Segregated Account

Assets corresponding to the value of the margins and other security deposits that we receive from you are classified as Client assets and are administered in accordance with the provisions of the Corporations Law.

Consequently, all monies that Clients deposit with CIA will be segregated from CIA's funds and managed in accordance with the Customer Agreement.

However, CIA has certain rights as forth below:

- We may withdraw, deduct or apply any amounts payable by you under the Customer Agreement from your monies held in any segregated account or invested by CIA, including, without limitation making a payment for, or in connection with, the margining, adjusting or settling of dealings in CIA's Products and the payment of finance charges, transaction fees and interest payments due to us under the Customer Agreement;
- We may pay, withdraw, deduct or apply any amounts from your monies held in any segregated account by CIA.

and to use such moneys in our business from time to time, including for the payment of amounts to our counterparties.

Your monies may be co-mingled into one or more segregated accounts with the monies of other CIA Clients in accordance with the provisions of the Corporations Act.

We are also obliged to pay any monies due to Clients in relation to dealings in CIA's Products into a segregated account. Those obligations to Clients under the Customer Agreement are unsecured obligations, meaning that Clients are unsecured creditors of CIA.

Warning about segregated accounts

It is important to note that the holding of Client monies in one or more segregated accounts may not afford Clients absolute protection.

You could incur a loss, depending on the creditworthiness of CIA, its covering counterparties or counterparties holding Client segregated assets.

The purpose of segregated accounts is to manage the monies of all our Clients separately from our own funds. However, individual Client's monies are co-mingled into one or more segregated Client accounts.

Furthermore, segregated accounts may not insulate Client monies from a default in the segregated Client accounts. However, it is CIA's policy to replenish the funds in a segregated account from CIA's own funds if there is a deficit in a segregated account because a Client has defaulted.

Should there be a deficit in the segregated accounts and in the unlikely event CIA became insolvent before it replenished the funds, Clients will be unsecured creditors with respect to the balance of our obligations.

What is an unsecured creditor?

In the event of the insolvency of CIA, as an unsecured creditor of CIA, Clients will need to submit to the liquidator proof of the balance of CIA's obligations, as evidenced by their Account statements. The liquidator then assesses all proofs of debts to determine to which creditors the company's assets may be distributed, and what order of priority will be taken into account.

2.5 Counterparty Risk

CIA conducts over-the-counter transactions with its counterparties to hedge the market risk arising from Client transactions. Consequently, Clients are indirectly exposed to the credit and counterparty risk of CIA's counterparties.

If the conditions of the business or assets of our counterparties deteriorate, then performance of the hedge transactions may be compromised.

A copy of the latest financial statements of the issuer are available free of charge upon request.

Product Disclosure Statement

2.6 Operational Risks

CIA's Products are typically traded over the internet. Clients are therefore exposed to the operational risks associated with conducting transactions electronically. This included but may not be limited to:

- The stability of the ITP;
- Reliability and stability of local and international communication connections;
- Reliability and stability of Clients' own personal computer or internet connection.

2.7 Regulatory Risk

Changes in taxation and other laws, government, accounting, financial and regulatory policies may have a material effect on your dealings.

2.8 Not a regulated market

CIA's Products are not traded on a licensed market. Therefore, some of the protections usually associated with licensed markets are not available for trading in CFDs. For example, trading on the Australian Stock Exchange (ASX) 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. Such guarantee funds do not apply to CFD trading.

2.9 The Customer Agreement

Under the Customer Agreement, CIA has certain discretionary powers. These include discretion not to accept orders, not to provide a quote or refuse to deal. Clients should review the Customer Agreement carefully and, if necessary, seek legal advice.

Circumstances in which CIA may close Client Open Positions

Clients should be aware that CIA has the right, whether with or without prior notice, to close out all or part of Clients' open positions, if any of the Events of Default or Market Disruption Events in the Customer Agreement occur or a Client fails to satisfy their margin obligations.

This includes the suspension or delisting of an Underlying Instrument from which a CIA Product is derived.

In such circumstances, although CIA may attempt to provide Clients with 7 days notice it may not always be possible and we are not obliged under the Customer Agreement to provide such notice.

CIA reserves the right to close a Client's open positions if a CIA product is removed from our list of CFDs that are available to short. Circumstances in which we may remove a CFD from the list include when the Underlying Instrument from which the CFD is derived:

- a) becomes difficult to borrow in the underlying market; or
- b) is prohibited from being short sold by government rules or regulations.

CIA is not liable for any loss or damage arising from or in connection with such forced closure.

CIA's right to limit Open Positions

CIA has the right under the Customer Agreement to limit the size of a Client's open positions, whether on a net basis (difference between short positions and long positions) or gross basis (aggregate of short positions or long positions).

This may occur for example, because of some event in the Underlying Instrument from which the relevant CIA Product is derived.

CIA's right to provide a special market quotation

CIA has the right under the Customer Agreement to provide a special market quotation when, for example:

- the imposition of limits or special or unusual terms in the relevant Underlying Instrument;
- the aggregate orders at a particular price or range of prices exceeds the volume available for the Underlying Instrument;
- when CIA is unable to make prices in the relevant CIA Product because it is unable to obtain information for the relevant Underlying Instrument for reasons beyond CIA's control.

CIA will not give written notice if it decides not to provide a special market quotation.

CIA's right to refuse Trades

CIA has the right under the Customer Agreement to refuse any Trade or order for any reason. Circumstances in which CIA may decide to do so include:

Product Disclosure Statement

- where CIA is, in its opinion, unable to maintain an orderly market in its Markets in respect of any one or more of the CIA's Products as a result of the occurrence of any act, omission or event (including any specific or general circumstance beyond CIA's control such as a natural disaster, corporate action, political or regulatory occurrences or upheaval, disruption to, communications, power or other infrastructure);
- the suspension, closure, liquidation or abandonment of any relevant market or Underlying Instrument;
- the imposition of limits or special or unusual terms in the relevant markets or Underlying Instrument such as the prohibition of short selling in an Underlying Instrument;
- the excessive movement, volatility or loss of liquidity in the relevant markets or Underlying Instrument; or
- when CIA, in its opinion, considers it necessary for the protection of its rights under the Customer Agreement;
- when a client attempts to enter into a short position in a CIA product, but the CIA product is not in the list of CFDs that are available to short; or
- when CIA considers that the Client may be in possession of "insider information" as defined by the laws of the relevant country.

Please refer to the Customer Agreement for the circumstances in which CIA may exercise such rights.

2.10 Other Risks

Banking Hours

Due to the limited operating hours of the banking system CIA may not receive margin deposits immediately. Accordingly, Clients are advised to always maintain adequate funds in their trading Account to cover unforeseen adverse market movements.

Warning Regarding One-Click Dealing

The ITP trading platform dealing tickets operate on a single click. Clients are warned that once an instruction to buy or sell is passed they will not be provided with an opportunity to check the details of the instruction before it is sent to CIA. Consequently, Clients should take additional care.

Product Disclosure Statement

3. About City Index and its Products

Who is City Index?

City Index (CIA) has been providing traders access to local and international financial markets since 1983. Now a global operator with a solid reputation that extends to include FX and spread betting markets, City Index is focusing on expanding its Asia Pacific presence.

With local knowledge and understanding of Client needs City Index has the best people developing products, platform and service. Offices in Sydney, Singapore and Shanghai support Clients trading both FX and CFDs with local sales, dealing and Client service specialists.

Previously developing platform capabilities and product offerings through strategic acquisitions and alliances, City Index acquired IFX Limited, including its Australian operations, in 2006.

As part of the IPGL Group, City Index is privately owned by staff and investors. City Index offers its products under the City Index, Finspreads and FX Solutions brands across Europe, Asia and North America currently and is a sister company to the largest institutional FX broker ICAP – a FTSE 100 company.

3.1 CIA Products

Offering a range of Contract for Difference (CFD) instruments across global markets, City Index Clients can trade

- Australian and International share CFDs
- Foreign Exchange CFDs
- Index CFDs including the Australia 200 and Sector Index CFDs
- Commodity CFDs including Gold and Oil
- Interest rate & Bond CFDs

Software and market information

When you open an account with CIA you will receive access to the CIA Internet Trading Platform (**ITP**). The platform not only gives you access to prices and trading opportunities, but also a range of additional information sources. The ITP allows you to place orders, view charts relating to market movements, gain access to your Account statements and monitor a real-time news service for any market moving stories.

A monthly fee may be charged by CIA for use of its or a third party provider's platform, software or source of information. Details of any such charge are set out in Section 12.

3.2 Prices on the dealing platform

The real time dealing prices provided on the dealing platform are the prices that CIA is offering for CIA's Products. CIA's prices may not be the same as those in the Underlying Instrument on which the CIA's Products are based. Furthermore, the bid-offer spreads in CIA's Products may not be the same as those available in the Underlying Instrument.

Accordingly, it is for you to decide whether you wish to deal in the CIA Product or in the actual Underlying Instrument.

CIA does not provide Clients with access to prices in the Underlying Instrument or market depth information through its dealing platform. You may obtain real time prices in the Underlying Instrument by accessing any of a number of services that provide investors with real time prices from those markets. In particular, information vendors offer real time and delayed prices from the Underlying Instruments, whilst exchanges usually offer delayed prices at no cost. Finally, the financial media also provides opening and closing prices.

3.3 Trading hours

Trading hours for CIA's Products differ. The trading hours for each instrument are available in Market Information Sheet on the ITP trading platform.

Please note we are not obliged to quote prices or accept Trades, orders or instructions in respect of any CIA Product:

- on a public holiday in any jurisdiction which, in our reasonable opinion, affects the relevant Underlying Instruments;
- to which Limited Hours Trading applies during any time when the relevant exchange is closed for business.

Product Disclosure Statement

3.4 How does CIA determine the prices for its products?

CIA prices for CFDs are based on the price of the Underlying Instrument and, in some circumstances, the application of a spread which is applied at our discretion.

CIA's prices for Index Futures CFDs are based from a spread around the bid/offer spread in the Underlying Instrument, or from a fixed spread around the last traded price in the Underlying Instrument. The CIA price for Rolling Index CFDs is derived from the price of underlying futures contract, with the addition or subtraction of a fair value to account for interest and dividend expectations. The bid/offer spread can be adjusted by CIA to accommodate market liquidity. Upon expiry of the Index CFD your position will be closed out at the settlement price on the expiry date of the CFD contract. Unless specifically requested to do so, positions shall NOT be re-opened in the next serial contract.

CIA's prices for FX CFDs are derived from the best bids/offers from a number of bank and institutional feeds. CIA shows a fixed spread based on these feeds. CIA reserves the right to adjust the spread with changes in liquidity and volatility in the Underlying Instruments.

CIA's prices for Commodity CFDs are based on the price of the underlying futures contract with the application of a minimum spread applied at CIA's discretion. The CIA price for Rolling Commodity CFDs is derived from the price of underlying futures contract, with the addition or subtraction of a fair value to account for interest and storage costs. The bid/offer spread can be adjusted by CIA to accommodate market liquidity. Upon expiry of the Commodity CFD positions will be closed out at the settlement price on the expiry date of the CFD contract. Unless specifically requested to do so, positions shall NOT be re-opened in the next serial contract.

Note the expiry dates of the Index and Commodity CFDs may differ to that of the Underlying Instrument over which the CFD is based. Please call CIA should you have any queries.

CIA's prices for Share CFDs replicate prices seen on the exchange on which the shares trade. Any change in the price of shares due to corporate actions or dividend payments will be reflected in the price of CIA's Share CFDs. CIA does not add a spread to the prices of Share CFDs, however the tradable price will be adjusted to account for market liquidity using a Volume Weighted Average Price approach.

3.5 Volume Weighted Average Price

To reflect a lack of liquidity in the Underlying Instrument, CIA may provide a Special Market Quotation to an individual Client. CIA may also provide a special market quotation to Clients when the aggregate volume of all Client requests at a particular price (or range of prices) exceeds the volume in the Underlying Instrument. In these circumstances, a Client will receive a Volume Weighted Average Weighted Price (VWAP).

The Volume Weighted Average Price is a price calculated from the volumes available in the Underlying Instrument at the time. The bids and offers in the Underlying Instrument are weighted by their respective volumes to compute the average price for the bid and offer, respectively, in the CIA Product for the required volume.

It is important to understand that CIA may, in its absolute discretion, quote different prices to different Clients.

Product Disclosure Statement

4. Getting Started

4.1 Opening an Account

Your dealings in CIA's Products on and from the date of this document will be undertaken in accordance with the following documents that you will have received from a CIA representative or downloaded from our website:

- the Customer Agreement (including the Schedules) (as amended from time to time);
- an Application Form; and
- the Product Disclosure Statement

These documents are all available at www.cityindex.com.au

Acknowledgments

By signing and returning or submitting electronically an Application Form you will be deemed to have agreed to the following items. In addition, after having commenced trading with CIA you will be deemed to have agreed to the following items if you continue trading after receiving a revised Product Disclosure Statement and/or Customer Agreement:

- that you are aware that investing in derivatives carries a high level of risk to capital and due to the potential volatility and fluctuations in value, you may not get back the amount of your original investment and in certain circumstances you may be liable to pay a far greater sum, with potential losses being higher than all the monies you have paid to CIA;
- that you have given consideration to your objectives, financial situation and needs and the significant risks of loss which accompany the prospects of profit associated with dealing in CIA's Products and have formed the opinion that dealing in CIA's Products are suitable for your purposes;
- that you were advised by CIA to obtain independent legal and financial advice concerning this PDS and the Customer Agreement;
- that you have obtained appropriate and sufficient advice concerning the terms of this PDS and the Customer Agreement;
- that you consent to CIA collecting, maintaining, using and disclosing personal information about

you and provided by you or by another person as described in Section 14;

- that you received or downloaded this PDS with the Customer Agreement, and read and understood them;
- that you agree that CIA will provide its services to you on the basis of the Customer Agreement and in particular that you will receive documents such as trade confirmations, daily statements in electronic form.

4.2 AML and CTF Regulation

Following the recent implementation of the AML/CTF Act in Australia, CIA is obliged to conduct a Client identification process prior to opening an Account. This procedure will involve collecting Client information such as your name, address and date of birth and verifying this information. If a Client does not provide the required information, CIA may not be able to process your account opening application.

Throughout the course of your relationship with us, there may be times where there is a need to collect additional information from you, pursuant to CIA's AML/CTF obligations.

In circumstances where it is reasonable for CIA to suspect that there may be a breach of applicable laws or regulations, CIA may decide to refuse any transactions on your account or to freeze your funds. If this occurs, CIA will not be held liable for any losses you may incur as a result of such actions. It is CIA's obligation to report certain matters to the relevant government agencies and CIA may be prevented by law from informing you that such reporting has taken place.

4.3 Depositing funds

Clients may deposit funds through online banking facilities or use of a credit card. All funds must be cleared funds on your account before they are made available for you to use in dealing in CIA's Products.

We do not accept cash as a deposit or to meet any of your ongoing margin obligations.

It is your responsibility to ensure that monies sent to CIA are correctly designated in all respects, including, where applicable, that the monies are by way of margin and to which Account they should be applied. Payments by you under the Customer

Product Disclosure Statement

Agreement must be free of any withholding tax or deduction.

You must ensure that any transfer made to CIA is from an account in your name and not from that of a third party.

CIA may in its absolute discretion, without creating an obligation to do so, return any transfer of monies from, a third party account, unless CIA has previously agreed in writing to accept such a transfer.

CIA will not accept or bear any liability or responsibility whatsoever for any loss incurred by you as a result of, or arising out of, or in connection with, CIA returning any transfer of monies from a third party account including any loss incurred by you because you are subsequently in default of your obligations under the Customer Agreement.

4.4 Minimum initial account balance

There is usually a minimum account opening deposit of A\$3,000 or its currency equivalent. This may be varied at CIA's absolute discretion from time to time.

4.5 Interest on Account balances

CIA will pay interest on deposits monthly in arrears to qualifying accounts.

Refer to Section 12.10 for further information.

4.6 How do you deal in CIA's Products?

CIA's dealing platform on the internet provides Clients with the capability to execute deals simply by clicking on CIA's latest dealing price. There is also a full on-line back office and position keeping service.

A full user guide for the ITP is available to you when you log on.

CIA will not accept orders or instructions from you through email or using the on-line chat facility.

4.7 Minimum deal sizes

The minimum deal sizes for CIA's Products are set out in Section 12.4 and are detailed with the trading platform.

CIA may vary the minimum deal size for a CIA Product.

4.8 Margins

Margin payments are required to be paid when dealing in CIA's Products. The Margin Requirement is

the deposit that must be made when buying or selling CIA's Products. The Margin Requirements are generally between 5% and 20% of the notional value of the transaction (Refer Section 12.6).

In addition, Clients are required to maintain deposits equal to or greater than losses incurred.

When you open a position with us the Margin Requirement becomes payable to us as consideration for opening and maintaining an Open Position. Accordingly, at that moment, CIA acquires full ownership of Margin moneys and they cease to be Client Money. At this point, CIA is entitled under the Client Money Rules to deduct such money from the Client Segregated Account.

Please refer to Section 10 which discussing Margins and to clause 28 of the Customer Agreement which discussing Client Money for further information.

4.9 Open Positions at close of market

An open position must be closed by the Close of Business which is 17:00 New York; 22:00 GMT (09:00 Australian Summer or during US Summer Time 21:00 GMT and 07:00 AEST). If you do not close your position before the Close of Business then it will become an overnight position and your position will be rolled automatically unless CIA exercises any rights to close the position.

Please note that CIA reserves the right to close your position if your Margin Level reaches or falls below the Margin Close Out Level. You must have sufficient funds in your account to maintain your open positions at all times.

4.10 Account administration

Every day, provided you have dealt or have an open position, we will produce electronically a daily confirmation of your dealings and open positions.

At the end of each month, we will produce electronically a monthly statement which will include:

- a summary of your financial position in the currency your account is denominated;
- ledger activity for the month, being details of all transactions on your account; and
- an open positions report, which will list all your open positions and value these open positions with the mid-closing rate or last price for that date, in the currency of the Underlying Instrument.

Product Disclosure Statement

It is very important that you check all the contents of the daily statements and monthly statements in detail and contact us within 48 hours if you disagree with any of their contents.

In particular, you should check the traded price, quantity, transaction type, account balance, commission and interest adjustments, dividends and other corporate action adjustments detailed on the statements.

The contents of the daily and monthly statements will, in the absence of manifest error, be conclusive, and, unless you notify us to the contrary within 48 hours of the issuing date of the statements, you will be deemed to have accepted such daily and monthly statements. You are solely liable for any loss or damage arising from or in connection with your failure to inform us of any discrepancies within the specified period.

It is very important that you are aware of your Net Equity balance, the Margin Requirement for your open position(s), and the Trading Resource available. The Margin Level will indicate to you whether you are approaching the Margin Close Out Level. It will also indicate the excess funds available, if any, that you may either utilise to increase your open positions or withdraw.

Queries about your Account

All queries should be made to our Client Services Department by phone or email.

Currency balances

Your Account is maintained in the currency you have nominated, that is, the Base Currency. All your profits, losses and financing credits or debits in relation to a CFD are denominated in the currency of the relevant Underlying Instrument. Upon closing a CFD position denominated in a foreign currency you will hold a foreign currency balance in your account. This can be converted to the Base Currency of your account at your request.

Important: CIA may, at its discretion, convert foreign currency balances into your Base Currency if Net Equity falls below USD\$200 or the Base Currency equivalent. Any conversion will be at the prevailing exchange rate quoted by CIA.

Delivery of statements and confirmations electronically

Any time you execute a transaction with CIA, an order confirmation will appear on the dealing platform. Daily and monthly statements will also be sent

electronically to your email address and will be made available through the trading platform.

Real-time access through ITP

When using ITP you may view all your positions at any point in real-time, as well as all deals, orders, pending orders and statements. Under the Customer Agreement you agree to use the ITP to:

- confirm all dealings undertaken with CIA; and
- to monitor your obligations to CIA.

Under the Customer Agreement you also agree that CIA may make documents available to you updating the Product Disclosure Statement, Customer Agreement and Fees and Charges by:

- sending them to you by email or other electronic means;
- posting them on CIA's website;
- sending to you an electronic link to the relevant document by email or other electronic means; or
- sending them as otherwise permitted by law.

Administration charges

CIA will charge you for the following administration services:

- duplicate statements;
- transcripts of taped conversations;
- audit certificates; and
- debt collection.

The charges for such services are detailed in Section 12.

No charge is levied for duplicate statements requested and forwarded electronically.

Product Disclosure Statement

5. Share and Index Contracts for Difference

5.1 What are Share and Index CFDs?

Contracts for Difference allow you to receive most of the benefits of owning a security without having to actually own the security. In other words you do not take delivery of the security and do not appear on the Share Register. All CFD open positions are valued constantly against the closing price and when positions are closed the profit or loss is credited or debited to your Account.

CFDs are also available on the indices of major countries stock markets.

Buying and selling a CFD is similar to buying the Underlying Instrument using a loan with one important difference: only the difference representing the profit or loss on the transaction is exchanged between the Client and the CFD provider. No loan is created.

Example:

You want to buy 500 BHP Billiton (BHP) at A\$40.50 per share. Your Stock Broker will provide a Margin Loan with 20% margin requirement and your broking account has a balance of \$A5,000.

Broking Account		Loan Account	
Deposit	\$A5,000		
Buy price	A\$40.50		
Settlement	\$A20,250	Loan	(\$A15,250)
Balance	(\$A15,250)		
Sell price	\$A45.50		
Settlement	\$A22,750	Repay	A\$15,250
Balance	\$A7,500		

The share transaction is completed and your stock broker settles the transaction applying A\$5,000 from your account and providing a loan of A\$15,250.

You will be charged interest on the borrowed amount at the borrowing rate applied by the stock broker.

CIA CFD Account	
Deposit	A\$5,000
Buy price	A\$40.50
Sell price	A\$45.50
Settlement	A\$2,500
Balance	A\$7,500

When dealing in CFDs there is no settlement on the purchase and no loan. You still control the full value of the transaction but settlement occurs on the net difference between the purchase value and sale value after closing the trade.

If you hold the Share CFDs overnight you must pay a financing charge on the total nominal value of the position at the CIA Financing Rate. If a Share CFD position is not carried overnight you will pay no financing charge.

Your open positions are revalued constantly and profits or losses are credited / debited to your Account only on closed positions. Unrealised profits and losses are shown displayed on your daily statement. Adjustments relating to corporate actions, such as dividends, bonus issues and reconstructions in respect of the underlying security are also applied to your Account should they occur.

Adjustments for Dividends & Taxes

Corporate actions and Dividends are reflected in the price of a Share and Index CFD. Where taxes on dividends or withholding taxes apply in the physical market, these are similarly applied to a CFD.

If Clients hold open CFD positions when a Dividend is paid by a listed company their account will be adjusted in cash to reflect that Dividend.

Where Tax is withheld at source by the issuer of an Australian-listed security CIA will similarly withhold a portion of the dividend paid on a long Share CFD position.

Similarly, where some countries impose a non-resident Withholding Tax on foreign owners of listed Shares, CIA withholds a portion of the payment due to long Share CFD holder assuming that the Client is an Australian resident taxpayer.

CIA offers many foreign-denominated products with varying tax regimes. Generally, the amount withheld is 30% of the Gross Dividend.

Timing of adjustments

The Customer Agreement specifies the time at which CIA will adjust Client accounts for Cash Dividends declared in respect of an underlying security relating to a Share CFD. Refer to the relevant section of the Customer Agreement.

Product Disclosure Statement

Long Share CFD position

If you have a long Share CFD position your Account will be credited with an amount equal to the net amount of the Cash Dividend less 30% representing an adjustment for all taxes on the underlying security or securities.

The reference to Cash Dividend is to the cash dividend or distribution declared. Accordingly, your Account is not adjusted for any Imputation Credits attached to a dividend.

Short Share CFD position

If you have a short Share CFD position your Account may be debited for the Grossed-up Dividend.

Index CFDs

Where a Cash Dividend is declared on a share which is a member of Index CFD, the adjustment for the Cash Dividend will be in proportion to the weighting that the relevant company's share holds within the Index.

Any adjustment in respect of Index CFDs as described above will not take into account Imputation Credits.

The weighting that a company's share has within an Index CFD is in accordance with the relative market capitalisations of all companies within the Index.

5.2 Financing fees

Share Index CFD positions carried overnight will incur financing costs for the total notional value of the position at the relevant CIA Financing Rate. If you are long a CFD you may pay financing to CIA, whilst if you are short you may receive financing from CIA at the relevant CIA Financing Rate. However, in certain market conditions we may require you to pay a Daily Financing Fee where you would ordinarily have received a Daily Financing Fee.

The CIA Financing Rates are set out in Section 12.6 and are available on the ITP.

Future CFDs do not incur Daily Financing Fees.

You should note that CIA may change the CIA Financing Rates from time to time and that you will receive a notice in accordance with the Customer Agreement.

5.3 Transaction Fees

When you trade a share CFD with CIA you will be charged a Transaction Fee based on the underlying transaction value, in much the same way as if you were buying shares. The Fee charged on share CFDs is outlined in Section 12. Typically, the Fee is expressed

as a percentage of the contract value transacted with a minimum charge. No Fee is charged when you trade Index CFDs.

You should note that CIA may change its Fee structure from time to time and that you will receive a notice in accordance with the Customer Agreement.

5.4 Share CFD Borrowing Costs

From time to time, CIA may pass on to you charges which we may incur when borrowing underlying stock in order to hedge a Short Position which you have opened with us. These charges will fluctuate depending on market conditions and the scarcity of the stock concerned. We may deduct any such charges from your account at any time without notice. The amount of charges will be reported in your daily and monthly statements and in the Market Information sheets as soon as practicable.

5.5 Share and Index CFD Prices

Refer to Section 3.4 for a description of how CFD prices are determined.

5.6 How to deal in Share CFDs

• **"Going long" and making a profit**

Telstra share CFDs are trading at (bid/offer) AUD\$4.99/AUD\$5.00. You want to buy AUD\$5,000 (1,000 Share CFDs) worth of Telstra CFDs at the offer price of AUD\$5.00 with the view that the share price of Telstra will rise.

Opening Buy:

You buy 1,000 Telstra Share CFDs @ AUD\$5.00.
You are charged a transaction fee of AUD\$10.00.

The Telstra price rises to AUD\$5.20. You decide to close your position by entering an equal but opposite trade, Telstra Share CFDs are trading at (bid/offer) AUD\$5.20/AUD\$5.21.

Closing Sell:

You sell 1,000 Telstra Share CFDs @ AUD\$5.20.
You are charged transaction fee of AUD\$10.00.

Profit/loss Calculation:

$[(\text{Sell Price} - \text{Purchase Price}) \times \text{Quantity}] - \text{Transaction Fee} = \text{Profit / Loss}$

$[(5.20 - 5.00) \times 1,000] - \text{AUD\$20} = \text{AUD\$180 Profit}$

Product Disclosure Statement

- **"Going long" and incurring a loss**

Telstra is trading at (bid/offer) AUD\$4.99/AUD\$5.00. You want to buy AUD\$5,000 (1,000 Share CFDs) worth of Telstra CFDs at the offer price of AUD\$5.00 with the view that the share price of Telstra will rise.

Opening Buy:

You buy 1,000 Telstra Share CFDs @ AUD\$5.00.
You are charged Transaction Fee of AUD\$10.00.

The Telstra price falls to AUD\$4.80. You decide to close your position by entering an equal but opposite trade, Telstra Share CFDs are trading at (bid/offer) AUD\$4.80/AUD\$4.81.

Closing Sell:

You sell 1,000 Telstra Share CFDs @ AUD\$4.80.
You are charged Transaction Fee of AUD\$10.00.

Profit/Loss Calculation:

$[(\text{Sell Price} - \text{Purchase Price}) \times \text{Quantity}] - \text{Transaction Fees} = \text{Profit / Loss}$

$[(4.80 - 5.00) \times 1,000] - \text{AUD\$20} = \text{AUD\$220 Loss}$

- **"Going short" and making a profit**

Telstra share CFDs are trading at (bid/offer) AUD\$5.00/\$5.01. You want to sell AUD\$5,000 (1,000 Share CFDs) worth of Telstra CFDs at the bid price of AUD\$5.00 with the view that the share price of Telstra will fall.

Opening sell:

You sell 1,000 Telstra Share CFDs @ AUD\$5.00.
You are charged Transaction Fee of AUD\$10.00

The price of Telstra falls to AUD\$4.80. You decide to close your position by entering an equal but opposite trade, Telstra CFDs are trading at (bid/offer) AUD\$4.79/\$4.80.

Closing buy:

You buy 1,000 Telstra Share CFDs @ AUD\$4.80.
You are charged a Transaction Fee of AUD\$10.00.

Profit/Loss Calculation:

$[(\text{Sell Price} - \text{Purchase Price}) \times \text{Quantity}] - \text{Transaction Fees} = \text{Profit/Loss}$

$[(5.00 - 4.80) \times 1,000] - \text{AUD\$20} = \text{AUD\$180 Profit}$

- **"Going short" and incurring a loss**

Telstra Share CFDs are trading at (bid/offer) AUD\$5.00/\$5.01. You want to sell AUD\$5,000 (1,000 share CFDs) worth of Telstra CFDs at the bid price of AUD\$5.00 with the view that the share price of Telstra will fall.

Opening sell:

You sell 1,000 Telstra Share CFDs @ AUD\$5.00.
You are charged Transaction Fee of AUD\$10.00.

The price of Telstra rises to AUD\$5.20. You decide to close your position by entering an equal but opposite trade, Telstra CFDs are trading at (bid/offer) AUD\$5.19/\$5.20.

Closing buy:

You buy 1,000 Telstra share CFDs @ AUD\$5.20.
You are charged a Transaction Fee of AUD\$10.00.

Profit/Loss Calculation:

$[(\text{Sell Price} - \text{Purchase Price}) \times \text{Quantity}] - \text{Transaction Fees} = \text{Profit/Loss}$

$[(5.00 - 5.20) \times 1,000] - \text{AUD\$20} = \text{AUD\$220 Loss}$

- **Financing Fees you may receive or pay when Share CFDs are rolled over at Close of Business**

If you hold your long Share CFD position overnight and do not close it before the Close of Business, you may also incur a financing charge at the CIA Financing Rate, which would reduce your profit or increase your loss.

If you hold your short Share CFD position overnight and do not close it before the Close of Business, you may be credited a financing charge at the CIA Financing Rate, which would increase your profit or reduce your loss.

However, in certain market conditions we may require you to pay a Daily Financing Fee where you would ordinarily have received a Daily Financing Fee.

- **Profits and Losses**

All profits and losses are credited to your Account in the currency in which the relevant CFD is denominated.

Product Disclosure Statement

5.7 How to deal in Index CFDs

- **"Going long" and making a profit**

You want to buy 10 WALL STREET Index CFD contracts with a view the Dow will increase in value. WALL STREET Index CFDs are trading at (bid/offer) 10,411 / 10,416.

Opening Buy:

You buy 10 WALL STREET index CFDs @ 10,416.

You decide to close your position by entering an equal but opposite trade, when WALL STREET Index CFDs are trading at (bid/offer) 10,466/10,471.

Closing Sell:

You sell 10 WALL STREET Index CFDs @ 10,466.

Profit/loss Calculation:

$(\text{Sell Price} - \text{Purchase Price}) \times \text{Quantity} = \text{Profit} / \text{Loss}$

$(10,466 - 10,416) \times 10 = \text{USD\$500 Profit}$

- **"Going long" and incurring a loss**

You want to buy 10 WALL STREET Index CFD contracts with a view the Dow will increase in value. WALL STREET index CFDs are trading at (bid/offer) 10,411/10,416.

Opening Buy:

You buy 10 WALL STREET Index CFDs @ 10,416.

You decide to close your position by entering an equal but opposite trade, when WALL STREET Index CFDs are trading at (bid/offer) 10,366/10,371.

Closing Sell:

You sell 10 WALL STREET Index CFDs @ 10,366.

Profit/loss Calculation:

$(\text{Sell Price} - \text{Purchase Price}) \times \text{Quantity} = \text{Profit} / \text{Loss}$

$(10,366 - 10,416) \times 10 = \text{USD\$500 Loss}$

- **"Going short" and making a profit**

You want to sell 10 WALL STREET Index CFDs with a view the Dow will decrease in value. WALL STREET CFDs are trading at (bid/offer) 10,411/10,416.

Opening sell:

You sell 10 US 30 Index CFDs @ 10,411.

You decide to close your position by entering an equal but opposite trade, when WALL STREET Index CFDs are trading at (bid/offer) 10,356/10,361.

Closing buy:

You buy 10 WALL STREET CFD @ 10,361.

Profit/Loss Calculation:

$(\text{Sell Price} - \text{Purchase Price}) \times \text{Quantity} = \text{Profit/Loss}$

$(10,411 - 10,361) \times 10 = \text{USD\$500 Profit}$

- **"Going short" and incurring a loss**

You want to sell 10 WALL STREET Index CFDs with a view the Dow Jones Industrial Average (DJIA) will decrease in value. WALL STREET CFDs are trading at (bid/offer) 10,411/10,416.

Opening sell:

You sell 10 US 30 Index CFDs @ 10,411.

You decide to close your position by entering an equal but opposite trade, when WALL STREET Index CFDs are trading at (bid/offer) 10,456/10,461.

Closing buy:

You buy 10 WALL STREET CFD @ 10,461.

Profit/Loss Calculation:

$(\text{Sell Price} - \text{Purchase Price}) \times \text{Quantity} = \text{Profit/Loss}$

$(10,411 - 10,461) \times 10 = \text{USD\$500 Loss}$

- **Financing Fee you may receive or pay when Index CFDs are rolled over at Close of Business**

If you hold your long Index CFD position overnight and do not close it before the Close of Business, you may also incur a financing charge at the CIA Financing Rate, which would reduce your profit or increase your loss.

Product Disclosure Statement

If you hold your short Index CFD position overnight and do not close it before the Close of Business, you may be credited an amount at the

CIA Financing Rate, which would increase your profit or reduce your loss. However, in certain market conditions we may require you to pay a

Daily Financing Fee where you would ordinarily have received a Daily Financing Fee.

- ***Profits and Losses***

All profits and losses are credited to your Account in the currency in which the relevant CFD is denominated.

Product Disclosure Statement

6. Commodity Contracts for Difference

6.1 What are Commodity CFDs?

Commodity Contracts for Difference are contracts over the price performance of commodities such as wheat, soy beans or copper futures. You do not take delivery of the Commodity nor do you receive or pay any Daily Financing Fee so any difference in the price between when you buy the Commodity CFD and when you sell it is either a profit or loss.

You buy and sell Commodity CFDs in the same way that you buy and sell Index CFDs, nominating the number of contracts that you wish to deal in.

Commodity CFDs allow you to benefit from market movements in the Commodity markets. Your open positions are valued every night at CIA close of business prices. Profits or losses are credited / debited to your Account each day.

6.2 Transaction Fees

Refer to Section 12 for details relating to Transaction Fees on Commodity CFDs.

You should note that CIA may change its fee structure from time to time and that you will receive a notice in accordance with the Customer Agreement.

6.3 Financing Fees

Commodity CFDs over futures contracts do not incur financing costs. Commodity CFDs over physical commodities (such as physical Gold) carried overnight will incur financing costs for the total notional value of the position at the relevant CIA Financing Rate. If you are long a CFD you may pay financing to CIA, whilst if you are short you may receive financing from CIA at the relevant CIA Financing Rate. However, in certain market conditions we may require you to pay a Daily Financing Fee where you would ordinarily have received a Daily Financing Fee.

The CIA Financing Rates are set out in Section 12.6 and are available on the ITP.

You should note that CIA may change the CIA Financing Rates from time to time and that you will receive a notice in accordance with the Customer Agreement.

6.4 Commodity CFD prices

Refer to Section 3.4 for a description of how CFD prices are determined.

6.5 How to deal in Commodity CFDs

• “Going Long” and making a profit or loss

Stephen believes the price of gold is going to rise. He opens by buying 12 contracts of Gold Futures CFDs at USD 1,100.00 which he keeps open for 21 days. Each contract represents 10 ounces of Gold.

Please note that a gold CFD is quoted as a 10 ounce (oz) contract and in USD. It is therefore said to trade “per 0.1”. At 3% margin Stephen must have $(12 / 0.1 \times \text{USD } 1,100 \times 3\%) = \text{USD } 3,960$ available to secure the trade.

Opening Buy

Stephen buys 12 contracts at U\$ 1,100.0

Profit Scenario

The price of Gold rises. CIA is now quoting 1,150.0 / 1,150.6 Stephen sells 12 contracts at U\$ 1,150.0

Profit = $(1,150.0 - 1,100.0) / 0.1 \times 12 = \text{US\$}6,000$

Loss Scenario

The price of Gold falls. CIA is now quoting 1,050.0 / 1,050.6 Stephen sells 12 contracts at U\$ 1,050.0

$(1,050.0 - 1,100.0) / 0.1 \times 12 = -\text{US\$}6,000$ (loss)

• “Going Short” and making a profit or loss

Stephen believes the price of gold is going to fall. He opens by selling 14 Gold futures CFD contracts at USD 1100 which he keeps open for 21 days.

Opening Sell

Stephen sells 14 contracts at 1,100.0.

Profit Scenario

The price of Gold falls. CIA is now quoting 1,049.4 / 1,050.0 Stephen buys 14 contracts at U\$ 1,050.0

Profit = $(1,100.0 - 1,050.0) / 0.1 \times 14 = \text{US\$}7,000$

Loss Scenario

The price of Gold rises. CIA is now quoting 1,149.6 / 1,115.0 Stephen buys 12 contracts at U\$1,150.0

$(1,100.0 - 1,150.0) / 0.1 \times 14 = -\text{US\$}7,000$ (loss)

Product Disclosure Statement

6.6 Rolling over Commodity CFDs

Upon expiry of the Commodity CFD, open positions will be closed out at the settlement price on the expiry date of the CFD contract.

Unless specifically requested, CIA will NOT re-open the position in the next serial contract.

If requested to do so, the position will be re-opened at the prevailing Our Price of the next serial CFD contract.

The settlement price for Commodity CFDs is determined by the respective bid or offer of the relevant contract. Note the expiry dates of Commodity CFDs may differ to those of the Underlying Instrument over which the CFD is

based. For expiry dates of Commodity CFDs please refer to the ITP software.

On the close of business on the day of expiry of the relevant near month Commodity contract, all pending orders in this contract will be cancelled from the ITP software. It is the responsibility of the Client to place a new pending if they so desire. Please see Section 11 for further detail on pending orders

- **Profits and Losses**

All profits and losses in respect of Commodity CFDs are credited or debited, as the case may be, to your Account in the base currency of the relevant CFD.

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Product Disclosure Statement

7. Interest Rate Contracts for Difference

7.1 What are Interest Rate CFDs?

Interest Rate CFDs and Government Bond CFDs allow you to take a position to profit from a rise or fall in interest rates or the prices of bonds.

The profit or loss on an open position will depend on the fluctuations of the price of the Underlying Instrument. No Daily Financing Fee is calculated on long or short CFD positions.

You buy and sell Interest Rate or Government Bond CFDs in the same way that you buy and sell Index CFDs, nominating the number of contracts that you wish to deal in.

7.2 Transaction Fees

Refer to Section 12 for details relating to Transaction Fees on Interest Rate and Government Bond CFDs.

You should note that CIA may change its Fee structure from time to time and that you will receive a notice in accordance with the Customer Agreement.

7.3 Pricing

Refer to Section 3.4 for a description of how CFD prices are determined.

7.4 How to deal in Interest Rate and Government Bond CFDs

You wish to speculate on a change in Interest Rates, or Bond prices. You are aware that when Interest Rates rise, Bond prices fall, and when Interest Rates fall, Bond prices rise. You choose your CFD accordingly.

- **Going long UK LONG GILT Bonds and making a profit or loss.**

You decide to speculate on the value of the UK LONG GILT Bond. You believe that interest rates will fall, and therefore that the price of the UK LONG GILT will rise. CIA's current price for the UK LONG GILT contract is 114.17 / 114.20

Opening Purchase

You buy 10 contracts at 114.20.

UK LONG GILTS trade one British Pound per .01 price increment, so your 10 contract position will fluctuate in value by GBP10 per .01 change in the UK LONG BOND price.

Profit / Loss Calculation

Profit/Loss = (Sell price – purchase price) / price increment x number of contracts

Profit Scenario

Interest Rates fall and the price of UK LONG GILTS rise. CIA is quoting 114.70 /114.73. You sell ten contracts at 114.70

$(114.70 - 114.20) / .01 \times 10 = \text{GBP}500 \text{ profit}$

Loss Scenario

Interest Rates have risen and UK LONG GILT prices fall. The CIA quote is now 113.70 /113.73. You sell ten contracts at 113.70

$(113.70 - 114.20) / .01 \times 10 = \text{GBP } 500 \text{ loss}$

- **Going short UK LONG GILT Bonds and making a profit or loss.**

You decide to speculate on the value of the UK LONG GILT Bond. You believe that interest rates will rise, and therefore that the price of the UK LONG GILT will fall. CIA's is currently quoting UK LONG GILT contracts at 114.17 / 114.20

Opening Sale

You sell 10 contracts at 114.17

Profit Scenario

Interest Rates rise and UK LONG GILT prices fall. The CIA quote is now 113.52 /113.55. You buy ten contracts at 113.55

$(114.17 - 113.55) / .01 \times 10 = \text{GBP}620 \text{ profit}$

Loss Scenario

Interest Rates fall and UK LONG GILT prices rise. The CIA quote is now 114.76 /114.79. You buy ten contracts at 114.79

$(114.17 - 114.79) / .01 \times 10 = \text{GBP } 620 \text{ loss}$

Product Disclosure Statement

7.5 Rolling over Interest Rate and Government Bond CFDs

Upon expiry of the CFD, open positions will be closed out at the settlement price on the expiry date of the CFD contract.

Unless specifically requested, CIA will NOT re-open the position in the next serial contract.

If requested to do so, the position will be re-opened at the prevailing Our Price of the next serial CFD contract.

The settlement price for Interest Rate and Government Bond CFDs is determined by the respective bid or offer of the relevant contract. Note the expiry dates of

Interest Rate and Government Bond CFDs may differ to those of the Underlying Instrument over which the CFD is based. For expiry dates please refer to the ITP.

On the close of business on the day of expiry of the relevant near month contract, all pending orders in this contract will be cancelled from the ITP. It is the responsibility of the Client to place a new pending order if they so desire. Please see Section 11 for further detail on pending orders

- **Profits and Losses**

All profits and losses in respect of Interest Rate and Government Bond CFDs are credited or debited, as the case may be, to your Account in the base currency of the relevant CFD.

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Product Disclosure Statement

8. Foreign Exchange Contracts for Difference

8.1 Dealing Foreign Exchange CFDs

Foreign exchange is the simultaneous purchase and sale of one currency for another between two parties at an agreed rate.

8.2 How to deal in Foreign Exchange CFDs with CIA

A Foreign exchange quote, e.g. AUD/USD "0.7510/14" represents the bid/offer spread in this case for AUD/USD. The rate of 0.7514 is the rate at which you can buy AUD against the US dollar. The rate of 0.7510 is the rate at which you can sell AUD against the US dollar.

- **"Going long" and making a profit**

You wish to speculate on AUD/USD believing that the Australian dollar will strengthen against the US dollar. CIA is quoting AUD/USD 0.7510/14.

First you need to purchase AUD.

Opening Buy:

You buy AUD\$100,000 @ 0.7514

The Australian dollar appreciates against the US dollar and you wish to close the position. CIA is now quoting 0.7590 / 94

Closing Sell:

You sell AUD\$100,000 @ 0.7590

Profit/loss Calculation:

(Sell Price - Purchase Price) x Quantity = Profit/Loss

$(0.7590 - 0.7514) \times 100,000 = \text{USD}\760 Profit

- **"Going long and making a loss"**

You wish to speculate on the AUD/USD believing that the Australian dollar will strengthen against the USD. CIA is quoting 0.7510 / 14.

Opening buy:

You buy AUD \$100,000 @ 0.7514

Your view is wrong and the Australian dollar depreciates against the US dollar. You now wish to close the position. CIA is now quoting 0.7438 / 42.

Closing Sell:

You sell AUD\$100,000 @ 0.7438

Profit/Loss Calculation:

(Sell price - buy price) x Quantity = Profit/Loss

$(0.7438 - 0.7514) \times 100,000 = \text{USD}\760 Loss

- **"Going short" and making a profit**

You wish to speculate on AUD/USD believing that the Australian dollar will weaken against the US dollar. First you need to sell AUD.

CIA is quoting AUD / USD 0.7590 / 94.

Opening Sell:

You sell AUD\$100,000 @ 0.7590

The Australian dollar depreciates against the US dollar and you wish to close the position. CIA is now quoting AUD/USD 0.7510/14.

Closing Buy:

You buy AUD\$100,000 @ 0.7514

Profit/loss Calculation:

(Sell Price - Purchase Price) x Quantity = Profit/Loss

$(0.7590 - 0.7514) \times 100,000 = \text{USD}\760 Profit

- **"Going short and making a loss"**

You wish to speculate on the AUD/USD believing that the Australian dollar will depreciate against the USD. CIA is quoting 0.7510 / 14.

First you need to sell AUD.

Opening sell:

You sell AUD\$100,000 @ 0.7510

Your view is wrong and the Australian dollar appreciates against the US dollar. You now wish to close the position. CIA is quoting 0.7582 / 86.

Product Disclosure Statement

Closing Buy:

You buy AUD\$100,000 at 0.7586

Profit/Loss Calculation:

(Sell price - buy price) x Quantity = Profit/Loss

(0.7510 - 0.7586) x 100,000 = USD\$760 Loss

- ***Interest you may receive or pay when FX positions are rolled over***

If you hold a FX position overnight and do not close it before the Close of Business, your position will be rolled over, resulting in you paying or receiving interest at the CIA Rollover Rate as described in Section 8.3.

8.3 Financing Fee you may receive or pay when FX CFDs are rolled over

FX positions that are rolled over will result in you paying or receiving interest at the CIA Rollover Rate.

The CIA Rollover Rate for FX CFDs is a varying rate dependent on the currency pair, the applicable rate in the interbank markets according to the period of rollover, the size of the position and the CIA spread that is applied at CIA's discretion.

The interbank rate is the interest rate differential between the two applicable currencies. For example, if you have a long AUD/USD position and interest rates are higher in AUD than in USD then you receive interest at the CIA Rollover Rate if you hold the position overnight and do not close it before the Close of Business. This is because you are holding the higher yielding currency. However, if the USD interest rate is higher than AUD then the interest rate differential will cause you to be charged interest at the CIA Rollover Rate if you hold the position overnight and do not close it before the Close of Business.

The interest that you pay or receive at the CIA Rollover Rate is reflected in the price at which the open position is rolled Future.

8.4 Transaction Fees

Refer to the Section 12 for details relating to Transaction Fees on Foreign Exchange CFDs.

You should note that CIA may change its Fee structure from time to time and that you will receive a notice in accordance with the Customer Agreement.

8.5 FX CFD prices

Refer to Section 3.4 for a description of how CFDs prices are determined.

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Product Disclosure Statement

9. OPTION CONTRACTS FOR DIFFERENCE

9.1 What are Options?

In financial markets generally, Options give the buyer the right, but not the obligation, to buy or sell an underlying financial instrument at a specified price (Strike Price) at a future date (Expiry). The buyer can elect to exercise their right. In which case, the seller (or writer) of the option has the obligation to buy or sell the financial instrument. The buyer is said to Exercise their right and the Option is said to have been Exercised.

In financial markets, Options are available in a variety of forms but two important distinctions are options to buy or options to sell the underlying financial instrument. These are referred to as Call or Put Options respectively.

Another important distinction relates to when the buyer can Exercise the Option. Generally, Options can be Exercised either **before** Expiry or **at** Expiry. An Option which can be Exercised before Expiry is called an American-style Option. An Option which can be Exercised only at Expiry is called a European-style Option.

The terms of settlement of Options also vary. Some terms permit Options to be settled by delivering the underlying financial instrument such as a Share or, in futures markets a quantity of a physical commodity. Other terms only permit Options to be settled in cash terms. Cash settlement reflects the difference between the closing or settlement price of the Underlying Instrument and the Strike Price of the Option.

It's important to recognise that the Option CFDs offered by City Index differ in some important ways to Options traded in other markets, so please take the time to read the information provided in this section.

9.2 What are Option CFDs?

Option CFDs are financial derivatives which allow investors to speculate on the price of an underlying financial instrument at a specified date in the future.

Unlike Options in some other markets, City Index Option CFDs cannot be Exercised and cannot result in a position in the underlying market or the equivalent CFD. Customers can however buy or sell Option CFDs and are able to close and open position up to a specified time before Expiry by selling or buying at Our Price (Please refer to the Market Information sheets for last time of dealing). At Expiry, open Option

CFD positions will be settled against the price of the Option CFD at expiry which will be calculated using the official settlement price of the underlying instrument. The Market Information sheets in the trading platform provide full contract specifications. The difference between the opening and closing price level on any transaction will determine profits or losses.

City Index offers Options over a variety of Index and Foreign Exchange CFDs. In addition, Options are available over a range of Strike Prices and time frames.

9.3 Types of Options

Options at City Index are available in Calls and Puts but are also in two distinctive varieties: Standard (or Vanilla) Options and Binary Options.

Standard (or Vanilla) Option CFDs

In the simplest analysis, Standard (or Vanilla) Options have two outcomes at Expiry depending on the price of the underlying financial instrument relative to the Strike Price: In-the-Money and Out-of-the-Money. However, the price of the Option at Expiry can have a range of values.

In the case of a Call Option (the right to buy) at Expiry, for example, if the price of the underlying financial instrument finishes above the Strike Price then the Option will be "In-the-Money" and have a value greater than zero. If the price of the Underlying Instrument is below the Strike price then the Option will be "Out-of-the-Money" and have a value of zero. In the case of an "In-the-Money" Option, however, the higher the price of the Underlying Instrument (the deeper the Option is "In-the-Money") the greater the value of the Option at Expiry. The buyer in this case will stand to make a profit if they paid a lower price for the Option than the price at Expiry. The seller, however, would stand to make a loss.

A Put Option (the right to sell) that Expires, for example, with the price of the underlying financial instrument below the Strike Price will be "In-the-Money" and have a value greater than zero. The deeper the Option is In-the-Money, the greater the value of the Option at Expiry. In this case, the buyer of the Put Option will stand to make a profit if they paid a lower price for the Option than the price at Expiry. The seller, however, would stand to make a loss.

Product Disclosure Statement

Binary Options

Binary Option CFDs offered by City Index are OTC financial products that allow investors to speculate on the outcome of a particular financial event. That is, at the Expiry of the Option, whether the financial event will be true or not. Unlike Vanilla Options, however, the value of the Option at Expiry is defined and constant and will not vary dependent on how deeply the Option is In-the-Money.

A trade in a Binary Option CFD where you think that an event will occur is a buy trade. A trade where you think the event or statement will not occur is a sell trade. Buy trades will be transacted at Our Offer Price, sell trades at Our Bid Price. Binary Options will be settled against the specified strike level. Please find the exact settlement terms in our market information sheets.

City Index offers two varieties of Binary Options: UP/DOWN Binaries and Handicap Binaries.

UP & DOWN Binary Options

This type of Binary Option is used to speculate on whether the relevant Underlying Instrument finishes either higher or lower over the relevant period.

If you think the Underlying Instrument will finish above or at least equal to the Strike Level then you can either buy the UP Binary Option or sell the DOWN Binary Option.

If you think the Underlying Instrument will finish below the Strike Level then you can either buy the DOWN Binary or SELL the UP Binary.

Example:

On Monday the 4th June the S&P ASX 200 closed at 4,573.90

The City Index Opening Strike Level on the UP and DOWN Binaries for Tuesday 5th June will be 4,573.90

Australia 200 Index UP Tuesday Binary CFD (Above or equal to 4,573.90)

Australia 200 Index DOWN Tuesday Binary CFD (Below 4,573.90)

Here in this example if you think the official cash close of the S&P ASX 200 at 4.10pm Tuesday 5th June (AEST) will be 4,573.90 or above you would buy the Australia 200 Index UP Tuesday Binary CFD.

If this did occur, this UP Binary will settle at 100. If it did not occur it would settle at 0.

If you think the official cash close of the S&P ASX 200 at 4.10pm Tuesday 5th June (AEST) will be below 4,573.90 then you would buy the Australia 200 Index DOWN Tuesday Binary CFD

Handicap Binary Options

This type of Binary Option specifies how much the Underlying Instrument may rise or fall relative to the previous closing price.

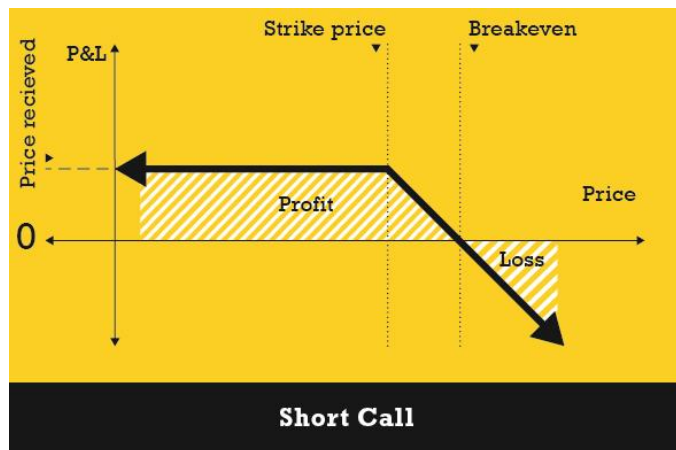
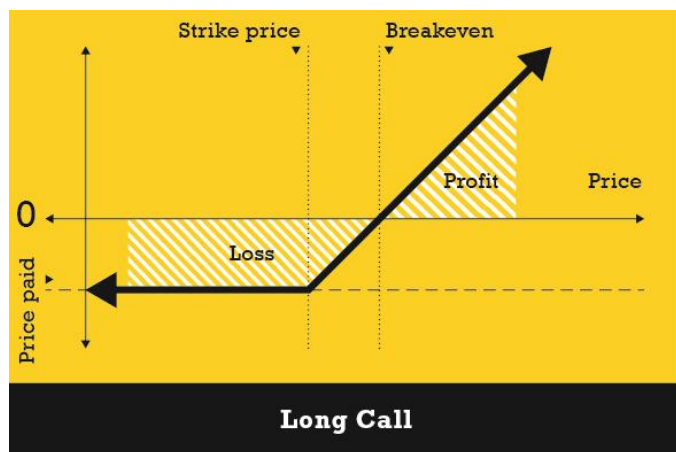
In the above example, a Handicap UP Binary on the Australia 200 might be >25 where the Underlying Instrument must settle more than 25 points above the previous close. A Handicap DOWN Binary <25 must finish more than 25 points below the previous close.

Product Disclosure Statement

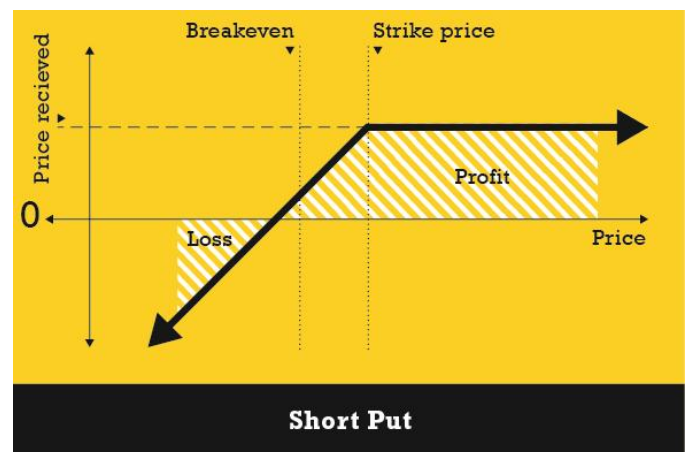
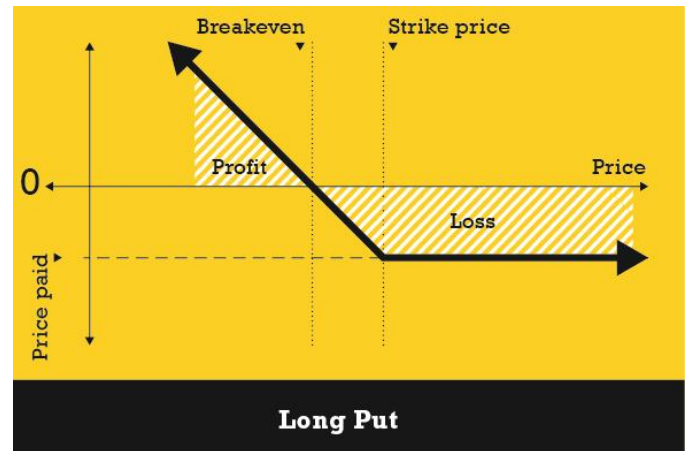
9.4 Option Payoff Diagrams

The best way to illustrate how the price of an Option varies in relation to the price of the underlying financial instrument is to use a payoff diagram. These diagrams can be used to demonstrate the differences in Option outcomes in various scenarios. It is important to understand that these diagrams are a learning tool and have limitations.

Standard Call Option



Standard Put Option



IMPORTANT !

When buying Option CFDs your losses are limited to the price paid multiplied by the number of contracts traded.

When selling Options your losses are unlimited.

9.5 Option CFD Prices

Prices of Option CFDs at City Index are expressed in terms of points per contract; not percentage of face value or dollar amounts. Therefore the cost will depend on how many contracts are traded.

Product Disclosure Statement

Vanilla Option Prices

The price of an Option CFD breaks down into two components: Time Value and Intrinsic Value.

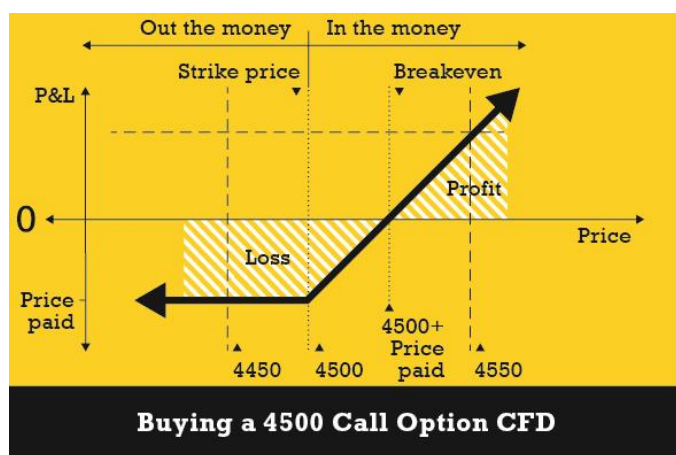
Intrinsic Value is the portion of the Premium that is attributable to the In-the-Money portion of the Option CFDs Price. The Intrinsic Value of a Call Option CFD is the current price of the underlying financial instrument less the Option Strike Price. The Intrinsic Value of a Put Option CFD is the Option Strike Price minus the current price of the underlying financial instrument.

At-the-Money is often used to describe option CFDs that have strikes that are at or around the current underlying price.

Example

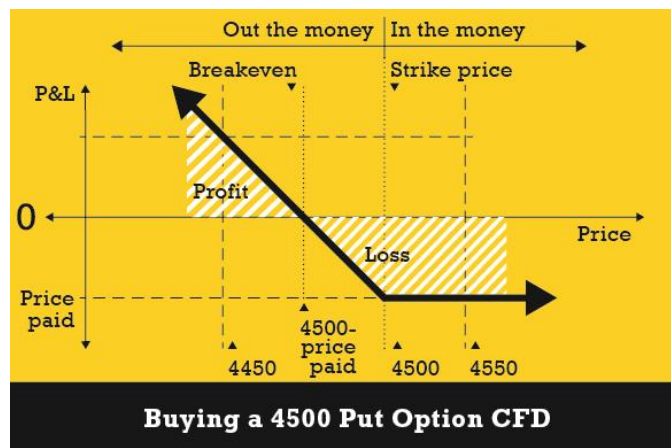
4500 Call Option CFD

Breakeven is equal to Strike (4500) plus price paid
As the market rises so will the price of your Call Option CFD.
If the underlying settles at expiry at 4500 or below the Option will be worthless.



4500 Put Option CFD

Breakeven is equal to Strike (4500) minus price paid
As the market falls so will the price of your Put Option CFD.
If the underlying settles at expiry at 4500 or above your Option will be worthless.



The Time Value is equivalent to the difference between the Intrinsic Value and the Premium of the Option CFD once any dividends or other cash flows are taken into account. The Time Value of the Option will generally decrease as the Option CFD gets closer to Expiry, all other factors being unchanged.

TIP !
The closer the Option to Expiry the more rapid the drop in the price.

Comparing two Options with the same Strike Price, the Option with longest to Expiry will usually have the higher price, all other things being equal.

Factor	Option Price		
	In the Money	At the Money	Out of the Money
Intrinsic Value	Positive	0	0
Time Value	Low	Highest	Low

The Prices of City Index Option CFDs may be based on the option price in the underlying market if available. Where Our Price is derived from an Option price on an exchange, we may use the exchange price plus a spread. Our spread may be adjusted to accommodate market liquidity or any other factors.

Where an underlying market price is not available for the Option or it is not exchange traded, City Index may calculate the price of an Option CFD using commonly accepted pricing models (such as Black-Scholes). Our Price will be depend on the following factors at any given time:

Product Disclosure Statement

- the level of the underlying market relative to the Strike Price,
- the Volatility of the price of the underlying market,
- time remaining to the Expiry Date; and
- other variables.

9.6 Binary Option CFD prices

The price of a Binary Option CFD is derived from changes in the price of the Underlying Instrument and the probability that the event will occur. All other things remaining equal, the probability of the event occurring will change as Expiry approaches. Binary Option CFDs are quoted in points and range from 0 to 100.

TIP !

The price or probability of an event occurring can change very rapidly in the last couple of minutes before Expiry when the price of the Underlying Instrument is close to the Strike Level. Binary Prices during this time can be very volatile.

9.7 Underlying CFD

At City Index we offer Option markets on our most popular Indices, Foreign Exchange and US Crude.

Underlying Instrument	Vanilla Options		
	Daily	Monthly	Quarterly
Indices			
Australia 200	✓	✓	✓
UK 100	✓	✓	✓
Wall Street	✓	✓	✓
Foreign Exchange			
GBP/USD	✓	✓	✓
AUD/USD	✓	✓	✓
EUR/USD	x	✓	✓
Commodities			
US Crude Future	✓	x	x

Underlying Instrument	Binary Options		
	Daily	Monthly	Quarterly
Indices			
Australia 200	✓		
UK 100	✓		
Wall Street	✓		
Foreign Exchange		n.a	n.a
GBP/USD	✓		
AUD/USD	✓		
Commodities			
US Crude Future	✓		

A full list of underlying markets (spot or future) for the option CFDs can be found in the Market Information Sheets.

9.8 Strike Prices

Strike Prices (or Strike Levels for Binary Options) will be set at regular price intervals and will depend on the price of the underlying market and the time to expiry of the option. New Strikes Prices will become available when there are significant movements in the Underlying Instruments, so that Strike Prices are available at a range of levels relative to the current price of the Underlying Instrument.

Calls and Puts for Vanilla Options expiring Daily will be made available at Strike Prices above and below the opening price of the Underlying Instrument. The Market Information Sheets will be updated as new Options are released each day. Generally, the Strike Price intervals will be as set out in the table below.

Underlying Instrument	Daily Vanilla Options Strike Price intervals	
Australia 200	- 5 points	+ 5 points
UK 100	- 10 points	+ 10 points
Wall Street	- 20 points	+ 20 points
FX	- 25 Points	+ 25 Points
US Crude	- 20 Points	+ 20 Points

Monthly and Quarterly markets for Options will depend on the Underlying Instrument liquidity. The Market Information Sheets will be updated as new Options are released.

9.9 Trading Hours

Please refer to the Market Information sheets and the contract specification table at the back of this section for trading hours of individual markets.

9.10 Expiry Dates

City Index reserves the right to change the number of Option CFD markets made available. However, once a contract is made available it will only be removed if City Index believes it is unable to establish an orderly market or would be prejudicial to our or our customers' interests. A full list of Expiry dates and times can be found on the market information sheets.

Daily Expiring Options

Foreign Exchange Options expiring daily will generally become available after 17:00 Chicago Time. Options on Indices expiring daily will generally become available after the open of the Underlying Instrument.

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Monthly & Quarterly Expiring Options

Generally, City Index will offer Vanilla Options in the front two Months (closest two months available to trade to the current date) and the front two Quarters. New contracts will become available for monthly and quarterly expiries when there is enough liquidity in the Underlying Instrument and when City Index has a reasonable basis to believe that an orderly market can be provided.

9.11 How to deal in City Index CFD options

City Index offer Vanilla Option CFDs via the internet trading platform and by telephone. Binary Option CFDs **cannot** be traded over the telephone. Binary positions can be closed over the telephone only while trading on the platform is not possible.

When placing a trade over the phone it is very important to describe the Option contract specifically. By following the following protocol carefully errors will be minimised.

Each request for an Option price must include the following:

- Client Name and Account Number
- Number of contracts
- Underlying instrument (e.g. Australia 200)
- Expiry Date (e.g. Monday or June)
- Strike Price or Strike Level (e.g. 5,000)
- Call or Put (e.g. Call or UP or DOWN in the case of Binaries)
- Whether the interest is to Buy or Sell

Example: "May I have a price to Buy 10 Australia 200 Monday 5,000 Call Options please?"

When a price is provided the customer must then decide whether he/she wants to buy or sell the Option CFD. Once the customer has accepted the price of the Option CFD, the City Index Dealer will read back the transaction including the contract specification, price and transaction details. The customer must then confirm whether the details are correct. **Importantly, this is considered an acceptance of price and is a legal and binding agreement of the trade. Except for manifest error (that is, where the price or volume of the transaction is clearly wrong), this confirmation is considered final even if an error was made at some point during the phone conversation.** It is therefore important to speak in clear language and listen carefully to the Dealer.

Remember the contract size for Option CFDs always equals 1 unit of the base currency of the underlying.

Dealing in Options

When executing a transaction in an Option the bid and offer have the same meaning as a CFD. That is, Our Bid is the price at which a customer sells a Put or Call, Our Offer is the price at which the customer buys a Put or Call.

Binary Options, although the same in principal, require some explanation.

Our Offer is the probability value of the event occurring and Our Bid is the probability value of the event not occurring. If you believe an event will occur then you buy the Binary. To close out the open position you sell.

Example:

Australia 200 Index UP Monday Binary Option CFD

Previous day's close of the S&P ASX 200 (Friday) was 5,525

Strike level 5,525

Current price of S&P ASX 200 5,500

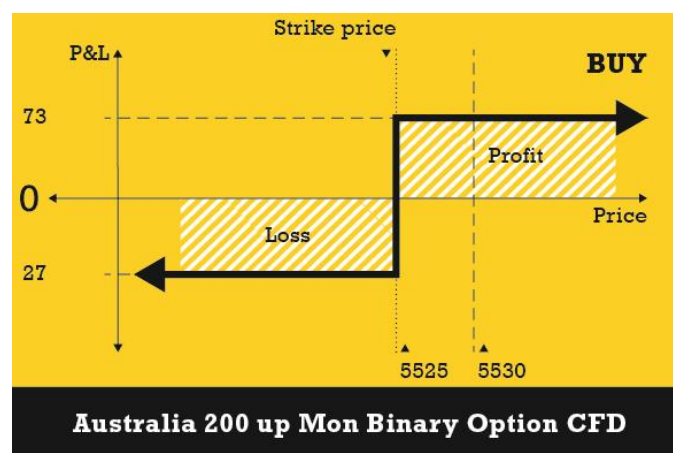
Binary Price 23-27

Buy 1 contract at 27 valued at AUD\$27.00

At the end of the day the S&P ASX 200 settles at 5,530

Therefore the event has occurred and the UP Binary Option CFD settles at Our Price of 100

Profit is $100 - 27$ multiplied by AUD\$1 = AUD\$73



Binary Example:

Australia 200 Index Down Monday Binary Option CFD

Product Disclosure Statement

Previous day's close of the S&P ASX 200 (Friday) was 5,525

Strike level 5,525

Current price of S&P ASX 200 5,540

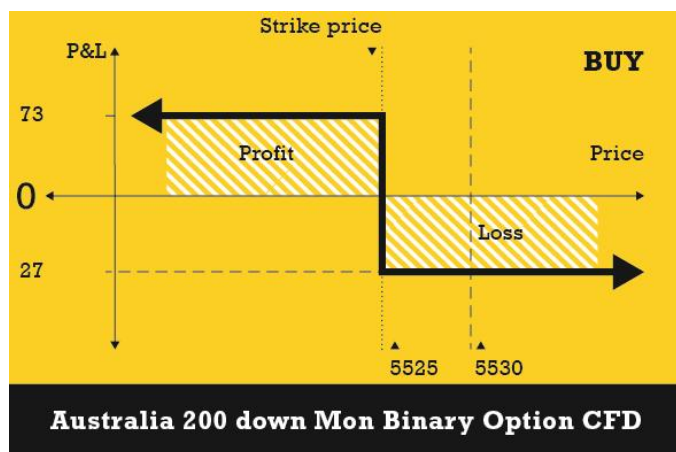
Binary Price 23-27

Buy 1 contract at 27 valued at AUD\$27.00

At the end of the day the S&P ASX 200 settles at 5,521

Therefore the event has occurred and the DOWN Binary Option CFD settles at Our Price of 100

Profit is $100 - 27$ multiplied by AUD\$1 = AUD\$73



Binary Option CFDs can be traded up to just before expiry (See Market Information sheets for exact times). That is, you can trade the Binary Option CFD up to the last time of dealing to realise a profit, or limit a loss. For example, if the probability of an event occurring increases then the price of the Option CFD will also increase. An open Option position can be sold at any time before last trading.

9.12 Contract Size and Minimum Transaction Size

Vanilla Options

The minimum number of Vanilla Option CFD contracts that can be purchased or sold is one (1) for daily Options and ten (10) for monthly and quarterly options and in one (1) contract increments thereafter. City Index has the right to change these minimum sizes. Option CFD contracts are denominated in the base currency of the Underlying Instrument. For example, Our Price quoted for the Australia 200 Index Call Option CFD is 5 - 7. Paying 7 points for 1 contract means the buyer will have a maximum exposure to loss of AUD\$7. A seller would have a maximum potential profit of \$AUD5 but an unlimited loss if the Option Expires "In-the-Money" and the position has not been closed.

Minimum and Maximum Binary Option CFD Trades

There are also minimum and maximum trade sizes applicable to Binary Option CFD trading with City Index. The minimum and maximum levels will depend on the contract. The complete list of minimum and maximum trades can be found in the Market Information Sheets within the ITP.

9.13 Payments and Receipts

Unlike Options traded in other financial markets buyers (or sellers) of Option CFDs do not pay (or receive) premiums. Instead Option CFDs are provided on a margin basis and the profit or loss is determined by the difference between the price of opening and closing the transaction. Like other CFD contracts, the Margin Requirements are denominated in the same currency of the Underlying Instrument. Please see Margin Requirements section for further details.

Product Disclosure Statement

9.14 Margin Requirements

Margining for Option CFDs is different from other CFD's that City Index offer.

Vanilla Options

The margin requirement for buying Vanilla Option CFDs will be the **lesser** of the following:

For buy trades in Options with Underlying Instruments which are futures contracts for options or options-related instruments, the Margin Requirement will be the lower of:

*Quantity x Our Price; or
Margin Requirement for the equivalent CFD*

For sell trades in Options with Underlying Instruments which are futures contracts for options or options-related instruments, the Margin Requirement will be calculated as below:

- Quantity x Our Price x 2;
- calculate 30% of the Margin Requirement the equivalent Quantity would require in a trade in the relevant Underlying instrument;
- calculate 100% of the Margin Requirement the equivalent Quantity would require in a trade in the relevant Underlying instrument;
- identify the greater of a) and b);
- the Margin Requirement is the smaller of d) or c) unless Our Price is less than 5.
- if Our Price for the Option is less than 5 then the Margin Requirement will be 10% of the Margin Requirement the equivalent Quantity would require in a trade in the relevant Underlying instrument.

Buying	Selling
<p>Number of Contracts X Price; or</p> <p>The Margin Requirement on the same number of contracts in the equivalent CFD.</p>	<p>Number of Contracts X Price X 2 subject to a minimum of 30% of the Margin Requirement on equivalent CFD trade; or</p> <p>The Margin Requirement required on the same number of contracts in the equivalent CFD.</p>
<p>Example:</p> <p>Our Price 120-124</p> <p>Underlying Price 4450</p>	<p>Australia 200 Dec 4500 Put</p>
<p>Buy 10 Contracts @ 124 points</p> <p>Either</p> <p>10 Contracts X 124 points = AUD\$1240</p> <p>Or</p> <p>10 Contracts X 4,450 x 0.5% Margin = AUD\$222.50</p> <p>Therefore the Margin Requirement is AUD\$222.50</p>	<p>Sell 10 Contracts @ 120 points</p> <p>Either</p> <p>10 Contracts X 120 points X 2 = AUD\$2400</p> <p>Or</p> <p>10 Contracts X 4,450 X 0.5% Margin = AUD\$222.50</p> <p>Therefore the Margin Requirement is AUD\$222.50</p>

Note: When Selling a Vanilla Option Our Price is less than 5, the minimum Margin Requirement will be reduced to 10% of the equivalent trade in the CFD.

Product Disclosure Statement

Portfolio Margining

Within one account, where off-setting open positions in both Options and CFDs are held in the same Underlying Instrument the account will be subject to a reduced Margin Requirement. The following rules will apply:

- A bought Call Option is treated as a Long Position
- A sold Call Option is treated as a Short Position
- A bought Put Option is treated as a Short Position
- A sold Put Option is treated as a Long Position

City Index will calculate the Margin Requirement on all long positions and all short positions but the Margin Requirement payable will be based on the larger of the two. That is if longs are greater than shorts then the Margin Requirement will be based on the longs. In the trading platform, the Margin Requirement for the shorts positions in this example will be shown as zero.

Binary Options

Margin requirements for bought and sold Binary Option CFDs are calculated differently.

Buying	Selling
Number of Contracts X Price	Number of Contracts X (100 – Price)
Example: Price	Australia 200 UP Monday Binary CFD 25-29
Buy 2 contracts at 29 Margin requirement 2 x 29 A\$58 Margin which is equal to maximum loss	Sell 5 contracts at 25 Margin requirement 5x(100-25) A\$375 Margin which is equal to the maximum loss

Binary Option CFD products are limited Risk. The maximum loss is the dollar value of the Margin Requirement.

No portfolio margining is available when trading Binary Option CFDs. Margin Requirement is not reduced if the open position goes In-the- Money.

Product Disclosure Statement

9.15 Expiring Options

All Options will be settled upon Expiry against the official expiry level for the given market.

Example: In-the-Money Option Expiry

Australia 200 Index Dec 4500 Call

Official Expiry settlement level of the Australia 200 Dec Futures is 4,585

Option price settled at 85

Example: Out-of-the-Money Option Expiry

Australia 200 Dec 4500 Call

Official Expiry settlement level of the Australia 200 Dec Futures 4,400

Option price settles at 0

9.16 CFD Option Examples

Example: Buying Call Option CFD

You believe the GBP/USD exchange rate will rise today. The current GBP/USD FX CFD rate is 1.6340. You want to limit your maximum loss so you decide to buy a Call Option.

City Index offers a range of Strike Prices and the closest to the current spot that is offered is 16350. Your opinion relates only to today so you decide to buy a Daily Option.

Our Price of the Daily GBP/USD 16350 Call is 17 – 20. You buy 10 contracts (worth US\$1 per contract) for 20 points.

The Margin Requirement is Number of Contracts X Price (10 X USD\$20 = USD\$200); or

The Margin Requirement in the equivalent FX CFD (GBP20,000 X 1.6350) x 0.5% = USD\$163.50)

Your Margin Requirement is therefore USD\$163.50.

Buying a Daily FX Call Option CFD and making a profit

At the official settlement time (Chicago Close), the spot GBP/USD rate has indeed risen to 1.6460 and the Option settles at 110.

The profit on the Option is calculated as:

(Settlement Price – Purchase Price) x Number of Contracts = (110 – 20) x 10 Contracts = USD\$900

The USD\$900 profit is credited to your trading account once the trade is settled.

This is equal to the Intrinsic Value of the Option CFD minus the Premium you paid for the Option CFD.

Buying a Daily FX Call Option CFD and making a loss

At the official settlement time (Chicago Close), the spot GBP/USD rate has fallen to 1.6240. The Option finishes Out-of-the-Money and Expires worthless settling at 0 points.

The loss on the Option is calculated as:

(Settlement Price – Purchase Price) x Number of Contracts = (0 – 20) X 10 Contracts = USD\$200

Example: Buying a Put Option CFD

You believe the Australia 200 Index CFD will rise today. Currently, the Index CFD is trading at 4800 – 01. You want to limit your maximum loss so you decide to buy a Put Option.

City Index offers a range of Strike Prices. You think it might take up to a month for the Index to fall and you don't want to risk too much so you decide to buy a Monthly Option Out-of-the-Money.

City Index currently makes a market in an Australia 200 June 4650 Put and the price is 12 – 15. You decide to buy 20 Contracts at 15.

The Margin Requirement is Number of Contracts X Price (20 X AUD\$15 = AUD\$300); or

The Margin Requirement in the equivalent Index CFD (4,800 X 20 Contracts) x 0.5% = AUD\$480)

Your Margin Requirement is therefore AUD\$300.

Buying a Monthly Australia 200 Put Option CFD and making a profit

After 1 week the Index has moved in your favour and the Australia 200 Index CFD is 100 points lower at 4,700. Our Price in the Put Option rises to 45 – 48 and you decide to sell the Option realising a profit of:

(Sell Price – Buy Price) X Number of Contracts = (45 – 15) X 20 = AUD\$600.

Product Disclosure Statement

Buying a Monthly Australia 200 Put Option CFD and making a loss

After 1 week the Australia 200 Index CFD has rallied and is currently trading at 4900 – 01 and the Australia 200 June 4650 Put is quoted at 4 – 7.

You decide to cut your loss and sell the option CFD at the price of 4.

Your loss on the trade is calculated as:

$(\text{Buy Price} - \text{Sell Price}) \times \text{Number of Contracts} = (15 - 4) \times 20 = \text{AUD}\$220.$

Limited risk: When buying Option CFDs your risk is limited. The maximum loss you can incur will be the price paid multiplied by the number of contracts.

Your profits are potentially unlimited.

Selling a Call CFD Option

You are confident the UK100 Index CFD will not rally in price significantly between now and the end of the month. Currently, the Index CFD is trading at 5,450 – 01.

You have read that most Options Expire Out-of-the-Money and understand that by selling you can potentially earn the Time Value remaining on an Option that is nearing Expiry. City Index offers a range of Strike Prices and you choose a 5,500 Put which is 50 Points out-of-the-Money.

Our Price for the UK100 June 5,500 Call is 30 – 33. You decide to sell 10 contracts.

The Margin Requirement is $\text{Number of Contracts} \times \text{Price} \times 2$ ($10 \times \text{GBP}30 \times 2$) = GBP600; or

The Margin Requirement in the equivalent Index CFD ($5,450 \times 10 \text{ Contracts}$) $\times 1\%$ = GBP545

Your Margin Requirement is therefore GBP545.

Selling a Monthly UK100 Call Option CFD and making a profit

At Expiry, the UK100 Index has fallen 90 points to 5,360, and the 5,500 Call Option Expires worthless and settles at zero.

You realise a profit on your Option position of:

$(\text{Sell Price} - \text{Settlement Price}) \times \text{Number of Contracts} = (30 - 0) \times 10 = \text{GBP}600$

Selling a Monthly UK 100 Call Option CFD and making a loss

If the market moves against you and the UK100 Index settles at 5,540. The 5,500 Call Option CFD Expires In-the-Money and settles at 40 (5,540-5,500).

Your loss on the trade is calculated as:

$(\text{Settle Price} - \text{Sell Price}) \times \text{Number of Contracts} = (40 - 30) \times 10 \text{ Contracts} = \text{GBP}100.$



Selling a Put CFD Option

You are very confident the price of US Crude Oil is going to rise today. Currently, the US Crude June CFD is trading at USD\$80.00 – 80.50.

You are so confident that you decide to sell an “In-the-Money” Option to earn the Intrinsic Value and speculate that the Option will Expire Out-of-the-Money. City Index offers a range of Strike Prices and you choose a 7950 Put which is 50 Points In-of-the-Money.

Our Price for the Daily US Crude Oil 7960 Put is 45 – 43. You decide to sell 20 Contracts.

The Margin Requirement is $\text{Number of Contracts} \times \text{Price} \times 2$ ($20 \times 45 \times 2$) = USD\$1,800; or

The Margin Requirement in the equivalent Commodity CFD (80.50×20) $\times 1\%$ = USD\$1,610

Your Margin Requirement is therefore USD\$1,610.

Selling a Daily US Crude Oil Put Option CFD and making a profit

At the end of the day (Chicago Close) the US Crude June CFD rallies in your favour and closes USD\$1 higher at \$81.00. The Daily US Crude 7960 Put Option

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CFD Expires at Out-of-the-Money and worthless at zero.

You realise a profit on your Option position of:

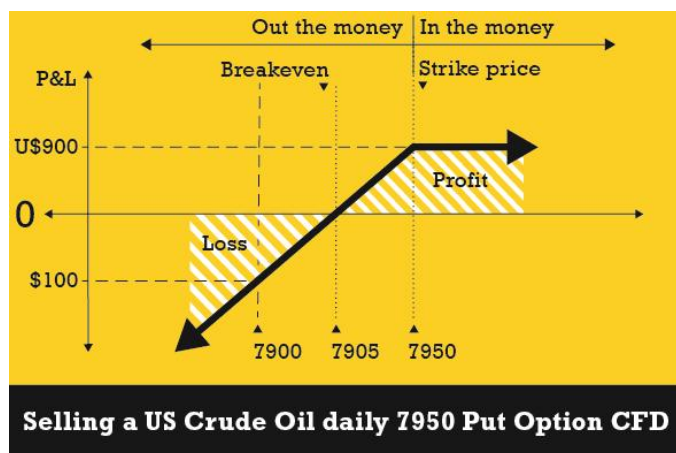
$$\text{(Sell Price - Settlement Price)} \times \text{Number of Contracts} \\ = (45 - 0) \times 20 = \text{US\$900.}$$

Selling a Daily US Crude Oil Put Option CFD and making a loss

If the market moved against you and the US Crude Oil June CFD falls in price by USD\$1 to USD\$79.00, the Daily US Crude Oil 7950 Put Option CFD Expires In - the-Money and settles at US\$50.

Your loss on the trade is calculated as:

$$\text{(Sale Price - Settlement Price)} \times \text{Number of Contracts} \\ = (45 - 50) \times 20 = \text{USD\$100.}$$



Unlimited risk: Selling Option CFDs means your losses are potentially unlimited, for call Option CFDs, and very large for Put Option CFDs. Your maximum profit is the opening sale price multiplied by number of contracts.

9.17 Binary Option CFD Examples

Buying Binary Options

The financial outcome we will use for this example is whether, at the close, the price of the UK100 Index CFD closes at a higher price than the previous day's close of 5,460.

If the UK100 Cash settles at or above 5,460, the Binary Option CFD will expire at 100. If the cash closes below the previous closing level, the Binary Option CFD will expire at 0.

At 1600hrs (GMT) the UK100 Index is down 2 points at 5,458 and you believe that the UK100 Cash will rally before closing which will occur at 1636hrs (GMT) . At

1600hrs (GMT) Our Price for Daily UK100 Index UP Binary Option is 43 - 47.

Buying a UP Binary Option CFD and making a profit

You buy 10 Daily UK100 Index UP Binary Option CFDs at 34 for GBP1.00 per contract.

The Margin Requirement is Number of Contracts X Price (10 X 34) = GBP340

While the Binary Option CFD position remains open your unrealised profit and loss will fluctuate with movements in the UK100 Index. At the end of trading, the UK100 Cash market closes up at 5,465. This means the event has occurred and the UP Binary Option CFDs Expires at 100 points and you realise a profit on the bought Option position.

The profit on the Daily UK100 UP Binary Option CFD is calculated as:

$$\text{(Settlement Price - Buy Price)} \times \text{Number of Contracts} \\ = (100 - 34) \times 10 = \text{GBP660.}$$

Buying a UP Binary Option CFD and making a loss

The UK100 Cash Market closes relative to yesterday's close of 5,460. The UP Binary Option CFD Expires at 0 and you make a loss. The loss on the Daily UK100 Index UP Binary Option CFDs can be shown as:

$$\text{(Settlement Price - Buy Price)} \times \text{Number of Contracts} \\ = (0 - 34) \times 10 \text{ Contracts} = \text{GBP340.}$$

IMPORTANT !

When buying a DOWN Binary Option CFD the closing price of the Underlying Instrument must be below the previous day's close for the event to occur and to realise a profit. If the Underlying Instrument closes at the same level as the previous day then the Binary Option will be valued at zero.

Selling Binary Options

The financial outcome we will use in this example is whether, at the close, the price of the Wall Street Cash Index will close at a lower price level than the previous close of 10,500. At 1600hrs (GMT), the Wall Street Cash Index 10,455 and Our Price on the DOWN Binary Option CFD is at 55 - 58.

Product Disclosure Statement

Selling a DOWN Binary Option CFD and making a profit

You are confident that the Wall Street Cash Index will rally into the close. Rather than buying an UP Binary you decide to sell 5 Daily Wall Street Index DOWN Binary Option CFDs at 55 points.

The Margin Requirement is Number of Contracts X (100 – Price) = 5 X (100 - 55) = USD\$225

As you thought there is a late afternoon recovery in the Wall Street Cash Index and the Index settles at 10,501. The DOWN Binary Option CFD Expires at 0 and you make a profit. Your profit on the Daily Wall Street DOWN Binary Option CFD can be shown as:

(Sale Price – Settlement Price) X Number of Contracts = (55 – 0) X 5 Contracts = USD\$275.

Selling a DOWN Binary Option CFD Position and making a loss

You sold the 5 Daily Wall Street Index DOWN Binary Option CFDs at 55 points. However, the market continues to fall and the Wall Street Cash Index settles at the end of the day down at 10,460. The DOWN Binary Option CFD Expires and settles at 100 and you make a loss. Your loss on the Daily Wall Street Index DOWN Binary Option CFDs can be shown as:

(Settlement Price - Sale Price) X Number of Contracts = (0 – 55) X 5 Contracts = USD\$275

9.18 Orders you can place

You can only execute Market Orders in Options CFDs; you cannot place Limit or Stop orders.

Minimum dealing size will depend on the type of Option (See Market Information sheets).

9.19 Risks

You must familiarise yourself with the nature of Option CFDs and Binary Option CFDs. We have identified here the major risks of dealing in Option CFDs. However, the issues discussed are not exhaustive and should be read in conjunction with the Risk Section of the PDS.

Trading Option CFDs can be more complicated than trading other CFD products and it is important to know the difference between dealing in Calls and Puts and going long and short Option CFDs. It is also important to understand that the price of an Option CFD is not solely dependent on the underlying market. Other factors such as those discussed in the pricing section will affect the price.

Market Risk

When buying Vanilla or Binary Option CFDs your risk is limited to the number of contracts multiplied by the price paid. When selling a Vanilla Option CFD the risk is unlimited as there is no upper limit to the price of the Option CFD. Therefore the writer may be obligated to buy back the Option CFD to close a sold position at any price. If the Option CFD finishes at zero, the writer can buy back the Option CFD at zero at expiry and will receive the full sale price of the Option CFD multiplied by the number of contracts.

Limited Hours Trading

The Option products offered by City Index trade limited hours and are not quoted outside the normal operating hours of the Underlying instrument. That is, during parts of the business day City Index does not provide a price as the Underlying Instrument may not be traded. In these cases, you will not be able to close a position.

Restricted Orders

No stop losses can be placed on your open Option CFD positions. This means, that you must be able to monitor your open positions and trade using Market Orders to limit your losses.

Suspension

In some circumstances an Underlying Instrument can be suspended which may cause extreme volatility in an Option Price or suspension of prices. Where there is an underlying Option market, you will be able to be quoted a price where one is available. In other circumstances when trading daily Options CFDs and Binary Option CFDs it may be impossible for City Index to evaluate whether a financial event has occurred or determine the settlement price of an Option. In these circumstances City Index may take such actions as specified in our terms and conditions – See CFD and Binary Supplements.

Spread

Due to a lack of liquidity or extreme volatility the bid-offer spread quoted by City Index may change. This means that the price must move further in your favour to realise a profit. Or conversely, may increase your potential loss.

Volatility

As Binary Options approach Expiry their prices typically display high volatility. A relatively small movement in the price of the Underlying Instrument may result in a significant price movement of the relevant Option.

Product Disclosure Statement

9.20 Profits and Losses

All Option CFD open positions are settled against the closing price and when positions are closed the profit or loss is credited or debited to your account.

All profits and losses are credited or debited to your account in the currency of the Underlying Instrument.

9.21 Financing Fees and Commissions

No Finance Fee or Commissions are payable on Option CFDs transactions.

9.22 Options Glossary

American Options means an Option that can be exercised at any time up until expiry

Binary Option is the key characteristic of an Option that has a defined payoff depending on whether a specified event occurs or not.

Call Option means a financial instrument in which the buyer has the right (but not the obligation) to buy an underlying financial instrument at a certain strike price.

Call Option CFD means a CFD offered over a Call Option.

European Options means an Option that can only be exercised at Expiry.

Exercise means the action to buy or sell at the strike price of the option.

Expiry means the date and time at which the option contract expires. The contract will not trade after this date.

In-the-Money: The option has intrinsic value. In the case of a Call Option CFD, the current price of the underlying is above the strike price. In the case of a Put Option CFD the current underlying price is below the strike price.

Intrinsic Value: Where the value of the difference between the current underlying price and the strike price is positive, the Option CFD has intrinsic value.

Out-of-the-Money: The option has no intrinsic value. Where the value of the difference between the current underlying price and the strike price is zero or negative, the Option CFD has no intrinsic value.

Premium means the price of the Option.

Put Option means a financial instrument in which the buyer has the right (but not the obligation) to sell an underlying financial instrument at a certain strike price.

Put Option CFD: A CFD offered over a Put Option

Strike Price is the agreed price of the Underlying Instrument which determines if an option is exercisable at Expiry.

Time to Expiry means the time left to the expiry date and time of the option.

Time Value means the amount by which the option premium exceeds the intrinsic value.

Product Disclosure Statement

9.23 Contract Specifications

Local Times (ELT- Exchange local time)

Daily Expiry	Trading Hours	Trade Per	Min. Trade (Base Ccy)	Last Trade	Basis of Expiry
Australia 200 Option CFDs on Cash	10.00-15.59	1	A\$1	15.59 daily	Official ASX cash settlement closing level after the auction at approx. 16.10
UK 100 Option CFDs on Cash	08.00-16.29	1	£2	16.29 daily	Official FTSE cash settlement closing level after the auction at approx.16:36.
Wall Street Option CFDs on Cash	02.00-15.59	1	\$2	15.59 daily	Official Dow Jones cash settlement closing level at approx. 16:03.
US Crude Oil Option CFDs on Futures	02.00-13.25	1	\$2	13.25 daily	Official NYMEX Near month Futures settlement level at 13:30 (printed about 20min later).
Currency Option CFDs on Spot FX	02.00-13.55	1	2	13.55 daily	Official Bloomberg retail spot rate at (or first print Immediately after) 14:00.

Product Disclosure Statement

Monthly Expiry	Trading Hours	Trade Per	Min Trade (Base Ccy)	Last Trade	Basis of Expiry
Australia 200 Option CFDs On Cash	10.00-16.00	1	\$10AUD	16.00 on the Wednesday before the 3 rd business Thursday	Official ASX settlement price on last day of trading
UK 100 Option CFDs on Cash	08.00-21.00	1	£10	10.00 on the 3 rd business Friday of the contract month.	Official LIFFE settlement price on last day of trading.
Germany 30 Option CFDs on Cash	08.00-16.29	1	eur10	12.00 on the 3 rd business Friday of the contract month.	Official EUREX settlement price on last day of trading.
US SP 500 Option CFDs on Futures	08.30-15.15	0.1	\$10	15.00 on the 3 rd Friday of the contract month.	Official CME settlement price on last day of trading at 15:15.
IMM Currency Option CFDs on FX Future	23 hours	1	10	Contact dealer for Expiry dates	Official IMM settlement price
Wall Street Option CFDs on Futures	08.30-15.15	1	\$10	15:00 on the 3 rd Friday of the contract month	Official CBOT settlement price on last day of trading at 15:15.

Product Disclosure Statement

Quarterly Expiry	Trading Hours	Trade Per	Min Trade (Base Ccy)	Last Trade	Basis of Expiry
Wall Street Option CFDs on Futures	08.30-15.15	1	\$10	15:00 on the 3 rd Thursday of the contract month	Official CBOT settlement price of contract month (Special Opening Quotation calculated from 08:30).
US SP 500 Option CFDs on Futures	08.30-15.15	0.1	\$10	15.00 on the 3 rd Thursday of the contract month	Official CME settlement price of contract month (Special Opening Quotation calculated from 08:30).

Binary Options	Trading Hours	Trade Per	Min Trade (Base Ccy)	Last trading on Expiry	Settlement Basis
Australia 200 Daily	10.00-15.59	1	\$1AUD	15.59 daily	Official Cash settlement of ASX at 4pm
UK 100 Daily	08.00-16.29	1	£1	16.29 daily	Official Cash settlement of FTSE after auction at 16.30
Wall Street Daily	01.00-14.59	1	\$1	15.59 daily	Official Cash settlement of Wall Street at 15.03
US Crude Oil Daily	01.00-13.25	1	\$1	13.25 daily	Official settlement price from NYMEX at 13.30
Currency Daily	01.00-13.55	1	\$1	13.55 daily	First print from Bloomberg at or after 14.00

All US times are in Chicago time

Product Disclosure Statement

10. Margin Obligations

10.1 What is Margin?

Margin generally refers to the deposit requirements to first establish and then to maintain open positions in CFDs.

10.2 Margin Requirement

Margin Requirement is the deposit required to open a position on a CIA Product with us and must be maintained as long as the position is open.

- **Share CFDs**

The Margin Requirement on individual Share CFDs are generally between 5-20% of the notional value of your position. For example, with an AUD\$10,000 initial deposit you can deal in up to AUD\$100,000 notional value on securities with a 10% margin requirement.

- **Index CFDs**

The Margin Requirement rate on Index CFDs is generally between 0.5-5%. For example, with an AUD\$10,000 initial deposit you can deal in up to AUD\$2,000,000 notional value on Indices.

- **Commodity CFDs**

The Margin Requirement on Commodity CFDs is between 1-12.5%. For example, with an AUD\$30,000 initial deposit you can deal in up to AUD\$1,000,000 notional value on Commodity CFDs.

Commodity CFDs trade as an amount per point increment. These point increments range from 0.01 to 1.0, so margin requirements vary between the differing Commodity contracts.

Your margin requirement can be calculated generally as follows:

$$\frac{[(\text{Quantity} \times \text{Contract price}) / \text{price increment}] \times \text{margin factor}}$$

For example

You buy 10 USCRUDE DEC10 CFDs @USD\$50

Your margin can be calculated as follows

$$[(10 \times 50) / 0.01] \times 3\% = \text{USD}\$1500$$

Upon expiry of the Commodity CFD your position will be closed out at the settlement price on the expiry date of the CFD contract.

Unless specifically requested, CIA will NOT re-open the position in the next serial contract.

If requested, the position will be re-opened at the prevailing Our Price of the next serial CFD contract.

The settlement price of the new contract may be different to that of the previously expired CFD contract. This may result in your Margin Requirement of your new CFD contract being greater or less than the Margin Requirement for the expired CFD contract.

In the event that the Margin Requirement of the new CFD contract is greater than that of the previously expired CFD contract you may be required, at short notice, to deposit further monies as margin in order to maintain your CFD position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time your CFD position may be liquidated. You will be liable for any shortfall in your Account resulting from that liquidation.

- **FX CFDs**

CIA's Margin Requirements for foreign exchange trading will vary according to the size of the transaction and the currencies you will be dealing in.

However, a 0.5% Margin Requirement to open and maintain a FX CFD position is normally sufficient, although we may require a higher percentage at our discretion.

- **Option CFDs**

Please refer to the Options Section specifically for discussion of how Margin Requirements for these products are calculated.

Product Disclosure Statement

Order Aware Margining

Order Aware Margining offers the potential to reduce Margin Requirements. In certain circumstances a reduction in margin is available on open positions when a Stop Loss Order or a Guaranteed Stop Loss Order is placed. Order Aware Margining is only available for a limited range of markets and details are provided in the trading platform.

If Order Aware Margining is applicable, and a standard Stop Loss Order is placed, the Margin Requirement will be calculated as the higher figure of:

- a) The standard Margin Requirement multiplied by the Order Aware Margining minimum percentage; or
- b) the difference between the specified Stop Loss price and Our Price, multiplied by Number of CFDs.

For example

Long Position of 5 contracts in the Australia 200 Sep 10 CFD at Our Price of 4850 with a Stop Loss Order at 4800.

If the Margin Factor is 5% and the Order Aware minimum margin is 50%, the Margin Requirement will be the **higher** of:

- a) the Margin Requirement using the Margin Factor multiplied by the Order Aware Margining minimum percentage,
 $5 \times 4850 \times 5\% \times 50\% = \606.25 , or
- b) the difference between the specified Stop Loss price and Our Price, multiplied by Quantity
 $(4850 - 4800) \times 5 = \250

In this case, a) is higher than b), so the Margin Requirement will be \$606.25.

Please note, you will not be charged any higher than the standard Margin Requirement.

If Order Aware Margining is applicable, and a Guaranteed Stop Loss Order is placed, the Margin Requirement will be calculated as the **lower** of:

- a) the Margin Requirement as standard using the Margin Factor, or
- b) the difference between the specified GSLO price and Our Price, multiplied by Number of CFDs

For example

Long Position of 5 contracts in the Australia 200 Sep 10 CFD at Our Price of 4,850 with a Stop Loss Order at 4750. If the Margin Factor is 5%, the Margin Requirement will be the lower of:

- a) the standard Margin Requirement using the Margin Factor,
 $5 \times 4850 \times 5\% = \$1,212.50$, or
- b) the difference between the specified GSLO price and Our Price, multiplied by Quantity,
 $(4850 - 4750) \times 5 = \500

In this case, b) is lower than a), so the Margin Requirement will be \$500.

10.3 Net Equity

The Net Equity of your Account will fluctuate according to the money you have deposited in your Account, the dealings conducted on your Account and positions held.

During the trading day your Account balance(s), including all open positions, are valued against the prevailing price. Your Net Equity balance is constantly calculated in line with price movements.

The Trading Resource is used to assess your available margin against current positions, any new positions you may wish to take and whether there is a requirement for additional margin deposits on your Account.

Once a position is opened, the Margin Requirement must always be maintained for the open position(s). It is your responsibility to ensure that your Account is sufficiently funded at all times, especially during volatile trading periods.

To assist monitoring your Trading Resources, we summarise your Net Equity together with your Margin Requirements in your daily statement and online in the ITP.

You will only be allowed to deal and maintain open positions on the basis of cleared funds on your Account, not on promised funds or funds in transit.

Product Disclosure Statement

10.4 Margin moneys and the Client Segregated Account

When you open and maintain a position with us the amount of Margin Requirement, charges and Unrealised P & L (if the amount is negative) become payable to us as consideration for opening and maintaining an Open Position. Accordingly, at that moment, CIA acquires full ownership of such amount and they cease to be Client Money. At this point, CIA is entitled under the Client Money Rules to deduct such money from the Client Segregated Account.

Whilst you have an Open Position, the Margin Requirement fluctuates reflecting the movement in the price of the relevant CFD.

On a regular basis, CIA will reconcile the amount of Client Moneys including unrealised profits and losses due to its customers and either deduct or pay an amount of money from or to the Client Segregated Account reflecting the total Client Money liability.

10.5 Shortage in Equity

A shortage in equity occurs when your Trading Resources fall below the required Total Margin.

When there is a shortfall in your Trading Resources you will not be allowed to deal in CIA's Products, except to reduce your open positions until such time as your Trading Resources are positive. This is in addition to all other rights CIA has when there is such a shortfall in your Account equity.

10.6 Margin Level

Margin Level means the ratio of Net Equity (the sum of your Cash and Unrealised P & L) to Total Margin (expressed as a percentage). Your Margin Level is stated on the ITP.

If the market moves against you and your Net Equity falls below the Total Margin you have the option to:

- close one or more of your open position(s), in order to reduce your Total Margin; and/or
- remit further funds to your Account as deposit..

The ratio between Net Equity and Total Margin is referred to as the Margin Level.

$$\text{Margin Level} = \frac{\text{Net Equity}}{\text{Total Margin}}$$

Customers must maintain a Margin Level at or above 80% (Margin Close Out Level) at all times.

Please note that the application of any amount of Waived Margin will affect the calculation of Margin Level during the Promotion Period of our Introductory Waived Margin promotion. Please refer to the Terms and Conditions of the Introductory Waived Margin promotion for details. The Terms and Conditions are available on our website.

The allocation of Credit pursuant to clause 14 of the Customer Agreement will also affect the calculation of Margin Level. During the promotion period, the Margin Level equals to:

$$\text{Margin Level} = \frac{\text{Net Equity} + \text{Credit}}{\text{Total Margin}}$$

10.7 Margin Close Out

We may close all of your open positions immediately without notice if the Margin Level reaches or falls below 80%. This is the Margin Close Out Level. We may alter this Margin Close Out Level at any time with three (3) days prior notice.

Once the Margin Close Out Level has been triggered, CIA may close all of your open positions and you may be restricted from dealing on your Account until your Trading Resources are positive.

CIA does not represent or warrant, or give any assurance that your open positions will be closed out when the Margin Level for your Account reaches the Margin Close Out Level.

Furthermore, you will be liable for those losses, although CIA had the right to close out your position at a time before you incurred those additional losses. Any such loss may result in you losing all monies that you have deposited in your account, and in addition require you to pay further funds representing losses and other fees on your open and closed positions. Refer to the Section entitled Risks for a broader discussion.

It is your responsibility to ensure that you meet your margin obligations at all times, and not rely on CIA to close out your positions should they be nearing, or exceed, the Margin Close Out levels. You may do this by reviewing your Account details on the ITP trading platform. You may also contact our Client Services Department should you have any queries about your current margin obligations.

You should refer to the Customer Agreement for the consequences arising from non-payment of Margin and changes in Margin Requirements.

Product Disclosure Statement

10.8 Margin Close Out Process

If your account reaches or falls below the Margin Close Out Level, this is classed as an Event of Default under our Customer Agreement and CIA may at its discretion, among other things, close out all or any of your open positions immediately and without notice.

We will close your open positions at Our Price prevailing at the time when your open Positions are closed.

If there is a change in Our Price, or the effect of closing positions is to restore the account Margin Level to greater than 80%, CIA may, at its sole discretion, not close out any remaining account positions.

This may occur, for example, where we are unable to close a position because the market is closed. If, upon reopening of the Underlying Instrument the Margin Level is greater than 80% we may elect not to close the position. However, there is no obligation on CIA to do so. Whether we close the position is solely at CIA's discretion.

The Margin Close Out Level is designed to help limit the extent of your trading losses and is for CIA's benefit alone. We do not guarantee that your Open Positions will be closed when the Margin Level for your Account reaches the Margin Close Out Level or that your losses will be limited to the amount of funds you have deposited in your Account.

10.9 Banking Hours

Due to the limited operating hours of the banking system CIA may not receive margin deposits immediately. Accordingly, Clients are advised to always maintain adequate funds in their CIA Account to cover unforeseen adverse market movements.

10.10 Deposits

Any number of different currencies may be deposited to your CIA Account including Australian, New Zealand, United States, Singapore or Hong Kong Dollars as well as Euro by electronic transfer or Credit Card.

10.11 Fund withdrawals

Funds may be withdrawn by making a withdrawal request to our Client Services Department.

Withdrawals are obviously subject to you leaving enough funds in the Account to meet your current margin obligations and any minimum amount that CIA requires Clients to hold in their account. CIA will not pay funds to any third party account.

10.12 Profits / losses

Profits realised or unrealised increase your Net Equity and Trading Resources available for trading on your Account. You are able to withdraw realised profits if your Account shows a positive cash balance and you have sufficient funds remaining to ensure your cash balance is positive and your Net Equity is sufficient to cover your Total Margin requirement. Losses realised or unrealised as a result of your dealing activities decrease your Net Equity, and therefore the Trading Resources available for dealing in CIA's Products or holding positions.

Product Disclosure Statement

11. Orders you can place

11.1 How to open and close CFD positions

A position is opened by buying or selling CFDs:

- **BUYING** a CFD - To make a profit, you want the price of the underlying security, index or asset to rise.
- **SELLING** a CFD - To make a profit, you want the price of the underlying security, index or asset to fall.

A position is closed by you entering into an equivalent and offsetting position in the relevant share CFD. Closing your position may result in a profit or loss being realised on your Account.

You may close part of an open position by executing an equivalent and offsetting position of a lesser amount than the open position.

11.2 Risk management

As the markets are constantly moving 24 hours a day, during the trading week it is good practice to place a 'stop-loss' on your open position. This allows you to control any potential losses should the market move against you.

There are also a number of other types of orders that you can place that facilitate risk management when dealing in CIA's Products. By using these additional types of orders you have the ability to control potential profits as well as potential losses on your open positions.

IMPORTANT NOTICE ABOUT THIS SECTION

When the Client requests one of the types of orders described in this section, CIA has an absolute discretion whether or not to accept and execute any such request.

11.3 Stop-loss orders

A Stop-loss order is an order placed to limit the loss on an open position:

- **Share CFD Example**

You have bought (long) 1,000 Qantas CFDs at an opening price of AUD\$3.30. You believe Qantas CFDs will strengthen but, want to limit any potential losses and place a GTC Stop-loss order to sell (short) 1,000 Qantas CFDs at AUD\$3.00, thus limiting your losses if Qantas falls to AUD\$3.00 or below.

- **Index CFD Example**

You have bought (long) 10 CFD contracts on the AUSTRALIA200 at 3,100. You place a Stop-loss order to sell at 3,000, thus limiting your losses if the AUSTRALIA200 falls to 3000 or below.

Stop-loss orders must be placed a minimum distance from the current CFD Markets Bid and Offer prices as determined by CIA from time to time in its absolute discretion.

When a Stop-loss order is triggered it becomes a market order. Stop-loss orders placed on share CFDs, for example, will be triggered if the Underlying Instrument trades at prices equal to or inferior to the price at which you have placed your Stop-loss order. At this time, CIA will execute a Client's instruction to either buy or sell the number of contracts at the prevailing market price. Stop-loss orders are always subject to there being sufficient liquidity in the Underlying Instrument. For this reason, your Stop-loss orders may be filled at prices inferior to those at which you have placed your Stop-loss order.

In the event of a disruption or heavy trading activity, the execution price of a triggered stop-loss order may not be able to be determined until an orderly market is available. In these circumstances, the order will be pending and will not be able to be cancelled. Once a price can be reasonably determined, CIA will complete the execution. In an extreme circumstance, such as a market suspension, CIA may not be able to determine a price. Refer to the section titled Risk for more information.

Stop-loss orders placed on all CFDs other than share CFDs may be filled if the price published for the relevant CFD by CIA is equal to or inferior to the price

Product Disclosure Statement

at which you have placed your Stop-loss order. Your Stop-loss orders may be filled at prices inferior to those at which you have placed your Stop-loss order.

Accordingly, the placing of Stop-loss orders may not always limit your losses to the amounts that you may want. To avoid such risks you may wish to consider placing a Guaranteed Stop-loss order with CIA. This type of order is described below.

11.4 Stop-entry orders

A Stop-entry order is an order placed to open a new position or increase an existing position at a price which is inferior to the current market price.

Note that stop-entry orders must be placed a minimum distance from the prevailing Our Price, which is determined at CIA's discretion.

11.5 Limit orders

A Limit order is used to place either a closing order to take a profit on an open position at a predefined rate set by you, or as an opening trade at a more favourable rate than the current price for that instrument.

- ***As an order to take a profit on an open position.***

Share CFD Example

You have bought (long) 1,000 Qantas CFDs at an opening price of AUD\$3.30. You believe Qantas CFDs will strengthen to AUD\$3.90. You place a GTC Limit order to sell 1,000 Qantas CFDs at AUD\$3.90. If the Qantas CFD rises to \$3.90 bid or above your order will be filled provided there is sufficient liquidity in the Underlying Instrument.

Index CFD Example

You have bought (long) 10 CFD contracts on the AUSTRALIA200 at an opening price of 3,100. You believe the value of the AUSTRALIA200 index CFD will strengthen to 3,500. You place a Limit order to sell 10 CFD contracts on the AUSTRALIA200 at 3,500. If the AUSTRALIA200 rises to 3500 bid or above your order will be filled provided there is sufficient liquidity in the Underlying Instrument.

- ***To open a new position when the order rate is better than the prevailing market rate for that instrument.***

Share CFD Example

A Qantas CFD is currently quoted by CIA at AUD\$3.30 / 3.31. You place a buy Limit order at AUD\$3.20 to buy a Qantas CFD. Should the price offered by CIA fall to \$3.20 your order will be filled provided there is sufficient liquidity in the Underlying Instrument.

Index CFD Example

The AUSTRALIA200 index CFD is currently quoted at 3,100 / 3,102. You place a buy Limit order to open a position at 3,000. Should the market become offered at that level your order will be filled provided there is sufficient liquidity in the Underlying Instrument.

11.6 Day orders

Conditional orders (that is, Limits / Stops / OCO's) can be placed as Day orders or Good 'Til Cancelled (GTC) orders.

A Day order means that the order you place will be cancelled at the Close of Business which means 17:00 New York; 22:00 GMT (07:00 Australian Summer or during US Summer Time 21:00 GMT and 09:00 AEST). Should you want to maintain that order in the market after the Close of Business, you will have to resubmit that order.

11.7 GTC (Good 'Til Cancelled) orders

Good 'til Cancelled orders are available on all CIA's Products except for Commodity and Commodity CFDs. Conditional orders (that is, Limits / Stops / OCOs) can be placed Good 'Til Cancelled. On Share, Index and Foreign Exchange CFDs a GTC will expire when it is either executed according to the terms of that order, or is cancelled by you.

GTC orders on Future CFDs (either Commodity or Indices) may be entered on the ITP software but are automatically cancelled at 17:00 New York; 22:00 GMT (07:00 Australian Summer or during US Summer Time 21:00 GMT and 09:00 AEST) on the CIA expiry date for the relevant CFD contract.

CIA will not replace cancelled orders over the Client position if requested to re-open the position.

11.8 One Cancels the Other (OCO) orders

This is the combination of both a Limit and a Stop order. It is an order that can be used to take a profit if the market moves favourably to the open position or to

Product Disclosure Statement

limit the loss if the market moves against the open position. It may also be used to open a new position. The order can be placed to open new positions in all CFDs except share CFDs on ASX shares. The execution or cancellation of one order will automatically cancel the other order.

- **Share CFD Example**

Therefore, using the above Limit and Stop orders as examples: you are long 1,000 Qantas CFDs at AUD\$3.30, and place an OCO with a Limit order at AUD\$3.90, and a Stop-loss order at AUD\$3.00. If either the Limit or the Stop-loss order is executed, the other order is automatically cancelled.

- **Index CFD Example**

You have bought (long) 10 CFD contracts at 3,000 on the AUSTRALIA200 index. You place an OCO order; this includes a Limit order above the market to sell the 10 CFDs and lock in your profits, and a Stop order to sell the 10 CFDs below the market to stop your losses. When either the Stop or Limit order is executed the other order is cancelled.

11.9 Guaranteed Stop-loss (GSLO) orders

A Guaranteed Stop-loss order is similar to a normal Stop Order in that it can be used to close or reduce a position, but with the added benefit of City Index guaranteeing your stop out price. A GSLO can be placed on most Share and Index CFDs as well as FX and Commodity CFDs. Refer to the Market Information in the trading platform.

With a GSLO order you know the price at which you are prepared to be stopped out, and are not exposed to "gapping" in prices or illiquidity in the market which may lead to your position being closed out at a price worse than that specified by you when you placed the Guaranteed Stop-loss Order.

However, you should note that a GSLO order is subject to the following additional conditions:

- Can only be used to close an open position;
- GSLO's relate only to those contracts open at the time of placing the order;
- Cannot be placed outside the trading hours of the underlying security or index;

- In the event that a corporate action, bonus or rights issue or other adjustment event occurs your GSLO may be adjusted accordingly at the time of the event to account for its dilutive or concentrative effect;
- If a cash distribution or dividend is declared in the underlying security your GSLO may be reduced by an amount equal to the dividend. This adjustment may take place when the underlying security is first quoted on an ex-dividend basis;
- As City Index guarantees your stop out price, there is a premium charge when placing the GSLO order;
- You will be charged for the GSLO as soon as the order is placed, irrespective of if and when it triggers;
- The GSLO must be placed a minimum distance away from the current share, index, FX or commodity CFD price being quoted by City Index as determined by City Index;
- Any movement of the GSLO is still subject to minimum distance rules;
- In some circumstances we may alter the price or volume of the GSLO to reflect the impact of a corporate action.

Note that the availability, premium charged and the minimum amount of points or percentage away from the current CFD price at which the GSLO order may be placed can be found in the market information button found next to every Market offered on the platform.

- **GSLO Order Example**

You are currently long 100 BHP CFDs at the price of AUD\$40.00. You subsequently request to place a GSLO at AUD\$38.00 when the price of Telstra CFD is AUD\$40.10/AUD\$40.12 and City Index accepts your request. The formula for working out the cost of GSLO is Price x Qty x % Charge. In this case, you will be charged \$28 for putting on the GSLO (38.00 x 100 x 0.7%).

Product Disclosure Statement

11.10 If Done or Contingent Orders

This is the combination of two orders, with the second order only becoming active should the first order be executed. For example, you may place a Limit or a Stop order contingent on another Limit or Stop order being executed.

- **Share CFD Example**

You place a buy Limit order at AUD\$3.00 to buy Qantas CFDs should they become offered by CIA at AUD\$3.00 with a contingent Stop-loss order at AUD\$2.50. Should you buy Limit order be executed to purchase Qantas CFDs at AUD\$3.00, your contingent Stop-loss order at AUD\$2.50 becomes an active pending order.

11.11 Two way quotes

Two way quotes are available only on request from CIA and are subject to Account status and a minimum deal size.

11.12 Cancelling Orders

If you close a position, you must cancel any related orders you have placed against that position. Failure to do so will mean that the order at risk of execution.

11.13 Corporate Actions, Orders & Open Positions

If a Corporate Action takes place, for example, the payment of a dividend, a merger or a rights issue then orders or open positions you may have with us may be altered to reflect the economic effect in the Underlying Instrument.

- **Guaranteed Stop-Loss Orders**
In some circumstances we may alter the price or volume of the GSLO to reflect the impact of a corporate action;
- **Orders**
The price or volume of Orders you have placed may be adjusted to reflect a corporate action in an Underlying Instrument.
- **Open Positions**
Where you hold an open position and the corresponding Underlying Instrument is subject to a Corporate Action then we may adjust the number of contracts open to reflect the economic effect of the corporate action.

11.14 Dealing with your Orders

In most cases when the condition or event specified in your Order occurs it will be executed at or very close to the specified Order Price. However, please note that for all Orders other than Guaranteed Stop Loss Orders, the price you receive at execution is not guaranteed. Our Price may move from a price which is less than your specified Order price to a price which is greater than your specified Order price without a quote at any intermediate price. This will be due to rapid price changes in the Underlying Instrument (called 'gapping'), for example following a profits warning or the release of financial statistics different from those expected. In such a case, Our Price at the time of execution may be markedly different to the specified Order price.

If, when an Order is executed, the Quantity is less than our maximum Quantity for that particular Market, the Order will be executed at or near the specified Order price. However, if the Order is for a Quantity greater than our maximum Quantity, the price at which the Order is executed will depend on the liquidity in the external market for the Underlying Instrument and may therefore be executed at a different price.

Note that if you have placed multiple Orders in the same Market, with the same specified Order price and with a Quantity greater than our maximum Quantity, there is no guarantee that they will all be executed at the same price, since each Order must be executed as a different Trade. The execution prices will depend on the liquidity in the external market for the Underlying Instrument and the execution of the first Trade may affect the liquidity available for the execution of the second and any subsequent Trades.

City Index will not be liable for any losses or damages claimed where client orders are executed at worse price levels.

Product Disclosure Statement

12. Rates & Charges

All prices quoted are inclusive of our charges other than administration fees, exchange fees, transaction fees and financing charges, all of which are discussed below.

12.1 Transaction Fees (Commissions)

CIA charges minimum transaction fees as detailed in the table set out in 12.2.

The actual transaction fee charged on any given transaction will be either the minimum specified for that product or an amount based on the value of the transaction.

How is the Transaction Fee calculated?

For transactions that do not qualify for the minimum fee the transaction fee is calculated as follows:

$$\text{Fee} = \text{Value of Transaction} \times \text{Rate}$$

Example: Buying 300 of the Australian Share CFD BHP at AUD45.

$$\text{Value} = (300 \times \text{AUD}45.00) = \text{AUD}13,500$$

$$\text{Fee} = \text{AUD}13,500 \times 0.001 = \text{AUD}13.50$$

If the value of the transaction is less than AUD10,000 in this case the minimum transaction fee will be AUD10.

How is the Transaction Fee charged?

Fees will be debited from a Client account as soon as a CFD trade is executed. All fees are charged in the currency in which the instrument is denominated. Charges are detailed on the daily and monthly statements.

Clients should note that CIA may change its fee structure from time to time in which case you will receive a notice electronically.

CIA does not charge Transaction Fees on Rolling CFDs Indices, FX, Interest Rate, Government Bond, Sector or Commodity CFDs quoted on a Rolling basis.

12.2 Share CFDs

The fee charged on Share CFDs varies depending on the Underlying Instrument. For example, a transaction in Vodafone (UK) CFD with a face value of GBP10,000.00 is charged GBP15.00.

Country	Rate	Minimum
U.S.A	0.15%	USD15.00
Australia	0.10%	AUD10.00
New Zealand	0.10%	NZD10
Hong Kong	0.25%	HKD100
Singapore	0.25%	SGD20*
Japan	0.25%	JPY1,500
England	0.10%	GBP10
Europe	0.10%	EUR10
Switzerland	0.10%	CHF10
Denmark	0.10%	DKK50
Norway	0.10%	NOK50
Sweden	0.10%	SEK50
Canada	0.15%	CAD15

*For those Singapore share CFDs quoted in USD the Transaction Fee charged will be USD20 or 0.25% of the face value of the transaction, whichever is the higher.

12.3 Exchange Fees

ASX Fees

If you login to the ITP software or if you deal in Australian Share CFDs, you will be charged an exchange fee per calendar month plus GST of 10%. The exchange fee covers fees that CIA must pay to the Australian Stock Exchange for use of real-time ASX prices in the online trading platform.

The following table shows the current ASX fees:

Non-Professional Investor	A\$37.50+10% GST (A\$41.25)
Professional Investor	A\$45.00+10% GST (A\$49.50)

A non-professional investor is defined by the ASX to be any person who accesses the real-time prices for their personal and private use. Clients will be treated as non professional investors unless they are notified otherwise by CIA in writing. The exchange fee is subject to change and is dependent upon the method and rate by which CIA is charged by the ASX.

The amount of the exchange fee will be debited from your account, monthly in arrears, if you have logged

Product Disclosure Statement

in to the ITP software or dealt in Australian Share CFDs in the calendar month. You will not have to pay an exchange fee to CIA for any given month if you conduct five transactions (excluding rollovers) in any given calendar month. Please note that CIA may amend these conditions from time to time.

Other Underlying Instruments

Our other CFDs currently do not attract a fee from any operator of other Underlying Instruments. In the event that trading our CFDs incurs a fee from an operator of another Underlying Instrument, we will not charge you for these fees before advising you.

12.4 Minimum Deal Sizes

The Minimum deal size varies depending on the product.

The default Minimum deal size is as follows:

Product	Minimum
FX CFDs	USD10,000 or equivalent
Share CFDs	1
Index CFDs	1
- HongKong 40	1
- Japan225	70
Commodity	1
Interest Rate Products	1
- Japan Govt Bond	1
Options	
Vanilla	1
Binary	10

The minimum deal size for all Markets are available in ITP.

12.5 Bid Offer Spread and Minimum Tick Value

Because of the difference between the buying and selling price of a CFD, the relevant CFD price must move favourably before you can break even.

The value of the difference between the bid and offer depends on the tick value. All Share CFDs have a point movement value that is the same as that of the Underlying Instrument. Tick size for all products are detailed in the ITP.

12.6 Margin Requirement & Financing Fees

Clients are advised that Margin Requirements may vary depending on individual circumstances. The default Margins Requirements are set out in summary in the tables below. Margin requirements for individual CIA's Products are available within the ITP.

Clients are reminded that Margin Requirements can change at short notice due to an increase in volatility.

Financing Fees

The Daily Financing Fee is determined by adding or subtracting the Financing Spread from the Reference Interest Rate.

The Reference Interest Rate is determined by CIA for the respective currencies. CIA may change the Reference Interest Rate and Financing Spread for any currency at any time.

If you hold a Long position in a Rolling CFD overnight you pay a Daily Financing Fee to CIA.

Under normal market conditions if you hold a Short position in a Rolling CFD overnight you may be paid a Daily Financing Fee by CIA. However, when the Reference Interest Rate is lower than the Financing Spread, we may require you to pay a Daily Financing Fee to us even if you hold a Short CFD position.

Daily Financing Fee is charged on a daily basis and are calculated on a 360 or 365 day year depending on the product.

- For Rolling CFDs, it is the Reference Interest Rate plus or minus the Financing Spread depending on whether you are long or short. The Financing Spread is specified in the table below.
- For Future CFDs, no financing charges apply as these are factored in to the value of the CFD contract.

The tables below set out CIA's default Financing Spreads.

Product Disclosure Statement

Example: In our example, holding the Long BHP CFD position the Long Financing Rate is the RBA Interbank Overnight Cash Rate (RBAIOC) +2%.

In our example, holding the Long BHP CFD position overnight for 2 days results in the following charge:

$$\text{Financing Rate} = \text{RBAIOC}^* + 2\% = 9.50\%$$

$$\text{Daily Financing Fee} = \text{AUD}12,000 \times (0.095/365) \times 2 = \text{AUD}6.24$$

How is the Daily Financing Fee charged?

The Daily Financing Fee is charged or paid to Client accounts at the close of business daily. The Daily Financing Fee is charged or paid in the currency in which the instrument is denominated. The Daily Financing Fee and the applicable interest rate are detailed on the daily statements.

Share CFD Borrowing Costs

From time to time, CIA may pass on to you charges which we may incur when borrowing underlying stock in order to hedge a Short Position which you have opened with us. These charges will fluctuate

depending on market conditions and the scarcity of the stock concerned. We may deduct any such charges from your account at any time without notice. The amount of charges will be reported in your daily and monthly statements and in the Market Information sheets as soon as practicable.

FX Rollovers

If you are the Long Party in a high yielding currency position overnight you may receive a benefit.

If you are the Short Party in a high yielding currency position overnight you will be charged.

These rates are calculated on an ongoing basis by CIA and any charge or benefit will be made by adjusting the carrying exchange rate of your open position.

The adjustment varies dependent on the currency pair, the applicable rate in the interbank markets according to the period of rollover, the size of the position and the CIA spread that is applied.

Rolling CFDs

	Margin Requirement Percentage	Rollover Rates
FX CFDs	0.5~1.5%	The applicable rate in the Interbank markets according to the period of rollover and the CIA spread that is applied at CIA's discretion.

INDEX CFDs	Margin Requirement Percentage	Financing Spread	
		Long	Short
Australia	0.5%	+2%	-2%
Japan	2.5%	+2%	-2%
Hong Kong	2.5%	+2%	-2%
Europe (ex Swiss)	1.0%	+2%	-2%
Switzerland	1.0%	+2%	-2%
United Kingdom	1.0%	+2%	-2%
United States of America	0.5%	+2%	-2%

Product Disclosure Statement

Rolling CFDs (cont.)

SHARE CFDs	Margin Requirement Percentage	Financing Spread	
		Long	Short
New Zealand 30	10 ~ 10%	+2%	-2%
Australia: Top 20	5 ~ 20%	+2%	-2%
Australia: 21 – 200	10 ~ 60%		
Australia: 201+	30 ~ 100%		
Japan	10 ~ 60%	+2%	-2%
Hong Kong	10 ~ 60%	+2%	-2%
Singapore	10 ~ 80%	+2%	-2%
Europe (ex Swiss)	5 ~ 100%	+2%	-2%
Switzerland	10 ~ 100%	+2%	-2%
Sweden	5 ~ 100%	+2%	-2%
United Kingdom 100	5 ~ 20%	+2%	-2%
United Kingdom 250	10 ~ 60%		
United Kingdom 250+	20 ~ 100%		
United States of America	5 ~ 100%	+2%	-2%

Future CFDs

	Margin Requirement Percentage	Financing Spread	
		Long	Short
Commodity CFDs	3~12.5%	Not Applicable	
Interest Rate & Bond CFDs	0.35~1.35%	Not Applicable	

INDEX CFDs	Margin Requirement Percentage	Financing Spread	
		Long	Short
Australia	0.5%	Not Applicable	
Japan	2.5%	Not Applicable	
Hong Kong	2.5%	Not Applicable	
Europe	1.0%	Not Applicable	
United Kingdom	1.0%	Not Applicable	
United States of America	0.5%	Not Applicable	

Product Disclosure Statement

Sector CFDs

* Fixed spread is available from time to time, subject to CIA's full discretion.

Sector Name	Spread*	Margin Requirement Percentage	Financing Spread
Aussie Materials	15	7.50%	+/-2%
Aussie Financials	15	5.00%	+/-2%
Aussie Consumer Staples	9	5.00%	+/-2%
Aussie Energy	15	7.50%	+/-2%
Aussie Industrial	9	5.00%	+/-2%

Sector Name	Spread*	Margin Requirement Percentage	Financing Spread
Hong Kong Property	40	10.00%	+/-2%
Hong Kong Utilities	50	7.50%	+/-2%
Hong Kong Finance	40	10.00%	+/-2%
Hong Kong Commercial & Industrial	20	10.00%	+/-2%

Product Disclosure Statement

12.7 Administration fees

CIA will charge you for the following administration services:

Facility	Fee (inc GST)
Withdrawals (AUD)	
- Overnight payments	\$A Nil
- Same Day	\$A11.00
Deposits via Credit Card	1.8% of transaction amount
Foreign Currency Telegraphic Transfers	\$A12.50
Duplicate Statements by post	\$A10.00
Telephone Conversations Transcripts	Upon application*
Audit Certificates	\$A45.00
Debt Collection	First Call \$A38.50 Second Call \$A60.50 All reasonable legal costs incurred.

Fees for Telephone recordings will be charged on the basis of CIA' costs, and because these costs may vary depending on the number and length of the conversation and on the time and date of the recordings etc., the amount, maximum limit and their calculation method of the fees are not provided in this column.

No charge is levied for duplicate statements requested and forwarded electronically.

12.8 Minimum Equity Balance

There is no minimum account balance required to maintain an account with CIA.

However, to maintain open positions Clients are reminded that if their Margin Level falls below the Margin Close Out Level all positions may be closed.

Refer to Section 0 of the Product Disclosure Statement for more details.

12.9 Minimum Account Balance

To maintain access to the ITP software Clients are requested to maintain a minimum account balance of USD200 (or the currency equivalent). By doing so, Clients will retain access to all of the adjunct services available within the trading platform.

If your access to the platform is suspended it may be reactivated simply by contacting one of the Client Services consultants.

Product Disclosure Statement

12.10 Interest on Account Balances

Ledger balances are created in foreign currencies when profits or losses are realised on instruments denominated or priced in currencies other than a Client's base currency.

Balance on Ledger	Conditions	Interest Rate
Credit Balance	<p>Interest on Ledger Balances will be paid to qualifying accounts only.</p> <p>To qualify an account must be held by an Australian resident AND the ledger balance in a currency must exceed the threshold set by City Index.</p> <p>For example, an AUD-based account threshold is A\$10,000 net of Total Margins (incl. Unrealised Losses).</p> <p>Please contact the CIA Client Services team for thresholds in USD, EUR, JPY, HKD and GBP.</p> <p>Interest is calculated daily and paid monthly in arrears.</p>	Reference Interest Rate less 2%
Debit Balance	Interest is charged on any debit balance.	Official borrowing rate of the respective currency plus 2%

Clients may contact our Client Services Department for the current interest rate.

Product Disclosure Statement

13. Taxation Considerations

13.1 Introduction

If you trade in CFDs, you may be subject to Australian taxation. This Section outlines the main Australian income tax and GST implications of trading in CFDs.

The information contained in this Section is of a general nature only and is not intended to constitute legal or taxation advice. **The taxation implications of your investment will depend on your own individual circumstances and City Index recommends that you obtain independent professional taxation advice on the full range of taxation implications applicable to your own personal facts and circumstances.**

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

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

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

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

13.2 Tax consequences of CFDs

The taxation of contracts for difference is set out in ATO Tax Ruling TR 2005/15. Under TR 2005/15, if you enter into a contract for difference in the ordinary course of your business or for profit-making purposes, it is likely that any profit derived or loss incurred by

you will be included in, or allowed as a deduction from, your assessable income. Any profit or loss arising in respect of a CFD should be included in your assessable income (or allowed as a deduction) at the time the profit or loss is "realised" for tax purposes. Realisation will generally occur at the time the CFD is closed out.

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

13.3 Capital Gains Tax

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

13.4 Treatment of Daily Financing Fees

Any Daily Financing Fee credited to you is likely to be included in your assessable income at the time it is credited to your account.

13.5 Expenses

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

Product Disclosure Statement

13.6 Taxation of Financial Arrangements

New rules have recently been introduced which will set out the method by which gains and losses from financial arrangements will be brought to account for tax purposes (referred to as the Taxation of Financial Arrangements (TOFA) rules).

The TOFA rules will apply to financial arrangements held by certain investors whose assets or aggregated turnover exceeds specified thresholds. The TOFA rules will also apply to investors who have made an election to apply the TOFA rules to their financial arrangements. If the TOFA rules apply to you, we recommend that you seek advice in relation to the taxation treatment of CFDs.

13.7 Goods and Services Tax

No GST should be payable in relation to your trading of CFDs with City Index. This is on the basis that CFDs (including some ancillary costs) are considered to be "financial supplies" under the A New Tax System (Goods and Services Tax) Act 1999. Consequently, they are input taxed and no GST is payable on their supply.

GST may apply to certain fees and costs charged to you. You should obtain your own advice as to whether an input tax credit is available for any such GST, as it will depend on your personal circumstances.

13.8 Corporate Actions

As a CFD is unlikely to be treated in the same way as shares, any Cash Adjustment received by an investor is likely to be considered income or expense.

13.9 Interest payable to foreign residents

No interest is paid on credit balances exceeding the qualification level to accounts held by foreign residents.

However, debit balances are charged at a rate determined by CIA from time to time and specified on your daily statement. Clients may contact the Client Services Department for details of the applicable interest rate charged on debit balances to their Account. CIA may vary the applicable interest rate at any time.

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Product Disclosure Statement

14. Dispute Resolution

At City Index we take complaints seriously. If you have any complaint in relation to the services provided to you, you should inform us immediately.

This section sets out the dispute resolution mechanisms available to you should a complaint arise.

14.1 Internal dispute resolution

A copy of our internal dispute resolution policy and details on how to lodge a complaint can be found on our website at www.cityindex.com.au.

14.2 Financial Ombudsman Service

City Index is a member of the Financial Ombudsman Service (FOS). Complaints that cannot be resolved via the internal procedure detailed on the web will be referred on to FOS:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Internet: www.fos.org.au
Telephone 1300 780 808
Email: info@fos.com.au

In most cases FOS will then facilitate discussion and, as appropriate, negotiation between the parties. Each dispute is taken on its merits and as such requires time and effort to investigate the issues raised. If the dispute cannot be resolved through discussion, FOS may facilitate conciliation between the parties. The conciliation will attempt to assist the parties to identify and discuss the issues in dispute, settle the dispute and agree on the terms of such settlement.

If conciliation does not result in a resolution of the dispute, it can be referred to an independent adjudicator or to a panel to make a determination.

As a member of FOS, any determination by the adjudicator is binding on City Index if you accept it. However, it is not binding on you and if you decide not to accept the decision, you may pursue your dispute against us in another forum.

The services provided by FOS are free of charge. Further information on FOS can be found on their website www.fos.org.au.

14.3 ASIC Infoline

You can also call the ASIC freecall infoline on 1300 300 630 to find out about your rights to complain or to make a complaint.

Product Disclosure Statement

15. Privacy Statement

This Privacy Statement explains how the City Index Group collects personal information and then maintains, uses and discloses that information. It also provides some detail about our Clients' rights.

15.1 Personal Information

City Index recognises the importance of your privacy and abides by the National Privacy Principles (NPP) contained in the Privacy Act 1988. CIA uses appropriate and lawful means to obtain Client personal information,

We may collect information from you such as your name, address, phone number, email address, age and information regarding products and services you inquire about or trade with us. We may collect this information when you give it to us directly in your Application Form, when you use our products and services, call us or visit our website so that we may conduct business with you. We are also required under the AML/CTF Act to collect personal information about you prior to the opening of a trading account with us and we may also be obliged to collect additional personal information about you on an ongoing basis.

Client personal information is strictly maintained in accordance with the Australian laws concerning the protection of personal information, guidelines issued by the competent authorities, and this Privacy Statement.

Except where permitted by relevant laws, we will not obtain, use or provide to third parties information about race, religious beliefs, family origin, legal domicile, health care or criminal history, or other sensitive information.

15.2 How we use personal information

CIA will use the personal information that we have obtained only to the extent required in the course of business and, except where stipulated by law, it will not be used beyond what is necessary for this purpose of use.

Why is Information Required?

We have requested the information required in the Application to determine whether we will deal in CIA's Products with applicants. That information together with the information collected and maintained by CIA during the course of our

relationship is required to keep Clients updated on matters such as Client dealings, margin obligations, Account funds and possibly other activities of the City Index Group. CIA also requires the information to manage and administer the products and services provided.

In addition, CIA may use personal information to the following extent:

- To solicit, market, and advise on CIA's Products and other financial products and services handled by CIA;
- to verify the identification of Clients (including verifying the identity of the responsible individual at a business Client and verifying the identity of persons acting on a Client's behalf);
- to provide information regarding the status of dealings, the results of dealings, and the balance of funds on Account;
- to enforce internal controls;
- to undertake administrative tasks;
- to research and develop financial products and services by conducting market research, data analysis, and surveys;
- to conduct sales and marketing activities including Client development;
- to conduct research and development on the products that we offer by using market research, data analysis and surveys;
- in the event that we are asked to fully or partially process personal information on behalf of another business, to do whatever is necessary to appropriately complete this work;
- to exercise our rights and perform our responsibilities under the Customer Agreement and relevant laws;
- to furnish reports, submissions and research necessary in the course of supervision by competent authorities, exchanges, and self-regulatory bodies;
- to present various proposals concerning financial products and various services by CIA and its group companies;
- to provide guidance concerning the products and services of our group companies and partner companies; and
- to otherwise ensure the smooth and appropriate execution of dealings with CIA and administrative tasks.

Sharing Information

We may also share personal information with affiliates to the extent specified below:

Product Disclosure Statement

Types of data that may be shared:

- Name, Address, Age, financial markets experience and financial assets;
- Information about dealing positions.

Why information is shared:

- so that our affiliated companies can provide information about products and services;
- so that our affiliated companies can prepare and send relevant investment information and market news;
- so that we can jointly undertake research and development on financial products and services by conducting market research, data analysis, and surveys;
- for use in business analysis at our holding company;
- to market CIA Products and services;
- to enhance understanding of CIA's products and services;
- to determine whether CIA will approve a Client application

Related Companies

Affiliated companies with which we share information:

- City Index Limited
- City Index Asia Pte Ltd
- City Index Holdings Limited
- FX Solutions LLC

External Parties

We may also be required to provide your personal information to regulatory agencies and other government institutions and regulatory bodies.

CIA may provide personal information to:

- courts, arbitrators and other dispute resolution bodies;
- external service providers and professional advisers (which may be located overseas) that provide services to us;
- any actual or potential delegate or assignee as referred to in the Customer Agreement; and
- any organisation which Clients request us to or any persons acting on a Client's behalf, including financial adviser, broker, solicitor or accountant.

Entrusting personal information to outside contractors

In order to ensure the smooth execution of the tasks needed to achieve the intended purposes, we may entrust some tasks to outside contractors and provide necessary personal information to these outside contractors. When outside contractors are used, CIA will undertake the necessary and appropriate supervision of such contractors (and subcontractors).

Disclosing and providing personal information to third parties

We will not disclose or provide your personal information to third parties without obtaining your consent in advance, except where permitted by law, such as entrusting personal information to another party to the extent necessary to achieve purposes of use, or pursuant to laws and regulations.

Disclosing and providing personal information to third parties

We will not disclose or provide personal information to third parties without obtaining consent in advance, except where permitted by law, such as entrusting personal information to another party to the extent necessary to achieve purposes of use, or pursuant to laws and regulations.

15.3 Party responsible

CIA has responsibility for the administration of this personal information.

We will take all reasonable steps to protect Client personal information from misuse, loss, unauthorized access, falsification, or leaks.

15.4 CIA Websites

When submitting an application form (online or otherwise) or other documents or when visiting our website or dealing in our products, CIA will collect and retain this information.

We also collect statistical information about visitors to our websites such as the number of visitors, pages viewed, types of processes executed, time online and documents downloaded. This information is used to evaluate and improve the performance of our websites. Unless Clients have provided information to us, we do not collect any personal information through our websites other than statistical information.

You should also be aware that we use cookies on our websites. A cookie is a small amount of data, which often includes a unique identification number or value that is sent to your browser from a website's computer and stored on your computer's hard drive. Each website can send its own cookies to your browser if

Product Disclosure Statement

your browser allows it. However, to protect privacy, your browser only allows a website to access the cookies it has sent to your computer.

Cookies are used on our websites to collect the aforementioned statistical information and so that Clients can access their Accounts on-line. When accessing Accounts on-line a cookie will be created which uniquely identifies the computer, username and password. This eliminates the need to re-enter the aforementioned data each time Accounts are accessed online.

Most internet browsers are set up to accept cookies. If Clients do not wish to receive cookies, they may be able to change the browser settings to refuse all cookies or have their computer notify them each time a cookie is sent, thereby giving the choice whether to accept it or not. If Clients reject all cookies, they will be unable to access Accounts on-line. Clients can also delete cookies from computers after they have been created.

15.5 Telephone conversations

CIA may record telephone conversations. Such recordings, or transcripts from such recordings, may be used to resolve any dispute.

Recordings or transcripts made by CIA may be destroyed under CIA's normal practice. Ordinarily, but not necessarily, this is two months after the date on which the conversation occurred.

15.6 What are your rights?

Please contact us if you are uncertain or dissatisfied in any area with respect to your privacy.

Disclosure procedure for personal information

When asking that we disclose information that we hold about Clients, please call our Client Services

department or contact us via email. We will ordinarily respond within 14 days after verifying the request, except in cases where disclosure is deemed unnecessary under the law. If the request is complex, a longer time may be needed, in which case we will advise you of the time required.

Correction of Information

Clients are asked to promptly notify CIA of any changes to their personal information. This will ensure that personal information held is up to date and enable us to keep Clients informed of the continuing circumstances of Accounts, margin obligations and trading activities.

You may ask us at any time to correct personal information held by CIA, which is inaccurate.

Questions and opinions concerning the handling of personal information

We will respond promptly and appropriately when we receive questions or opinions concerning CIA's handling of personal information from our Clients, such as on our measures for ensuring the security of personal information.

Please submit any questions, opinions or complaints concerning our handling of personal information to the Client Services Department.

15.7 Privacy Statement Reviews and Revisions

We will review the features of this statement as needed, and may revise it depending on circumstances such as amendments to relevant laws and changes in the information technology environment.

Product Disclosure Statement

16. Other matters you should note

16.1 The Customer Agreement

This Product Disclosure Statement describes CIA's products and services and summarises many important elements of the Customer Agreement. However, it is not a comprehensive description of all terms and conditions and Clients must refer directly to the Customer Agreement.

The Customer Agreement is the terms and conditions under which we offer CIA's Products and deal with you. The Customer Agreement also provide for the following:

- the terms and conditions that apply to each CIA Product;
- your obligations to us;
- our rights and obligations (including our rights should you default on your obligations). Our rights include the right to close out some or all of your positions; and
- the methods used to calculate amounts with respect to your Account.

CIA may, at its discretion, amend or vary the Customer Agreement by providing 14 days notice, in specified circumstances, without prior notice. This is set out in the Customer Agreement.

16.2 Australian law governs Customer Agreement

The Customer Agreement, PDS and each transaction with CIA are in all aspects governed by the law of New South Wales and you irrevocably submit to the exclusive jurisdiction of the courts of the State of New South Wales in relation to any disputes with CIA.

16.3 Daily statements

You should verify the content of each document received from CIA. Such documents will, in the absence of manifest error, be conclusive unless the Client notifies CIA of an objection in writing within 48 hours of receiving such document.

Under the Customer Agreement the 48 hours begins from the time the document is sent by CIA to your personal email address.

16.4 Client's obligations

Your obligations under the Customer Agreement, including, but not limited to, monitoring your positions and maintaining the required Total Margin at all times, apply continuously, 24 hours a day.

16.5 Security

If you are aware or suspect that your username, account number, user ID or password have been leaked then you should contact us promptly so that they may be changed.

16.6 Key times, dates & events

It is your responsibility to be aware of key dates and events in relation to the CIA's Products.

16.7 No interest in Underlying Instrument

Neither you nor we acquire any interest in or right to acquire the Underlying Instrument of any CIA Product that is traded between both parties. Moreover, neither party is obliged to sell, purchase, hold or deliver or receive the Underlying Instrument.

16.8 Pricing errors

If errors occur in the prices of CIA's Products quoted by CIA, neither party without prejudice to any rights it may have under statute or common law will be bound by any dealing which purports to have been made (whether or not confirmed by us) at a price which was, or ought reasonably to have been, known to either party to be materially incorrect at the time of the dealing.

16.9 Sharing of Fees and other amounts

CIA may share fees, the dealing spread, financing charges and other charges with its associates or other third parties or receive remuneration from them in respect of contracts entered into by CIA with you.

16.10 Clients may be treated differently

CIA in its absolute discretion may quote different prices, and charge fees, financing charges and other charges at different rates, to different Clients.

16.11 Other considerations

CIA does not take into account labour standards, environmental, social or ethical considerations for the purpose of dealing in CIA's Products with you, other than dealing with you in a fair and equitable manner.

16.12 Priority of Documents

In the event of any conflict between any provision of the Customer Agreement and this document, the provisions of the Customer Agreement shall prevail.

Product Disclosure Statement

17. Glossary

Below is a list of some words used in this PDS and their meanings. The Customer Agreement defines many terms and expressions and you should refer to them if in any doubt about the meaning of any term or expression.

Account

An account of the Client to deal in CIA's Products with CIA

American Options

An Option that can be exercised at any time up until expiry

Application Form

An application form to open an Account with CIA.

Authorised Person

The Client and/or any person authorised by the Client to give instructions to CIA under the Customer Agreement, including a person under a limited power of attorney or representative authorisation.

Base Currency

The currency you have nominated as being the denomination for the Account.

Binary Option

The key characteristic of an Option that has a defined payoff depending on whether a specified event occurs or not

Business Day means any day (other than a Saturday, Sunday or public holiday) on which banks are open for business in Sydney, Australia or any day on which the exchange on which the relevant Underlying Instrument constituent Underlying Instruments have their primary listing, or the exchange on which an Index operates, whichever is applicable, is open for trading, and will exclude any day on which all trading on the relevant exchange is closed or suspended;

Cash Dividend

The cash dividend or distribution declared only and does not include any Imputation Credits attached to a dividend or distribution.

Call Option means a financial instrument in which the buyer has the right (but not the obligation) to buy an underlying financial instrument at a certain strike price.

Call Option CFD

A CFD offered over a Call Option.

Customer Agreement

CIA's contract detailing the rights and obligations of each party

Client Money Rules

Means the provisions in Part 7.8 of the Corporations Act 2000 (Cth) and the relevant provisions of the Corporations Regulations

Close of Business

Means 17:00 New York; 22:00 GMT (07:00 Australian Summer or during US Summer Time 21:00 GMT and 09:00 AEST).

CIA Exchange Rate

The foreign exchange rate as CIA may reasonably determine from time to time having regard to current market rates and which is available to the Client from CIA on request. This rate may be different to the price quoted by CIA for a FX CFD.

CIA's Products

The products that CIA offers to its Clients from time to time under the terms and conditions of the Customer Agreement

CIA Rollover Rate

The rate as CIA may determine from time to time having regard to interbank rates for rollovers.

Contract for Difference (CFD)

A contract with CIA whose value fluctuates by reference to fluctuations in the price of an Underlying Instrument

Contract Note

A document confirming a trade with respect to a CIA Product

European Options

An Option that can only be exercised at Expiry

Events of Default

Has the meaning defined in the Customer Agreement and includes a Client failing to meet their Margin Requirement.

Exercise means the action to buy or sell at the strike price of the option.

Product Disclosure Statement

Expiry means the date and time at which the option contract expires. The contract will not trade after this date.

Financing Rate

The CIA rate at which you pay or receive interest on Rolling CFD positions that remain open overnight

Financing Spread

This is the spread applied to the Reference Rate to determine the interest rate used to calculate the Daily Financing Fee associated with Rolling CFDs.

FX

Foreign Exchange, either a rate of exchange between to currencies or a currency itself

FX CFD

A Contract for Difference over an exchange rate between two currencies

Forex

A currency or cross currency

Future

Any CFD entered into between CIA and a Client for maturity at a specified date in the future.

In-the-Money

The option has intrinsic value. In the case of a Call Option CFD, the current price of the underlying is above the strike price. In the case of a Put Option CFD the current underlying price is below the strike price.

Intrinsic Value

Where the value of the difference between the current underlying price and the strike price is positive, the Option CFD has intrinsic value.

Imputation Credit

An imputation credit is a tax credit which is attached to a dividend or distribution paid to a person. Imputation credits represent the person's allocation of tax paid that has been paid by the entity that is paying the dividend or distribution to the person. They are also known in some jurisdictions as franking credits.

Good 'til Cancelled (GTC) Order

An instruction that the order does not expire at the end of the trading day

GMT

Greenwich Mean Time

Grossed-up Dividend

The grossed-up amount of the dividend is the sum of the Cash Dividend plus any Imputation Credit attached to the Cash Dividend that a person who owns the underlying security is entitled to.

Guaranteed Stop-loss order (GSLO)

A GSLO order is similar to a normal Stop-loss order in that it can be used to close or reduce a position, but with the added benefit of CIA guaranteeing your stop out price.

Limited Hours Trading means the ability of the Client to trade CIA's Products only during such hours as the relevant exchange is open.

Limit order

An order to buy or sell a specified amount of a security at a specified price or better

Long Party

The party that has bought the relevant CIA Product

Margin Call

A demand for additional funds to be deposited in a margin account to meet margin requirements because of adverse price movements

Market

A contract we make available which is comprised of a unique set of price information, minimum and maximum Quantity, expiry and other commercial features determined by reference to an Underlying Instrument

Market Order

An order to buy or sell a CIA Product immediately at CIA's prevailing Our Price.

Margin Level

The ratio of Net Equity (the sum of your Cash and Unrealised P & L) to Total Margin (expressed as a percentage). Your Margin Level is stated on the ITP.

Market Information Sheet

An electronic document located on the Trading Platform which sets out the commercial details for each market, including but not limited to: margin factors, trading hours, the minimum and maximum quantity and our spread.

Product Disclosure Statement

Margin Requirement

The amount of money that you are required to deposit with us as consideration for entering into a trade and maintaining an Open Position

Net Equity

The aggregate of all currency balances in your account and any unrealised profits or losses

Our Bid Price

The lower of two prices we quote for each Market

Our Offer Price

The higher of the two prices we quote for each Market

Our Price

Our Offer Price and Our Bid Price for each Market

Out-of-the-Money

The option has no intrinsic value. Where the value of the difference between the current underlying price and the strike price is zero or negative, the Option CFD has no intrinsic value.

Premium means the price of the Option.

Put Option

A financial instrument in which the buyer has the right (but not the obligation) to sell an underlying financial instrument at a certain strike price

Put Option CFD

A CFD offered over a Put Option

Quantity

The amount of units traded in a Market, synonymous to "stake" or "trade size"

Reference Interest Rate

The interest rate for each respective currency used by CIA to calculate the Financing Rate on Rolling CFD positions held overnight.

Rolling CFD

Any CFD, other than a Future entered into between CIA and a Client.

Stop-entry order

An order placed to open a new position or increase an existing position at a price which is inferior to the current market price.

Short Party

The party that has sold the relevant CIA Product

Stop-loss order

An order that allows you to control any potential losses on a position should the market move against you.

Strike Price

The agreed price of the Underlying Instrument which determines if an option is exercisable at Expiry

Time to Expiry

The time left to the expiry date and time of the option.

Time Value

Means the amount by which the option premium exceeds the intrinsic value.

Total Margin

Means a figure stated on the Trading Platform which represents the aggregate of the Margin Requirements on your Account.

Trade

A transaction entered into by you with us pursuant to our Customer Agreement.

Trading Resource

Means your Net Equity less your Total Margin

Transaction Fee

A transaction fee charged by CIA for execution services

Underlying Instrument

The instrument, index, commodity, currency or other instrument, asset or factor whose price or value provides the basis for us to determine Our Price for a Market.

Waived Margin

An amount which is allocated into a Client's Account in CIA's absolute discretion. The amount of Waived Margin:

- a) can only be used against the Client's Total Margin during a specified period; and
- b) cannot, in any circumstances, be withdrawn from the Client's Account or be used against any losses on the Client's Account.

The allocation of Waived Margin is subject to Terms and Conditions issued by CIA from time to time.

We, us or CIA

Means City Index Australia Pty Ltd.

Customer Agreement

City Index Australia Pty Ltd

ACN 141 774 727

AFSL 345646

Date of Issue: 14 April, 2011

General Terms and Conditions

A. The scope of the agreement

1. Introduction

1.1. These General Terms are part of the agreement between City Index Australia Pty Ltd (ACN 141 774 727) ("we", "our" or "us") and its client ("you" or "yourself") which governs our trading services and all transactions we conduct with you.

1.2. We hold an Australian financial services ("AFS") licence (AFS licence number 345646). Our registered office is at Level 15, Chifley Tower, 2 Chifley Place, Sydney, New South Wales, 2000, Australia.

1.3. The agreement between us relating to our trading services consists of the following documents:

- Application Form;
- General Terms and the Supplemental Terms for the relevant product (located in the Appendices to the General Terms); and
- Market Information, which provides the commercial details for each Market, including Market Hours, Margin Factors and other requirements for dealing in each Market. This is available on our Trading Platform.

Together these are referred to as the "Agreement".

1.4. This Agreement is dated 14 April, 2011. This Agreement supersedes all our previous terms and conditions/Customer Agreements and any amendments thereto.

1.5. The Agreement will be effective from the specified date or the date we acknowledge acceptance of your Application Form.

1.6. Each Product we offer is subject to its Supplemental Terms. Should there be any conflict between these General Terms and the Supplemental Terms, the Supplemental Terms will prevail.

1.7. Other materials which explain the basis upon which we trade with you but are not part of the Agreement include:

- the Website – including our Trading Platform via which you will trade on-line with us; and
- our Financial Services Guide and Product Disclosure Statement ("PDS") and our Help Sheets;

1.8. **Please read this Agreement carefully and seek professional advice if necessary. Contracts that we enter into with you under this Agreement are legally binding and enforceable. By signing the Application form or by electronically submitting your application on our Website you confirm that you accept the terms of the Agreement. When we open an Account for you, you will be bound by the Agreement in your dealings with us.**

1.9. Words and expressions have the meanings set out in the Definitions at clause 34. References to clauses are to clauses in these General Terms unless stated otherwise.

1.10. You may communicate with us in writing (including fax), by email or other electronic means, or orally (including by telephone). The language of communication shall be English, and you will receive documents and other information from us in English.

2. General Information

2.1. Our trading service is an on-line service and you specifically consent to the receipt of documents in electronic form via email, Website or other electronic means. Upon your request we will send you the Product Disclosure Statement and Financial Services Guide in paper form at no charge.

2.2. You confirm that you have regular access to the Internet and consent to us providing you with information about us and our services (including the Market Information), our costs and charges and our Notices by email or by posting such information on our website or the Trading Platform.

2.3. Unless otherwise advised by us in writing we will classify you as a Retail Client for the purposes of the Corporations Act.

2.4. We will deal with you as principal and not as agent on your behalf. This means that any Trades are agreed directly between you and us and we will be the counterparty to all of your Trades.

2.5. Unless we agree otherwise in writing, you will also deal with us as principal and not as an agent or representative of another person. You will not permit any person to deal on your behalf unless we agree that such person (the "Agent") can act on your behalf. We will be entitled to rely on any instructions given to us by the Agent in relation to your Account. We may require confirmation that the Agent has authority to act on your behalf at any time we reasonably consider appropriate.

2.6. We shall not give advice to you on the merits of any Trade and shall deal with you on an execution-only basis. Any advice that we provide to you is general advice only. We will not provide you with personal advice. Personal advice is advice about a financial product that is given or directed to a person in circumstances where:

- **the provider of the advice has considered one or more of the person's objectives, financial situation and needs; or**
- **a reasonable person might expect the provider to have considered one or more of those matters.**

This means that advice we do give you has been prepared without taking account of your objectives, financial situations or needs. As with any other financial product you should carefully consider the appropriateness of the advice you have received having regard to your objectives, financial situations or needs and you should obtain and read our PDS before making any decisions in relation to our products or services.

2.7. You will not have any rights of ownership or otherwise in any Underlying Instrument as a result of a Trade with us. We will not transfer any Underlying Instrument or any rights (such as voting rights) in it to you.

B. Dealing with us

3. Your Account

3.1. After we have accepted your Application Form we will open your Account. We may open different Accounts for you, including different Accounts for different Product types. Except as otherwise expressly provided in this Agreement, where you have opened more than one Account with us, we will treat such Accounts as entirely separate from each other. We reserve the right to refuse to open an Account for any reason.

3.2. You undertake that any information you provide to us is correct. You must immediately inform us of any material

change to the information provided to us on your Application Form, including any change to your contact details or financial status.

3.3. When we open your Account we will provide you with a unique Account number and will agree with you such other Security Information as we consider appropriate:

- 3.3.1. it is your responsibility to keep your Account number and Security Information confidential;
- 3.3.2. you agree that you will not disclose your Account number or Security Information to any other person;
- 3.3.3. we may agree separate Security Information with your Agent or any joint Account holders; and
- 3.3.4. when you deal with us or give us an instruction, we will require details of your Account number and your (or your Agent's) Security Information.

3.4. Except where otherwise provided in this clause, you are responsible for paying any losses, fees or charges arising from Trades entered into or instructions given using your Account number and Security Information. You will not be responsible for any losses after we receive a request from you that we stop using any item of the Security Information. You will also not be responsible for any losses where we have been negligent in allowing a person you have not authorised to access your Account, or where it can be shown that a person has gained access to our Trading Platform by abuse of our systems (that is by "hacking") except where such loss results from your failure to comply with clause 3.3 or 26.5. If you fail to comply with these clauses then you will be liable for the resulting loss. Please note that we do not restrict the domain from which any person can access the Trading Platform.

3.5. If you open an Account in the name of yourself and others, then:

- 3.5.1. we may act on instructions from either you or any other person in whose name the Account is opened (each a "Joint Account Holder"), including instructions to trade;
- 3.5.2. we may give any notice or communication to either you or another Joint Account Holder;
- 3.5.3. all Account holders shall be jointly and severally liable for losses, fees or charges arising on a joint Account. Among other things, this means that any monies owed on the Account shall be payable in full by you or any of the other Joint Account Holders; and
- 3.5.4. if you or any other Joint Account Holder dies, we may take instructions from and pay any balance to the survivor(s).

3.6. Your Account will be denominated in a Base Currency. If we do not agree a Base Currency for the Account with you, then the Base Currency will be Australian Dollars. Trades for certain Markets may be denominated in other currencies however the resulting Open Positions may be valued at or converted to the Base Currency in accordance with clause 19 or the relevant Supplemental Terms.

3.7. Credit and debit entries, including any Daily Financing Fees, deposits and withdrawals, will be made to your Account. You are responsible for monitoring your Open Positions and any activity in your Account. We are not obliged to monitor or advise you on the effect of any Trade, Order or Open Position. You may access your Account information at any time by logging into the Trading Platform or by calling Client Services.

4. Instructions and Basis of Dealing

4.1. You may give us instructions for Trades via the Trading Platform, which forms part of our Website, or in such other manner as we may specify to you in writing from time to time. In such circumstances:

- 4.1.1. when you do so you are offering to enter into a Trade with us at the price we quote when you complete all obligatory fields and click the relevant icon; and
- 4.1.2. when we receive your offer we will provide you with an electronic acknowledgment but you and we will be bound by a Trade only when details of the Trade are reported as executed on the Trading Platform. If you do not see details of the executed Trade on the Trading Platform, please call us immediately to confirm the status of the Trade. After we execute the Trade we will send you a Trade Confirmation as described in clause 12;

4.2. You may also give us instructions for Trades by telephone. When you do so:

- 4.2.1. your oral instruction to Trade will constitute an offer to enter into a Trade at the price we quote. Trades placed by telephone will only be accepted at the current Our Price;
- 4.2.2. you can place an Order by telephone only by talking directly to an authorised dealer. We will not accept an Order left with other employees, on an answering machine or on a voice mail facility;
- 4.2.3. you and we will be bound by a Trade only when our authorised dealer confirms that the offer has been accepted.

4.3. You may place an electronic Order on the Trading Platform at any time or you may place a telephone Order with an authorised dealer during our Trading Hours. However, we will execute Trades only during times which are both our Trading Hours and the Market Hours for the relevant Market. Market Hours will be described as either: "24 hours", meaning we will execute Trades at any time during our Trading Hours; or "exchange hours", meaning we will execute Trades only during the times stated in the Market Information. We will advise you of any change to our Trading Hours or Market Hours on the Trading Platform and will provide you with no less than two Business Days notice of any such change.

4.4. We reserve the right to refuse to enter into any Trade. Such situations include but are not limited to, when:

- 4.4.1. Trades are placed outside of the Market Hours (clause 4.3);
- 4.4.2. Trades are larger than the maximum Quantity we set for the Market (clause 4.6);
- 4.4.3. your Trading Resource is insufficient to fund the proposed Trade (clause 10);
- 4.4.4. entry into the Trade would cause you to exceed the maximum Total Margin, if any, applied to your Account (clause 10);
- 4.4.5. Our Price or the Trade derives from a Manifest Error (clause 15);
- 4.4.6. Events Outside Our Control or Market Disruption Events have occurred (clause 16);
- 4.4.7. any amount you owe us has not been paid (clause 17); and
- 4.4.8. we believe the Trade would be in breach of this Agreement or any legal or regulatory requirement applicable to you or us.

4.5. If we accept a Trade before becoming aware of

any of the events described in clauses 4.4.1 to 4.4.8, we may in our sole discretion treat the Trade as void or close the Open Position at Our Price prevailing at the time we close the Open Position. If we choose to maintain the Open Position, you will be liable for the full value of the Trade when it is closed.

4.6. We may set minimum and maximum Quantities for opening and/or closing Trades in each Market and different minimum and maximum Quantities for Trades placed on the Trading Platform or by telephone. Minimum and maximum Quantities are stated in the Market Information. Trades to close an Open Position are subject to the minimum and maximum Quantity valid at the time that the closing Trade is executed. We may be unable to execute Trades at Our Price which are larger than our maximum Quantity or smaller than our minimum Quantity. Where you wish to execute a Trade whose size exceeds our maximum Quantity, you may request a quote. Where a Trade is executed through several transactions at varying prices you will be charged separate fees and commission for each individual transaction. We may vary the minimum and maximum Quantity from time to time and new minimum and maximum Quantities will be effective at the time of publication.

4.7. Subject to our right to refuse to enter into any Trade, we will use our reasonable endeavours to execute a Trade within a reasonable time after we receive it or after the conditions for an Order are fulfilled.

4.8. Where your Open Position is larger than our maximum Quantity and you have not closed it before its expiry date, we may roll over the Open Position rather than settle it.

5. Our Price

5.1. During Market Hours, we will quote two prices for the Market: a higher price ("Our Offer Price") and a lower price ("Our Bid Price"); together these prices are known as "Our Price" for a Market. Our Price is determined by reference to the price of the Underlying Instrument which is quoted on external securities exchanges or dealing facilities that we select at our discretion. Details of how we calculate Our Price are stated in the Supplemental Terms. Our Prices and how we calculate Our Prices are determined in our absolute discretion and any changes are effective immediately. If Our Price for any Market is not available on the Trading Platform, please call Client Services to obtain a quote.

5.2. We will accept a Trade only on the basis of a current Our Price. You may not be able to enter into Trades at Our Price where Our Price is described as "indicative only" or "indicative" or "invalid" (or words or messages to the same effect).

5.3. We provide quotes for Our Prices on a best efforts basis. If a Market Disruption Event or an Event Outside of Our Control occurs we may not be able to provide a quote for Our Price or execute Trades during Market Hours.

5.4. The difference between Our Bid Price and Our Offer Price is "Our Spread". For certain Products, Our Spread may contain an element of charge or commission for us. For these Products, two spreads may apply during Market Hours: one Spread will apply when securities exchanges or dealing facilities for the Underlying Instrument are open and another will apply when these are closed. Our Spreads are set in our absolute discretion and any changes are effective immediately. Our Spread for each Market is stated in the Market Information. If Our Spread is not available in the Market Information, please call Client Services.

6. Closing Trades

6.1. You may close an Open Position by placing an

opposite Trade; that is a Trade to sell (to close a Long Position) or to buy (to close a Short Position) in the same Market for the same Quantity and expiry (if the Market has an expiry). Instructions placed for closing Trades are subject to clause 4.

6.2. You may partially close an Open Position by entering into an opposite Trade in the same Market but for a smaller Quantity and the same expiry (if appropriate) as the Open Position. If you do so, there will be an Open Position remaining for the amount that is not offset by the closing Trade.

6.3. If you enter into a closing Trade in the same Market with a greater Quantity but in the same expiry as the Open Position it offsets, then the original Open Position will be closed and a new Open Position will be created for the Quantity by which the new Trade exceeds the original Open Position.

6.4. Where you have more than one Open Position in the same Market, any closing Trade or Trades that you place will close the Open Positions in the chronological order in which the Open Positions were created starting with your earliest Open Position.

6.5. An Open Position will be closed in whole or in part by an opposite Trade in accordance with clauses 6.1, 6.2 and 6.3 unless we have specifically agreed with you that this will not happen for a particular Open Position.

6.6. You will usually be able to close an Open Position during Market Hours. However, we reserve the right to reject any Trade in accordance with clause 4.4. As a consequence, you may not be able to close the Open Position and your losses may be unlimited until such time as you are able to close the Open Position.

6.7. Unless Open Positions are closed in accordance with this clause 6, rolled over in accordance with clause 7, or are terminated, voided or otherwise closed in accordance with this Agreement, they will remain open until their expiry (if they have an expiry date) or will remain open indefinitely if they do not. On the expiry date (or event, if such expiration is dependent upon an event) the Open Position will be closed and settled at Our Price at the time the Open Position is closed.

6.8. Where we exercise our rights in accordance with this Agreement to close any of your Open Positions, we will do so at a time and date determined by us in our reasonable discretion.

7. Rollover

7.1. Where the Supplemental Terms allow, Open Positions may be rolled in accordance with your instructions. Some Products have Markets that roll over automatically and these are identified in the relevant Supplemental Terms.

7.2. If we agree to roll over an Open Position then the original Open Position is closed, becomes due for settlement at Our Price at the time the Open Position is closed and a new Open Position is established. The times at which we will close Open Positions which are rolled are stated in the Market Information.

8. Orders

8.1. The range of different Order types which we accept shall be decided by us in our absolute discretion. Certain types of Orders, such as Guaranteed Stop Loss Orders, may only be available for a limited range of Markets.

8.2. The types of Orders we accept and which types of Orders attach to specific Open Positions or other Orders ("Attached Orders") are detailed in the Product Disclosure Statement. It is your responsibility to understand the features of an Order and how the Order will operate before you place it.

8.3. We endeavour to fill Orders at the first Our Price reasonably available to us after the price specified is reached or at the occurrence of the event or condition specified in the Order. However, we may not be able to execute Orders if there is an Event Outside of Our Control in relation to an Underlying Instrument. For all Orders other than Guaranteed Stop Loss Orders, we may not be able to execute your Order at the price level you specify. We will use best endeavours to execute your Order at Our Price nearest to your specified price.

8.4. We may, without limitation, set a minimum price range between the current Our Price and the price or level of any Stop Orders, Guaranteed Stop Loss Orders and Limit Orders and we reserve the right not to accept any Orders which are less than this minimum price range.

8.5. Orders will be "Good until Cancelled" ("GTC") unless you specify at the time of placing the relevant Order that it is only "Good for the Day" ("GFD") or "Good for the Time" ("GFT"). Unless an Order is cancelled or ceases to have effect, we will regard it as valid and execute it when Our Price reaches the price you specify or the specified event or condition occurs.

8.6. You may only cancel or amend an Order, with our consent, if the price specified has not been reached or the event or condition specified in the Order has not occurred. Changes to Orders may be made on the Trading Platform or by calling Client Services.

8.7. When you place an Order to close an Open Position (a "Closing Order"):

- 8.7.1. if you close the Open Position before the Closing Order is executed, we will treat this as an instruction to cancel the Closing Order; and
- 8.7.2. if you close only a portion of the Open Position before the Closing Order is executed, we will treat the Order as an Order to close only the portion of the Open Position that remains open.

8.8. We offer Guaranteed Stop Loss Orders for a limited range of Markets. For these Markets:

- 8.8.1. the Market Information states if a Guaranteed Stop Loss Order is available;
- 8.8.2. we may charge a premium payment for each Guaranteed Stop Loss Order. The rate or price of this payment is stated in the Market Information;
- 8.8.3. we will accept your Guaranteed Stop Loss Order only during Market Hours
- 8.8.4. we will execute a Guaranteed Stop Loss Order at the price you specify, when that price level is reached; and
- 8.8.5. we may make available and set minimum and maximum Quantities for Guaranteed Stop Loss Orders which are different from the minimum and maximum Quantities which apply to other types of Order.

9. Our Charges

9.1. Depending on the Market concerned, we may:

- 9.1.1. include an element of profit for us in Our Spread;
- 9.1.2. charge commission;
- 9.1.3. impose a Daily Financing Fee on your Open Positions; and/or
- 9.1.4. charge premiums for Guaranteed Stop Loss Orders.

9.2. We will tell you the fees and charges that apply to your Account and the basis of calculation for any such fees or

charges in our Product Disclosure Statement.

9.3. We may from time to time share a proportion of Our Spread, commissions and other Account fees with other persons including (without limitation) Introducers. We may also receive payment in connection with certain foreign exchange transactions undertaken pursuant to clause 19.

9.4. We may pass on to you charges which we may from time to time incur in borrowing stock in the external market to hedge a Short Position which you have opened with us. These charges will fluctuate depending on market conditions and the scarcity of the stock concerned. We will advise you of any such charges at the time they are incurred or as soon as possible after we become aware that they have been incurred, whether in the Market Information or otherwise.

9.5. We may pass on to you any additional charge for stamp duty, transfer tax or other taxes or duties which we may incur to hedge any Trade with you.

9.6. We will notify you of any change to our current fees and charges or any additional fees and charges that we may apply to your Account in accordance with clause 30.

10. Margin Requirement

10.1. You must pay a Margin Requirement when you place a Trade which creates an Open Position. If your Trading Resource is less than the Margin Requirement plus Our Spreads and any applicable charges for the Trade you wish to place, we may reject your Trade. The Margin Requirement is due and payable when you place the Trade and must be maintained at all times until the Open Position is closed.

10.2. Margin Requirement is calculated using the Margin Factor for the relevant Market. Margin Factors may be expressed as a percentage, number or other form applicable to the nature of the Market. Details of how we calculate Margin Requirement for different Markets can be found in the Supplemental Terms.

10.3. Margin Factors for each Market are stated in the Market Information. Any changes to a Margin Factor will increase or decrease your Margin Requirement. For Margin Factors expressed as a percentage and all Open Positions subject to Orders Aware Margining, the Margin Requirement will change as Our Price for the relevant Market changes.

10.4. Non-standard Margin Requirements may apply for the following:

- 10.4.1. for certain Markets derived from options or options-related financial instruments;
- 10.4.2. when you are holding positions in two or more Markets in the same Underlying Instrument;
- 10.4.3. Trades which have an attached Stop Loss Order in Markets where Orders Aware Margining is available (clause 10.6);
- 10.4.4. when a Margin Multiplier is applied (clause 10.7); and
- 10.4.5. when the Quantity of a Trade is greater than our maximum Quantity (clause 4.6).

Details of how we calculate non-standard Margin Requirements are set out in the Supplemental Terms.

10.5. We reserve the right to change the way in which we calculate Margin Requirements.

10.6. Orders Aware Margining offers the potential to reduce Margin Requirement for Trades in certain Markets which are subject to a Stop Loss Order or a Guaranteed Stop Loss Order. Orders Aware Margining is available for a limited range of Markets and details of its availability is provided in the Market Information. Details of how Orders Aware Margining is calculated can be found in the Supplemental Terms.

10.7. We may apply a Margin Multiplier to all Trades placed in your Account or to a specific Trade. The application of a Margin Multiplier or any change in a Margin Multiplier will result in a change to the Margin Requirement for any Trades or Open Positions for the relevant Markets.

10.8. We may alter Margin Factors, Margin Multipliers and Margin Requirement at any time and any change will become effective immediately. For Open Positions, subject to our rights in clauses 16 and 17, we will provide you with at least 24 hours' notice of any increase in Margin Factors, Margin Multipliers or Margin Requirement. It is your responsibility to know at all times the current Margin Factors, Margin Multiplier and Margin Requirement applicable to your Account and your Open Positions.

10.9. We will be entitled to notify you of an alteration to the Margin Factors, Margin Multiplier and Margin Requirement by any of the following means: post, telephone, fax, email, text message or by posting notice of the increase on the Website or Trading Platform.

10.10. Your Total Margin will be the aggregate of all Margin Requirements in your Account. We may set a maximum figure for your Total Margin which will act as a limit on the amount of funds we hold as the Margin Requirement. If we set a maximum Total Margin we will inform you.

11. Margin Close Out Level

11.1. **If the Margin Level for your Account reaches or falls below the Margin Close Out Level, this will be classified as an Event of Default under clause 17. In such circumstances we may, among other things, close all or any of your Open Positions immediately and without notice and refuse to execute new Trades until your Margin Level is 100% or greater.** We will close your Open Positions at Our Price prevailing at the time when your Open Positions are closed.

11.2. We may but are not obliged to contact you before we take any action under clause 11.1.

11.3. You will be notified of the Margin Close Out Level applicable to your Account in the Product Disclosure Statement. We may alter the Margin Close Out Level applicable to your Account at any time. Subject to our rights in clauses 16 and 17, we will provide you with at least three (3) days notice of any change to your Margin Close Out Level. It is your responsibility to remain informed about the Margin Close Out Level applicable to your Account.

11.4. We will be entitled to notify you of an alteration to your Margin Close Out Level by any of the following means: post, telephone, fax, email, text message or by posting notice of the increase on the Website or Trading Platform.

11.5. The Margin Close Out Level is designed to help limit the extent of your trading losses. We do not however guarantee that your Open Positions will be closed when the Margin Level for your Account reaches the Margin Close Out Level or that your losses will be limited to the amount of funds you have deposited in your Account.

12. Trade Confirmations and Statements

12.1. Unless we have agreed otherwise we will send you a Trade Confirmation in respect of each Trade executed between us. The absence of a Trade Confirmation will not affect the validity of any Trade.

12.2. Trade Confirmations will be sent to you as soon as reasonably practicable and no later than the next Business Day after a Trade is executed. Other than on your specific request, Trade Confirmations and statements will be sent to you by e-mail.

12.3. It is your responsibility to review all contract notes and statements received to ensure that they are accurate. If

you believe that a contract note or statement received by you is incorrect, because it refers to a Trade which you have not placed or for any other reason, you must tell us immediately. Contract notes and statements will, in the absence of a Manifest Error, be conclusive and binding unless we receive an objection from you in writing within 48 hours of receipt or we notify you of an error in the contract note or statement in the same period. If you do not receive a contract note for any Trade you have executed, please inform us immediately.

12.4. Periodic statements, including statements of your Cash, Open Positions and any charges made to your Account will ordinarily be sent to you no less than monthly.

13. Payments and Withdrawals

13.1. If your Account shows a positive Cash balance, you may request that we make a payment to you of such amount. We may however elect to withhold any payment requested, in whole or in part, if:

13.1.1. you have Unrealised Losses on your Account; and/or

13.1.2. we reasonably consider that funds may be required to meet any Margin Requirement; and/or

13.1.3. there is any amount outstanding from you to us; and/or

13.1.4. we are required to do so under any relevant legislation or regulation.

13.2. We may debit the Cash balance on your Account with any amount due to us under this Agreement and with any bank transfer charges we incur in transferring funds to you. In addition, you are responsible for all costs and expenses we incur as a result of you failing to pay amounts due or if you breach the Agreement including, without limitation, bank charges, court fees, legal fees and other third party costs we reasonably incur.

13.3. If we credit a payment to your Account but subsequently discover that the credit was made in error, we reserve the right to reverse any such credit and/or cancel any Trades which could not have been made but for that credit.

13.4. Unless we agree otherwise, any amounts payable to you will be paid by direct transfer to the same source (in your name) from which you have made payment to us.

13.5. Payment of any amount due to us is subject to the following conditions:

13.5.1. unless otherwise agreed, payment must be made in the Base Currency for your Account;

13.5.2. if made by debit or credit card, the debit or credit card must be accepted by us and we reserve the right to charge an administration fee;

13.5.3. unless otherwise agreed your Account will be credited with the net cleared funds received after all deductions of bank charges or any other costs of transfer incurred in relation to the payment;

13.5.4. if made by cheque or bank transfer, the cheque must be drawn on or the transfer made must be made from an account in your name with an approved financial institution or other bank we deem satisfactory.;

13.5.5. if you wish to make a payment through any other financial institution (or card issued by such a bank) please contact us to confirm the acceptability of the bank concerned before a payment is required to be made; and

13.5.6. we do not accept cash or payments from third parties unless otherwise agreed.

13.6. If your Account is in debit, the full amount is due and payable immediately.

13.7. We may refuse to accept payment by cheque or banker's draft and may require immediate payment by telegraphic transfer, debit card or any other method of electronic transfer acceptable to us.

13.8. If you fail to pay any sum due to us on the due date in accordance with this Agreement, we will charge interest on this amount. Interest will be due on a daily basis from the due date until the date on which payment is received in full at a rate not exceeding 4% above the applicable central bank's official base rate for short-term funds (or a rate we reasonably consider serves materially the same function) from time to time and will be payable on demand.

14. Credit

14.1. We may at our discretion allocate Credit to your Account in accordance with this clause 14. You will be notified of the amount of Credit available on your Account in writing.

14.2. Credit will increase your Trading Resource and this will allow you to place new Opening Positions. You will only be able to place new Opening Positions using Credit if your Trading Resource is positive. Credit is to be used solely for Trading purposes.

14.3. Notwithstanding clause 14.2 above, Credit may not be used to pay Realised Losses.

14.4. Credit is not cash and unless we agree otherwise it may not be withdrawn or transferred from your Account to another account with us or any other financial institution. The provision of Credit is not a risk management tool and you acknowledge that the Credit on your Account and your indebtedness to us in respect of this Credit is not a limit as to your potential financial liability to us and it will not restrict your losses.

14.5. You acknowledge that Credit is determined by us at our discretion based on risk allocation and we may reduce your credit limit at any time. You therefore agree to inform us immediately should your personal financial circumstances change.

14.6. Provision of credit is subject to various terms at the time of issue. You should make sure that you understand and accept these terms before accepting any credit from us.

14.7. We reserve the right to alter the amount of Credit on your Account or to withdraw Credit for any reason on giving you 14 days notice.

C. OUR RIGHTS IN SPECIAL CIRCUMSTANCES

15. Manifest Error

15.1. A Manifest Error is an error, omission or misquote (including any misquote by our dealer) which by fault of either of us or any third party is materially and clearly incorrect when taking into account market conditions and quotes in Markets or Underlying Instruments which prevailed at that time. It may include an incorrect price, date, time or Market or any error or lack of clarity of any information, source, commentator, official, official result or pronouncement.

15.2. If a Trade is based on a Manifest Error (regardless of whether you or we gain from the error) we may act reasonably and in good faith to:

15.2.1. void the Trade as if it had never taken place;

15.2.2. close the Trade or any Open Position resulting from it; or

15.2.3. amend the Trade so that its terms are the same as the Trade which would have been placed if there had been no Manifest Error.

15.3. We will exercise the rights in clause 15.2 as soon as reasonably practicable after we become aware of the Manifest Error. To the extent practicable we will give you prior notice of any action we take under this clause but if this is not practicable we will give you notice as soon as practicable afterwards. If you consider that a Trade is based on a Manifest Error, then you must notify us immediately. We will consider in good faith whether it is appropriate to take any action under this clause 15 taking into account all the information relating to the situation, including market conditions and your level of expertise.

15.4. In the absence of our fraud, wilful deceit or negligence, we will not be liable for any loss, costs, claims or demand for expenses resulting from a Manifest Error.

16. Events Outside Our Control and Market Disruption Events

16.1. We may determine that a situation or an exceptional market condition exists which constitutes an Event Outside Our Control and/or a Market Disruption Event.

16.2. If we determine that an Event Outside Our Control or Market Disruption Event has occurred we may take any of the steps referred to in clause 16.3 with immediate effect. We will take reasonable steps to notify you of any action we take before we take any action to the extent practicable. If it is not practicable to give you prior notice, we will notify you at the time or promptly after taking any such action.

16.3. If we determine that an Event outside our Control and/or a Market Disruption Event has occurred, we may take one or more of the following steps:

16.3.1. cease or suspend trading and/or refuse to enter into any Trades or accept any Orders;

16.3.2. alter our normal trading times for all or any Markets;

16.3.3. change Our Price and Our Spreads and/or minimum or maximum Quantity;

16.3.4. close any Open Positions, cancel and/or fill any Orders, and/or make adjustments to the price and/or Quantity of any Open Positions and Orders;

16.3.5. change the Margin Factors and/or Margin Multipliers in relation to both Open Positions and new Trades;

16.3.6. change the Margin Close Out Level applicable to your Account;

16.3.7. immediately require payments of any amounts you owe us, including Margin Requirement;

16.3.8. alter or withdraw the Credit on your Account;

16.3.9. void or roll over any Open Positions; and/or

16.3.10. take or omit to take all such other actions as we consider to be reasonable in the circumstances to protect ourselves and our clients as a whole.

16.4. In some cases we may be unable, after using reasonable efforts, to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any Underlying Instrument we consider necessary to hedge or protect our exposure to market and other risks arising from an Open Position. When this occurs we may close that Open Position at the prevailing Our Price.

16.5. We will not be liable to you for any loss or

damage arising under this clause 16, provided we act reasonably.

17. Events of Default and Similar Circumstances

- 17.1. The following shall constitute Events of Default:
- 17.1.1. an Insolvency Event occurs in relation to you;
 - 17.1.2. you are an individual and you die, become of unsound mind or are unable to pay your debts as they fall due;
 - 17.1.3. the Margin Level for your Account reaches or falls below the Margin Close Out Level;
 - 17.1.4. you act in breach of any warranty or representation made under this Agreement or any representation or warranty made by you under this Agreement and/or any information provided to us in connection with this Agreement is or becomes untrue or misleading;
 - 17.1.5. any sum due to us is not paid in accordance with this Agreement;
 - 17.1.6. whether or not any sums are currently due to us from you, where any cheque or other payment instrument has not been met on first presentation or is subsequently dishonoured or you have persistently failed to pay any amount owed to us on time including Margin Requirement;
 - 17.1.7. at any time and for any periods deemed reasonable by us you are not contactable or you do not respond to any notice or correspondence from us; and
 - 17.1.8. we reasonably believe that it is prudent for us to take any or all of the actions described in clause 17.2 in the light of any relevant legal or regulatory requirement applicable either to you or us.
- 17.2. If any Event of Default occurs we may take all or any of the following actions:
- 17.2.1. Immediately require payment of any amounts you owe us, including Margin Requirement;
 - 17.2.2. close all or any of your Open Positions;
 - 17.2.3. convert any ledger balances to the Base Currency of your Account in accordance with clause 19;
 - 17.2.4. cancel any of your Orders;
 - 17.2.5. exercise our rights of set-off;
 - 17.2.6. change the Margin Close Out Level applicable to your Account;
 - 17.2.7. impose a Margin Multiplier to your Trades or Account;
 - 17.2.8. alter or withdraw the Credit on your Account;
 - 17.2.9. suspend your Account and refuse to execute any Trades or Orders; and/or
 - 17.2.10. terminate this Agreement.
- 17.3. We may also close your Account on 14 days notice in the circumstances set out below. If we rely on our rights under this clause, your Account will be suspended during the 14 day notice period and you will not be able to place Trades other than those to close existing Open Positions. If you have not closed all Open Positions within the period of 14 days notice we shall be entitled to take any action within clause 17.2. The relevant circumstances are:
- 17.3.1. any litigation is commenced involving both of us in an adversarial position to each

other and, in view of the subject matter of or any issues in dispute in relation to that litigation, we reasonably decide that we cannot continue to deal with you while the litigation is pending;

- 17.3.2. where you have persistently acted in an abusive manner toward our staff (for example by displaying what we consider to be serious discourtesy or the use of offensive or insulting language);
- 17.3.3. where we believe on reasonable grounds that you are unable to manage the risks that arise from your Trades.

17.4. Without limiting our right to take any action under clauses 17.2 and 17.3, we may also close or void individual Open Positions and/or cancel any Orders where:

- 17.4.1. we are in dispute with you in respect of an Open Position. In this case we can close all or part of the Open Position in order to minimise the amount in dispute; and/or
- 17.4.2. there is a material breach of the Agreement in relation to the Open Position.

17.5. Without limiting our right to take action under clauses 17.2, 17.3 and 17.4, we may in our discretion suspend your Account pending investigation for any reason. Whilst your Account is suspended you will be able to close your Open Positions but you will not be entitled to place new Trades. Circumstances in which we may choose to exercise this right include but are not limited to the following:

- 17.5.1. when we have reasonable grounds for believing that an Event of Default has occurred or may occur but believe that it is reasonably necessary to investigate circumstances with a view to confirming this;
- 17.5.2. when we have reasonable grounds for believing that you do not have a sufficient understanding of the Trades which you are placing or the risks involved;
- 17.5.3. when we have not received within 10 days of a written request all information, which we believe that we require in connection with this Agreement; and/or
- 17.5.4. we have reason to believe that there has been a breach in your Account security or that there is a threat to your Account security.

17.6. If we have suspended your Account pending investigation, we will use reasonable endeavours to conclude our investigation within five (5) Business Days. When we conclude our investigation we will inform you whether trading on your Account may resume or whether we will seek to take further action pursuant to this Agreement.

17.7. We may exercise our rights to close Open Positions under this clause 17 at any time after the relevant event has occurred and will do so on the basis of the next available Our Price for the affected Open Positions.

18. Netting and Set Off

18.1. The Agreement and all Trades under it shall form part of a single agreement between us and you. You and we both acknowledge that we enter into the Agreement and any Trades under it in reliance upon the fact that these are part of a single agreement between us.

18.2. When Open Positions and/or your Account are closed, we may:

- 18.2.1. combine and consolidate your Cash and any money we hold for you in any or all the Accounts you may have with us or with any

of our Related entities or under any of our trading names; and

18.2.2. set off against each other the amounts referred to in (a) and (b) below:

- a) any amounts that are payable by us to you (regardless of how and when payable) including your Cash (if a credit balance), Unrealised Profits and any credit balance held on any Account you have with us or with any of our Related entities or under any of our trading names even if any of these Accounts have been closed;
- b) any amounts that are payable by you to us (regardless of how and when payable) including, but not limited to, Unrealised Losses, interest, costs, expenses, charges and any debit balance on any Account you have with us or with any of our Related entities or under any of our trading names even if those Accounts have been closed.

18.3. You are also entitled to require us to exercise the above rights in relation to all your Accounts and/or Open Positions which have been closed.

18.4. If the rights under clauses 18.2 or 18.3 are exercised, all the payment obligations will be consolidated into an obligation for you to pay a net sum to us or for us to pay a net sum to you.

19. Currency Conversions and Valuations

19.1. Where we are entitled to do so under this Agreement (including in connection with our rights under clauses 17 and 18) we may convert sums denominated in one currency to another currency. We may also perform a notional currency conversion where this is required for valuation purposes. We shall perform any currency conversion or valuation at rates reasonably available to us. We may receive remuneration from the counterparty to any foreign exchange transaction which we enter into.

19.2. We may in particular make currency conversions or valuations in respect of your Cash, any Realised Profits and Realised Losses or Unrealised P & L, any money paid by you and any money due from you to us or us to you.

19.3. If we have exercised our rights in connection with clauses 17 and/or 18 or you have made a payment to us in a different currency from that in which you were obliged to pay us, we may pass on to you all commission or other charges which we incur in any currency conversion we carry out.

20. Corporate Actions and other events affecting Underlying Instruments

20.1. 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 and/or 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.

20.2. The actions we may take pursuant to clause 20.1 include, but are not limited to:

- 20.2.1. changing Margin Factors, Margin Multipliers and/or the minimum level of Guaranteed Stop Loss Orders both in relation to Open Positions and new Trades;
- 20.2.2. 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;

20.2.3. opening and/or closing one or more Open Positions on your Account;

20.2.4. cancelling any Orders;

20.2.5. suspending or modifying the application of any part of this Agreement;

20.2.6. crediting or debiting sums to your Account as appropriate; and/or

20.2.7. taking all such other action, as we reasonably consider appropriate to reflect the effect of the relevant action or event.

20.3. We shall use best endeavours to take any such actions as soon as we are reasonably able to do so and this will normally be as soon as is reasonably practicable after the relevant event has occurred.

20.4. When we make adjustments to Open Positions, where possible we will adjust the Open Position as held by you to be effective from the commencement of Market Hours on the same Business Day on which the relevant event or action is effective in relation to the Underlying Instrument.

20.5. In certain circumstances we may quote an opening Our Price for a Trade which reflects a dividend which we reasonably and in good faith believe will be paid at a particular price or level on or before the relevant expiry date of that Trade. When that dividend is either (a) paid at a level different from the anticipated level, (b) not paid on or before the relevant expiry date for that Trade or (c) we reasonably consider that it is unlikely to be so paid, we reserve the right to make an adjustment to the opening Our Price of the Trade to take into account the different level or non-payment of the dividend, provided that any such adjustment must be fair and reasonable.

20.6. Depending on the event concerned, we may take any of the actions set out in this clause 20 without prior notice. If we do so, we shall give you notice at the time we take the action or as soon as reasonably practicable thereafter.

21. Representations and Warranties

21.1. Representations and warranties are personal statements, assurances or undertakings given by you to us on which we rely when we deal with you. You make the following representations and warranties at the time you enter into this Agreement and every time you place a Trade or give us any other instruction:

- 21.1.1. all information that you supply to us (whether in the Application Form or otherwise) is true, accurate and not misleading in any material respect;
- 21.1.2. if you are an individual, you are over 18 years old;
- 21.1.3. except where we have agreed otherwise in writing, you act as principal and not any other person's agent or other representative;
- 21.1.4. you have obtained all necessary consents and have the authority to enter into this Agreement and/or to place any Trades and instructions;
- 21.1.5. if you are a company or body corporate you are properly empowered and have obtained all necessary corporate or other authority under your memorandum and articles of association or other constitutional or organisational documents; and
- 21.1.6. you will not conduct any transactions (including Trades) which contravene laws or regulations in any jurisdiction in relation to inside information, market manipulation

or market abuse.

21.1.7. you are not accessing the Trading Platform or dealing with us from the USA.

21.2. You agree that for the duration of this Agreement you will promptly notify us of any change to the details supplied by you on your Application Form, including in particular moving to another country or territory or any change or anticipated change in your financial circumstances or employment status (including redundancy and/or unemployment) which may affect the basis on which we do business with you.

22. Your Right to Cancel

22.1. You are entitled to cancel this Agreement by giving us notice in writing within a 14 day cancellation period. You need not give any reason for the cancellation and the right to cancel applies even if you have already received services from us before the cancellation period expires.

22.2. The period for cancellation begins on the date the Agreement starts to apply to you.

22.3. You may only give us notice of cancellation in writing. The notice will be considered received by us in accordance with clause 32.

22.4. As the price of our contracts depend on fluctuations in the Underlying Instrument which are outside our control and which may occur during the cancellation period, you have no rights to cancel this Agreement if any Trade placed by you has been executed before we receive notice of cancellation.

22.5. Following a valid cancellation and subject to clause 18.2, we will return any amounts you have deposited with us prior to receipt of your cancellation notice.

If you do not exercise the right of cancellation, the Agreement will continue in effect until either you or we terminate the Agreement by either of us giving notice in accordance with clause 30, or by our exercising any of our other rights to terminate under this Agreement. There is no minimum or fixed duration of the Agreement.

23. Complaints and Disputes

23.1. If you wish to raise any complaint or dispute you should contact us as soon as practicable.

23.2. Please keep your own record of dates or times of Trades and other issues as that will help us to investigate any complaints or disputes. It may be difficult or not reasonably possible for us to locate records/tapes in relation to Trades and other issues in the absence of information about the dates and times of any Trades or other issues in dispute.

23.3. A copy of our Internal Dispute Resolution Policy and details on how to lodge a complaint can be found on our website www.cityindex.com.au.

23.4. As an AFS licensee dealing with retail customers, we are a member of the Financial Ombudsman Service ("FOS"). Complaints that cannot be resolved via the internal procedure detailed on the web may be referred to FOS:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

23.5. In most cases FOS will then facilitate discussion and, as appropriate, negotiation between the parties. At this stage the issues that are in dispute will be identified. If the dispute cannot be resolved through discussion, FOS will facilitate conciliation and between the parties. The conciliation will attempt to assist the parties to settle the dispute and agree on the terms of such settlement.

23.6. We understand that if conciliation does not result in a resolution of the dispute, FOS will appoint an

independent adjudicator to make a decision taking into account the relevant law, fairness and reasonableness of the dispute. As a member of FOS, any decision by the adjudicator is binding on us. If you have agreed to resolve the dispute through FOS then the decision will also be binding on you. The services provided by FOS are free of charge. Further information on FOS can be found on its website www.fos.org.au.

D. MISCELLANEOUS AND LEGAL ISSUES

24. Privacy and Data Protection

24.1. We will obtain and hold personal information about you in accordance with data protection and anti-money laundering legislation. You agree that we can rely on, hold and process your personal information for the purpose of performing our obligations under this Agreement, including administering the relationship with you, managing your Account, recovering amounts payable, considering any of your applications, carrying out risk assessment, complying with regulatory obligations, and undertaking product development and analysis.

24.2. You agree to our disclosing any such information referred to in this clause 24:

24.2.1. in accordance with this clause 24;

24.2.2. where we are required to by law or regulatory obligation;

24.2.3. to regulatory authorities where appropriate or on reasonable request, and to such third parties as we reasonably consider necessary in order to prevent crime, e.g. the police; and

24.2.4. where reasonably necessary, to any third party which provides a service to us in connection with this Agreement, but only for the purpose of providing that service.

24.3. In order to provide services to you, you acknowledge that it may be necessary for your information to be transferred to someone who provides a service to us in other countries, including some outside of Australia, and you consent to such transfer.

24.4. You consent to us, or our agents acting on our behalf, carrying out such credit and identity checks, including money laundering checks, compliance regulatory reporting and fraud prevention checks, as we may reasonably consider necessary or desirable, including requesting a reference from your bank or any credit reference agency. You understand and agree that any third party referred to in this clause may share any information concerning you with us and other organisations involved in credit reference, the prevention of fraud and/or crime and/or money laundering or for similar purposes or to recover debts involved.

24.5. You authorise us to contact you by email, telephone or post to give you information about carefully selected products or services offered by us, that are similar or related to products or services provided or previously provided to you. You consent to us using your data for this purpose for the period you have an Account with us and after you close the Account. If you do not wish to receive such information then please tick the appropriate box on the Application Form or please contact us in writing or by telephone. Our Address and contact details are set out in the Financial Services Guide and in the Product Disclosure Statement.

24.6. By ticking the appropriate box on the Application Form you authorise us to pass your personal data to selected Related entities or third parties (including Introducers) for

the purpose of contacting you by email, telephone or post to give you information about carefully selected products or services offered by that party that are similar or related to the Products or services provided or previously provided to you by us. You consent to us using your data for this purpose for the period you have an Account with us and after you have closed it. If you no longer wish to receive such information then please write to us at Our Address or write directly to the third party.

24.7. Where you have been introduced to us by an Introducer, you consent to us exchanging information with that Introducer in order to perform our obligations under this Agreement and as required by us to maintain our relationship with the Introducer. This may, without limitation, result in us disclosing financial and personal information about you, your application, details of trading activity in the Account and/or your conduct of the Account and/or your use of our facilities (including information gained when you use our learning tools and trading simulators). If you no longer wish us to pass on such information then please write to us at Our Address.

24.8. We will use reasonable endeavours to contact you and notify you of any change to how we hold, process or disclose information, by posting a notice on our Website or sending you an email to your last known email address. If you do not tell us you object to this change in writing within 14 days of the notice after the expiry of this period of notice then we will regard you as having agreed to it.

24.9. If you wish to access information that we hold about you, or to have inaccurate information corrected please contact us by sending an email to clientservices@cityindex.com.au. Please note we may require you to pay a fee for this information. Please note that certain information may be exempt from being disclosed and that in certain circumstances we may not be able to disclose certain information.

24.10. You agree that we may record all conversations with you and monitor (and maintain a record of) all e-mails sent by or to us. All such records are our property and can be used by us, amongst other things, in the case of a dispute between us or for training purposes.

25. Intellectual Property

25.1. The Website, including the Trading Platform, and any and all information or materials on it which we may supply or make available to you (including any software which forms part of those items) are and will remain our property or that of our service providers. Such service providers may include providers of real-time price data to us. In addition:

- 25.1.1. all copyrights, trademarks, design rights and other intellectual property rights in those items are and will remain our property (or those of third parties whose intellectual property we use in relation to Products and services we provide for your Account);
- 25.1.2. we supply or make them available to you on the basis that (a) we can also supply and make them available to other persons and (b) we can cease providing them, but we will only do that if your Account has been closed or if our service providers require us to;
- 25.1.3. you must not supply all or part of them to anyone else and you must not copy all or part of them;
- 25.1.4. you must not delete, obscure or tamper with copyright or other proprietary notices we may have put on any of those items;
- 25.1.5. you must only use these items for the

operation of your Account in accordance with this Agreement; and/or

- 25.1.6. if we have provided any materials to you in connection with the Website you must return those to us on closure of your Account.

26. Website and System Use

26.1. We will use reasonable endeavours to ensure that the Website and our telephone systems can normally be accessed for use in accordance with this Agreement. However all or any of these may fail to work properly or at all or our premises may suffer from power failure. On this basis:

- 26.1.1. we do not warrant that they will always be accessible or usable;
- 26.1.2. we do not warrant that access will be uninterrupted or error free.

26.2. We may suspend use of the Website to carry out maintenance, repairs, upgrades or any development related issues. We shall use reasonable endeavours to give you notice of this and to provide alternative ways for you to deal or obtain information as to your Account but this may not be possible in an emergency.

26.3. We warrant that we have the right to permit you to use the Website in accordance with this Agreement.

26.4. We will use reasonable endeavours to ensure that the Website is free from any virus, but we do not warrant that it will be virus free at all times. You should use your own virus protection software that is up to date and of good industry standard.

26.5. You are responsible for ensuring that your information technology is compatible with ours and meets our minimum system requirements. The minimum system requirements are set out on our Website.

26.6. We or other third party service providers may provide you with market data or other information in connection with the provision of our services. You agree that:

- 26.6.1. we and any such provider are not responsible or liable if any such data or information is inaccurate or incomplete in any respect or for any actions you take or do not take based on such data or information;
- 26.6.2. you will use such data or information solely for the purposes set out in the Agreement;
- 26.6.3. such data or information is proprietary to us or the provider and you will not retransmit, redistribute, publish, disclose, or display in whole or in part such data or information to third parties;
- 26.6.4. you will pay any market data costs associated with your use as we may inform you from time to time.

27. Limitation of Liability

27.1. Nothing in this Agreement shall exclude or limit our liability for death or personal injury caused by our negligence or for fraud or fraudulent misrepresentation or for liability that cannot be excluded under any laws or the requirements of any regulator.

27.2. Subject to clause 27.1, we shall not be liable for:

- 27.2.1. any action we may take under:
 - (i) clauses 15 ("Manifest Error");
 - (ii) clause 16 (Events Outside our Control or Market Disruption Events"); and/or
 - (iii) clause 17 ("Events of Default and Similar Circumstances") provided that we

act within the terms of those clauses and in particular act reasonably where required to do so;

27.2.2. any failure of communication (for any reason) within clause 26 (“Website and Systems Use”) including (without limitation) the unavailability of the Website (including the Trading Platform) or our telephone systems provided always we act within the terms of clause 26;

27.2.3. any claim loss, expense, cost or liability suffered or incurred by you (together “Claims”) except to the extent that such loss, expense is suffered or incurred as a result of our breach of the Agreement, negligence or wilful default.

27.3. Other than as described in clause 27.4 and subject to the limits on our liability in this clause 27, we are each only responsible for losses that are reasonably foreseeable consequences of breaches of this Agreement at the time the Agreement is entered into.

27.4. We are not responsible for indirect losses which happen as a side effect of the main loss or damage and which are not foreseeable by you and us. We are not liable to you for losses which you incur which are foreseeable by us because you have communicated the possibility of such losses or any special circumstances to us.

27.5. We shall not be liable to you for any loss of profit or opportunity.

27.6. The limitations of liability in clause 27 apply whether or not we or any of our employees or agents knew of the possibility of the claim being incurred.

27.7. We carry on the business to which this Agreement relates in reliance on the limitations and/or exclusions in this clause being enforceable. We do not insure against any of the potential liabilities described in this clause. If the exclusions and restrictions are not acceptable to you, then you should not deal with us.

27.8. Notwithstanding any other provision of this Agreement, where Sub-Division 2E of Part 2 of the Australian Securities and Investments Commission Act 2002 (Cth), or any other legislation implies in this Agreement any term, condition or warranty, and makes void or prohibits application of or exercise of, or liability under such term, condition or warranty, such term, condition or warranty shall be deemed to be included herein. However our liability for any breach of such term, condition or warranty shall be limited, at our option, to either or both of the following:

- (a) the supplying of the services again; or
- (b) the payment of the cost of having the services supplied again.

28. Client Money and Assets

28.1. Any money you transfer to us, or which has been transferred to us on your behalf (“Your Money”), which is Client Money within the meaning of the Client Money Rules will be held by us on trust for you at all times and for this purpose. Your Money will be segregated from our own money in accordance with the requirements of the Client Money Rules and in the event of our insolvency, Your Money will be excluded from our assets.

28.2. Money held by us in your account is subject to the Client Money Rules. We will hold your money in an account with an Australian Deposit Taking Institution (ADI) or an approved foreign bank (“Client Money Account”). The Client Money Account will be established, maintained and operated in accordance with the Client Money Rules. The Rules provide that if we were to lose our AFS Licence, become insolvent or no longer carry on some of the activities authorised by its AFS Licence then the client money is held

on trust for the clients entitled to it, or if the money is invested, the investment is held on trust for the clients entitled to it.

28.3. Unless otherwise agreed, you will not be entitled to any interest on your money held by us and we will retain any interest that may be earned on your money except for where you deposit with us amounts over AUD10,000 in excess of your Total Margin. In opening an account with us you agree that your interest in the money you deposit with us is charged to us at law and/or in equity as security for repayment of such losses as you may incur as a result of your trading with us.

28.4. We may invest any of the money held in trust as permitted by the Client Money Rules, and you irrevocably and unconditionally authorise us to undertake any such investment.

28.5. Where you open and maintain a position with us, we may require you to pay to us money as consideration for opening and maintaining an Open Position and such money will be due and payable to us for our own account. We are entitled to withdraw such amounts (including, but not limited to, the amount of Margin Requirements, Unrealised P & L (if the amount is negative) and charges) from the Client Money Account for this purpose. Accordingly, when we claim entitlement to the money, it ceases to be Client Money and we will thereby acquire full ownership of it. You will not have any interest in or proprietary claim over money transferred to us pursuant to this clause and we can deal with it as our own. In the event of our insolvency you will have no rights or claim in relation to this money and become an unsecured creditor for any amount that we may owe to you. In determining the amount of money you will be required to pay to us pursuant to this clause, we may apply such methodology (including judgements as to the future movement of markets and value) as we consider appropriate, consistent with this Agreement and applicable law and regulations.

28.6. You will not grant any security interest in any deposits in your Account to any person other than us.

28.7. In this clause 28 “Client Money Rules” means the provisions in Part 7.8 of the Corporations Act and the relevant provisions of the Corporations Regulations 1969 (Cth).

29. Tax

29.1. You are responsible for the payment of all taxes that may arise in relation to your Trades.

29.2. We shall not be responsible for any taxes that may arise as a result of a change in law or practice.

29.3. We shall not be responsible for advising you on any change in tax law or practice. You shall in all circumstances be responsible for your own tax advice in relation to your Trades.

30. Amendments and Termination

30.1. We may amend or replace any clause or part of the Agreement in whole or in part by giving you written notification of the changes. Amendments to this Agreement will not be valid and binding unless they are expressly agreed by us in writing. We will only make changes for good reason including but not limited to:

- 30.1.1. making them clearer or more favourable to you;
- 30.1.2. reflecting legitimate changes in the cost of providing the service to you;
- 30.1.3. reflecting a change of applicable law, regulation or codes of practice or decisions by a court, ombudsman, regulator or similar body;

30.1.4. reflecting changes in market conditions;

30.1.5. reflecting changes in the way we do business.

30.2. If you object to any change you must tell us within 14 days of the date the notice is deemed received by you under clause 32 ("Notices"). If you do not do so you will be deemed to have accepted the change(s). If you give us notice that you object, then we may require you to close your Account and/or restrict you to placing Trades and/or Orders to close your Open Positions.

30.3. Subject to clause 30.2 the amendments or new terms made pursuant to this clause 30 will apply (including to all Open Positions and unexecuted Orders) from the effective date (which we will state) of the change specified in the notice.

30.4. We may end this Agreement and close your Account at any time giving you 30 days written notice. This is in addition to any other rights to end this Agreement and/or close your Account which we may have.

30.5. You may also end the Agreement and/or close your Account at any time, in whole or in part, by giving us written notice. Your Account will be closed as soon as reasonably practicable after we receive notice, all Open Positions are closed, all Orders cancelled and all of your obligations discharged.

30.6. Where either you or we provide notice to close your Account and/or end this Agreement under this clause 31, we reserve the right to refuse to allow you to enter into any further Trades or Orders which may lead to you holding further Open Positions.

30.7. If, after a period of six years, there has been no movement or trading on your Account, you have a positive Account balance and we have been unable to trace you after reasonable enquiry, we may decide to close your account and the money will be retained by us. If however you contact us at a later date we will repay the balance to you upon the provision of evidence as to the validity of your claim.

31. General Provisions Relating to the Agreement

31.1. A court or regulatory authority may decide that a part or clause of this Agreement is not enforceable. If this happens then the relevant part of the Agreement will be given no effect and will not be considered part of the Agreement. This will not invalidate any other clause or part of the Agreement.

31.2. You may not assign or transfer any of your rights or obligations under this Agreement without our prior written consent. We may assign or transfer all or any of our rights or obligations under this Agreement to any appropriately authorised and regulated person (including any of our Associates) on 14 days written notice. We will comply with applicable laws and regulations which may apply to this transfer, including obtaining your or any other party's consent where necessary.

31.3. Either you or we may elect not to require the other party to comply with this Agreement, or may delay requiring the other party to do so. This will not amount to a waiver by the party making such election of its rights under this Agreement unless that party clearly states that this is its intention. This means that the relevant party can still require compliance with the Agreement in future.

31.4. Except as provided by clause 31.5, no clause of this Agreement is intended to confer any benefit on any person who is not a party to it.

31.5. The Agreement may, however, be enforced by any of our Related entities. We do not require the consent of our Related entities to vary, amend, modify, suspend, cancel or terminate any provision of the Agreement.

31.6 In the event of any conflict between any provision of the Product Disclosure Statement and this Agreement, the

provisions of this Agreement shall prevail.

32. Notices

32.1. This clause 32 does not apply when:

32.1.1. you place Orders and execute Trades pursuant to this Agreement;

32.1.2. we provide notice of changes to Margin Requirements, Margin Factors or Margin Multipliers pursuant to clause 10; or

32.1.3. we provide notice of changes to the Margin Close Out Level applicable to your Account pursuant to clause 11.3.

32.2. When a notice may be given in writing, it may be provided by letter, fax, e-mail or (to the extent permitted by applicable rules and regulations), the Website including the Trading Platform.

32.3. We may send notices to you at your last known home or e-mail address, place of work, fax, telephone, pager number or other contact details.

32.4. You must send notices by letter to Client Services at Our Address.

32.5. Unless specifically agreed otherwise in these General Terms, any notice given by us to you or by you to us will be deemed given and received if:

32.5.1. delivered by hand to Our Address in these General Terms or to your last known home or work address: at the time of delivery;

32.5.2. sent by post on a Business Day: the next Business Day or second Business Day after posting if not sent on a Business Day;

32.5.3. sent by air mail from outside Australia: the second Business Day after posting (or the fourth Business Day after posting if not sent on a Business Day);

32.5.4. sent by fax before 4pm on a Business Day: one hour after a "transmission complete" report is received. If sent by fax at any other time: at 9 am on the next Business Day (provided a "transmission complete report" is received); and/or

32.5.5. sent by e-mail before 4pm on a Business Day: one hour after sending. If sent by email at any other time: 9:00 am on the next Business Day, (but an e-mail will not be deemed to have been delivered if the sender receives a "not sent" "not received" or similar message from the e-mail service provider).

32.6. Additionally:

32.6.1. we may give you a notice by SMS text in which case you will be deemed to have received such a message one hour after we have sent it, provided we do not receive a "not sent" message.

32.6.2. we may leave you a message on the Website or Trading Platform and this will be deemed delivered one hour after we have posted it.

33. Governing Law, Jurisdiction and Language

33.1. The Agreement and our relations before we entered into this Agreement shall be governed by and construed in accordance with the laws of New South Wales, Australia.

33.2. The federal courts of Australia and the courts of the state of New South Wales will have exclusive jurisdiction over any claim or matter arising under or in connection with

the Agreement and the legal relationships established by the Agreement. Nothing in this clause shall limit our right to take proceedings against you in any other competent jurisdiction, and the taking of proceedings in any one or more jurisdictions will not preclude the taking of proceedings in any other jurisdictions, whether concurrently or not, to the extent permitted by the law of such other jurisdiction.

34. Definitions

In this Agreement the following words and expressions shall have the following meanings:

“Account” means any account that we maintain for you for dealing in the Products made available under this Agreement and in which your Cash, Margin Requirements and Margin Payments are held and to which Realised Profits and/or Losses are credited or debited

“Agent” means an agent or representative who we agree may act for you and/or give instructions on your behalf in respect of this Agreement

“Agreement” means the General Terms, together with the Supplemental Terms, the Application Form and Market Information.

“Application Form” means the form(s) (in paper or electronic form) which you complete to open an Account and to trade with us under this Agreement

“ASIC” means the Australian Securities and Investments Commission

“Base Currency” is the currency in which your Account is denominated and in which we will debit and credit your Account

“Business Day” means Monday through Friday, on which banks are open for business in New South Wales;

“Cash” means a figure stated on the Trading Platform which represents the amount of cleared funds available in your Account

“Client Services” means our customer services team

“Corporate Action” means the occurrence of any of the following in relation to the issuer of any relevant Underlying Instrument:

- (a) 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;
- (b) any acquisition or cancellation of own shares/equities by the issuer;
- (c) any reduction, subdivision, consolidation or reclassification of share/equity capital;
- (d) any distribution of cash or shares, including any payment of dividend;
- (e) a take-over or merger offer;
- (f) any amalgamation or reconstruction affecting the shares/equities concerned; and/or
- (g) any other event which has a diluting or concentrating effect on the market value of the share/equity which is an Underlying Instrument

“Corporations Act” means the Corporations Act 2001 (Cth)

“Credit” is a fixed amount determined by us and allocated to your Account

“Daily Financing Fee” means the charge which we apply daily to an Open Position. Details of the Daily Financing Fees are set out in the Product Disclosure Statement.

“Declarable Interest” means the prevailing level or percentage at the material time, set by law or by the stock exchange(s) or other facility upon which the Underlying Instrument is traded, at which financial or other interests in an Underlying Instrument must be publicly disclosed

“Events of Default” has the meaning given in clause 17.1

“Events Outside Our Control” means any event preventing us from performing any or all of our obligations under the Agreement and which arises from or is attributable to acts, events, omissions or accidents beyond our reasonable control including (but not limited to):

- (a) an emergency or exceptional market condition;
- (b) compliance with any law governmental order or regulatory requirement, or any change in or amendment to any law, regulation or rule (or in the application or official interpretation by any court, tribunal or regulatory authority);
- (c) any act, event, omission or accident which prevents us from maintaining orderly trading or hedging activities or meeting increased margin payments with third party brokers in any market in one or more of the Underlying Instruments in relation to which we ordinarily accept Trades;
- (d) any strike, lock-out or other industrial dispute, riot, terrorism, war, civil commotion, nuclear, chemical or biological contamination, act of God, malicious damage, accident, breakdown of equipment, fire, flood, storm, interruption of power supply, failure of a utility service or breakdown of or interruption in any electronic, communication or information system; and/or
- (e) the suspension or closure of any index/market/exchange/clearing house or the abandonment or failure of any factor upon which we base, or to which we may relate, Our Prices, or the imposition of limits or special or unusual terms on any such factor

“Financial Services Guide” means a document we provide to which includes information about Us, our services, charges and contact details.

“General Terms” means these terms and conditions

“GFD” or “Good for the Day” refers to Orders which have effect on the day on which they are given in accordance with clause 8. If not executed, GFD Orders will cease to have effect when cancelled in accordance with this Agreement, on the expiry of the relevant Market or if we cease to trade in the relevant Market

“GFT” or “Good for the Time” refers to Orders which have effect until a time specified by you. If not executed, GFT Orders will cease to have effect when cancelled in accordance with this Agreement, on the expiry of the relevant Market or if we cease to trade in the relevant Market

“GTC” or “Good until Cancelled” refers to Orders which have effect until cancelled in accordance with this Agreement. If not executed, GTC Orders will cease to have effect when you cancel them in accordance with this Agreement, on expiry of the relevant Market, or if we cease to trade in the relevant Market

“Guaranteed Stop Order” means an instruction to execute a Trade at a pre-agreed price and subject to the terms of clause 8

“Insolvency Event” means, in respect of any person:

- (a) a resolution is passed or an order is made for the winding up, dissolution or administration of such person,
- (b) any bankruptcy order is made against such person,
- (c) the appointment of a receiver, administrator, manager, administrative receiver or similar officer, or if any encumbrancer takes possession of or sells, all or any part of the business or assets of such person,
- (d) the making of an arrangement or composition with creditors generally or the making of an application to court for protection from creditors generally, or
- (e) if the relevant person becomes insolvent or is otherwise unable to pay its debts as they become due, or any act of insolvency or event that is analogous to those set out in paragraph (a), (b), (c), or (d) of this definition applies to the person concerned.

If the person concerned is a partnership, the occurrence of

any of the events listed in this paragraph in relation to any partner shall be an Insolvency Event in relation to such person.

“Introducer” means a person or firm we appoint to effect introductions of potential clients to us

“Limit Order” means an Order which will be executed when the price of a Market reaches a price which is more favourable to you than Our Price at the time you place the Order

“Linked Accounts” means those Accounts which we inform you are linked for the purpose of calculating your Total Margin and/or your Trading Resource under this Agreement

“Long Position” means an Open Position resulting from a Trade or Trades placed to buy units of a Market at Our Offer Price

“Manifest Error” has the meaning given by clause 15.1

“Margin Close-Out Level” means the Margin Level at or below which we may close your Open Positions and take other actions to restrict your Account under clause 11. The Margin Close Out Level is set out in the Product Disclosure Statement.

“Margin Factor” means the percentage or number of units we set for each Market and which is multiplied by the Quantity to determine the relevant Margin Requirement

“Margin Level” means the ratio of Net Equity (the sum of your Cash and Unrealised P & L) to Total Margin (expressed as a percentage). Your Margin Level is stated on the Trading Platform

“Margin Multiplier” means the number by which a Margin Requirement is multiplied to increase or decrease the amount you are required to hold as security for a Trade

“Margin Requirement” means the amount of money that you are required to deposit with us as consideration for entering into a Trade and maintaining an Open Position.

“Market” means a contract we make available which is comprised of a unique set of price information, minimum and maximum Quantity, expiry and other commercial features determined by reference to an Underlying Instrument

“Market Disruption Event” means any of the following events:

(a) trading in respect of the Underlying Instrument is suspended or limited for any reason whatsoever, including by reason of movements in the price of the Underlying Instrument exceeding limits permitted by the relevant exchange or limits or special or unusual terms are imposed on the trading of the Underlying Instrument by the relevant exchange;

(b) trades which we have entered into in relation to any relevant Underlying Instrument or other relevant financial instrument are cancelled by the relevant exchange;

(c) an unusual movement in the level of, or the unusual loss of liquidity in respect of, the Underlying Instrument or our reasonable anticipation of the occurrence of the same; and/or

(d) the occurrence of any other event which causes a material market disruption in respect of the Underlying Instrument

“Market Hours” means the hours during which we are prepared provide quotes for Our Price and execute Trades and Orders in a Market

“Market Information” means an electronic document located on the Trading Platform which sets out the commercial details for each Market, including but not limited to: Margin Factors, Market Hours, the minimum and maximum Quantity and Our Spread

“Net Equity” means a figure stated on the Trading Platform which represents the sum of your Cash and Unrealised P & L

“Notices” means information we are required by law,

regulation or under this Agreement to disclose or advise to our clients, including: the Financial Services Guide and the Product Disclosure Statement including any Supplementary PDS.

“Open Position” means a Trade which has not been closed in whole or in part under this Agreement

“Order” means an instruction you give us to execute a Trade when the price of a Market reaches a specified price or an event or condition occurs

“Orders Aware Margining” means a reduced Margin Requirement that applies to Trades in certain Markets which have attached Stop Loss or Guaranteed Stop Loss Orders

“Our Address” means: Level 15, Chifley Tower, 2 Chifley Plaza, Sydney NSW 2000

“Our Bid Price” means the lower of two prices we quote for each Market

“Our Offer Price” means the higher of the two prices we quote for each Market

“Our Price” means Our Offer Price and Our Bid Price for each Market.

“Our Spread” means the difference between Our Bid and Our Offer Price

“Product” means each type of financial instrument or investment contract we make available under this Agreement, subject to additional terms set out in the relevant Product Supplement

“Product Disclosure Statement” means the document produced and issued by us which describes our services and products, the risks and benefits and our charges. The Product Disclosure Statement is available at our website www.cityindex.com.au

“PDS” means the Product Disclosure Statement issued by us from time to time.

“Quantity” means the amount of units traded in a Market, synonymous to “stake” or “trade size”

“Realised Profits” and “Realised Losses” means your profits or losses (as appropriate) which result on expiry or closure of an Open Position

“Related entity” means a ‘related entity’ as defined in section 9 of the Australian Corporations Act (Cth) 2001 (the Corporations Act), on the basis that:

a) the term ‘related entity’ applies to you, whether you are a corporation or a natural person; and

b) for the purposes of paragraph (g) of the definition of that term in section 9 of the Corporations Act, a body corporate is deemed to be related to you if it is related by operation of section 50 of the Corporations Act.

“Retail Client” has the meaning given to it under sections 761G and 761GA of the Corporations Act

“Security Information” means account numbers, passwords and other information required to identify you for the purposes of you trading with us under this Agreement

“Short Position” means an Open Position resulting from a Trade or Trades to sell units in a Market at Our Bid Price

“Stop Order” means an instruction to Trade when Our Price reaches a specified price

“Stop Loss Order” means an instruction to execute a Trade to close an Open Position when Our Price reaches a specified price

“Supplemental Terms” means the supplemental terms to the General Terms for each Product type

“Total Margin” means a figure stated on the Trading Platform which represents the aggregate of the Margin Requirements applicable to your Account

“Trade” means a transaction entered into by you pursuant to this Agreement

“Trade Confirmation” means a communication sent by us

confirming transactions conducted on your Account.

“Trading Hours” means the period of time from Sunday evening 20:00 (London time) during northern hemisphere winter months or from 22:00 (London time) during northern hemisphere summer months, through to 21:15 Friday evening (London time).

“Trading Platform” means the password protected part of our Website or any other electronic trading platform through which you can deal with us under this Agreement and view your Account information

“Trading Resource” means a figure stated on the Trading Platform which represents your Net Equity less your Total Margin. This is subject to:

- any additional factors which need to be taken into account under the Supplemental Terms for any particular Product type;
- any additional factors which we may agree will be taken into account in assessing your Trading Resource

“Underlying Instrument” means the instrument, index, commodity, currency or other instrument, asset or factor whose price or value provides the basis for us to determine Our Price for a Market

“Unrealised Losses” and “Unrealised Profits” means the profits or losses (as appropriate) that have not as yet been realised on Open Positions before expiry or closure

“Unrealised P & L” means a figure stated on the Trading Platform which represents your Unrealised Profits less your Unrealised Losses

“Website” means our internet address www.cityindex.com.au and the Trading Platform and the Market Information.

Appendix A: Contracts for Differences Supplemental Terms

1. Contracts for Differences

- 1.1. A contract for differences ("CFD") is an investment contract for which the profit or loss is the difference between the opening and closing price of the contract. The price of the CFD is determined by reference to the price of another financial instrument, such as: shares, indices, commodities, or fixed-income securities.
- 1.2. CFDs are classified as derivatives under the Corporations Act 2001 and firms offering to deal in them with Australian residents are required to be authorised and regulated by the Australian Securities & Investments Commission.

2. General Information

- 2.1. These Contracts for Differences Supplemental Terms set out the terms and conditions under which we offer a range of Markets in CFDs (our "CFD Markets") and it forms part of the Agreement.
- 2.2. Unless separately defined in these Supplemental Terms, words and expressions shall have the meanings given to them in the General Terms.
- 2.3. Trades in CFD Markets may be placed through the Trading Platform or by telephone.
- 2.4. We will quote, execute and settle Trades for CFD Markets in the currency in which the Underlying Instrument is denominated. However, we may convert the value of any Open Position for Account valuation and other purposes under clause 19 of the General Terms ("Currency Conversions and Valuations").
- 2.5. Commercial information (including but not limited to Market Hours, minimum and maximum Quantities and expiry dates) for each CFD Market is set out in the relevant Market Information.
- 2.6. For CFD Markets that do not specify an expiry date, your Open Positions will remain open until closed in accordance the General Terms ("Closing Trades").
- 2.7. For CFD Markets that specify an expiry date ("Expiry CFD Markets"), your Open Positions will close and settle automatically on the expiry date specified in the Market Information unless you or we close the position in accordance with the General Terms before that date.
- 2.8. You may give instructions to "roll" any Open Position in an Expiry CFD Market prior to the expiry date. If we agree to roll the Open Position we will do so in accordance with clause 7 of the General Terms ("Rollover"). You may give us instructions to roll an Open Position in an Expiry CFD Market by telephone. If you wish for any Orders attached to the Open Position to apply to the new Open Position, you must give us express instructions to attach the Orders to the new Open Position.

3. Our Price

- 3.1. Definitions. The following definitions apply to this section:
 - "Fv" means a fair value price adjustment: the difference between Our Price and the price of the Underlying Instrument and it may include interest rate differentials, cost of carry and/or declared or anticipated dividends or distributions
 - "S" means our spread rate: the amount we add to the spread of an Underlying Instrument to form Our Spread

"Ub" means the bid price of the Underlying Instrument

"Um" means the mid price between the bid and offer price of an Underlying Instrument

"Uo" means the offer price of the Underlying Instrument

- 3.2. Equity CFD Markets. Where an Underlying Instrument is an equity or share, we calculate Our Price as follows:

Our Bid Price = Ub

Our Offer Price = Uo

We reserve the right to apply a spread to Our Price for an Equity CFD Market when: you have placed a Trade which is larger than our maximum Quantity; there is poor liquidity in the Underlying Instrument; or we are required to do so to manage market or other risks.

- 3.3. Index CFD Markets. Where the Underlying Instrument is an index futures contract, we calculate Our Price as follows:

Our Mid Price = $Um +/- Fv$

Our Bid Price = $(Um +/- Fv) - S/2$

Our Offer Price = $(Um +/- Fv) + S/2$

- 3.4. Currency CFD Markets. Where the Underlying Instrument is a currency traded in a cash market, we calculate Our Price as follows:

Our Mid Price = Um

Our Bid Price = $Um - S/2$

Our Offer Price = $Um + S/2$

- 3.5. Currency Expiry CFD Markets. Where the Underlying Instrument for an Expiry CFD Market is a currency traded in cash markets, we calculate Our Price as follows:

Our Mid Price = $Um +/- Fv$

Our Bid Price = $(Um +/- Fv) - S/2$

Our Offer Price = $(Um +/- Fv) + S/2$

- 3.6. Commodity CFD Markets. Where the Underlying Instrument is a commodity quoted in cash markets, we calculate Our Price as follows:

Our Mid Price = $Um +/- Fv$

Our Bid Price = $(Um +/- Fv) - S/2$

Our Offer Price = $(Um +/- Fv) + S/2$

- 3.7. Index and Commodity Expiry CFD Markets. Where the Underlying Instrument for an Expiry CFD Market is an index or commodity futures contract, we calculate Our Price as follows:

Our Mid Price = Um

Our Bid Price = $Um - S/2$

Our Offer Price = $Um + S/2$

- 3.8. If we quote a price for a CFD market during Market Hours which are outside of the usual dealing hours for the relevant Underlying Instrument, we will determine Our Price by reference to one or more exchanges and the Open Positions of other clients in the relevant Market or related Markets.

4. Margin Requirement

- 4.1. To place a Trade which creates an Open Position in a CFD Market the Margin Requirement is calculated as follows:

- 4.1.1. for Trades where the Margin Factor is expressed as a percentage:
 $(Quantity \times Our Price) \times Margin Factor$

- 4.1.2. for Trades subject to Guaranteed Stop Loss Orders the Margin Requirement will be the

lower of:

a) *the figure calculated under 4.1.1; or*

b) *(the difference between the specified Guaranteed Stop Loss Order price and Our Price at the time the Trade is executed) x Quantity*

4.1.3. for buy Trades in CFD Markets with Underlying Instruments which are futures contracts for options or options-related instruments, the Margin Requirement will be the lower of:

Quantity x Our Price; or

Quantity x Margin Factor

4.1.4. for sell Trades in CFD Markets with Underlying Instruments which are futures contracts for options or options-related instruments, the Margin Requirement will be calculated as follows:

- a) calculate $(\text{Quantity} \times \text{Our Price} \times 2)$;
- b) calculate 30% of the Margin Requirement the equivalent Quantity would require in a trade in the relevant Underlying instrument;
- c) calculate 100% of the Margin Requirement the equivalent Quantity would require in a trade in the relevant Underlying instrument;
- d) identify the greater of a) and b);
- e) the Margin Requirement is the smaller of d) or c) unless Our Price is less than 5.
- f) if Our Price for the Option is less than 5 then the Margin Requirement will be 10% of the Margin Requirement the equivalent Quantity would require in a trade in the relevant Underlying instrument.

4.1.5. for Trades subject to a Margin Multiplier:

the figure calculated under 4.1.1 to 4.1.4 or 4.4. as applicable x Margin Multiplier

- 4.2. When we execute a Trade which results in a Long Position, we will use Our Bid Price to calculate the Margin Requirement.
- 4.3. When we execute a Trade which results in a Short Position, we will use Our Offer Price to calculate the Margin Requirement.
- 4.4. When you hold Open Positions in a CFD Market and you place one or more Trades in the opposite direction in a CFD Market with the same Underlying Instrument, your Margin Requirement for all Open Positions with the same Underlying Instrument will be the larger of the aggregate of the Margin Requirements for all Long Positions or the aggregate of the Margin Requirements for all Short Positions.
- 4.5. If other conditions apply to the Margin Requirement we will advise you at the time you place the Trade.
- 4.6. We reserve the right to refuse to execute a Trade if your Margin Level is insufficient to fund the Margin Requirement, any Unrealised P & L created by Our Spread and any costs associated with the Trade.
- 4.7. You are responsible for monitoring your Margin Level and ensuring that it is sufficient to maintain your Open Positions. Your Margin Level must be sufficient to fund the amount of:
 - Total Margin;
 - fees and charges, including the Daily Financing Fee (if applicable), required to maintain and close your Open Positions;

- Unrealised Losses; and
- any new Open Positions you wish to create.

5. Commission, Daily Financing Fees and Dividends

- 5.1. For certain CFD Markets we will charge a commission for each Trade which opens or closes an Open Position. Our commission rates are stated in the Product Disclosure Statement.
- 5.2. Daily Financing Fees are calculated on the full value of the Open Position. Under normal market conditions we will charge you Daily Financing Fees each day on a Long Position and we will pay you Daily Financing Fees each day for a Short Position. However, in certain market conditions we may require you to pay a Daily Financing Fee where you would ordinarily have received a Daily Financing Fee. Daily Financing Fees are debited or credited to your Account (as appropriate) at the time stated in the Product Disclosure Statement. The basis of calculation of Daily Financing Fees is set out in the Product Disclosure Statement. We may vary the method of calculating the Daily Financing Fees and/or commission. When we do so we will give you notice in accordance with clause 30 of the General Terms ("Amendments and Termination").
- 5.3. The cost of Daily Financing Fees and commissions will be debited from your Cash.
- 5.4. In accordance with clause 20 of the General Terms ("Corporate Actions and other events affecting Underlying Instruments"), we may make dividend adjustments to the price of the CFD Market if a dividend has been paid to the holders of the Underlying Instrument. In the case of Long Positions, these will be credited to your Account and in the case of Short Positions, debited to your Account. We will normally make such adjustments at the commencement of Market Hours on the day that the dividend is scheduled to be paid to the holders of the Underlying Instrument.

6. Profit and Loss

- 6.1. Profits and losses for an Open Position will be credited or debited to your Unrealised P & L. Unrealised Profits will allow you to place additional Trades but cannot be withdrawn until the Open Position is closed. Unrealised Losses will reduce the amount of funds you have available to place Trades and may result in your positions being closed under clause 11 of the General Terms ("Automatic Close Out Level").
- 6.2. When an Open Position is closed Realised Profit or Realised Loss is calculated as: the difference between the opening value of the Open Position ($\text{Quantity} \times \text{Our Price at opening}$) and its closing value ($\text{Quantity} \times \text{Our Price at closing}$).
- 6.3. Realised Profits or Realised Losses will be credited to or debited from your Cash.

7. Taxes

- 7.1. We do not withhold any sums for tax purposes on the Realised Profits, however, non-Australian residents may be subject to non-resident interest withholding tax on credit interest paid on deposits. In addition, where Australian residents fail to provide their Tax File Number we may withhold credit interest on deposits at a rate of 50%.
- 7.2. You are responsible for the payment of all taxes that may arise in relation to your Trades.

Appendix B - Binary Option Supplemental Terms

Binary Options

For each Binary Option we will provide a "Strike Level", the level of the Underlying Instrument which will be the reference point to which the Binary Bet will close either above ("up") or below ("down"). For each Binary Bet we will quote a price between 0 and 100 based on our assessment of the probability that the Binary Option event will occur. Unlike other products we offer which are traded on a margined basis, a Binary Option is a limited risk product. The maximum potential loss for a Binary Option is the sum of Unrealised P & L and the Margin Requirement.

General Information

1. These Binary Option Supplemental Terms set out the terms and conditions under which we offer a range of Markets which are Binary Options (our "Binary Option Markets") and forms part of the Agreement.
2. Unless separately defined in these Supplemental Terms words and expressions shall have the meanings given to them in the General Terms.
3. We accept Trades in Binary Option Markets only through the Trading Platform.
4. Binary Option Markets are traded and settled in your Base Currency unless we agree otherwise.
5. Commercial information (including but not limited to expiry times) for each Binary Option Market is set out in the relevant Market Information.
6. A Trade in a Binary Option Market where you speculate that an event or result will occur is a "buy" Trade. A Trade in a Binary Option Market where you trade that an event or result will not occur is a "sell" Trade. Buy Trades will be transacted at Our Offer Price and sell Trades will be transacted at Our Bid Price.
7. You may place a Trade in a Binary Option Market during its Market Hours and up to the time that we specify that we will no longer accept Trades in that Market ("Last Time of Trading"). The Last Time of Trading is stated in the relevant Market Information.
8. You may close an Open Position in a Binary Option Market at any time until the Last Time of Trading. If the Open Position is not closed it will be closed and settled automatically at the expiry time stated in the Market Information.

Our Price

1. Our Price for a Binary Option Market is based on the probability (calculated by us) that an event in relation to an Underlying Instrument will occur.

Margin Requirement

1. To place a Trade which creates an Open Position in a Binary Option Market, the Margin Requirement is calculated as follows:
For a "buy" Trade: Our Price x Quantity; and
For a "sell" Trade: (100-Our Price) x Quantity.
2. You are responsible for monitoring your Margin Level and ensuring that it is sufficient to maintain your Open Positions.
3. We reserve the right to refuse to execute a Trade if your Margin Level is insufficient to fund the Margin Requirement and any costs associated with the Trade.

Profit and Loss

1. Profits and losses for an Open Position will be credited or debited from your Margin Requirement as Unrealised P & L.
2. When an Open Position is closed before the expiry date or time, Realised Profit or Realised Loss is calculated as: the difference between the opening and closing price of the Opening Position multiplied by the Quantity.
3. If an Open Position expires and the event that is the subject of the Binary Option has occurred then the Binary Option Market will expire at 100 and your Realised Profit and Realised Loss will be calculated as follows:
 - a) for Long Positions: we will pay you $(100 - \text{opening Our Price}) \times \text{Quantity}$;
 - b) for Short Positions, you will pay us $(100 - \text{opening Our Price}) \times \text{Quantity}$.
4. If an Open Position expires and the event that is the subject of the Binary Option has not occurred then the Binary Option Market will expire at 0 and your Realised Profit and Realised Loss will be calculated as follows:
 - a) for Long Positions: you will pay us an amount equal to the opening Our Price x Quantity;
 - b) for Short Positions, we will pay you an amount equal to the opening Our Price x Quantity.
5. If the Binary Option Market expires at the Strike Level, the Open Position will be deemed to have closed "up".
6. We deem events at the expiry of a Binary Option to be final and conclusive. Information which becomes available after the expiry of a Binary Option, such as pricing errors on the relevant exchanges on which the Underlying Instrument is traded, will not void or change the results of the Binary Option.
7. Realised Profits or Realised Losses will be credited to or debited from your Cash.

Additional actions we may take in relation to Binary Options

1. In addition to our rights to void any Trades or Open Positions under the General Terms, if an event occurs which has the effect of making it impossible to ascertain whether the event on which a Binary Option Market is based will occur or not, we may, acting reasonably, void any Trades in relation to that specified event.
2. If, prior to the expiry of a Binary Option Trade, the outcome of the specified event on which an Open Position in a Binary Option Market is based becomes publicly known, we may, in addition to our rights under the General Terms:
 - a) void any Trade which creates an Open Position if we believe that the opening Trade was placed after the outcome of the specified event became publicly known;
 - b) void any Trades which closes an Open Position if we believe that the closing Trade was placed after the outcome of the specified event became publicly known.

Mobile Services Terms and Conditions

You may access our mobile trading platform or website through a mobile telephone, PDA or other mobile device ("Mobile Device").

These Mobile Services Terms and Conditions ("Mobile Terms") apply to your access and use of our website and mobile trading platform via a Mobile Device (our "Mobile Services") together with our Agreement (and including where relevant our Demo Account Terms). If there is any inconsistency between these Mobile Terms and our Agreement, the Agreement shall prevail.

If you do not agree with any of our Mobile Terms then you should not use our Mobile Services.

1. Use

You agree to comply with these Mobile Terms when using our Mobile Services and all applicable laws and regulations, together with any specific usage rules that may be posted in relation to any material and content that you access via the Mobile Services.

Our Mobile Services are only available following successful completion of our account opening requirements. We have made every effort to describe the benefits and risks associated with our products and services which you should ensure you understand before contemplating an application.

Our Mobile Services are not directed at or intended for distribution to, or use by, any person in any country or jurisdiction where such distribution or use would be contrary to local law or regulation. It is your responsibility to comply with any local law or regulation to which you are subject.

You agree that you will not use the Mobile Services in any way that may lead to the encouragement, procurement or carrying out of any criminal or unlawful activity, or cause distress, harm or inconvenience to any other person. You will not do anything that may cause damage to the Mobile Services or our servers, systems or equipment or those of third parties, nor access or attempt to access any users' data or to penetrate or attempt to penetrate the Mobile Services' security measures.

You agree to compensate us in respect of any damages suffered by us or any of our losses resulting from any claim made by a third party in each case in respect of any matter arising from your use of the Mobile Services in breach of these Mobile Terms or from your violation of any applicable law or regulation.

Where mobile services are provided to you directly by a distributor, network operator or other third party, the take up and use of those services by you may be subject to the terms and conditions of those third parties. However, you will also remain bound by these Mobile Terms where applicable and in the event of a conflict between any third parties' terms and these terms, these Mobile Terms will take precedence.

You will take all reasonable steps to ensure that no computer viruses, worms, software bombs or similar items are introduced into the Mobile Services, our software or any Mobile Device that is used to access or use the Mobile Services.

2. Content

You acknowledge and agree that the Mobile Services are provided by us on an "as is" and "as available" basis without any representations or any kind of warranty made (whether express or implied) to the extent permitted by law, including the implied warranties of satisfactory quality, fitness for a particular purpose, non-infringement, compatibility, security and accuracy. Any material downloaded or otherwise obtained through the use of the Mobile Services is used at your own discretion and risk.

City Index has provided the information available on our Mobile Services and we take great care in ensuring that the information is accurate, however we accept no liability in this respect.

NOTE: You should be aware that the mobile trading platform may have more limited functionality and content than the online Trading Platform. The content is subject to change without notice.

The contents of the Mobile Services and any software provided to you by us may not be copied, reproduced, communicated and/or made available to the public, republished, downloaded, posted, recorded, broadcast or transmitted or used in any other way, except for your own personal, private and non-commercial use, unless otherwise expressly permitted by us.

3. Terminology

Terminology utilised on our Mobile Trading Platforms may differ from that used on the online Trading Platform. Current terminology on the Mobile Trading Platform includes the following:

"P&L": This is equivalent to the term "Unrealised P & L" as defined in our Terms and Policies.

"Margin": This is equivalent to the term "Total Margin" as defined in our Terms and Policies.

"Resource": This is equivalent to the term "Trading Resource" as defined in our Terms and Policies.

4. Availability

We endeavour to provide a satisfactory level of performance for our Mobile Services. However it is not technically possible or practical for us to provide our Mobile Services free of all faults at all times. The information and material provided on our Mobile Services may include some inaccuracies or typographical errors, which we will endeavour to correct as they come to our notice.

Our Mobile Services may sometimes be unavailable for technical reasons, for maintenance or for us to make editorial changes. We may also decide at any time to discontinue providing certain of our freely available Mobile Services.

Our Mobile Services are subject to the limitations of the technology on which they rely and may be adversely affected by network performance and other technological or operational factors beyond our control such as congestion, network coverage, dropped connections and the performance of your mobile device.

5. Security

You acknowledge and agree that any instruction given by you or on your behalf via our Mobile Services is made at your own risk.

You will be responsible for keeping your account number and password ("Security Details") confidential and acknowledge that we shall be entitled to rely upon these details to identify you.

You must keep your Security Details secret.

You must take all reasonable precautions to prevent the fraudulent use of your Security Details.

You should not record your Security Details in any way which may result in them becoming known to another person.

If you suspect someone knows your Security Details you must contact us immediately. If you fail to do so, you will be liable for any unauthorised transactions on your account confirmed by use of the Security Details.

You will be responsible for all instructions received by us between the time you pass the security procedure until you exit from the Mobile Service. Please note that this includes any input errors or instructions sent by someone other than yourself.

6. Authority

In using our Mobile Services, you will be able to open and close positions with us and view your account information.

You authorise us to accept and act on your instructions and to pay from your account the amounts involved when a transaction using the Mobile Services has been authenticated by the use of the security procedure we require you to follow.

7. Third Party Material

Use of the Mobile Services are at your own risk and we are specifically not endorsing or associating with any particular

person, business or material that may be featured on the mobile trading platform.

The mobile trading platform may contain links to other third party sites and services through advertising or otherwise. These links are provided for your ease of reference and convenience only. We have no control over those third party sites or services and are not responsible for their contents. We do not endorse the material contained in their sites or services, and have no association with their operators.

You agree that we won't be party to any transaction or contract with a third party that you may enter into and we won't be liable to you for any loss or damage which you may suffer by using those third party sites and services. You agree that you will not involve us in any dispute you may have with such third party sites and services.

8. Charges

We reserve the right to charge you and you agree to pay the charges for the Mobile Services or any part of it.

Details of new charges and changes to charges will be notified to you in accordance with our Agreement.

9. Intellectual Property

All copyright, trade marks and other intellectual property rights in the content of the Mobile Services and mobile trading platform (including any software) belong to us or our licensors.

Except where necessary for the provision of the Mobile Services to you, no such information may be reproduced, adapted, uploaded to a third party, distributed or transmitted in any form by any process without our specific written consent.

10. Liability

We do not give any guarantee or warranty as to the accuracy, suitability, reliability, completeness, performance, satisfactory quality, fitness for a particular purpose, or freedom from viruses, or other harmful programs contained in or accessed through the Mobile Services. Results of any error or failure may result in loss or damage to you that may include (but is not limited to):

- your placing or not placing trades on the basis of receiving misleading or inaccurate information, including information about our prices;
- your being unable to open or close positions via our Mobile Services; • your failing to receive messages that we send to your Mobile Device; and
- your believing that you have placed a trade when our records show that we have not accepted a trade from you, or your believing that you have not placed a trade when our records show that we have accepted a trade from you.

You understand and accept these risks when you trade with us through our Mobile Services and to the maximum extent permitted by law, we will not be liable in any way for any loss or damage suffered by you through access to or use of the Mobile Services, our failure to provide the Mobile Services, or the incompatibility of the Mobile Services (or any software) with any Mobile Device.

We do not accept any liability whether in contract or in tort (including negligence) for damage to your Mobile Device or for any loss of data that results from your use of the Mobile Services and we cannot guarantee that any files that you download are free from viruses, contamination or destructive features or for any problems or inadequacies with your Mobile Device or software.

We shall not be liable to you for any indirect, consequential, special or exemplary damages arising from the use, non-use, defects or delays in the Mobile Services however arising and whether caused by tort (including negligence), breach of contract or otherwise, even if foreseeable and including but not limited to any loss of profit or opportunity.

We do not limit or exclude our liability for death or personal injury arising from our negligence, nor our liability for fraudulent misrepresentation.

11. Variation and Termination

We reserve the right to change these Mobile Terms at any time in our sole discretion and without prior notice. By continuing to use the Mobile Services you are deemed to have accepted the varied Terms. We will provide you with notification of any change in accordance with our Terms and Policies.

We have the right to suspend or terminate your access to our Mobile Services or any aspect of them if you do not comply with these Mobile Terms or our other Terms and Policies. We may also end the Mobile Services or any part of the Mobile Services at any time by giving you reasonable notice.

You may end your subscription to our Mobile Services by notifying us. The notification will not be effective until we receive it.

We will not be liable to you or to any other person in the event that all or any part of the Mobile Services are discontinued, modified or changed in any way.

12. Privacy and Data Protection

Any personal data you supply to us will be processed in accordance with our Privacy Policy at www.cityindex.com.au

By using the Mobile Services you consent to such processing.

13. Severance

If any provision of these Mobile Terms shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of these Mobile Terms which shall remain in full force and effect.

14. Governing Law and Jurisdiction

These Mobile Terms are governed by the laws of Australia. The federal courts of Australia and the courts of the state of New South Wales will have exclusive jurisdiction to settle any disputes in relation thereto.

15. General

The Mobile Services are provided to you by City Index Australia Pty Ltd (ACN 141 747 727). We are authorised and regulated by the Australian Securities and Investments Commission and hold an Australian financial services licence (AFS licence number 345646). Our registered branch office is at Level 15, Chifley Tower, 2 Chifley Plaza Sydney NSW 2000.

These Terms of Use were last updated on 18th June, 2010.