



PRODUCT DISCLOSURE STATEMENT
for
Contracts for Difference
issued by
OM Financial Limited

This document replaces the previous OM Financial Limited Product Disclosure Statement for Contracts for Difference dated 15 June 2017.

20th June 2018

This document provides important information about Contracts for Difference to help you decide whether you want to enter into them.

There is other useful information about this offer at www.business.govt.nz/disclose

Many derivatives are complex and high-risk financial products that are not suitable for most retail investors. If you do not fully understand a derivative described in this document and the risks associated with it, you should not enter into it. You can also seek advice from a financial adviser to help you make your decision. You should ask if that adviser has experience with these types of derivatives.

OM Financial Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013.

Version: OMF20062018. CFD

1. KEY INFORMATION SUMMARY

WHAT IS THIS?

This is a Product Disclosure Statement ("PDS") for Contracts for Difference ("CFDs") provided by OM Financial Limited ("OMF").

CFDs are derivatives, which are contracts between you and OMF that may require you or OMF to make payments.

The amounts paid or received will depend on the value of the underlying index or share.

The contract specifies the terms on which those payments must be made.

WARNING

Risk that you may owe money under the derivative:

If the value of the underlying commodity, index or share changes, you may suffer losses. In particular, unlike most other kinds of financial products, you may end up owing significant amounts of money. You should carefully read section 2 of the PDS (key features of the derivatives) on how payments are calculated.

Your liability to make margin payments:

OMF may require you to make additional margin payments to contribute towards your future obligations under these derivatives. These payments may be required at short notice and can be substantial. You should carefully read section 2 of the PDS (key features of the derivatives) about your obligations.

Risks arising from issuer's creditworthiness:

When you enter into derivatives with OMF, you are exposed to a risk that OMF cannot make payments as required.

You should carefully read section 3 of the PDS (risks of these derivatives) and consider OMF's creditworthiness. If OMF runs into financial difficulty, the margin you provide may be lost.

ABOUT OMF

OM Financial Limited ("OMF") is a 100% New Zealand owned and operated brokerage firm. OMF advises and facilitates trades on a full range of financial products available in the foreign exchange, carbon, options, equities, contracts for difference and futures markets.

WHICH DERIVATIVES ARE COVERED BY THIS PDS

This PDS covers Contracts for Difference ("CFDs") for index or stock (shares) as the underlying asset ("Underlying Asset").

CFDs replicate the risks and the benefits of the Underlying Asset without owning it. They can be used by investors to speculate on the price movements of the Underlying Assets. No delivery occurs and the contract is cash settled with margin paid and/or received based on the change in value of the Underlying Asset. However, as CFDs are highly leveraged derivatives you have significantly greater risk than an investment in the Underlying Asset.

CFDs are traded over the counter (“OTC”) between you and OMF rather than through a recognised exchange therefore are less regulated and therefore may carry greater risk.

OMF is the counterparty to each client position, so you are entering into a derivative contract with OMF either by trading via telephone to OMF’s dealing room or direct to market by using OMF’s Market Trader platform. Each contract allows the investor/trader to speculate on the Underlying Asset price movements in the CFD size depending on their needs.

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2. KEY FEATURES OF THE DERIVATIVES

KEY FEATURES OF CFDs

What is a CFD?

A CFD is an agreement to exchange the difference between the opening and closing value of an index or share. The difference is based on the change in price of the Underlying Asset. You are entering into a highly leveraged derivative with OMF to buy or sell a CFD that is a proxy for the Underlying Asset. No delivery occurs as the contract is cash settled with the difference paid or received by you and OMF based on the value of the Underlying Asset.

CFDs are a form of derivative since their value depends on the value of the underlying asset, which in the case of CFDs, is the underlying spot asset.

CFDs can be placed at market (underlying price), limit (a favourable specified trading level) or to close out a position, a stop-loss (an unfavourable specified trading level to prevent further losses).

At OMF, we can provide you with CFD quotes through our 24 hour dealing desk or our online trading platform OMF Market Trader.

Example

Sam has an OMF Market Trader account at OMF with a balance of USD \$40,000. He believes that the price of Apple will rise due to its quarterly reporting due in 10 days' time. He decides to buy 200 Apple CFDs on OMF's Market Trader platform at the current reference price of USD \$125.00 in anticipation of a positive result. The leverage is 10:1 for Apple CFDs.

10 days later the Apple share price has risen by USD \$5 so Sam decides to take his profit by selling 200 Apple CFDs at the current price of USD \$130.50.

Why Should Investors Consider CFDs?

The index and share markets are volatile and during trading hours the price of the Underlying Assets can change by the millisecond, thus creating an unpredictable environment for anyone exposed to index and share price movements.

The Underlying Assets are quoted with a 'bid' and 'ask'. The bid price is the price that you are going to get if you are selling the Underlying Asset, the ask price is the price if you are buying the Underlying Asset.

The CFD's prices are called reference prices as they are referencing the Underlying Asset.

Many wish to hedge or eliminate this risk by entering into futures, options or CFDs to lock in today's favourable price. Futures and options are offered by OMF and are listed on various derivatives exchanges.

Others wish to speculate on the price movements of Underlying Assets. CFDs are one of the key derivatives used by speculators for this purpose. CFDs allow smaller investors leveraged access to the global index and share markets with the ability to go long or short. Share CFDs do not expire and are not subject to roll-overs and price decay.

The main reasons for engaging in CFDs with OMF are:

- To gain exposure directly to international index and share markets utilising a small deposit known as the initial margin.
- They are highly leveraged so the speculator can gain greater positioning power (exposure) to these markets.
- They are purely speculative.
- They are non-deliverable so the speculator does not need to deliver or take delivery as is the case in share markets.
- OMF offers CFDs through OMF's electronic trading platform, OMF Market Trader.

How to calculate the cost and profit/loss for CFDs

The investor knows the current market levels and prices for the Underlying Assets, which are known as either the "spot rate" or "market rate". The CFD reflects the exchange-quoted price for the underlying share and so is continuously changing. We match all share CFD orders immediately with a hedged order.

CFDs are a leveraged product, which means that the client can trade larger notional values, but with a lower deposit (margin).

When trading CFDs, clients wish to know how to calculate the profit or loss on their position to make the decision as to when (and if) they should close it out.

Example: Calculating the P&L for Sam

Let's revert back to the example of Sam above, who has an OMF Market Trader account at OMF with a balance of NZD \$40,000.

He believes that the price of Apple will rise due to its quarterly reporting due in 10 days' time. He decides to buy 200 Apple CFDs on OMF's Market Trader platform at the current reference price of USD \$125 in anticipation of a positive result. The leverage is 10:1 for Apple CFDs.

The standard leverage on OMF Market Trader for the Apple CFDs is 10:1 which means that Sam has to maintain 10% initial margin over the position traded / held. Excluding any costs and commissions, Sam's account will be as follows:

Current balance	USD \$40,000
Position:	Long 200 Apple at USD \$125
Margin deducted	USD \$2,500

10 days later the Apple share price has risen by USD \$5.50 so Sam decides to take his profit by selling 200 Apple CFDs at the current reference price of USD \$130.50.

The realised P&L shows that Sam has made \$5.50 per share or USD \$1,100 variation margin profit.

Upon closing the trade, the initial margin used to hold the trade and the variation margin profit is credited back to Sam's account. Sam's account balance has increased and is now NZD \$41,100.

However, on the flip side, if the price moves against Sam to USD \$122 then Sam will have unrealised losses of USD \$3 per CFD (200x 3 = 600).

Sam's unrealised loss will be USD \$600 and automatically deducted from his OMF account balance.

Holding CFDs Overnight

Typically CFDs are traded same day (otherwise known as day trading) however, clients are able to hold trades overnight and on an indefinite basis as the CFDs on shares do not expire.

If the CFD is held overnight, clients are subject to a holding cost, which is based off the interest rate. An additional borrow charge is levied on short CFD positions and is determined for each stock individually based on the stock borrow fees of the Underlying Asset.

If you trade a share CFD on OMF Market Trader then you are charged daily interest on the face value or notional amount of what you have bought or sold – the leveraged amount. The interest charge appears on your daily downloadable statement.

Example: Calculating the cost of trading for Sam

Sam is subject to OMFs standard commission on OMF Market Trader of up to 7.5 cents per share or a minimum of USD \$25, whichever is the greater.

Current balance	USD \$40,000
Position:	Long 200 Apple at USD \$125
Margin deducted	USD \$2,500
Commission	USD \$25

Sam does not close out on day one but holds the position for 10 days. The interest rate is quoted at say 1.623% / -1.37%. So for a long position you will pay interest and if you are short you will receive interest less any stock borrow cost.

Therefore as Sam is long 200 Apple CFDs at USD \$125, his OMF Market Trader account will have daily interest debited of USD \$1.11 based on the notional value of USD \$25,000 (automatically converted at 'spot' to the base currency of the account). In Sam's case his account is set up with a base currency of USD.

On the tenth day Sam sells 200 Apple CFDs to close out his open position. The 'Gross Realised P & L' shows he has made USD \$1,100.

Upon closing the trade, the initial margin used to hold the trade is credited back to Sam's account (USD \$2,500).

Sam will be required to pay the closing commission to exit the trade at USD \$25.

Therefore Sam's 'Realised P & L' is simply the gross profit less any interest and commission charges:

Opening Balance	USD \$40,000.00
Profit	USD \$1,100.00
Less commission(s) cost	USD \$50
Less total interest cost	USD \$11.12
Current balance	USD \$41,038.88

How Are CFDs Price Quotes Expressed?

CFDs prices are quoted as a reference price in the same way as the underlying index or share price.

For example, buying 200 Apple CFDs would be expressed the same way as if you were buying the physical shares.

Margins

Clients who wish to use a CFDs contract with OMF are required to post funds in their account, which are called a margin. Margin at OMF consists of two types of margins: initial margin and variation margin.

Initial Margin

An initial margin is the amount of money that is required to be deposited for each contract that you have open and covers the credit risk that you pose to OMF. This is held as security against adverse price moves in the market. It is important to note that the initial margin represents the minimum amount of money that OMF must collect from its clients.

For example, Sam will be charged an initial margin of 10% which is USD \$2,500 (200 Apple shares at \$125 each = USD \$25,000).

The initial margin for share CFDs is a minimum of 10% but will vary depending on the volatility of the underlying share price, the capitalisation of the company and of the size of your exposure to the Underlying Asset.

The initial margin of an index CFD is 1.25 times the initial margin of the underlying futures contract adjusted for the size of the CFD relative to the size of the futures contract.

At all times more than this amount is required to ensure sufficient funds are held in clients' accounts to cover any adverse movements in the price (variations).

Variation Margin and Margin Calls

Variation margin is the term to describe the change in the market price of the Underlying Asset that has an impact on the amount of funds that are required to be held in a client's OMF trading account.

If the market moves in your favour, the resulting unrealised profit (surplus) variation margin is added to the equity of your account. In this scenario you will be 'in-the-money'. You can use surplus variation margin to increase the size of your position.

If the market moves against you, the negative price movements will result in a margin call if the account holds insufficient funds. In this scenario you will be "out-of-the-money".

Should you alter your CFD, additional margin may be required so you must ensure that payment to your OMF account is made promptly to prevent losses. You will be advised of any additional margin requirements at the time of alteration.

Margin calls are calculated by the following formula:

Margin requirement = balance of your OMF trading account – (initial margin & fees) – variation margin

You should understand that OMF generally will not issue margin calls on OMF Market Trader, that OMF will not credit your account to meet intraday margin deficiencies, and that OMF generally will liquidate positions in your account in order to satisfy margin requirements without prior notice to you and without an opportunity for you to choose the positions to be liquidated or the timing or order of liquidation.

In addition, it is important that you fully understand the risks involved in trading on margin.

These risks include the following:

- You can lose more funds than you deposit in the margin account due to a decline in the value of securities or futures.

- Contracts that are purchased on margin may require you to provide additional funds to OMF or you must put margin up to avoid the forced sale of those securities or futures contracts or other assets in your account(s).
- OMF can force the sale of CFDs, securities or other assets in your account(s). If the equity in your account falls below the maintenance margin requirements, or if OMF has higher "house" requirements, OMF can sell the CFDs, securities or futures contracts or other assets in any of your accounts held at the firm to cover the margin deficiency. You also will be responsible for any shortfalls in the account after such a sale.
- OMF can sell your CFDs, securities or other assets without contacting you. Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. As noted above, OMF generally will not issue margin calls for OMF Market Trader clients and can immediately sell your CFDs securities or futures contracts without notice to you in the event that your account has insufficient margin.
- You are not entitled to choose which securities or futures contracts or other assets in your account(s) are liquidated or sold to meet a margin call. OMF has the right to decide which positions to sell in order to protect its interests.
- OMF can increase its "house" maintenance margin requirements at any time and is not required to provide you with advance written notice. These changes in firm policy often take effect immediately. Your failure to maintain adequate margin in the event of an increased margin rate generally will cause OMF to liquidate or sell securities or futures contracts in your account(s).
- If OMF chooses to issue a margin call rather than immediately liquidating under margined positions, you are not entitled to an extension of time on the margin call.

In the event of a margin call, you will be asked to either close out the CFD or send additional funds to cover the margin call. It is your responsibility to maintain the current margin requirements on open positions and meet your margin calls immediately. Failure to do so will result in your OMF Market Trader account automatically closing out your CFD and you remain liable for any losses.

You should be aware that OMF can only facilitate additional fund deposits on your behalf within New Zealand times of 8:30am to 4:30pm (Business Hours).

We strongly suggest that if you know that contact may be difficult, then you make alternative arrangements for payment in the event of a margin call and OMF recommends lodging additional funds for this purpose.

Example: Margin Call

Sam decides to transfer USD \$10,000 to trade CFDs on OMF's Market Trader.

He decides to buy 200 Apple CFDs at the current reference price of USD \$125.

The initial margin required is 10%.

Current balance	USD \$10,000
Position	Buy 200 Apple CFDs at USD \$125
Commission charged	\$50
Margin deducted as required	USD \$2,500

The account has an excess balance of USD \$7,450 on day 1 (being USD \$10,000 less USD \$2,500 and USD \$50).

Sam enters this CFD one hour before Apple is due to make an announcement which Sam speculates may cause Apple shares to rise.

The announcement has the opposite effect and Apple shares slump to \$120.

Sam is automatically margined USD \$1,000 being $\$125 - \120×200 shares.

Margin calls where a CFD may suffer losses that are greater than the total funds that are initially invested can lead to trading accounts becoming negative or in unlimited “overloss”.

Example: Unlimited Overloss

Paul decides to buy a CFD on a Hong Kong listed company “Too Good Ltd” as he speculates that the company may be close to signing a contract with a big international firm which would generate millions of dollars in revenue.

Paul decides to buy 1,000 Too Good Ltd CFDs at a reference price of HKD \$50 and has HKD \$6,000 in his OMF Market Trader account to cover his initial margin of HKD \$5,000 and any fees.

The big international firm pulls out of the contract at the last minute, citing publically that their strategic direction is not to invest in Australia.

Too Good Pty Ltd goes into liquidation and the stock is untradeable. Paul is liable for the loss of HKD \$ 50,000 ($1,000 \times \text{HKD } \$50 = \text{HKD } \$50,000$).

How Do CFDs Work As A Trading Strategy?

CFDs are highly volatile derivatives that may be used as a trading strategy for people who wish to trade price fluctuations without holding the underlying asset rather than people who wish to trade for other purposes (such as hedging risk). There is no certainty in trading CFDs, therefore investors should think carefully about their view on the market and the size of the contract (and the risk) they are willing to take in trading these products.

If your view is that the price of the Underlying Asset will appreciate you will buy CFDs in the size suitable to your risk appetite. If your view is that the Underlying Asset will depreciate you will sell CFDs.

Please note that the examples provided above are for illustrative purposes only.

They are each an example of one situation only and do not reflect the specific circumstances or the obligations that may arise under a derivative entered into by you.

ENTERING A CFD AND RIGHTS TO ALTER TERMS OR TERMINATE A CFD

The process below is a summary only of how to trade CFDs with OMF as OMF’s General Terms and Conditions provide more detailed information about the obligations and rights of each party.

Entering into a CFD

To enter into a CFD (or any other derivative with OMF), you **must** become a contracted client of OMF.

Upon opening an account you will decide whether you wish to open an online trading facility, OMF Market Trader, as well as having access to OMF’s dealing desk.

During OMF’s account opening process, you must provide OMF with (at a minimum) the information that is required in the Client Application Form. From time to time, OMF may request further information to be provided by you to assist with the account opening. Once your account has been opened and funds

deposited, your client advisor will provide an account number and direct dealing telephone number to you. You will then be ready to deal. OMF does not offer discretionary services which means all orders must be authorised by you (or a person authorised to trade on the Account) prior to arranging the derivatives contract.

How to Enter Into CFDs

Once an account is approved, you become a client and are able to enter into the CFD by instructing an OMF dealer or via OMF Market Trader.

To place an order, you request that an OMF dealer or receive price data from OMF Market Trader to provide a quotation for the reference price at which you may enter a CFD by nominating:

- a) the Underlying Asset;
- b) the amount of the Underlying Asset; and
- c) whether you are buying or selling the CFD.

If this is agreeable to you, you may immediately upon receiving the quote instruct us to arrange the entry into the CFD. This can be done verbally via the OMF dealer or electronically via OMF Market Trader, depending on where the quote was provided.

At this point, OMF will use our best endeavours to facilitate this CFD on your behalf, however, OMF has no obligation to accept your offer to enter into that contract and it only becomes binding when the CFD is accepted by OMF (i.e. traded).

You must, amongst other things, ensure that you have available enough cleared funds in your OMF account to cover the initial margin of that CFD and that you are trading within any limits set by OMF.

When the CFD is Confirmed

If you have placed a market order the deal will be confirmed verbally by the OMF Dealer or electronically via OMF Market Trader.

In all cases, upon acceptance of the CFD by OMF your order is filled and forms a legally binding contract. You will receive a deal confirmation which details the terms of the contract agreed in a written confirmation via your Daily Statement.

Confirmation of all trading activity is normally available in your daily statement on the business day following the transaction. It is vital that you contact us as soon as possible if you do not receive a statement or if you disagree with its contents.

The daily statement lists all open positions, with each position valued at the prevailing market rate.

The current profit or loss on each position is also shown on the right of the page. Your net position is simply the result of summing the unrealised profits and losses of all open positions.

The financial section outlines your cash balances, cash flows, initial margin requirements, unrealised profits/losses and the resulting equity. This is detailed by currency and summarised in your accounts' base currency for convenience.

You may wish to convert your individual currency account balances from time to time.

For trading via OMF Market Trader, you can view your live positions 24 hours a day, otherwise, you have the ability to download a transactional statement via the online portal.

Example: Lucy trades CFDs with OMF

Lucy decides that she wishes to start trading CFDs with OMF via OMF Market Trader and completes OMF's Client Application Form after carefully reading OMF's General Terms and Conditions, various disclosure documents and this PDS.

Lucy receives notification that her account has been approved and is open.

Lucy knows that she has to post margin to trade CFDs and lodges USD \$100,000 with OMF.

Lucy speaks to OMF and she advises the Dealer that she wishes to trade CFDs via OMF Market Trader. The OMF dealer provides her with her account log on details and training on the use of the system. She then views prices on OMF Market Trader with bid/ask quotes and Lucy buys 10,000 Microsoft CFDs at the current reference price of USD \$48.75.

Lucy's order is executed and the subsequent fill is confirmed to her through her online login. Her account position is now long 10,000 Microsoft CFDs at USD \$48.75.

Through OMF Market Trader she views her account statement that shows the CFDs position and funds being held in her account.

Please note that the examples provided above are for illustrative purposes only.

They are each an example of one situation only and do not reflect the specific circumstances or the obligations that may arise under a derivative entered into by you.

Altering or Terminating the CFDs

Should you wish to alter or terminate the terms of the CFDs, the same process is followed and you must advise OMF.

Altering the CFDs

You are able to partially "close out" or increase the size of your position at any time during trading hours by selling some of your open position or buying additional CFDs.

For share and index CFDs a corporate action or dividend may alter the CFD. If a corporate action or adjustment occurs, OMF may provide you the economic benefits of owning or shorting the underlying shares or index. A share CFD attempts to mirror stock benefits, including market movements, dividend income and corporate actions, except in cases where withholding rules for foreign investors affect dividends, and where a corporate action involves voting tenders.

The seller of a share CFD whose underlying share pays a dividend must pay that dividend.

Closing Out and/or Terminating the Forward

You cannot effectively terminate a CFD, however, you are able to "close out" your position by selling your CFDs on OMF Market Trader or by instructing OMF's dealing desk. If you wish to close your CFD, you should view quotes live on OMF Market Trader or via a telephone adviser at OMF who will provide you with a quote, which will be a reference price based on the value of the Underlying Asset today.

If you wish to proceed, you will sell CFDs and this will close the CFD at the reference price and any profit or loss will be credited/debited to your OMF account.

As part of the agreement between OMF and you ("Agreement"); either party may terminate the Agreement at any time by giving the other notice in writing to that effect. Termination will be effective upon receipt of the notice by the other party. Upon termination of the Agreement, all CFDs contracts will be closed out or abandoned.

3. RISKS OF THESE DERIVATIVES

Derivatives are often described as high risk investments as they are leveraged and their value is determined by an Underlying Asset, which in the case of CFDs is the index and share.

This section outlines the material risks in dealing in CFDs. You should therefore consider these risks very carefully to decide whether CFDs contracts are suited to your investment or hedging requirements.

PRODUCT RISKS

CFDs carry a high degree of risk as share or index prices fluctuate, the leveraged nature of the facility will cause significant variations in the value of your positions as you are only required to fund the initial and variation margins of the CFD rather than their full face value. These fluctuations can work for or against you. It is important to understand that major reference price shifts can result in unlimited losses on your position that exceed your posted margin.

If you are trading with OMF electronically via OMF Market Trader, the entry price of your position is continuously compared to the current price of each relevant instrument (mark-to-market) and the unrealised profit/loss is continually changing in respect of those positions. Where an unrealised loss erodes all of your balance above the initial margin required, OMF Market Trader will automatically close out your position.

Should you hold more than one position on OMF Market Trader, the largest position will be automatically closed out first as it will free up the greatest margin.

Margin Call Risk

Every day, the entry price of your position is compared to the current price of each relevant instrument (mark-to-market) and the unrealised profit/loss is determined in respect of those positions.

Where an unrealised loss erodes all of the funds in your OMF Market Trader, you will be required to supply additional funds (usually within 24 hours) to cover the shortfall.

Should you fail to make a payment for additional margin or provide security when due, your account is considered to be in default.

In this situation, OMF is able to, without limitation: terminate your agreement, debit damages from your account of an amount equal to any realised loss and take such other action as a reasonably prudent derivatives broker would take in the circumstances to protect the personal obligation incurred when dealing on your behalf. Please consult the OMF General Terms and Conditions for further information.

You should also read the detailed discussion of how the risks of trading on margin may arise set out on page 10 above.

Volatility Risk

Typically, CFDs will close out if the margin in your account is exceeded by losses, however, from time to time major events in the underlying market may cause a dislocation that is described as volatility risk.

This volatility risk is used to describe a significant event in the financial market which leads to rapid instability and often has a negative impact on investors.

In this event, an investor with a CFD may suffer losses that are greater than the total funds that they initially invested. This leads their account to become negative or in "overloss" and the investor will be in default with OMF.

There is no limit to how much an investor can enter into overloss.

ISSUER RISKS

When you enter into any derivatives position with OMF, you are exposed to the risk that OMF becomes insolvent and unable to meet its financial obligations under the derivatives.

OMF's creditworthiness has not been assessed by an approved rating agency. This means that OMF has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

OMF's audited accounts are available to all clients free of charge.

To help protect clients, all client money is segregated from OMF's proprietary funds so should OMF become insolvent, your funds are protected. Also, OMF is a broker that takes no market risk and hedges all positions with reputable counterparties.

RISKS WHEN ENTERING OR SETTLING THE DERIVATIVES

There are a number of risks that you must be aware of when you enter into or settle the CFDs.

Systems Risks

Operational risks in relation to OMF's trading platforms are inherent in every CFD. For example, disruptions in OMF's operational processes such as communications, computers, computer networks, software or external events may lead to delays in execution and settlement of transactions.

Clients receiving disruption to the trading platforms must call the trading desk in order to open/close positions. In the event that a disruption occurs on the OMF side, you may be unable to trade in a CFD offered by OMF and you may suffer a financial loss or opportunity to close a position.

OMF does not accept or bear any liability in relation to the operation of the OMF trading platforms and acceptance of derivative orders are made on a best endeavours basis.

4. FEES

APPLICABLE FEES AND CHARGES FOR THESE PRODUCTS

OMF will charge clients a spread and commissions on CFDs depending on the volume of transactions and service requirements of the client.

Fees are typically agreed between clients and their OMF dealer during the account opening process but can be re-negotiated at any time in the relationship.

Standard Fees and Charges

The standard commission on OMF Market Trader differs depending on the Underlying Asset. For example, for most CFDs the standard commission is 0.01% (or \$10 per \$100,000 traded), however, for US share CFDs it is USD 7.5 cents per share with a minimum of USD \$25, so on the 200 share CFD, the commission is the minimum of US\$25 (as 0.075×200 is \$15).

If you receive live data for OMF Market Trader exchange, data fees may apply.

Additional Charges

CFDs contracts may be subject to the following additional charges:

Interest Rates

Clients shall receive interest on accounts that are in excess. Typically the interest rate for accounts in excess will be a maximum of 2.0% below OMF's base rate, which is based on the Official Cash Rates ("OCR") of each country and is subject to change at any time.

At month end, the interest calculated on each currency is converted to the accounts base currency (NZD unless otherwise instructed).

Withholding tax is calculated and deducted from any interest earned.

Default Interest Rates

Clients shall pay default interest rates of a maximum of 2.0% above OMF's base rates for accounts in deficit which is calculated based on the margin deficit of each currency in negative. As with interest rates, default interest is based on the OCR of each country and is subject to change at any time.

If a client's account is in credit in one currency and debit in another, it is the client's responsibility to manage the currency balances. At the client's request OMF is able to convert currency amounts within the account using interbank exchange rates.

Termination or Alteration Fees

There are no specific fees charged for closing a CFD early, however, OMF will recalculate the cost of the CFD as at today's price to pre-deliver the CFD and provide this as a quote to the client. Should the client agree to this, they will receive any profits on the CFD or be obligated to pay any losses on the CFD.

Examples regarding the termination or alteration of CFDs are provided in Section 2 of this PDS.

The interest rates that differ from the above will be agreed on with the advisor when the account is opened.

Holding Charges

Open CFDs will incur or attract holding charges which reflects the funding of the position. Clients may receive interest for the sold positions and pay default interest for the bought CFDs. For share CFDs, interest is payable on the notional face value of the position.

For example, if the client has bought a CFD, they will pay 2.5% and if they have sold a CFD, they may receive 0.5%.

The holding charge will either be a debit or credit to the client's account depending on the CFD held. The charge will apply every day until the open position is closed out.

Clients should also be aware that the CFD reference price that we provide you with may from time to time differ from the rate which we obtain from our counterparty. This is because as a broker, OMF hedges all our client positions to mitigate risks to both our clients and the firm. This is commonly known as a 'spread'.

The spread is not a fee or commission payable by the client and the reference price of a CFD is not reflective of a spread, however, clients should understand that OMF may receive revenue from this.

General Account Fees

In addition to fees associated with Forwards, OMF may charge the following fees that are associated with the operation of your OMF account.

Payment Fees

OMF will charge payment fees on withdrawals from your OMF account if:

- The payment is a foreign currency transfer
- The payment is to an overseas beneficiary
- The payment is in NZD to a New Zealand bank account, but is a 'same day' transaction

These fees are typically a dollar figure amount and are charged at the time of the payment.

Full details of these fees are available on OMF's website www.omf.co.nz

Cash Handling Fees

As OMF is not a bank, we have a strict 'no cash' policy for funds being deposited into OMF's client accounts. If physical cash is deposited, the client will be contacted and a 15% cash handling fee will apply to that cash deposit.

For example, if NZD \$10,000 cash is deposited into OMF's client account, then NZD \$1,500 will be deducted as a cash handling fee.

5. HOW OMF TREATS FUNDS AND PROPERTY RECEIVED FROM YOU

How to Transfer Funds to OMF

In order to trade CFDs with OMF, clients must deposit funds with OMF in one of our client trust accounts. OMF holds a number of client trust accounts in different currencies and these bank details are available 24 hours a day on our website. You are able to choose the currency in which you wish to transfer funds to OMF and the funds can be retained in that currency or you are able to instruct OMF to convert to another currency on your behalf.

The currencies you hold in your OMF account do not have to relate to the same currency as the CFD that you wish to trade, however, by doing so you are subjecting yourself to greater currency risk. Remember a negative currency balance is subject to default interest rates as explained in Section 4 of this PDS.

OMF requires that funds transferred electronically from clients must originate from a bank account in the same name as the client's OMF account. Any deposits from third parties or of unidentified origin may be subject to additional compliance review or delays in allocating funds to your OMF account. OMF reserves the right to return any third party funds to the remitting bank.

We only accept payments to one of our client trust accounts through electronic transfer and upon receipt of these, they are considered to be cleared funds and available for your trading use.

To confirm whether funds have been received, you can contact OMF during Business Hours.

It is our policy not to accept bank cheques or cash for trading CFDs at OMF and if received, will result in the funds being rejected and returned to the depositor.

How to Withdraw Funds from OMF

OMF requires that all clients provide verified details of at least one external bank account that is in the same name as their OMF account which can be linked as their Standard Settlement Instruction ("SSI").

OMF is able to transfer any surplus funds to this account upon client instruction to their OMF dealer during Business Hours.

SSIs can be in any currency and OMF's clients are able to provide any number of SSIs to be linked to their OMF account upon completion of an OMF SSI Form. In order to do this, you must provide OMF with a copy of the verified bank details which includes the account name, account number and the bank branding or be on the bank's letterhead.

Withdrawals are processed within Business Hours and typically are processed on the same day however, 'cut-off' times issued by OMF's bank may vary depending on the currency.

From time to time, clients may require payments to third parties. In this instance, OMF will require a written and signed request on OMF's Third Party Payment Form. These payments may require additional documentation that supports the nature and purpose of the payments.

Both the OMF's SSI Form and the Third Party Payment Form are available upon request to your OMF dealer and your OMF adviser will be able to guide you through this process.

Clients are unable to withdraw funds if they are on margin call and all funds must be cleared before OMF will release any payments.

How Is My Money Held with OMF?

OMF is required to comply with the Financial Markets Conduct Regulations 2014 ("CFRegs").

Regulations 239-250 of the CFRegs require derivatives issuers to comply with strict legal provisions about where and how client funds and property are held.

All client funds deposited with OMF are held on trust in one of our client trust accounts where OMF acts as the trustee. These accounts are kept completely separate from OMF's own capital (money) to ensure your funds are protected should OMF become insolvent. Reconciliations of client assets are reported daily to the NZX, which provides proof that OMF is not using client funds to pay its bills or meet any of its proprietary obligations. All client funds are pooled together within the various trust accounts and are subject to independent checks by our external auditor.

OMF is committed to prioritising the protection of client funds across all of our relationships and we only facilitate our client's trading with highly rated financial institutions and banks ("Counterparties"). For example, our client trust accounts for holding client funds are held with the Bank of New Zealand.

To ensure client confidence in our controls and procedures surrounding the safeguarding of client funds and as prescribed by the CFRegs, OMF engages an external auditor to undertake an independent client funds assurance on an annual basis. The auditor must report any breaches immediately to the Financial Markets Authority ("FMA"). In addition to these audits, OMF is also subject to regulatory oversight and monitoring by the FMA and NZX.

Our current external auditor is PWC.

6. ABOUT OMF

New Zealand owned and operated, OMF is a full service brokerage firm that offers quality advice and execution services in the foreign exchange, carbon, options, equities, contracts for difference and futures markets.

OMF is a registered financial service provider (FSP15422) that must comply with the obligations under the Financial Markets Conduct Act 2013 ("FMCA"), Financial Services Providers (Registration and Dispute Resolution) Act 2008 and Financial Advisers Act 2008.

Under the FMCA, OMF is required to hold a derivatives issuer licence. In accordance with clause 45 of Schedule 4 of FMCA, OMF holds a transitional derivatives issuer licence which allows OMF to deal in futures contracts on the same terms as we held before 1st December 2014.

Further independent information about OMF's licence can be found on the FMA's website www.fma.govt.nz

In addition to providing a phone based service, OMF has an emerging offering of online trading and execution platforms that connects our clients to the global financial markets.

OMF has offices in Auckland and Wellington. The specialist dealing desks operate 24 hours a day from Monday morning to the close of markets on Saturday. Our experienced dealing team is there to provide a variety of services, including the provision of informed fundamental and technical analysis and making recommendations based on market knowledge and insights.

OMF's office details are as follows:

Auckland: Level 2, Australis Nathan Building, 37 Galway Street, Britomart, Auckland
P O Box 5830, Wellesley Street, Auckland 1141
Phone: +64 9 520 9310, Fax: +64 9 520 9313, Email: info@omf.co.nz

Wellington: Level 8, ASB Bank Tower, 2 Hunter Street, Wellington 6011
Phone: +64 4 499 0028, Fax: 64 4 495 0373, Email: info@omf.co.nz

Or via OMF's website www.omf.co.nz

7. HOW TO COMPLAIN

In the event that a client wishes to make a complaint about OMF's service, they should make the complaint known in writing to OMF's Compliance Manager.

OMF Compliance Manager
Level 2, Australis Nathan Building, 37 Galway Street, Britomart,
P O Box 5830, Wellesley Street, Auckland 1141
NEW ZEALAND

Phone: +64 9 520 9310
Email: compliance@omf.co.nz

OMF will let the client know that their complaint has been received and the Compliance Manager will make all necessary efforts to respond to the client's complaint within 10 working days.

In the first instance the Compliance Manager will try to resolve the dispute between the parties however if a satisfactory outcome cannot be achieved the matter should be referred in writing to OMF's external approved disputes resolution scheme, Financial Services Complaints Limited ("FSCL"):

Financial Services Complaints Limited

P O Box 5967
Lambton Quay
Wellington 6145
NEW ZEALAND

Phone: 0800 347 257
Email: info@fscl.org.nz

FSCL will not charge you a fee for investigating or resolving a complaint

Clients may also choose to complain to NZX should the complaint relate to OMF's business as an NZX Participant. Complaints should be made in writing to:

NZX Regulation

NZX Limited
P O Box 2959
Wellington 6145
NEW ZEALAND

Phone: +64 4 472 7599
Email: compliance@nzx.com

Complaints may also be made to the FMA through its website www.fma.govt.nz

Financial Markets Authority

DX Box CX10033
PO Box 106 672
Auckland 1143
NEW ZEALAND

Phone: +64 9 300 0400

8. WHERE YOU CAN FIND MORE INFORMATION

Further information relating to the issuer and the derivatives is available from the Disclose Register (for example, financial statements); and a copy of the information on the offer register is available on request to the Registrar.

The Disclose Register website is www.business.govt.nz/disclose

Further information about OMF and the derivatives OMF issue is available free of charge by contacting info@omf.co.nz

9. HOW TO ENTER INTO CLIENT AGREEMENT

Opening an Account with OMF

If you wish to open an account, you must:

- Read and agree to OMF's General Terms and Conditions
- Understand the information contained in this PDS and believe that CFDs are suitable for you
- Complete OMF's Client Application Form and return it with the relevant required documentation

The documents above are available on OMF's website at www.omf.co.nz or upon request at info@omf.co.nz.

As OMF is an NZX accredited firm, we are unable to open your account until the above has been received and approved and we reserve the right to request further documentation, where deemed necessary.

A dealer will contact you to discuss your trading requirements and the level of service you require to help to make dealing as easy as possible. We are experienced in advising a diverse range of clients who have differing skills and knowledge.

Assessing Whether CFDs Are Suitable For You

As with all derivatives, CFDs carrying a high degree of risk and you should consider whether they are suitable for you.

You should think about your familiarity with commodity, index or share markets, how much you understand about the risks of trading in financial markets and in particular, CFDs.

If you are unsure, or need any further information, OMF is always happy to answer any questions you may have without using baffling jargon.

Should you wish to open an account with OMF, we will consider whether this is suitable for you by reviewing the information you have provided to us in the Client Application Form, which takes into consideration your previous experience in financial markets, your ability to understand the risks of this product as well as your financial means to meet your requirements.

We reserve the right to refuse to open an account or allow you to trade CFDs should we believe that you do not meet our standards.

How Much Money Do I Need To Open An Account?

You will need to lodge a minimum of NZD \$10,000 to open an account with OMF, although the size or type of CFDs that you intend to trade may require a higher initial margin.

We advise that you should always have more than the required Initial Margin in your account at any one time; this provides a buffer in case of any adverse price movements.

Please note that part of the account opening process require you to complete a statement of financial position. As a general rule, a net asset figure of NZD \$100,000 is required.

However, this can be reviewed on an individual basis depending on your financial circumstances and relevant trading experience.

10. GLOSSARY OF COMMON TRADING TERMS

The following table explains some common trading terms in relation to derivatives trading that may be useful for you.

Close out or closing	The term used to terminate a derivative.
Contract For Difference ("CFD")	CFDs are derivatives, which are contracts between you and OMF that may require you or OMF to make payments. The amounts paid or received will depend on the value of the underlying commodity, index or share. The contract specifies the terms on which those payments must be made.
Hedging	An investment strategy that reduces the risk of adverse price movements in an asset.
Initial margin	The amount of money required to be deposited by an investor as security for a derivative.
In the money	A term commonly used to describe a profitable position in a financial product.
Limit order	An instruction to deal if a market moves to a more favourable level (i.e. an instruction to buy if a market goes down to a specified level, or to sell if a market goes up to a specified level) is called a limit order. A limit order is often used to take profit on an existing position but can also be used to establish a new position.
Market order	When you give an order to buy or sell, 'at market' your order will be filled at the current market price. This type of order is most useful when you have an urgent need to enter or exit a position. This type of order by definition is executed with the minimum of delay.
Out of the money	A term commonly used to describe a financial product subject to losses.
Overloss	A term used to describe losses greater than the total funds initially invested
Over the counter ("OTC")	The term OTC is commonly used to describe financial products that are not traded through a centralised exchange. CFDs are OTC products.
Reference price	The bid and ask price quoted to you by OMF for a CFD which is based on the price of the Underlying Asset.
Stop orders or stop loss	An instruction to deal if a market moves to a less favourable level is called a stop order (i.e. an instruction to buy if the market goes up to a specified level). A stop order is often placed to cap the potential loss on an existing position; which is why stop orders are sometimes called stop loss orders
Underlying Asset	The commodity, index or share that the CFD is referenced to.
Variation margin	The change in market price which has an impact on the funds required as security for a derivative.