

OTC CFDs

# Product Disclosure Statement

**MF** Global<sup>SM</sup>

Professional Investors

Category 2

HK SFO 571D

**HONG KONG**

MF Global Holdings HK Limited



## IMPORTANT NOTICES / DISCLAIMERS

This is a Product Disclosure Statement (**PDS**) prepared by MF Global Holdings HK Limited (**MFGHK**). The date of this PDS is 11 January 2008. This PDS relates to OTC contracts for difference in respect of underlying instruments which are quoted an exchange in Australia, Hong Kong, Singapore, Japan, New York, London, New Zealand, Taiwan, Korea and certain other jurisdictions agreed to by MFGHK.

### WARNING

**Over The Counter Contracts for Difference (OTC CFDs) are speculative products that are highly leveraged and carry significantly greater risk than non geared investments such as share trading. You should not invest in OTC CFDs unless you are experienced in equity derivatives and understand and are comfortable with the risks of investing in OTC CFDs.**

**You should obtain your own financial, legal, and other professional advice as to whether OTC CFDs are an appropriate investment for you.**

This PDS is important and should be read in its entirety. Investors should ensure they read and understand this PDS, in particular section 4 “Significant Risks” and determine whether this product is suitable for them, before deciding whether to open an OTC CFD account with MFGHK and invest in OTC CFDs.

This PDS also contains other important information about the costs of OTC CFDs and the significant characteristics, features and benefits of OTC CFDs.

### About MFGHK

MF Global Holdings HK Limited (MFGHK) is a subsidiary of the broker, MF Global Ltd, which can trace its origins back 200 years and is today one of the world’s largest futures broking organisations. The MF Global group of companies employs over 1,000 people in 15 countries, with key centres in London, Chicago, Hong Kong, New York, Paris, Singapore, Sydney and Taipei.

#### MFGHK’s registered office in Hong Kong is located at:

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**Telephone:** +852 3553 1630

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**Internet:** [www.mfglobalcfds.com.hk](http://www.mfglobalcfds.com.hk)

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MF Global Limited holds the following exchange memberships:

### Exchanges

American Stock Exchange  
Australian Stock Exchange (Futures Division)  
Bombay Stock Exchange  
Borsa Italiana  
Boston Options Exchange  
Boston Stock Exchange  
Bourse de Montreal  
CBOE Futures Exchange  
Chicago Board of Trade  
Chicago Board Options Exchange  
Chicago Climate Futures Exchange  
Chicago Mercantile Exchange  
Chicago Stock Exchange  
Deutsche Borse AG  
Dubai Gold and Commodities Exchange  
EDX  
EEX  
EUREX AG  
Euronext  
Euronext Paris and Amsterdam  
EURONEXT.liffe  
Hong Kong Exchanges and Clearing (HKEx)  
ICE Futures  
IMAREX  
Intercontinental Exchange  
International Securities Exchange  
Kansas City Board of Trade  
London Metal Exchange  
London Stock Exchange  
Minneapolis Grain Exchange  
Montréal Exchange (MX)  
Multi Commodity Exchange of India  
National Commodity & Derivatives Exchange of India  
National Stock Exchange of India  
New York Board of Trade  
New York Futures Exchange  
New York Mercantile Exchange  
Nordpool  
NOREX  
NYSE ARCA  
OFEX  
One Chicago  
Philadelphia Board of Trade  
Philadelphia Stock Exchange  
Powernext  
Singapore Exchange Ltd (SGX)  
Sydney Futures Exchange  
Toronto Stock Exchange (TSX)  
TSX Venture Exchange  
USFE  
Virt - X  
Winnipeg Commodity Exchange

## Representations

MFGHK does not guarantee the performance, return of capital from, or any particular rate of return of, an OTC CFD. Investment products are always subject to investment risk.

**Customers may lose more than the amount of funds in their OTC CFD account.**

Investments in OTC CFDs involve significant investment risk, including possible delays in payment and loss of income or capital invested. Customers should note that historical financial performance of any OTC CFD or any underlying instrument is no assurance of future financial performance.

The information contained in this PDS is general advice only. In preparing the PDS MFGHK has not taken into account your investment objectives, financial situation or particular needs. You should consider the appropriateness of opening an OTC CFD account and entering into OTC CFDs having regard to your objectives, financial situation and needs and should obtain your own financial, legal or other professional advice.

This PDS does not contain, and MFGHK provides no advice in respect of, the laws of any jurisdiction to which an underlying instrument relates.

No aspect of this product has been endorsed or approved by any exchange or regulatory agency or any party or market referred to in this PDS.

Use of examples in this PDS are provided for illustrative purposes only and do not necessarily reflect MFGHK's actions or determinations or your personal circumstances.

## Update of information

Information in this PDS may be updated from time to time where that information is not materially adverse to customers. MFGHK may provide updated information on the MFGHK website: [www.mfglobalcfd.com.hk](http://www.mfglobalcfd.com.hk). A copy of the updated information is also available upon request free of charge by contacting MFGHK. MFGHK may issue a supplementary PDS as a result of certain changes, in particular where the changes are materially adverse from the point of view of a reasonable person deciding as a retail client whether to open an OTC CFD account or invest in MFGHK OTC CFDs. This PDS and any supplementary PDS is available in paper form and in electronic form from our website at [www.mfglobalcfd.com.hk](http://www.mfglobalcfd.com.hk) or you can call +852 3553 1630.

## Foreign Jurisdictions

The distribution of this PDS in jurisdictions outside Hong Kong may be restricted by law and therefore persons into

whose possession this document comes should seek advice on and observe any such restrictions. Failure to comply with relevant legislation may violate those laws. This PDS does not constitute an offer or invitation in relation to an OTC CFD in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The financial products offered under this PDS have not been and will not be lodged or registered under the United States Securities Act of 1933, as amended and may not be offered or sold directly in the United States.

## Opening an OTC CFD account

Before you begin trading through MFGHK, you must complete, sign and return the OTC CFD client agreement and then have your account approved by MFGHK. An OTC CFD account and trading in MFGHK OTC CFDS is only available to professional investors as defined by the Hong Kong SFO Cap 571D. OTC CFD client agreements which are not accompanied by a signed Professional Investor declaration may be rejected and returned.

## Dispute Resolution

MFGHK has a formalised client complaint resolution procedure. All complaints are reviewed and investigated by the Compliance Manager based in Hong Kong independent from the OTC CFD trading desk. If you make a complaint, our first response will be to contact you to discuss the complaint and to register a formal record of such complaint. We will try to resolve your complaint quickly and fairly.

You can contact the MFGHK Compliance Manager by writing to:

Manager, Compliance  
MF Global Holdings HK Limited  
Level 23, 100 Queens Road  
Central  
Hong Kong

Phone: **+852 3553 1000**

**email:** [compliance@mfglobal.com](mailto:compliance@mfglobal.com)

## Ethical Considerations

We do not take labour standards, or environmental, social or ethical considerations into account when offering OTC CFDs.

## Defined Terms

Defined terms used in this PDS are defined in the Glossary in section 9 or elsewhere in this PDS, unless the context otherwise requires.

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# Key Features

## Who is the issuer of this PDS and OTC CFDs?

This PDS and the OTC CFDs are issued by MF Global Holdings HK Limited (MFGHK).

### MFGHK's contact details are:

MF Global Holdings HK Limited  
Level 23, 100 Queens Road  
Central  
Hong Kong  
+852 3553 1630

## What is an OTC CFD?

An Over The Counter Contract For Difference or OTC CFD is an agreement which allows you to make a profit or loss from fluctuations in the price of an underlying listed instrument without actually owning that instrument.

You are either entitled to be paid an amount of money, or required to pay an amount of money, depending on movements in the price or value of the underlying instrument. The amount of any profit or loss made on an OTC CFD will be equal to the difference between the price of the underlying instrument when the OTC CFD is opened and the price of the underlying instrument when the OTC CFD is closed multiplied by the number of underlying instruments to which the OTC CFD relates. Any profit or loss will also be affected by other payments applying to the OTC CFD such as fees, commissions, instrument borrowing charges and interest.

## What is a Contract Reference Instrument?

A Contract Reference Instrument is the underlying instrument that forms the subject of the OTC CFD. A Contract Reference Instrument must be quoted on the Hong Kong Stock Exchange (HKSE), Australian Securities Exchange (ASX), Stock Exchange of Singapore (SGSE), Tokyo Stock Exchange (TSE), New York Stock Exchange (NYSE), London Stock Exchange (LSE), New Zealand Stock Exchange (NZSE), Taiwan Stock Exchange (TASE), Korea Stock Exchange (KSE) or such other exchange approved by MFGHK. You select the relevant Contract Reference Instrument to which the OTC CFD relates.

## The OTC CFD is issued “over the counter”. What does this mean?

The OTC CFD is a contract between you and MFGHK. You cannot trade in the OTC CFD through an exchange; rather it is a private transaction between you and MFGHK. Accordingly,

you can only enter into the transaction by contacting MFGHK. Once an OTC CFD is entered into, it can only be closed by contacting MFGHK; it is not possible to close the OTC CFD by giving instructions to another broker.

## How do I open an OTC CFD account?

You open an OTC CFD account by completing and signing the OTC CFD client agreement and returning it to MFGHK. Your client representative can provide you with a copy of this document. MFGHK reserves the right to refuse to open an OTC CFD account for any person.

If you enter into any OTC CFDs, all debits and credits in respect of each currency of the OTC CFDs will be recorded in the same OTC CFD account, in a separate ledger.

## Is there a minimum OTC CFD account balance?

In order to activate your OTC CFD account you must deposit at least HKD\$100,000 (or the equivalent, as determined by MFGHK, in AUD, SGD, JPY, USD, GBP, NZD, EUR or such other currency agreed to by MFGHK) into your OTC CFD account. Once the OTC CFD account has been opened there is no minimum account balance required. However, if you enter into an OTC CFD you must ensure that the amount in your OTC CFD account is sufficient to meet all payments when due. In addition, if the Gross Liquidation Value of your OTC CFD account falls below HKD\$10,000 or foreign equivalent (as determined by MFGHK) MFGHK may require the payment of Additional Margin. See section 2.5 in relation to Additional Margin.

## In what currency is my OTC CFD account denominated?

You may deposit AUD, HKD, SGD, JPY, USD, GBP, NZD or such other foreign currency as agreed to by MFGHK into your OTC CFD account. Each foreign currency balance held in your OTC CFD account is operated as a separate ledger, called a **Foreign Currency Ledger**. You may nominate any one of these currencies as your base currency.

## How do I enter into an OTC CFD?

You may do so by contacting MFGHK either electronically via our electronic trading platform, by phone, fax or by email. See section 2.4 for further information.

## What are “long” and “short” positions?

If you enter into a “**long**” OTC CFD position it is similar to borrowing funds from MFGHK to buy the underlying instruments, and posting an amount of cash margin with MFGHK. If you take a long position you generally profit from a rise in the underlying instrument’s price during the term of the OTC CFD and you generally make a loss if the underlying instrument’s price falls during the term of the OTC CFD.

If you enter into a “**short**” OTC CFD position it is similar to borrowing the underlying instrument from MFGHK, 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 an interest bearing account, with a proportion of these proceeds being held as cash margin by MFGHK. If you take a short position, you generally profit from a fall in the underlying instrument’s price during the term of the OTC CFD, and you make a loss if the underlying instrument’s price rises during the term of the OTC CFD.

## In what currency are OTC CFD positions denominated?

The Contract Value of each OTC CFD, and all debits and credits in respect of an OTC CFD and the Closing Value of an OTC CFD are denominated in the currency of the Contract Reference Instrument (**Relevant Currency**). Note that Contract Reference Instruments which are listed on the TASE and the KSE are denominated in USD. When you enter into an OTC CFD, if you do not have a Foreign Currency Ledger in your OTC CFD account in the Relevant Currency, MFGHK will open an additional Foreign Currency Ledger in your OTC CFD account in the Relevant Currency. All debits and credits in respect of an OTC CFD are made to the relevant Foreign Currency Ledger.

For the purposes of determining the aggregate position of your OTC CFD account (i.e. in respect of all your open OTC CFD positions), MFGHK will also calculate the Gross Liquidation Value and the Free Equity of your OTC CFD account in your nominated base currency.

See section 2.5 for further information.

## Examples of OTC CFDs

Some examples of OTC CFDs in respect of instruments quoted on the HKSE and SGSE are set out in section 8.

## What margin is required?

In respect of each OTC CFD you will be required to pay Initial Margin. In addition, you may also be required to pay (or be entitled to receive from MFGHK) Variation Margin, which is

the unrealised profit or loss on your open position. You may also be required to pay Additional Margin, including, without limitation, if the Gross Liquidation Value in your account falls below HKD10,000 or foreign equivalent (as determined by MFGHK) or if the amount in your OTC CFD account is not sufficient to meet all payments when due.

The amount of Initial Margin which is payable in respect of an OTC CFD will fluctuate daily depending on the Contract Value of the OTC CFD and will be debited from your OTC CFD account. Initial Margin rates are generally set at 10 to 20% of the Contract Value of the OTC CFD, however, these rates may vary depending on the volatility of the market for the relevant Contract Reference Instrument and may go up to 100% of the Contract Value. MFGHK may determine the Initial Margin rate in its sole discretion and may vary the Initial Margin rate at any time. If MFGHK varies the Initial Margin rate it will notify you of the new rate by telephone, electronic message or email, on our website, or through any other method agreed between the parties. Any additional Initial Margin resulting from an increase in the Initial Margin rate is payable within 24 hours.

See sections 2.5 and 2.6 for further information.

## Daily Payment of Differences / Variation Margin

Following the close of business on each Local Business Day during the term of an OTC CFD, MFGHK will determine the Contract Value of the OTC CFD as at Business Close based on the value of the Contract Reference Instrument at Business Close. This will normally be the closing price quoted by the Relevant Exchange on which the Contract Reference Instrument is quoted. See section 2.6 for further details.

Based on this determination, either you will be required to make a payment to MFGHK or MFGHK will be required to make a payment to you.

If you hold a long position and the Contract Value at Business Close is greater than the Contract Value determined on the previous Business Day, MFGHK will pay you an amount equal to the increase in value. If the Contract Value at Business Close is less than the Contract Value determined on the previous Business Day, you will pay MFGHK an amount equal to the decrease in value.

If you hold a short position and the Contract Value at Business Close is greater than the Contract Value determined on the previous Business Day, you will pay an amount equal to the increase in value to MFGHK. If the Contract Value at Business Close is less than the Contract Value determined on the previous Business Day, MFGHK will pay you an amount equal to the decrease in value.

Amounts payable under this provision by you to MFGHK or to you by MFGHK are referred to as Variation Margin.

### Additional Margin

MFGHK will determine the amount of any Additional Margin required in its sole discretion and will notify you of the requirement to pay Additional Margin by telephone, electronic message or email, on our website, or through any other method agreed between the parties. The amount of Additional Margin called will generally be the amount required to make the Free Equity in your OTC CFD account positive. Additional Margin is payable within 24 hours, or such lesser time as MFGHK may require.

See sections 2.5 and 2.6 for further information.

### How are amounts paid by me?

All amounts payable by you to MFGHK in respect of an OTC CFD, including Initial Margin, Variation Margin, Additional Margin, interest and fees, will be debited from the relevant Foreign Currency Ledger in your OTC CFD account.

You must ensure that the amount in your OTC CFD account (assessed on an aggregate basis across all Foreign Currency Ledgers) is sufficient to meet all required payments when due.

If the amount in your OTC CFD account is insufficient to cover any margin called, including for example Additional Margin, you must transfer the required amount into your OTC CFD account.

### How are amounts paid to me by MFGHK?

All amounts payable by MFGHK to you, including Variation Margin payable by MFGHK to you and interest, will be credited to the relevant Foreign Currency Ledger in your OTC CFD account.

### Can I withdraw money from my OTC CFD account?

You may request a withdrawal from your OTC CFD account by contacting MFGHK either electronically or by telephone. If MFGHK receives a withdrawal request, it will determine in its absolute discretion whether to agree to such withdrawal.

### Do I receive dividends on OTC CFD positions?

If a dividend or distribution is paid in respect of an underlying instrument while you hold a long position in an OTC CFD in respect of the underlying instrument you will receive an amount equal to any cash dividend or distribution paid on such underlying instrument (if any) (less any

withholding taxes, any other local taxes, or other charges that would have been payable) based on the number of instruments to which the OTC CFD relates on the Business Day immediately preceding the ex-dividend or distribution date, as applicable.

If a dividend or distribution is paid in respect of an underlying instrument while you hold a short position in an OTC CFD in respect of the underlying instrument you must pay cash equal to the value of the dividend or distribution paid on such underlying instrument (if any) (plus an amount representing any withholding tax, other local taxes or other charges that would have been payable) to MFGHK based on the number of instruments to which the OTC CFD relates on the Business Day immediately preceding the ex-dividend or distribution date, as applicable.

Amounts referred to above will be debited or credited, as applicable, by MFGHK as soon as reasonably practicable following the relevant ex-dividend date, and this may take up to 10 Hong Kong Business Days to effect.

See section 2.10 for further information.

Note also that in some cases withholding tax or similar amounts may be payable even if you would not be required to pay such amounts if you were to hold the underlying instrument directly. That is because either MFGHK or its counterparty to a Hedge Position may be required to pay such amounts, the cost of which will be passed on to you. **For example**, if the counterparty to a Hedge Position is not resident in Singapore, withholding tax may be payable in relation to OTC CFDs over Singapore instruments, even if you are a Singapore resident who would not normally pay withholding tax were you to hold the instruments directly.

### When are interest / funding rates payable by MFGHK?

Interest is payable by MFGHK on the Free Equity in your OTC CFD account.

If you hold an open short position in an OTC CFD overnight, a funding rate is payable by MFGHK to you on the OTC CFD Contract Value of that open position.

However, you should note that, as set out in section 5.4, the applicable interest rate or funding rate may in certain circumstances be a negative rate. If this is the case, MFGHK will debit such amount from your OTC CFD account.

See section 5.4 for further information, including the applicable interest/funding rates.

## When do I pay interest / funding rates?

If any Foreign Currency Ledger in your OTC CFD account is in debit, MFGHK will charge you interest on the debit balance of such Foreign Currency Ledger.

If you fail to pay any amount payable when it is due you will be charged interest on the overdue amount at the default rate set out in section 5.

If you hold an open long position in an OTC CFD overnight you will be charged a funding rate on the OTC CFD Contract Value of that open position.

See section 5.4 for further information, including the applicable interest/funding rates.

## What fees are payable?

Commission is charged on each OTC CFD transaction when you enter into the OTC CFD and when you close your OTC CFD position.

The rate at which commission is charged is agreed between you and your representative but will not be more than 100 basis points (ie 1.00%) of the Contract Value of the OTC CFD at the time the OTC CFD is entered into (in respect of commission payable when you enter into an OTC CFD) (subject to a minimum commission as described in section 5.1) and 100 basis points of the Closing Value of the OTC CFD (in respect of commission payable when you close an OTC CFD) (subject to a minimum commission as described in section 5.1). See the example set out in section 5.1.

In relation to OTC CFDs over USD denominated Contract Reference Instruments, MFGHK will generally charge up to US10 cents per OTC CFDs subject to the minimum commission (as described in section 5.1). If you choose to use MFGHK's OTC CFD electronic trading platform eMPower you may be charged a standard monthly fee not exceeding USD500 per month. However, depending on the type or number of exchanges on which you are able to access live prices through eMPower, additional fees may be payable.

If you enter into a "short" OTC CFD position you may also be charged an instrument borrowing fee relating to the instrument borrowing charges incurred by MFGHK in hedging its exposure to your OTC CFD.

Where you instruct MFGHK to effect a conversion of one currency to another currency, MFGHK will charge you a fee in respect of each conversion. This fee is in the form of a spread on the exchange rate and will not exceed 50 points. See section 2.8 for further information.

You must ensure that the amount in your OTC CFD account (assessed on an aggregate basis across all Foreign Currency Ledgers) is sufficient to meet all required payments when due.

## Closing an OTC CFD position

OTC CFDs do not have an expiry date. You may close an OTC CFD at any time during the trading hours of the Relevant Exchange by instructing MFGHK to close your open OTC CFD position.

See section 2.7 for further information.

## What are the risks of OTC CFDs?

OTC CFDs can be highly leveraged and carry a high level of risk. You should seek independent advice and consider carefully whether OTC CFDs are appropriate for you given your experience, financial objectives, needs and circumstances. See section 4 of this PDS for further information on significant risks of investing in OTC CFDs.

## What if I need further information?

Contact your financial, legal or other professional adviser or contact MFGHK on +852 3553 1630.

# 1. Introduction

## 1.1 What is an Over The Counter Contract For Difference?

An Over The Counter Contract For Difference (**OTC CFD**) is an agreement which allows you to make a profit or loss from fluctuations in the price of an underlying listed instrument without actually owning that instrument. Under the OTC CFD, one party is entitled to be paid an amount of money, or is required to pay an amount of money, depending on movements in the price or value of the underlying instrument. This transaction, also commonly referred to as a swap transaction, concludes with the parties settling the difference between the value of the underlying instrument at the time the OTC CFD was entered into and the value of the underlying instrument at the time the OTC CFD is closed. During the term of the OTC CFD transaction, the price of the underlying instrument will be marked-to-market daily so that at the end of each Local Business Day during the term of the OTC CFD transaction, a payment will generally have to be made by you to MFGHK, or to you by MFGHK, to reflect any changes in the value of the underlying instrument during such Local Business Day. More information can be found in section 2.6 below under the heading “Daily Payment of Differences”.

OTC CFD trading allows you to take leveraged “**long**” or “**short**” positions without having to take or make delivery of the underlying instrument. Instead, you provide a cash deposit, the amount of which fluctuates daily depending on the Contract Value of the OTC CFD (known as the “Initial Margin”) as collateral.

Although an OTC CFD generally replicates the price movement of the underlying instrument, you have no right or obligation to acquire or deliver the instrument itself and no other rights of holders of the underlying instruments, such as voting rights. You are not entitled to receive any dividends or other distributions which may be paid in respect of the underlying instrument. However, certain cash adjustments may be made to your OTC CFD account on or as a result of a dividend or other distribution in respect of the underlying instrument (see further section 2.10).

This PDS relates to OTC CFDs in respect of underlying instruments which are quoted on the ASX, HKSE, SGSE, TSE, NYSE, LSE, NZSE, TASE, KSE and other exchanges as agreed to by MFGHK.

## 1.2 Who trades in OTC CFDs and why?

People trade in OTC CFDs for a variety of reasons. Some trade to **speculate** with a view to profiting from fluctuations in the price or value of the underlying instrument. For example, OTC CFD traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the underlying instruments. OTC CFD traders may not wish to sell or purchase the underlying instruments themselves, but may instead be looking to profit\* from market movements in the instrument concerned.

Others trade OTC CFDs to **hedge** their exposures to the underlying instrument. For example, OTC CFDs can be used as a risk management tool to enable those with existing holdings of underlying instruments to lock in an effective sale price for the instruments concerned by taking a “short” OTC CFD position. If the price of the underlying instruments the investor holds falls, the short OTC CFD positions will wholly or partly offset the losses incurred on the physical holdings.

OTC CFDs also allow people to trade on a **leveraged** basis. You are able to outlay a relatively small amount (in the form of Initial Margin) to secure an exposure to the underlying instrument.

**\*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 objectives, financial situation and needs.**

## 2. Description Of OTC CFDs Issued By MFGHK

### 2.1 The issuer

The OTC CFDs referred to in this PDS are issued by MFGHK.

### 2.2 Key features

The key features of MFGHK's OTC CFDs are set out below:

#### Minimum OTC CFD account opening balance

HKD 100,000 (or equivalent amount, as determined by MFGHK, in either AUD, HKD, SGD, JPY, USD, GBP, NZD, EUR or such other currency agreed to by MFGHK).

#### OTC CFD account currency

You may deposit AUD, HKD, SGD, JPY, USD, GBP, NZD, EUR or such other foreign currency as agreed to by MFGHK into your OTC CFD account. Each foreign currency balance held in your OTC CFD account is operated as a separate Foreign Currency Ledger.

#### Underlying instruments

Any financial instruments quoted on the ASX, HKSE, SGSE, TSE, NYSE, LSE, NZSE, TASE, KSE or any other market or exchange approved for OTC CFD trading by MFGHK.

#### OTC CFD Contract Value

As at any Local Business Day, the Contract Reference Instrument Price multiplied by the Contract Quantity. The Contract Quantity per OTC CFD will be one (unless that number is adjusted by MFGHK in accordance with the OTC CFD client agreement). The OTC CFD Contract Value is denominated in the currency of the Contract Reference Instrument. Note that Contract Reference Instruments listed on the TASE and the KSE are denominated in USD.

#### OTC CFD profit or loss

The difference between the OTC CFD Contract Value when the OTC CFD is entered into and OTC CFD Contract Value when the OTC CFD is closed. Whether you make a profit or loss will depend on whether you take a short or long position and the movement of the value of the underlying instrument. Any profit or loss will also be affected by other payments applying to OTC CFDs such as dividends, fees, commissions, instrument borrowing charges and interest and may also be affected by foreign exchange rates.

#### Initial Margin

Initial Margin rates are determined by MFGHK and are generally set at 10 to 20% of the Contract Value of the OTC CFD, however, these rates may vary depending on the volatility of the market and may go up to 100% of the OTC CFD Contract Value. MFGHK may determine the Initial Margin rate in its sole discretion and may vary the Initial Margin rate at any time.

#### Daily payment of differences (Variation Margin)

An amount will be payable by you to MFGHK or by MFGHK to you on each Local Business Day based on the difference between the Contract Value at Business Close on such Local Business Day valued against the Contract Value at Business Close on the previous Local Business Day. Any such amounts payable by you or to you are referred to as **Variation Margin**.

#### Interest rates or funding rates

There are 5 types of interest rates or funding rates applicable to an OTC CFD as follows. Interest amounts and funding amounts are calculated and payable separately in respect of each currency in your OTC CFD account and are payable in the currency of the relevant balance.

The applicable rates at any time, are set by MFGHK. The rates are communicated to you by your representative when you open your OTC CFD account and are accessible at any time on MFGHK's website. You can also contact your representative for further information on the current interest and funding rates.

- Interest rate paid by MFGHK to you on OTC CFD account credit balances. In respect of an HKD credit balance which constitutes Free Equity, the interest rate is the overnight cash rate HIBOR 1W minus a maximum of 3.5% per annum. In respect of a foreign currency credit balance which constitutes Free Equity, the interest rate is a rate determined by MFGHK in its sole discretion having regard to the current money market rate in the jurisdiction of such currency and the rate notified to MFGHK by its counterparty on any Hedge Position, if applicable (**MFGHK Base Rate**) minus a maximum of 3.5% per annum. The applicable MFGHK Base Rate at any time is published on MFGHK's website at [www.mfglobalcfd.com.hk](http://www.mfglobalcfd.com.hk) and will change from time to time (see section 5.4.1).

- Interest rate charged by MFGHK to you on your OTC CFD account debit balances. In respect of HKD debit balances the interest rate is the overnight cash rate HIBOR 1W plus a maximum of 4% per annum. In respect of a foreign currency debit balance, the interest rate is the current MFGHK Base Rate plus a maximum of 4% per annum (see section 5.4.1).
- Funding rate paid by you to MFGHK on long open OTC CFD positions - the current MFGHK Base Rate plus a maximum of 3% per annum (see section 5.4.3).
- Funding rate paid by MFGHK to you on short open positions - the current MFGHK Base Rate less a maximum of 3% per annum (see section 5.4.3).
- Default interest rate paid by you to MFGHK on any unpaid amount due by you to MFGHK - current MFGHK Base Rate plus a maximum of 8% per annum (see section 5.4.2). This is charged separately in respect of each currency in which an amount is owed.

### Contract Expiry

OTC CFDs have no set expiry date.

### Closing out an OTC CFD by you

OTC CFDs can generally be closed on a Local Business Day at any time during the trading hours of the market on which the underlying instrument is quoted, subject to MFGHK giving you a quote for the Closing Price of the OTC CFD and you agreeing to accept that Closing Price. See section 2.7.1.

### Closing out an OTC CFD by MFGHK

MFGHK has the right to close out an OTC CFD in certain circumstances. This includes the occurrence of certain events in relation to the underlying instrument (see sections 2.7.2 and 2.9), or if an amount payable by you in relation to an OTC CFD exceeds 50% of the Initial Margin in respect of that OTC CFD, or if a default event occurs in relation to you, as set out in section 2.15. You should refer to the OTC CFD client agreement for further information.

## 2.3 Opening an OTC CFD account

Before you enter into any OTC CFD with MFGHK you will be required to enter into the standard terms and conditions for OTC CFD trading (please refer to the OTC CFD client agreement) and open an OTC CFD account. You open an OTC CFD account by completing and signing the OTC CFD client agreement and returning it to MFGHK. Your client representative can provide you with a copy of this

document. MFGHK reserves the right to refuse to open an OTC CFD account for any person. You must deposit at least HKD\$100,000 (or equivalent amount, as determined by MFGHK, in either AUD, HKD, SGD, JPY, USD, GBP, NZD, EUR or such other currency agreed to by MFGHK) into your OTC CFD account to activate your OTC CFD account.

Each foreign currency balance held in your OTC CFD account is operated as a separate Foreign Currency Ledger. You may nominate any one of these currencies as your base currency.

## 2.4 Establishing an OTC CFD position

To enter into an OTC CFD transaction (ie to open or establish an OTC CFD position), you can contact MFGHK either electronically, by phone, fax or by email to determine the price of an underlying instrument. MFGHK will only provide the price a Contract Reference Instrument during the trading hours of the Relevant Exchange on a Local Business Day. You select the relevant underlying instrument in relation to which you want to enter into an OTC CFD. The total OTC CFD Contract Value is then determined by multiplying the number of underlying instruments to which the OTC CFD applies by the price of the underlying instrument quoted on the Relevant Exchange. MFGHK will inform you of the relevant price and the Initial Margin rate and you may make an offer to enter into an OTC CFD transaction with MFGHK based on that price.

You may only offer to enter into an OTC CFD with MFGHK and establish an OTC CFD position during the trading hours of the Relevant Exchange on a Local Business Day. You must confirm with us that offers sent via email or fax have in fact been received by us. MFGHK will confirm any OTC CFD transaction it enters into with you.

After you have offered to enter into an OTC CFD with MFGHK, until MFGHK actually enters into the OTC CFD (as determined by MFGHK), you may notify MFGHK that you wish to cancel or vary that offer. MFGHK may, in its absolute discretion refuse to accept such cancellation or variation and has no responsibility or liability to you if it is unable to vary or cancel your offer.

You should note that under the rules of certain Relevant Exchanges, some Contract Reference Instruments can only be purchased in a specified amount, or in multiples of such specified amount. For example, it may be the case that XYZ Ltd. can only be purchased in a lot size of 1,000, or multiples of 1,000. Where such restrictions apply to a Contract Reference Instrument, the Contract Quantity of an OTC CFD in respect of such Contract Reference Instrument must be the specified amount, or multiples of such specified amount; i.e. in the case of OTC CFD in respect of XYZ Ltd, the Contract Quantity must be 1,000 or multiples thereof.

Under the OTC CFD client agreement, MFGHK has sole discretion whether or not to accept an offer from you to enter into an OTC CFD. MFGHK may refuse to enter into an OTC CFD for a variety of reasons, including, for example, where you have exceeded limits imposed by MFGHK on your OTC CFD account or where MFGHK does not hold sufficient cleared funds from you for the amount of the Initial Margin.

You can take both “long” and “short” OTC CFD positions. If you take a long position, you profit from a rise in the underlying instrument’s price, and you will make a loss if the underlying instrument’s price falls. Conversely, if you take a short position, you profit from a fall in the underlying instrument’s price, and you make a loss if the underlying instrument’s price rises.

Under the OTC CFD client agreement, MFGHK has the right to cancel any OTC CFD which involves or is based on a manifest error, including without limitation, an error in the Contract Reference Instrument Price. MFGHK also has the right to amend the terms of such an OTC CFD to reflect terms which MFGHK considers in its sole discretion acting in good faith to be the correct terms.

The Contract Value of an OTC CFD, all debits and credits in respect of an OTC CFD and the Closing Value of an OTC CFD are denominated in the Relevant Currency. When you first open an OTC CFD position, if you do not have a Foreign Currency Ledger balance in your OTC CFD account in the Relevant Currency, MFGHK will establish a Foreign Currency Ledger in your OTC CFD account in the Relevant Currency for the purpose of recording all debits and credits in respect of open OTC CFD positions in such currency. Any deposit which you make to, or which is held in, your OTC CFD account in a Relevant Currency will be recorded in the Foreign Currency Ledger.

You will be charged commission on establishing an OTC CFD position. See section 5.1.

MFGHK may at anytime notify you of an exposure limit beyond which you may not be authorised to enter into further OTC CFDs.

## 2.5 Margins

Entry into OTC CFDs involves the payment of margin. There are three components of margin that you may be required to pay in connection with each OTC CFD: **Initial Margin, Variation Margin and Additional Margin.**

The **Initial Margin** which is payable in respect of an OTC CFD will fluctuate daily depending on the Contract Value of the OTC CFD and will be debited from your OTC CFD account. The

Initial Margin represents the security deposit that you are required to provide to MFGHK when you first open an OTC CFD position and throughout the term of an OTC CFD. The Initial Margin rate applicable to each OTC CFD is determined by MFGHK in its sole discretion. It is typically 10 to 20% of the Contract Value of the OTC CFD but may be as low as 5% or as high as 100% of the Contract Value depending on the volatility of the relevant market and the liquidity of the underlying instrument.

MFGHK may apply the opening balance of your OTC CFD account or any other Free Equity in your OTC CFD account to the payment of Initial Margin in respect of an OTC CFD. For this purpose MFGHK may notionally convert the currency of the opening balance of your OTC CFD account or other Free Equity in your OTC CFD account to the Relevant Currency using the Exchange Rate quoted by MFGHK (see section 2.8). MFGHK will determine in its absolute discretion whether the Free Equity in your OTC CFD account is sufficient to satisfy the Initial Margin.

MFGHK may vary the Initial Margin rate at any time and will notify you of the new Initial Margin rate by telephone, electronic message or email, on our website, or through any other method agreed between the parties. Any additional Initial Margin resulting from an increase in the Initial Margin rate is payable within 24 hours.

An indication of the Initial Margin rate which may apply to certain types of OTC CFD transactions can be obtained from MFGHK’s website ([www.mfglobalcfd.com.hk](http://www.mfglobalcfd.com.hk)), our electronic trading platform or from your client representative.

The **Variation Margin** is the unrealised profit or loss on your open position. See section 2.6 for further information.

The **Gross Liquidation Value (GLV)** is the amount of money you would have in your OTC CFD account were you to close out all positions at the current market price (less any transaction charges or adjustments). This is calculated by MFGHK on an aggregate basis across all your open OTC CFD positions in your nominated base currency.

The **Free Equity** balance of your OTC CFD account is the **GLV** less the Initial Margin, Additional Margin and any commission, fees and interest amounts payable by you to MFGHK in connection with an OTC CFD. Free Equity will be calculated by MFGHK in your base currency on an aggregate basis across all your open OTC CFD positions and can be utilised to enter into further OTC CFD positions or can be withdrawn from your OTC CFD account, in your base currency or in a Relevant Currency, if MFGHK consents in its sole discretion to such withdrawal.

**MFGHK may require the payment of additional margin during the term of the OTC CFD contract, in addition to the Initial Margin and Variation Margin**, including, without limitation, if the GLV in your account falls below HKD10,000 or foreign equivalent (as determined by MFGHK in its sole discretion) or if the amount in your OTC CFD account is not sufficient to meet all payments when due. This is referred to as **Additional Margin** (see example 7.1.3). Additional Margin can be paid in HKD, a Relevant Currency, or such other currency agreed to by MFGHK. MFGHK will determine the amount of any Additional Margin required in its sole discretion and will notify you of the requirement to pay Additional Margin by telephone, electronic message or email, on our website, or through any other method agreed between the parties. The amount of Additional Margin called will generally be the amount required to make the Free Equity in your OTC CFD account positive. Margin calls for Additional Margin must be met within 24 hours of MFGHK making the margin call. In some situations MFGHK may require payment within a shorter time period (for example when there is unusual volatility). If you fail to make margin payments in respect of Additional Margin within the time specified by MFGHK, MFGHK may close out open OTC CFD positions without further notice to you. Alternatively, MFGHK may partially close out an open OTC CFD position by closing it out in respect of some (but not all) of the underlying instruments to which the OTC CFD applies without further notice to you. For example, if you have an open long position in respect of an OTC CFD where the underlying instrument is 1,000 of XYZ Ltd, MFGHK may close out your position in relation to 500 of the underlying instruments XYZ Ltd and the OTC CFD will remain open in respect of the remaining 500 instruments in XYZ Ltd.

## 2.6 Daily Payment of Differences / Variation Margin

Following the close of business on each Local Business Day during the term of an OTC CFD, MFGHK (as the calculation agent) will determine the Contract Value of the OTC CFD as at Business Close on such Local Business Day. This will ordinarily be the closing price quoted by the Relevant Exchange. Where MFGHK determines that the closing price cannot be determined on that basis it will determine the value in its discretion. Where trading in the underlying instrument is suspended or halted by the Relevant Exchange, the OTC CFD position will be valued and a closing price will be determined by MFGHK.

If the Contract Value at Business Close on a Local Business Day is greater than the Contract Value determined at Business Close on the previous Local Business Day, and you hold a “short” position in the OTC CFD, MFGHK will debit the difference between the values from the relevant Foreign Currency Ledger in your OTC CFD account. If the Contract

Value is less than the Contract Value at Business Close on the previous Business Day and you hold a “short position” MFGHK will credit the difference between the Contract Values to the relevant Foreign Currency Ledger in your OTC CFD account.

If the Contract Value at Business Close on a Local Business Day is greater than the Contract Value determined at Business Close on the previous Local Business Day and you hold a “long” position in the OTC CFD, MFGHK will credit the difference between the Contract Values to the relevant Foreign Currency Ledger in your OTC CFD account. If the Contract Value is less than the Contract Value as at Business Close on the previous Local Business Day, MFGHK will debit the difference between the Contract Values from the relevant Foreign Currency Ledger in your OTC CFD account.

Any such amounts debited or credited to your OTC CFD account are referred to as Variation Margin.

When a payment for difference is made MFGHK will credit to the relevant Foreign Currency Ledger in your OTC CFD account any amount payable by MFGHK. If an amount is payable by you, MFGHK will debit such amount from the relevant Foreign Currency Ledger in your OTC CFD account.

If the funds in your OTC CFD account is insufficient to cover any amount payable by you, you must pay to MFGHK the specified amount in HKD or the Relevant Currency in cleared funds within 24 hours (or such lesser time as MFGHK may determine) of being advised of that amount so payable.

## 2.7 Closing an OTC CFD

OTC CFDs do not have an expiry date. Rather, they remain open until they are closed in accordance with the terms of the OTC CFD client agreement.

### 2.7.1 You wish to close an OTC CFD

Since the OTC CFDs are issued by MFGHK “over the counter” and not through an exchange, the OTC CFD is a contract between you and MFGHK and can only be closed in accordance with the terms of the OTC CFD client agreement or as otherwise agreed between you and MFGHK. It is not possible to close the OTC CFD by giving instructions to another broker. To close an OTC CFD position you should contact MFGHK on a Local Business Day during market hours of the Relevant Exchange, either electronically, by telephone, fax or by email, to determine the current market price quoted on the Relevant Exchange for the underlying instrument. MFGHK will confirm the current market price and you will then decide whether to accept the price, and if so, you will instruct MFGHK to close your open position on the basis of

that price. You must confirm with us that instructions sent via email or fax have in fact been received by MFGHK. The total Closing Value is then determined by multiplying the number of underlying instruments to which the OTC CFD applies by that price of the underlying instrument.

You may not be able to close out an OTC CFD if there is a suspension of trading or a trading halt in respect of the underlying instrument to which an OTC CFD applies. In such a circumstance, MFGHK may decide in its absolute discretion not to close an OTC CFD. See further section 2.11.

### 2.7.2 MFGHK wishes to close an OTC CFD

MFGHK has the right to close out an OTC CFD in certain circumstances. This includes the occurrence of certain events in relation to the underlying instrument, see for example section 2.9, or if the aggregate amount of Variation Margin payable by you in relation to an OTC CFD exceeds 50% of the Initial Margin in respect of that OTC CFD, or if a default event occurs in relation to you, as set out in section 2.15, or if you have breached any exposure limit set by MFGHK.

In addition, if MFGHK enters into an OTC CFD transaction or other instrument with a third party to hedge its exposure under an OTC CFD entered into with you (**Hedge Position**) and that third party unwinds or closes out the Hedge Position or for any other reason MFGHK is no longer able to maintain the Hedge Position (for example, in the case of short OTC CFDs, where MFGHK has entered into an instrument lending agreement, if it is no longer possible to borrow the instrument or the lender recalls the instrument under the relevant instrument lending agreement) MFGHK has the right to close out the OTC CFD with you to which such Hedge Position relates, at any time. You should refer to the OTC CFD client agreement for further information.

### 2.7.3 Consequences of closing an OTC CFD

As at Business Close on the day that the OTC CFD is closed out, MFGHK will calculate, in the Relevant Currency, the remaining payment rights and obligations of you and MFGHK based on the difference between the Closing Value of the OTC CFD and the Open Contract Value of the OTC CFD. The amount payable by you to MFGHK or by MFGHK to you on close out of the OTC CFD will be determined by MFGHK in the Relevant Currency after taking into account the Initial Margin, any Variation Margin and any Additional Margin which has already been debited from or credited to your OTC CFD account in respect of that OTC CFD. This amount is payable in the Relevant Currency.

Under the terms of the OTC CFD client agreement MFGHK will credit to the relevant Foreign Currency Ledger in your OTC CFD account any amounts payable by MFGHK to you. In the event there is a corporate action affecting the underlying instrument at the time you close an OTC CFD, there may be a delay in MFGHK crediting your account until the effect of the corporate action is determined.

If an amount is payable by you to MFGHK it will be debited from your OTC CFD account. If you do not have a credit balance in the relevant Foreign Currency ledger or such balance is insufficient to cover the amount payable, MFGHK may apply any credit balance in any other Foreign Currency ledger, or HKD ledger, in your OTC CFD account to the outstanding amount. If the funds in your OTC CFD account are insufficient to cover such payment, you must pay such amount to MFGHK, within 24 hours of being so advised (or within such lesser period as MFGHK may determine in its discretion) and in such currency as MFGHK may require. You should note that MFGHK may set off any money owed to you under the OTC CFD client agreement or any other agreement against any money owed by you to MFGHK.

The determination of the date on which an OTC CFD is closed and the Closing Value of an OTC CFD may be affected by certain events including but not limited to:

- if the OTC CFD is over an instrument which becomes externally administered, MFGHK has broad discretion in relation to the OTC CFD and may choose to close the OTC CFD at any time. MFGHK's decision as to whether to close the OTC CFD may differ depending on whether you hold a short or a long position. If MFGHK elects to close the OTC CFD it will determine the Closing Price having regard to any factors it considers appropriate including the last traded price of the underlying instrument. If you hold a long position, the Closing Price determined by MFGHK may be zero. If the Closing Price is zero, through payment of the Initial Margin, Variation Margin and payments due on close out of the OTC CFD, you will be required to pay MFGHK an amount representing the Contract Value of the OTC CFD at the time you opened the OTC CFD. In effect, this is substantially equivalent to having paid the full purchase price of the underlying instrument or instrument to MFGHK for the position, which would then be worthless, that is, valued at zero. If you hold a short position and MFGHK elects to close the OTC CFD, the Closing Price will be determined by MFGHK in its sole discretion and, if the underlying instrument has been suspended from trading, may have regard to the Contract Reference Instrument Price of such instrument at the time it was suspended;

- if MFGHK has entered into a Hedge Position in relation to the OTC CFD, MFGHK may take into account whether its counterparty under the Hedge Position closes the OTC CFD and the Closing Price of the Hedge Position in determining whether to close the OTC CFD with you and the Closing Price of your OTC CFD;
- if the OTC CFD is over an instrument which ceases to be quoted on the Relevant Exchange or is suspended from quotation for 5 consecutive Local Business Days, (or such lesser period as may be agreed with you), MFGHK may elect to close the OTC CFD and/or call Additional Margin as determined by MFGHK. If MFGHK elects to close the OTC CFD, MFGHK will determine the Closing Price and in making such determination, will, in its discretion, have regard to a number of factors including the last traded price of the underlying instrument on the Relevant Exchange. If you hold a long position, the Closing Price determined by MFGHK may be zero. If the Closing Price is zero, through payment of the Initial Margin, Variation Margin and payments due on close out of the OTC CFD, you will be required to pay MFGHK an amount representing 100% of the Contract Value of the OTC CFD at the time you opened the OTC CFD;
- if the OTC CFD is over an instrument which becomes the subject of a take-over offer, MFGHK may give notice of its intention to close the OTC CFD. If this happens, MFGHK will determine the Closing Price in its discretion. The Closing Price will usually be determined based on the terms of the take-over offer;
- if the OTC CFD is over an instrument in respect of which there is a suspension of trading or a trading halt on the Relevant Exchange, MFGHK will determine the Closing Price in its discretion. If you hold a long position, the Closing Price determined by MFGHK may be zero. If the Closing Price is zero, through payment of the Initial Margin, Variation Margin and payments due on close out of the OTC CFD, you will be required to pay MFGHK an amount representing 100% of the Contract Value of the OTC CFD at the time you opened the OTC CFD; and
- if an amount payable by you in relation to an OTC CFD exceeds 50% of the Initial Margin in respect of that OTC CFD, MFGHK may close out the OTC CFD as if a default event has occurred. For further information on default events, see section 2.15.

## 2.8 Currency Conversions

If an amount is payable by MFGHK to you on the close out of an OTC CFD, you may request that MFGHK converts such amount from the Relevant Currency into your base currency. You may also request that MFGHK converts a balance in

your OTC CFD account from your base currency to a Relevant Currency (or other foreign currency agreed to by MFGHK) or from a Relevant Currency (or other foreign currency agreed to by MFGHK) into your base currency, either to hold as a balance in your OTC CFD account or for the purposes of withdrawal (in each case with MFGHK's consent).

These conversions will involve the entry into foreign exchange contracts. Any conversion will be at the Exchange Rate quoted by MFGHK.

MFGHK will charge you a fee in respect of each conversion which will be debited from your OTC CFD account. The fee payable by you in respect of each conversion will be in the form of a spread on the exchange rate, known as a bid/offer spread. The bid/offer spread will not exceed 50 points. For example, if the published exchange rate for converting AUD to USD is USD/AUD 0.75, the Exchange Rate MFGHK may quote to you could be as low as 0.7450.

## 2.9 Adjustments / Corporate Actions

When an underlying instrument is affected by a corporate action (such as a special dividend, subdivision, consolidation, bonus issue, or any analogous event which dilutes or concentrates the value of the underlying instrument), or if any other event occurs in respect of which MFGHK determines in its discretion that an adjustment is appropriate, MFGHK has a broad discretion to deal with your orders and OTC CFD positions and may vary the terms of your orders and OTC CFDs. Under the terms of the OTC CFD client agreement MFGHK will determine the appropriate adjustment (if any) to the Contract Value of an underlying instrument which is affected by a corporate action or other adjustment event and/or to the related quantity of instruments to which the OTC CFD relates. Any determination MFGHK makes in relation to corporate actions is binding on you.

You should note that MFGHK may have regard to any adjustments to its Hedge Position in determining adjustments to the terms of your OTC CFDs or orders. Certain corporate actions or other adjustment events may not apply to MFGHK's Hedge Position, for example if a particular corporate action is only available to retail clients (MFGHK is not a retail client under its Hedge Position) or to investors who hold a particular amount of the relevant underlying instrument. Accordingly, as a general principle if a corporate action or other adjustment event occurs in respect of an underlying instrument to which your OTC CFD relates, but MFGHK's Hedge Position is not adjusted, MFGHK will not adjust your OTC CFD or order (for both long and short positions).

You should be aware that if MFGHK determines that it is not reasonably practicable in the circumstances to make an adjustment to the OTC CFD, MFGHK may give you notice of its intention to close the OTC CFD.

### 2.10 Dividends / Distributions / Withholding Tax

Holders of long positions receive from MFGHK the value of cash dividends or distributions (after any applicable withholding tax, other local taxes or other charges) paid to holders of the underlying instrument based on the number of instruments to which the OTC CFD relates on close of business on the Local Business Day immediately preceding the ex-dividend or distribution date. Holders of short OTC CFD positions must pay to MFGHK cash in the Relevant Currency equal to the value of the dividend or distribution (plus, an amount representing any applicable withholding tax, other local taxes or other charges) paid to the holders of the underlying instrument based on the number of instruments to which the OTC CFD relates on close of business on the Local Business Day immediately preceding the ex-dividend or distribution date.

Amounts referred to above will be debited or credited, as applicable, by MFGHK as soon as reasonably practicable following the relevant ex-dividend date, and this may take up to 10 Hong Kong Business Days to effect.

In some cases withholding tax or similar amounts may be payable even if you would not be required to pay such amounts if you were to hold the underlying instruments directly. That is because either MFGHK or its counterparty to a Hedge Position may be required to pay such amounts, the cost of which will be passed on to you. For example, if the counterparty to a Hedge Position is not resident in Hong Kong, withholding tax may be payable in relation to OTC CFDs over Hong Kong instruments, even if you are a Hong Kong resident who would not pay withholding tax were you to hold the instruments directly.

### 2.11 Trading Halts, Suspensions and Delistings

An underlying instrument may be placed in a trading halt on the Relevant Exchange in various circumstances. Additionally, an instrument may be suspended or delisted in certain circumstances. Where the underlying instrument is the subject of a trading halt, or a suspension, or is delisted, MFGHK may, in its discretion, cancel your order in respect of an OTC CFD transaction which has not yet been opened, may close any OTC CFD, or may refuse to close an OTC CFD, if you make such a request.

In addition, as set out in section 2.7 above, if the OTC CFD is over an instrument which ceases to be quoted on the Relevant Exchange, is suspended from quotation or subject to

a trading halt for 5 more consecutive Local Business Days on the Relevant Exchange, or such lesser period agreed between you and MFGHK, MFGHK may elect to close the OTC CFD and you may be required to pay to MFGHK an amount representing 100% of the Open Contract Value of the OTC CFD.

### 2.12 Instrument Bans

MFGHK may at any time determine, in its discretion, that it will not permit the entry into OTC CFDs over one or more underlying instruments.

### 2.13 Contingent Orders

Contingent orders are orders that you can create that will be placed when specific market conditions are met. For example, you can create a contingent order to close out a long OTC CFD position when the Contract Reference Instrument falls to a certain price. This is known as a “Stop Loss” order, and may be used to help manage your OTC CFD positions. You must be aware, however, that contingent orders are **not guaranteed**. In other words, MFGHK does not guarantee that it will be able to close out the OTC CFD at the price specified in the contingent order. If the price of the Contract Reference Instruments moves suddenly, your order may not be filled, or may be filled at a different price to that specified by you, and you may suffer losses as a result.

You should note that where you place contingent orders, for example on eMPower, there may be a number of reasons (including technical reasons or restrictions or requirements which may apply in a particular jurisdiction) which may mean that your contingent order is not processed even though the parameters of the order may have been met. Accordingly, you should monitor whether your contingent order is processed and contact MFGHK if you believe that the parameters of your order have been met but the order has not been processed. MFGHK will not be liable for any contingent orders which are not processed.

### 2.14 Voting Rights

OTC CFDs do not entitle you to any voting rights in connection with the underlying instrument.

### 2.15 Default Powers

MFGHK has extensive powers under the OTC CFD client agreement to take action in a range of “default event” situations. It is a default event if:

- any money owing by you under the OTC CFD client agreement, any other agreement or on any other account you hold with MFGHK is not paid to MFGHK when it is due;

- you fail to duly and punctually perform and observe any obligation under the OTC CFD client agreement, any other agreement or any obligation you have on any account you hold with MFGHK;
- you make a misleading or incorrect representation;
- you stop payments of your debts or cease or threaten to cease to carry on a business;
- you enter into or propose to enter into any scheme of arrangement or compromise with your creditors or call a meeting to discuss a contemplated scheme of arrangement or compromise;
- you become insolvent or, if you are a corporate client, a receiver or a receiver and manager or administrator is appointed to you or any of your assets;
- if you are a corporate client, a resolution is passed or a petition is presented or an order is made for your winding up or liquidation;
- you die or become unsound of mind or a bankruptcy notice is issued against you;
- any security created by any mortgage or charge binding upon you or your assets becomes enforceable and the mortgagee or chargee takes steps to enforce the security;
- any guarantee of for your obligations is, without the consent of MFGHK, withdrawn or becomes defective or insufficient;
- any of your indebtedness becomes immediately due and payable, or becomes capable of being declared due and payable, before its stated maturity, by reason of your or any other person's default; or
- in the absence of your making alternative arrangements, you are not contactable by telephone for twenty four hours in order for MFGHK to obtain instructions with respect to an OTC CFD.
- terminate any other agreement or any account between you and MFGHK;
- cancel any outstanding orders in order to close your OTC CFD account or other account(s);
- satisfy any obligation you have to MFGHK out of any property, money belonging to you in MFGHK's control or custody;
- satisfy any obligation you have to MFGHK by transferring funds from your other accounts with MFGHK;
- exercise any other power or right which MFGHK may have under the OTC CFD client agreement or in law or in equity or take such other action as a reasonably prudent financial services licensee would take in the circumstances; or
- you are in breach of any exposure limit set by MFGHK.

## 2.16 Rights of MFGHK

In order to discharge any obligations you have under the terms of the OTC CFD client agreement MFGHK may at any time, without notice to you, apply all or part of any monies in any currency held by MFGHK in your OTC CFD account in such manner as MFGHK thinks fit. MFGHK may also combine or consolidate all of any of your accounts held with MFGHK and it may convert any currency held by you into a currency in which a payment is due by you in order to settle any payments that are due.

For the purpose of determining any amount in HKD (including, without limitation, the GLV or Free Equity in your OTC CFD account) or any other currency in connection with an OTC CFD, MFGHK may convert any amount into another currency using any widely recognised and published foreign exchange rate selected by MFGHK in its sole discretion. In the absence of manifest error such conversions will be binding on you and MFGHK.

## 2.17 Termination of the OTC CFD Client Agreement

Either you or MFGHK may terminate the OTC CFD client agreement on 2 Hong Kong Business Days notice. The OTC CFD client agreement will continue to apply in relation to any open OTC CFDs, but you must notify MFGHK within 5 Hong Kong Business Days of the date of termination of the OTC CFD client agreement that you wish to close all existing OTC CFDs. If any OTC CFDs are not closed out within such 5 Hong Kong Business Day period or such other time agreed between you and MFGHK, MFGHK may close out that OTC CFD as if a default event had occurred.

If any default event occurs in relation to you, MFGHK has the right and power (but not the obligation) to do any one or more of the following without the necessity to give prior notice to you:

- terminate the OTC CFD client agreement;
- close out all or any of your OTC CFD positions;
- treat all or any OTC CFDs as having been closed out by you;

### 3. Significant Benefits

Potential benefits of OTC CFDs may include:

- **Hedging:** You can use OTC CFDs to hedge exposure to a position in the underlying instrument.
- **Speculation:** You can use OTC CFDs for speculation with a view to profiting from market fluctuations. OTC CFDs allow you to take a position with an exposure to a particular underlying instrument without the need to buy or sell the underlying instrument.
- **Market positions and strategies:** You can potentially profit (and lose) from both rising and falling markets depending on the strategy you have employed. Strategies may involve “pairs trading”; that is, taking a position in OTC CFDs over two instruments to take an exposure to their relative market movements. Strategies may be complex and may have different levels of risk associated with each strategy.
- **Diversification:** Trading OTC CFDs over foreign instruments offers the potential for greater portfolio diversification.
- **Leverage:** OTC CFDs involve a high degree of leverage. OTC CFDs enable you to outlay a relatively small amount of money (in the form of Initial Margin) to secure an exposure to the underlying instrument.

For example, if you have a positive view about the prospects of XYZ Ltd, a company listed on the NYSE, you can either buy 10,000 XYZ Ltd at USD1.00 and pay your broker USD10,000 (plus costs) or you could buy the XYZ Ltd OTC CFD and use an Initial Margin at the time the OTC CFD is entered into of, for example, USD1,000 (plus costs) (although note that the amount of Initial Margin will fluctuate depending on the Contract Value of the OTC CFD and could increase or decrease). For the experienced investor, this leverage provides an attractive means of gaining exposure to the performance of the underlying instrument without the need to invest in the physical product.

**This leverage can work against you as well as for you. The use of leverage can lead to large losses as well as large gains. See section 4 for further information on risks.**

## 4. Significant Risks

**Investment in OTC CFDs is speculative, carries a high level of risk and returns are volatile. You should seek independent advice and consider carefully whether OTC CFDs are appropriate for you given your experience, financial objectives, needs and circumstances.**

**Some of the significant risks involved in trading OTC CFDs include:**

- **Credit risk:** You are subject to MFGHK's credit risk. If MFGHK were to become insolvent or otherwise unable to pay its debts it may be unable to meet its obligations to you in whole or part or there may be a delay in MFGHK fulfilling its obligations to you.
- **Operational risk:** Operational risk is inherent in every OTC CFD transaction. For example, disruptions in MFGHK's operational processes such as communications, computers, computer networks or external events may lead to delays in the execution and settlement of a transaction.
- **External market forces:** Financial markets can change rapidly. Prices of instruments depend on a number of factors including interest rates, demand and supply, actions by the company or issuer concerned and actions of government. International markets may be more volatile particularly in relation to developing markets. In some cases underlying instruments may be suspended from trading or have their quotations withdrawn from the exchange where they are traded. These factors will directly affect an OTC CFDs value.
- **Loss of margin:** You could sustain a loss greater than the Initial Margin required to establish and maintain an OTC CFD position. In addition you could be required to pay further funds representing losses and other fees on your open and closed OTC CFD positions. For example, if the Initial Margin payable at the time an OTC CFD is opened for an OTC CFD position you have in respect of instruments in XYZ Ltd is HKD 10,000 and the market moves against your position you could lose much more than the initial HKD10,000 you outlaid to open the position.
- **Payment of losses and Variation Margin:** If the underlying instrument price moves against your OTC CFD position you may be required, at short notice, to deposit a Variation Margin with MFGHK in order to maintain your position. The amount of the Variation Margin may be substantial. If you fail to provide those additional funds when required, your position may be liquidated at a loss and you will be liable for any shortfall in your OTC CFD account resulting from that failure. Positions are marked to market on a daily basis with payments being settled daily to account for market movements.
- **Additional Margin:** MFGHK may require the payment of Additional Margin during the term of an OTC CFD, in addition to the Initial Margin and Variation Margin. Additional Margin must be paid to MFGHK within 24 hours or such lesser time as required by MFGHK.
- **Leverage:** The high degree of leverage that is involved in OTC CFDs because of small margin requirements can work against you as well as for you. **The use of leverage can lead to large losses as well as large gains.**
- **MFGHK's powers on default, indemnities and limitations on liability:** If you fail to pay, or provide security for, amounts payable to MFGHK or fail to perform any obligation included in the OTC CFD client agreement, MFGHK has extensive powers to take steps to protect its position. These powers include the power to close out positions and the power to charge default interest. See section 2.15 for further information. Under the OTC CFD client agreement you also indemnify MFGHK and its employees, agents and representatives against certain losses and liabilities. Further, MFGHK's liability to you is expressly limited. You should read the OTC CFD client agreement carefully to understand these matters.
- **Liquidity:** Under certain conditions, it may become difficult or impossible for you to close out a position. This can happen when there is a significant change in the price of the underlying instrument over a short period. Some international markets may have lower trading volumes than the primary international markets. This may increase the risk that the liquidity of a Contract Reference Instrument is decreased or removed. Also, if you close an OTC CFD while the underlying instrument is subject to a corporate action, there may be a delay before any proceeds are credited to your account.
- **Political risk:** Political changes in a country can have a significant impact on the value of instruments quoted on an exchange in such country. Political risks may arise, for example, from a change in government, change in economic policy, trade restrictions, nationalization of industries or instability in the region.

- **Regulatory environment:** The level of government regulation in a country in which a Contract Reference Instrument is quoted may be less than the level of regulation which applies in Hong Kong. This may lead to increased fluctuations in, and may adversely affect, the value of a Contract Reference Instrument.
- **Interest rate fluctuations:** The interest and funding rates that are payable in relation to your OTC CFD account balance and open OTC CFD positions will be affected by fluctuations in the applicable interest rate specified by MFGHK for the currency in which your OTC CFD account is denominated.
- **Local market taxes:** By entering into an OTC CFD you may be affected by local market taxes such as withholding tax, stamp duty and other charges that may apply to the Contract Reference Instrument. These taxes and charges will affect the payments that you are required to make, or are entitled to receive, in respect of an OTC CFD. The applicability and amount of any local taxes may depend on a number of factors such as the financial market in which the Relevant Exchange is located, the Relevant Exchange and the Contract Reference Instrument itself.

When MFGHK enters into a Hedge Position, MFGHK may be subject to local taxes and charges, including withholding tax, in respect of that Hedge Position. MFGHK may charge you for any such charges and taxes. In relation to withholding taxes, you should note that in certain circumstances you may be required to pay MFGHK up to 100% of applicable withholding taxes that MFGHK is required to pay in respect of any Hedge Position. The amount of such tax may depend on the factors mentioned above and on MFGHK's counterparty to the Hedge Position, including the location of MFGHK's counterparty to any Hedge Position (see also section 2.10 above).

As at the date of this PDS, the withholding tax rate which will apply to dividend and interest payments in respect of OTC CFDs where the Contract Reference Instrument is quoted on the SGSE, TSE, LSE, NYSE or NZSE may be up to 50% of such dividend and interest amount. Accordingly, as described in the above paragraph, MFGHK may charge you up to 100% of the applicable withholding taxes on dividends and interests that MFGHK is required to pay in respect of a Hedge Position which may be 15% of the dividend and interest amounts.

This PDS does not provide advice in respect of withholding tax and you should make your own inquiries as to the amount of withholding tax which may be payable.

- **Foreign exchange exposure:** When you enter into an OTC CFD, all Initial Margin, Variation Margin, profits, losses, debits and credits in relation to an OTC CFD are calculated, and are payable, in the Relevant Currency. As noted above, Contract Reference Instruments listed on the TASE and KSE are denominated in USD. Accordingly, if you do not hold a credit balance in the Relevant Currency in your OTC CFD account, you will be exposed to foreign exchange rate fluctuations during the term of the OTC CFD.

In addition, upon closing an OTC CFD position you will be able to request that the foreign currency balance is converted to your base currency or any other foreign currency agreed to by MFGHK. Any conversion will be at the Exchange Rate quoted by MFGHK. Until the foreign currency balance is converted to your base currency or such other currency as you request, fluctuations in the relevant foreign exchange rate may affect the ultimate profit or loss made on the OTC CFD position in your base currency or such other currency. See Example 5 in section 8 for illustrations of this.

Dealing in foreign currency related transactions can expose you to foreign exchange risks between the time the transaction is entered into and the time the relevant conversion of currencies occurs. Foreign exchange markets can change rapidly. Exchange rates depend on a number of factors including for example, interest rates, currency supply and demand and actions of government. In some situations, exchanges of currency may be suspended. There is always operational risk in a foreign exchange transaction. For example, disruptions in our operational processes such as communications, computers and computer networks, or external events may lead to delays in the execution and settlement of a transaction. You should have regard to these risks when considering OTC CFD transactions.

- **Contingent Orders:** Contingent orders such as Stop Loss orders are not guaranteed. If the price of the Contract Reference Instrument moves suddenly, your order may not be filled, or may be filled at a different price to that specified by you, and you may suffer losses as a result. In addition, due to technical reasons or other restrictions which apply in a particular jurisdiction, a contingent order you place for example on eMPower may not be processed even where the

parameters of the contingent order have been met. See section 2.13 above.

- **Involuntary close out:** MFGHK has the right to close out an OTC CFD without your agreement, in a number of circumstances. See section 2.7.2 for further information. Accordingly, you may not be able to anticipate or control the time at which an OTC CFD position is closed out. It is possible that close out may occur at a time when you do not have sufficient funds in your OTC CFD account to cover payment of any amounts required to be paid by you based on the difference between the Closing Value of the OTC CFD and the Contract Value of the OTC CFD at Business Close on the previous Business Day (including interest and any other credits and debits).

This is only a summary of the significant risks involved in trading OTC CFDs. MFGHK strongly recommends that you obtain independent advice before proceeding with a transaction. You should also consider seeking independent advice before entering into the OTC CFD client agreement, as it is an important legal document.

## 5. Amounts Payable And Interest Payments

If you instruct MFGHK that you wish to enter into an OTC CFD with MFGHK you must pay all transaction fees, commissions, margins, settlements, interest and any other amounts due under the OTC CFD client agreement on demand by MFGHK in cleared funds or as otherwise required under the terms of the OTC CFD client agreement.

All payments made by you are to be made without any set off by you, counter claim or condition and without any deduction or withholding for any tax or any other reason unless the deduction or withholding is required by applicable law. If you are required to make a deduction or withholding in respect of tax from any payment to MFGHK, or if MFGHK is required to pay any tax in respect of any payment made to you at your request, you indemnify MFGHK against that tax and you must pay MFGHK an additional amount to ensure MFGHK receives an amount that is equal to the amount that MFGHK would have received had a deduction or withholding, or payment of tax, not been made.

In respect of each OTC CFD, all amounts due to MFGHK or payable by MFGHK to you are payable in the Relevant Currency, except that:

- (i) as set out in section 5.4 interest on your base currency credit balance in your OTC CFD account which constitutes Free Equity is payable in HKD;
- (ii) you may request a withdrawal from the Free Equity in your OTC CFD account in your base currency or such other currency as agreed to by MFGHK; and
- (iii) you may request that any amount payable by MFGHK on close out of an OTC CFD is paid in your base currency or such other currency as agreed to by MFGHK.

The OTC CFD client agreement governs all payments made in respect of OTC CFDs. You should also be aware that MFGHK may set off any money owed to you under the OTC CFD client agreement against any money owed by you to MFGHK under the OTC CFD client agreement or any other agreement that you have in place with MFGHK.

### 5.1 Commission, including minimum ticket

The rate of commission will depend on the Relevant Currency of the Contract Reference Instruments and the size of the transaction involved. Minimum transaction commissions (also referred to as minimum tickets) also apply, as discussed below.

#### Non-USD denominated Contract Reference Instruments

Commission is charged on each OTC CFD transaction when you enter into an OTC CFD position and when you close your OTC CFD position, in much the same way as if you were buying or selling shares. The rate at which this commission is charged is agreed between you and your representative but will not be more than 100 basis points (ie 1.00%) of the Open Contract Value (in respect of commission payable when you enter an OTC CFD), subject to a minimum commission (ticket) as described in the following paragraph, and 100 basis points of the Closing Value of the OTC CFD transaction (in respect of commission payable when you close an OTC CFD), subject to a minimum commission as described in the following paragraph.

As set out above, the rate of commission payable on an OTC CFD is generally a certain number of basis points of the Open Contract Value and the Closing Value of the OTC CFD. The minimum commission payable on any OTC CFD is an amount in the Relevant Currency which will be determined by reference to a number of basis points payable on the OTC CFD or a multiple thereof. You should contact your representative to confirm the actual amount payable. The minimum ticket per trade in relation to non-USD denominated Contract Reference Instruments will not exceed the equivalent of USD100 in the Relevant Currency.

#### USD denominated Contract Reference Instruments

In relation to OTC CFDs over USD denominated Contract Reference Instruments, MFGHK will generally charge up to US10 cents per OTC CFD subject to the minimum commission as described in the following paragraph.

The minimum ticket per trade in relation to OTC CFDs over USD denominated Contract Reference Instruments is USD100.

#### Rates generally subject to agreement

If you enter into OTC CFD transactions with MFGHK on a frequent basis, a discount to the commission charged may be offered. You should contact your representative if you wish to discuss this. The commission may also incorporate any market charges incurred by MFGHK in hedging its position with respect to the OTC CFD on a Relevant Exchange.

For example, where you agree with your representative that the commission rate on your OTC CFD account in respect of an OTC CFD will be 35 basis points and you enter into an

OTC CFD with an Open Contract Value of HKD1,000,000, the commission payable when you enter into the OTC CFD will be HKD3,500 and that amount will be debited from your OTC CFD account. When you close your OTC CFD position, if, for example, the Closing Value remains at HKD1,000,000, the commission payable on close will also be HKD3,500 and will be debited from your OTC CFD account (OTC CFD commissions are inclusive of any underlying market fees / charges).

If you place an order with MFGHK to enter into an OTC CFD when the Contract Reference Instrument Price reaches a certain amount and MFGHK fulfils such order by entering into more than one OTC CFD over the course of more than one Local Business Day, you will be required to pay the minimum ticket in respect of each Local Business Day on which MFGHK executes OTC CFD transactions to fill the order. In other words, if your order is filled by MFGHK executing OTC CFDs over two Local Business Days even though you gave 1 order to MFGHK, you will be required to pay two minimum tickets.

## 5.2 Electronic Trading Charges

Under the terms of the OTC CFD client agreement if you have access to MFGHK's OTC CFD electronic trading platform eMPower, MFGHK is permitted to deduct any charges associated with that platform from your OTC CFD account. The standard monthly fee will not exceed USD500 per month. To access live prices on a foreign instrument exchange via eMPower you will be required to enter into an electronic order entry and account access agreement with MFGHK substantially in the form attached to the OTC CFD client agreement – you should contact your representative for details. However, depending on the type or number of foreign instrument exchanges on which you are able to access prices through eMPower, additional fees may be payable.

## 5.3 Instrument Borrowing Fee

If you enter into a “short” OTC CFD position you may also be charged an instrument borrowing fee relating to the instrument borrowing charges incurred by MFGHK in hedging its exposure to your OTC CFD. Instrument borrowing fees may vary greatly from exchange to exchange. Instrument borrowing fees are usually determined as a percentage of the value of the instruments borrowed and ought not exceed 1,000 basis points (10.00%). The actual instrument borrowing fee which will apply to an OTC CFD and which you are required to pay to MFGHK may not be known until up to 10 Local Business Days after you enter into the OTC CFD.

## 5.4 Interest

Interest is calculated and paid separately in respect of each currency held in your OTC CFD account. The applicable interest rate for example for AUD credit balances which constitutes Free Equity is equal to the overnight cash rate published by the Reserve Bank of Australia from time to time plus or minus a margin, as set out below. You can find the current overnight cash rate published by the Reserve Bank of Australia at [www.rba.gov.au](http://www.rba.gov.au) or by contacting your representative. The applicable interest rate for debit and credit balances in a Relevant Currency at any time is the current MFGHK Base Rate plus or minus a margin, as set out below. The actual interest rate margins payable will be set by MFGHK and communicated to you by your representative when you open your OTC CFD account and will be published on MFGHK's website at [www.mfglobalcfds.com.hk](http://www.mfglobalcfds.com.hk).

Overnight cash rates are subject to change. The MFGHK Base Rate for each Relevant Currency is subject to change as it is set by MFGHK in its sole discretion, having regard to the current money market rate in the jurisdiction of the Relevant Currency and the rate notified to MFGHK by its counterparty under any Hedge Position, if applicable.

### 5.4.1 Interest on OTC CFD account balances

The rate of interest paid by MFGHK in respect of a credit balance of the Free Equity in your OTC CFD account in respect, for example of AUD is the RBA Rate and in respect of each Relevant Currency is the applicable MFGHK Base Rate, in each case minus a maximum of 3.5% correct per annum. The rate of interest charged by MFGHK in respect of a debit balance of the Free Equity in your OTC CFD account in respect of AUD is the RBA Rate and in respect of each Relevant Currency is the applicable MFGHK Base Rate, in each case plus a maximum of 4% per annum. The actual interest rate margin is set by MFGHK in its discretion and MFGHK reserves the right to adjust the margin. Interest is calculated daily and posted monthly.

You should note that, as interest is calculated separately in respect of each currency held in your OTC CFD account, even if the aggregate Free Equity in your OTC CFD account is a credit balance, you must pay MFGHK debit interest in respect of each currency in your OTC CFD account for which you have a debit balance.

In addition, although interest on credit balances of your Free Equity is payable by MFGHK, depending on the applicable MFGHK Base Rate, after the margin has been applied to the MFGHK Base Rate, the actual interest amount may be a negative rate. If this is the case, MFGHK will debit such amount from your OTC CFD account.

If you do not pay any amount owing to MFGHK on its due date, under the OTC CFD client agreement, default interest is payable on the amount owing instead of debit balance interest (see section 5.4.2).

#### 5.4.2 Default Interest

MFGHK is entitled under the terms of the OTC CFD client agreement to charge interest on any amount which you fail to pay when it is due to be paid to MFGHK. Default interest will be charged in respect of each amount owing in the currency in which such amount is payable from the date the amount becomes due until the date the amount together with interest is paid in full and is calculated daily and compounded monthly at a maximum rate of the HIBOR 1W Rate in respect of HKD amounts or the applicable MFGHK Base Rate (in respect of any other amounts) in each case, plus 8% per annum. The actual default interest margin is set by MFGHK in its discretion.

#### 5.4.3 Funding Rates on Contract Value of long and short open positions

The funding rate you must pay MFGHK in the event you hold a long position is the applicable MFGHK Base Rate plus a maximum of 3% per annum of the Contract Value of such long position.

The funding rate MFGHK must pay you if you hold a short position overnight is the applicable MFGHK Base Rate less a maximum of 3% per annum of the Contract Value of such short position.

The applicable funding rate for open positions at the close of the relevant Local Business Day is set out below. This is calculated as the number of underlying instruments to which an OTC CFD applies multiplied by the closing price multiplied by the applicable funding rate divided by the applicable day count fraction for the Relevant Currency.

As with interest payments on debit amounts, you should note that, although MFGHK must pay you a funding rate if you hold a short position overnight, depending on the applicable MFGHK Base Rate, after the margin has been applied to the MFGHK Base Rate, the actual funding rate may be a negative rate. If this is the case, MFGHK will debit such amount from your OTC CFD account.

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

The funding rate is usually calculated daily and debited and credited to your OTC CFD account on the following Hong Kong Business Day. The funding rate payable by you is in addition to any Variation Margin, debit interest or any other amounts which you are required to pay (see sections 2.5 and 2.6).

#### Long Positions

If you hold a long OTC CFD position overnight you will pay interest at the funding rate on the open position Contract Value.

The interest amount you will pay is calculated daily and is the quantity of OTC CFDs you hold multiplied by the closing market price for the underlying share on that day. For example, if you were paying a long OTC CFD funding charge of 3% over the MFGHK Base Rate (say, 3.5%) you would be paying a funding rate of 6.5% per annum. If the contract was for 4,000 XYZ Ltd OTC CFDs and the closing price was SGD3.25 per OTC CFD, the open position value would be SGD13,000. The funding charge would be approximately [SGD2.35]\* for every day the contract is maintained (SGD13,000 x 6.5% = SGD845 divided by 360).

\*The exact amount of the interest paid will vary each day, depending upon such factors as the closing price of the underlying instruments in your OTC CFD portfolio, changes to the holdings within your OTC CFD portfolio and/or movements in the MFGHK Base Rate and changes by MFGHK to the margin that is applied to the MFGHK Base Rate.

#### Short Positions

If you hold a short OTC CFD position overnight, MFGHK will pay you interest at a funding rate on the open position at market value. This is usually paid at the MFGHK Base Rate less 3%. For example, if you were being paid a short OTC CFD funding rate of 3% under the MFGHK Base Rate (say, 4.75%) you would be paid a funding rate of 1.75% per annum. If the contract was for 10,000 XYZ Ltd OTC CFDs and the closing price was GBP1.33 per OTC CFD, the open position value would be GBP13,300. The funding rate you would receive would be approximately [GBP0.64]\* for every day the contract is maintained (GBP13,300 x 1.75% = GBP232.75 divided by 365).

\*The exact amount of interest paid will vary each day, depending upon such factors as the closing price of the underlying instruments in your OTC CFD portfolio, changes to the holdings within your OTC CFD portfolio and/or movements in the MFGHK Base Rate and changes by MFGHK to the margin that is applied to the MFGHK Base Rate.

### 5.5 Currency Conversions

As set out in section 2.8, if you request MFGHK to convert any currency in your OTC CFD account to another currency, you will be charged a fee in respect of such conversion. The fee is in the form of a spread on the exchange rate and will not exceed 50 points.

## 6. Other Important Information

### 6.1 Contractual Terms

The relationship between you and MFGHK is governed by the OTC CFD client agreement that you are required to enter into before you open an OTC CFD account. MFGHK will send you an OTC CFD client agreement to be executed by you and returned to MFGHK. You should note that the OTC CFD client agreement provides an indemnity by you to MFGHK and its employees, agents and representatives in respect of the execution of your instructions, the occurrence of a default event, MFGHK exercising any of its rights or powers upon the occurrence of a default event, any amount payable by you under the terms of the OTC CFD client agreement and anything lawfully done by MFGHK. For a copy of the OTC CFD client agreement at any time please contact MFGHK. Contact details are set out in this PDS.

### 6.2 Trading

Once you have opened your OTC CFD account and deposited the minimum account balance into your OTC CFD account, you can request quotes during trading hours of the Relevant Exchange on a Local Business Day, via an online trading platform operated by MFGHK or over the phone or a combination of these methods.

### 6.3 Confirmations and Statements

Confirmations, trading statements and month-end summary statements are sent via e-mail. You must review any confirmation or statement we send to you immediately upon receipt to ensure its accuracy and report any discrepancies to us.

MFGHK will charge you for the following administration services where requested by you or your representative. The current rate which is normally charged is set out below. However MFGHK reserves the right to increase these charges in its discretion without notice and you should contact your client representative to confirm the applicable charge:

- duplicate hard copy account statements (HKD150 per page);
- copies of taped conversations (HKD150 per hour of tape per retrieval);
- transcripts of taped conversations (HKD200 per hour of time taken to prepare transcript);

- returned cheque fees (HKD500 per cheque); and
- bank confirmations / audit certificates (HKD150 per confirmation/certificate).

### 6.4 Client funds

All money paid to MFGHK by you or a person acting on your behalf, or which is received by MFGHK on your behalf, will be held by MFGHK in one or more non-segregated accounts.

MFGHK does not accept from, or make payment to, third parties. MFGHK reports, where necessary, all transactions in compliance with relevant Hong Kong anti-money laundering and financing of terrorism legislation, as amended from time to time such as:

Cap 455 - Organised and serious crime ordinance

Cap 575 - United Nations (Anti-terrorism measures ordinance).

## 7. OTC CFD Examples

The examples below are hypothetical scenarios of how an OTC CFD may operate. The amounts, figures and outcomes are provided for illustrative purposes only and do not indicate actual values of an OTC CFD which may be entered into with MFGHK. Examples 1 and 2 also include a sample ledger showing the entries in respect of the client's OTC CFD account for such Example. You should consider the risks associated with OTC CFDs set out in section 4 of this PDS and consult your financial, legal or other professional adviser before entering into an OTC CFD.

## 7.1 Long Position

### 7.1.1 Example 1 – Long position which realises a profit

Sophie is a professional investor. She wants to purchase 4,000 Hang Lung Ltd in expectation of a favourable interim results announcement due in two days.

Sophie buys 4,000 Hang Lung Ltd OTC CFDs at HKD15.90, requiring an Initial Margin deposit of 10%. Commission is 0.25%. A funding rate of 3% over the MFGHK Base Rate (say, 4.25%)\* is applied.

Sophie holds her position for 3 days and closes her position on the 3rd day.

\*MFGHK Base Rate is subject to change as set out in section 5.4.

On Day 1 Hang Lung announces a cash dividend of HKD0.05, with an ex-dividend date on Day 2.

The closing price of Hang Lung Ltd on the 3rd day has risen to HKD17.40.

*Profit of HKD5840.54 (return of 89.59%).*

Profitable Trade	MFGHK	Notes
If the forecast is correct and the price rises HKD1.50		
<b>Open Long Position</b>		
Buy Quantity	4000	
Price	HKD15.90	
Contract Value	HKD63,600.00	Buy Quantity multiplied by the Price
Initial Margin - 10%	(HKD6,360.00)	Contract Value multiplied by the Initial Margin Rate
Commission - 0.25%	(HKD159.00)	Contract Value multiplied by Commission
Initial Outlay	(HKD 6,519.00)	Initial Margin + Commission
<b>Close Long Position</b>		
Sell Quantity	4000	
Price	HKD17.40	
Contact Value	HKD69,600.00	Sell Quantity multiplied by the Price
Variation Margin/Profit or Loss	HKD6,000.00	Closing Contract Value – Open Contract Value
Commission - 0.25%	(HKD174.00)	Contract Value multiplied by Commission
Financing (base rate + 3%) Cost	(HKD26.46)	Open Contract Value x Interest Rate/365 calculated each day using the settlement price of the Contract Reference Instrument each day the contract is held and posted daily
Dividend (Cash Journal Credit)	HKD200.00	Dividend amount multiplied by OTC CFD quantity
Profit (Credit)	HKD5840.54	Profit on the trade + interest –(commission on the open and close of the trade + financing)
Return on Outlay	89.59%	

Sophie's OTC CFD account will have the following entries in Example 1 (assuming Sophie does not enter into any other OTC CFD transactions):

Description	AUD (Base Currency)					HKD (Local Currency)					Accrued Equity Interest (AUD)	
	Total Cash (AUD)	Variation Margin (AUD)	GLV (AUD)	Initial Margin (AUD)	Free Equity (AUD)	Accrued Equity Interest (AUD)	Total Cash (HKD)	Variation Margin (HKD)	GLV (HKD)	Initial Margin (HKD)		Free Equity (HKD)
<b>Day 1</b>												
Deposit of AUD on opening of account	\$25,000.00				\$25,000.00							
Order filled at HKD15.90						\$0.00	\$0.00	\$0.00	\$6,360.00	-\$6,360.00		
Commission posted (debit HKD159.00)						-\$159.00	-\$159.00			-\$6,519.00		
OTC CFD position at end of Day 1 revalued at settlement price of HKD16.40						-\$159.00	-\$159.00	\$1,841.00	\$6,560.00	-\$4,719.00		
<b>Day 2</b>												
Financing (funding rate of 7.25%) posted on open OTC CFD position using the previous Business Day's physical settlement price of HKD16.40 (debit HKD13.03)						-\$172.03	-\$172.03			-\$4,732.03		
Free Equity interest accrued daily, posted monthly using previous Business Day's physical settlement price						\$3.42						-\$0.81
Dividend (Cash Journal credit HKD200.00)*						\$27.97	\$27.97			-\$4,532.03		
OTC CFD position at end of Day 2 revalued at settlement price of HKD16.90						\$27.97	\$27.97	\$4,027.97	\$6,760.00	-\$2,732.03		
<b>Day 3</b>												
Financing (funding rate of 7.25%) posted on open OTC CFD position using the previous Business Day's physical settlement price of HKD16.90 (debit HKD13.43)						\$14.54	\$14.54			-\$2,745.46		
Free Equity interest accrued daily, posted monthly using previous Business Day's physical settlement price						\$3.43						-\$0.47
OTC CFD position closed at HKD17.40 (HKD6,000.00 payable by MFGHK being difference between Open Contract Value and Closing Value)						\$6,014.54	\$6,014.54	\$6,014.54	Initial Margin released and Free Equity is increased by \$6,760.00	\$6,014.54		
Commission posted (debit HKD174.00)						\$5,840.54	\$5,840.54			\$5,840.54		
Client can instruct to convert the HKD balance back to base currency (AUD) by notifying their advisor. AUDHKD = 6.0000, i.e. HKD5,840.54 = AUD973.42	\$25,973.42				\$25,973.42	\$0.00	\$0.00			\$0.00		
Total Free Equity interest is accrued for the month and posted to your OTC CFD account on the 1st business day of the following month						\$6.85						-\$1.28

\* As at the date of this PDS, withholding tax is not payable on dividends in respect of underlying instruments which are listed on the HKSE. However, as set out in section 4 above, withholding tax may be payable in respect of other underlying instruments. The rate of applicable withholding tax can vary, depending on a number of factors including the Contract Reference Instrument and Relevant Exchange.

### 7.1.2 Example 2 – Long position which realises a loss

Sophie is a professional investor. She wants to purchase 4,000 XYZ Ltd in expectation of a favourable interim results announcement due in two days.

Sophie buys 4,000 XYZ Ltd OTC CFDs at SGD4.00, requiring an Initial Margin deposit of 20%. Commission is 0.175%. A funding rate of 3% over the MFGHK Base Rate (say, 3.5%)\* is applied.

Sophie holds her position for 3 days and closes her position on the 3rd day.

\*MFGHK Base Rate is subject to change as set out in section 5.4.

On Day 1 XYZ Ltd announces a cash dividend of SGD0.10, with an ex-dividend date on Day 2.

Note: Withholding tax can vary, depending on a number of factors include the Contract Reference Instrument and Relevant Exchange.

The closing price of XYZ Ltd on the 3rd day has fallen to SGD3.25.

*Loss of SGD2736.31 (loss of 84.77%).*

Losing Trade	MFGHK	Notes
If the forecast is incorrect and the price falls SGD0.75		
Open Long Position		
Buy Quantity	4000	
Price	SGD4.00	
Contract Value	SGD16,000.00	Buy Quantity multiplied by the Price
Initial Margin - 20%	(SGD3,200.00)	Contract Value multiplied by the Initial Margin Rate
Commission - 0.175%	(SGD28.00)	Contract Value multiplied by Commission
Initial Outlay	(SGD3228.00)	Initial Margin + Commission
Close Long Position		
Sell Quantity	4000	
Price	SGD3.25	
Contact Value	SGD13,000.00	Sell Quantity multiplied by the Price
Variation Margin/Profit or Loss	(- SGD3,000)	Closing Contract Value - Open Contract Value
Commission - 0.175%	(SGD22.75)	Contract Value multiplied by Commission
Financing (base rate + 3%) Cost	(SGD5.56)	Open Contract Value x Interest Rate/360 calculated each day using the settlement price of the Contract Reference Instrument each day the contract is held and posted daily.
Dividend (Cash Journal Credit)	SGD320.00	Dividend amount multiplied by OTC CFD quantity (less withholding tax)
Loss (Debit)	SGD2736.31	Commission on the open and close of the trade + financing + loss of the trade
Return on Outlay	-84.77%	

Sophie's OTC CFD account will have the following entries in Example 2 (assuming Sophie does not enter into any other OTC CFD transactions):

Description	AUD (Base Currency)						SGD (Local Currency)					
	Total Cash (AUD)	Variation Margin (AUD)	GLV (AUD)	Initial Margin (AUD)	Free Equity (AUD)	Accrued Equity Interest (AUD)	Total Cash (SGD)	Variation Margin (SGD)	GLV (SGD)	Initial Margin (SGD)	Free Equity (SGD)	Accrued Equity Interest (SGD)
<b>Day 1</b>												
Deposit of AUD on opening of account	\$25,000.00				\$25,000.00							
Order filled at SGD4.00							\$0.00	\$0.00	\$3,200.00	-\$3,200.00		
Commission posted (debit SGD28.00)							-\$28.00			-\$3,228.00		
OTC CFD position at end of Day 1 revalued at settlement price of SGD3.90							-\$28.00	-\$400.00 (net Variation Margin payable to MFGHK)	\$3,120.00	-\$3,548.00		
<b>Day 2</b>												
Financing (funding rate of 6.50%) posted on open OTC CFD position using the previous Business Day's physical settlement price of SGD3.90 (debit SGD2.82)							-\$30.82			-\$3,550.82		
Free Equity interest accrued daily, posted monthly using previous Business Day's physical settlement price						\$3.42					-\$0.54	
Dividend (Cash Journal credit SGD320.00, 20% withholding tax withheld)							\$289.18			-\$3,230.82		
OTC CFD position at end of Day 2 revalued at settlement price of SGD3.80							\$289.18	-\$400.00 (net Variation Margin payable to MFGHK)	\$3,040.00	-\$3,550.82		
<b>Day 3</b>												
Financing (funding rate of 6.50%) posted on open OTC CFD position using the previous Business Day's physical settlement price of SGD3.80 (debit SGD2.74)							\$286.44			-\$3,553.56		
Free Equity interest accrued daily, posted monthly using previous Business Day's physical settlement price						\$3.43					-\$0.54	
OTC CFD position closed at SGD3.25 (SGD3,000.00 payable to MFGHK being difference between Open Contract Value and Closing Value)							-\$2,713.56	Variation Margin (unrealised loss) is now realised loss and is debited from Total Cash (i.e. \$3,000.00 being the difference between the Open Contract Value and the Closing Value)	Initial Margin is released and Free Equity is increased by \$3,260.00	-\$2,713.56		
Commission posted (debit SGD22.75)	\$25,000.00				\$25,000.00		-\$2,736.31			-\$2,736.31		
Total Free Equity Interest is posted at the end of the Month						\$6.85						-\$1.08

### 7.1.3 Example 3 - Additional Margin (margin call)

Sophie is a professional investor. She wants to purchase 2,500 XYZ Ltd in expectation of a favourable interim results announcement due in two days.

Sophie buys 2,500 XYZ Ltd OTC CFDs at AUD \$40, requiring an Initial Margin deposit of 5% (AUD \$5,000). Commission is 0.125%.

In the first day of trading, the market trades significantly down. Sophie's Free Equity moves into negative, and she receives a call for Additional Margin (a margin call) from MF Global's OTC CFD desk.

Note that Additional Margin is not the same as Variation Margin. Variation Margin is the profit or loss on your position at the end of the day, and payment of Variation Margin may be due from you to MF Global or MF Global to you.

Item	Amount	Notes
<b>Open long position</b>		
Time of trade		10.25 am
Buy quantity	2,500	
Price	\$40.00	
Contract Value	\$100,000	Buy quantity multiplied by Price
Initial Margin 5%	(\$5,000)	Contract Value multiplied by Initial Margin rate
Commission 0.125%	(\$125)	Contract Value multiplied by Commission
Initial outlay	(\$5,125)	Initial Margin + Commission
<b>Market moves against position</b>		
Trade Revalued		2:48 pm
Price	\$39.20	
Contract Value	\$98,000	Buy quantity multiplied by last traded Price

Sophie's OTC CFD account will have the following entries (assuming Sophie does not enter into any other OTC CFD transactions).

Description	Total cash	Additional Margin	Gross Liquidation Value	Initial Margin	Free Equity
<b>Day 1</b>					
Deposit on opening of account	\$6,000				\$6,000
Order filled at \$40	\$6,000			\$5,000	\$1,000
Commission (debit \$125) <sup>^</sup>	\$5,875				\$875
Price of XYZ Ltd at 2:23 pm is \$39.20	\$5,875	\$2,000 payable by Sophie	\$3,875	\$4,900	(\$1,025)

Sophie needs to provide funds in excess of \$1,025 to bring her account balance out of margin call and into positive Free Equity.

<sup>^</sup>Please note that Commission payable will be reflected on the end of day OTC CFD trading statement.

## 7.2 Short Position

### 7.2.1 Example 3 – Short position which realises a profit

Sophie is a professional investor. She wants to sell 10,000 VOD Ltd in expectation of an unfavourable interim results announcement due in two days.

Sophie sells 10,000 VOD Ltd OTC CFDs at GBP1.38, requiring an Initial Margin deposit of 10%. Commission is 0.125%. A funding rate of 3% under the MFGHK Base Rate (say, 4.75%)\* is applied.

Sophie holds her position for 3 days and closes her position on the 3rd day.

\*MFGHK Base Rate is subject to change as set out in section 5.4.

Profitable Trade	MFGHK	Notes
If the forecast is correct and the price falls GBP0.05		
<b>Open Short Position</b>		
Sell Quantity	10,000	
Price	GBP1.38	
Contract Value	GBP13,800	Buy Quantity multiplied by the Price
Initial Margin -10%	GBP1,380	Contract Value multiplied by the Initial Margin Rate
Commission - 0.125%	GBP17.25	Contract Value multiplied by Commission
Initial Outlay	GBP1,397.25	Initial Margin + Commission
<b>Close Short Position</b>		
Buy Quantity	10,000	
Price	GBP1.33	
Contact Value	GBP13,300	Sell Quantity multiplied by the Price
Variation Margin/Profit or Loss	GPB500.00	Closing Contract Value - Open Contract Value
Commission - 0.125%	GBP16.63	Contract Value multiplied by Commission
Financing (base rate -1.75%) Cost	GBP1.29	Open Contract Value x Interest Rate/365 multiplied by the number of days the contract is held
Profit (Credit)	GBP467.42	Profit on the trade + interest – (Commission on the open and close of the trade + financing)
Return on Outlay	33.45%	

Description	AUD (Base Currency)						GBP (Local Currency)					
	Total Cash (AUD)	Variation Margin (AUD)	GLV (AUD)	Initial Margin (AUD)	Free Equity (AUD)	Accrued Equity Interest (AUD)	Total Cash (GBP)	Variation Margin (GBP)	GLV (GBP)	Initial Margin (GBP)	Free Equity (GBP)	Accrued Equity Interest (GBP)
<b>Day 1</b>												
Deposit of AUD on opening of account	\$25,000.00				\$25,000.00							
Order filled at GBP1.38							£0.00		£0.00	£1,380.00	£1,380.00	
Commission posted (debit GBP17.25)							£17.25				£1,397.25	
OTC CFD position at end of Day 1 revalued at settlement price of GBP1.35							£17.25	£300.00 (Variation Margin payable by MFGHK)	£282.75	£1,350.00	£1,067.25	
<b>Day 2</b>												
Financing (funding rate of 1.75%) posted on open OTC CFD position using the previous Business Day's physical settlement price of GBP1.35 (Credit GPBo.65)							£16.60				£1,066.60	
Free Equity interest accrued daily, posted monthly using previous Business Day's physical settlement price						\$3.42						£0.20
OTC CFD position at end of Day 2 revalued at settlement price of GBP1.34							£16.60	£100.00 (Variation Margin payable by MFGHK)	£383.40	£1,340.00	£956.60	
<b>Day 3</b>												
Financing (funding rate of 1.75%) posted on open OTC CFD position using the previous Business Day's physical settlement price of GBP1.34 (Credit GPBo.64)							£15.96				£955.96	
Free Equity interest accrued daily, posted monthly using previous Business Day's physical settlement price						\$3.43						£0.18
OTC CFD position closed at GBP1.33 (GPB500.00 payable by MFGHK being difference between Open Contract Value and Closing Value)							£484.04	Variation Margin (unrealised profit) is now realised profit and is credited to Total Cash (i.e. £500.00 being the difference between the Open Contract Value and the Closing Value)	£484.04	Initial Margin is released and Free Equity is increased by £1,340.00	£484.04	
Commission posted (debit GPB16.63)							£467.42				£467.42	
Client can instruct to convert the GBP balance back to base currency (AUD) by notifying their advisor. GBPAUD = 2.4000, i.e. GPB467.42 = AUD1,121.81	\$26,121.81				\$26,121.81		£0.00			£0.00		
Total Free Equity Interest is accrued for the month and posted to your OTC CFD account on the 1st business day of the following month						\$6.85						£0.37

### 7.2.2 Example 4 – Short position which realises a loss

Sophie is a professional investor. She wants to sell 1,000 MCD Ltd in expectation of an unfavourable interim results announcement due in two days.

Sophie sells 1,000 MCD Ltd OTC CFDs at USD40.00, requiring an Initial Margin deposit of 10%. Commission is 4 cents per OTC CFD. A funding rate of 3% under the MFGHK Base Rate (say, 5.25%)\* is applied.

Sophie holds her position for 3 days and closes her position on the 3rd day.

\*MFGHK Base Rate is subject to change as set out in section 5.4.

Losing Trade	MFGHK	Notes
If the forecast is incorrect and the price rises USD2.50		
<b>Open Short Position</b>		
Sell Quantity	1,000	
Price	USD40.00	
Contract Value	USD40,000	Buy Quantity multiplied by the Price
Initial Margin - 10%	USD4,000	Contract Value multiplied by the Initial Margin Rate
Commission	USD40.00	Contract Value multiplied by Commission
Initial Outlay	USD4040.00	Initial Margin + Commission
<b>Close Short Position</b>		
Buy Quantity	1,000	
Price	USD42.50	
Contact Value	USD42,500	Sell Quantity multiplied by the Price
Variation Margin/Profit or Loss	USD2,500	Open Contract Value - Closing Contract Value
Commission	40.00	Contract Value multiplied by Commission
Financing (base rate - 3%) Cost	USD5.19	Open Contract Value x Interest Rate/360 multiplied by the number of days the contract is held
Loss (Debit)	2,574.81	Commission on the open and close of the trade + financing + profit of the trade
Return on Outlay	- 63.73%	

Description	AUD (Base Currency)						USD (Local Currency)					
	Total Cash (AUD)	Variation Margin (AUD)	GLV (AUD)	Initial Margin (AUD)	Free Equity (AUD)	Accrued Equity Interest (AUD)	Total Cash (USD)	Variation Margin (USD)	GLV (USD)	Initial Margin (USD)	Free Equity (USD)	Accrued Equity Interest (USD)
<b>Day 1</b>												
Deposit of AUD on opening of account	\$25,000.00				\$25,000.00							
Order filled at USD40.00							\$0.00	\$0.00	\$4,000.00	-\$4,000.00		
Commission posted (debit USD40.00)							-\$40.00			-\$4,040.00		
OTC CFD position at end of Day 1 revalued at settlement price of USD41.10							-\$40.00	-\$1,140.00	\$4,110.00	-\$5,250.00		
<b>Day 2</b>												
Financing (funding rate of 2.25%) posted on open OTC CFD position using the previous Business Day's physical settlement price of USD41.10 (credit USD2.57)							-\$37.43			-\$5,247.43		
Free Equity interest accrued daily, posted monthly using previous Business Day's physical settlement price						\$3.42						-\$1.06
OTC CFD position at end of Day 2 revalued at settlement price of USD41.90							-\$37.43	-\$1,937.43	\$4,190.00	-\$6,127.43		
<b>Day 3</b>												
Financing (funding rate of 2.25%) posted on open OTC CFD position using the previous Business Day's physical settlement price of USD41.90 (credit USD2.62)							-\$34.81			-\$6,124.81		
Free Equity interest accrued daily, posted monthly using previous Business Day's physical settlement price						\$3.43						-\$1.23
OTC CFD position closed at USD42.50 (USD2,500.00 payable to MFGHK being difference between Open Contract Value and Closing Value)							-\$2,534.81	-\$2,534.81	Initial Margin is released and Free Equity is increased by \$4,190.00	-\$2,534.81		
Commission posted (debit USD40.00)	\$25,000.00				\$25,000.00		-\$2,574.81			-\$2,574.81		
Total Free Equity Interest is accrued for the month and posted to your OTC CFD account on the 1st business day of the following month						\$6.85						-\$2.29

### 7.3 Example Currency Conversions - How AUD fluctuations can affect your profit or loss

As set out in Section 4, when you enter into an OTC CFD, all Initial Margin, Variation Margin, profits, losses, debits and credits in relation to an OTC CFD are calculated, and are payable, in the Relevant Currency. Accordingly, if you do not hold a credit balance in the Relevant Currency in your OTC CFD account, you will be exposed to foreign exchange rate fluctuations during the term of the OTC CFD.

Upon closing an OTC CFD position you will be able to request that the foreign currency balance is converted to your base currency, for example AUD. Any conversion will be at the Exchange Rate quoted by MFGHK. Until the foreign currency balance is converted to AUD, fluctuations in the relevant foreign exchange rate may affect the ultimate profit or loss made on the OTC CFD position in AUD. The examples below provide an illustration of this.

#### 7.3.1 AUD / JPY conversion

AUD/JPY		JPY Profitable Trade	JPY Losing Trade
	JPY Profit/Loss	¥1,000,000.00	-¥1,000,000.00
90.00	AUD Equivalent	\$11,111.11	-\$11,111.11
85.00		\$11,764.71	-\$11,764.71
	Difference due to currency movement	\$653.59	-\$653.59

In this case, if AUD/JPY moves from 90.00 to 85.00 you can see that profits will increase. Conversely, losses will increase due to currency fluctuations.

#### 7.3.2 AUD / HKD conversion

AUD/HKD		HKD Profitable Trade	HKD Losing Trade
	HKD Profit/Loss	\$50,000.00	-\$50,000.00
6.0000	AUD Equivalent	\$8,333.33	-\$8,333.33
5.8500		\$8,547.01	-\$8,547.01
	Difference due to currency movement	\$213.68	-\$213.68

In this case, if AUD/HKD moves from 6.0000 to 5.8500 you can see that profits will increase. Conversely, losses will increase due to currency fluctuations.

#### 7.3.3 AUD / SGD conversion

AUD/SGD		SGD Profitable Trade	SGD Losing Trade
	SGD Profit/Loss	\$25,000.00	-\$25,000.00
1.2095	AUD Equivalent	\$20,669.70	-\$20,669.70
1.1750		\$21,276.60	-\$21,276.60
	Difference due to currency movement	\$606.90	-\$606.90

In this case, if AUD/SGD moves from 1.2095 to 1.1750 you can see that profits will increase. Conversely, losses will increase due to currency fluctuations.

**7.3.4 AUD / NZD conversion**

AUD/NZD		NZD Profitable Trade	NZD Losing Trade
	NZD Profit/Loss	\$20,000.00	-\$20,000.00
1.2000	AUD Equivalent	\$16,666.67	-\$16,666.67
1.1700		\$17,094.02	-\$17,094.02
	Difference due to currency movement	\$427.35	-\$427.35

In this case, if AUD/NZD moves from 1.2000 to 1.1700 you can see that profits will increase. Conversely, losses will increase due to currency fluctuations.

**7.3.5 AUD / GBP conversion**

AUD/GBP		GBP Profitable Trade	GBP Losing Trade
	GBP Profit/Loss	£10,000.00	-£10,000.00
0.4050	AUD Equivalent	\$24,691.36	-\$24,691.36
0.3900		\$25,641.03	-\$25,641.03
	Difference due to currency movement	\$949.67	-\$949.67

In this case, if AUD/GBP moves from 0.4050 to 0.3900 you can see that profits will increase. Conversely, losses will increase due to currency fluctuations.

**7.3.6 AUD / USD conversion**

AUD/USD		USD Profitable Trade	USD Losing Trade
	USD Profit/Loss	\$15,000.00	-\$15,000.00
0.7700	AUD Equivalent	\$19,480.52	-\$19,480.52
0.7450		\$20,134.23	-\$20,134.23
	Difference due to currency movement	\$653.71	-\$653.71

In this case, if AUD/USD moves from 0.7700 to 0.7450 you can see that profits will increase. Conversely, losses will increase due to currency fluctuations.

*\* Note: MFGHK is NOT responsible for conversions. It is your responsibility to manage conversions. At your instruction, MFGHK will convert a balance in your OTC CFD account back to your base currency.*

## 8. Glossary

**Additional Margin** has the meaning given to it in section 2.5;

**AUD** means the lawful currency of the Commonwealth of Australia;

**Business Close** means the time at which the financial market of the Relevant Exchange closes on a Local Business Day;

**Cash Rate** has the meaning given to such term in section 2.2;

**Closing Date** means, in relation to an OTC CFD, the date on which you accept the Closing Price of the Contract Reference Instrument, or on which a Closing Date is deemed to have occurred in accordance with the OTC CFD client agreement;

**Closing Notice** means the notice given by one party to the other to close any OTC CFD;

**Closing Price** means the Contract Reference Instrument Price as determined by MFGHK at the time MFGHK receives the Closing Notice;

**Closing Value** means the Closing Price multiplied by the Contract Quantity;

**Contract Quantity** means one Contract Reference Instrument (unless that number is adjusted by MFGHK in accordance with the OTC CFD Client Agreement);

**Contract Reference Instrument** means the underlying reference instrument that forms the subject of the OTC CFD;

**Contract Reference Instrument Price** means the current price of the Contract Reference Instrument quoted on the Relevant Exchange or as otherwise determined by MFGHK;

**Contract Value** means the Contract Reference Instrument Price multiplied by the Contract Quantity;

**eMPower** means MFGHK's electronic trading platform;

**EUR** means the single currency of the European Economic and Monetary Union;

**Exchange Rate** in relation to any currency, means any widely recognized and published foreign exchange rate selected by MFGHK (for this purpose, the bid/offer spread is the difference between the rate at which MFGHK is able to buy or sell the Relevant Currency and the rate at which it will sell or buy the Relevant Currency to or from you, as applicable) in its sole discretion;

**Free Equity** has the meaning given to it in section 2.5;

**Foreign Currency Ledger** has the meaning given to such term in section 1.1;

**GBP** means the lawful currency of the United Kingdom;

**Gross Liquidation Value and GLV** have the meaning given to such terms in section 2.5;

**Hedge Position** has the meaning given to such term in section 2.7.2;

**HKD** means the lawful currency of the Hong Kong Special Administrative Region;

**HKSE** has the meaning given to such term in the Key Features section;

**Hong Kong Business Day** means a day (other than a Saturday or Sunday or public holiday) on which banks and foreign exchange markets are or will be open for business in Sydney;

**Initial Margin** has the meaning given to it in section 2.5;

**JPY** means the lawful currency of Japan;

**KSE** has the meaning given to such term in the Key Features section;

**Local Business Day** means, in relation to an OTC CFD, a day (other than a Saturday or Sunday or public holiday) on which banks and foreign exchange markets are or will be open for business in the city in which the Relevant Exchange on which the Contract Reference Instrument is quoted;

**Long** has the meaning given to it in the Key Features section under the question "What are "long" and "short" positions?";

**LSE** has the meaning given to such term in the Key Features section;

**MFGHK** means MF Global Holdings HK Limited;

**MFGHK Base Rate** has the meaning given to it in the Key Features section;

**NZSE** has the meaning given to such term in the Key Features section;

**NYSE** has the meaning given to such term in the Key Features section;

**NZD** means the lawful currency of New Zealand;

**Open Contract Value** means the Contract Value at the time the OTC CFD is opened;

**OTC CFD** has the meaning given to it in section 1.1;

**OTC CFD account** means an account established in your name by MFGHK for the purpose of trading OTC CFDs;

**OTC CFD client agreement** means the contract between you and MFGHK which governs each OTC CFD transaction entered into between you and MFGHK, a copy of which can be obtained from your representative;

**Relevant Currency** has the meaning given to such term in the Key Features section;

**Relevant Exchange** means, in relation to a Contract Reference Instrument, the financial market on which the Contract Reference Instrument is quoted. If a Contract Reference Instrument is quoted on more than one financial market, MFGHK will advise you of the relevant exchange for the purposes of the OTC CFD, at the time the OTC CFD is entered into;

**Short** has the meaning given to it in the Key Features section under the question “What are “long” and “short” positions?”;

**SGD** means the lawful currency of Singapore;

**SGSE** has the meaning given to such term in the Key Features section;

**TASE** has the meaning given to such term in the Key Features section;

**TSE** has the meaning given to such term in the Key Features section; and

**USD** means the lawful currency of the United States of America; and

**Variation Margin** has the meaning given to it in section 2.2.





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