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

This document replaces the previous OM Financial Limited Product Disclosure Statement for Margin Foreign Exchange Contracts dated 7th July 2016.

15th June 2017

This document provides important information about Margin 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
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: OMF15062017.MFX

1. KEY INFORMATION SUMMARY

WHAT IS THIS?

This is a Product Disclosure Statement ("PDS") for Margin Foreign Exchange contracts ("Margin FX") provided by OM Financial Limited ("OMF").

Margin FX 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 currencies.

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 currency 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 Margin Foreign Exchange contracts ("Margin FX").

A Margin FX contract replicates the risk and return profile of the underlying currency. No delivery occurs and the contract is cash settled with margin paid and/or received based on the change in value of the underlying currency. However as Margin FX is a highly leveraged derivative, you have significantly greater risk than an investment in the underlying asset.

Margin FX 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 desk or direct to market by using OMF's cTrader platform.

Each contract allows the investor/trader to speculate on exchange rate movements in a pre-set size depending on their needs.

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2. KEY FEATURES OF THE DERIVATIVES

KEY FEATURES OF MARGIN FOREIGN EXCHANGE CONTRACT

What Is a Margin FX Contract?

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 Margin FX contract is a form of derivative used in FX trading and is an agreement derivative to buy one currency and sell another currency. Their value depends on the value of the underlying asset, which in the case of Margin FX, is the underlying spot currency.

Margin FX contracts are a highly leveraged derivative where no delivery occurs as the contract is cash settled on the settlement date, with margin paid and/or received based on the value of the underlying currency. As foreign exchange rates fluctuate, the revaluation of FX Margin contracts can result in unrealised gains and losses. These may be realised by liquidating (closing out) your positions.

Margin FX orders 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 Margin FX quotes through our 24 hour dealing desk or our electronic Margin FX platform, OMF cTrader.

Example

Jack is a currency speculator who has an OMF cTrader Margin FX account with a balance of NZD $20,000. He believes that economic news due to be released in 15 minutes will adversely affect the NZD/USD exchange rate.

He decides to sell NZD/USD $100,000 on OMF's cTrader platform at the current rate of 0.7500 thinking that the NZD will depreciate against the USD.

10 minutes after the news was released, the NZD drops 30 pips (points) to 0.7470. Jack decides to close out the trade by buying NZD/USD $100,000 at 0.7470 realising his profits.

Why Should Investors Consider Margin FX?

During trading hours, the exchange rates of major currency pairs can change by the millisecond, thus creating an unpredictable environment for anyone exposed to foreign currency.

Investors often wish to speculate on the movement in currency rates therefore exposing themselves to this risk. Margin FX is one of the key derivatives used by speculators for this purpose. Indeed, in the past the smaller trader had no direct access to this market apart from buying/selling spot currency through their Bank. Margin FX allows smaller investors, leveraged access to the global FX markets.

The main reasons for engaging in Margin FX with OMF are:

- To gain exposure directly to international currency markets and interbank liquidity utilising a small deposit known as initial margin.
- They are highly leveraged so the speculator can gain greater positioning power (exposure) to the currency market.
- They are purely speculative.
- They are non-deliverable, so the speculator does not need to deliver or take delivery as is the case in spot foreign exchange and other FX derivatives that OMF may offer.
- OMF offers Margin FX through two trading models: directly through OMF's dealing desk and OMF's electronic trading platform, OMF cTrader.

Example: Emily the currency speculator

Emily trades currency with OMF and is of the opinion that the Euro will strengthen against the USD in the next few weeks. Emily buys EUR €100,000 against the USD at the current trading level of 1.1330.

Emily's order is executed and the subsequent fill is confirmed to her. Her account position is now long EUR €100,000 vs. USD.

Three weeks later the market has moved in her favour, and the price of the Euro is 1.1410. In order to close out and take profit on this long position, she sells EUR €100,000 vs. USD at the market price realising her profits.

The buy and sell of Euros are matched out against each other in her account, leaving Emily with no open positions.

How Are Margin FX Contracts Calculated?

The investor knows the current market rate for currencies, which is known as the "spot price" or "spot rate". Margin FX rates are a true reflection of this spot rate so are continuously changing.

When trading Margin FX, 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.

Margin FX is a leveraged product, which means that clients can trade larger notional values, but with a lower deposit (margin).

Using OMF cTrader the standard leverage is 100:1 which equates to a 1% margin over the entire position traded/held. This means that if you have exposure to NZD/USD $100,000, the minimum amount of upfront deposit (the initial margin) is NZD$1,000.

The margin for trading through OMF's dealing desk is typically higher at 3% over the entire position traded/held which means that if you have exposure to NZD/USD $100,000, the initial margin is NZD$3,000. The reason for this variation is that OMF cTrader has a system based automatic close-out function.

The initial margin rates on both the OMF cTrader and through OMF's dealing desk will vary depending on the volatility of the underlying currency. They are also subject to change by OMF at any time.

So when clients wish to trade Margin FX, they need to consider their margin requirements to understand their true profit or loss on a position.

Example: Calculating the Profit & Loss for Jack

Let's revert back to the example of Jack above. Remember Jack is a currency speculator who has an OMF cTrader Margin FX account at OMF with a balance of NZD $20,000.

He believed that economic news due to be released in 15 minutes will adversely affect the NZD/USD exchange rate.

He decides to sell NZD/USD $100,000 on OMF's cTrader platform at the current rate of 0.7500.

The standard leverage on OMF cTrader for the NZD/USD is 100:1 which means that Jack has to maintain a 1% initial margin over the position traded / held.

Excluding any costs and commissions, Jack's account will be as follows:

Current balance	NZD $20,000
Position:	Short $100,000 NZD/USD at 0.7500
Margin deducted	NZD $1,000
Balance available	NZD $19,000

10 minutes after the news is released, the NZD drops 30 pips (points) to 0.7470. Jack decides to close out the trade by buying NZD/USD $100,000 at 0.7470.

The realised P&L shows that Jack has made 30 pips or USD $300 variation margin profit (converted @ 0.7470 to NZD $401.61)

Upon closing the trade, the initial margin used to hold the trade and the variation margin profit are credited back to Jack's account. Jack's account balance has increased and is now NZD $20,401.61.

Holding Margin FX Overnight and Swaps

Typically Margin FX is traded same day (otherwise known as day trading) however, clients are able to hold trades overnight and on an indefinite basis.

If Margin FX is held overnight, clients are subject to a holding cost / roll or credit, which is based off the overnight Swaps or the interest rate differential of the two currencies that they are trading.

It's important to note these rates are susceptible to Official Cash Rate ("OCR") adjustments or monetary policy ("MPS") announcements and that there are three (3) day Swaps or rolls every Thursday morning (NZST / NZDT) to coincide with the close of the 5pm Wednesday New York trade day.

The calculation method for Margin FX at OMF is the same, however, it is expressed differently depending on whether the contract is traded through OMF's telephone trading service or OMF cTrader.

OMF's dealing desk includes the Swap amount in the FX points ("Pips") that are quoted to the client. This will change the entry rate of the Margin FX position.

As a general rule of thumb, if you are 'long' the high yielding currency, you will receive the benefit for it and if you are 'short' the high yielding currency, you will be required to pay the cost on any Margin FX contracts traded by OMF's dealing desk. See Section 4 of this PDS on interest and deficit interest fees and charges.

On OMF's cTrader platform, the Swap rate is calculated and then deducted off the gross profit/loss figure to form the net profit/loss figure, which is quoted to the client.

Example: Calculating the cost of trading for Jack

Jack has agreed to pay a commission rate of 0.01% to trade Margin FX on OMF's cTrader platform:

Current balance	NZD $20,000
Position	Short $100,000 NZD/USD at 0.7500
Commission charged	$10
Margin deducted as required	NZD $1,000

Let's say Jack does not close out after 10 minutes but holds the position until (at least) the next day

The current Swap rates are:	-1.06/0.60

Therefore as Jack is short NZD, his OMF cTrader account will have a debit of USD $10.60 (automatically converted at 'spot' to the home currency of the account)

Spot @ 0.7500	NZD $14.13 Dr

and noted clearly in his 'positions' tab under 'Swap'.

Current balance	NZD $18.975.87

On the second day Jack notices the NZD has dropped 100 pips or 1c to 0.7400. He decides to close out the trade. Our 'Gross realised P & L' shows that he has made USD $1,000 (converted to NZD $1,351.35 @ 0.7400)

Upon closing the trade, the initial margin used to hold the trade is credited back to Jack's account (NZD $1,000). Jack will be required to pay the closing commission to exit the trade (of equal value to the opening commission when he opened the trade of NZD $10). This is clearly noted in his 'positions' tab under 'Closing Commissions'

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

Opening Balance	NZD $20,000.00
Profit	NZD $1,351.35
Less commission(s) cost	NZD $20
Less total Swap cost	NZD $14.13
Jack's balance after trading	**NZD $21,317.22**

How Are Margin FX Price Quotes Expressed?

Margin FX quotes are expressed in currency pairs; the base currency and the quote currency and as a bid or offer as to whether the client wishes to buy or sell the base currency.

For example, going short $100,000 NZD against the USD would be expressed as:

NZD/USD Sell $100,000

Margins

Clients who wish to use a Margin FX 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.

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
Variation margin is the term to describe the change in the market price of the underlying currencies 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. You can use surplus variation margin to increase the size of your position.

If the market moves against you (negative price movements) and your account holds insufficient funds, you will either be:

- automatically closed out if your Margin FX position is on OMF cTrader; or
- 'margin called' if your Margin FX position traded through OMF's dealing desk

Margin Calls
Margin calls are only available on Margin FX positions traded through OMF's dealing desk as OMF's cTrader has a system based automatic close out function. This is why OMF's margining requirements will differ depending on where a Margin FX contract is traded.

Margin calls are normally made at the beginning of the day for Margin FX, 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 position 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 Margin FX contract and you remain liable for any losses.

Conversely, of course, the daily revaluation of your positions may result in the continued growth in unrealised profit, which will be realised when you close the position. In this scenario you will be 'in the money' and not on margin call.

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

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

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. Accordingly, 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

Jack decided to transfer NZD $5,000 to trade Margin FX on OMF's dealing desk.

He agreed to pay a commission rate of 0.01%

He decided to enter into a short Margin FX contract of NZD/USD at the spot rate of 0.75.
The initial margin required is 3%

Current balance	NZD $5,000
Position	Short $100,000 NZD/USD at 0.7500
Commission charged	$10
Margin deducted as required	NZD $3,000

The account has an excess balance of NZD $1,990 on day 1 (being NZD $5,000 less NZD $3,000 and NZD $10)

Jack decides to keep the Margin FX position open overnight as the US Federal Reserve is making an announcement which Jack speculates may cause the USD to strengthen against the NZD.

The figures are not as good as Jack anticipated and the USD slumps against the NZD to a spot rate of 0.7900.
The difference between the rates of 0.7500 and 0.7900 is 400 pips which equates to USD $4,000.

Jack's margin calls are calculated in NZD, therefore USD $4,000 equates to NZD $5,063.29 (4,000/ 0.79).

His margin call is therefore NZD $1,990.00 – NZD $5,063.29 = **NZD $3,073.29**.

Margin calls may occur where a Margin FX contract 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

In example above, if Jack failed to pay the variation margin of NZD $3,073.29 his position would be closed leaving an overloss of $73.29 payable to OMF within 24 hours.

How Does Margin FX Work as a Trading Strategy?

Margin FX are highly volatile derivatives and may be used as a trading strategy for people who wish to trade currency fluctuations rather than people who wish to trade for other purposes (such as hedging risk). There is no certainty in trading Margin FX, 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 base currency will appreciate, you will buy the Margin FX contract in the size suitable to your risk appetite. If your view is that the base currency will depreciate, you will sell the Margin FX contract.

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

They are 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 MARGIN FX AND RIGHTS TO ALTER TERMS OR TERMINATE A MARGIN FX

The process below is a summary only of how to trade Margin FX with OMF as 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 Margin FX 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, OMF cTrader, 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 Margin FX Contract

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

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

a) the currency pair;
b) the amount of the Margin FX contract; and
c) whether you are buying or selling the base currency

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

At this point, OMF will use our best endeavours to facilitate this position on your behalf, however, OMF has no obligation to accept your offer to enter into that contract and it only becomes binding when the Margin FX contract 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 Margin FX contract and that you are trading within any limits set by OMF.

When the Margin FX Contract Is Confirmed

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

If the order is filled, you can instruct OMF to send a text or email on fill. In all cases upon acceptance of the Margin FX contract 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 written form either on a daily statement (for phone broking) or online on OMF cTrader.

For trading conducted via OMF's dealing desk, daily statements are normally sent by email 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 cTrader, 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: Emily trades Margin FX with OMF

Emily decides that she wishes to start trading with OMF via telephone using Margin FX and completes OMF's Client Application Form after carefully reading OMF's General Terms and Conditions, various disclosure documents and this PDS.

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

Emily knows that she has to post margin to trade, however, she wants to confirm how much she should lodge for a Margin FX.

Emily speaks to OMF and she advises the Dealer that she wishes to trade EUR/USD €100,000 using her Margin FX account. The OMF dealer provides her with a quotation and indicates how much margin is required.

Emily lodges sufficient funds and once the funds are cleared is able to enter into a Margin FX contract. Emily goes online via OMF's cTrader platform and buys EUR €100,000 against the USD at the current trading level of 1.1330.

Emily's order is executed and the subsequent fill is confirmed to her. Her account position is now long EUR €100,000 vs. USD, which she can view instantaneously via OMF cTrader.

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

They are 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 Margin FX

Should you wish to alter or terminate the terms of your Margin FX contract you must advise OMF. You cannot effectively alter a Margin FX contract but you can "close out" all, or a partial amount, of your position by advising OMF through your OMF dealer or OMF cTrader.

Closing out your Margin FX position will close the contract at market rates and profit or loss will be credited/debited to your OMF account.

Settlement of Margin FX will always be cash settled, however, the timing of settlement will differ depending on whether the contract is traded via OMF's dealing desk or via OMF cTrader:

- OMF's dealing desk will settle 'spot' (i.e. in 2 days)
- OMF cTrader will settle instantaneously

Clients who trade via OMF's dealing desk will be able to view on their daily statements a 'Value Date', which is the date in which the Margin FX contract will be cash settled.

This changes on a daily basis depending on how long the contract is kept open for.

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 Margin FX contracts will be closed out or abandoned.

3. RISKS OF THESE DERIVATIVES

Derivatives are often described as high risk investments as their value is determined by an underlying asset, which in the case of Margin FX, is currency.

This section outlines the material risks in dealing in Margin FX. You should therefore consider these risks very carefully to decide whether Margin FX contracts are suited to your trading requirements.

PRODUCT RISKS

Margin FX 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 Margin FX contracts rather than the full face value. These fluctuations can work in your favour or against you. 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 have the potential to bring your OMF account balance into negative equity.

If you are trading with OMF electronically via OMF cTrader, 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 cTrader will automatically close out your position, therefore there are no margin calls on OMF cTrader.

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

Margin Call Risk

Margin call risk is only applicable to Margin FX contracts traded via OMF's dealing desk.

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, 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 variation 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, Margin FX 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 Margin FX position 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 overloss.

Although there is a greater risk when Margin FX contracts are traded via OMF's dealing desk, in cases of dislocation and high volatility, this may also occur on OMF's cTrader platform, leaving the client in deficit.

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 avoid market risk, OMF will only act as a broker for client trading. What this means is that OMF hedges all our 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 are a number of risks that you must be aware of when you enter into or settle the Margin FX.

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 a 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.

4. FEES

APPLICABLE FEES AND CHARGES FOR THESE PRODUCTS

OMF will charge clients commissions on Margin FX 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 for Margin FX

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

Additional Charges for Margin FX via OMF's dealing desk

Margin FX contracts traded via OMF's dealing desk 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 Margin FX, however, OMF will recalculate the cost of the Margin FX contract as at today's price to deliver the contract and provide this as a quote to the client. Should the client agree to this, the Margin FX will then be closed and the client will receive any profit on the Margin FX contract or be obligated to pay any losses on the Margin FX contract.

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

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

Holding Charges
Open Margin FX contracts held overnight 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 FX 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 that they will be subject to a holding charge of 2.25% on the Margin FX contract reflected in the movement of the FX 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 spot rate 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 quotation price of a Margin FX contract 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 trading Margin FX, 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 Margin FX 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 same currency pair as the position 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 Margin FX at OMF and if received, this 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 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, options, equities, contracts for difference, futures, carbon, dairy and electricity 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 connect 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, Email: info@omf.co.nz
Wellington:	Level 8, ASB Bank Tower, 2 Hunter Street, Wellington 6011 Phone: +64 4 499 0028, 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 Margin FX 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 Margin FX 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 Margin FX are Suitable for You

As with all derivatives, Margin FX 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, Margin FX.

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 Margin FX should we believe that 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 Margin FX 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. Which means that if you sell USD and buy NZD, you will receive the NZD in your OMF account once you have paid OMF for the USD.
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.
Margin FX	A Margin FX contract replicates the risk and return profile of the underlying currency. No delivery occurs and the contract is cash settled with margin paid and/or received based on change in value of the underlying currency.
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.