

## **PRODUCT DISCLOSURE STATEMENT**

**Rakuten Securities Australia Pty Ltd**

ABN 99 153 803 804

Australian Financial Services Licence No. 418036

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## **SECTION 1 – IMPORTANT INFORMATION**

### **1.1 This PDS**

This Product Disclosure Statement (PDS) is dated 26 September 2017 and has been prepared by Rakuten Securities Australia Pty Ltd ABN 99 153 803 804; Australian Financial Services Licence (AFSL) 418036 (Rakuten Securities Australia, we, our, us).

Rakuten Securities Australia is an issuer of contracts for difference (CFDs) and margin foreign exchange contract (Margin FX Contracts) through its online Trading Platform. We offer CFDs to our Clients on indices, options, currencies, metals, Commodities and such other CFDs as may be notified to you from time to time. These financial products are collectively referred to as Rakuten Securities Australia Products.

This PDS is designed to help you decide whether the Rakuten Securities Australia Products described in this PDS are appropriate for you. You may also use this PDS to compare Rakuten Securities Australia Products with similar financial products offered by other issuers.

This PDS describes the key features of Rakuten Securities Australia Products, their benefits, risks, costs and fees of trading in Rakuten Securities Australia Products and other related information.

Details of all of the Rakuten Securities Australia Products are also contained in the Product Schedule, which is available on the Website and is updated regularly.

All Rakuten Securities Australia Products are over the counter (OTC) derivative contracts and are not exchange-traded financial products.

The terms and expressions used in this PDS have definitions given in the Section 7 – Glossary of this PDS.

### **1.2 Your potential liability**

Potential investors should be experienced in derivatives, especially in leveraged OTC derivatives, and understand and accept the risks of investing in Rakuten Securities Australia Products.

Your potential liability is not limited to the amount you pay Rakuten Securities Australia or the amount we keep in the Client Money Trust Account for you. We may ask you to pay amounts in excess of those amounts to cover any shortfall. You should carefully consider the risks of the Rakuten Securities Australia Products and your capacity to meet your potential liability before investing.

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

Rakuten Securities Australia holds an AFSL and is regulated by the Australian Securities & Investments Commission (ASIC). While ASIC is a robust regulator, ASIC does not endorse specific financial products or contracts. ASIC's regulation of us applies in respect of our Australian financial services activities only. You should be mindful of the risks of OTC derivative contracts and note that you can incur losses when trading. Returns are not guaranteed. Neither ASIC, the Australian Government nor any other person guarantees any monies in your Account.

Rakuten Securities Australia Products are sophisticated financial products. You should read this PDS, the Financial Service Guide and the Client Agreement in full before making a decision to deal in any Rakuten Securities Australia Products.

We recommend that you contact us if you have any questions arising from the Agreements prior to entering into any Contracts with us. Rakuten Securities Australia recommends that you consult your advisor to obtain independent advice before trading.

### **1.3 Rakuten Securities Australia does not give personal advice**

Rakuten Securities Australia will not give you personal financial advice. This PDS does not constitute any recommendation or opinion that Rakuten Securities Australia Products are appropriate for you.

The information in this PDS is general information only and does not take into account your personal objectives, financial situations and needs.

If we ask you for your personal information to assess your suitability to trade Rakuten Securities Australia Products and we accept your application to trade and open an Account with us, this is not to be construed as personal advice or any other advice to you. You must not rely on our assessment of your suitability as the assessment is only for the purposes of deciding whether to open an Account for you. This assessment is separate from your decision to trade Rakuten Securities Australia Products. You may not later claim you are not responsible for your losses merely because we have opened an Account for you after assessing your suitability. You remain solely responsible for your own assessment of the features and risks of trading Rakuten Securities Australia Products, and should seek your own advice on whether these Rakuten Securities Australia Products or any particular OTC derivative contracts are suitable for you.

We recommend that you seek independent advice to ensure investing in Rakuten Securities Australia Product is appropriate for your particular financial objectives, needs and circumstances.

### **1.4 Applications**

If you wish to apply for an Account you must complete the Application Form and agree to the information held in this PDS, as well as the information contained in the Client Agreement and Financial Services Guide.

### **1.5 Other jurisdictions**

The offer to which this PDS relates is available only to persons receiving the PDS in Australia. The distribution of this PDS in jurisdictions outside Australia may be subject to legal restrictions. Any person who resides outside Australia and gains access to this PDS should comply with any such restrictions, as failure to do so may constitute a violation of financial services laws.

Rakuten Securities Australia operates in Australia as an Australian financial services provider. Neither this PDS nor any Rakuten Securities Australia conduct is intended to be an inducement, offer or solicitation to anyone outside of Australia.

### **1.6 Current PDS**

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

A copy of this PDS, Financial Service Guide and the Client Agreement can be downloaded from the Website or you can contact Rakuten Securities Australia to request that a physical copy of the documents be provided to you free of charge.

For any updated or new information in this PDS is information that is materially adverse to you, we will issue either a new PDS or a supplementary PDS containing the new information and send you via email. If the new information is not materially adverse to you, you will be able to find updated information on our Website ([www.sec.rakuten.com.au](http://www.sec.rakuten.com.au)) or by calling us using the contact details detailed in this document. Where requested by you, we can also provide you with a physical copy of this information free of charge.

### **1.7 Trading hours**

Rakuten Securities Australia's trading week opens at 8.00am Monday AEST (equivalent of 5:00pm Sunday EST) and closes at 8.00am Saturday AEST (equivalent of 5.00pm Friday EST). These times are subject to change.

You are able to view live prices and place live Orders during these hours. You may still access the Trading Platform and view your Account, market information, research and our other services outside of these hours. However, there will not be any live prices or trading. We will provide services to you outside of these hours at our sole discretion.

The current trading times for Rakuten Securities Australia Products are available on the Website. Occasionally, Rakuten Securities Australia may, within its discretion, impose limited trading hours.

### **1.8 Contact details**

Rakuten Securities Australia can be contacted at:

#### **Rakuten Securities Australia Pty Ltd**

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Sydney, NSW 2000

T: +61 (2) [9247 2483](tel:+61292472483)

Email: [support@sec.rakuten.com.au](mailto:support@sec.rakuten.com.au)

Website: [www.sec.rakuten.com.au](http://www.sec.rakuten.com.au)

## SECTION 2 – REGULATORY BENCHMARK DISCLOSURE

### 2.1 Benchmarks for Rakuten Securities Australia Products

ASIC has seven disclosure benchmarks for OTC derivative products to help retail clients understand and assess the risks associated with OTC derivative products, and decide whether any investment in these products is suitable for them. These benchmarks and requirements are contained in ASIC Regulatory Guide 227 (RG227).

It is important to note that the compliance with benchmarks is not mandatory and the benchmarks are not law. Not meeting the benchmarks is not an indication of a compliance breach or failure. RG227 requires prominent disclosure in a PDS as to whether an issuer meets the benchmarks and, if not, the reasons why they are not met.

The following table summarises the benchmarks Rakuten Securities Australia meets, and if not, why not.

The table also refers you to other sections of this PDS for more information on relevant topics (to avoid duplicating the information in this PDS).

ASIC RG 227 Benchmark	Meet Benchmark?	Rakuten Securities Australia Disclosure
<p><b>1 Client Qualification</b></p> <p>If an issuer meets this benchmark, the PDS should clearly explain:</p> <ul style="list-style-type: none"> <li>that trading in the products is not suitable for all investors because of the significant risks involved; and</li> <li>how the issuer’s client qualification policy operates in practice.</li> </ul> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described in RG 227.40, it should disclose this in the PDS and explain why this is so.</p>	Yes	<p>Our Client Qualification Policy is set out in this PDS, please see Section 3.5 - Your Suitability for further information.</p> <p>We maintain and apply our Client Qualification Policy through an online Client Qualification Test.</p> <p>All retail clients are assessed according to this test to ensure that they have a minimum level of understanding and experience before being provided with an Account.</p>
<p><b>2. Opening Collateral</b></p> <p>If an issuer meets this benchmark, the PDS should explain the types of assets the issuer will accept as opening collateral.</p> <p>If an issuer accepts non-cash assets as opening collateral (other than credit cards to a limit of AUD\$1,000), the PDS should explain why the issuer does so and the additional risks that using other types of assets (e.g. securities and real property) as opening collateral may pose for the investor. This includes, for example, the risks of ‘double leverage’ if leveraged assets are accepted as opening collateral.</p>	No	<p>The benchmark suggests that a limit of AUD\$1,000 be accepted for opening payments made by credit cards. Rakuten Securities Australia accepts credit card payments for more than AUD\$1,000 as initial funding in order to provide flexible payment options to clients.</p> <p>Further information about the risks of paying by credit card are described in Section 3.6 – Opening Collateral.</p> <p>Rakuten Securities Australia otherwise meets this benchmark.</p>
<p><b>3. Counterparty Risk -Hedging</b></p> <p>If an issuer meets this benchmark, the PDS should provide the following explanations:</p> <ul style="list-style-type: none"> <li>a broad overview of the nature of Hedging activity the issuer undertakes to mitigate its market risk, and the factors the issuer takes into account when selecting Hedging Counterparties; and</li> <li>details about where investors can find the issuer’s more detailed policy on the activities it undertakes to mitigate its party and market risk, and the names of any Hedging Counterparties.</li> </ul> <p>If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so.</p> <p>The PDS must include information about the significant risks associated with the product: s1013D(1)(c).</p>	Yes	<p>Rakuten Securities Australia’s Hedging Policy is set out in this PDS, which contains the factors we take into account when determining if our Hedging Counterparties are of sufficient standing, as well as the names of our Hedging Counterparties.</p> <p>Further information can be found in Section 4.13 - Your Counterparty Risk (Hedging).</p> <p>This PDS explains that, if Rakuten Securities Australia defaults on its obligations, investors may become unsecured creditors in an administration or liquidation.</p>

ASIC RG 227 Benchmark	Meet Benchmark?	Rakuten Securities Australia Disclosure
<p>The PDS should also provide a clear explanation of the counterparty risk associated with the Products. The PDS should explain that, if the issuer defaults on its obligations, investors may become unsecured creditors in an administration or liquidation and will not have recourse to any underlying assets in the event of the issuer's insolvency.</p>		
<p><b>4 Counterparty Risk— Financial resources</b></p> <p>If an issuer meets this benchmark, the PDS should explain how the issuer's policy operates in practice.</p> <p>If an issuer does not meet the requirement on stress testing, it should explain why and what alternative strategies it has in place to ensure that, in the event of significant adverse market movements, the issuer would have sufficient liquid resources to meet its obligations to investors without needing to have recourse to client money to do so.</p> <p>An issuer should also make available to prospective investors a copy of its latest audited annual financial statement, either online or as an attachment to the PDS.</p>	Yes	<p>Rakuten Securities Australia meets this benchmark.</p> <p>Its latest audited annual financial statement is available for inspection upon request at the office of Rakuten Securities Australia.</p> <p>We maintain and apply written policies to ensure the ongoing maintenance of adequate financial resources and compliance with the financial requirements imposed on us by our AFSL.</p> <p>This PDS includes information about Rakuten Securities Australia's policy on maintaining adequate financial resources. Please refer to Section 4.14 - Your Counterparty Risk (Financial Resources).</p>
<p><b>5 Client Money</b></p> <p>If an issuer meets this benchmark, the PDS should clearly:</p> <ul style="list-style-type: none"> <li>• describe the issuer's Client Money policy, including how the issuer deals with Client Money and when, and on what basis, it makes withdrawals from client money; and</li> <li>• explain the counterparty risk associated with the use of Client Money for derivatives.</li> </ul> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described above, it should disclose this in the PDS.</p> <p>If an issuer's policy allows it to use money deposited by one Client to meet the Margin Requirements of another client, it should very clearly and prominently explain this and the additional risks to Client Money entailed by this practice.</p> <p>An issuer's Client Money policy should be explained in the PDS in a way that allows potential investors to properly evaluate and quantify the nature of the risk, if any, to Client Money.</p>	Yes	<p>Rakuten Securities Australia meets this benchmark in all respects.</p> <p>Rakuten Securities Australia's Client Money Policy is incorporated in this PDS.</p> <p>Rakuten Securities Australia holds and uses Client Money in accordance with the Australian Client Money Rules and its Client Money Policy.</p> <p>Please refer to Sections 4.9 – Client Money for further information.</p>
<p><b>6 Suspended or Halted Underlying Assets</b></p> <p>If an issuer meets the benchmark, the PDS should explain the issuer's approach to trading when underlying assets are suspended or halted.</p> <p>If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so, as well as the additional risks that trading when underlying assets are suspended may pose for investors.</p> <p>To provide a full explanation of this aspect of the product, an issuer should explain any discretions it retains as to how it manages positions over halted or suspended assets, and how it determines when and how it uses these discretions. This should include disclosure of any discretions the issuer retains to:</p> <ul style="list-style-type: none"> <li>• change the Margin Requirement on a position;</li> </ul>	Yes	<p>Rakuten Securities Australia meets this benchmark in all respects.</p> <p>Rakuten Securities Australia's approach to trading when the Underlying Instruments are suspended or halted is described in Section 3.7 – Suspended or Halted Underlying Instrument.</p>

ASIC RG 227 Benchmark	Meet Benchmark?	Rakuten Securities Australia Disclosure
<ul style="list-style-type: none"> <li>• re-price a position; or</li> <li>• close out a position.</li> </ul>		
<p><b>7 Margin Calls</b></p> <p>If an issuer meets this benchmark, the PDS should explain the issuer's policy and margin call practices.</p> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described above, it should disclose this in the PDS and explain why this is so.</p> <p>To provide full and accurate information about this aspect of trading in Rakuten Securities Australia Products, the PDS should clearly state that trading in Rakuten Securities Australia Products involves the risk of losing substantially more than the initial investment. This will ensure the issuer meets its obligation to include in the PDS information about the significant risks associated with the product: s1013D(1)(c).</p>	Yes	<p>Rakuten Securities Australia makes Margin Calls through its Trading Platform. You must monitor the Trading Platform and your available Margin at all times while you have open Contracts with us.</p> <p>Rakuten Securities Australia describes its Margin Policy in Section 4.8 – Margin Obligations.</p>

## SECTION 3 – KEY INFORMATION

### 3.1 Key Features of Rakuten Securities Australia Products

Rakuten Securities Australia Products are OTC derivative products, which allow you to make a profit or loss from changes in the market price of the Underlying Instrument, without actually owning the full value of the Underlying Instrument or having any direct interest in the Underlying Instrument, i.e. you do not have any right or obligation to acquire any interest in the Underlying Instrument or the Underlying Instrument itself. None of Rakuten Securities Australia Products are exchange traded.

When trading with us, each Contract will be agreed by you and entered into with us as principal. Rakuten Securities Australia makes a market in the Rakuten Securities Australia Products since it regularly states the price at which it is prepared to deal with you as principal.

You must fund your Account with Rakuten Securities Australia before a Contract is opened. You can do this by paying at least the Initial Margin (plus other fees and charges detailed in Section 5).

You remain liable to meet any further Margin Requirements by maintaining sufficient equity on your Account. If you do not maintain the Margin Requirements or you do not respond to Margin Call by the required time, your Contracts may be Closed Out and you will be remain liable to pay us any remaining shortfall.

Unlike products traded on an exchange, it is not mandatory for OTC derivatives to have the same standardised Contract specifications. The terms of a Contract are tailored to the requirements of the parties to the Contract, being you and Rakuten Securities Australia.

There is a high degree of leverage in Rakuten Securities Australia Products because you only pay Margin to Rakuten Securities Australia, not the full value. All payments to Rakuten Securities Australia for Rakuten Securities Australia Products are paid as Margin (or for the relevant fees and charges), therefore the more Margin you pay, the less leverage you have.

### 3.2 Types of Rakuten Securities Australia Products

#### 3.2.1 Margin FX Contracts

Margin FX Contracts are a type of OTC derivative contract. The price of a Margin FX Contract is based on the price of an Underlying Instrument, being the price of one currency relative to another. Margin FX Contracts allow investors an opportunity to trade foreign exchange on a margined basis as opposed to paying for the full value of the currency.

When you trade Margin FX Contracts, you trade a combination of two currencies (known as a currency pair). A Margin FX Contract is opened by buying a Rakuten Securities Australia Product which is based on either buying or selling the currency pair. The buying or selling is in reference to the buying or selling of the Base Currency (remember that no physical delivery ever takes place). For example if you were buying USD/JPY, you would be buying USD by selling JPY, whereas if you were selling JPY/USD you would be selling JPY and buying USD.

Margin FX Contracts offered by Rakuten Securities Australia cannot be settled by the physical or deliverable settlement of a currencies on a Value Date. Rather, these Contracts do not have set expiry dates and will remain open until Closed Out.

You can trade Margin FX Contracts via the Trading Platform 24 hours a day, 5 days per week on global markets. It should be noted however, that trading in certain currency pairs may be restricted to hours where liquidity is available for any given currency pairs. Opening hours of the market are available by viewing our Product Schedule on the Website.

Margin FX Contracts allow you to receive many of the economic benefits of owning the full value of the Underlying Instrument on which the Contract is based without physically owning it.

For more information on which currency pairs Rakuten Securities Australia provides quotes on, please download a demonstration Trading Platform located on the Website, refer to our Product Schedule or contact Rakuten Securities Australia.

#### 3.2.2 CFDs

CFDs are a type of OTC derivative contract. They are leveraged financial instruments that fluctuate in value based on the price of the Underlying Instrument which could be the price of gold, silver, a share index, a currency or of a particular Commodity. A CFD does not provide ownership or any rights to the Underlying Instrument and does not entitle you to the delivery of the Underlying Instrument at any stage.

A CFD is an agreement between you and us to exchange the difference in value of an Underlying Instrument from when a Contract is opened to when it is closed. If the value of the CFD has moved in your favour, you will be paid an amount into your Account. Should the value of the CFD move against you, an amount will be deducted from your Account. The amount of profit or loss will be the difference between the price when the CFD is opened and the price when it is closed, adjusted to reflect notional dividends and interest payments, where applicable.

The CFDs we offer are mostly traded in AUD, however some CFDs may be denominated in other currencies.

### 3.3 Key Benefits of Rakuten Securities Australia Products

**Hedging:** Rakuten Securities Australia Products can be used as important risk management tools. For example, Margin FX Contracts can be used to Hedge foreign exchange currency exposures or to Hedge exposure to the Underlying Instruments you may have. Hedging may also protect you against adverse exchange rate movements and provide relative certainty of foreign exchange rates and cash flow.



For example, companies or individuals that are dependent on overseas trade are exposed to currency risk. This can be for the purpose of purchasing (or selling) physical Commodities (such as corns), especially for importers and exporters, or even financial products (such as investing in securities listed in an international stock).

**Speculation:** Rakuten Securities Australia Products can be used for speculation, with a view to profiting from fluctuations in the value of the Underlying Instrument, e.g., exchange rate fluctuations for Margin FX Contracts. You may take a view of a particular market or the markets in general and invest in Rakuten Securities Australia Products according to this belief in anticipation of making a profit.

**Profit potential in both rising and falling markets:** As the markets are constantly moving, there are many trading opportunities available. There is a potential for profit (and loss) in both rising and falling markets depending on the trading strategy you have employed. Trading strategies may be complex and each strategy will have different levels of risk associated with them. Whether a currency is strengthening or weakening in relation to another currency or whether the market price of the Underlying Instrument is rising or falling will affect the rise or fall of the market.

For example, if the EUR/USD declines, it is because the USD gets stronger against the EUR and vice versa. As such, if you are of the view that EUR/USD will decline (that is, if you think that EUR will weaken versus the USD), you may choose to sell EUR now and then buy it back later at a lower price and take your profits. The opposite trading scenario would occur if the EUR/USD appreciates.

**Tailored** – A benefit of trading Rakuten Securities Australia Products is that the transaction is not forced to have the same standardised contract specifications as exchange traded contracts. You can open an Account with us with a minimum opening balance of 50 units of the Base Currency (which is limited to AUD, GBP, EUR and USD). When trading in a Margin FX Contract or CFD that we offer, you may deposit any amount that is in line with how much you are willing to risk. For example, Rakuten Securities Australia allows you to enter into Contracts in small amounts, for example 0.01 of a Lot, whereas exchange-traded contracts are a standard size.

**Leverage:** The use of Rakuten Securities Australia Products involves a high degree of leverage. The leverage allows you to invest a relatively small amount to have an exposure to the Underlying Instrument without having to pay the full price of the Underlying Instrument. However, this leverage gives you the potential to take a greater level of risk for a smaller initial outlay, so this increases the potential risks and rewards. Leverage can also magnify losses.

**Real Time Streaming Quotes:** Our Trading Platform uses sophisticated technologies to offer you regularly updated quotes for Rakuten Securities Australia Products.

### 3.4 Key Risks of Rakuten Securities Australia Products

Rakuten Securities Australia does not and will not provide you with personal financial product advice relating to any of the Rakuten Securities Australia Products. We will not make recommendations to you of any kind. The only advice we will give you will relate to how OTC derivatives products work, as well as general market information for currencies and other Underlying Instruments.

You should be aware that trading in OTC derivatives involves a number of risks. It is important that you carefully consider whether trading these products is appropriate for you in light of your investment objectives, financial situation and needs.

#### 3.4.1 Derivatives Risks Generally

Derivative markets can be highly volatile and the risk of loss when trading in derivatives products can be substantial. You should carefully consider whether Rakuten Securities Australia Products are appropriate for you in light of your personal and financial circumstances. In deciding whether you will become involved in trading OTC derivatives products, you should be aware of the following matters:

- you could sustain a total loss of the amount that you deposit with us to establish or maintain a Contract;
- if the market moves against your Contract, you will be required to immediately deposit additional funds as Margin in order to maintain your Contract (where these are not already available in your Account);
- those additional funds may be substantial. If you fail to provide those additional funds, Rakuten Securities Australia may Close-Out your Contracts. You will also be liable for any shortfall resulting from that Close-Out;
- under certain market conditions, it could become difficult or impossible for you to manage the risk of any open Contracts by entering into opposite Contracts or Closing Out existing Contracts;
- under certain market conditions the prices of Contracts may not maintain their usual relationship with the market of the Underlying Instruments;
- the placing of contingent Orders such as a Stop-Loss Order could potentially limit your loss. However, such Order is not guaranteed at the exact level that you request;
- a "spread" Contract (i.e. the holding of a bought Contract for one specified date and a sold Contract for another specified date) is not necessarily less risky than a simple "long" (i.e. bought) or "short" (i.e. sold) Contract. In addition, a "spread" may be larger at the time you Close-Out the Contract than it was at the time you opened it;
- as a result of high volatility, low liquidity or gapping in the underlying market, you may receive requotes, slippage or hanging orders. Hanging Orders are often already executed, but sitting in the terminal window until they can be confirmed;
- changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in Margin FX Contracts and CFDs;
- there are no cooling-off arrangements for Margin FX Contracts and CFDs. This means that when we arrange for the execution of a Contract, you do not have the right to return the Contract, nor request a refund of the money paid to acquire the Contract;

- foreign markets will involve different risks to Australian markets. The potential for profit or loss from a Contract relating to an Underlying Instrument in a foreign market or denominated in a foreign currency will be affected by fluctuations in foreign exchange rates. It is possible to incur a loss if exchange rates changed to your detriment, even if the price of the Underlying Instrument to which the CFD relates remain unchanged; and
- there is no clearing house for Margin FX Contracts or CFDs. The performance of a Margin FX Contract or CFD by us is not 'guaranteed' by an exchange or clearing house.

### 3.4.2 Significant Risks

KEY RISKS	IMPORTANT ISSUES
<p><b>Risk of leverage:</b></p>	<ul style="list-style-type: none"> <li>• Rakuten Securities Australia Products are typically highly leveraged investments with low Margin Requirements. You must be ware that the high degree of leverage can work against you as well as for you.</li> <li>• The leveraged nature of Rakuten Securities Australia Products means that even a slight fluctuation in the market for the Underlying Instrument could lead to a proportionately much larger movement in the value of your investment, and you must be aware that the your potential losses may be far greater than the money you deposit into your Account.</li> <li>• The leveraging in Rakuten Securities Australia Products can cause volatile fluctuations in the Margin Requirements i.e. the use of leverage may increase the chances of the need for Margin payments.</li> <li>• You can minimise the risk of losses on Contracts by monitoring your open Contracts and Closing Out the Contracts before losses arise.</li> </ul>
<p><b>Unlimited loss on short or long Contracts:</b></p>	<ul style="list-style-type: none"> <li>• There is a moderate to high risk of your potential loss on short or long positions being unlimited if the market moves against you – the loss may be more than the amount you pay Rakuten Securities Australia for the Contracts.</li> <li>• You can minimise the risk of losses on Contracts by monitoring your open Contracts and Closing Out the Contracts before losses arise.</li> </ul>
<p><b>Client Money are withdrawn to pay for Realised Losses and other items:</b></p>	<ul style="list-style-type: none"> <li>• The moneys you have paid into the Client Money Trust Account may be withdrawn to pay Rakuten Securities Australia. This includes amounts for any Realised Losses, Margin Requirements, fees, charges and costs.</li> <li>• The moneys withdrawn to pay us are Rakuten Securities Australia’s moneys (and are not held for you). Any withdrawal will reduce the amount of moneys in the Client Money Trust Account held beneficially for you.</li> <li>• Once your moneys are withdrawn from the Client Money Trust Account you become an unsecured creditor of Rakuten Securities Australia and you lose all of the protections you had when your Client Money was in the Client Money Trust Account.</li> </ul> <p>Please refer to Section 4.9 Client Money – Benchmark 5 for further information.</p>
<p><b>Margin risk:</b></p>	<ul style="list-style-type: none"> <li>• You must be able to pay to Rakuten Securities Australia the Margin Requirements as and when required, otherwise all of your Contracts may be Closed Out without notice to you. Margin Requirements are highly likely to change continuously, in line with market movements in the Underlying Instrument.</li> <li>• The Margin Requirements will usually be at least: <ul style="list-style-type: none"> <li>▪ the Margin required by Rakuten Securities Australia for the Contract (initially and later); plus</li> <li>▪ the Margin required by Rakuten Securities Australia to cover any payments for Realised/Unrealised Loss on other Contracts in your Account; plus</li> <li>▪ any Margin required by Rakuten Securities Australia to cover adjustments for any foreign currency conversion.</li> </ul> </li> <li>• You should consider there is a high risk of Margin Requirements changing, and at times very rapidly. There is a moderate to high risk that if the market value of the Underlying Instrument moves rapidly against you, you will be required to pay more Margin on little or no notice. If you do not meet those requirements, your Contracts can be automatically Closed Out.</li> <li>• You can minimise your risk of losing your Contracts after failing to meet Margin Requirements by carefully selecting the type and amount of Rakuten Securities Australia Products to suit your needs, monitoring the positions, maintaining a prudent level of cash balance in your Account and providing sufficient Margin within the time required by Rakuten Securities Australia.</li> </ul> <p>Please refer to Section 4.8 – Margin Obligations for further information.</p>
<p><b>Foreign exchange risk:</b></p>	<ul style="list-style-type: none"> <li>• Foreign currency conversions required for your Account can expose you to foreign exchange risks during the time between when the Contract is entered into and the time the relevant conversion of currencies occurs. Foreign exchange markets can change rapidly. This exposes you to adverse changes in the value of your Account, which can be large</li> </ul>

KEY RISKS	IMPORTANT ISSUES
	<p>(depending on foreign exchange rates) and volatile. This will directly affect the value of your Rakuten Securities Australia Product.</p> <ul style="list-style-type: none"> <li>You can minimise this risk by selecting Rakuten Securities Australia Products with foreign exchange exposure that you are prepared to incur and monitor.</li> </ul>
<b>Counterparty risk:</b>	<ul style="list-style-type: none"> <li>You have the risk that Rakuten Securities Australia will not meet its obligations to you under the Rakuten Securities Australia Products. You need to consider the credit and related risks you have against Rakuten Securities Australia.</li> <li>Rakuten Securities Australia maintains and implements a Hedging Policy (Section 4.13 Your Counterparty Risk – Benchmark 3), Client Money Policy (Section 4.9 Client Money – Benchmark 5) and Margin Policy (Section 4.8 Margin Obligations) as part of its risk management procedures.</li> <li>You must bear in mind that the potential adverse outcome of this risk is very significant because if it occurs, you could lose all or some of your money (after you are paid any moneys in the Client Money Trust Account to which you are entitled).</li> <li>You can minimise your counterparty risk against Rakuten Securities Australia by trading prudently and requesting payment to you of any surplus in your Account which is not required for your current and potential future Margin Requirements. Bear in mind this may increase your Margin risk resulting in all of your Contracts being Closed Out.</li> </ul>

### 3.4.3 Other Significant Risks

SIGNIFICANT RISKS	IMPORTANT ISSUES
<b>Market risk:</b>	<ul style="list-style-type: none"> <li>Rakuten Securities Australia Products are highly speculative and volatile. There is a high risk that market prices will move such that the Contract Value of your Contracts on closing can be significantly less than the amount you invested in them.</li> <li>Foreign exchange currency markets and the markets for any other Underlying Instruments are subject to many influences including, but not limited to: <ul style="list-style-type: none"> <li>interest rate fluctuations;</li> <li>changes in asset valuations; and</li> <li>suspensions in trading in the underlying market, Underlying Instrument or reduced liquidity in the financial products.</li> </ul> </li> <li>These factors may result in rapid price fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence of market volatility.</li> <li>There is no guarantee or assurance that you will make profits, or not make losses, or that Unrealised Gains or Losses will remain unchanged.</li> <li>You can reduce your risk by understanding the market relevant to your Rakuten Securities Australia Products, monitoring your positions carefully and closing your open Contracts before unacceptable losses arise.</li> <li>Rakuten Securities Australia recommends that you closely monitor your Contracts with them at all times. Due to the market volatility, no Rakuten Securities Australia Products should be considered a “safe trade”.</li> </ul>
<b>Not a regulated market:</b>	<ul style="list-style-type: none"> <li>All Rakuten Securities Australia Products are OTC derivatives and are not covered by the rules applicable to exchange-traded contracts.</li> <li>For example, trading on the ASX is governed by rules applicable to brokers and generally has the benefit of a guarantee system known as the National Guarantee Fund (the NG Fund). The NG Fund provides protection from fraud or misconduct by brokers in connection with certain ASX trades. The ASX rules and the NG Fund do not apply to Rakuten Securities Australia Products.</li> <li>OTC derivatives, such as those offered by us, by their nature do not have an established liquid market with numerous participants. If you want to exit your Contracts, you rely on our ability to Close Out at the time and price you wish, which may not match the underlying market’s liquidity or market price.</li> <li>You can reduce your risk by carefully reading the Agreements and taking independent advice on the legal and financial aspects relevant to you.</li> </ul>

SIGNIFICANT RISKS	IMPORTANT ISSUES
	<ul style="list-style-type: none"> <li>The rules of the relevant exchange that govern the trading in the Underlying Instrument will indirectly affect the dealing in the relevant Rakuten Securities Australia Products. All of the rules of each relevant market may be applicable to the Rakuten Securities Australia Products, so you should consider those rules. The details of those rules are outside the control of Rakuten Securities Australia and they may change at any time and without notice to you.</li> </ul>
<b>Market disruptions:</b>	<ul style="list-style-type: none"> <li>A general market disruption or a disruption to an Underlying Instrument may mean that you may be unable to deal in Rakuten Securities Australia Products when desired, and you may suffer a loss as a result.</li> </ul>
<b>Orders - gapping and slippage:</b>	<ul style="list-style-type: none"> <li>We aim to provide you with the best pricing available and to fill all Orders at the requested rate. However, there are times when, due to an increase in volatility or volume, Orders may be subject to what is referred to as "slippage". This most commonly occurs during fundamental news events or gapping in the markets. The volatility in the market may create conditions where Orders are difficult to execute, since the price might be many pips away due to the extreme market movement or gapping. Execution is subject to available liquidity at any and all price levels. Although you may be looking to execute at a certain price, the market may have moved significantly or liquidity exhausted, in which instance your Order would be filled at the next best price or the fair market value.</li> <li>It may become difficult or impossible for you to Close Out a Contract. This can, for example, happen when there is a significant change in the Contract Value over a short period. There is a moderate to high risk of this occurring as a result of market volatility.</li> <li>You should consider placing Stop-Loss Order or other Orders that limit your losses but also closely monitor your Account and the relevant market in case the Stop-Loss Order is not fully filled or filled at all and you need to take further action to limit your losses.</li> </ul>
<b>Orders are not guaranteed</b>	<ul style="list-style-type: none"> <li>The placing of a Stop-Loss Order can potentially limit your loss, however we do not guarantee that it will do so. Similarly, a Limit Order can maximise your profit but there is also no guarantee of this. You should anticipate being stopped out at or limited at a price worse than the price you set. You may suffer losses as a result. You must be aware that Stop-Loss Orders, Limit Orders, Stop-Limit Orders and Trailing Stop Orders are not guaranteed.</li> <li>You should consider placing Stop-Loss or other Orders that limit your losses but also closely monitor your Account and the relevant market in case the Stop-Loss order is not fully filled or filled at all and you need to take further action to limit your losses.</li> </ul> <p>Please refer to Section 4.10 Order Types for further information on the different types of Orders we offer.</p>
<b>Delays in execution</b>	<ul style="list-style-type: none"> <li>A delay in execution may occur for various reasons, such as technical issues with your internet connection to our servers, which may result in hanging orders. A disturbance in the connection path can sometimes interrupt the signal, and disable the Trading Platform, causing delays in transmission of data between your Trading Platform and our servers.</li> </ul>
<b>Auto Liquidation:</b>	<ul style="list-style-type: none"> <li>Rakuten Securities Australia may without prior notice to you liquidate all or some of your open Contracts if the Account Value falls below the liquidation level applicable to your Account. This can generate Realised Losses in your Account.</li> <li>Additional basic risks to you are: <ul style="list-style-type: none"> <li>that you fail to manage your own Account by maintaining adequate Margin Cover;</li> <li>you fail to meet any Margin Call;</li> <li>you fail to monitor your open Contracts;</li> <li>you (incorrectly) rely on us liquidating your open Contracts; or</li> <li>you fail to manage your open Contracts before the Account Value balance falls below the liquidation level applicable to your Account.</li> </ul> </li> <li>You can manage the risk of Rakuten Securities Australia liquidating some or all of your open Contracts, or the risk of you wrongly relying on Rakuten Securities Australia to do this, by carefully monitoring your open Contracts, placing and maintaining prudent Orders (including Stop-Loss Orders) and managing your open Contracts before the Account Value falls below the liquidation level applicable to your Account.</li> </ul> <p>Please refer to Section 4.11 Auto-Liquidation for further information.</p>

SIGNIFICANT RISKS	IMPORTANT ISSUES
<p><b>Operational risk, and risks associated with the Trading Platform:</b></p>	<ul style="list-style-type: none"> <li>You are responsible for the means by which you access the Trading Platform or your communicate with Rakuten Securities Australia. If you are unable to access the Trading Platform, it may mean that you are unable to trade in Rakuten Securities Australia Products (including Closing them Out) or you might not be aware of the current Margin Requirements and so you may suffer loss as a result.</li> <li>Rakuten Securities Australia may also suspend the operation of the Trading Platform or any part of it, without prior notice to you. The risk of this occurring is considered to be low as it would only happen in unforeseen and extreme market situations or technological outages, however Rakuten Securities Australia has discretion in determining when to do this. If the Trading Platform is suspended, you may have difficulty contacting us, you may not be able to contact us at all, or your Orders may not be able to be executed at prices quoted to you.</li> <li>There is a moderate to high risk that Rakuten Securities Australia will impose volume limits on Accounts or filters on trading, which could prevent or delay execution of your Orders, at your risk. You have no recourse against Rakuten Securities Australia in relation to the availability or otherwise of the Trading Platform, nor for their errors and software. Please review the Client Agreement and any guidance for the Trading Platform.</li> <li>We do not accept or bear any liability whatsoever in relation to the operation of the Trading Platform.</li> </ul>
<p><b>Conflicts:</b></p>	<ul style="list-style-type: none"> <li>Trading with Rakuten Securities Australia carries an unavoidable risk of conflicts of interest because Rakuten Securities Australia is acting as principal in its transactions with you. This is in part because Rakuten Securities Australia sets the price of the Rakuten Securities Australia Products and because it might be transacting with other persons, at different prices or rates, or it may be trading with market participants.</li> <li>You can reduce the risks to you of unfavourable pricing or opaque pricing (meaning it is unclear how it relates to the underlying market) by monitoring the underlying market and Rakuten Securities Australia's pricing compared with other similar Contracts that have comparable terms.</li> </ul>
<p><b>Valuations:</b></p>	<ul style="list-style-type: none"> <li>Rakuten Securities Australia Products are valued by Rakuten Securities Australia.</li> <li>Typically this is by direct reference to (but not necessarily solely derived from) the market value (or, if relevant, index level) of the relevant Underlying Instrument on the relevant market. Rakuten Securities Australia does not commit to providing prices directly from a market.</li> <li>If the market for an Underlying Instrument fails to provide that price data (for example, due to a failure in trading systems or data information service) or trading in the Underlying Instrument is halted or suspended, Rakuten Securities Australia determines its value.</li> <li>In keeping with industry practice for OTC derivatives, Rakuten Securities Australia's discretion is unfettered and has no conditions or qualification. While there are no specific limits on Rakuten Securities Australia's discretion, Rakuten Securities Australia must comply with its obligations as an AFSL holder to act efficiently, honestly and fairly.</li> <li>There is a risk to you when relying on whatever value is determined by Rakuten Securities Australia in the circumstances permitted by the Agreements.</li> </ul>
<p><b>Regulatory bodies:</b></p>	<ul style="list-style-type: none"> <li>A Client may incur losses that are caused by matters outside the control of Rakuten Securities Australia. For example, actions taken by a regulatory authority exercising its powers during a market emergency may ultimately result in losses to the Client. This would be due to the effect of those actions on the Underlying Instrument and thus the Client's Contracts.</li> <li>A regulatory authority can, in extreme situations, suspend trading or alter the price of an Underlying Instrument, which will affect the Client's Contract.</li> <li>Rakuten Securities Australia's powers on default, indemnities and limitations on liability - if you fail to pay, or provide currency for, amounts payable to Rakuten Securities Australia or fail to perform any obligation under your Contracts, Rakuten Securities Australia has extensive powers under the Agreements to take steps to protect its position. For example, Rakuten Securities Australia has the power to Close Out Contracts and to determine the rates of interest it charges. Additionally, under the Agreements you agree to indemnify us for certain losses and liabilities, including, for example, in default scenarios.</li> <li>You should read the Agreements carefully to understand these matters.</li> </ul>

SIGNIFICANT RISKS	IMPORTANT ISSUES
<b>Execution Risk (Rollover)</b>	<ul style="list-style-type: none"> <li>All Contracts which remain open until 5:00pm New York time (server time) will be subject to rollover. The Contracts will be rolled over by debiting or crediting your Account with the amount calculated in accordance with the rollover/interest fees. During the rollover period, trading may be disabled for 2 to 5 minutes and there may be widened spreads as liquidity reduces. You may suffer financial gain or loss as a result. We do not accept or bear any liability whatsoever in relation to the rollover period.</li> </ul>
<b>Reset Orders</b>	<ul style="list-style-type: none"> <li>Market volatility creates conditions that make it difficult to execute Orders at the given price due to an extremely high volume of Orders and/or available liquidity. By the time Orders are able to be executed, the Bid/Ask Price may be reset. For limit entry or limit orders, the Order would be rejected and reset until the Order can be filled.</li> </ul>
<b>Hanging Orders</b>	<ul style="list-style-type: none"> <li>During periods of high volume, hanging Orders may occur. This is where an Order sits in the "orders" window after it has been executed. Generally, the Order has been executed, but it is simply taking a few moments for it to be confirmed. During periods of heavy trading volume, it is possible that a queue of Orders will form. That increase in incoming Orders may sometimes create conditions where there is a delay in confirming certain Orders.</li> </ul>

### 3.5 Your Suitability – Benchmark 1

Trading OTC derivative products may not be suitable to all investors as it can involve significant risks. This section sets out how our Client Qualification Policy operates in practice.

#### 3.5.1 Minimum Qualification Criteria

We assess your suitability against a list of qualifying criteria that addresses your understanding and experience with Rakuten Securities Australia Products. You must be aware of the features of Rakuten Securities Australia Products and their significant risks before investing in them. We do not accept retail clients unless you meet the minimum qualification criteria. The factors that we take into account in assessing your suitability include:

- whether you have previous experience in trading financial products;
- whether you understand the terms of Rakuten Securities Australia Products and how they work;
- whether you understand the concepts of leverage, margins, and volatility of the markets and prices;
- whether you accept a high degree of risk in trading in Rakuten Securities Australia Products ;
- whether you understand that the nature of trading in OTC financial products such as Rakuten Securities Australia Products do not provide investors with interests or rights in the Underlying Instruments which relate to the Rakuten Securities Australia Products;
- whether you understand the trading processes and technologies used in trading Rakuten Securities Australia Products;
- whether you are able to monitor your investments in Rakuten Securities Australia and manage them in a volatile market;
- whether you have financial resources to meet Margin Requirements, especially on little or no notice; and
- whether you can bear substantial losses that might arise from trading in Rakuten Securities Australia Products, especially the potential for unlimited losses. You must understand that only risk capital should be traded.

Our assessment of your suitability is based on your information and any other information we ask and you give us. You warrant that the information you provide to us in the Application Form (and at any time after) is true and accurate in all aspects. You understand that we will rely upon the information you provide in making a judgement about whether to accept you as a client.

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

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

Even if we assess you as suitable to commence trading Rakuten Securities Australia Products with us, we urge you to use our demonstration accounts (Demo Accounts) for a period of time to ensure you are familiar with the terminology of Rakuten Securities Australia Products and how they work. If in our sole judgment we consider that you have qualified, we will not be liable in any way to you, or have any dealings or transactions between us set aside, modified or varied, if your experience, knowledge and understanding are found to be insufficient or that we were in error in making our judgment.

#### Client Qualification Test

When you start the Account opening process with us online, you will be asked the level of previous experience you have in Margin FX Contracts and CFDs. As part of the Account opening process, you will be required to demonstrate through a Client Qualification Test your understanding of the following:

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

The above test must be passed with a 60% or higher score to allow an Account to be opened. The test may be attempted three (3) times.

#### **Other options to demonstrate suitability**

Rakuten Securities Australia allows clients to open an Account with us without completing the Client Qualification Test when it is provided with any of the following:

- a copy of previous trading statement demonstrating that you traded at minimum 10 Lots with another licensed broker per year; or
- a completion certificate which shows your completion of an approved training course for trading.

Rakuten Securities Australia has sole discretion in assessing and determining whether any documents you provided are sufficient to demonstrate your suitability.

#### **3.5.2 Client On-boarding Process**

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

#### **3.5.3 Written Records**

We document our assessment process and retain as records.

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

We only accept cash or cash equivalents for the opening of an Account. No other opening collateral (such as securities or real estate) are accepted.

We do not encourage the use of borrowed funds to fund leveraged products. We attempt to limit the use of credit cards to fund an Account but note that with the advent of Visa and Mastercard Debit Cards it is not possible for us to distinguish between a debit or credit card. For this reason, we have not adopted the Opening Collateral Benchmark suggested by ASIC in Regulatory Guide 277 as it would impede your ability to use debit cards to fund your Account.

We offer a range of payment methods via the Website, please refer to our Website for further information.

#### **3.7 Suspended or halted Underlying Instrument – Benchmark 6**

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

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

#### **3.8 Calculating Profit and Loss**

The amount of any Realised Gain or Loss made on the Rakuten Securities Australia Product will be equal to the net of:

- the difference between the price of the Rakuten Securities Australia Product when the Contract is opened and when the Contract is Closed Out, multiplied by the units or Lots traded and the standard volume size per Lot (1.00 Lot);
- the costs of daily financing or swaps;
- any Transaction Fees payable in respect of the Rakuten Securities Australia Products and any other charges.

Your Account Value will also be affected by other amounts you must pay in respect of your Account such as Finance Charge Adjustments on your Account and conversion costs.

For more information on costs, fees and charges in respect of your Account, see Section 5 of this PDS.



## SECTION 4 – HOW TO TRADE

### 4.1 Your Account

You establish your Account by completing the Application Form, which is available by contacting Rakuten Securities Australia directly or online via the Website. After Rakuten Securities Australia accepts and approves your application, your Account will be established. Your Account covers all of the services and products that you apply for in your Application Form subject to acceptance by Rakuten Securities Australia.

You trade in Rakuten Securities Australia Products within your Account, which is available on the Trading Platform.

By opening an Account, you agree to the terms of the Agreements. Your Agreements set out the legal terms governing your Account, your relationship with us and your dealing in Rakuten Securities Australia Products.

The particular terms of each Rakuten Securities Australia Product are agreed between you and Rakuten Securities Australia before entering into a Contract.

Before you buy Rakuten Securities Australia Products, we will require you to have sufficient Account Value to satisfy the Initial Margin requirement for the relevant Lots or number of Rakuten Securities Australia Products you wish to acquire.

### 4.2 What is a Contract/Position?

A Contract (also known as a position) is opened by either buying (going long) or selling (going short) a Margin FX Contract or CFD.

You can take both "long" and "short" positions:

- If you take a long position, you profit from a rise in the Underlying Instrument, and you lose if the price of the Underlying Instrument falls;
- If you take a short position, you profit from a fall in the price of the Underlying Instrument and lose if the price of the Underlying Instrument rises.

You do not "sell short" the actual Rakuten Securities Australia Product – it is the specifications of the Rakuten Securities Australia Product that have the long or short Trading Conditions.

References to "selling" Rakuten Securities Australia Products are a short hand, common sense way of referring to buying Rakuten Securities Australia Products opposite to the one you have in order to Close Out.

### 4.3 Dealing

Quotes for prices for dealing in Rakuten Securities Australia Products are indicative only and so are subject to the actual price at the time of execution of your Contract. There is no assurance that a Contract will actually be entered into or Closed Out with at the indicative quote. You have a risk in price movement until the execution of the trade.

Quotes can only be given and Contracts made on Rakuten Securities Australia Products during the open market hours of the relevant market on which the Underlying Instrument are trading.

Rakuten Securities Australia may at any time in its discretion without prior notice impose limits on Rakuten Securities Australia Products in respect of particular Underlying Instrument. Ordinarily Rakuten Securities Australia would only do so if the market for the particular Underlying Instrument has become illiquid or its trading status has been suspended or there is some significant disruption to the markets including trading facilities.

You should be aware that the market prices and other market data which you view through the Trading Platform or other facilities that you arrange for yourself, may not be current or may not exactly correspond with the prices for Rakuten Securities Australia Products quoted or dealt by Rakuten Securities Australia.

If you access your Accounts and the Trading Platform outside of the hours when live Orders may be accepted on the relevant market, you should be aware that the Orders may not be accepted until the relevant market is open to trading, by which time the current prices might have changed significantly.

Trades cannot be executed below set minimum and if applicable maximum trade sizes expressed as a portion of a Lot, unit or a dollar investment amount. The minimum and maximum if applicable trade size available for each Rakuten Securities Australia Product traded is displayed when the Order is placed for the Rakuten Securities Australia Product selected on the order ticket on the Trading Platform.

### 4.4 Spread

When requesting a price quote for Rakuten Securities Australia Products there is a Bid Price and Ask Price (collectively 'the quotes') being a lower and higher price at which you can place your Order. The difference between the Bid Price and Ask Price is termed the "Spread" and it provides an indication of:

- where you can "buy" Rakuten Securities Australia Products at, being the higher price (Ask Price) – this represents the best current price at which you can sell Rakuten Securities Product; and
- where you can "sell" Rakuten Securities Australia Products at, being the lower price (Bid Price) – this represents the best current price at which you can sell Rakuten Securities Australia Products,

subject to price movements up to the time of actual execution.

The Spread that you will be actually quoted is displayed on the order ticket when your Order is placed on the Trading Platform.

Generally the Spread quoted for the Rakuten Securities Australia Products on the Trading Platform are relatively competitive, but you should be aware that Rakuten Securities Australia is responsible for setting the Spread quoted for opening and closing Rakuten Securities Australia Products.

When your Order is executed, in order for you to break even the price that you exit your trade would need to be at a level that covers the Spread and any fees and charges incurred.

#### **4.5 Valuation**

During the term of Rakuten Securities Australia Products, Rakuten Securities Australia will determine the value of your entire Account, based on the current value of the Rakuten Securities Australia Products in your Account defined as your Account Value. The current value of all of your Contracts with us are ordinarily adjusted on a continuous basis, reflecting the values being marked to market on a continuous basis when the market or exchange for the relevant Underlying Instrument is open.

Your Account Value is used to assess your Free Margin against current Contracts and any potential new Contracts you may wish to take.

#### **4.6 Trading Platform and Types of Accounts**

Your Account gives you access to the Trading Platform. All of your Rakuten Securities Australia Products will use the Trading Platform. Even if you telephone Rakuten Securities Australia to place an Order, your Order will be placed using the Trading Platform.

You must carefully read and follow the operational rules for the Trading Platform. The Trading Platform may impose special operating rules regarding:

- paying Margin (such as when payment is posted as effective);
- how Margins are calculated; and
- how Orders are managed.

There is also online help menu and user guide available on the Trading Platform, which have a wealth of information relating to the operation of the Trading Platform. If you require any further help in relation to our Trading Platform, you can contact us on +61(2) 9299 6616.

We offer four types of Accounts – Demonstration Account (Demo Account), Mini Account, Standard Account and Pro Account, each of these Accounts offer different Leverage Rates with different equity requirements. Please refer to the Website for further information on the type of Accounts.

**We strongly recommend that prior to engaging in live trading you open a Demo Account and conduct simulated trading.** This enables you to become familiar with the features and conditions of the Trading Platform.

#### **4.7 Confirmations of Contracts**

When you have entered into a Contract with us, the Trading Platform will report the main features of your Contract in a “pop-up” window. This is a preliminary notification for your convenience and is not designed to be a confirmation as required under the Corporations Act.

If you have provided Rakuten Securities Australia with an email address or other electronic address, you consent to confirmations being sent electronically, including by way of the information posted to your Account which is accessible on the Trading Platform. It is your obligation to review the confirmation immediately to ensure its accuracy and to report any discrepancies within 24 hours.

#### **4.8 Margin Obligations**

##### **4.8.1 Our Margin Policy**

Rakuten Securities Australia applies the following main Margin principles:

- Each Client must pay Margin before issuance of the Rakuten Securities Australia Products - this will minimise the credit risk to Rakuten Securities Australia which ultimately benefits all Clients;
- Margin Requirement is applicable to all Clients - this prevents of any one Client benefiting from other Clients;
- Each Client’s Account is promptly adjusted for Margin Requirements according to market movement - this prevents a Client from deliberately benefiting from another Client’s trading.
- Each Client is required to pay Margin Calls promptly - no Client receives any substantial benefit or waiver that exposes us to a greater risk and therefore increases the risk to other Clients of Rakuten Securities Australia.

##### **4.8.2 Margin Calls**

Apart from your obligation to maintain the required amount of Margin, you are also obliged to meet Margin Calls by paying the required amount by the time stipulated in the Margin Call.

##### **Notification of Margin Calls**

Margin Calls will be alerted to you via the Trading Platform. We may also, but under no obligation to, send you an email notification of a Margin Call.

You are required to log into the Trading Platform regularly when you have open Contracts to ensure you receive notification of any Margin Calls. It is your responsibility to actively and constantly monitor and manage your Account and any open Contracts, as well

as ensuring that you meet your Margin Requirements. It is also your responsibility to ensure you are aware of any changes in the Margin Requirements. We are under no obligation to contact you in the event of any change to the Margin Requirements or any actual or potential shortfalls in your Account.

#### **When you respond to Margin Calls**

If no time is stipulated on the Margin Call, payment is required within 24 hours of the Margin Call being made. Sometimes, however (such as in unusually volatile market conditions or rapidly falling market prices), little or no time may be stipulated for paying a Margin Call (that is, immediate payment is required) or more than one Margin Call may be made on the one day including at weekends or outside of local business hours.

Please note that the timing and amount of each Margin Call for your Account will depend on movements in the market price of the open Contracts and the changes to the Account Value. You have an obligation to meet the Margin Call even if we cannot successfully contact you.

#### **Paying Margin**

When we make a Margin Call you must immediately deposit the amount of funds that we request into the Client Money Account. Any funds that we receive from you are held, used and withdrawn in accordance with the Corporations Act requirements and the Agreements. We retain any interest that may accrue on the Client Money Trust Account.

Your payment to Rakuten Securities Australia is effective only when cleared funds are paid into the Client Money Trust Account. Rakuten Securities Australia's general policy is that it does not accept as payment in the form of copy of your payment instructions into the Client Money Trust Account. However, Rakuten Securities Australia may, in its discretion, choose to credit your Account before it receives cleared funds into the Client Money Trust Account. You should not expect that this will always happen or that you can rely on us to do this. Your payment obligation always remains to get cleared funds into the Client Money Trust Account.

If your Account Value goes below the Margin Requirements whilst you are on Margin Call, the automated Close-Out system or our support team may, at their discretion, delete working Orders, partially Close-Out or Close-Out some or all trades to reduce the Margin Requirement until it is fully covered by the Account equity. Any open Contracts are deemed to be at risk of being Closed-Out as soon as your Account enters into a Margin Call.

Payments that are withdrawn from the Client Money Trust Account to pay Rakuten Securities Australia are no longer Margin and so you do not own them nor are they beneficially held for you. Conversely, if Rakuten Securities Australia makes a cash payment into the Client Money Trust Account that becomes Margin which you beneficially own.

#### **Failing to Meet a Margin Call**

**IMPORTANT:** If you fail to meet any Margin Call, we may in our absolute discretion and without creating an obligation to do so, Close-Out all or some of your open Contracts and deduct the resulting Realised Loss from any excess funds held in your Account without notice to you. Any losses resulting from us Closing Out your Contracts will be debited to your Account and may require you to provide us with additional funds.

The Close-Out process is designed to minimise Client losses and allow us to be proactive, identify Accounts on which the equity does not cover the total Margin Requirement and endeavour to take action before the market moves further against any open Contracts. For this reason, you must ensure that you have sufficient cleared funds on deposit to meet your changing Margin Requirements. Please be aware that if your Account balance is not sufficient to meet your Margin Requirements and you have not met a Margin Call, some or all of your open Contracts may be Closed-Out at the risk of generating a loss which is greater than the value of your Account. Please note that this could be immediate if certain global events occur.

It is your responsibility to pay your Margin and also to meet Margin Call payments on time and in cleared funds, so please keep in mind the possibility of delays in the banking and payments systems. If your payment is not received by Rakuten Securities Australia by the time you are required to have the necessary Margin or to meet the Margin Call, you could lose some or all of your Contracts.

Rakuten Securities Australia may in its absolute discretion give you a grace period, they are not required to do so and you should not rely on this as a possibility. You should maintain a prudent level of Margin and make payments in sufficient time to be credited to your Account. Please see Section 4.2.2 – Margin Risk.

#### **4.8.3 How are Margin Requirements and Free Margin calculated?**

##### **Initial Margin**

When you enter or open Contract and while that Contract remains open, you will be required to immediately pay us the Margin for that Contract (Initial Margin). The full value of the Initial Margin must be placed on your Account before a Contract is opened. This amount represents collateral for your exposure under the Contract and covers the risk to us.

Rakuten Securities Australia sets the Leverage Rates used to calculate the amount of Initial Margin and, at any later time, may require more Margin to maintain the required amount of Free Margin.

The Initial Margin will be set by Rakuten Securities Australia. The requirements are calculated by either:

- Applying the Leverage Rates expressed as a percentage of the Contract Value of the relevant Contract at the time the Contract is established or later re-valued, or
- Setting a fixed dollar amount as a minimum.

The Leverage Rate may differ for each type of Client and will depend on the type of or volume of Contracts traded with Rakuten Securities Australia. For example, if the Client is a sophisticated investor that trades a large volume of Contracts, we may, in our absolute discretion apply a specific Leverage Rate for that Client which is different from the Leverage Rate applying to other Clients.

For Rakuten Australian Securities Products, the Leverage Rate will depend on the type of Account you have with us. We may change the Leverage Rate at any time and at our discretion. You should refer to the Initial Margin schedule on the Trading Platform to confirm the actual percentage Margin Requirement for your proposed transaction at any particular time.

### **Free Margin**

For as long as a Contract is open, you are required to keep sufficient equity on your Account to meet the Margin Requirement. As the face value of your Margin will constantly change due to changing market conditions, the amount required to maintain the open Contracts will also constantly change. This is also commonly referred to as the Free Margin.

The value of your Rakuten Securities Australia Product position is ordinarily marked to market on a continuous basis, which automatically leads to corresponding changes in Free Margin for your Account. (Note of course that if the underlying market is not trading then the value might not change until the market re-opens and there might be a gap in prices/values at the time of re-opening.)

We will also credit Free Margin to you when a Contract moves in your favour. We will provide you with notice of the Free Margin by making a Margin Call via the Trading Platform.

We note that Margin Calls are made on a net Account basis i.e. should you have several open Contracts, then Margin Calls are netted across the group of open Contracts. In other words, the Unrealised Gains of one Contract can be used or applied as Initial Margin or Free Margin for another Contract.

You should be aware that you can reach the stage of not having enough Margin Cover (because the Rakuten Securities Australia Products being marked to market) to the extent that your Account's Free Margin is or becomes negative. In this case you have not satisfied your obligation to maintain the minimum Margin Requirements. The change in valuation of your Rakuten Securities Australia Products by marking to market is automatic so your Free Margin can become negative quickly, reflecting the rapid changes in the market values.

In order to return your Free Margin to positive, i.e., to satisfy the minimum Margin Requirements, you may:

- Close Out existing positions to reduce your Margin Requirements;
- Pay additional funds as Margin to your Account; or
- Combination of the above.

If these actions once taken are not sufficient to return your Free Margin to positive then you risk all or some of your positions being automatically Closed Out. While the positions may be liquidated on a first in/first out basis, all or any may be Closed Out in any order.

Under the Agreements, your obligation to pay Margin arises from the time you have an open Contract. If the market moves so the Free Margin is negative, or Rakuten Securities Australia increases the Initial Margin requirement, you immediately owe the Margin Requirements, regardless of if or when we contact you to pay more Margin.

### **Example of Calculating Free Margin**

You deposit AUD\$8,000 and you pay us in order for your Account to be credited with AUD\$8,000. You enter into Rakuten Securities Australia Products and we require you to deposit Initial Margin of AUD\$7,000. A short time later, there are fluctuations in the market and your Unrealised Loss on your Account is AUD\$2,000. As a result, your Free Margin is negative AUD\$1,000. In this case, you will need to make a Margin payment to us for AUD\$1,000 if you want to avoid any or all open Contracts being Closed Out.

## **4.9 Client Money – Benchmark 5**

### **4.9.1 Client Money Trust Account**

Moneys paid by you to us for Rakuten Securities Australia Products are deposited into a trust account maintained by Rakuten Securities Australia on the day that it is received by us, or the next Business Day, which is referred to in this PDS as the "Client Money Trust Account".

The moneys paid by you into the Client Money Trust Account (Client Money) are dealt with in accordance with the Client Money Rules set out in Part 7.8 of Division 2 of the Corporations Act and ASIC Regulatory Guide 212: Client Money Relating in OTC Derivatives, collectively referred to as Australian Client Money Rules.

We hold Client Money separately from our own money. This means those funds are not available to pay general creditors in the event of receivership or liquidation of Rakuten Securities Australia (unless a court orders differently).

However, your money may be co-mingled into one or more trust accounts with our other Clients' money, which is also held on trust. This means that a short fall in Client Money owing to one client may impact on the funds available to other clients.

When you make a payment which is deposited into the Client Money Trust Account, you are making payments which will be used only for the fees and charges in respect of your Rakuten Securities Australia Products and the balance will be held as Margin until it is withdrawn to be paid to Rakuten Securities Australia for any Realised/Unrealised Loss.

If there has been a net increase in the net Account Value, we will pay the equivalent amount of the net increase into the Client Money Trust Account for your benefit. If there has been a net decrease in the Account Value, you will owe the equivalent amount of the net decrease to Rakuten Securities Australia and will withdraw the equivalent amount from the Client Money Trust Account as payment. If there are insufficient funds to make the required payment, Rakuten Securities Australia will require you to pay that amount into the Client Money Trust Account (so it can be withdrawn and paid to Rakuten Securities Australia).

### **4.9.2 Use of Client Money**

The Australian Client Money Rules allow us to use Client Money for the purpose of meeting obligations incurred when we Hedge with counterparties. This means that a Hedging Counterparty's insolvency may have impact on funds available to you. This means that funds you may have paid to us may not be protected if there is a default and a lack of funds in the Client Money Trust Account.

We have an insurance policy in place to cover a variety of different scenarios, some of which may assist in the repayment of deficits. However, if we are not able to source these funds and we become insolvent and unable to provide financial services, you could become an unsecured creditor of us and lose some or all of your money.

We will only make a withdrawal from Client Money to:

- process a withdrawal for a client;
- transfer Margin to a Liquidity Provider;
- withdraw fees charged as part of a deposit or withdrawal transaction;
- pay money to us which we are entitled to as a result of a client trading with us; and
- make a payment that is otherwise authorised by law or in compliance with the operating rules of a licensed market.

However, you should note that by authority of the Client Agreement we are entitled, and you authorise us to:

- withdraw, deduct, pay or apply, from your Client Money held in any trust account or invested by us, towards any Margin or amounts payable by you to us and/or any associate of ours under the Client Agreements, including, without limitation making a payment for or in connection with, the margining, adjusting or settling of dealings in or Contracts entered into by you or the payment of interest, fees or charges to us, it being acknowledged and agreed by you that such amounts belong to us and may be used by us in our business from time to time; and
- withdraw, deduct, pay or apply, from your Client Money held in any trust account or invested by us, any amounts to meet obligations incurred by us in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives by us (including dealings on behalf of people other than you), including without limitation for the payment of amounts to our Hedging Counterparties to Hedge our exposure to you and other Client.

Client Money are held in the Client Money Trust Account until we revalue your Account and determine there is a Realised/Unrealised Loss. The funds may be held in the Client Money Trust Account for a short time, the funds may be withdrawn on the same day as your deposit, or for a longer period (e.g. a few days) depending on your trading and the revaluation of your Account.

It is important to understand that the revaluation will ordinarily occur at least once during each Business Day. Although revaluation may happen more frequently than this in times of great volatility in the markets.

Each time there is a revaluation of your Account Value, whether up or down, there will follow a corresponding payment to or from the Client Money Trust Account for your Account.

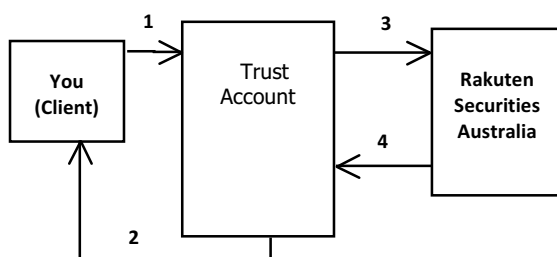
We may invest any of your Client Money held in any trust account in the kinds of investments as permitted by the Australian Client Money Rules and you irrevocably and unconditionally authorise us to undertake any such investment.

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

#### 4.9.3 Flow of Client Money

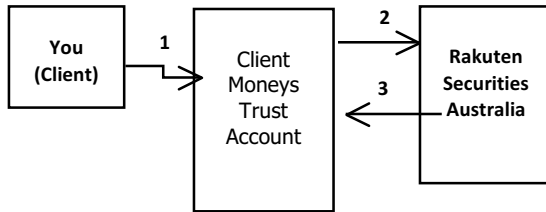
Below is an explanation of payments when you invest in Rakuten Securities Australia Products.

##### Establishing a Contract



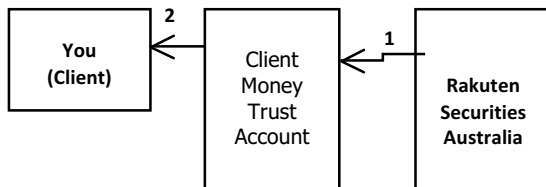
- **Step 1** – you pay money into the Client Money Trust Account for Margin and for fees, charges and costs. You need to do this to fund your Account before trading.
- **Step 2** - Rakuten Securities Australia Products are issued to you when your Orders are accepted.
- **Step 3** - Money is withdrawn to pay Rakuten Securities Australia.
- **Step 4** - Money is paid by Rakuten Securities Australia to the Client Money Trust Account for your benefit. This occurs when the revaluation by Rakuten Securities Australia shows a Realised/Unrealised Gain.

##### Margin Call Payments



- **Step 1** – You pay moneys into the Client Money Trust Account as payment for Margin.
- **Step 2** - If there has been a Realised/Unrealised Loss on your Account, Rakuten Securities Australia withdraws an amount equal to that to pay itself since that is a payment to which Rakuten Securities Australia is entitled. This will occur after Rakuten Securities Australia revalued your Account. This withdrawal therefore may occur before and after you pay money for Margin into the Client Money Trust Account.
- **Step 3** - This shows that money may be paid by Rakuten Securities Australia into the Client Money Trust Account. This occurs if there is a Realised/Unrealised Gain on your Account and so might end up having the effect of crediting more Margin for your Account than you are required to maintain

#### Payment of Free Margin

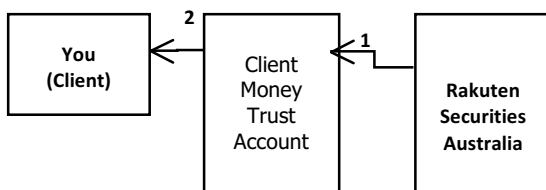


Where a Client has excess Margin i.e., the Free Margin amount in their Account is positive, the Client may request the payment of an amount. This amount cannot exceed the Withdrawable Funds in the client's Account.

- **Step 1** - Rakuten Securities Australia pays the amount of any Realised/Unrealised Gain to the Client Money Trust Account for your benefit (which then gets credited as Margin).
- **Step 2** - On request, Rakuten Securities Australia will transfer funds from the Client Money Trust Account into your nominated bank account.

#### Close Out and return of surplus funds

Essentially there is no difference from the Free Margin in Section C above – if there is any Free Margin after Closing Out your Contract, then the surplus moneys held in the Client Money Trust Account will, on request, be withdrawn and paid to you.



When a client elects to Close Out their Contracts and their Account has a net credit balance (i.e. a positive amount of Free Margin) they may request that the credit balance is withdrawn from the Client Money Trust Account and paid to them.

- **Step 1** - Rakuten Securities Australia regularly pays the amount of any Realised/Unrealised Gain to the Client Money Trust Account to the benefit of Clients, which is credited as Margin.
- **Step 2** - On request, Rakuten Securities Australia will pay funds from the Client Money Trust Account into your nominated bank account.

For support for withdrawal and deposit enquiries you can email [admin@sec.rakuten.com.au](mailto:admin@sec.rakuten.com.au).

#### 4.10 Order Types

Different types of Orders are available on the Trading Platform. You will be able to find information about Orders that apply to you on the Trading Platform when you log in. You should note that the Limit Orders, Stop-Loss Orders, Stop Limit Orders, and Trailing Stop Orders are non-guaranteed Orders.

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

Rakuten Securities Australia has complete discretion on whether to accept and execute any Order requested.

### Limit Orders

Limit Orders are commonly used to enter and to take profit at predefined levels:

- Limit orders to buy are placed below the current market price and are executed when the "Ask" price hits or breaches the price level specified. If placed above the current market price, the order is filled instantly at the best available price below or at the limit price.
- Limit orders to sell are placed above the current market price and are executed when the Bid Price breaches the price level specified. If placed below the current market price, the order is filled instantly at the best available price above or at the limit price.

When a limit order is triggered, it is filled as soon as possible at the price obtainable on the market. Note that the price at which your Order is filled may differ from the price you set for the Order if the opening price of the market is better than your limit price. In the case of Rakuten Securities Australia Products, the Order will be filled if possible, and any remaining volume will remain in the market as a limit Order.

#### **Examples of a Limit Order**

If you want to speculate that the price of AUD/USD will decrease after hitting parity with the USD, instead of waiting for the market to reach this price, you place a sell limit Order at 1.00000 AUD/USD. This Order will trigger a sell trade once the price of 1.00000 is reached or higher. When the price of AUD/USD appreciates above 1.00000 and immediately changes from 0.99980 to 1.00050, the sell trade will be triggered due to the price movement and you will receive a fill price of 1.00050 instead of 1.00000.

### Market Orders

A Market Order is an Order to buy or sell at the current market price as soon as possible i.e., if the market is closed, the Order may not be entered into until the market re-opens.

### Stop-Loss Orders

You would generally choose to place a Stop-Loss Order to provide some risk protection. Stop-Loss orders are commonly used to exit Contracts and to protect investments in the event that the market moves against an open Contract.

For example, if your open Contract moves towards making a loss based on a level chosen by you, the Stop-Loss Order would be triggered in order to close or open a Contract, depending on the transaction:

- Stop-Loss Orders to sell are placed below the current market level and would be executed if our Bid Price (for a Stop-Loss Order that requires an Order to sell a Contract) moves against you to a point that is beyond the level specified by you (and accepted by us);
- Stop-Loss Orders to buy are placed above the current market level and would be executed if our Ask Price (for a Stop-Loss Order that requires an Order to buy a Contract) moves against you to a point that is beyond the level specified by you (and accepted by us).

All Stop-Loss Orders are subject to agreement by us, so you cannot be assured that you will always be able to have a Stop-Loss Order. While Rakuten Securities Australia has absolute discretion whether to accept a Stop-Loss Order, it will generally try to do so, subject to market conditions and the reasonableness of your Stop-Loss Order. Your Stop-Loss Order may be unreasonable if, for example, the level you have specified is beyond the level allowed for Orders for the Underlying Instrument or trading in the Underlying Instrument is too far away from the market, has been halted or suspended.

Even if we accept your Stop-Loss Order, market conditions may move against you in a way that prevents execution of your Stop-Loss Order. For example, in volatile markets, our quoted prices might gap through your Stop-Loss Order level, so that the closing level of quotes may be beyond the exact level specified by you. A gap in market prices reflects the market for the Rakuten Securities Australia Products, so can occur for any reason, without any apparent reason or at any time. Additionally, it may be that not all of the Stop-Loss Order can be fulfilled because the underlying market does not have enough buyers and sellers in the volume of the Underlying Instrument to allow us to Hedge our transactions which we make in order to completely fulfil your Stop-Loss Order. If the opening price of the Underlying Instrument is beyond the level of your Stop-Loss Order, your Order will be filled at the opening level, not at your Stop-Loss Order level.

#### **Example of an Stop-Loss Order**

If you wish to speculate that the price of US30 will decrease and you only want to lose approximately USD\$200 if you are incorrect in this speculation, you can open a 1 Lot Contract at the price of USD\$19,871 and set the stop loss Order at USD\$20,071 (i.e. 19871 + 200). If the price of US30 does not decrease but continues to appreciate, and the Contract is closed at USD\$20,074 rather than USD\$20,071 because the price of USD\$20,071 is not available at the time of closing due to the rapid movement in price, the Contract in this example will then generate a loss of USD\$203.

### Stop-Limit Orders

A Stop Limit Order is a variation of a Stop-Loss Order, with a lower/higher limit price to suspend trading if the price falls/rises too

far before the Order is filled. This effectively restricts trading to a defined price range. An Stop Limit Order means that the Order will not get filled at all beyond the limit of the Order. This means that if the new or opening price gaps beyond your Stop Limit Order, your Order will not be filled at all.

#### **Trailing Stop Order**

A sell Trailing Stop Order sets the stop price below the market price with an attached trailing amount. As the market price rises, the stop price rises by the trail amount, but if the stock price falls, the stop-loss price does not change, and a Market Order will be submitted when the stop price is hit. This technique is designed to allow an investor to specify a limit on the maximum possible loss, without setting a limit on the maximum possible gain. A buy Trailing Stop Orders are the mirror image of sell trailing stop Orders, and are most appropriate for use in falling markets.

When setting the stop price you should be careful not to set it too close to the current market price, especially in a volatile market, since the stop price might be hit before the price starts to go up/down as you expect.

#### **4.11 Auto-Liquidation**

We may automatically Close Out some or all of your open Contract(s) when your Account Value falls below the liquidation level (by placing Orders to Close Out your open Contracts, also referred to as liquidating your Contracts).

This will change Unrealised Losses into Realised Losses and any Transaction Fees may be incurred on the Orders to Close Out your positions.

We do not represent, warrant, undertake or guarantee that we will actually place such liquidation Orders, that they will be executed, or that your open Contracts will be Closed Out at any particular level or at any particular time. You are responsible for losses that you may incur, despite us having the right to Close Out your position before the losses were incurred.

Please contact Rakuten Securities Australia for further information on the current liquidation level that applies to you. Rakuten Securities Australia may change the liquidation level at any time without notice to you.

#### **4.12 Closing Out Rakuten Securities Australia Products**

Rakuten Securities Australia's Margin FX Contracts and CFDs do not effectively expire or have a fixed term of existence so they remain open until they are Closed Out by you or rolled into the next contract month prior to expiry. Otherwise the Contract will be Closed Out by Rakuten Securities Australia.

If you wish to Close Out a Contract before it expires, and for the open Contract to be 'netted out', you must select the open Order with the view to closing the existing Contract (or part of it) at the price quoted.

If, instead, you trade an equal and opposite Contract to the open Contract, each Contract will generate a floating (unrealised) profit or loss and will not be 'netted out'. However you should be aware that by not netting out positions additional fees and charges will be incurred and increased Margin Requirements since both positions would be treated as open Contracts.

Profits and/or losses are realised if positions have been Closed Out. Profits and/or losses are unrealised if only one side of the transaction has been completed i.e. it remains an open Contract.

In volatile markets the price quoted to you may not be available by the time that you chose to accept the price offered and you may require another quote.

In order to provide the Rakuten Securities Australia Products to you in an efficient and low-cost manner, Rakuten Securities Australia has discretion in determining closing prices. In general, without limiting our discretion, it should be expected that we will act reasonably and have regard to a range of relevant factors at the time, such as the value of the Hedging contract taken by us to Hedge our Contract issued to you, the closing price of the Underlying Instrument for the Rakuten Securities Australia Product and any foreign currency exchange rates which are relevant due to the denomination of your Contracts or Accounts and any suspension or halt in trading of the Underlying Instrument.

Rakuten Securities Australia also has the right to decide to make an adjustment in any circumstance if we consider an adjustment is appropriate. Rakuten Securities Australia has a discretion to determine the extent of the adjustment so as to place the parties substantially in the same economic position they would have been in had the adjustment event not occurred.

Rakuten Securities Australia may elect to Close Out a position (without prior notice to you) if an adjustment event occurs and we determine that it is not reasonably practicable to make an adjustment.

Although there are no specific limits on our discretions, we must comply with our obligations as a financial services licensee to act efficiently, honestly and fairly.

#### **4.13 Your Counterparty Risk (Hedging) – Benchmark 3**

Hedging is the practice of offsetting counterparty risk. Rakuten Securities Australia operates a market-making model, which means we may at any time choose to either Hedge or not Hedge any of our positions, and have the discretion to change this at any time. To Hedge risk we enter into Hedging trades with Hedging Counterparties (or Liquidity Providers), where we hold Margin with Hedging Counterparties.

We may need to Hedge for a number of reasons including:

- to offset the risk of client Contracts made with us;



- discretionary Hedging to protect against market volatility; and
- to implement risk limits as directed by our board of directors and risk committee.

It is possible that any of Rakuten Securities Australia's Hedging Counterparties, or the custodian used by a Hedging Counterparty, may become insolvent. It is also possible that other clients of that Hedging Counterparty may cause a default that reduces the financial resources or capacity for that Hedging Counterparty to perform its obligations owed to Rakuten Securities Australia under the Hedging contracts. As Rakuten Securities Australia is liable to you as principal on the Contract it could be exposed by the insolvency of its Hedging Counterparties or other defaults that affect the Hedging Counterparties.

We maintain strict management over our counterparty risk and use of Hedging. We regularly assess the financial stability of our Liquidity Providers to reduce risk where possible.

Within our risk management framework, we have assessed the market risk and counterparty risk arising from entering into Contracts with you (and our other clients) and our Hedging Counterparties, and applied controls to mitigate those risks. Such controls include, but not limited to:

- the enforcement of leverage limits based on the Account equity of the Client and the instruments being traded;
- the enforcement of market risk limits on our net exposure and daily loss limits; and
- the selection and maintenance of one or more Hedging Counterparty relationships.

Rakuten Securities Australia's current Hedging Counterparty is Rakuten Securities Incorporated

Rakuten Securities Incorporated is regulated by the Japan Financial Services agency - Registration Number: Kanto Local Finance Bureau (FIBO) No.195 and Japan Corporate Number 5010701021660.

#### **4.13.1** You should note that:

- No Hedging Counterparty has been involved in the preparation of this PDS or authorised any statement made in this PDS relating to it.
- A Hedging Counterparty has no contractual or other legal relationship with you as holder of the Rakuten Securities Australia Products. A Hedging Counterparty is not liable to you and you have no legal recourse against any Hedging Counterparty (because Rakuten Securities Australia acts as principal to you and not as agent) nor can you require Rakuten Securities Australia to take action against a Hedging Counterparty.
- Rakuten Securities Australia gives no assurance as to the solvency or performance of any Hedging Counterparty. Rakuten Securities Australia does not make any express or implied statement about the solvency or credit rating of any Hedging Counterparty.
- The regulation of a Hedging Counterparty is no assurance of the credit quality of the Hedging Counterparty. A Hedging Counterparty's membership in any regulated or voluntary scheme for meeting the claims of creditors is also not an assurance that it would meet those obligations should an issue arise. For example, although a Hedging Counterparty may be licensed by ASIC, or another regulator outside Australia, this gives no assurance that the Hedging Counterparty has good credit quality or that it will perform its obligations to Rakuten Securities Australia.
- The credit quality of a Hedging Counterparty can change quickly. Rakuten Securities Australia is not able to disclose its assessments of the credit quality of its Hedging Counterparties. Reports by independent credit rating agencies may not be available because the authors may not consent to the reports being reproduced here or because the authors are not licensed for these reports to be cited in PDS provided to retail clients.

Rakuten Securities Australia is not able to inform you whether any particular Hedging Counterparty is used to partly or fully Hedge your Contracts, this is because Rakuten Securities Australia operates a market-making model.

#### **4.14 Your Counterparty Risk (Financial Resources) – Benchmark 4**

When you deal in Rakuten Securities Australia Products, you have a counterparty risk on Rakuten Securities Australia. An element of counterparty risk is credit risk, you should consider the credit risk to you of Rakuten Securities Australia not having the financial resources to pay you the amounts we owe you when you request it to.

As an issuer of OTC derivatives we comply with the specific financial requirements imposed on our AFSL as set out in ASIC RG 166 and other regulatory financial obligations. The goal of these requirements is to ensure that we meet the minimum level of financial resources required by law to conduct business and meet any liabilities as and when they may arise. We monitor our exposure on a daily basis using real-time software tools and prepare detailed financial reports on a monthly basis to ensure the applicable financial requirements are met. Further, Rakuten Securities Australia manages and reduces the credit risk to you by actioning its risk management and Margin Policies, which are designed to reduce the risk to Rakuten Securities Australia and therefore are to the benefit of all of its clients.

In the event that a financial resource obligation is not met, we will adopt an internal escalation process along with any regulatory breach reporting obligations.

We are required to have our accounts audited at least annually. The latest results of our financial audit are available for inspection upon request at the office of Rakuten Securities Australia. If you have any questions, please contact a Rakuten Securities Australia representative or via our support email: support@sec.rakuten.com.au.

#### **4.15 Solvency of Rakuten Securities Australia**

The risks to you in dealing with Rakuten Securities Australia, in particular the extent to which it makes a corresponding Hedging transaction with counterparties funded by your payments into the Client Money Trust Account, cannot be assessed only by reference to historical financial information about Rakuten Securities Australia or its Hedging Counterparties or general statements of principle.

The credit risk you have when dealing with Rakuten Securities Australia will also depend on the following factors:

- The amount that Rakuten Securities Australia has paid into the Client Money Trust Account for your Account after any Realised/Unrealised Gain;
- Whether it systematically manages all Client Accounts on the same basis;
- Its solvency generally, as well as on the amount (and kind) of its capitalisation;
- Its cash flow, all of its business risks;
- Its Client and stock concentration risk
- Its counterparty risks for all of its business and transactions (not just the Rakuten Securities Australia Products);
- Its risk management systems; and
- Actual implementation of those risk management systems.

Your credit risk on Rakuten Securities Australia will fluctuate throughout the day and from day to day. This fluctuation will also occur as a result of the implied credit risk on Hedging Counterparties. This is because the Hedging Counterparties' credit risk to Rakuten Securities Australia (and so indirectly to you) cannot be assessed or verified on a continuous basis and perhaps not at all.

You should take into account all of the above factors when considering the risk to you in dealing with Rakuten Securities Australia and should not rely only on past financial statements as they could be materially incomplete or out of date and therefore potentially misleading and not reliable as a guide to the current solvency and creditworthiness of Rakuten Securities Australia.

The latest Rakuten Securities Australia annual directors' report and an audited annual financial report are available free on request by contacting Rakuten Securities Australia.

#### **4.16 Payments to you in Rakuten Securities Australia's Insolvency**

If Rakuten Securities Australia becomes insolvent, here is how you can be paid for any net credit balance in your Account:

- Your moneys in the Client Money Trust Account should be paid to you, after deduction for any amounts properly payable to Rakuten Securities Australia (either as payment for Rakuten Securities Australia Products or payments which you have otherwise agreed are payable to Rakuten Securities Australia). This is subject to any court orders to the contrary.
- Rakuten Securities Australia will owe you any remaining net amount after paying to you your moneys from the Client Money Trust Account.
- Rakuten Securities Australia will be required to assess the amounts prudently available to pay Rakuten Securities Australia Clients, and may choose to pay out interim amounts for any available funds.
- The precise amounts and timing of any further required payments will not be known until the net position with all Hedging Counterparties are known.
- Rakuten Securities Australia will need to assess whether it can feasibly sue to recover anything owed by a Hedging Counterparty.
- Rakuten Securities Australia will need to assess a fair and reasonable allocation to our clients, having regard to, for example any amounts paid from the Client Money Trust Account, account balances and amounts recovered from Hedging Counterparties.

## SECTION 5 – COSTS, FEES & CHARGES

### 5.1 Costs, Fees and Charges

Rakuten Securities Australia derives a financial benefit by entering into other transactions with persons at different rates from those charged to the Client.

All costs, fees and charges are charged in the Account Currency selected, unless otherwise specified.

Details of the costs, fees and charges that you have been charged are itemised in your statement. This is available as an online report that can be accessed either via the Trading Platform. Alternatively, you may request these statements to be posted or emailed to you.

### 5.2 Transaction Fees

Rakuten Securities Australia charges a Transaction Fee on each Rakuten Securities Australia Product that is executed (this is sometimes described as “commission” on the Trading Platform). Our rates vary depending on the type and level of service required, and the frequency and size of Contracts.

This is usually quoted as a fixed dollar amount per Lot or unit traded, and the actual amount charged varies depending on the number of Lots or portion of Lots and units traded.

### 5.3 Margin

The Margin amount that you will be charged in each transaction is disclosed on your order ticket prior to the Order being placed. Please note that if you delay in submitting your Order the Margin amount could change. The Margin amount calculated at the time your Order is executed will apply rather than the amount on the earlier order ticket. To understand how Margin works please see the worked examples that follow in this Section.

The total Margin Requirement is displayed for all open Contracts transacted on the Trading Platform.

### 5.4 Finance Charge Adjustment or Finance Credit Adjustment

#### 5.4.1 Long or Short Rakuten Securities Australia Products

Where open Margin FX Contracts and CFDs are held overnight we will incur a Finance Charge Adjustment or Finance Credit Adjustment.

The calculation for a Finance Charge Adjustment/Finance Credit Adjustment for each day that a long or short Margin FX Contract and CFD is held overnight can be found on the Trading Platform. The figures are calculated as follows:

$$F = S * L * P$$

\*F = Daily Finance Charge Adjustment (if negative) / Finance Credit Adjustment (if positive)

\*S = Swap Rate (positive or negative) for 1 day

\*L = Number of Lots

\*P = Pip Value in Account Currency based upon 1 Lot

#### Examples

If you hold a short 200,000 EUR/USD position overnight and the Account Currency is USD, then the daily Finance Charge is:

$$-\text{USD}\$2.80 = -0.14 (\text{Swap Rate}) * 2 (\text{Lots}) * 10 \text{ USD (Pip Value)}$$

If you hold a long 100,000 USD/JPY position overnight and the Account Currency is USD, then the daily Finance Charge is:

$$-\text{USD}\$0.39 = -0.03 (\text{Swap Rate}) * 1 (\text{Lots}) * 13 \text{ USD (Pip Value)} * -1$$

### 5.5 Account balance

Rakuten Securities Australia will not pay any Finance Credit Adjustment earned on your Account on positive balances.

A Finance Charge Adjustment may be debited to your Account, if the balance relating to your Account is negative.

The Finance Charge Adjustment applied to your Accounts will be calculated using the Base Rate applied to the negative balance.

For example, if the balance or cash balance amount is negative AUD\$30,000 for 10 days and assuming the Base Rate is 7.5% p.a., then the Finance Charge will be calculated as  $\text{AUD}\$30,000 \times (7.5\%/365 \text{ days} \times 10 \text{ days}) = \text{AUD}\$61.64$  or AUD\$6.164 per day.

An additional Finance Charge Adjustment may be imposed if you have not paid to Rakuten Securities Australia any amount you are required to pay, such as an overdue payment to close an Account.

Rakuten Securities Australia may at any time, without prior notice, apply different Base Rates.

### 5.6 Cost of conversion

You will incur a conversion cost when converting your Account Currency. This will occur each time there is a conversion from a Contract denominated in a currency different from your Account Currency. The conversion cost to be charged is of the Contract’s full face value and is adjusted at the exchange rate at which the Contract is converted and is not an additional fee or charge.

### 5.7 External fees, taxes and charges

You are responsible for any stamp duty, transaction duty, GST or similar goods and services or value added tax payable in respect of the Contracts (except for any income tax payable by Rakuten Securities Australia). Bank charges and fees imposed on Rakuten Securities Australia to clear your funds or in respect of your payments will also be charged to your Account.

The Agreements may allow us to impose other fees or charges from time to time that do not relate directly to Contracts (and so are not costs, fees or charges for acquiring or later dealing in the Rakuten Securities Australia Product itself). For example, you may be required to pay royalty or similar charges set by data providers for your use of information feeds or for online transaction services. Rakuten Securities Australia may debit these amounts from your Account.

## 5.8 Trading Examples

Here are some examples to illustrate the variables for a typical Contract and how they affect the calculations. The variables of your actual Contracts will, of course, differ, so please check with Rakuten Securities Australia before entering any Contract.

The fees, charges and Leverage Rate used in this example are hypothetical only and you should either contact Rakuten Securities Australia or view the Website prior to trading for all relevant and current information.

### 5.8.1 Example 1: Buying USD/JPY

This example assumes that:

- the Account Base Currency selected is USD;
- no brokerage, commission or Transaction Fee is charged;
- the Leverage Rate is 100:1 for Margin FX Contracts i.e. Initial Margin is set at 1% of the Margin FX Contract; and
- 1 Lot is equivalent to 100,000.

#### Opening the position

You decide to go long on the USD against the JPY, and ask for a quote for 5 Lots, the equivalent of USD\$500,000. We quote you 73.41/73.43 and you buy 5 Lots at 73.43.

#### Finance Charge Adjustment

While the Contract remains open, for example if the applicable Swap Rate might be negative 0.03 points for 'long' positions and the point value for 1 Lot is AUD\$13.09, then the Finance Charge Adjustment for a particular day would be AUD\$1.96.

#### Closing the position

Later, USD/JPY has risen to 76.87/76.89, and you take your profit by selling 5 Lots at 76.87. Your gross profit on the trade is calculated as follows:

- Closing transaction: USD\$500,000 (5 Lots) x 76.87 = JPY¥38,435,000
- Opening transaction: USD\$500,000 (5 Lots) x 73.43 = JPY¥36,715,000
- Gross profit on trade: = JPY¥1,720,000 equivalent to USD\$22,375.44

#### Examples

- the Account Base Currency selected is USD;
- no brokerage, commission or Transaction Fee is charged;
- the Leverage Rate is 100:1 for Margin FX Contracts i.e. Initial Margin is set at 1% of the Margin FX Contract; and
- 1 Lot is equivalent to 100,000.

### 5.8.2 Example 2: Buying CFD over gold

This example assumes that:

- the Account Base Currency selected is USD
- no brokerage, commission or Transaction Fee is charged
- the Standard Account Leverage Rate is 100:1 for a CFD i.e. Initial Margin is set at 1% of the Contract Value;
- 1 Lot of gold is equivalent to 100 ounces; and
- the price of the Rakuten Securities Australia's CFD moves in line with the market price of the spot gold.

#### Opening the position

You consider that gold is undervalued and wish to speculate the price will go higher, you decide to buy gold, and ask for a quote for 1 Lot, the equivalent of 100 ounces. We quote you AUD\$1,724.65/1725.15 and you buy 1 Lot at 1725.15.

#### Initial Margin

The Initial Margin required to open your position was  $1\% \times \text{AUD}\$1,725.15 \times 100 = \text{AUD}\$1,725.15$

#### Finance Charge Adjustment

While the position remains open, for example the daily swap is AUD\$5.70.

### **Closing the position**

Later, gold has risen to 1,750.00/1,750.05, and you take your profit by selling 1 Lot at 1,730. Your gross profit on the trade is calculated as follows:

- Closing level: AUD\$1,750.00
- Opening level: AUD\$1,725.15
- Difference: AUD\$24.85
- Gross profit on Contract:  $\text{AUD}\$4.85 \times 100 = \text{AUD}\$2,485$

### **Calculating the overall result**

To calculate the overall or net profit, you also have to take account the Finance Charge Adjustment. In this example, you might have rolled the position for 10 days, charging a total a Finance Charge Adjustment of AUD\$57:

- Gross profit on trade: AUD\$2,485.00
- Finance Charge Adjustment: (AUD\$57.00)
- Net profit: AUD\$2,428.00

### **5.9 Notes to all examples in this PDS:**

The above examples are to illustrate the impact of key variables on the outcome of a Contract. They are not forecasts or projections of any particular Contract.

The worked examples illustrate in dollar terms how trading incurs fees (including fees charged by Rakuten Securities Australia), charges or other payments. These examples are not intended to be exhaustive and document every trading strategy.

The examples use simplifying assumptions by not taking into account an investor's tax rate or overall tax position, potential changes in interest rates charged to or earned on the Account or the time value of money. While these variables will undoubtedly change the outcome of a Transaction, they are normal market variables that cannot now be predicted and so must be taken into consideration by a potential investor in Transactions.

There is no GST payable on the Transaction Fee or Finance Charge Adjustment.

Margin Requirements, interest rates and external charges may change at any time and are hypothetical only. Please refer to Trading Conditions prior to trading.

The example scenarios assume that Rakuten Securities Australia has manually Closed Out these positions. You are reminded that Rakuten Securities Australia may set a lower liquidation level without telling you and so you should also not assume that Rakuten Securities Australia will apply an automatic Close Out if its internal liquidation level is exceeded. You should decide your own liquidation levels and monitor your positions.

## SECTION 6 – GENERAL INFORMATION

### 6.1 Account currency

Your Account may be denominated in AUD or USD or any other currency permitted by Rakuten Securities Australia from time to time. Your Account Currency can only be chosen once the Account is established. Once chosen the Account Currency cannot be amended. If you wish to change the Account Currency a new Account will need to be established.

If you instruct Rakuten Securities Australia to effect a Contract denominated in a currency different from the denomination of your Account Currency, Rakuten Securities Australia will convert the currency value of your Contract into the Account's currency.

The foreign currency conversions can expose you to foreign exchange risks between the time the Contract is entered into and the time the relevant conversion of currencies occurs. This will immediately impact on the Margining of your Account, so you must ensure you understand and monitor the effect of trading in products denominated in foreign currencies.

### 6.2 Discretions

Rakuten Securities Australia has discretions under the Agreements that can affect your Orders and Contracts. You do not have any power to direct how we exercise our discretions.

When exercising our discretions we will comply with our legal obligations as the holder of an Australian Financial Services Licence. In deciding whether to exercise a particular discretion we will have regard to managing risks to ourselves and our Clients (including financial, credit and legal risks), our policies, our obligations to our counterparties, market conditions and our reputation. We will endeavour to act reasonably in exercising our discretions but please note that we are not obliged to act in your best interests or to avoid or minimise a loss in your Account.

Our significant discretions are:

- whether to accept your Order (including to Close Out a position) or to amend it;
- any risk limits or other limits we impose on your Account or your trading;
- determining Margin Requirements and Leverage Rates, especially the amount of Initial Margin, minimum Margin Requirements and the timeframe to meet any changed Margin Requirement;
- determining the values of the Underlying Instrument for opening and closing positions and for determining Margin;
- setting Bid Prices (sell prices) and Ask Prices (buy prices); and
- the closing of your positions, and setting the Closing Value.

You should consider the significant risks that arise from Rakuten Securities Australia exercising its discretions – see Section 4.

Our other discretions include:

- setting our fees and interest rates (Base Rate and Swap Rate);
- adjusting our positions for adjustments made by the market to the Underlying Instrument;
- setting foreign exchange conversion rates;
- opening and closing your Account;
- whether to grant you a grace period for full compliance in paying by cleared funds any amount you owe; and
- the interpretation, variation and application of our policies.

Please note that while we have discretions, the Trading Conditions are typically set or applied for automatic outcomes, for example Closing Out all of your Open Positions if you do not maintain the required minimum Margin Cover.

### 6.3 AML/CTF Laws

Rakuten Securities Australia is subject to AML/CTF Laws that can affect your Rakuten Securities Australia Product trading.

You acknowledge that we may require information from you from time to time to comply with the AML/CTF Laws. By submitting an Application Form, opening an Account or transacting with us, you undertake to provide us with all information and assistance that we may require to comply with the AML/CTF Laws.

We may pass on information collected from you and relating to transactions as required by the AML/CTF Laws or other applicable laws and regulations and we are under no obligation to inform you we have done so. We may undertake all such anti-money laundering and other checks in relation to you (including restricted lists, blocked persons and countries lists) we deem necessary or appropriate, and we reserve the right to take any action in relation to those checks without any liability whatsoever to you.

You also warrant that:

- you are not aware and have no reason to suspect that:

- the moneys used to fund your Account have been or will be derived from or related to any money laundering, terrorism financing or other illegal activities, whether prohibited under Australian law, international law or convention or by agreement; or
- the proceeds of your investment will be used to finance any illegal activities; and
- neither you nor your directors, in the case of a company, are a politically exposed person as the term is used in the AML/CTF Laws – please contact us if this is applicable to you.

#### **6.4 Superannuation Funds**

It should be noted that complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities which are contained in the Superannuation Industry Supervision Act 1993, the regulations made under that Act and circulars issued by past and present regulators of superannuation funds including the Insurance and Superannuation Commission, the Australian Prudential Supervisory Authority and the Australian Taxation Office. Without being an exhaustive list, the following are some of the issues that you should consider if you are the trustee of a complying superannuation fund:

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

#### **6.5 Conflicts of Interest**

Trading with us carries unavoidable risk of conflicts of interest because we are acting as principal in our transactions with you. Due to the nature of the financial products that we provide, we may at times have residual long or short Contracts as a result of aggregate client volume in one particular direction.

#### **6.6 Payments to Third Party and Employees**

Any payments by Rakuten Securities Australia to third parties/or its employees must comply with financial services regulation in Australia known as the Future of Financial Advice ("FOFA") reforms. Any fees paid by us to a third party who:

- is an AFS licensee, or its representatives; and
- provides financial product advice to retail clients ("Authorised Third Party"); or
- is an employee,

whether as your agent or otherwise and that relates in any way to your trading with us, must not be what is termed 'conflicted remuneration'.

Accordingly, any payment made by us to an Authorised Third Party which relates in any way to your trading with us, must be subject to your express and ongoing consent. If this is relevant to your circumstances we will disclose this information to you separately and ask for your consent and your agreement to further Customer Service Fee (Agency Payment) Terms. If such payments do impact you or you have questions about this please do not hesitate to contact us.

In addition, any payment made by us to an employee, that relates in any way to your trading with us and is 'conflicted remuneration' under the FOFA reforms, must also be subject to your express and ongoing consent. If this is relevant to your circumstances we will disclose this information to you separately and ask for your consent and your agreement to further payment terms. If such payments do impact on you and you have questions about this at any time then please do not hesitate to contact us.

More generally, we will not make any payment relating to your trading with us that is "conflicted remuneration" without your consent. Please note however that an amount, which may be calculated by reference to the commission or spread on CFDs and Margin FX Contracts opened by you, may be paid to third parties who are either not Authorised Third Parties or employees or where such payments are not deemed "conflicted remuneration" and therefore to whom such remuneration is not considered "conflicted". Any such amount will be paid by us and not by you.

We will provide you with details of any such payments on written request.

#### **6.7 Taxation Implications**

Rakuten Securities Australia Products will have taxation implications for Clients. The implications will depend on the current tax laws and administration, the nature of the Client, the terms of the Contracts and other circumstances. These are invariably complex and specific to each Client. You should consult your tax advisor before trading in these financial products. Rakuten Securities Australia does not provide any taxation advice.

The following summary assumes that the Client will hold the products on revenue account, i.e., the Client will be carrying on a business of either trading or investing in these types of financial products or the Client will enter into the financial products for profit making purposes (or both). This summary does not consider the taxation position if you enter into the financial products

detailed in this PDS for the purposes of Hedging risks associated with other investments held by the Client on capital account, or for the purpose of non-business gambling.

If you are entering into a Contract for the purposes of Hedging, then the taxation consequences will depend on the nature of the underlying transaction or the asset or liability that is being Hedged. It is recommended that you obtain your own professional taxation advice for this scenario.

The following information should be regarded as general information only. You should not rely on this PDS for any tax advice.

#### **6.7.1 Profits and losses on Rakuten Securities Australia Products**

Any gains derived or losses incurred by you in respect of Rakuten Securities Australia Products ordinarily should be included in your assessable income.

When calculating the amount of profit or loss, you need to consider the difference between the closing value and the Contract Value on commencement of the position and any fees on Open Positions paid or received by you.

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

If you hold your Rakuten Securities Australia Product for the purpose of trading, you should seek independent taxation advice relevant to your circumstances.

#### **6.7.2 Tax file number withholding rules**

The tax file number withholding rules only apply to those investments as set out in income tax legislation. Rakuten Securities Australia's current understanding is that those withholding rules do not apply to its Rakuten Securities Australia financial products; however, if it is later determined to apply and you have not provided Rakuten Securities Australia with your tax file number or an exemption category, Rakuten Securities Australia may be obliged to withhold interest payments at the highest marginal tax rate and remit that amount to the ATO.

#### **6.7.3 Other fees, charges or commissions**

If an open Contract gives rise to gains that are assessable or losses that are deductible, any other fees, charges or commissions should ordinarily be available as a deduction at the time they are paid by the Client, and debited against their Account. You should seek independent taxation advice relevant to your circumstances.

#### **6.7.4 Goods and Services Tax**

With the exception of fees and charges as set out in this PDS, amounts payable for or in respect of Products are not subject to goods and service tax. However Clients should seek their own independent advice.

### **6.8 Cooling Off**

There is no cooling off arrangement for our offering. This means that you do not have the right to return the Rakuten Securities Australia Product, nor request a refund of the money paid to acquire the Rakuten Securities Australia Product. If you change your mind after entering into Rakuten Securities Australia Products with Rakuten Securities Australia, you must Close Out that Contract, pay any Contract costs and take the risk of incurring a loss in doing so.

### **6.9 Ethical Considerations**

Labour standards or environmental, social or ethical considerations are not taken into account by Rakuten Securities Australia when making, holding, varying or Closing Out Rakuten Securities Australia Products.

### **6.10 Rakuten Securities Australia Insurance**

Rakuten Securities Australia has a comprehensive insurance policy in place to cover a variety of different scenarios, some which may assist in the repayment of deficits arising from dealing with Hedging Counterparties or if there is fraudulent activity by one of Rakuten Securities Australia's employees, directors or authorised representatives that results in your money being used in fraudulent activities. If the insurance policy is insufficient or the insurer fails to perform its obligations, Rakuten Securities Australia may not be able to make the payments it owes to you.

### **6.11 Dispute Resolution**

Rakuten Securities Australia wants to know about any problems you may have with the services provided to you so that steps can be taken to resolve the issue. Rakuten Securities Australia has an internal and external dispute resolution procedure to resolve complaints from Clients who receive financial services. A copy of these procedures can be obtained free of charge by request.

Initially, all complaints will be handled and investigated internally. If you are not satisfied with the outcome, you have the ability to escalate your concerns to an external body for a resolution.

If you have a complaint about the financial product or service provided to you, please take the following steps:

- Contact us and tell the compliance representative of your complaint. You may do this by telephone, facsimile, email or letter. The contact details are:

**Compliance Division**  
Rakuten Securities Australia Pty Limited



Suite 107, Level 1  
59 Great Buckingham Street  
Redfern NSW 2016  
Telephone: +61(2) 9310 1492  
Email: [compliance@sec.rakuten.com.au](mailto:compliance@sec.rakuten.com.au)

We will try to resolve your complaint quickly and fairly. We will use our best endeavours to resolve your complaint within 45 days of receipt of your written complaint. If we require more time to respond to your complaint, we will advise you in writing that this is the case and the reasons for the delay, before the end of the 45 days.

- If after the internal resolution process the outcome is not satisfactory, you have the right to complain to the Financial Ombudsman Service Australia (FOS). FOS is an external complaints and dispute resolution body, of which Rakuten Securities Australia is a member (membership number 29851). The service to you is free. The contact details for FOS are:

**Financial Ombudsman Service Australia**

Suite 5, Level 9  
3 Spring Street  
Sydney, NSW 2000  
T: +61 (2) 9310 1492  
W: [www.sec.rakuten.com.au](http://www.sec.rakuten.com.au)  
Email: [compliance@sec.rakuten.com.au](mailto:compliance@sec.rakuten.com.au)

- ASIC also has an information line on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

## 6.12 Privacy

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

Your privacy is important to us and we are committed to compliance with the Privacy Act 1988 (Cth) and the Australian Privacy Principles in the way that we handle your personal information. We will not share your information with a third party without your consent, or unless required to do so in accordance with the law.

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

## Section 7 – Glossary

**Account** means your account with Rakuten Securities Australia.

**Account Currency** means the currency that the Account is denominated in. Please note that all costs including spread, Transaction Fees, Finance Charge Adjustment and Finance Credit Adjustment are calculated in that currency.

**Account Value** means the current value of your Account i.e. net worth of funds in the Account, which is calculated by Rakuten Securities Australia by combining:

- the balance of your Account being the deposit / withdrawals and closed trade profit and loss;
- the Realised/Unrealised Losses and Realised/Unrealised Gains;
- indicative costs to Close (Transaction Fees, Finance Charges); and
- the values of Transactions not yet booked.

**AEST** means Australian Eastern Standard Time.

**AFSL** means the Australian Financial Service Licence (Number: 418036) held by Rakuten Securities Australia.

**Agreements** means the Client Agreement, this PDS, the Application Form, the Financial Service Guide and any other information located on the Website and the Trading Platform, which together govern our relationship with you.

**AML/CTF Laws** means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Commonwealth) and any related regulations, rules and instrument made under that legislation, as updated, replaced or amended from time to time.

**Application Form** means the form available on the Website which must be completed in order to open an Account.

**Ask Price** means the price, which Rakuten Securities Australia as the seller is willing to accept i.e., the price at which you can buy the Rakuten Securities Australia Product. This is also known as the "offer price" or "buy price".

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

**Base Currency** is the first currency quoted when requesting a quote for a Margin FX Contract, for example in the quote AUD/USD, the AUD is the Base Currency.

**Base Rate** means the amount determined by Rakuten Securities from time to time, as notified to you (including through online trading platform) or posted on its website.

**Bid Price** means the price which Rakuten Securities Australia as the buyer is willing to accept i.e. the price at which you can currently sell the Rakuten Securities Australia Product. This is also known as "sell price".

**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.

**CFD** means a contract for difference that we offer to the Clients from time to time under the Agreements.

**Client** refers to the person who has an Account with Rakuten Securities Australia.

**Client Agreement** means the terms of your Account with Rakuten Securities Australia. Variations or additional terms may be notified to you from time to time in accordance with your current Client Agreement.

**Client Money** means the money that Clients have deposited with Rakuten Securities and which is held by us under the Australian Client Money Rules.

**Close Out, Closed Out and Closing Out** in relation to a Contract means discharging or satisfying the obligations of the Client and Rakuten Securities Australia under the Contract and this includes matching up the Contract with a Contract of the same kind under which the Client has assumed an offsetting opposite position.

**Closing Date** means the date on which the Rakuten Securities Australia Product is agreed to be Closed Out, or earlier, if deemed to be Closed Out in accordance with the Agreements.

**Closing Value** means the value determined by Rakuten Securities Australia by multiplying the price (or, if an index, the level) by the number (or Lots traded and the Contract Size) of the Rakuten Securities Australia Product at the Closing Date.

**Contract** means an OTC derivative between you and us which is an agreement to pay or receive the change in value of an Underlying Instrument, which will result in long or short exposure.

**Contract Size** means the standard volume per 1 Lot expressed either in ounces or number of Contracts. An indication of the standard transaction sizes for the Rakuten Securities Australia Product is available in the Product Schedule on the Website.

**Contract Value** means the face value of the Rakuten Securities Australia Product and is calculated by Rakuten Securities Australia by multiplying the applicable price (or, if an index, the level) by the number (or Lots traded and the Contract Size) of the Rakuten Securities Australia Product.

**Commodity** means oil, gas or such other commodity as referred to in the Trading Platform or Product Schedule.

**Corporations Act** means the Corporations Act 2001 (Commonwealth).

**EST** means Eastern Standard Time.

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

**Finance Charge Adjustment** means the amount you pay in respect of your Contracts, in accordance with the Agreements.

**Finance Credit Adjustment** means the amount you receive in respect of your Contracts, in accordance with the Agreements.

**Free Margin** has the meaning referred to in Section 4.4.8 of this PDS.

**Hedging Counterparty** means any counterparty with which we have deemed suitable to form an agreement to pass trades to in order to manage our risk.

**Initial Margin** has the meaning referred to in Section 4.4.8 of this PDS.

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

**Leverage Rate** means the rate expressed as a ratio set by Rakuten Securities Australia to allow you to gain a larger exposure when trading in Rakuten Securities Australia Products.

**Lot** means the unit that represents the volume of a transaction taking into consideration the Contract Size. It can be represented as a portion of a Lot subject to the minimum Lot size, for example (0.1 of a Lot) being referred to as a mini Lot or (0.01 of a Lot) being referred to as a micro Lot. For example 1 Lot in EUR/USD equals EUR€100,000 being the Base Currency unit and 0.1 Lot is therefore 10,000 units of Base Currency.

**Margin** means the amount of cash or other assets paid to Rakuten Securities Australia and credited to your Account as Margin.

**Margin Call** means a call on you normally made via the Trading Platform, requesting you to top up the amount of money you have in your Account as Margin.

**Margin Cover** means the amount of Margin available for Margin trading on your Account. It is calculated by Rakuten Securities Australia by subtracting from the Account Value: (i) the Margin Requirements; and (ii) a percentage of the value of open Contracts.

**Margin FX Contract** means a Contract between you and us under which you may make a profit or incur a loss arising from fluctuations in the price of the underlying currency.

**Margin Requirement** means that amount of money that you are required to pay to us and deposit with us for entering into a trade and/or maintaining an open Contract.

**Order** means any request placed by the Client to enter into a Contract.

**OTC** means "over the counter", in contrast with regulated exchange trading.

**OTC Contract** means an over-the-counter contract.

**PDS** means the Product Disclosure Statement, which is part of the Agreements.

**Product Schedule** means the list of Rakuten Securities Australia Products offered and the associated details, available on the Website.

**Rakuten Securities Australia** means Rakuten Securities Australia Pty Ltd ABN 99 153 803 804; AFSL 418036 and, in accordance with the terms, any person who is a permitted assignee or other successor to Rakuten Securities Australia.

**Rakuten Securities Australia Products** means all financial products that are issued by Rakuten Securities Australia under the Agreements.

**Realised/Unrealised Gain** means:

- (a) **(Realised Gain)** the amount by which the value of an open Contract on Close Out is more than the value of the open Contract when the open Contract was last valued or if the open Contract has never been valued previously, the value when the position was opened; and
- (b) **(Unrealised Gain)** – the amount by which the value of an open Contract (not on Close Out) is more than the value of the open Contract when it was last revalued or if the open Contract has never been valued previously, the value when the position was opened.

**Realised/Unrealised Loss** means:

- (a) **(Realised Loss)** – the amount by which the value of an open Contract on Close Out is less than the value of the open Contract when the open Contract was last valued or if the open Contract has never been valued previously, it is the value when the position was opened; and
- (b) **(Unrealised Loss)** – the amount by which the value of an open Contract (not on Close Out) is less than the value of the open Contract when it was last revalued or if the open Contract has never been valued previously, it is the value when the position was opened.

**Swap Rate** means the rate determined by Rakuten Securities Australia from time to time having regard to, among things, market rates and financing rates.

**Trading Conditions** means the operating rules and conditions for your trading on the Trading Platform from time to time.

**Trading Platform** means the Rakuten Securities Australia online trading terminal and any later variation, upgrade or replacement of it.

**Transaction Fee** means the fee or commission from time to time specified by Rakuten Securities Australia to be the amount payable by you to Rakuten Securities Australia in respect of each Contract as set out in this PDS or as later varied in accordance with the Agreements.

**Underlying Instrument** means the product which is used as the basis for the calculations of prices for your Rakuten Securities Australia Products, such as a share or similar equity financial product, foreign currency, exchange-traded units in a fund, an exchange traded fund (ETF), Commodity, metals, index or other item (or any combination of one or more of those).

**USD** means the lawful currency of the United States of America.

**Value Date** means the theoretical date of delivery if the product could be settled by physical or deliverable settlement.

**Variable Currency** is the second currency quoted in a pair for a Margin FX Contract, for example for the quote AUD/USD, the Variable Currency is the USD.

**Website** means [www.sec.rakuten.com.au](http://www.sec.rakuten.com.au) and any linked pages or content.

**Withdrawable Funds** means the amount of cash which would be paid to you from the Account if requested. There are Withdrawable Funds only if your Free Margin is a positive amount. The amount of the Withdrawable Funds is the lesser of the cash balance of your Account and the Free Margin. If your Free Margin is not positive, there will be no Withdrawable Funds.