

Product Disclosure Statement

MARGIN FOREIGN EXCHANGE

IMPORTANT NOTE

Financial Services are provided by and this Product Disclosure Statement (“PDS”) has been prepared and issued by Sonray Capital Markets Pty Ltd ABN 18 104 482 993 AFSL 231151 (“Sonray”). Please note that the information contained in this PDS does not constitute a recommendation, advice or opinion and does not take into account your individual objectives, financial situation, needs or circumstances. This is an important document and should be read in its entirety. Before entering into a Sonray Margin Foreign Exchange (“Margin FX”) transaction, you should obtain independent advice to ensure this is appropriate for your particular financial objectives, needs and circumstances.

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

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

All clients shall be bound by the contents of this PDS, The information in this PDS is current as at 23 Dec 09, and may be updated from time to time where that information is not materially adverse to clients. Updated information shall be provided on our website www.sonray.com.au . Sonray may issue a supplementary or replacement PDS as a result of certain changes, which shall be available on our website or shall be distributed in electronic form as required.

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

If you received this PDS electronically, we can provide a paper copy free of charge upon request. For information regarding our full range of products and services, please read our Financial Services Guide and visit our website. If you have any queries regarding this PDS, please contact Sonray.

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

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1. Purpose and Contents of this PDS

This PDS is designed to provide you with important information regarding Margin FX transactions including the following information:

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

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

Defined terms used in this PDS are defined in the Glossary in section or elsewhere in this PDS.

If you would like further information, please ask us. Further detail about our services is available on our website.

2. Name & Contact Details of Issuer/Service Provider

The Issuer/Service Provider is Sonray Capital Markets Pty Ltd ABN 18 104 482 993 AFSL 231151 ("Sonray").

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

Writing to us at: Sonray Capital Markets Pty Ltd
 Level 25
 367 Collins Street
 Melbourne VIC 3000

Calling us: (613) 9993-9700

Sending us a fax: (613) 9993-9799

Sending an email to: info@sonray.com.au

Visiting our website: www.sonray.com.au

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3. Representations

Sonray does not guarantee the performance, return of capital from, or any particular rate of return, of a Margin FX product or transaction. Clients may lose more than the amount of funds in their Margin FX account, and should only invest risk capital (that is, capital you can afford to lose). Please note that the historical financial performance of any Margin FX or underlying instrument/market is no guarantee or indicator of future performance.

The information contained in this PDS is general advice only, and does not take into account your particular financial objectives, needs and circumstances. You should obtain your own professional advice to ensure you fully understand the nature and risks of these products and determine their suitability for your situation.

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

4. Nature of Advice offered by Sonray

Sonray holds an AFSL Number 231151 and is authorised to provide the following services:

- to provide general and/or personal financial product advice in relation to, and to deal in,:
 - (i) deposit and payment products;
 - (ii) derivatives;
 - (iii) foreign exchange contracts;
 - (iv) debentures, stocks or bonds issued by a government;
 - (v) managed investment schemes including investor directed portfolio services;
 - (vi) securities; and
 - (vii) miscellaneous financial investment products limited to managed investment warrants and Managed Discretionary Account (MDA) services; and
- to make a market in derivatives; and
- to underwrite interests in managed investment schemes and issues of securities; and
- to provide certain custodial services;

to retail and wholesale clients.

Sonray is authorised to buy and sell Margin FX contracts and to give advice in relation thereto. We will only provide you with personal advice regarding Margin FX transactions if specifically requested and agreed, in which case a Statement of Advice will be issued to you.

In general, we provide general advice and we neither collect, nor take into consideration, information regarding your financial circumstances and needs, and we recommend that you take all reasonable steps to fully understand the outcomes of specific derivatives products and strategies adopted in relation to utilising the general information provided by Sonray. You should obtain financial, legal, taxation and other professional advice.

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5. Product Summary

The following summary table of the key characteristics of Margin FX contracts is provided for ease of reference. However, you should ensure you read this PDS in its entirety.

Issue	Summary	PDS Section reference
Who is the issuer of this PDS and the Margin FX products?	Sonray Capital Markets Pty Ltd	2
What is Margin FX?	<p>Margin FX is an over-the-counter derivative product which enables traders to leverage a small margin deposit for a much greater market effect in relation to currencies.</p> <p>A foreign exchange contract involves the exchange of one currency for another. Margin FX differs from spot and forward foreign exchange trading in that they are legally classified as derivatives rather than foreign exchange contracts, and are cash settled (ie no physical delivery is available).</p> <p>Margin FX trading generally involves taking forward positions in a foreign currency and instead of those contracts being settled by exchange of the relevant currencies, the positions are “closed out”.</p> <p>Closing out involves entering into equal and opposite position with us, which generates a profit or loss on the transaction, which is then settled between us. The resulting profit or loss of the trade is the net result of the difference between the opening and closing exchange rates of each transaction, adjusted for transaction costs.</p>	12.2
What fees and charges are payable in respect of a Margin FX contract?	<p>You may incur the following fees and charges:</p> <ul style="list-style-type: none"> • Transaction fee (a minimum transaction fee of USD10 may be charged in relation to low value transactions) • Administration charges • Option premium • Interest payments • Rollover fee • Conversion fee <p>The exchange rate quoted has a buy/sell spread which takes into account Sonray’s remuneration.</p>	12 7.2
Do I receive or pay interest in relation to my account balances?	<p>Should you have a credit balance in your account after all of your margin obligations have been met, Sonray may pay you interest if your balance is above \$15,000. Credit interest rates are currently LIBID/LIBOR less 2.5% for account balances between \$15,000 and \$99,999 and LIBID/LIBOR less 1.5% for account balances over \$100,000. Should you have a debit balance in your account, Sonray will charge you interest on the full amount of the debit balance. All interest payments are calculated daily and posted to your account at the end of each calendar month. Debit interest rates are currently LIBID/LIBOR plus 3.00%.</p> <p>Please note that in circumstances where the LIBID/LIBOR rate is lower than the interest rate payable on a credit balance as above, then the interest rate shall default to 0%.</p>	12.4

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What is premium?	A premium is paid by the buyer of a currency option to the seller as compensation for the risk involved in writing the option. It is paid on the spot value from the date on which the option is contracted. The amount of the premium is determined by the seller of the option.	12.3
How do I open a Margin FX account?	Prior to transacting in Margin FX, you must read and understand our Financial Services Guide, this PDS and the Application Terms & Conditions (which will be provided to you by Sonray) detailing the applicable terms and conditions. You must complete, sign and return a Application Terms & Conditions and have your account approved by Sonray. Sonray reserves the right to refuse to open a Margin FX account for any person.	13, 20
What is the minimum amount to activate a Margin FX trading account with Sonray?	\$3,000	13
What is the minimum amount to maintain a Margin FX trading account with Sonray?	\$1,000	13
How do I place a Margin FX transaction order with Sonray?	Sonray accepts Margin FX order transaction instructions in any of the following ways: <ul style="list-style-type: none"> electronically, via SonrayTrader, our electronic trading platform; telephone (calls will be recorded); or in writing (including email or facsimile), however only where agreed). Orders received in writing should not be considered to have been received unless confirmed by Sonray. 	15.1
What is a “long” position?	If you enter into a “long” Margin FX position, you expect the price of the underlying security to rise.	9.1
What is a “short” position?	If you enter into a “short” Margin FX position, you expect the price of the underlying security to fall.	9.1
How do I close a position?	You close a Margin FX position by entering into an equal and opposite transaction with Sonray.	15.3
Do I receive or pay interest in relation to my account balances?	Should you have a credit balance in your account after all of your Margin obligations have been met, Sonray may pay you interest. Credit interest rates are currently LIBID less 3.5% for account balances less than \$15,000, LIBID less 2.5% for account balances between \$15,000 and \$99,999 and LIBID less 1.5% for account balances over \$100,000. Should you have a debit balance in your account, Sonray will charge you interest on the full amount of the debit balance. All interest payments are calculated daily and posted to your account at the end of each calendar month. Debit interest rates are currently LIBOR plus 3.00%. Please note that in circumstances where the LIBID/LIBOR rate is lower than the interest rate payable on a credit balance as above, then the interest rate shall default to 0%.	12.5
What is net free credit balance?	Net free credit balance is your cash balance per currency, less any initial Margin requirements for all open positions.	12.5
What is Margin?	Your Initial Margin is the amount Sonray debits from your account as soon as you open a new Margin FX position or place an order to open a new Margin FX position. This acts as collateral or a security buffer and protects us in the event of a default by you. Typically we will require an Initial Margin calculated as a percentage of the contract value.	12.2

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	<p>The Variation Margin is the unrealised profit or loss on your open position. This is the difference between the value of the product when it was bought or sold and its current market price. Should your position move in your favour we may refund part or all of the Variation Margin to you.</p> <p>If you do not meet a Margin Call in a timely manner or within the time frame specified in the Margin Call, positions will be reduced or closed out by Sonray without further reference to you in accordance with the terms of the Application Terms & Conditions. This can result in additional loss. A Margin Call will not be considered to have been met unless and until cleared funds have been received in the nominated account and Sonray has updated your account balance.</p>	<p>12.2 and 9.5</p> <p>12.2</p>
How are payments made in and out of your account?	<p>You may transfer funds to us using any of the following methods:</p> <ul style="list-style-type: none"> • Bank transfer; • B-Pay®; • RTGS Bank transfer; or • Cheque. <p><i>In no circumstances do we accept cash deposits.</i></p> <p>You will only be able to withdraw moneys available to you after your Margin obligations have been met. All transfers from Sonray to you will be made to the bank account nominated in your Application Terms & Conditions.</p>	<p>14</p> <p>15.2</p>
Do I pay or receive any financing charges?	<p>In the event of you holding a long Margin FX position overnight you will be required to pay a financing charge at an interest rate. If you hold a short Margin FX position overnight you will be entitled to receive interest. Interest calculations are based on the total notional value of your open position, and are calculated at LIBOR or LIBID plus or minus a margin. Interest is calculated daily and posted to your account at the end of each calendar month.</p> <p>You should note that if LIBID or LIBOR plus or minus the margin results in a debit as opposed to a credit, then you will pay a finance charge.</p>	12.5
What are the key benefits of Margin FX transactions?	Some of the key benefits of Margin FX products are set out in section 10.	10
What are the key risks of Margin FX transactions?	<p>Investment in Margin FX products carries a high level of risk and returns are volatile. You should obtain independent professional advice and carefully consider whether they are appropriate for you in light of your knowledge, experience and financial needs and circumstances.</p> <p>Some of the key general and significant risks are set out in section 11.</p>	11
What are the tax implications of Margin FX trading?	Margin FX transactions may have tax implications. The taxation consequences of trading in Margin FX can be complex and will differ for each individual's financial circumstances. We recommend that you obtain independent taxation and accounting advice in relation to the impact of Margin FX transactions on your particular financial situation.	22
Sonray's powers in the event of default include the power to close out positions and terminate your account.	Sonray has extensive powers under the terms of the Application Terms & Conditions to take action in response to a range of default events. Sonray may terminate your account, and close out all or any of your Margin FX positions, including cancelling any outstanding orders. Further we may satisfy any obligation you have to Sonray out of any property, money or security belonging to you in Sonray's custody.	17

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<p>How do I obtain further information?</p>	<p>You can contact our head office by any of the means listed below:</p> <p>Sonray Capital Markets Pty Ltd Level 25 367 Collins Street Melbourne VIC 3000 Tel: (613) 9993-9700 Fax: (613) 9993-9799 Website: www.sonray.com.au Email: info@sonray.com.au</p>	<p>2</p>
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6. Margin FX products offered by Sonray

Margin FX contracts provided by Sonray are available in over 100 currencies. This means that all major currency pairs are available. However, some of the minor or more exotic currency pairs cannot be traded with Sonray. To find out what currency pairs are available, you should contact us.

Sonray Margin FX products do not result in the physical delivery of the currency but are cash adjusted or closed by the Client taking an offsetting opposite position **i.e. there is not a physical exchange of one currency for another**. Margin FX products are derivatives, not foreign exchange contracts. Positions will always be closed and the client’s account will be either credited or debited according to the profit or loss of the trade. See section 9.5 with regard to understanding realised versus unrealised profits and losses from transacting).

Currency Options

Sonray also offers options in a variety of currency crosses.

A buyer of an option acquires the right, but not the obligation, to buy or sell a specific amount of one currency for another at a predetermined price and date in the future. A “call” option is the right, without the obligation, to **buy** a currency. A “put” option is the right, without the obligation, to **sell** a currency.

In every foreign exchange transaction, one currency is purchased and another currency is sold. Consequently, every currency option is both a call and a put. For example: an option to buy USD against YEN is **both a USD call** (i.e. buy US dollars) and a YEN put (i.e. sell Yen).

There are always two (2) parties to an option contract – the buyer and the seller. The buyer of the option enjoys the right to exercise the option and the right not to exercise the option (i.e. to let it lapse). The seller (also known as the ‘writer’ or ‘grantor’) of the option has the obligation to deal at the contracted rate if the buyer elects to exercise the option. *Please note that the risk of the option buyer is limited to loss of the option premium paid, whilst an option seller has potentially unlimited risk.*

The client specifies the rate at which they want to purchase or sell the currency (Strike Price or Exercise Price) and they determine the period of time for the option to exist (Maturity or Expiry Date).

The price of the option is known as the **option premium**. The buyer pays the premium to the seller as compensation for the risk involved in writing the option. The option premium is paid on the spot value from the date on which the option is contracted.

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In other words, to facilitate the option deal, the buyer of the option (usually the client) is required to pay an amount (Premium) to the seller (usually Sonray). Paying the premium allows the client to keep the option until its maturity date, or to sell it at any given point of time prior to its maturity. The seller of the option (usually Sonray) determines the price of the premium at which it is willing to grant the option, based on current rates, nominated delivery and expiry dates, the nominated strike rate and option style (ie European or American). Clients can also sell options to Sonray, however this is NOT recommended unless you are a professional trader. Since the seller of the option has the obligation to deal at the contracted rate if the buyer elects to exercise the option, there is unlimited risk to the seller of the option.

We note that all option contracts must have a minimum expiry date being seven (7) days from execution date to a maximum period (expiry date) of six (6) months.

When trading Sonray products you should be aware of the risks and benefits as detailed in this PDS. Examples of how Sonray Forward and Option contracts can be traded are provided in section 0.

7. Sonray's position in relation to Margin FX contracts

7.1 Sonray acts as principal

When dealing in Margin FX contracts, as with all over-the-counter derivatives, Sonray is a market maker, not a broker.

Each transaction agreed and entered into with you will be entered into as principal, not as agent. Sonray will be making a market in its products as it will regularly state the price at which it is prepared to deal with you as principal.

Sonray will regularly state, via the electronic trading platform, the price at which it is prepared to deal with you as principal. This is known as being a 'market maker'. Should you decide to transact with Sonray then Sonray will enter into a legally binding contract with you (as principal) i.e. it will be the counterparty to the transaction and each contract purchased (or sold) by you will be an individual agreement made between you and Sonray.

7.2 Contract Price calculation

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

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

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

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

8. Purpose of Margin FX

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

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

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

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

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

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

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

9. Key Features of Margin FX contracts

9.1 What are "long" and "short" positions?

You can take both "long" and "short" Margin FX positions. If you enter into a "long" position it is similar to borrowing funds from Sonray to buy the underlying currency, and posting an amount of cash Margin with Sonray. If you take a

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long position you generally profit from a rise in the underlying currency price during the term of the contract and you generally incur a loss if the underlying currency price falls during the term of the contract.

If you enter into a “short” position it is similar to borrowing the underlying currency from Sonray, selling them on the market with a view to repurchasing them at a future date, and in the meantime investing the proceeds of the initial sale in a bank account, with a proportion of these proceeds being held as cash Margin by Sonray. If you take a short position, you generally profit from a fall in the underlying currency price during the term of the contract and you generally incur a loss if the underlying currency price rises during the term of the contract.

9.2 Contract Pricing

Sonray cannot predict future exchange rates and our rate quotations are not a forecast of where we believe a foreign exchange rate will be at a future date. Sonray calculates foreign exchange rates taking into consideration the current spot “inter bank” exchange rates and the amount of currency that you wish to buy or sell.

As noted in section 7.2 above, the rates quoted by Sonray include a spread favouring Sonray. This spread is not an additional charge or fee payable by you. These spreads will differ depending on the currency pairs traded.

9.3 Points

Exchange Rate

It is arbitrary how many significant figures are used in an exchange rate quotation. The last decimal place to which a particular exchange rate is usually quoted is referred to as a “point” or “pip”. For example:

- In the quotation USD 1=AUD 0.7250, one point or one pip means AUD 0.0001.
- In the quotation USD 1=JPY 102.50, one point or one pip means JPY 0.01.

Of note, all points (or pips) are **not** of equal value.

Interest Rate

An interest rate is the ratio of the amount of interest to the amount of money. When interest rates are expressed to two (2) decimal places, one unit in the second decimal place is known as a **basis point**. For example:

- In the quotation 5.75%, one basis point means 0.01%; alternatively
- In the decimal notation 0.0575, one basis point means 0.0001.

9.4 Calculating Profits and/or Losses

The profit or loss from a transaction is calculated by keeping the units of one of the currencies constant (the “base” currency) and determining the difference in the number of units of the other currency (the “terms” currency). The profit or loss will be expressed in the units of the currency which is not kept constant.

9.5 Realised and Unrealised Profits and Losses

Profits and/or losses are realised if both the buy and the sell side of the transaction are complete and have been matched against each other or closed out. Profits and/or losses are unrealised if only one side of the transaction has been completed.

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In other words, if you do not instruct the system to match selected trades against previous trades then it will default to matching trades on a First In First Out (“FIFO”) basis. This will result in the transactions remaining open and only being matched at settlement date.

Please contact your Sonray representative to assist you in understanding the importance of and how to match and close out trades.

9.6 How are Sonray Margin FX products traded?

Sonray provides an electronic trading platform which enables clients to trade in our products i.e. clients are provided direct access to currency rates over the internet.

When you trade margin FX products you are normally quoted a spot price. This means that if you take no further steps, your trade will be automatically rolled over after one Business Day unless you initiate an equal and opposite transaction to close the position. Alternatively, you may wish to swap the trade forward to a later date. This may be anywhere from a week up to several months depending on the time frame of the investment.

Although a forward trade is for a future date, the position can be closed out at any time - the closing part of the position is then swapped forward to the same future value date.

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

When trading US dollars against Japanese yen, the normal way to trade is buying or selling a fixed amount of US dollars, i.e. USD1,000,000. When closing the position, the opposite trade is done, again USD1,000,000. The profit or loss will be apparent in the change of the amount of yen credited and debited for the two transactions. In other words, your profit or loss will be denominated in Japanese yen that are known as the price currency. As part of our service, Sonray will automatically exchange your profits and losses into your Base currency if you require this. Please refer to the discussion regarding Conversion Fee in Section 12.8.

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

9.7 Order Types

9.7.1 Market Orders

A Market order is an order to be filled immediately at the best price available and may be used to enter into a position or Close Out an open position at the current price (Exchange Rate) at which Sonray is willing to deal.

9.7.2 Stop Loss Orders

A Stop Loss order is an order placed with the aim of limiting or minimising the potential loss on an open position. It is an order that becomes a Market Order only when the price offered by Sonray trades at the price you specify or at an inferior price. Stop Loss orders must be placed a minimum distance (in terms of quotation points) from Sonray’s current bid and offer prices. The minimum distance away for a Stop Loss order can vary and you should contact Sonray

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for further information as to the minimum distance required. Stop Loss orders placed on Margin FX positions will be filled if the price offered by Sonray is traded at prices equal to or inferior to the price at which you have placed your Stop Loss order (subject to there being sufficient liquidity). Stop Loss orders are processed in price level, and then time received order. If liquidity is insufficient at your price level, your Stop Loss order may be filled at prices inferior to those at which they were originally placed. Stop Loss orders may be filled if the price quoted for the relevant Currency Pair by Sonray is equal to or inferior to the price at which you have placed your Stop Loss order. Your Stop Loss orders may also be filled at prices inferior to those at which they were originally placed.

Sonray will execute a Stop Loss order once the following conditions are met:

- Sonray's offer price has reached the Stop Loss order price in the case of a buy order, or Sonray's bid price has reached the Stop Loss order price in the case of a sell order; and
- The price offered by Sonray has traded at or through the level at which the Stop Loss order is placed.

If "gapping" occurs in the underlying market and as a result, the price offered by Sonray also gaps through your specified price (stop level), then the Stop Loss order will be executed at the next available price.

Due to the above factors, Sonray does not guarantee that your Stop Loss order will be executed at the same price you requested.

9.7.3 Limit Orders

A Limit order is an order that can only be filled at a specified price or better and may be used by you to either open or Close Out an open position at a predetermined price that is more favourable to you than the current price. Sonray will execute your Limit order when one or more of the following conditions are met:

- The Sonray offer price has reached the price of your buy Limit order or the bid price has reached the price of your sell Limit order; or
- The price offered by Sonray has been bid or offered at your Limit order price.

Limit orders may be executed at a level that is more favourable to you than the predetermined price you selected when placing the Limit order. This will usually be where the price offered by Sonray is more favourable to you than the Limit order you have placed. Where your Limit order is not executed for, example due to a lack of liquidity, it would remain subject to the above conditions of execution at the limit price set by you.

9.7.4 One Cancels the Other (OCO) Orders

This is an order that is comprised of two orders, one of which cancels the other when filled i.e. it is the combination of both a Limit order and a Stop Loss order where the execution (or cancellation) of one order will automatically cancel the other order. It is an order type that may be used to Close Out an open position and take a profit if the market moves favourably for an open position or to potentially limit the loss if the market moves against the open position. It may also be used to open a new position. This order is linked to If Done Orders (refer section 9.7.5 below). If you place both of these orders at the same time and the If Done Order is triggered then the OCO order will automatically be implemented.

9.7.5 If Done or Contingent Orders

This order is also the combination of two orders; where the second of the two orders only becoming active should the first order be executed. For example, you may place an If Done order with a Limit order. In this situation, if the Limit order is executed, then the If Done order comes into effect. This order type is linked to OCO orders described above in section 9.7.4.

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9.7.6 Good Til Cancelled (GTC) Orders

A GTC Order means that the order you place will remain open until it is either executed according to the terms of that GTC order or cancelled by you. We note that Sonray reserves the right to cancel a GTC order due to, among other things, insufficient excess monies in your account.

10. Key Benefits of Margin FX contracts

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

➤ **Protect an Exchange Rate**

Sonray provides an electronic trading platform, enabling clients to trade in over-the-counter (as opposed to exchange-traded) derivatives such as Margin FX contracts over the internet. This facility provides clients with direct access to our system to enable them to buy and sell currency rates to protect themselves against adverse market swings.

Sonray also offers clients a way of managing volatility by using stop loss orders that enable clients to protect themselves against adverse market swings yet secure enhanced market rates when offered. Clients can eliminate downside risk by the use of stop loss orders if the exchange rate reaches a particular level. In addition, clients may also use limit orders which allow clients the opportunity to benefit from favourable upside market movements. See section 19.

➤ **Provide cash flow certainty**

By agreeing a rate now for a time in the future you will determine the exact cost of that currency, thereby giving certainty over the flow of funds. Any profit (or loss) you make using the Sonray product would be offset against the higher (or lower) price you physically have to pay for the foreign currency.

In addition to using Margin FX products as a risk management tool, clients can benefit by using Margin FX products offered by Sonray to speculate on changing exchange rate movements. You may take a view of a particular market or the markets in general and therefore invest in our products according to this belief in anticipation of making a profit.

The significant benefits of using Margin FX products offered by Sonray as a trader or a speculator (and for the client seeking to use the Sonray product as a risk management tool) are as follows:

➤ **Trade in small amounts**

The Sonray system enables you to make transactions in small amounts. You can start using SonrayTrader even with an opening balance as little as AUD \$3,000. When trading in a Margin FX contract offered by Sonray you may deposit the sum that suits you, or the amount which is in line with the amount you are willing to risk. With Sonray you are in full control of your funds.

➤ **Access to the foreign exchange markets at any time**

When using Sonray you gain access to a highly advanced and multi-levelled system which is active and provides you with the opportunity to trade 24 hours a day on any global market which is open for trading. This gives you a unique opportunity to react instantly to breaking news that is affecting the markets. It should be noted however, that trading in the various currency crosses may be restricted to hours where liquidity is available for any given currency cross.

➤ **Profit potential in falling markets**

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Since the market is constantly moving, there are always trading opportunities, whether a currency is strengthening or weakening in relation to another currency. When you trade currencies, they literally work against each other. If the EURUSD declines, for example, it is because the US dollar gets stronger against the Euro and vice versa. So, if you think the EURUSD will decline (that is, that the Euro will weaken versus the dollar), you would sell EUR now and then later you buy Euro back at a lower price and take your profits. The opposite trading scenario would occur if the EURUSD appreciates.

➤ **Superior liquidity**

The foreign exchange market is so liquid that there are always buyers and sellers to trade with. The liquidity of this market, particularly with respect to that of the major currencies, helps ensure price stability and low spreads. The liquidity comes mainly from large and smaller banks that provide liquidity to investors, companies, institutions and other currency market players.

➤ **Competitive spreads, no commissions**

With Sonray you do not pay commissions for the trades you enter. Sonray acts as a market maker, not as a broker, and makes its earnings from the spreads that are embedded in the currency rates. When trading Margin FX you may roll over your positions and then you pay a roll over fee (see section 12.7 and refer to our Application Terms & Conditions).

➤ **Real time streaming quotes**

The Sonray platform uses the latest highly sophisticated technologies in order to offer you up-to-the-minute quotes. You may check your accounts and positions in real time and you may do so 24 hours a day (in most circumstances) on any global market which is open for trading and make a trade based on real-time information. Sonray believes it is highly important for you to be able to control your funds whenever you wish and base your deals on real-time information.

11. Significant Risks of Margin FX transactions

Investment in Margin FX products carries a high level of risk and returns are volatile. You should obtain independent professional advice and carefully consider whether Margin FX products are appropriate for you in light of your knowledge, experience and investment objectives, financial needs and circumstances.

Some of the key significant risks involved in Margin FX trading include:

11.1 General Risks

Trading in Margin FX products carries a high level of risk and returns are volatile. The risk of loss in trading can be substantial. You should obtain independent professional advice and carefully consider whether Margin FX products are appropriate for you in light of your knowledge, experience and investment objectives, financial needs and circumstances.

It is also important that you read and understand the terms and conditions of trading in the Application Terms & Conditions and this PDS before entering into any Margin FX transactions.

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

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- As with all investments there is a risk that you could receive back less money than you initially invested.
- **Macro-economic Risk** – the general state of the Australian and international economies as well as changes in taxation policy, monetary policy, interest rates and statutory requirements are some of the factors which may influence the progress of currency markets.
- **Market Risk**- This is the risk that the markets move in a direction not anticipated. External market forces can cause markets and prices to change quickly, such forces include changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the marketplace. As the price of your Margin FX position is based on an underlying currency these factors may affect your position and our ability to execute, settle or close out transactions on your behalf.
- **Gapping** - In fast moving or illiquid markets “gapping” may occur. Gapping occurs when market prices do not follow a “smooth” or continuous trend and are typically caused by external factors such as world, political, economic and corporate related events. Should gapping occur in the underlying currency on which your Margin FX product is based, you may not be able to close out your position or open a new position at the price at which you have placed your order.
- **Variation Margins** - Should the price of the underlying currency on which your Margin FX product is based move against you, you may receive a Margin Call from us and, at short notice, be required to deposit a Variation Margin into your account in order to maintain your position. Should we make a Margin Call which may be substantial, you must deposit the amount of funds that we request into your account immediately. In the event of you failing to make Margin payments we may reduce or close all your open positions without further notice and you will be liable for any shortfall. Positions are marked-to-market on a daily basis, with payments being settled daily to account for market movements. You must be in a position to fund such requirements at all times. Initial and Variation Margin must be paid immediately after the call. The general policy of Sonray is that payment of the call must be received within 24 hours of the call although in times of extreme price volatility this may mean as little as 1 hour. In rare circumstances, the markets could move against your position giving Sonray no time to make a Margin Call on you to request additional funds for Sonray to protect its positions.
- **Leverage** – As Margin FX products are highly leveraged a small price movement in the underlying currency on which they are based can result in substantial profits or losses exceeding your Initial Margin. In addition you could be required to pay further funds representing losses and other fees on your open and closed positions. The prices of our products may be volatile and fluctuate rapidly over wide ranges. Price fluctuations may be as a result of uncontrollable events or changes in a variety of conditions as described above in Market Risk.
- **Liquidity** – Under certain conditions, it may be difficult or impossible to close out a position. This can occur when there is significant change in the price of the underlying currency over a short period of time.
- **Stop Loss Orders unavailable** - As the markets are constantly moving 24 hours a day, you are able to place a 'stop loss' on your open positions. Whilst this generally allows you to control potential losses should the market move against you, please be aware that stop loss orders may not always limit your losses the way you anticipate.
- **Powers of Sonray** – Should you fail to pay any amounts due and payable, including Margin Calls, or maintenance of minimum account balances, Sonray have extensive powers to close out positions and charge default interest. Under the Application Terms & Conditions you also indemnify Sonray and its employees, agents and representatives against certain losses and liabilities. You should read the Application Terms & Conditions carefully to ensure you understand these powers and responsibilities. See section 17.

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- **Trading platform risk** – You shall be responsible for providing and maintaining the means by which to access the electronic trading platform, which may include without limitation a personal computer, modem and telephone or other access line. While the internet and the World Wide Web are generally reliable, technical problems or other conditions may delay or prevent access thereto. If you are unable to access the internet and thus, the Sonray trading platform, it will mean you may be unable to trade in a Margin FX product offered by Sonray when desired and you may suffer a loss as a result. Should the system be unavailable, clients may place their orders via telephone with a representative of Sonray. Furthermore, in unforeseen and extreme market situations, such as an event like September 11, or a global catastrophe, Sonray reserves the right to suspend the operation of the electronic trading platform or any part or sections of it. In such an event, Sonray may, at its sole discretion (with or without notice), close out your open contracts at prices it considers fair and reasonable at such a time. Sonray may impose volume limits on client accounts, at its sole discretion. Please note that such measures would only be implemented in extreme market conditions, and such discretion only reasonably exercised in the best interests of the client.
- **Regulatory Risk** – changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in our products, as may any regulatory action taken against Sonray. Please also note that Margin FX is an over-the-counter derivative – this means they are not traded on a regulated exchange or market, and cannot avail the protections usually associated with such markets.
- **Sonray Risk** – The risk of Sonray being unable to operate its CFD market as a result of a regulatory impediment such as Sonray ceasing to hold an Australian Financial Services Licence or because ASIC impose a stop order on the PDS issued by Sonray or Sonray ceasing to exist.
- **No cooling off**- There are no cooling-off arrangements for Margin FX contracts. This means that when Sonray arranges for the execution of a Margin FX contract, you do not have the right to return the product, nor request a refund of the money paid to acquire the product.

11.2 Market Volatility

Foreign exchange currency markets are subject to many influences which may result in rapid currency fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility.

Given the potential levels of volatility in the foreign exchange markets, it is therefore recommended that you closely monitor your positions with Sonray at all times. Foreign exchange currency markets are highly volatile and are very difficult to predict. Due to such volatility, in addition to the spread that Sonray adds to all calculations and quotes, **no Margin FX product offered by Sonray, or any other financial services provider, may be considered as a safe trade.**

However, Sonray offers clients a way of managing volatility by working orders. Certain Margin FX products can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. Stop losses are instructions placed by the client with Sonray to close out an open position if a market trades through a specific level. Stop loss orders are often used to attempt to limit the amount which can be lost on a position. We note that stop losses are not guaranteed and the execution of such orders will depend on market volatility and liquidity. The operation of these order types should be discussed with your Sonray representative. You should refer to section 9.7 for further information relating to the Order Types available when trading Margin FX.

Under certain conditions it could become difficult or impossible for you to close a position. For example, this can happen when there is a significant change in prices over a short period. Lack of liquidity in foreign exchange markets

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due to extreme volatility or uncertainty of trading in those markets may also affect the ability of Sonray to open or close a position thereby reducing profits or increasing losses.

A “spread” position (i.e. the holding of a bought contract for one specified date and a sold contract for another specified date) is not necessarily less risky than a simple long (i.e. bought) or short (i.e. sold) position. Furthermore a “spread” may be larger at the time you close out the position than it was at the time you opened it.

You should be aware that if you acquire a Margin FX product offered for trading or speculative purposes (that is where you do not have a currency risk you need to protect yourself from), you will be fully exposed to movements in price between the currencies.

The risk of loss will be increased where you borrow to acquire the product as the total loss which may be incurred will be the loss on the Margin FX product together with the amount you borrowed.

11.3 Counterparty and Credit Risk

Given you are dealing with Sonray as counterparty to every transaction, you will have an exposure to us in relation to each transaction. This is common to all OTC financial market products.

You are subject to Sonray’s credit risk. If we were to become insolvent, we may be unable to meet our obligations to you. Sonray enters into arrangements with third party execution and clearing providers for the facilitation of transactions and settlements, and avails monies received for margin calls and settlements to such providers for this purpose. One provider, Credit Suisse Securities (Europe) Ltd, has taken a registered fixed and floating charge over the cash/assets it holds on behalf of Sonray in respect of any outstanding payment obligations between the parties.

You are reliant on Sonray’s ability to meet its counterparty obligations to you to settle the relevant contract. Sonray may choose to limit this exposure by entering into opposite transactions as principal in the wholesale market in relation to its exposures with clients. In addition, Sonray must comply with the financial requirements imposed under its AFS Licence. Sonray’s latest audited financial report is available, on confirmation you are a prospective client and will keep it confidential, by request to Sonray’s Compliance Manager on 03 9993 9700.

11.4 Foreign Exchange Risk

Your account is maintained in the currency you have nominated, that is, the Base currency. Where you deal in a Margin FX product that is denominated in a currency other than the Base currency, all Initial and Variation Margins, option premiums, profits, losses, rollover fees, interest rate payments/receipts and financing credits and debits in relation to that product are calculated using the currency in which the product is denominated.

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

Upon closing a position that is denominated in a currency other than the Base currency of your account, you will be able to request that the foreign currency balance be converted to the Base currency of your account. Any conversion will be at the exchange rate quoted by Sonray, and subject to the Conversion Fee (see section 12.8). Until the foreign currency balance is converted to the Base currency, fluctuations in the relevant foreign exchange rate may affect the unrealised profit or loss made on the position.

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11.5 Market Information

Sonray may make available to you through one or more of its services, a broad range of financial information that is generated internally or obtained from agents, vendors or partners (third party providers). This includes, but is not limited to, financial market data, quotes, news, analyst opinions and research reports, graphs or data (Market Information).

Market Information provided by us by email or through our website is not intended as advice. Sonray does not endorse or approve the Market Information and we make it available to you only as a service for your own convenience. Sonray and its third party providers do not guarantee the accuracy, timeliness, completeness or correct sequencing of the Market Information or warrant any results from your use or reliance on the Market Information.

Market Information may quickly become unreliable for various reasons including, for example, changes in market conditions or economic circumstances. Neither Sonray nor the third party providers are obligated to update any information or opinions contained in any Market Information and we may discontinue offering Market Information at any time without notice.

11.6 Operational Risk

Operational Risk is inherent in every Margin FX transaction, for example, disruption to Sonray's operational processes such as communications, computers, networks or external events may lead to delays in the execution of or settlement of a transaction.

Sonray relies on a number of technology solutions to provide you with efficient foreign exchange services - Sonray has outsourced the operation of this trading platform to a third party, and in doing so Sonray relies upon this third party to ensure the systems are updated and maintained.

A disruption to the Sonray electronic trading platform may mean you are unable to trade in a Margin FX product offered by Sonray when desired and you may suffer a loss as a result. An example of disruption includes the "crash" of our computer based trading system.

11.7 Out of the Money Options

This is a term used to describe an option that cannot, at current prices, be exercised at a profit. An out-of-the-money option is a call option whose strike price is higher than the current market level or a put option whose strike price is below market.

A client contemplating purchasing a deep out-of-the-money option (i.e. an option with an exercise price significantly above, in the case of a call option, or significantly below, in the case of a put option, the current price) should be aware that the chance of such an option becoming profitable is generally remote.

You should also note that:

- When you buy a currency option you may lose the entire premium paid as the option may expire without being exercised by you, in which case the options are worthless.
- When you sell currency options, although you receive the premium amount up-front, you are exposed to potential losses in the future in the event that the price of the underlying instrument moves against your position. **Selling options can result in unlimited losses and should only be performed by professional traders.**

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Accordingly, you may only sell currency options at our discretion and by paying sufficient Margin to us to ensure that you have the necessary level of cover appropriate to the risk of your position, unless you are selling the currency options to close an existing position or the short currency option is covered by another long currency option.

11.8 Risk Capital

You could lose all of the Initial Margin that you deposit to establish or maintain an Margin FX position.

All derivatives involve risk and there is no trading strategy that can eliminate it. The placing of contingent orders (such as a stop-loss order) may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders

In cases where you are speculating we suggest that you do not risk more capital than you can afford to lose. A good general rule is never to speculate with money which, if lost, would alter your standard of living.

11.9 Superannuation Funds

It should be noted that complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities which are contained in the Superannuation Industry Supervision Act 1993, and associated regulations and regulatory guidance material..

Without being an exhaustive list, following are some of the issues that should be considered by a Trustee of a complying superannuation fund:

- Restrictions on borrowing and charging assets and whether dealing in Margin FX products would breach those borrowing and charging restrictions;
- The purpose of dealing in Margin FX products in the context of a complying superannuation fund's investment strategy as well as the fiduciary duties and other obligations owed by Trustees of those funds;
- The necessity for a Trustees of a complying superannuation fund to be familiar with the risk involved in dealing in Margin FX products and the need to have in place adequate risk management procedures to manage the risks associated in dealing in those products; and
- The consequences of including adverse taxation consequences if a superannuation fund fails to meet the requirements for it to continue to hold complying status.

12. Fees & Charges

We charge a fee on each Margin FX contract executed on your behalf. Our rates vary depending on the type and level of service required, and the frequency and volume of transactions. The standard fee you will be charged per transaction varies between 1 and 10 basis points of the transaction amount.

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

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Rates are subject to negotiation by you with Sonray prior to transacting any business and are detailed below. Fees and commissions, once disclosed and agreed, will be charged to your trading account at the time your transaction is executed.

12.1 Transaction Fee

We charge a transaction fee on certain Margin FX transactions executed on your behalf. Our rates vary depending on the type and level of service required, the frequency and volume of transactions. Rates are subject to negotiation by you with Sonray prior to transacting any business. Fees and commissions, once disclosed and agreed, will be charged to your trading account at the time your transaction is executed.

The standard transaction fee you will be charged on each transaction can vary between 1 and 10 basis points (i.e. 0.01% to 0.1%) of the face value of the transaction amount.

Following is an example of how a transaction fee might be charged to you:

- Margin FX Contract – assume the face value is AUD50,000 and you have negotiated a transaction fee of 5 basis points (i.e. 0.05%). The transaction fee would therefore be AUD25. This transaction fee is only charged when the Margin FX Contract is initially opened and not each day when it is rolled. For roll over fees, refer to section 12.7.

The transaction fee must be paid to us immediately upon execution of the trade, and will be deducted from your account in accordance with the Application Terms & Conditions. Please note that GST will be charged on all fees.

12.2 Margins

Where you enter a transaction you will be required to pay an initial margin (an initial deposit/up-front payment). An initial margin means an amount of collateral that is required from you as security to enter into a margin position. In addition, in order to maintain your position, you may be required to pay additional margin in the event of adverse market movements against your position. Such payments are not costs but are cleared funds required by Sonray to cover our risk and as security for your obligations. The amount is determined by the relevant exchange or service provider, however Sonray in its absolute discretion, can impose margin requirements above and beyond those set by the relevant exchanges and/or service providers.

The current margin rates applicable to each type of transaction are provided on the SonrayTrader platform prior to entering into a trade.

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

All contracts will be subject to Margin obligations. Accordingly, you are responsible to meet all margin payments required by Sonray. It is your sole responsibility to monitor and manage your open positions and exposures, and ensure Margin Calls are met as required. Margin Calls will be notified via 'pop-up' screens on the trading platform, and you are required to log-in to the system on a daily basis when you have open positions to ensure you receive notification of any such Margin Calls. Please note that if you do not check the trading platform for Margin Call

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notifications, and hence do not meet them in a timely manner, positions will be closed out by Sonray, without further reference to you, in accordance with the executed Application Terms & Conditions. A Margin Call will not be considered to have been met UNLESS AND UNTIL cleared funds have been received by Sonray in the nominated account AND Sonray has updated the trading platform (generally around 10am on the following Business Day).

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

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

If you fail to meet any Margin Call i.e. if we fail to receive cleared funds, we may reduce or close all your open positions without further notice or in the rare circumstances where Sonray does not have time to make a Margin Call due to exceptional market movements, then Sonray may in its absolute discretion and without creating an obligation to do so, close out, without notice, all or some of your open positions (or transactions) and deduct the resulting realised loss from the Initial Margin (and other excess funds held in your account with Sonray).

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

Margin FX products can be highly volatile and you should ensure that you are always contactable by Sonray. If you are unable to be contacted for the purpose of Sonray making a Margin Call, we may close out your open positions without actually speaking to you.

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

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

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

12.3 Option Premium

The premium for an option at a particular time represents a consensus of the option's current value which is comprised of intrinsic value and time value. Intrinsic value is simply the difference between the spot price and the strike price. A put option will have intrinsic value only when the spot price is below the strike price. A call option will have intrinsic value only when the spot price is above the strike price. Time value is more complex. When the price of

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a call or put option is greater than its intrinsic value, it is because it has time value. Time value is determined by Sonray considering the following factors:

- the spot or underlying price;
- the expected volatility of the underlying currency;
- the exercise price;
- time to expiration; and
- the difference in the "risk-free" rate of interest that can be earned by the two currencies.

Time value falls toward zero as the maturity date or expiration date approaches.

12.4 Overnight Interest

In the event of you holding a long position overnight you will be required to pay a financing charge at an interest rate. If you hold a short position overnight you will be entitled to receive interest. Interest calculations are based on the total notional value of your open position, and are calculated as set out below using either LIBOR (London Interbank Offer Rate) or LIBID (London Interbank Bid Rate) plus or minus a margin. Interest is calculated on a daily basis and debited from and credited to your account at the end of each calendar month.

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

Standard overnight interest rates applicable to long and short positions are outlined below.

Overnight Interest	
Long	Short
LIBOR +3.00%	LIBID – 2.5%

Please note that in circumstances where the LIBID/LIBOR plus or minus the margin results in a debit as opposed to a credit, then you will pay a finance charge.

Current LIBOR/LIBID rates can be obtained by contacting Sonray.

The amount of interest paid/received by Sonray will vary each day, depending upon factors such as the price of the underlying currency on which the Margin FX transaction is based, changes to holdings within your portfolio and/or changes to LIBOR or LIBID.

No interest is paid or received if you open and close a position in the same trading day.

Sonray may in its absolute discretion reduce the financing rates applicable to your long and short positions depending on your trading volume or account balance. Sonray reserves the right to change the financing rates applicable to Margin FX products. In that event, you will receive proper notification of such change, and a supplementary or revised PDS if required.

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12.5 Interest earned/payable on account balances

Should you have a credit balance in your account after all of your Margin obligations have been met, Sonray may elect to pay you interest. Credit interest rates are currently:

London Interbank Bid Rate (LIBID)
 less 3.75% for account balances below \$15,000
 less 2.5% for account balances \$15,000-\$99,999
 less 1.5% for account balances of \$100,000 or more

Your net free credit balance accrues interest at the daily interest rate determined by Sonray. Your net free credit balance is your cash balance per currency, less any initial Margin requirements for all open positions.

Interest is calculated daily, but credited to your account monthly. The amount is equal to the amount of your net free credit balance (per currency) multiplied by the annual rate of interest for the number of days you are owed interest. This amount is then divided by 360 to get a daily amount.

Example: interest earned

Assume that you have the following scenario:

Base Currency – Australian Dollars i.e. AUD

Account balance = \$20,000

You have one open position which requires an initial margin of AUD \$5,000

You have an unrealised loss of this open position equal to AUD \$2,000

LIBOR Rate = 5.5%

This means that your net free balance = \$13,000 (i.e. \$20,000 - \$5,000 - \$2,000)

Interest = (net free credit balance x interest rate x number of days interest owed)/360
 = (\$13,000 x 0.0175 x 1)/360
 = \$0.63 interest earned per day.

Please note that the funds used to meet your Margin obligations when you open a position do not accrue any interest:

Provided you meet all calls for Variation Margin it is unlikely your account will go into debit. However, in the event of a major market movement against your position and you fail to meet a call for Variation Margin, Sonray may exercise its right to close your position. If the realised loss is greater than the amount you have deposited with Sonray then your account will go into debit.

Should you have a debit balance in your account, Sonray will charge you interest on the full amount of the debit balance. All interest payments are calculated daily and posted to your account at the end of each calendar month. Debit interest rates are currently LIBOR plus 3.00% or 300 basis points above the LIBOR rate.

The amount of interest paid/received by Sonray will vary each day, depending on factors such as the price of the currency on which the Margin FX product is based, changes to holdings within your portfolio and/or changes to the LIBID or LIBOR Rate.

Interest rates paid/debited are determined by, and can be changed at, the sole discretion of Sonray. Clients will be properly advised should such a change be implemented.

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Please note that in circumstances where the LIBID/LIBOR rate is lower than the interest rate payable on a credit balance as above, then the interest rate shall default to 0%.

12.6 Interest you may receive or pay when contracts are “rolled over”

Margin FX contracts that are “rolled over” will result in you paying or receiving interest at the rollover rate. The rollover rate is the interest rate differential between the two applicable currencies.

For example:

- if you have a long AUD/USD position (i.e. you have bought the Australian Dollar against i.e. sold the US Dollar) and interest rates are higher in Australia than in the USA then you receive interest at the rollover rate if you hold the position overnight and do not close it before the settlement time. This is because you are holding the higher yielding currency.
- However, if the USA interest rate is higher than the Australian interest rate and if you hold the position overnight and do not close it before the settlement time, then you will be required to pay interest at the rollover rate. This is because you are holding the lower yielding currency.
- There is also a financing cost that the client will receive or pay for the unrealised profit/loss attributed to the open position. This will be calculated by using the EOD (End of Day) profit/loss and the prevailing interest rate for the relevant currency pair.

The rollover rate will therefore vary depending upon:

- the currency pair you are trading;
- the applicable interest rates in the interbank markets according to the period of the rollover i.e. the interest rates offered for each currency pair (paid or earned); and
- the size of the position.

You should note that the rollover rate (i.e. the interest that you pay or receive) is reflected in the price at which the open position is rolled forward i.e. it is included in the price (or rate at which the contract is rolled) and is not an additional cost.

12.7 Roll over fee

You will be charged a ‘roll over’ fee with respect to Margin FX Contracts when your transaction is rolled. This means that open positions held at the end of the business day will be rolled over and remain open until the end of the next business day (unless the position is Closed Out). Your Margin FX Contract may be rolled indefinitely provided that you continue to meet your Margin Requirement.

The roll over fee will depend on the interest rate differential between the two currencies in the Currency Pair of your transaction. Whether you incur a cost or receive a benefit will depend on whether you hold a long (bought) or short (sold) position and also which currency has the higher yield (i.e. interest rate). If the interest rate on the currency you bought is higher than the interest rate of the currency you sold, then you will earn the roll over fee (positive roll). If the interest rate on the currency you bought is lower than the interest rate on the currency you sold, then you will pay the roll over fee (negative roll).

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Following is how a roll over fee might be charged to you:

- If you have a long AUD/USD Margin FX Contract (i.e. you have bought the AUD against the USD) and interest rates are higher in Australia than in the USA then you will receive interest at the 'roll over rate' if you hold the position overnight and do not Close Out before the settlement time. This is because you are holding the higher yielding currency.
- However, if the US interest rate is higher than the Australian interest rate and if you hold the position overnight and do not Close Out before the settlement time then you will be required to pay interest at the roll over rate. This is because you are holding the lower yielding currency.
- There is also a financing cost that you will receive or pay for the unrealised profit/loss attributed to the Open Position. This will be calculated by using the End of Day profit/loss and the prevailing interest rate for the relevant Currency Pair.

12.8 Conversion fee

You will be charged a conversion fee when converting currencies to the currency in which your account is denominated (Base Currency). This occurs each time there is a conversion from trade currency (denominated in the term of the Currency Pair) to your account currency.

Your account is always maintained in a specific currency (which you nominate), for example AUD. All Margin Requirements, profits, losses and all other variables (such as fees) will be debited or credited to your account in the nominated account currency (in this example, AUD). If you transact in a foreign exchange product that is denominated in a currency other than the account currency, all Margin Requirements, profits and losses will be converted to the account currency. This is performed automatically. For example, if you transact in a foreign exchange product that is denominated in USD and your account currency is AUD, any Margin Requirement, profit or loss will be converted from USD to AUD.

The conversion fee is levied at the rate at which the transaction is executed plus or minus 0.5% (depending upon the currency). Thus, the conversion fee is actually reflected in the Exchange Rate at which the transaction is converted and is not an additional fee or charge.

Following are some examples of how a conversion fee might be charged to you.

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Example 1

If you had a JPY **profit** of 87,000 this amount would be converted as follows:

AUD/JPY = 0.012413
 Adjustment 0.50% = 0.012413 x 0.50%
 = 0.000062065
 Rate used to convert = 0.012413 – 0.000062065
 = 0.01235094

Example 2

If you had a JPY **loss** of 87,000 this amount would be converted as follows:

AUD/JPY = 0.012413
 Adjustment 0.50% = 0.012413 x 0.50%
 = 0.000062065
 Rate used to convert = 0.012413 + 0.000062065
 = 0.01247506

Example 3

If your USD position is converted to AUD (your account currency) at 0.7275, then a fee of 0.5% will be levied, resulting in the currency being converted at 0.7225 (or, 0.7275 – 0.5%).

12.9 Reductions & Waivers

Sonray may in its absolute discretion reduce or waive the minimum deposit amount, the minimum account balance or interest rates on debit balances, fees or transaction charges, for individual clients or for classes of clients, for any length of time, with or without conditions, without the issue of a supplementary or revised PDS.

12.10 Third Party Charges

The fees and charges payable by you to Sonray may differ from the fees and charges payable by Sonray to its third party service providers from time to time.

13. Opening a Margin FX Account

Prior to transacting in Margin FX, you must read and understand our Financial Services Guide, this PDS and the Application Terms & Conditions (which will be provided to you by Sonray) detailing the applicable terms and conditions. You must complete, sign and return the Application, and have your account approved by Sonray. Sonray reserves the right to refuse to open a Margin FX account for any person.

A minimum deposit of \$3,000 is required in order to activate your account. Once activated, a minimum balance of \$1,000 must be maintained at all times. Should your balance fall below this amount, Sonray reserves the right to reduce or close out your Margin FX positions.

Please note that the above amounts may be varied from time to time, however you will be notified of any such variation.

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14. Funding your Margin FX Account

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

- Bank transfer;
- B-Pay®;
- RTGS Bank transfer; or
- Cheque.

In no circumstances do we accept cash deposits.

When transferring funds to Sonray you must ensure that the funds are appropriately referenced with your account number to enable us to easily identify your funds and apply them to your account promptly. All payments made to Sonray must be free of any withholding tax or deduction. Funds that are not appropriately referenced but are claimed by a client will require the client to provide sufficient evidence such as a bank receipt or transfer deposit in order for Sonray to identify those funds as belonging to the client. Any funds received that are not appropriately referenced and are not claimed within 30 calendar days, will be returned to the sender less any transaction or trace fees charged by Sonray's bank in the course of doing so. The client will NOT be entitled to any interest which Sonray may earn whilst holding the unallocated funds.

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

It may be helpful to note that cheques and payments made via B-Pay can take a number of days to clear and electronic transfers usually clear overnight, however Sonray is not in control of these time frames. Clients wishing to transfer funds immediately should contact their bank to arrange a Telegraphic Transfer (TT), which can often clear after 2 hours. It is important to note that Sonray checks for client deposits once a day and therefore if you make an urgent intra-day payment such as a TT, you will need to contact Sonray ASAP to notify us of your deposit. Failure to contact Sonray will result in your payment not being processed until the following business day.

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

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

15. Client Instructions, Statements & Confirmations

Sonray accepts Margin FX transaction order instructions in any of the following ways:

- electronically, via the electronic trading platform;
- telephone (calls will be recorded); or
- in writing (including email or facsimile, where agreed).

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

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Sonray will provide all clients, via the electronic trading platform, with access to both daily and historical account statements allowing you to check your open positions, Margin requirements and cash balances, and trading confirmations.

Sonray will report all open positions and open orders to you via the electronic trading platform, with a daily statement providing a summary of open positions, net free credit balance, Margin requirements, cash balances, and fees and charges provided to you on a daily basis at the end of each trading day.

We encourage you to become familiar with the statements we provide to you and understand how to read key elements such as your Margin requirements, open positions and any net free credit balance. Much of this information is provided in an easy to read format in the summary section of your statement.

It is your obligation to review the terms of each deal confirmation immediately upon receipt to ensure its accuracy as it will be conclusive evidence of the executed transaction, unless you advise us within 48 hours of any disputed detail therein. Deal confirmations are provided electronically through the electronic trading platform.

When you have open orders or positions, you are required to access the electronic trading platform on a daily basis as a minimum to confirm all orders that you place with us and in order to effectively monitor your margin obligations.

Should you wish, for any reason, to cancel or alter the Margin FX contract you have entered into, Sonray is under no obligation to agree to such cancellation or alteration. If Sonray does agree to cancel or alter your contract, this may be subject to payment of any expenses and/or loss incurred.

Should you have any queries relating to your statements we encourage you to contact us.

15.1 Placing an order

The electronic trading platform provides you with the ability to trade Margin FX online by simply selecting the currency, quantity and price you wish to deal at and confirming the order. The trading platform has a portfolio management system that allows you to monitor your open positions and manage your risk in real-time. The platform also allows you to view your open positions, trading history, Margin requirements and cash balances.

Should you place an order via the trading platform, you will receive instant confirmation as to the status of the order, via a pop-up box on your screen.

Orders placed via the trading platform will generally be accepted 24 hours a day, 7 days a week. Similarly, we will generally accept telephone orders for the products we offer, between 8.00am Monday (AEST) throughout until 6.30am Saturday (AEST). However, Margin FX products are tradable only during the hours which the market for the underlying currency is open. **PLEASE NOTE that we strongly discourage clients to place market orders at times OUTSIDE of market hours, because orders may automatically be filled at levels which are not considered to be advantageous.**

It is your obligation to review any order confirmation or statement we send to you immediately to ensure its accuracy and report any discrepancies that you may have to us. Order confirmations can be viewed electronically through the trading platform.

Other than for very large transactions, transactions can be placed and/or executed automatically using the electronic

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trading platform. Clients seeking to execute a “large transaction” will need to “request a quote” from Sonray prior to execution of the order. This “request for a quote” is performed online. Should the system be unavailable, clients may place their orders via telephone with a representative of Sonray. We note that phone orders may incur an additional fee (other than for those large transactions whereby clients are requesting a quote).

Margin FX product prices at which you trade with Sonray will reflect the prices of the underlying currency to which the Margin FX product relates. However, the real time dealing prices provided on the electronic trading platform are the prices that Sonray is offering for their Margin FX products, and may not be the same as those in the underlying market to which the currencies relate. Sonray determines Margin FX product prices having regard primarily to the liquidity in the underlying market.

Once you have entered an order into the electronic trading platform, the system will automatically report the main elements of that order to you. This is a “preliminary notification” and will enable you to print a confirmation of the primary data, including the quantity, price and the date and time the order was transmitted to Sonray.

We make special mention that the details contained in the ‘preliminary notification’ are not designed to comply with Section 1017F of the Corporations Act, but rather as a quick reference point and for your convenience. Once an order has been executed you can obtain a comprehensive trade confirmation by accessing the “Trades Booked” statement online. This is an online report that you can access and print upon demand and highlights all of the particulars concerning the transaction in accordance with Section 1017F of the Corporations Act.

If you are aware or suspect that your username and password to the electronic trading platform is no longer confidential, you must contact us immediately.

Sonray does not accept or bear any liability whatsoever in respect of the operation of its electronic trading platform, except to the extent that it is caused by the fraud or dishonesty on the part of Sonray or its employees, agents or representatives. All warranties express and implied, as to the description, quality, performance or fitness for your purpose of the electronic trading platform or any component of any such electronic trading platform are disclaimed and excluded.

15.2 Withdrawing your funds

You may withdraw funds from your account by sending us a signed withdrawal request by fax or post, or via an email sent from your nominated email address, outlining your account details and the amount you wish to withdraw. Funds will only be paid to the bank account which you have nominated in your Application and will not be paid to the account of a third party.

You will only be able to withdraw moneys available to you after your Margin obligations have been met. Moneys which you are able to withdraw are designated as free equity or net free credit balance on your account statement, some of which may be as a result of non-cash collateral lodged with Sonray. Additional fees and charges including interest may be deducted from this amount when paid to you. We may also require that you leave a minimum balance in your account should you wish to keep it open.

15.3 Opening & Closing Margin FX Positions

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

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the underlying currency fall. Conversely, should you open a short position, your intention would be to profit from a fall in the price of the underlying currency, and you would suffer a loss should the price of the underlying currency rise.

In order to close an open long or short position, you would open an equivalent offsetting position. The closure of a position will generally result in a profit or loss being realised in your account. Should you wish to close only part of your open long or short position you can do so by entering into an equivalent offsetting position of a lesser amount than your current open position.

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

Many Margin FX products do not have an expiry date. They remain open until they are closed in accordance with the terms of the Application Terms & Conditions. A Margin FX position can only be closed by contacting Sonray. To close a Margin FX position, you contact Sonray, either electronically or by telephone, to determine the current market price for the underlying currency, with the view to close the position (or part of it). Sonray will confirm the current market price and you will then decide whether to accept the price, and if so, you will instruct Sonray to close your open position in accordance with your instructions.

16. Electronic Trading Platform

The terms of use applicable to utilising SonrayTrader, our electronic trading platform, are detailed in the Application Terms & Conditions you are required to execute prior to trading. Some of the key provisions include the following:

- Sonray reserves the right, in its sole discretion, to institute or change any policies at any time relating to the use of SonrayTrader. Any such changes will be advised to you directly via SonrayTrader.
- Clients are granted a non-exclusive and non-transferable licence to use the electronic trading platform subject to the terms of the Application Terms & Conditions .
- Clients shall only use SonrayTrader for its internal business or investment purposes.
- Clients shall not permit any third party to copy, use, modify, disassemble, translate or convert in connection with use of SonrayTrader or distribute the platform to any third party.
- SonrayTrader may be used to transmit, receive and confirm the execution of orders, subject to market conditions and applicable rules and regulations.
- Sonray consents to the Client's access and use in reliance upon the Client having adopted procedures to prevent unauthorised access to and use of the electronic trading platform, in any event, the Client agrees to any financial liability for trades executed through the electronic trading platform.
- Where a Client is granted access to the electronic trading platform, the Client acknowledges and warrants that it has received a password granting it access to the electronic trading platform; is the sole owner of the password provided; and accepts full responsibility for any transaction that may occur on an account opened, held or accessed through the use of the password provided to the Client by Sonray.
- Clients agree to accept full responsibility for the use of the electronic trading platform and for any orders transmitted through the electronic trading platform. Sonray must be notified immediately should a Client become aware of any unauthorised use, loss or theft of the Client's, username, password or account numbers; or inaccurate information with respect to the content of statements including, cash balances, open positions or transaction history.
- The electronic trading platform is provided on an "as-is" basis and Sonray makes no express or implied representations or warranties to the Client regarding its operation or usability.

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- Sonray does not warrant that access to or use of the electronic trading platform will be uninterrupted or error-free, or that the service will meet any particular criteria with respect to its performance or quality nor do we make any warranty as to the timeliness, sequence, accuracy, completeness, reliability or content of any information, service or transaction provided through the use of the electronic trading platform or the results obtained from its use. Sonray expressly disclaims all implied warranties, including without limitation warranties of merchantability, title, fitness for a particular purpose, non-infringement, compatibility, security or accuracy.
- Under no circumstances, including negligence, will Sonray be liable for any direct, indirect, incidental, special or consequential damages including, without limitation, business interruption or loss of profits that may result from the use of, unavailability of, or inability to use the electronic trading platform.
- Clients agree that the use of the electronic trading platform is at the Client's risk and the Client assumes full responsibility for any losses resulting from the use of or materials obtained via the electronic trading platform.
- Please note that stop-outs (automatic closing of a position when Margin Calls have not been met) are implemented on SonrayTrader at the sole discretion of Sonray, and no liability for the direct or indirect consequences thereof shall be accepted by Sonray in relation thereto.

17. Our default powers

Sonray has extensive powers under the terms of our Application Terms & Conditions to take action in response to a range of default events. Such default events include the following:

- your failure to make a payment when due and payable, including any Margin Call or obligation;
- your failure to duly and punctually perform and observe any obligation or warranty under our Application Terms & Conditions ;
- your provision of a false or misleading representation;
- your entry into a scheme of arrangement or compromise with your creditors, or contemplation thereof;
- your insolvency or appointment of a receiver, administrator or manager over your assets;
- a resolution or order for your winding up or liquidation;
- your death, bankruptcy or reduction in mental capacity;
- your guarantee becomes defective or insufficient; or
- your unavailability to be contacted for instructions for more than 24 hours (without nominating alternative arrangements).

In the event of any of the above, Sonray may terminate your account, and close out all or any of your Margin FX positions, including cancelling any outstanding orders. Further we may satisfy any obligation you have to Sonray out of any property, money or security belonging to you in Sonray's custody. We may exercise any other power or right which Sonray may have pursuant to our Application Terms & Conditions or in law or equity.

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18. Examples

Please note the following examples have been provided for illustrative purposes only, and do not reflect current rates or prices for these transactions.

18.1 Trading Scenario – Trading Rising Prices

If you believe that the Euro will strengthen against the US dollar you will want to buy Euro now and sell it back later at a higher price.	
You buy Euro	We quote EURUSD at bid 0.9875 and ask 0.9880, which means that you can sell say 100,000 Euro for 0.9875 USD or buy 100,000 Euro for 0.9880 USD. In this example you buy Euro 100,000 at the quote price of 0.9880 (ask price) per Euro.
Example 1: The market turns in your favour	Later the market turns in favour of the Euro and the EURUSD is now quoted at bid 0.9894 and ask 0.9899.
Now you want to sell your Euro and get the profit	You sell Euro at a price of 0.9894.
The profit is calculated as follows:	Sell price - buy price x size of trade (0.9894 minus 0.9880) multiplied by 100,000 = \$140 Profit (Note that the profit or loss is always expressed in the secondary currency)
Example 2: The market turns against you	Alternatively, let's assume the market turns against the Euro and the EURUSD is now quoted at bid 0.9865 and ask 0.9870.
Now you want to sell your Euro and realise the loss	You sell Euro at a price of 0.9865.
The loss is calculated as follows:	Sell price - buy price x size of trade (0.9865 minus 0.9880) multiplied by 100,000 = \$150 Loss (Note that the profit or loss is always expressed in the secondary currency)

18.2 Trading Scenario – Trading Falling Prices

If, on the other hand, you believe that the Euro will weaken against the US dollar, you will want to sell EURUSD.	
You sell Euro	We quote EURUSD at a bid price of 0.9875 and ask price of 0.9880 and you decide to sell Euro 100,000 at a price of 0.9875.
Example 1: The market moves in your favour	The Euro weakens against the dollar and the EURUSD is now quoted at bid 0.9744 and ask 0.9749.
Now you buy back your Euro	You buy EUR at a price of 0.9749.

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Your Profit is then	Sell price-buy price x size of trade (0.9875 minus 0.9749) multiplied by 100,000 = \$1,260 Profit (Note that the profit or loss is always expressed in the secondary currency)
Example 2: The market moves against you	The Euro strengthens against the dollar and the EURUSD is now quoted at bid 0.9990 and ask 0.9995.
Now you buy back your Euro	You buy EUR at a price of 0.9995.
Your Profit/loss is then	Sell price-buy price x size of trade (0.9875 minus 0.9995) multiplied by 100,000 = \$1,200 Loss (Note that the profit or loss is always expressed in the secondary currency)

Remember that trading EUR 100,000 as we have done in our examples, does not mean that you have to put up Euro 100,000 yourself. It means that you have to deposit 1-4% of Euro 100,000, which is Euro 1-4,000 on margin as a guarantee for the future performance of your position.

Let's look at some more specific examples.

Example 1

You have a margin deposit with Sonray of USD100,000. You wish to speculate that the US dollar will rise against the Swiss franc and therefore decide to buy USD2,000,000.

Sonray quotes you 1.5515-20. You buy USD at 1.5520.

Day 1: Buy USD2,000,000 vs CHF 1.5520 = Sell CHF3,104,000.

Four days later, the dollar has actually risen to CHF1.5745 and you decide to take your profit. Upon your request, Sonray quotes you 1.5745-50. You sell at 1.5745.

Day 5: Sell USD2,000,000 vs CHF 1.5745 = Buy CHF3,149,000.

As the dollar side of the transaction involves a credit and a debit of USD2,000,000, your USD account will show no change. The CHF account will show a debit of CHF3,104,000 and a credit of CHF3,149,000. This example does not take into consideration the need (and impact on final profit) of rolling the position each day after Day 1.

This results in a profit of CHF45,000 = approx. USD28,600 = 28.6% profit on the deposit of USD100,000.

Example 2

You follow the cross rate between the Euro and the Japanese yen. You believe that this market is headed for a fall. You ask Sonray for a quote in EUR1,000,000. Sonray quotes 112.05-10. You sell EUR at 112.05.

Day 1: Sell EUR1,000,000 vs JPY 112.05 = Buy JPY112,050,000.

You protect this position with a stop-loss order to buy back the euro at 112.60. Two days later, this stop is triggered as the euro strengthens short term in spite of your expectations.

Day 3: Buy EUR1,000,000 vs JPY 112.60 = Sell JPY112,600,000.

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The EUR side involves a credit and a debit of EUR1,000,000. Therefore, the EUR account shows no change. The JPY account is credited JPY112.05m and debited JPY112.6m for a loss of JPY0.55m. This example does not take into consideration the need (and impact on final profit) of rolling the position each day after Day 1.

This results in a loss of JPY0.55m = approx.USD5,300 (USD/JPY 105) = 5.3% loss on the original deposit of USD100,000.

19. Limit and Stop Loss Orders

Certain Margin FX products can be traded in conjunction with our limit and stop loss orders which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. Stop losses are instructions placed by the client with Sonray to close out an open position if a market trades through a specific level. Stop loss orders are often used to attempt to limit the amount which can be lost on a position. We note that stop losses are not guaranteed and the execution of such orders will depend on market volatility and liquidity. The operation of these order types should be discussed with your Sonray representative. You should refer to our Application Terms & Conditions with respect to the operation of these order types.

20. Sonray Application Terms & Conditions

In order to open an account, you are required to sign our Application Terms & Conditions. This is an important legal document containing the terms and conditions which govern our relationship with you. It is provided to you separately by Sonray.

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

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

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

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- Amendment and termination rights;
- Client Indemnity in favour of Sonray
- Sonray's limitation of liability;
- Fees and charges;
- Restrictions on assignment of agreement;
- Telephone recordings;
- Provision of general advice;
- Governing law (Victoria); and
- SonrayTrader conditions/process.

21. Client Monies

All money deposited into your account by you or by a person acting on your behalf, or which is received by Sonray on your behalf, will be held by Sonray in one or more segregated accounts it must maintain pursuant to the Corporations Act. Please note that individual client accounts are not separated from each other, but may be co-mingled into one segregated account (which is separate to Sonray's monies/assets). It is important to note that holding your money in such segregated account may not afford you absolute protection, and the purpose of the segregated account is to separate Client monies from Sonray monies. All Client monies are pooled together within the segregated account, therefore an individual Client's balance may not be protected if there is a default by another Client that causes a loss to the overall segregated account balance. In order to minimise this risk, Sonray may use its own company funds to cover any Client balance shortfall that may be caused by a Client default in the short term. If there is a deficit in the segregated account and in the unlikely event that Sonray becomes insolvent before it makes up the deficit in the segregated account, then you will be an unsecured creditor of Sonray in relation to the balance of any monies owing to you from the segregated account.

Please note that monies provided by you to meet margins, deposits, fees, transaction settlements, or other costs shall be immediately on-forwarded by Sonray to our licensed third party clearing and execution providers, and applied against your margin, exchange, fee and settlement obligations. Client monies which are held pending future transactions and payments, are held by our licensed third party providers in our segregated account in accordance with the Corporations Act. It is important to note that holding your money in one or more segregated accounts may not afford you absolute protection.

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

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

22. Taxation Considerations

Margin FX products may have tax implications. The taxation consequences of trading in Margin FX products can be complex and will differ for each individual's financial circumstances. Margin FX profits will generally be subject to income tax and capital gains tax. We recommend that you obtain independent taxation and accounting advice in relation to the impact of Margin FX transactions on your particular financial situation.

Product Disclosure Statement

23. Disclosure of Interests

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

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

You may have been referred to us by a service provider who may receive financial or non-financial benefits from us. These should have been disclosed to you by the service provider in question. Please note that such benefits will not impact fees or the rates you will be offered for financial products or services undertaken with Sonray.

24. Privacy

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

25. Dispute Resolution

Sonray has an internal dispute resolution process in place to resolve any complaints or concerns you may have, quickly and fairly. Any complaints or concerns should be directed to the Compliance Officer (by telephone, facsimile, or letter) at the address and telephone/fax numbers provided in Section 2 of this PDS, or by email to complaints@sonray.com.au.

We will provide acknowledgement of receipt of written complaints within 5 Business Days, and seek to resolve and respond to complaints within 30 Business Days of receipt. We will investigate your complaint, and provide you with our decision, and the reasons on which it is based, in writing. Our dispute resolution policy is also available on our website.

If you are dissatisfied with the outcome, you have the right to lodge a complaint with the Financial Ombudsman Services Limited ("FOS"), an approved external dispute resolution scheme, of which Sonray is a member, using the contact details below.

FOS

GPO Box 3,
Melbourne VIC 3001
Telephone: 1300 780 808
Facsimile: +613 9613 6399
Website: www.fos.org.au

Product Disclosure Statement

26. Glossary

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

Account or account

Account of the client dealing in the products issued by Sonray, which is established in accordance with the terms and conditions of the Application Terms & Conditions .

AEST

Australian Eastern Standard Time

AFSL

Australian Financial Services Licence

American Options

American style options can be exercised at any time until expiry, and usually trade on standardised exchanges.

Base currency

Your account is maintained in the currency you have nominated, that is, the base currency.

Business Day

A day (other than a Saturday or Sunday or public holiday) on which trading banks in Melbourne Australia are open for

Application Terms & Conditions

The agreement provided to you by Sonray, detailing the applicable terms and conditions as amended, supplemented or updated from time to time. You must complete, sign and return a Application Terms & Conditions , and have your account approved by Sonray set up an account with Sonray to deal in products issued by Sonray.

Confirmation or order confirmation

Document or documents confirming evidence exchanged between Sonray and the client, confirming the terms of the Margin FX product transaction.

Deal

Has the same meaning as provided in the Corporations Act.

EST

Eastern Standard Time, Australia.

European Options

European style options are only exercisable upon maturity at the expiry date, and usually trade over-the-counter.

Exercise Price (Strike Price)

The price at which an option may be exercised.

Expiry Date (Maturity)

The last day on which the holder of an option can exercise his right to buy or sell the underlying currency.

FOS

The Financial Ombudsman Services Limited.

Financing Rate

The rate at which you pay or receive interest on Margin FX positions remaining open overnight.

Product Disclosure Statement

FSG

Sonray's financial services guide as amended, supplemented or updated from time to time.

Initial Margin

An amount required to be deposited by the client with Sonray to open a Margin FX position.

Intrinsic Value

Intrinsic value is the difference between the spot price and the strike price. A put option will have intrinsic value only when the spot price is below the strike price. A call option will have intrinsic value only when the spot price is above the strike price.

LIBID

LIBID stands for London Interbank Bid Rate. The rate charged by one bank to another for a deposit in the wholesale money markets in London.

LIBOR

LIBOR stands for London Interbank Offer Rate. It's the rate of interest at which banks offer to lend money to one another in the wholesale money markets in London.

Margin

The Initial Margin or Variation Margin or both.

Margin Call

A demand for additional funds made to the client by Sonray to meet any additional margin requirement.

Margin FX

Margin foreign exchange.

Market Information

This includes, but is not limited to, financial market data, quotes, news, analyst opinions and research reports, graphs or data.

Net free credit balance

Net free credit balance is your cash balance per currency, less any Initial Margin requirements for all open positions.

Premium

A premium is paid by the buyer of a currency option to the seller as compensation for the risk involved in writing the option. It is paid on the spot value from the date on which the option is contracted. The amount of the premium is determined by the seller of the option.

Sonray

Sonray Capital Markets Pty Ltd.

SonrayTrader

Sonray's electronic trading platform.

Spot Price/Rate

The price at which the currency is currently trading in the spot market.

Strike Price (Exercise Price)

The price at which an option holder can buy or sell the underlying currency.

Term Currency

This is the currency of the position you have taken.

Product Disclosure Statement

Variation Margin

The amount deposited by the client with Sonray including any increase or reduction arising from settlement of a closed position.

We, Us or Sonray

Sonray Capital Markets Pty Ltd.