PRODUCT DISCLOSURE STATEMENT
for
Deliverable Forward Foreign Exchange Contracts
issued by
OM Financial Limited

This document replaces the previous OM Financial Limited Product Disclosure Statement for Deliverable Forward Foreign Exchange Contracts dated 12 June 2017.

14th June 2017

This document provides important information about deliverable forward foreign exchange contracts 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
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: OMF14062017.Forward FX

1. KEY INFORMATION SUMMARY

WHAT IS THIS?

This is a Product Disclosure Statement ("PDS") for deliverable forward foreign exchange contracts ("Forward/s") provided by OM Financial Limited ("OMF").

Forwards are derivatives, which are contracts between you and OMF that may require you or OMF to make payments and deliver currencies at a specific rate on a specific future date.

The value of the contract will depend on the value of the underlying currencies.

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

WARNING

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 deliver a currency 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, contract for differences and futures markets.

WHICH DERIVATIVES ARE COVERED BY THIS PDS

This PDS covers deliverable forward foreign exchange contracts.

Under a Forward, the parties agree to a specific exchange rate for the purchase and sale of currency to occur at a specific future date.

Forwards 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.

These are private transactions that can be specifically tailored to the investor's needs, which allow investors to manage exchange rate risk; especially for foreign currency denominated transactions that you know will take place at a specific date in the future.

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This PDS contains the following sections:

2. KEY FEATURES OF THE DERIVATIVES

KEY FEATURES OF FORWARD FOREIGN EXCHANGE CONTRACTS

What is a Forward?

Foreign exchange ("FX") is a term to describe the trading of currencies where one person buys a currency in exchange for another currency. Quotes for FX are for a currency pair, for example, NZD/USD.

The first currency (NZD) is known as the base currency and the second currency (USD) is referred to as the quote currency. The price represents how much of the quote currency is needed for you to get one unit of the base currency. For example, NZD/USD 0.7500 means it takes 75 US cents to buy $1 NZD. Most currency exchange rates are floating (they are not fixed or pegged at a particular level) and fluctuate according to the forces of supply and demand.

A Forward, is a type of derivative used in FX trading and is an agreement to exchange and deliver a specific amount of one currency into another currency at a specific rate on a future date.

Their value depends on the value of the underlying asset, which in the case of FX Forwards is the underlying spot currencies.

A deliverable Forward means that upon the maturity date of the contract, the client physically changes the two agreed currencies at the agreed price of the Forward.

For example, a USD/NZD Forward will result in the client changing USD for the NZD equivalent.

At OMF, we can provide you with Forward quotes through our 24 hour dealing desk or our electronic FX trading platform OMFx24.

Why Should Investors Consider Forwards?

During trading hours, the exchange rates of major currency pairs can change by the millisecond, thus creating an unpredictable environment for businesses exposed to foreign currency. Investors often need to exchange foreign currency at some future date.

A Forward eliminates this volatility by 'locking in' an exchange rate today (derived from the current spot rate) for a transaction to take place in the future. Each party to a Forward has an obligation to deliver the named currency at the date of expiry, therefore ensuring certainty as to a price at a given time.

The main reasons for engaging in Forwards are:

- Hedging to limit the potential risk of fluctuating exchange rates as it is a simple way of managing future currency exchange risk, thus negating any unfavourable movements in exchange rates.
- They can be tailor-made in structure for the particular risk that an investor wants to cover.
- It provides the ability to fix an exchange rate now for the future delivery of a currency. This certainty of the amount payable on the future date provides improved money management of cash flows and costs.
- Forwards issued by OMF can be pre-delivered (the investor gets "delivered" the currency in which they are hedging) or extended to another date in the future at the discretion of the client.

Example: NZ Sport Limited

A New Zealand business, NZ Sport Limited, imports sporting equipment from its suppliers in the United States for subsequent on sale to customers in New Zealand.

This means that its invoices from its US suppliers will be in US Dollars (USD), but the income generated from its business will be in New Zealand Dollars (NZD).

NZ Sport Limited is due to pay a bill of USD $100,000 in three months. The current NZD/USD rate is 0.7518 therefore if it converted NZD to USD today it would pay NZD $133,014.10 with this rate. But NZ Sport Limited does not want to pay the bill today; it wants to pay in three months.

This leaves it with the question of what if the NZD depreciates against the USD?

A small change to the rate to 0.7500 (otherwise described as an18 point depreciation) would increase this cost by NZD $319.23. This would increase the bill to NZD $133,333.33.

This may seem insignificant, but NZ Sport Limited imports USD $10m of goods per year and this 18 point depreciation would equate to a cost increase of nearly NZD $32,000.

How are Forwards calculated?

Exchange rates in the future are not known and cannot be predicted, the only rates an investor knows for certain are historical rates and today's rate, which is known as the "spot price" or "spot rate".

To calculate a Forward, there are 2 important aspects to consider:

1. The present value of money
2. The future value of money

The present value of money is important to think about as it is not necessarily the same as the sum that an investor requires; the present value will discount the interest that would have been earned if the money had been invested.

The future value of money considers that money could be safely invested during that time to earn interest. This is why the future value of money is usually considered to be greater than the present value of money.

How to calculate Present Value

To calculate the present value for Forwards, there are 3 important things to know:

- The sum required for the Forward
- The number of days in the future ($\boldsymbol{n}$)
- The interest rate that it earns over time in the country of issue ($\boldsymbol{i}$)

This can be expressed in the following calculation:

$$Present\ value = \frac{Sum\ required}{\left(1 + \left(\frac{n}{365}\right) * i\right)}$$

Example: Calculating the Present Value for NZ Sport Limited

Using the example above, NZ Sport Limited requires USD $100,000 in three months (90 days) to pay a bill. It wants to know what the present value of this money would be.

The sum required would be USD $100,000.
The number of days in the future is 90 days and based on a 360* day year.
The risk free interest rate offered by the US is 0.12%.

$$Present\ value = \frac{Sum\ required}{(1 + \left(\frac{n}{360}\right) * i)} = \frac{100{,}000}{(1 + \left(\frac{90}{360}\right) * 0.0012)} = USD\ 99{,}970.01$$

This means that the present value would be **USD $99,970.01.**

*Typically, days in a year are expressed as being 360, this is because the year is broken down into quarters assuming 90 days each. 90 days x 4 = 360 days for a year

So now that we understand how to calculate the present value of money, why is it important for calculating Forwards?

The answer is simple: there will always be two currencies involved in calculating a Forward and OMF will have to consider the cost of borrowing and holding one currency which may have a different interest rate than the other.

Example: Calculating the Forward Rate for NZ Sport Limited

For NZ Sport Limited, we know that the present value of the USD $100,000 is $99,970.01.

Assuming that the current spot NZD /USD is 0.7518, the USD $99,970.01 will equate to NZD $132,974.21 today.

OMF would have to borrow NZD $132,974.21 from another bank to fund NZ Sport Limited's Forward. The bank's rate for OMF to do this is assumed to be 3.67%, so in 90 days, OMF will have to repay NZD $134,194.25 on a 360d basis.

Therefore, for OMF to understand the rate which we could offer NZ Sport Limited for a 90 day NZD/USD Forward, OMF calculates the difference in costs.

This can be expressed as the following calculation:

$$Forward\ Rate = \frac{Sum\ Required}{Cost\ of\ Borrowing}$$

$$Forward\ Rate = \frac{USD\ 100{,}000}{NZD\ 134{,}194.25} = 0.7452$$

This means that OMF can offer NZ Sport Limited a NZD/USD rate in 90 days of 0.7452.

How are Forward Price Quotes Expressed?

Because exchange rates change continuously, but changes in interest rates occur perhaps daily, Forward prices are usually quoted as the difference in 'Pips'—Forward points—from the current exchange rate.

Currencies are either described as trading at 'discount' which means that they have a higher interest rate on the Forward market; or trading at 'premium' where the currency has a lower interest rate on the Forward market.

Forward points are calculated as follows:

Forward Points = Forward Price - Spot Price

You simply subtract the Forward points from whatever the spot price happens to be when you make your transaction.

To request a price for a Forward, clients can call OMF's dealing desk or place a request for a quote on OMFx24.

Example

In our above example of trading NZD/USD, the NZD has the higher interest rate currently offered by the New Zealand Reserve Bank at 3.5% compared to the US rate of 0.10%, so the NZD will be trading at a discount in the Forward market.

With a current exchange rate of NZD/USD = 0.7518 and a Forward rate of 0.7419, the Forward points would be:

Forward Points = Forward Price - Spot Price
0.7518 – 0.7419 = 0.0099 or commonly known as "99 Pips"

Margins

Clients who wish to use a Forward contract with OMF are required to post funds in their account, which are called a margin. Margin at OMF consists of two types of margin: 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, NZ Sport Limited may be charged an initial margin of 3% which is USD $3,000 for the USD $100,000 Forward.

Often 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 Forward 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 Forward, 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.

OMF's margin calls are calculated in NZD and by the following formula:

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

Margin calls are normally made at the beginning of the day for Forwards, but can be made at any time between 8:30am and 5:30pm New Zealand Time ("NZT") Monday to Friday ("Business Hours"). You will be contacted by an OMF dealer by phone, text or email to advise you of your margin call.

In the event of a margin call, you will be asked to either close out the Forward 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 within 24 hours (or such earlier time as may be notified by us under our General Terms and Conditions). Failure to do so will result in OMF closing your Forward contract and you remain liable for any losses.

If you are travelling overseas, you should advise OMF as you may have up to 48 hours to meet your margin call. However, if you cannot be contacted, OMF may be forced to close all or some or all of your positions.

You are required to ensure that you or an authorised person are always able to be contacted for instructions at any time, even when travelling. We strongly suggest that if you know that contact may be difficult, you should make alternative arrangements for payment in the event of a margin call and OMF recommends lodging additional funds for this purpose.

Example: Margin Call

NZ Sport Limited decided to transfer to its OMF account NZD $5,000 when it entered into the Forward.

The Initial Margin is NZD $4,025.83 and NZD $67.10 in fees were charged by OMF.

The account has an excess balance of $907.07 on day 1 (being NZD $5,000 less NZD $4,025.83 and NZD $67.10).

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

Example: Unlimited Overloss

NZ Sport Limited has its Forward and decides to transfer NZD $5,000 to cover its Forward margin calls.

The 3% initial margin covers any loss between one day and the next but as calculated only covers a 3% swing in the currency.

If the NZD depreciated by 5%, then the 3% covers the initial loss but is insufficient to cover the total loss.

The margin call will be:

	(all figures in NZD)
OMF account balance	5,000
Less fees charged by OMF	67.10
	= 4,932.90
Less Initial Margin requirement	4,025.83
OMF account balance	=907.07

Depreciation is 5% of NZD $134,194.25 which equals NZD $140,903.96
(NZD $134,194.25 x (1+0.05) = NZD $140,903.96)

Margin call is	**$6,709.71**
OMF account shortage	5,802.64
Less Initial Margin	4,025.83
Overloss	**$1,776.81**

NZ Sport Limited will need to pay the loss of **NZD $1,776.81** plus **NZD $4,227.12** (3% of NZD $140,903.96) which equals **NZD $6,003.93** to maintain its Forward position.

How Do Forwards Work as a Trading Strategy?

Forwards can effectively work as a trading strategy for people who wish to hedge their risk of currency fluctuations over a given period of time and guaranteed Forward rates can be extremely important.

Example: Using a Forward to hedge currency risk for NZ Sport Limited

NZ Sport Limited knows that in 90 days' time it has to pay a bill of USD $100,000. The spot rates of the NZD/USD have been particularly volatile.

Today's spot rate of NZD/USD is quoted as 0.7518.
As in the example above, OMF can offer a Forward rate of 0.7452.

This may seem like a poor rate as it's less favourable than today's rate, however, NZ Sport Limited is aware that over the previous couple of months the spot rate has been as low as 0.71 and high as 0.78.

NZ Sport Limited decides that it wishes to go ahead with the Forward and lock in a guaranteed rate of 0.7452.

This means that it knows it will only require NZD $134,192.16 to pay this bill as it has given itself certainty and "hedged" the currency risk.

If the date of expiry occurs and the spot rate is 0.7250, NZ Sport Limited would have locked in a more favourable rate than the open market rate.

Spot rate at 0.7250 = NZD $137,931.03
Forward rate at 0.7452 = NZD $134,194.25

This is a saving of NZD $3,736.78 for NZ Sport Limited.

However, if the spot rate increased to 0.78, NZ Sport Limited would have locked in a less favourable rate than the open market.

Spot rate at 0.78 = NZD $128,205.13
Forward rate at 0.7452 = NZD $134,192.16

This is an additional cost of NZD $5,987.03 for NZ Sport Limited. In this instance, NZ Sport Limited could purchase NZD/USD at the spot rate and cover the difference this way.

It should be noted that although hedging provides certainty of the Forward rate, it also eliminates any potential profits should the currency appreciate in favour NZ Sport Limited in the example above.

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 FORWARD AND RIGHTS TO ALTER TERMS OR TERMINATE A FORWARD

The process below is a summary only of how to enter into Forwards with OMF. OMF's General Terms and Conditions provide more detailed information about the obligations and rights of each party.

Establishing an Account with OMF

To enter into a Forward contract (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, OMFx24 as well as having access to OMF's dealing desk and traditional phone broking model.

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 a Forward

Once an account is approved, you become a client and are able to enter into the Forward contract by instructing an OMF dealer or via OMFx24.

To place an order, you request that an OMF dealer or OMFx24 provide a quotation for the price at which you may enter a Forward by nominating:

a) The currency pair
b) The value date of the Forward

If this is agreeable to you, you may, immediately upon receiving the quote, instruct us to arrange the entry into the Forward. This can be done verbally via the OMF dealer or electronically via OMFx24, depending on where the quote was provided.

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

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

When the Forward Is Confirmed

If you have placed a market order the deal will be confirmed verbally by the OMF Dealer OMFx24. In all cases, upon acceptance of the Forward 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.

Confirmation of all trading activity is normally sent by email on the business day following the transaction in the form of a daily statement. 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 account's base currency for convenience.

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

Example: NZ Sport Limited trading a Forward with OMF

NZ Sport Limited decides that it wishes to start hedging its currency risk with OMF through using Forwards and complete OMF's Client Application Form after carefully reading OMF's General Terms and Conditions.

It receives notification that its account has been approved and is open.

It knows that it has to post margin to trade, however, NZ Sport Limited wants to confirm how much it should lodge for a Forward.

NZ Sport Limited speaks to OMF and advises that it wishes to pay a bill due in 90 days for USD $100,000, but its bank accounts are in NZD and it wishes to hedge its risk using a Forward.

Its OMF dealer provides it with a quotation for USD $100,000:

- NZD/USD
- 90 days

Based on the calculations above, the Forward rate is 0.7452 and the current Initial Margin requirement for NZD/USD is 3%, which on NZD $134,192.16 equals NZD $4,025.76.

The agreed fee that OMF will charge for this Forward is 0.05%, therefore NZ Sport Limited will have to pay 0.05% of NZD $134,192.16, which is NZD $67.10.

This means that NZ Sport Limited as a minimum will have to transfer NZD $4,092.86 to OMF for this Forward.

NZ Sport Limited decides to transfer NZD $5,000 to take into consideration any Variation Margin that may occur in the next 90 days.

NZ Sport Limited speaks to its OMF dealer and instructs the Forward to be entered into.

Through its nominated email address, it receives a copy of its account statement that shows the Forward being held in its account.

Altering or Terminating the Forward

Should you wish to alter or terminate the terms of the Forward, you must advise OMF. You can pre-deliver, partially pre-deliver, extend or close out a forward.

Altering the Forward

On your instruction OMF can:

- ***Pre-deliver the entire Forward prior to maturity***. For example, NZ Sport Limited has a 90 day Forward at 0.7452, and wants to deliver the contract early. OMF calculates the interest rate benefit to deliver the contract early and adjusts the Forward rate to the contract. The contract is now due today at say 0.7515. The client delivers the contract by paying OMF NZD and providing USD payment instructions (i.e. receiving USD).

- ***Partially pre-deliver the Forward prior to maturity***. As above but can be done for only part of the contract with the remaining part being left until the original maturity.

- ***Partially deliver the Forward at maturity***. For example, NZ Sport Limited's bill payable has reduced to USD $80,000, so they deliver NZD and buy USD at the original rate of 0.7452. The remainder can be rolled to a new forward date or closed at market.

- ***Extend a Forward***. For example, NZ Sport Limited's goods receivable totalling USD $100,000 have been delayed so they instruct OMF to extend the Forward by 30 days. OMF calculates the interest rate differential for another 30 days and adjusts the forward rate for the new maturity date. OMF may require the Forward contract at maturity to be rolled using market rates rather than off the contract rate if it's more than 10% out of the money (in a loss) from the market rate. OMF will allow extensions of Forward contracts off the contract rate for up to 12 months, after which the contract will only be rolled if it is in profit.

Closing Out and/or Terminating the Forward

You cannot effectively terminate a Forward, however, you are able to "close out" your position by pre-delivering your Forward (see above). If you wish to close your Forward, you should advise OMF who will provide you with a quote which will be calculated on the value of the contract today.

If you wish to proceed, this will close the contract at market rates and any profit or loss will be credited/debited to your OMF account.

Example: Closing a Forward

NZ Sport Limited has a 90 day Forward at 0.7452, and wants to deliver the contract early. OMF calculates interest rate benefit to deliver the contract early and adjusts the Forward rate to the contract.

The contract is now due today at say 0.7515.

As part of the agreement between OMF and you ("Agreement"); either party may terminate the Agreement at any time by giving the other party 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 Forward contracts will be closed out or abandoned.

3. RISKS OF THESE DERIVATIVES

Derivatives are often described as high risk investments they are leveraged and as their value is determined by an underlying asset, which in the case of Forwards are currencies.

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

PRODUCT RISKS

Forward contracts carry a high degree of risk as exchange rates fluctuate, the leveraged nature of the facility will cause significant variations in the value of your position as you are only required to fund the initial and variation margins of the Forward rather than the full face value. These fluctuations can work in your favour or against you. If you have entered a Forward you are locked into a forward rate and will not be able to benefit from any subsequent favourable exchange rate movements. It is important to understand that major currency shifts can result in unlimited losses on your position that exceed your posted margin, resulting in additional variation margin to be paid, which has the potential to bring your OMF account balance into negative equity.

Margin call risk
Every day, the entry price of your Forward 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, or part of your initial margin, you will be required to supply additional funds (usually within 24 hours) to bring your account balance up to its required minimum.

Should the market continue to move adversely, then you will continue to be 'margin called' to maintain the required margin.

Should you fail to make a payment for additional margin or provide security when due, your position 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.

Volatility Risk
Typically, Forwards will close out if the margin in your account is exceeded by losses, however, from time to time, major events in the currency 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 Forward may suffer losses that are greater than the total funds that they initially invested, this leads their account to become negative or in unlimited "overloss" and the investor will be in default with OMF.

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

Your Forward contract may cease to exist or be mandatorily closed by the liquidator in the event of insolvency.

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 avoid market risk, OMF only will act as a broker for client trading. What this means is that OMF hedges all its trading positions with reputable hedging counterparties and will not take uncovered principal positions (unlike a broker who acts as a market maker).

RISKS WHEN ENTERING OR SETTLING THE DERIVATIVES

There is an additional risk that you should be aware of when you enter into or settle the Forward.

Systems Risks

Operational risks in relation to OMF's trading platforms are inherent in every FX contract. 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 a 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 an FX product 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.

Your acceptance of the quote constitutes an offer to OMF and the Forward contract is binding at the point in which OMF accepts this offer by an OMF dealer placing it into our trading platforms.

4. FEES

APPLICABLE FEES AND CHARGES FOR THESE PRODUCTS

OMF will charge clients commissions on Forwards 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

Commission:
Commission rates are charged at a default rate of up to 0.10% of the nominal face value of the Forward contract.

Additional Charges

Forward 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 Forward contract early, however, OMF will recalculate the cost of the Forward as at today’s price to pre-deliver the Forward and provide this as a quote to the client. Should the client agree to this, they will receive any profits on the Forward or be obligated to pay any losses on the Forward.

Examples regarding the termination or alteration of Forwards 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 Forwards not delivered on their value date will incur or attract holding charges which reflects the funding of not settling the two currencies. Clients will receive interest for the bought currency and pay default interest for the sold currency reflected in the movement of the Forward points.

For example, if the client has bought USD they will receive 0.25% and if they have sold NZD, they will have to pay 2.5%. This means they will be subject to a holding charge of 2.25% on the Forward reflected in the movement of the Forward points.

The holding charge will either be a debit or credit to the client's account depending on the currency pair not settled. The charge will apply every day until the open position is closed out.

Clients should also be aware that the Forward rate that we provide you with may from time to time differ from the rate in 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 quotation price of a Forward 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 Forwards 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 pair as the Forward 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 Forwards 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 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 properties 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, contract for differences 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, Auckland
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 or forward foreign exchange contracts 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 Forwards 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 Forwards Are Suitable For You

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

You should think about your familiarity with currency markets, how much you understand about the risks of trading in financial markets and in particular, Forwards.

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 Forwards 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 Forwards 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.

Base currency	The first currency quoted in a foreign exchange pair of currencies.
Close out or closing	The term used to terminate a derivative.
Deliverable/ delivery	Deliverable means that at the end of a contract, the currencies are physically delivered. For example, if you sell USD and buy NZD, you will receive the NZD in your OMF account once you have paid OMF for the USD.
Forward	Forwards are derivatives, which are contracts between you and OMF that require you or OMF to make payments and deliver currencies at a specific rate on a specific future date.
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. Foreign exchange and Forwards are OTC products.
Pips	One Pip is the minimum price (point) movement in currencies.
Quote currency	The second currency quoted in a foreign exchange pair of currencies.
Spot price or rate	Today's rate of an asset if transacted at market prices.
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
Variation margin	The change in market price which has an impact on the funds required as security for a derivative.