CMC Markets NZ Limited

CFD Disclosure Document

Market*maker*™ (DD)

9 March 2013

Company Registration Number 1705324

cmc markets

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01 Important information

1.1 About this DD

This DD is designed to assist you in making an informed decision regarding opening an Account and trading in CFDs with CMC Markets NZ Limited (**CMC Markets**) and forms part of the Agreement under which we will provide Services to you. Before deciding whether to trade with us, you should consider this DD and whether trading in contracts for difference (**CFDs**) is a suitable investment for you. We recommend you obtain independent financial, taxation and other professional advice concerning this DD, the CMC Markets Product Schedule and the CMC Markets Rates Schedule and any other terms that form part of the Agreement before you apply to open an Account with us. A summary of the documents that constitute the Agreement is listed in the Glossary of this DD.

CFDs are speculative products, and their leveraged nature places a significantly greater risk on your investment than non-leveraged investment strategies such as conventional share trading. You will find more about risk factors associated with trading in CFDs in section 12. You may incur losses in addition to any fees and costs that apply. These losses may be far greater than the money you have deposited into your Account or are required to deposit to satisfy your Margin Requirement.

This DD is dated 9 March 2013. This DD replaces all previous versions. The current Agreement (including this DD) supersedes all previous oral or written representations, arrangements, understandings and/or agreements between you and CMC Markets which relate to the Services.

The version of the DD published on our website at the time of entering into a CFD governs that CFD. Information within this DD is subject to change from time to time and where it is not materially adverse to you may be updated by us by posting it on our website at cmcmarkets.co.nz.

If you are receiving advice from an Introducing Adviser, you should also refer to their disclosure material.

Section 16 of this DD contains a Glossary in which various words and phrases used in this DD are defined. If you do not understand a word or phrase, you should refer to the Glossary. Terms that have been included in the Glossary are capitalised in this document.

1.2 How to contact CMC Markets

CMC Markets NZ Limited	
Street address	Level 25 151 Queen Street Auckland 1010 New Zealand
Postal address	PO Box 106645 Auckland 1143 New Zealand
Phone	Main: **+64 (0)9 359 1230** Sales: **+64 (0)9 359 1200** **0800 262 627** (only in New Zealand) Asia Desk: **+64 (0)9 359 1210** **0800 888 873** (only in New Zealand) Client Services: **0800 888 874** (only in New Zealand) Dealing: **0800 262 332** **0800 888 128** (Chinese) (only in New Zealand)
Fax	**+64 (0)9 359 1199**
Email	info@cmcmarkets.co.nz
Web	cmcmarkets.co.nz

1.3 What are CMC Markets' trading hours?

Trading hours for CFDs depend on the relevant Underlying Market's hours of operation. Trading hours may also be affected by public holidays. You will find the details of various trading hours for CFDs in the CMC Markets Product Schedule available on our website or by calling us.

In this DD, we make reference to Australian time (AEST/AEDT). Please note that while New Zealand time is generally two hours ahead of AEST/AEDT, the dates that each time zone switches to or from daylight savings time may be different. Accordingly, you should always confirm the time difference between New Zealand and Australia.

1.4 Who is the issuer of this DD and the CFDs?

CMC Markets is the issuer of this DD, and the issuer of CFDs referred to in this DD.

CMC Markets is authorised to deal in CFDs by the Securities Commission pursuant to The Authorised Futures Dealers Notice (No. 2) 2006 (**Authorisation**). The Securities Commission's role in authorising CMC Markets as a futures dealer is limited and does not imply approval or endorsement of the business, trading or solvency of CMC Markets. The Securities Commission has not approved this DD or any other document issued by CMC Markets.

1.5 Applying to trade with CMC Markets

Before you begin trading in CFDs you must complete an Application Form. Before completing the appropriate Application Form you should read this DD, the CMC Markets Product Schedule, CMC Markets Rates Schedule and our disclosure material (and the disclosure material of your Introducing Adviser where applicable). The Application Forms are available from our website or can be obtained by contacting us.

Trading in CFDs may not be suitable for all investors because of the significant risks involved. During the application process CMC Markets will ask questions in order to assess your understanding of and experience with CFDs or related products. Based on your answers we may allow you to open an Account or decline your application and recommend that you first obtain further education or experience. If CMC Markets, in its discretion, accepts the Application Form, CMC Markets will open the Account before trading starts.

1.6 References to other parties

No other entities or Underlying Markets have endorsed the CFDs we issue nor do they accept any responsibility for any statements contained within this DD. References in this DD or any other part of the Agreement to any Underlying Instrument Entity or Underlying Market are included solely for information purposes.

1.7 CMC Markets does not give personal advice

We will not give you personal financial product advice. However, related entities or Introducing Advisers may give you such personal financial product advice. To find out more about the services they may be able to offer, you will need to refer to their relevant disclosure material.

Information we provide is general information only. Accordingly, before applying to trade in CFDs, you must consider your objectives, financial situation and needs and the significant risk of loss which accompanies the prospects of profit associated with trading in CFDs. We recommend you read this DD carefully and obtain independent financial, taxation and other professional advice concerning this DD and the other parts of the Agreement before you apply to open an Account with us. We can't promise specific results from trading in CMC Markets' CFDs.

02 Key features when trading in CFDs with CMC Markets

2.1 What is a contract for difference (CFD)?

A CFD is an agreement which allows you to make a profit or loss from fluctuations in the price of a CFD. The price of a CFD is based on the price of an Underlying Reference Instrument, for example, a share on an exchange. However, you do not own that Underlying Reference Instrument or trade it on an exchange by owning a CFD.

By entering into a CFD, you are either entitled to be paid an amount of money, or required to pay an amount of money, depending on movements in the price of the CFD.

The amount of any profit or loss made on a CFD will be the net of:

- the difference between the price of the CFD when the CFD position is opened and the price of the CFD when the CFD position is closed multiplied by the number of CFDs traded;
- any adjustments made in respect of the CFD;
- any Commission payable in respect of the CFD; and
- any Rollover Charges, Rollover Benefits, Financing Charges or Financing Benefits relating to the CFD.

The balance of your Account will also be affected by other amounts you must pay to us in respect of your Account such as exchange fees and interest on debit balances.

A CFD is not traded on an exchange. This means it is an over-the-counter (**OTC**) product, and you are trading with CMC Markets as the counterparty to all transactions you undertake. See section 10.12 for some information on the scope of CFD market regulation and the associated risks with trading in such a market. In addition, all transactions you open with CMC Markets must be closed with us. You cannot transact with another CFD provider to close any existing position issued through CMC Markets. See section 10.7 for details on counterparty risks.

There are risks associated with trading in CFDs. Some of these risks are set out in section 10 of this DD. You should read and make sure you understand these risks before you trade in CFDs.

It is important to note that CMC Markets acts as the counterparty for your CFD trades on all Account types.

2.2 Electronic trading platform/s

Please note that when we reference 'Electronic Trading Platform/s' in this document, we are referring to any electronic platform/s as supplied by CMC Markets or a third party to you for the purpose of placing CFD orders with CMC Markets.

When you are trading on our Electronic Trading Platform/s you are trading an OTC CFD. CMC Markets will have regard to the price of the Underlying Market. However, when you trade you will be trading on the CMC Markets price and not the market price. Trades placed on our Electronic Trading Platform/s will not necessarily be Hedged directly on a one-for-one basis, CMC Markets will act as the counterparty on the trade and the trade will be Hedged according to CMC Markets' internal risk management policies. See section 10.7 for more details.

2.3 How do you place orders with CMC Markets?

You (or your Authorised Person, where applicable) may place orders to trade in CFDs in two ways:

- using our Electronic Trading Platform/s;
- calling our Dealing Desk.

We will not accept orders or instructions from you in any other way, such as by email or using the online chat facility, unless we have already agreed to do this with you. If you are unsure about any aspect of placing a CFD order, please contact us (see contact details in section 1.2).

2.4 What is the minimum deposit required to open your Account?

To open an Account you need to deposit a minimum of NZ$1,000, although CMC Markets may vary this amount at any time.

2.5 Trading on the 'long' and the 'short' side of the market

CFDs let you benefit directly from rising or falling prices depending on whether you are buying (long) or selling (short). Trading on the long side of the market means you are expecting the price of the Underlying Reference Instrument to rise. For this reason, your opening trade is a buy order and your closing trade is a sell order. If you believe that the price of the Underlying Reference Instrument will fall then you would trade short. This means your opening trade is a sell, and you use a buy order to close the transaction.

2.6 Opening positions

A CFD position is opened by either buying or selling a CFD.

2.7 Closing positions

One of the key things to consider in closing an entire position is that it must be the equal and opposite of your opening order. If you have added to your original position, you can close multiple positions with a single order. In any case, the profit or loss will be determined by the change in price from where you opened the position to where you closed the position, plus the relevant factors mentioned in section 2.1. By way of example, if you are short, the price of the Underlying Reference Instrument rises and you close the position, then your loss will be determined by the change in price multiplied by the number of CFDs you hold.

If you close a position and have related orders which you do not want to remain on our Electronic Trading Platform/s, you must cancel them. If you fail to do this the related orders remain at risk of execution.

If you wish to cancel any orders that have not yet been executed by us, you can do so using our Electronic Trading Platform/s at any time when our Dealing Desk is available to process the cancellation. There is no guarantee that any order will be able to be cancelled.

Requests for cancellation made outside our Dealing Desk hours will not normally be honoured.

2.8 What is your Margin Requirement?

Margin is the security we take from you to cover our exposure as counterparty to your CFD trading activities (such as where you are on Margin Call – see section 2.11). Margin is required because you do not pay the full value of your position.

When you open a CFD position with CMC Markets you need to have sufficient Total Equity (see section 2.9) in your CMC Markets Account to satisfy the Margin Requirement for the relevant number of CFDs. The Margin required will be a percentage of the Contract Value — for as long as you keep the CFD position open you will be required to keep sufficient money in your Account to meet the Margin Requirement.

The Margin Percentage you need to pay for the CFDs you trade in is determined by CMC Markets. You will find a full list of Margin Requirements for all available CFDs in the CMC Markets Product Schedule available on our website. Margin Requirements may change at any time, and this can impact on the requirements to maintain your existing CFD open positions. Please see section 10.4 for some information on the risks associated with Margin Calls.

CMC Markets reserves the right to vary the Margin Percentage at any time on your Account at its discretion. For example, CMC Markets may vary the Margin Percentage in periods of market volatility or to comply with CMC Markets' internal risk-management policies (see section 13.11 in relation to notices). Accordingly, you should be prepared at any time to have funds equal to the notional value of your CFD position available to meet any increase in Margin Percentage by CMC Markets.

You should note that Margin is not part payment for an Underlying Reference Instrument. There is no capacity for a CFD to be converted into the Underlying Reference Instrument. For example, you cannot pay the difference between your Margin and your total exposure on a Share CFD position and take ownership of the underlying shares. At the end of every trading day, all profits for the session are paid to your Account if you have made money on the day, or funds are deducted from your Account if you have lost money for the day. If at any time your Total Equity has dropped below your Total Margin Requirements, you will be on Margin Call and you may need to deposit additional funds.

Through the Electronic Trading Platform/s, you will be able to access your Account which contains sufficient information to enable you to calculate the amount of Margin required by CMC Markets. CMC Markets will report the total amount of Margin due from you in the Base Currency using the CMC Markets Exchange Rate.

It is your responsibility when placing any orders over the phone to ensure that you request all relevant information in respect of your Account before you place any orders to open or close a position, including all information in respect of your current open positions. CMC Markets will not be responsible for any losses you may incur as a result of not requesting any such relevant information.

2.9 What is your Total Equity?

We calculate your Total Equity on any day as the net total of:

- the amounts you deposit with CMC Markets into your Account;
- the profits minus losses on your CFDs;
- any adjustment made for dividends and other Corporate Action adjustments made in respect of a CFD;
- any Commission;
- any Rollover Charges and Rollover Benefits;
- any Financing Charges and Financing Benefits;
- interest charges paid and charged to balances in the Currency Ledgers on your Account;
- stock borrowing costs;
- movement of the foreign currency rate of any CFD positions held in a foreign currency against the base currency rate of the your Account;
- exchange fees; and
- other fees and costs relating to your Account (including administration charges).

The Total Equity of your Account will fluctuate daily according to the money you deposit or withdraw from your Account, profit and/or loss from the trading positions you have held and any fees and costs payable as a result of this trading.

During the Trading Day, your Account balance is constantly calculated in line with movements in our prices using our Mid Price. The Account balance is also calculated at the end of the day using the Mid Price which relates to the closing price of the relevant Underlying Reference Instrument.

Your Total Equity balance is used to assess your available Margin against current positions and any potential new positions you may wish to take.

2.10 What is your Free Equity?

Your Free Equity is your Total Equity less your current Total Margin Requirement. The Free Equity is the amount you may withdraw from your Account or use to cover additional Margin Requirements. If your Free Equity becomes negative, your Account is on a Margin Call and you may need to deposit additional funds.

2.11 Margin Calls

If you reach a stage where you do not have enough Total Equity in your Account to cover your Margin Requirements, you are on Margin Call. In order to satisfy the Margin Call you may:

- close out existing positions to reduce your Margin Requirements;
- deposit additional funds into your Account (see section 8.10); or

- risk your position being liquidated (see section 2.12 in relation to Liquidation Levels).

If you choose to deposit additional funds into your Account then they must be Cleared Funds. Due to the need for Cleared Funds to satisfy a Margin Call, a position may reach the Liquidation Level before deposited funds are applied. You may also be liable for interest charges attached to negative Account balances. Please see section 10.4 for some information on the risks associated with Margin Calls.

We are under no obligation to send you a Margin demand, call or notice. However, CMC Markets may (but is not required to) make or give a Margin demand, call or notice (see section 13.11 in relation to notices).

If we have given a Margin demand, call or notice on one or more occasions, this does not mean that you can rely on us to do so in the future. It is your responsibility to monitor your Account to see whether you are on Margin Call.

2.12 Liquidation

Without limiting our rights, or your obligations, elsewhere in this DD (such as under section 2.11 in respect of Margin Calls) your open positions may be closed out if the Liquidation Level is breached (that is, the minimum Total Equity balance required to hold a position after you have opened your Account). The Liquidation Level is the greater of 50% of the Total Margin Requirement or US$200 or its currency equivalent.

However, we do not give any assurance that we will place such liquidation orders at or below this level, or that they'll be executed within any particular timeframe, or at all, or that your open positions will be closed out at any particular level. Accordingly, your losses may be higher than they would have been if we'd exercised our right to place a liquidation order. We are not obliged to notify you before exercising our right to liquidate some or all of your positions. However, we may decide to do so at our discretion.

2.13 Minimum trade sizes

The minimum trade size for each CFD is set out in the current CMC Markets Product Schedule by reference to the Underlying Reference Instrument. You should consult the CMC Markets Product Schedule for information on the minimum trade sizes for each CFD.

2.14 Pricing errors

Neither party will be bound by any order executed (whether or not confirmed by us) at a price which was, or should have been, known to either party to be materially incorrect at the time of the trading. If you give notice to us that you believe a CFD has been executed on the basis of an incorrect price, we will determine at our discretion, acting reasonably, whether the relevant price quoted was materially incorrect. You must give this notice to us within three Business Days of entering into the relevant CFD. We will give you notice within a reasonable period not exceeding ten Business Days after the order has been placed if the CFD is voided by us.

Without limiting the paragraph above, we will not be bound by any CFD executed at a price which varies in any way from the CMC Markets Spread at the time of execution if it is caused by you modifying or using our Electronic Trading Platform/s in such a way that it fails to show changes in the CMC Markets Spread that have occurred since you first placed the order or in any other way that results in the transaction being based on what we determine to be an abnormal price in relation to market or trading conditions. We will give you notice within a reasonable period not exceeding ten Business Days after the order has been placed if the CFD is voided by us.

CMC Markets is only obliged to cancel trades that are materially incorrect.

2.15 Requotes

CMC Markets is the product issuer and, accordingly, we quote and set the applicable Bid or Offer prices at which we may be prepared to trade with you. When you request to place an order on a CFD, we may also provide you with a requote of the Bid or Offer price.

For example, where the volume of CFDs you wish to trade in is not reflected in the Underlying Reference Instrument in the Underlying Market, we may requote the price at which we offer the CFDs to you to reflect that lack of Liquidity in the Underlying Reference Instrument. Liquidity refers to how many of the Underlying Reference Instruments are available to buy or sell at a given price.

We may also requote the prices of CFDs to you when the aggregate of all requests for orders at a particular price or range of prices determined by us exceeds that available in the Underlying Market to which your request to place an order relates.

We may also requote the price in other circumstances we determine are appropriate, including where there has been a change in the Underlying Market since the original quote.

There is no predetermined percentage or amount by which the requoted price of a CFD can vary from the price of the CFD originally quoted to you. We, in our discretion, may quote different prices to different clients.

2.16 Order Priority

CMC Markets will, in its discretion, execute your order in accordance with your instructions. For all CFD products, orders placed on our Electronic Trading Platform/s are filled according to when the order is received by us and according to the volume available to us.

03 CMC Markets discretions

We may, acting reasonably, exercise a variety of discretions under this DD in respect of your trading in CFDs. These discretions are set out in other parts of this DD, for example where we:

- set our Commission rates (see section 5);
- change the way a CFD price is calculated;
- change a Bid price or Offer price;
- withhold any payments;
- change the Margin Percentage used to calculate your Margin Requirement;
- place a Margin Call;
- close some or all of your open positions;
- determine what a materially incorrect price is;
- open an Account;
- close your Account;
- limit the size of your open positions;
- limit the size of your Account balance;
- place a liquidation order on some or all of your open positions;
- accept, amend, cancel or reject your order;

- convert any cash balances in your Account that are not denominated in your Base Currency into the Base Currency for your Account; and
- pass on any additional costs that CMC Markets incurs in executing your business or maintaining your Account including, but not limited to, stock borrowing costs and increased exchange fees. We will inform you of any additional charges before they are applied to your Account.

In exercising such discretions we will have regard to our commercial objectives, which include:

- complying with our legal obligations including those pursuant to our Authorisation;
- maintaining our reputation as a product issuer;
- responding to competitive market forces; and
- managing all forms of risk including but not limited to operational risk, credit risk and market risk.

You expressly agree that we are not under any obligation to exercise any discretion in your interests or for your benefit.

Where we exercise our discretions, we may, or where required by law will, give you written or oral notice of our decision.

04 Types of CFDs, order types and examples

This section examines the major types of CFDs that are offered by CMC Markets and some of the key features that characterise these products. This section also details the different types of orders you can use to undertake your different trading strategies.

We will also look at examples of different types of trades you might undertake. You should read this DD carefully and contact us if you still have any questions about how Commissions and other fees and costs will be applied to your Account.

The examples and amounts contained in this DD are provided for illustrative purposes only. The figures do not reflect your personal circumstances and do not restrict the way in which we may exercise our powers or discretions. They are also not intended to give any representation about the performance of particular Underlying Markets, Underlying Reference instruments, Underlying Instrument Entities or CFDs.

4.1 Types of CFDs issued by us

We offer CFDs to you based on the following Underlying Reference Instruments:

4.1.1 Share CFDs

The price of the Underlying Reference Instrument will be influenced not only by regular supply and demand factors, but also by Corporate Actions such as dividends. These price changes will also be shown in the value of your CFD positions. The price of Share CFDs are determined by reference to the Underlying Market. We will endeavour to match the pricing (Bid and Offer price) as well as volume conditions, but we cannot guarantee that market conditions will always be replicated.

4.1.2 Index CFDs, Sector CFDs

The value of share indices is based on an underlying futures contract traded in the relevant country. We will create a price that reflects the value of the futures contract adjusted for the fair value of Corporate Actions. The value of your holding will be adjusted when dividends are paid in the underlying constituents. The value of sectors is made up of a weighted average of the sector constituents as chosen by us. This price may also be adjusted for Corporate Actions.

4.1.3 Forex CFDs

When you trade an ordinary Forex CFD, you take a position on the exchange rate of one currency against another (for example, NZD/USD). This means the price of the CFD and Underlying Reference Instrument refers to factors affecting two specific currencies. In an ordinary Forex CFD position, you are taking a view in each of the currencies in the currency pair (NZD/USD).

4.1.4 Bullion CFDs

Gold and silver Bullion CFDs are very similar to Forex CFDs (described above) because you are taking a position on the value of the metal in question against the value of a currency. This means that if you wanted to go long in gold, then you would be going short in USD at the same time. Conversely, if you were short gold then you would be long in USD. This demonstrates that when trading Bullion CFDs, not only are you taking a view about the value of the Underlying Reference Instrument (that is, the bullion) itself, but also on the currency it deals against. Bullion CFDs and Forex CFDs are based on the Interbank Rate prices of the constituent Underlying Reference Instrument, calculated by us by applying the CMC Markets Spread to the Interbank Rate.

4.1.5 Commodity CFDs

Commodity CFDs are based on commodity futures contracts that may be traded on different exchanges all around the world, the most common ones being traded in Chicago (US). Futures contracts do not trade perpetually and new contracts are typically issued every quarter, though there are other expiries (such as monthly) depending on the Underlying Market.

4.1.6 Treasury CFDs

The conditions of trading Treasury CFDs are very similar to that described for commodities when it comes to tracking an underlying futures contract. The difference relates to the underlying product, which can be different fixed interest securities issued by governments from all around the world and/or other debt securities. CMC Markets offers Treasury CFDs over products issued in countries such as Australia, Germany, Japan, the UK and the US. There are treasuries issued over many different terms, which will be affected differently in changing market conditions.

4.1.7 Index Future CFDs

CFDs whose prices are based on an underlying futures contract over an equity index. The Index Futures Contract the CFD is based on is traded on a futures exchange and is an agreement to buy or sell an index at a specified future date. The price is agreed at the time the Contract is entered and a cash settlement occurs at maturity. For CFD Contracts, clients' Contracts are not settled to cash and a position in a new date is entered automatically by CMC Markets. Our prices for Index Future CFDs are based on the underlying mid-market price of the Underlying Reference Instrument, which is a futures contract based on an equity index, and the application of the CMC Markets Spread.

4.2 Orders you can place with CMC Markets

Different types of orders are available on each of our Electronic Trading Platform/s. You will be able to find out information about orders that apply on your Electronic Trading Platform/s when you log in. The following are examples of order types that may be available to you. If you have any questions, please contact us.

Important notice about this section

When you request to place one of the types of orders described in this section, we have discretion whether or not to accept and execute any such request. We will, at our discretion, accept or reject placement of any orders. The price at which we accept an order to trade will generally be on the basis of filling the full volume of the order in one transaction.

4.3 Market Orders

A Market Order may be used to enter into a position at the current CFD price at which we are willing to trade. A Market Order to Buy is an order to try and trade at the Offer price. A Market Order to Sell is an order to try and trade at the Bid price.

We will endeavour to execute Market Orders at the price displayed on our Electronic Trading Platform at the time the order is transmitted from you. Where your Market Order can't be executed at the price displayed on our Electronic Trading Platform, you may be offered another price at which we are willing to trade known as a 'requote' (see section 2.15). It is at your discretion as to whether you would like to accept or reject to trade with us at the requoted price, although if you delay in accepting the requoted price you may find it is no longer available.

4.3.1 Market Open Orders

A Market Open Order is an order placed with the aim of executing a trade at the opening price in the Underlying Market. Market Open Orders are only available to you if you have been introduced to CMC Markets by certain institutional or wholesale introducers. Market Open Orders are only accepted by us over the phone on Australian Share CFDs. They are not available on any other type of CFDs.

Market Open Orders (Buy) and Market Open Orders (Sell) can be placed subject to there being sufficient Liquidity in the Underlying Market.

4.3.2 We may improve your Market Open Order

In some instances, we may improve the price at which a Market Open Order is placed. This means the Market Open Order may be executed by CMC Markets at a level that is more favourable to you than the predetermined price which you selected when placing the Market Open Order.

4.3.3 Execution of Market Open Orders

Market Open Orders will be filled in a time priority basis in terms of when we have received the orders.

Market Open Orders will usually be accepted up until 9:50am Sydney time on the relevant Trading Day, and will either be cancelled or executed after the relevant market open. However, we will not execute Market Open Orders based on Crossings that have gone through the Underlying Market or in circumstances where CMC Markets chooses to exercise its discretion as outlined in section 3.

4.4 Stop Loss Order (SLO)

A Stop Loss Order is an order placed with the aim of limiting the potential loss on an open position. Stop Loss Orders must be placed a minimum distance from our current CFD Bid and Offer prices. The minimum distance away for a Stop Loss Order placement is specified in the CMC Markets Product Schedule.

We will execute a Stop Loss Order once our Offer price has reached the order price in the case of a buy order, or our Bid price has reached the order price in the case of a sell order.

If Liquidity is insufficient at your price level, your Stop Loss Orders may not be filled or may be filled at prices different to those at which they were originally placed.

However, despite the above, we will not execute Stop Loss Orders based on Crossings that have gone through the Underlying Market or in circumstances where CMC Markets chooses to exercise its discretion as outlined in section 3.

If Gapping occurs in the relevant Underlying Market, and therefore our CFD price gaps through the stop level, then the Stop Loss Order will be executed at the next available price at which the Underlying Reference Instrument could have reasonably been executed in the Underlying Market (see section 10.2 for further information on the risks associated with Gapping).

The minimum distance constraint is a multiple of the spread quoted by CMC Markets at the time you place the Stop Loss Order. The minimum distance constraint for a particular CFD is set out in the CMC Markets Product Schedule. CMC Markets reserves the right to vary the minimum distance constraints at its discretion. For example, CMC Markets may vary the minimum distance constraints during periods of market volatility or in the hour before economic data is released.

4.5 Stop Entry Order

A Stop Entry Order is an order placed to open a new position or increase an existing position when the order price moves through a future market price. In the case of a sell Stop Entry Order, this will be executed (subject to the conditions in section 4.4) when the price of the order moves equal to, or lower than, the Bid price. In the case of a buy Stop Entry Order, this will be executed (subject to the conditions in section 4.4) when the price of the order moves equal to, or higher than, the Offer price. You may use this type of order when you expect the price will move significantly in the future from its existing trading range (sometimes known as a 'breakout trade'). Stop Entry Orders must be placed a minimum distance from the current CFD Bid and Offer prices.

Some markets may have restrictions on the placing of Stop Entry Orders. Refer to the CMC Markets Product Schedule for a list of stocks you can place a Stop Entry Order on. Contact our Dealing Desk for information about the levels at which you may place Stop Entry Orders (see contact details in section 1.2).

4.6 Market Trigger Order

A Market Trigger Order is an order placed to open a new position or increase an existing position at a price which is inferior to the current market price. Order placement only occurs when your preset trigger level or market condition is met.

You must specify a trigger price for Market Trigger Orders. Once this trigger price has traded in the relevant Underlying Market, the order will be placed with CMC Markets. A CMC Markets dealer will then check the amount of volume available on the Bid or Offer in the Underlying Reference Instrument and at what price. The dealer will then fill your Market Trigger Order according to where CMC Markets would be filled if carrying out the trade in the relevant Underlying Market.

Market Trigger Orders must be placed a minimum distance from the current CFD Bid and Offer prices, which is determined at our discretion. Contact our Dealing Desk for information or refer to CMC Markets Product Schedule for the levels at which you may place Market Trigger Orders (see contact details in section 1.2).

4.7 Limit Order

A Limit Order may be used by you to either open or close a position at a predetermined price that is more favourable to you than the current market price.

We will execute your Limit Order when the CMC Markets Offer price has reached the price of the buy Limit Order or the CMC Markets Bid price has reached the price of the sell Limit Order.

If Liquidity is insufficient at your price level, your Limit Orders may not be filled or may be filled at prices different to those at which they were originally placed.

CMC Markets Limit Orders may have their price improved and be executed at a level that is more favourable to you than the predetermined price you selected when placing the Limit Order. This will usually happen on opening when the CMC Markets Offer price or Bid Price, as applicable, is more favourable to you than the Limit Order you have placed. The price for a Limit Order is unlikely to be improved during the course of a Trading Day.

Any price improvement to Limit Orders is at our discretion.

4.8 One Cancels the Other Order (OCO Order)

This is the combination of both a Limit Order and a Stop Loss Order where the execution or cancellation of one order will automatically cancel the other order.

It is an order type that may be used to take a profit if the market moves favourably for an open position or to potentially limit the loss if the market moves against the open position. It may also be used to open a new position; however normal Stop Entry rules will still apply, see section 4.5.

If this order is linked to an If Done Order and the If Done Order is triggered, then the OCO Order will be automatically cancelled.

The number of orders that may be linked is limited. For further information please refer to our Electronic Trading Platform/s.

4.9 If Done or Contingent Order (If Done Order)

This is the combination of two orders, with the second of the two orders only becoming active if the first order is executed. For example, you may place a Limit Order or a Stop Loss Order contingent on another Limit Order or a Stop Loss Order being executed.

If this order is linked to an OCO Order, and the OCO Order is triggered, then the If Done Order will be automatically cancelled.

4.10 Introduction to Guaranteed Stop Loss Orders (GSLOs)

4.10.1 GSLO

A GSLO can be used to close or reduce a position, with us guaranteeing your stop out price. A GSLO can be placed on most Shares, Index and Sector CFDs. GSLOs cannot be placed on Forex CFDs, Bullion CFDs, Commodity CFDs, Treasury CFDs or Index Future CFDs.

With a GSLO, you know the price at which you are prepared to be closed out, and are not exposed to Gapping in prices or illiquidity in the market. The GSLO is filled based on price not on quantity traded.

Accordingly, a GSLO enables you to have a known 'worst case scenario' if the market moves against you.

However, you should note that a GSLO is subject to the following additional conditions:

- can only be placed by phone;
- cannot be used to open a new position or reverse a position. Therefore you cannot place, nor will CMC Markets execute, a GSLO in relation to a CFD position that is greater than the CFD position you have open in relation to that CFD. Reversing a position occurs in circumstances where a long position is converted to a short position or vice versa in one transaction. For example, if you have a long position in 40,000 Share CFDs, a GSLO to sell 48,000 Share CFDs could not be used to reverse the position because it would create a short position of 8,000 Share CFDs;
- can only be placed once the Underlying Reference Instrument on which the CFD is based is open and trading. That is, they cannot be placed outside the trading hours of the Underlying Reference Instrument or when in a trading halt;
- as we guarantee your close out price, there is a premium charge when placing the GSLO;
- the GSLO must be placed a minimum distance away from the current CFD price being quoted by us. The minimum distance is measured as a percentage movement from the current CFD price and is determined by us;
- cannot be placed in the first or last hour of trading for Share, Index and Sector CFDs, or as we determine in our discretion; and
- we may at our discretion vary the terms of a GSLO to take into account Corporate Actions (including, but not limited to, dividends, rights issues, stock splits, bonus issues and special dividends) in connection with the Underlying Reference Instruments.

If you wish to amend a GSLO, by changing the stop loss price, you will have to cancel the existing GSLO and place a new one. This will result in you paying an additional premium for the new GSLO, and will be subject to our accepting the new GSLO. It is important to note that the acceptance, amendment or cancellation of a GSLO is at our discretion.

The premium charged and the minimum amount of points or percentage away from the current Share CFD, Index CFD or Sector CFD price at which the GSLO may be placed are specified below.

A debit charge will be applied to your Account to charge you the premium for a GSLO.

4.10.2 GSLO premiums

The current premiums charged by CMC Markets for placing a GSLO, and the minimum distance from the CFD Bid or Offer price are specified in the table below:

Product	Premium	Minimum percentage away from current CMC Markets price
Share CFDs	0.3% or 30 basis points*	5%
Sector CFDs	0.2% or 20 basis points	1%
Index CFDs	0.1% or 10 basis points	1%

* This is with the exception of German Share CFDs outside the top 30, which cost 0.6% or 60 basis points.

All GSLOs are subject to a minimum cost of $30 in the currency local to where the CFDs are denominated. We may increase these costs and terms according to market conditions.

The premium paid is calculated by multiplying the Contract Value of the GSLO by the premium stated above.

4.11 Day Orders and Good Till Cancelled Orders (GTC Orders)

Limit Orders / Stop Loss Orders / OCO Orders and If Done Orders can be placed as Day Orders or GTC Orders.

4.11.1 Day Order

A Day Order means the order you place will remain active until being automatically cancelled by CMC Markets at the Settlement Time on the day of placement. Day Orders will only be cancelled if they have not been executed or cancelled by you before Settlement Time. If you wish to maintain that order in the market after the Settlement Time, you will have to resubmit that order.

4.11.2 GTC Order

A GTC Order means the order you place will remain in our system until it is either executed according to the terms of that GTC Order or cancelled by you. However, CMC Markets may also exercise its discretion to cancel a GTC, for example if the Underlying Reference Instrument is delisted or suspended or there is insufficient Total Equity on your Account. You will find more information about circumstances when we may exercise discretion to close out your position in section 3.

GTC Orders placed on Treasury CFDs, Commodity CFDs and Index Future CFDs are automatically cancelled at the Settlement Time on the Expiry Date for the relevant CFD. It is your responsibility to replace limits and stops in the new CFD after the old orders are cancelled.

4.12 Market to Limit Orders

A Market to Limit Order is an order where you will accept a price in a CFD from CMC Markets within a price range nominated by you in the order.

If you place an order using our Electronic Trading Platform/s and the volume of CFDs you wish to trade in is not reflected in the Underlying Reference Instrument in the Underlying Market, CMC Markets may execute your order at a price at which it offers the CFDs to you to reflect that lack of Liquidity in the Underlying Reference Instrument if this price is within your nominated price range. Liquidity refers to how many of the Underlying Reference Instruments are available to buy or sell at a given price.

If the price that CMC Markets is willing to trade at is not within your nominated price range, your order will be cancelled.

4.13 Market Fill *or* Kill Order

A Market Fill or Kill Order is an order where you will only accept a price in a CFD from CMC Markets at the price you have placed your order at.

If you place an order using our Electronic Trading Platform/s and the volume of CFDs you wish to trade in is not reflected in the Underlying Market due to lack of Liquidity in the Underlying Reference Instrument, CMC Markets will cancel your order. Liquidity refers to the number of the Underlying Reference Instruments available to buy or sell at a given price.

If your Market Fill or Kill Order price is a price that CMC Markets is willing to trade at, your order will usually be executed.

Furthermore, there is no predetermined percentage or amount by which the adjusted price of a CFD can vary from the price of the CFD originally quoted to you. CMC Markets in its discretion may quote different prices to different clients. If the new price is not the same as your original order price, you will not have the option to either accept or reject the adjusted price. It may be automatically cancelled.

4.14 Market Fill and Kill Order

A Market Fill and Kill Order is an order to execute as much of your order at the specified price as possible.

If you place an order using our Electronic Trading Platform/s and the volume of CFDs you wish to trade in is not sufficiently reflected in the Underlying Market due to lack of Liquidity in the Underlying Reference Instrument, CMC Markets will execute (fill) as much of your order as possible, then any remaining volume of the order which is not executed will be automatically withdrawn/cancelled (kill).

Liquidity refers to the number of the Underlying Reference Instruments available to buy or sell at a given price.

05 Fees and costs when trading in CFDs with CMC Markets

This section is about the different fees and costs that may be applicable when trading CFDs. These can include costs incurred at the time of trading and other costs that relate to carrying the position overnight. All of these areas will impact upon the cost of doing business for you, which is a key consideration and therefore needs to be taken into account by you.

You must pay each fee and cost (including any Commissions, Rollover Charges and interest) applicable to your Account and any executed order or CFD at the time, in the amounts and in the manner specified in the Agreement.

The following is a summary of the fees and costs that may be payable when trading in CFDs. A further explanation of each fee and cost type can be found below:

5.1 Commission on CFD trades executed;

5.2 Commission on trades for clients introduced by an Introducing Adviser;

5.3 Margin;

5.4 Overnight Financing;

5.5 Rollover Charges and Rollover Benefits;

5.6 Interest;

5.7 Stock borrowing costs;

5.8 Exchange fees;

5.9 News and research data fees;

5.10 Spreads including spreads on balance conversion;

5.11 Guaranteed Stop Loss Order premiums; and

5.12 Administration charges.

Fees and costs may change from time to time.

The fees and costs payable for trading in CFDs vary depending on the type of Account you hold with CMC Markets.

CMC Markets may vary the fees and costs outlined in this DD from time to time by posting a notice and/or supplementary or new DD on CMC Markets' website. We will notify you when we vary fees and costs if we are required to do so by law.

5.1 Commissions on CFD trades

5.1.1 What is CMC Markets' Commission structure for CFD trades executed?

There are three different types of Commission charging models that may be applied on any given executed CFD, please consult the CMC Markets Rates Schedule for the Commission rates and model that applies to your Account.

(1) Percentage per trade

The greater of:

- the amount that is calculated by multiplying the Commission rate by the Contract Value of the CFD; or
- the minimum Commission charge.
- **(2) Fee per Contract**

The greater of:

- the amount that is calculated by multiplying the amount of CFD Contracts traded by the individual charge per Contract; or
- the minimum Commission charge.

(3) Flat fee per trade

Commission is charged as a flat fee per trade regardless of the amount of CFD Contracts traded.

The Commission charge payable to us for CFD executions is not subject to GST in New Zealand.

5.1.2 How is the Commission charged?

The Commission will be debited from your Account as soon as possible after a CFD order is executed. All Commissions are charged in the currency in which the CFD is denominated unless otherwise specified and are then converted at the relevant CMC Markets Exchange Rate into the Base Currency of your Account. Details of your Commission charges are provided on your daily and monthly statements.

5.1.3 Can the Commission change?

You should note that we may change our Commission structure from time to time in which case the relevant CMC Markets Rates Schedule may also be updated.

5.2 Commissions on CFD trades for clients introduced by an Introducing Adviser

If you have been introduced to CMC Markets by an Introducing Adviser, your Introducing Adviser may charge a different rate of Commission than that charged by CMC Markets. Please refer to the relevant CMC Markets Rates Schedule or confirm with your Introducing Adviser.

5.2.1 Additional Spread Charges

When the Introducing Adviser introduces you to CMC Markets to trade CFDs, the CMC Markets Spread may be wider than the CMC Markets Spread applied for clients who have not been introduced to CMC Markets by Introducing Advisers (non-introduced clients). The Introducing Adviser is paid the difference between the spread applied when you trade with CMC Markets and the CMC Markets Spread applied by CMC Markets for non-introduced clients.

The Introducing Adviser may receive such spread income in respect of all CFDs that you trade with CMC Markets. The Introducing Adviser's spread income is dependent on the size and frequency of your dealings.

5.3 Margin

See the relevant CMC Markets Product Schedule for specific Margin requirements.

5.4 Overnight Financing

This section shows how the Financing Charges and Financing Benefits you pay or may receive on long and short CFD positions held overnight are calculated.

The calculation for an overnight Financing Charge for each day that a long CFD is held overnight is as follows:

CV x (RI + FH) / 360 or 365*

The calculation for an overnight Financing Benefit/Charge for each day that a short CFD is held overnight is as follows:

CV x (RI – FH) / 360 or 365*

Where:

CV	is	**Contract Value held overnight**
RI	is	**Relevant Interest Rate**
FH	is	**Financing Haircut**

The Financing Haircut is available in your CMC Markets Rates Schedule.

Your total daily Financing Charge or Financing Benefit will be displayed on your Daily Statement as 'Financing', this total amount will include both the Relevant Interest Rate and the Financing Haircut.

The Relevant Interest Rate is the rate determined by CMC Markets. CMC Markets may vary the Relevant Interest Rate at any time. Please call us if you require any information about the Relevant Interest Rate.

The minimum Financing Charge for any short Share, Index or Sector CFD position will depend on the Relevant Interest Rate and the applicable Financing Haircut. A Financing Benefit may be applied to your account when the Financing Haircut is less than the Relevant Interest Rate. A Financing Charge may be applied to your account when the Financing Haircut is greater than the Relevant Interest Rate.

By way of example, using the calculation for a short Share CFD position held overnight in a country that has a Relevant Interest Rate of 0.5%, the charge you may incur would be illustrated:

$10,000 x (0.5% – 3%) / 365 = $0.68

Where:

CV	is	**$10,000**
RI	is	**0.5%**
FH	is	**3%**

5.5 Rollover Charges and Rollover Benefits

This section refers to the fees and costs payable or receivable on Forex CFDs and Bullion CFDs held through to the next CMC Markets Trading Day.

5.5.1 Rollover Charges for Forex CFDs and Bullion CFDs

CFDs	Overnight financing, Rollover Charges and Rollover Benefits	Examples
Forex CFDs	Forex CFD positions held until the next CMC Markets Trading Day may result in you paying a Rollover Charge, or may result in you receiving a Rollover Benefit, at the CMC Markets Rollover Rate. Any interest you pay or receive at the CMC Markets Rollover Rate is reflected in the price at which the open position is rolled forward.	If you have a long New Zealand Dollar / Japanese Yen (NZD/JPY) position and interest rates are higher in NZD than in JPY, then you may receive a Rollover Benefit of interest (charged at the Rollover Rate) if you hold the position through to the next CMC Markets Trading Day and do not close it before such time. This is because you are holding the higher yielding currency. However, if the JPY interest rate is higher than NZD then the interest rate differential may cause you to pay a Rollover Charge of interest (charged at the Rollover Rate).
Bullion CFDs	Bullion CFD positions held overnight and not closed before the Settlement Time will have a Rollover Charge or Rollover Benefit applied. If you are long on a Bullion CFD you may have to pay a Rollover Charge to CMC Markets, while if you are short you may receive a Rollover Benefit from CMC Markets. In some circumstances, however, the opposite may apply.	If you have a long NZD / short Bullion CFD position and interest rates in Australia are higher than the Rollover Rate applied by CMC Markets, then you may receive a Rollover Benefit of interest (charged at the Rollover Rate) if you hold the position through to the next CMC Markets Trading Day and do not close it before such time. This is because you are holding the higher yield asset. However, if the Rollover Rate applied by CMC Markets is higher than the New Zealand interest rate you may have to pay a Rollover Charge (charged at the Rollover Rate).

5.5.2 Expiry Day rollovers for Commodity CFDs, Treasury CFDs and Index Future CFDs

No Rollover Charges are incurred when positions are rolled over. However, there may be Mark-to-Market profit and loss caused by the price your position is closed at.

CFDs	Expiry Day Financing Charges, Rollover Charges and Rollover Benefits
Commodity CFDs	If held until the Expiry Day of the relevant CFD Contract, your Commodity CFD position will be automatically closed out by CMC Markets at the Commodity Rollover Price. The CFD position will then be rolled over and reopened by CMC Markets in the Next Serial CFD Contract. The Expiry Day for Commodity CFDs may differ to that of the Underlying Reference Instrument. The Expiry Day for Commodity CFDs can be obtained from our Electronic Trading Platform/s.
Treasury CFDs	If held until the Expiry Day of the relevant CFD Contract, your Treasury CFD position will be automatically closed out by CMC Markets at the Underlying Reference Instrument settlement price. The CFD position will then be rolled over and reopened by CMC Markets in the Next Serial CFD Contract. The Expiry Day for Treasury CFDs may differ to that of the Underlying Reference Instrument. The Expiry Day for Treasury CFDs can be obtained from our Electronic Trading Platform/s.
Index Future CFDs	The Expiry Day of an Index Future CFD is the last Business Day preceding the day of expiry of the relevant Underlying Reference Instrument. The relevant Underlying Reference Instrument for an Index Future CFD is an Equity Index Futures Contract that expires on a monthly or quarterly basis. The Next Serial CFD Contract will become available two Business Days prior to the Expiry Day. This is dependent on Liquidity and may be subject to change at our discretion. Pending orders on Index Future CFDs will be cancelled on the expiry of the CFD on which the pending order is placed. If an open position in relation to an Index Future CFD is held until expiry, then that position will be automatically closed at the official closing price of (and on the same day as) the next expiry of the relevant Underlying Reference Instrument.

* The Relevant Interest Rate and the Financing Rate are calculated on the basis of a 360-day year. The exceptions to this are CFDs relating to Australian and United Kingdom Underlying Reference Instruments, where the Relevant Interest Rate and the Financing Rate are calculated on the basis of a 365-day year.

5.6 Interest

Interest will be paid on credit balances in Currency Ledgers in your Account (after deducting from the balance, Margin Requirements and fees and costs for CFDs held and valued in that currency) only if:

- you are a New Zealand tax resident;
- the credit balance in your Account (aggregating the credit and debit balances of each currency ledger) is in excess of your Total Margin Requirements, and such excess amount exceeds the Interest Qualification Level, which is US$10,000 or its currency equivalent.

Subject to meeting the Interest Qualification Level, interest is calculated separately on each Currency Ledger Balance in your Account. Each Currency Ledger Balance will have its own Relevant Interest Rate.

Any amounts of interest payable to CMC Markets will be deducted from any interest payable to you.

If you have a debit Currency Ledger Balance on your Account after the Margin Requirements and fees and costs for CFDs valued in that currency have been taken into account (in other words, you owe money to meet the Margin Requirement and other amounts on the relevant Currency Ledger) you will pay interest on the debit balance (notwithstanding any collateral you may have provided to CMC Markets).

Interest is calculated daily based on your positions, Margin Requirement and Currency Ledger Balances on your daily statement for that date. Interest is usually posted once a month on your Account. This usually occurs within five Business Days following the end of the month.

Unless specified in your CMC Markets Rates Schedule, the interest rate used for these interest calculations on the Currency Ledger Balances is the Relevant Interest Rate for that currency plus or minus the CMC Markets rate detailed following:

Applicable interest rates. The Relevant interest rate for the Currency Ledger Balance plus or minus the following:	
Credit Balances −2%	Debit Balances +3%

If the interest rate in respect of credit balances is equal to or less than zero after deducting the margin detailed above, no interest will be credited in relation to the credit balance in that currency.

You may contact us for details of the Relevant Interest Rate for your Account (see contact details in section 1.2 of this DD). We may vary the applicable interest rate at any time in response to changes in the official Relevant Interest Rate. Please see section 10.6 for more information on the risks associated with interest rate fluctuations.

5.7 Stock borrowing costs

If CMC Markets chooses to go short in the Underlying Market to Hedge any of your CFD positions, CMC Markets reserves the right to pass on any stock borrowing costs incurred by CMC Markets as reasonably determined by CMC Markets, including any costs and trading losses associated with lender elections on CMC Markets Hedged positions (**Hedging Costs**). These costs will be calculated as follows:

(CV x (RI + SB) / 365) + HC

Where:

CV	is	Contract Value held overnight
RI	is	Relevant Interest Rate
SB	is	Stock Borrowing Rate
HC	is	Hedging Costs

You will be notified as to the nature and amount of stock borrowing costs before they are applied to your Account, and the Stock Borrowing Rate will generally be between 0.5% and 30%.

5.8 Exchange fees

If you log into our Electronic Trading Platform/s, you may be required to pay an exchange fee. The exchange fee covers fees CMC Markets must pay to an exchange for use of real-time prices in our Electronic Trading Platform/s.

Please refer to our website for details about applicable exchange fees.

5.9 News and research data fees

Third party Electronic Trading Platforms may have additional fees for news and research data when trading in CFDs. These fees will be debited from your Account, monthly in arrears.

Please refer to our disclosure material or, if relevant, the disclosure material of your Introducing Adviser for details of fees which may be applicable for news and research data.

5.10 Spreads

When trading in CFDs with CMC Markets you will notice that each CFD that you request a price in has a lower and higher price at which you can place your order. These two prices are termed the Bid/Offer spread – the difference is an indication of where you can buy CFDs at, being the higher price, and where you can sell CFDs at, being the lower price.

As CMC Markets is a market maker, it represents where CMC Markets will buy CFDs at (Bid) and sell CFDs at (Offer) and these prices may not be the same as those quoted in the relevant Underlying Market.

At any time, this Bid/Offer spread represents the best current price to sell CFDs and the best current price to buy CFDs at that time in a transaction with CMC Markets. When your order is executed at one of these prices, in order for you to break even or realise a profit or loss, the price you exit your trade at needs to be at least equal to the original Bid or Offer price that you entered in at; if you trade at the Offer, the price needs to reach the Bid and vice versa. This can be seen as a cost of trading and should be factored into your trading decisions.

Please see section 10 for further information on the application of the CMC Markets Spread which you should consider when trading in CFDs with CMC Markets.

5.11 Guaranteed Stop Loss Order (GLSO) premiums

Please refer to section 4.10 for details on GSLO premiums.

5.12 Administration charges

Please refer to our website for information on Administration charges.

5.13 Information table

The table following outlines the typical costs and initial Margin Requirements that may apply to you under this DD.

You will be informed of the actual costs for Commissions, interest rate charges, spread and any other fees which apply to your Account in the relevant CMC Markets Product Schedule or CMC Markets Rates Schedule. The CMC Markets Product Schedule and CMC Markets Rates Schedule are updated from time to time and are available via our website or from us or your Introducing Adviser.

Market	Typical Commission	Actual Commission	Typical Margin*	Actual Margin	Max. GSLO cost	Typical Financing Charge^ Long /Short	Actual Financing
Shares	0.10% or $7 minimum	See CMC Markets Rates Schedule	5%	See CMC Markets Product Schedule	0.3% or 30bp	+2.75% / −2.75%	See CMC Markets Rates Schedule
Indices	No charge	See CMC Markets Rates Schedule	0.5%	See CMC Markets Product Schedule	0.1% or 10bp	+4% / −4%	See CMC Markets Rates Schedule
Sectors	No charge	See CMC Markets Rates Schedule	1%	See CMC Markets Product Schedule	0.2% or 20bp	+4% / −4%	See CMC Markets Rates Schedule
FX	No charge	See CMC Markets Rates Schedule	0.5%	See CMC Markets Product Schedule	n/a	See section 5.5 for Rollover Charges	See section 5.5 for Rollover Charges
Commodities and Treasuries	No charge	See CMC Markets Rates Schedule	3%	See CMC Markets Product Schedule	n/a	No charge	See CMC Markets Rates Schedule
Equity Index Futures	No charge	See CMC Markets Rates Schedule	1%	See CMC Markets Product Schedule	n/a	No charge	See CMC Markets Rates Schedule

All rates listed above are the typical rates. Please consult your CMC Markets Product Schedule and CMC Markets Rates Schedule for your applicable rates.

Where there is no charge outlined, clients should be aware of the trading spread which is outlined in section 5.10.

Please refer to the following examples for an illustration of how fees and costs apply to trading in CFDs. Please note that these examples are provided for illustrative purposes only.

* Can be up to 100%. See relevant CMC Markets Product Schedule.

^ Relevant Interest Rates plus or minus Financing Haircut.

5.14 Example of going long and making a profit using a Share CFD (example 1)

Example 1 illustrates what happens if you open a long position and close at a greater price. In this example, after Commission and Financing Charges you would have made $105.64 profit.

STEP 1 Opening your Account	Calculation	Account display	
You open an Account with CMC Markets and have on deposit $1,000 in Total Equity. You have no Margin requirement at this point as you hold no CFD positions.	n/a	Total Equity Total Margin Requirement	$1,000.00 $0.00
Your Free Equity is your Total Equity less your Total Margin Requirement.	$1,000.00 – 0 = $1,000.00	Free Equity	$1,000.00

STEP 2 Opening a position	Calculation	Account display	
The price of a NAB Share CFD is $24.99 (Bid price) / $25 (Offer price). You buy 80 NAB Share CFDs at the Offer price of $25. You will pay Commission for this trade, which is the Commission rate (see the table in section 5) multiplied by the number of CFDs multiplied by the Offer price. In this example, the applicable Commission rate is 0.1%, subject to a minimum $7.00 which means that in this case you will pay $7.00 commission. This amount is deducted from your Total Equity balance.	80 CFDs x $25 x 0.1% = $2.00 but subject to a minimum $7.00 $1,000 – $7.00 = $993.00	Commission Total Equity	$7.00 $993.00
Your Total Margin Requirement is the number of CFDs multiplied by the Offer price multiplied by the Margin Percentage. NAB has a 5% Margin Percentage. Your Total Margin Requirement to open this position is $100.00.	80 CFDs x $25.00 x 5% = $100.00	Total Margin Requirement	$100.00
You decide to hold the position overnight. The CMC Markets Closing Price for a NAB Share CFD for that day was $25.00.	$993.00 – $100.00 = $893.00	Free Equity	$893.00
Your Free Equity is $893.00 (your Total Equity less your Total Margin Requirement).			

STEP 3 The next day	Calculation	Account display	
Your Account would be debited with a Financing Charge of $0.36 (calculated by multiplying the number of CFDs held by the CMC Markets Closing Price) multiplied by the Financing Rate divided by 365 (refer to the table containing information about Financing Rates at section 5).	Closing position overnight $993.00 Less Financing Charge (80 x $25.00) x 6.5% / 365 = $0.36		
Following an earnings upgrade, the opening price of NAB Share CFDs is $26.50. Your position is marked to the CMC Markets price for NAB Share CFDs, which changes your Account balance from the previous night's CMC Markets closing position.	Plus profit ($26.50 – $25.00) x 80) = $120.00 Equals $993.00 – $0.36 + $120.00 = $1,112.64	Total Equity	$1,112.64
Your Total Margin Requirement to hold this position is $106.00.	80 x $26.50 x 5% = $106.00	Total Margin Requirement	$106.00
Your Free Equity is your Total Equity less your Total Margin Requirement.	$1,112.64 – $106.00 = $1,006.64	Free Equity	$1,006.64

STEP 4 Closing the position	Calculation	Account display	
You decide to close your position and take the profit by selling 80 NAB Share CFDs at the Bid price of $26.50. We agree to fill your order at this price. You would pay $7.00 Commission for this trade, which is the Commission rate (see the table in section 5) multiplied by the number of CFDs multiplied by the Offer price. In this example, the applicable Commission rate is 0.1%, subject to a minimum commission of $7.00 which means that in this case you will pay the minimum $7.00 commission. This amount is deducted from your previous Total Equity balance.	80 x $26.50 x 0.1% = $2.12 but subject to a minimum charge of $7.00 $1,112.64 – $7.00 = $1,105.64	Total Equity	$1,105.64
Your Total Margin Requirement would now be zero, as your position has been closed.	n/a	Total Margin Requirement	$0.00
Your Equity is now $1,105.64 (your Total Equity less your Total Margin Requirement).	$1,105.64– $0.00 = $1,105.64	Free Equity	$1,105.64

5.15 Example of going long and making a loss using a Share CFD (example 2)

In example 1, you opened a long position and closed at a greater price. Example 2 illustrates what happens if the price moves in the opposite direction by an equal amount; that is, you open a long position and close at a lesser price.

In this example, after Commission and Financing Charges you would have made $134.36 loss.

Step 1 Opening your Account and opening a position
Your Account has the same opening balances as shown in example 1.

Step 2 Opening a position
You opened your Account with the same position as shown in example 1.

Step 3 The next day	Calculation	Account display	
Your Account would be debited with a Financing Charge of $0.36 (calculated by multiplying the number of CFDs held, by the CMC Markets closing price, then multiplied by the Financing Rate divided by 365 – refer to the table containing information about Financing Rates at section 5).	Closing position overnight $993.00 Less Financing Charge (80 x $25.00) x 6.5% / 365 = $0.36	Total Equity	$872.64
Following an earnings downgrade, the opening price of NAB Share CFD is $23.50.	Less loss ($23.50 – $25) x 80) = –$120.00 Equals $993 – $0.36 – $120.00 = $872.64		
Your Total Margin Requirement to hold this position is $94.00.	80 x $23.50 x 5% = $94.00	Total Margin Requirement	$94.00
Your Free Equity is your Total Equity less your Total Margin Requirement.	$872.64 – $94.00 = $778.64	Free Equity	$778.64

Step 4 Closing the position	Calculation	Account display	
You decide to close your position by selling 80 NAB Share CFDs at the Bid price of $23.50. We agree to fill your order at this price. You would pay Commission for this trade, which is the Commission rate (see the table in section 5) multiplied by the number of CFDs multiplied by the Offer price. In this example, the applicable Commission rate is 0.1%, subject to a minimum commission payment of $7.00 which means you will pay $7.00 commission. This amount is deducted from your previous Total Equity balance.	80 x $23.50 x 0.1% = $1.88 but subject to a minimum charge of $7.00 $872.64 – $7.00 = $865.64	Total Equity	$865.64
Your Total Margin Requirement would now be zero, as your position has been closed.	n/a	Total Margin Requirement	$0.00
Your Free Equity is now $865.64 (your Total Equity less your Total Margin Requirement).	$865.64 – 0 = $865.64	Free Equity	$865.64

5.16 Example of going short and making a profit using a Share CFD (example 3)

Example 3 illustrates what happens if you open a short position and close at a lesser price. In this example, after Commission charges and Financing Benefits you would have made $105.25 profit.

Step 1 Opening your Account
Your Account has the same opening balances as shown in example 1.

Step 2 Opening a position	Calculation	Account display	
The price of NAB Share CFD is $24.99 (Bid price) / $25.00 (Offer price). You sell 80 NAB Share CFDs at the Bid price of $24.99. You will pay Commission for this trade, which is the Commission rate (see the table in section 5) multiplied by the number of CFDs multiplied by the Bid price. In this example, the applicable Commission rate is 0.1%, subject to a minimum commission payment of $7.00 which means you will pay $7.00 commission. This amount is deducted from your opening Total Equity balance.	80 x $24.99 x 0.1% = $2.00 but subject to a minimum charge of $7.00 $1,000.00 – $7.00 = $993.00	Total Equity	$993.00
Your Total Margin Requirement is the number of CFDs multiplied by the Bid price, multiplied by the Margin percentage. NAB CFDs have a 5% Margin percentage. Your Total Margin Requirement to open this position is $99.96.	80 x $24.99 x 5% = $99.96	Total Margin Requirement	$99.96
You decide to hold the position overnight. The closing price for a NAB Share CFD for that day was $24.99, the same as the Bid price. Your Free Equity is now $893.04 (your Total Equity less your Total Margin Requirement).	$993.00 – $99.96 = $893.04	Free Equity	$893.04

Step 3 The next day	Calculation	Account display	
Your Account would be credited with a Financing Benefit of $0.05 (calculated by multiplying the number of CFDs held, by the CMC Markets closing price, then multiplied by the Financing Rate divided by 365 – refer to the table containing information about Financing Rates at section 5). Following an earnings downgrade, the opening price of NAB Share CFDs the next day is $23.50. Your position is marked to the CMC Markets price for NAB Share CFDs, which changes your Account balance from the previous night's closing position.	Closing position overnight $993.00 Plus Financing Benefit (80 x $24.99) x 1% / 365 = $0.05 Plus profit ($24.99 – $23.50) x 80 = $119.20 Equals $993.00 + $0.05 + $119.20 = $1,112.25	Total Equity	$1,112.25
Your Total Margin Requirement if you continue to hold this position is $94.00.	80 x $23.50 x 5% = $94.00	Total Margin Requirement	$94.00
Your Free Equity is your Total Equity less your Total Margin Requirement.	$1,112.25– $94.00 = $1,018.25	Free Equity	$1,018.25

STEP 4 Closing the position	Calculation	Account display	
You decide to close your position by buying 80 NAB Share CFDs at the Offer price of $23.50. We agree to fill your order at this price. You would pay Commission for this trade, which is the Commission rate (see the table in section 5) multiplied by the number of CFDs multiplied by the Offer price. In this example, the applicable Commission rate is 0.1%, subject to a minimum commission payment of $7.00 which means you will pay $7.00 commission. This amount is deducted from your previous Total Equity balance.	80 x $23.50 x 0.1% = $1.88 but subject to a minimum charge of $7.00 $1,112.25 – $7.00 = $1,105.25	Total Equity	$1,105.25
Your Total Margin Requirement would now be zero, as your position has been closed.	n/a	Total Margin Requirement	$0.00
Your Free Equity is now $1,105.25 (your Total Equity less your Total Margin Requirement).	$1,105.25 – $0.00 = $1,105.25	Free Equity	$1,105.25

5.17 Example of going short and making a loss using a Share CFD (example 4)

In example 3, you opened a short position and closed at a lesser price. Example 4 illustrates what happens if the price moves in the opposite direction by an equal amount; that is, you open a short position and close at a greater price.

In this example, after Commission and Financing Benefits you would have made a loss of $135.55.

Step 1 Opening your Account and opening a position
Your Account has the same opening balances as shown in example 1.

Step 2 Opening a position
You opened your Account with the same position as shown in example 3.

STEP 3 The next day	Calculation	Account display	
Your Account would be credited with a Financing Benefit of $0.05 calculated by multiplying the number of CFDs held, by the CMC Markets closing price, then multiplied by the Financing Rate divided by 365 (refer to the table containing information about Financing Rates at section 5). Following an earnings upgrade, the opening price of NAB Share CFDs the next day is $26.50. Your position is marked to the CMC Markets price for NAB Share CFDs, which changes your Account balance from the previous night's closing position.	Closing position overnight $993.00 Plus Financing Benefit (80 x $24.99) x 1% / 365 = $0.05 Less loss ($24.99 – $26.50) x 80 = –$120.80 Equals $993.00 + $0.05 + (–$120.80) = $872.25	Total Equity	$872.25
Your Total Margin Requirement if you continue to hold this position is $106.00.	80 x $26.50 x 5% = $106.00	Total Margin Requirement	$106.00
Your Free Equity is your Total Equity less your Total Margin Requirement.	$872.25 – $106.00 = $766.25	Free Equity	$766.25

Step 4 Closing the position	Calculation	Account display	
You decide to close your position and buy 80 NAB Share CFDs at the Offer price of $26.50. We agree to fill your order at this price. You would pay Commission for this trade, which is the Commission rate (see the table in section 5) multiplied by the number of CFDs multiplied by the Offer price. In this example, the applicable Commission rate is 0.1%, subject to a minimum Commission payment of $7.00 which means you will pay $7.00 Commission. This amount is deducted from your previous Total Equity balance.	80 x $26.51 x 0.1% = $2.12 but subject to a minimum charge of $7.00 $872.25 – $7.00 = $865.25	Total Equity	$865.25
Your Total Margin Requirement would now be zero, as your position has been closed.	n/a	Total Margin Requirement	$0.00
Your Free Equity is now $865.25 (your Total Equity less your Total Margin Requirement).	$865.25 – $0.00 = $865.25	Free Equity	$865.25

06 Your Margin obligations and examples

6.1 The Margin you need when you open a CFD position with CMC Markets

When you open a CFD position with CMC Markets you need to have sufficient Free Equity in your CMC Markets Account to satisfy the Margin Requirement for the relevant number of CFDs. The Margin required will be a percentage of the Contract Value – for as long as you keep the CFD position open you will be required to keep sufficient money in your Account to meet the Margin Requirement.

CMC Markets may alter your Margin Requirement under the circumstances set out in section 3. See also section 10.4 of this DD for more information on risks.

You should refer to CMC Markets Product Schedule for information concerning current Margin Percentages per instrument.

6.1.1 Share CFDs, Index CFDs, Index Future CFDs, Sector CFDs and Bullion CFDs Margin Requirements

Margin Requirements on Share CFDs, Index CFDs, Index Future CFDs, Sector CFDs and Bullion CFDs are calculated as follows:

Example					
Instrument	Quantity	Price	Margin %	Calculation	Margin Requirement = (Contract Quantity x Bid or Offer Price x Margin Percentage)
Telstra Share CFDs	10,000	A$3.50	5%	10,000 x 3.50 x 5%	A$1,750
AUSSIE200 Index CFDs	10	A$5,000	0.5%	10 x 5,000 x 0.5%	A$250
AUSSIE200 Index Future CFDs	10	A$5,000	1%	10 x 5,000 x 1%	A$500
AUSBANK & FINANCE Sector CFDs	5	A$4,850	1%	5 x 4,850 x 1%	A$242.50
XAUUSD Spot Bullion CFDs	100	US$1,120	1%	100 x 1,120 x 1%	US$1,120

6.1.2 Treasury CFDs Margin Requirements

Treasury CFDs and Commodity CFDs move in Minimum Point Increments (or ‘ticks’) of between 0.01 and 1 as outlined in the CMC Markets Product Schedule. As a result, your Margin Requirement can be calculated as follows:

Example						
Instrument	Quantity	Price	Margin %	Minimum Point Increment	Calculation	Margin Requirement = (Contract Quantity x Bid or Offer Price x Margin Percentage)
AUST10YR Treasury CFDs	10	$95	1%	0.01	10 x (95.00 x 1% / 0.01)	A$950
USCRUDE Commodity CFDs	10	US$81.65	3%	0.01	10 x (81.65 x 3% / 0.01)	US$2,449.50

6.1.3 Forex CFDs Margin Requirements

Margin Requirements on Forex CFDs may be calculated as follows:

Example					
Instrument	Quantity	Price	Margin %	Calculation	Margin Requirement = (Contract Quantity x Bid or Offer Price x Margin Percentage)
AUDGBP Forex CFDs	A$100,000	0.5725	1%	100,000 x 1%	A$1,000
USDJPY Forex CFDs	A$100,000	91.50	0.5%	100,000 x 0.5%	US$500

6.2 Margin on an ongoing basis

As the price of a CFD moves, your Total Margin Requirement will also move in line with this price change. This is because your Total Margin Requirement is based on the current Contract Value of your positions.

For example, if you bought 1,000 Telstra Share CFDs at the price of $3.50, and at that time the applicable Margin Percentage was 5%, then the calculation would be as follows:

(1,000 x $3.50) x 5% = $175

If the price of Telstra then moved to $4.00, the Margin Requirement would be as follows:

(1,000 x $4) x 5% = $200

You must maintain sufficient Free Equity in your Account in Cleared Funds to cover any increases in your Total Margin Requirement. If your Total Margin Requirement exceeds your Total Equity, then your Account will be placed on Margin Call. Your responsibility to pay Margin accrues whether or not you are placed on Margin Call. These requirements apply at all times such that Margin is required for all CFD trades you effect with us. If your Account reaches the Liquidation Level some or all of your positions may be liquidated (see section 2.12).

You must pay to us such sums of money as may from time to time be due to us under a CFD (including, without limitation, charges specified in section 5 of the DD) and such sums as may be required in or towards clearance of any debit balance on your Account (see section 8.10).

CMC Markets reserves the right to vary the Margin Percentage at any time on your account at its discretion. For example, CMC Markets may vary the Margin Percentage in periods of market volatility or to comply with CMC Markets internal risk-management policies (see section 13.11 in relation to notices).

All applicable Margin Percentages are specified in the CMC Markets Product Schedule. The CMC Markets Product Schedule is available on our website or by calling us. See contact details in section 1.2 of this DD.

6.3 Example of how your Account may be placed on Margin Call (example 5)

Example 5 illustrates what happens if you open a long position and close at a lesser price. In this example, after Commission and Financing Charges you would have made a loss of $776.48.

Step 1 Opening your Account	Calculation	Account display	
You open an Account with us and have on deposit $1,000 in Total Equity. You have no Margin Requirement at this point as you hold no CFD positions.	n/a	Total Equity Total Margin Requirement	$1,000.00 $0.00
Your Free Equity is your Total Equity less your Total Margin Requirement.	$1,000 – 0 = $1,000	Free Equity	$1,000.00

Step 2 Opening a position	Calculation	Account display	
The price of a NAB Share CFD is $24.99 (Bid price) / $25.00 (Offer price). You buy 500 NAB Share CFDs at the Offer price of $25.00. You will pay Commission for this trade, which is the Commission rate (see the table in section 5) multiplied by the number of CFDs multiplied by the Offer price. In this example, the applicable Commission rate is 0.1%, which means you will pay $12.50 commission. This amount is deducted from your previous Total Equity balance.	500 CFDs x $25.00 x 0.1% = $12.50 $1,000 – $12.50 = $987.50	Commission Total Equity	$12.50 $987.50
Your Total Margin Requirement is the number of CFDs multiplied by the Offer price multiplied by the Margin Percentage. NAB has a 5% Margin Percentage. Your Total Margin Requirement to open this position is $625.00.	500 CFDs x $25.00 x 5% = $625.00	Total Margin Requirement	$625.00
You decide to hold the position overnight. The CMC Markets Closing Price for a NAB Share CFD for that day was $25.00, the same as the Offer price. Your Free Equity is $362.50 (your Total Equity less your Total Margin Requirement).	$987.50 – $625.00 = $362.50	Free Equity	$362.50

Step 3 Going on to Margin Call – the next day	Calculation	Account display	
Your Account would be debited with a Financing Charge of $2.23, calculated by multiplying the number of CFDs held by the CMC Markets price then multiplied by the Financing Rate divided by 365. You will find more information about Financing Rates in section 5. Following an earnings downgrade, the opening price of NAB Share CFD the next day is $23.50. Your position is marked to the CMC Markets price for NAB Share CFDs, which changes your Account balance from the previous night's closing position. Your Total Equity balance falls below your Total Margin Requirement. Your Account is placed on Margin Call.	Closing position overnight $987.50 Less Financing Charge (500 x $25.00) x 6.5% / 365 = $2.23 Less loss ($23.50 – $25.00) x 500 = –$750.00 Equals $987.50 – $2.23 – $750.00 = $235.27	Total Equity	$235.27
Your Total Margin Requirement would also decrease to $587.50 based on the new Contract Value of your position.	(500 x $23.50) x 5%) = $587.50	Total Margin Requirement	$587.50
As your Free Equity has now fallen into a debit balance, you would now be on a Margin Call for this debit of –$352.23. Your Free Equity is your Total Equity less your Total Margin Requirement.	$235.27 – $587.50 = –$352.23	Free Equity	–$352.23

Step 4 Closing the position	Calculation	Account display	
You decide to close your position and sell 500 NAB Share CFDs at the Bid price of $23.50.	500 x $23.50 x 0.1% = $11.75 $235.27 – $11.75 = $223.52	Total Equity	$223.52
You would pay Commission for this trade, which is the Commission rate (see the table in section 5) multiplied by the number of CFDs multiplied by the Offer price. In this example, the applicable Commission rate is 0.1%, which means you will pay $11.75 commission. This amount is deducted from your previous Total Equity balance.			
Your Total Margin Requirement would now be zero, as your position has been closed.	n/a	Total Margin Requirement	$0.00
Your Free Equity is now $223.52 (your Total Equity less your Total Margin Requirement).	$223.52 – $0.00 = $223.52	Free Equity	$223.52

6.4 Example of where we place a liquidation order on your Account (example 6)

Example 6 illustrates what happens if you open a long position and close at a lesser price. In this example, after Commission and Financing Charges you would have made a $1,026.23 loss. This means you would now be liable to pay to us this debit of $26.23 on your Account.

Step 1 Opening your Account
Your Account has the same opening balances as shown in example 5.

Step 2 Opening a position
You opened your Account with the same position as shown in example 5.

Step 3 The next day	Calculation	Account display	
Your Account would be debited with a Financing Charge of $2.23, calculated by multiplying the number of CFDs held by the Offer price multiplied by the Financing Rate divided by 365 (refer to the table containing information about Financing Rates at section 5). Following an earnings downgrade, the opening price of NAB Share CFD the next day is $23.00. Your position is marked to the CMC Markets NAB Share CFD price, which changes your Account balance from the previous night's closing position.	Closing position overnight $987.50 Less Financing Charge (500 x $25.00) x 6.5% / 365 = $2.23 Less loss ($23.00 – $25.00) x 500 = –$1,000.00 Equals $987.50 – $2.23 – $1,000.00 = –$14.73	Total Equity	–$14.73
Your Total Margin Requirement would also decrease to $575.00 based on the new Contract Value of your position.	(500 x $23.00) x 5% = $575.00	Total Margin Requirement	$575.00
As your Free Equity has now fallen into a debit balance, you would now be on a Margin Call for this debit of $589.73. Your Free Equity is your Total Equity less your Total Margin Requirement.	–$14.73 – $575.00 = –$589.73	Free Equity	–$589.73

STEP 4 Closing the position	Calculation	Account display	
As your Total Equity has fallen into a debit, if you do not add additional funds to your Account to restore your Total Equity balance above the Liquidation Level, we may place a liquidation order on your Account. We decide to close your position and sell 500 NAB Share CFDs at the Bid price of $23.00. On this occasion, we can liquidate your position at the opening price of $23.00. Liquidating your position at the opening price may not always be possible and we may in our discretion decide not to liquidate your position at any time.			
You would pay Commission for this trade, which is the Commission rate (see the table in section 5) multiplied by the number of CFDs multiplied by the Offer price. In this example, the applicable Commission rate is 0.1%, which means you will pay $11.50 commission. This amount is deducted from your Total Equity balance.	500 x $23.00 x 0.1% = $11.50 –$14.73 – $11.50 = –$26.23	Total Equity	–$26.23
Your Total Margin Requirement would now be zero, as your position has been closed.	n/a	Total Margin Requirement	$0.00
Free Equity is now a debit balance of $26.23 (your Total Equity less your Total Margin Requirement).	–$26.23 – $0.00 = –$26.23	Free Equity	–$26.23

07 Adjustment events

This section deals with other factors you should consider when trading CFDs.

7.1 Corporate Actions and dividend adjustments

We may, at our discretion, make such adjustments to the terms of CFDs due to dividends or other Corporate Actions as we determine (acting reasonably and in good faith) are appropriate to preserve the economic equivalent effect of the relevant Corporation Action. However, CMC Markets is under no obligation to adjust the terms of any CFD in connection with a Corporate Action. You should remain aware of Corporate Actions that have occurred and that may impact upon your positions. Please note that CMC Markets is under no obligation to monitor Corporate Actions or bring them to your attention.

If we determine that it is not practicable to adjust the terms of a CFD to account for a relevant Corporate Action, we may close and then reopen your position at a new price and/or vary the terms of your orders and CFDs to preserve the economic equivalent of the rights and obligations of the parties prior to a Corporate Action. If this occurs you will be refunded any Commission you have paid for any of your positions and/or orders that have been closed or reopened as a result.

In addition, the Underlying Market may purge orders on quoted Underlying Reference Instruments as a result of Corporate Actions (for example, the ASX cancelling orders after a Corporate Action on a listed share has been announced). When this happens your orders may be cancelled by CMC Markets. You will need to re-enter the orders if this occurs.

7.2 Adjustments on Share CFDs

All adjustments for Share CFDs will be made by the close of business on the day after the ex-dividend date. In order to qualify for adjustments due to dividends and other Corporate Actions you must hold your position by the close of business on the day prior to the ex-dividend day or other appropriate date determined by us.

The situation changes depending on whether you are in a long or short position. The most common time when this will affect CFD holders is when a company pays a dividend. Following is a basic example showing how dividend payments differ depending on whether the trade is long or short.

Company XYZ Ltd has shares trading at $1.00. The company intends to pay a dividend of $0.10 per share. All things being equal the shares will fall by the amount of the dividend on the ex-dividend date. This means though that if you were short CFDs on this date then you would be very likely to make a profit as the share price falls. As you can see from the table below the adjustment that is made for dividends means that neither long nor short positions are unfairly advantaged or disadvantaged:

	Long XYZ Share CFDs	Short XYZ Share CFDs
Value before dividend	$1.00	$1.00
Value after dividend	$0.90	$0.90
Gain / Loss	–$0.10	+$0.10
Dividend adjustment made by CMC Markets	+$0.10	–$0.10

7.3 Adjustments on short Australian Share CFDs

If an Australian share is the Underlying Reference Instrument of a CFD, we may at our discretion Hedge our exposure to your short position by borrowing the Australian shares from a non-resident of Australia for Australian taxation purposes. However, CMC Markets has no obligation to do so and is under no obligation to inform you as to whether or not it has done so.

If CMC Markets chooses to borrow the underlying Australian share from an Australian tax resident, your Account may also be adjusted for any amount charged to CMC Markets for any Franking Credits attached to the Cash Dividend in addition to the amount of the Cash Dividend. That is, your Account will be debited with an amount equal to the Grossed-up Dividend.

7.4 Payments for Dividends on Index and Sector CFDs

Adjustments will also be made if you are the holder of an Index or Sector CFD for a pro rata amount that the dividend paying share makes up of the Index or Sector. In the case of other Corporate Actions such as bonus issues, you may be credited the appropriate number of Share CFDs to your Account. Index and Sector CFDs will not take into account any adjustment for Imputation Credits. The pro rata weighting is determined based on its relative market capitalisation weighting to the other stocks within the basket of securities that make up the Index or Sector.

7.5 Voting rights

CFD Account holders are not entitled to voting rights or other rights held by the registered holders of Underlying Reference Instruments.

7.6 Trading halts and suspensions

You will not be able to enter into any new transactions where there is a trading halt in the Underlying Reference Instrument or trading in respect of the Underlying Reference Instrument has otherwise been suspended in the Underlying Market. Where trading in a product has been halted or suspended CMC may exercise certain discretions, see section 3 ("CMC Markets Discretions") for more information.

08 Account administration

8.1 Operating your Account through our Electronic Trading Platform/s

You, an Authorised Person or your Introducing Adviser may use our Electronic Trading Platform/s to monitor your positions at any point in real time, as well as view all trades, orders, pending orders and available statements (features may vary between Accounts and/or Electronic Trading Platform/s). You agree to use our Electronic Trading Platform/s to:

- confirm all CMC Markets transactions entered into with CMC Markets; and
- monitor your obligations to CMC Markets.

You must keep all security information relating to your Account confidential. You are responsible for all orders and instructions and for the accuracy of all information sent electronically using the login and password that has been linked to your Account (for example, by an Authorised Person). If you suspect or are aware your login or password are no longer confidential, you should contact us as soon as possible (see contact details in section 1.2 of this DD).

8.2 Account ledgers

Your Account may comprise a number of Currency Ledgers which will operate as follows:

- We may accept payments into the Account in different currencies and any payments due to or from CMC Markets and any net balances on the Account will be reported by us in the respective Currency Ledger.
- You agree that where you enter into one or more CFDs denominated in a currency other than the Base Currency, a Currency Ledger will be created on the Account and will remain until all CFDs in such currency are closed. At the close of business on each day, Currency Ledger Balances denominated in a currency other than the Base Currency of your Account will be automatically converted to the Base Currency of your Account by us at the CMC Markets Exchange Rate applicable at the time. You may opt out of having these Currency Ledger Balances automatically converted at any time by calling us (see section 8.7–8.9 for further information).
- We will also report all sums due to or from us, whether by way of Margin or otherwise, and the net balance on the Account in the Base Currency using the CMC Markets Exchange Rate.

8.3 Confirmations

When you execute a CFD transaction with us electronically, a Confirmation of the executed trade will appear on our Electronic Trading Platform/s. It is only at this point, and subject to other terms in this DD, that a binding contract between you and us in respect of that CFD arises. If you execute a CFD with us over the phone, the CFD transaction will constitute a binding CFD once you have agreed to a price on the phone rather than at the time the Confirmation appears in our Electronic Trading Platform/s. The Confirmation includes certain information about the CFD, including the relevant CFD product, the Contract quantity, Commissions and certain other charges.

8.4 Daily statements

Following our end-of-day settlement process, provided you have traded in CFDs or have an open position, we may produce an electronic version of your daily statement and email it to you. It may also be available on our Electronic Trading Platform/s.

Daily statements include:

- your executed CFD trades for that date;
- your open CFD positions valued using the CMC Markets Closing Price for that date;
- profit and loss for that day per CFD in the currency of the Underlying Reference Instrument;
- Financing Charges / Benefits, Rollover Charges / Benefits, Commission and any other fees and costs applied to your Account on that date;
- your financial position per Currency Ledger on your Account; and
- a summary of your financial position in your nominated Base Currency.

8.5 Monthly statements

Following the end of each calendar month, and provided you have traded in CFDs or have an open position, we may produce an electronic version of your monthly statement, which will be emailed to you and may also be made available on our Electronic Trading Platform/s.

Monthly statements include:

- your executed CFD trades for that month;
- your open CFD positions valued using the CMC Markets Closing Price for that month;
- profit and loss for that month per CFD in the currency of the Underlying Reference Instrument;
- Financing Charges / Benefits, Rollover Charges / Benefits, Commission and any other fees and costs applied to your Account for that month;
- your financial position per Currency Ledger on your Account;
- a summary of your financial position in your nominated Base Currency; and
- any interest paid to your Account based on deposited money.

8.6 Checking of confirmations and statements

You should check all the contents of confirmations, daily statements, monthly statements and other information we provide to you in detail and contact us within three Business Days if you disagree with any of their contents.

Such documents will, in the absence of manifest error, be conclusive unless you notify us in writing to the contrary within three Business Days of receiving the document. The three Business Days begins from the time the document is posted on our Electronic Trading Platform/s or sent to you electronically via email.

We may, however, at any time, correct the contents of daily statements and monthly statements without prior notice to you.

8.7 Automatic balance conversion

Unless we inform you otherwise, at Settlement time (10pm London Time) all currency balances held in your CMC Markets Account will be converted back to the Base Currency of the Account. They will be converted at the conversion rate applicable at the time plus the CMC Markets Spread. Clients can opt out of this policy, or choose a weekly or monthly conversion, at any time by calling us.

The actual conversion may give rise to a different amount in your Base Currency than the amount that may have been showing in your Account before the actual conversion. This is due to the CMC Markets price for Forex CFDs in the relevant cross-currency being used to notionally convert currency cash balance amounts in your Account (rather than the CMC Markets Exchange Rate).

Until the currency cash balance is actually converted to the Base Currency, fluctuations in the relevant CMC Markets Exchange Rate may affect the ultimate profit or loss made on the closed CFD position in the Base Currency in your Account.

8.8 Balance conversion at your request

On realising your profit and loss for a CFD position not denominated in your Base Currency, you will hold a currency balance in your Account that is not in your Base Currency. This can be converted to the Base Currency of your Account at your request.

A request to convert a currency cash balance may be made on our Electronic Trading Platform/s or by contacting us during Dealing Desk hours (see contact details in section 1.2).

This will be converted at the conversion rate at the time plus CMC Markets Spread.

If you do not request CMC Markets to convert a currency cash balance to the Base Currency of your Account (whether on closing a position or subsequently), the balance will continue to be reflected in your Account in the relevant currency (until CMC Markets converts the currency cash balance to the Base Currency of your Account in the circumstances described in section 8.7 unless you have opted out of this). A currency balance in your Account will continue to be subject to fluctuations in the relevant CMC Markets Exchange Rate.

8.9 Balance conversion by CMC Markets without a request

If your Total Equity balance (including any currency cash balances and unrealised profits and losses) falls below US$200 (or its equivalent in your Base Currency), or in CMC Markets' opinion it is necessary to manage credit risk we may, at our discretion, convert any such cash balances into the Base Currency of your Account.

If you wish to withdraw funds from your Account, CMC Markets will convert some or all of your currency cash balances into your Base Currency in order to fulfil your request.

8.10 How are payments made in and out of your CMC Markets Account?

You may deposit funds by credit card payment, electronic transfer, or transfer funds from another CMC Markets Account. All funds must be Cleared Funds in your Account before they are treated as satisfying a Margin Call or can be made available for you to use in trading in CFDs.

Any withdrawal request will be paid to you through electronic transfer. If you have deposited funds by credit card, we may pay any profit and/or the balance of your initial deposit back to the original source of the funds.

When you deposit one currency into your Account, it is our policy to remit the balance of your Account and any profits in the same currency as which you deposited. The manner in which we remit moneys to you will be at our discretion, having utmost regard to our duties under law regarding the prevention of fraud and money laundering. We will normally remit money in the same method and to the same place from which it was received. However, in exceptional circumstances we may, at our discretion, consider a suitable alternative.

8.11 How do you close a CFD Account?

You can close your Account by contacting us (see contact details in section 1.2 of this DD).

9 Client money

9.1 Introduction to client money

Any money that you deposit with CMC Markets, or that is deposited on your behalf, will be segregated from CMC Markets' money and held and invested by us in one or more client bank accounts with a registered bank or banks in New Zealand in accordance with this DD and the Futures Industry (Client Funds) Regulations 1990 (Client Funds Regulations). We may establish and maintain one or more segregated client bank accounts outside New Zealand with one or more registered banks. Client money will be held and disbursed in accordance with the Client Funds Regulations and the terms of CMC Markets' Authorisation.

All client money held by CMC Markets is fully segregated. This means that all client money, including Margin, is held on trust in a segregated client bank account. We do not use client money for the purpose of meeting obligations incurred by us when hedging with other counterparties. Any obligations incurred by us in connection with such transactions are funded by CMC Markets from our operating cash account. In addition, client money is not used to meet the trading obligations of other clients.

Whilst all client money is fully segregated it may be commingled with other client money in one or more client bank accounts. We do not pay interest on client money held in any client bank account.

9.2 Investment and administration of client money

You authorise CMC Markets to invest your money held in any segregated client bank account in any of the following types of property:

(a) Government stock, treasury bills, and any other public security as defined in the *Public Finance Act 1989*; or

(b) stocks, loans, investments or securities issued by any local authority as defined in the *Local Authorities Loans Act 1956*; or

(c) transferable certificates of deposit or negotiable certificates of deposit which are issued by a registered bank or in respect of which a registered bank is liable for repayment or redemption; or

(d) bills of exchange, promissory notes, bonds, or other investments or instruments issued, drawn, accepted or endorsed by a registered bank; or

(e) any other securities in respect of which payment or redemption is to be made or guaranteed by a registered bank or any local authority as defined in the *Local Authorities Loans Act 1956*; or

(f) any other type of property that is designated by the Securities Commission by notice in the New Zealand Gazette for the purposes of the Client Funds Regulations.

Unless otherwise agreed in writing with you:

(g) CMC Markets will be solely entitled to any interest derived from the moneys being deposited in a segregated client bank account or invested by us in accordance with this Agreement with such interest or earnings being payable to CMC Markets from the relevant segregated client bank account or investment account, as the case requires, as and when CMC Markets determines; and

(h) upon realisation of an investment of the customer's moneys, the initial capital invested must either be invested in another investment permitted by this Agreement or deposited by CMC Markets into a segregated client bank account.

In addition you, among other things, authorise us to:

(i) withdraw, deduct or apply any amounts payable by you to CMC Markets, its Associates or other Persons connected with CMC Markets under this Agreement from your moneys held in any segregated account or invested by us, including, without limitation making a payment for, or in connection with, the adjusting or settling of dealings in CFDs or Contracts entered into by you or the payment of finance charges, Commissions or interest to CMC Markets;

(j) pay, withdraw, deduct or apply any amounts from your moneys held in any segregated account or invested by us as permitted by this Agreement and Client Funds Regulations, with all such amounts belonging to CMC Markets under this Agreement;

(k) deal with any property, other than money, given to us in accordance with the terms and conditions of this Agreement, including, without limitation:

- dealing with such property in connection with the adjusting or settling of dealings in Contracts entered into by you; or
- selling or charging in any way any or all of your property which may from time to time be in our possession or control following the happening of a Specified Event; and

(l) deal with any property, other than money, given to us as permitted by this Agreement.

9.3 Withdrawal of money from your Account

You may withdraw money from your Account using the withdrawal facility on our Electronic Trading Platform. If you cannot access the withdrawal facility on our Electronic Trading Platform, please contact us. Withdrawals will be subject to you leaving enough Cleared Funds in your Account to cover any Margin Requirements or any other payments.

We may at our discretion withhold withdrawals if:

- open positions on your Account show notional losses;
- we reasonably consider that funds may be required to meet any current or future Margin Requirement on open positions;
- you have any contingent liability to us or to any of our Associates in respect of any other Account you have opened with them;
- we reasonably determine that there is an unresolved dispute between you and us;
- we consider it necessary or desirable to enable us to comply with regulatory and/or legal obligations; and/or
- we consider that your trading is in breach of any term of the Agreement, including this DD.

We will, except where necessary or desirable to enable us to comply with regulatory and/or legal obligations, notify you as soon as reasonably practicable if we decide to take such an action.

We will not pay funds to any third party account. Funds requested for withdrawal will only be paid to a bank account in the same name as the Account held with us.

9.4 Separate Accounts

Except as otherwise noted at section 13.5 in relation to debts, where you have opened more than one Account with us we will treat such Accounts as entirely separate. Any credit, including money deposited as Margin, on one Account will not, except where we exercise our rights under the Agreement, discharge any of your liabilities in respect of another Account.

If you request it in writing, we may, in our discretion, agree to treat your Accounts as one Account. In this case, all references to an Account in this DD will be to your Accounts so aggregated. If we agree, this request will take effect on the date we notify you.

10 Significant risks of trading in CFDs with CMC Markets

This section is about the major risks that can apply to trading in CFDs with CMC Markets. You should spend time reading and understanding this section and then working out how this applies to your personal circumstances, including your trading strategy.

CFDs are speculative products that are highly leveraged and carry significantly greater risk than non-leveraged investments such as ordinary share trading. You should carefully read this section and then consider whether trading in CFDs is right for you given your personal circumstances (financial, taxation and otherwise) before you begin trading with us.

10.1 Trading may be affected by factors in the Underlying Market

The prices of the CFDs are derived from the prices in the Underlying Markets, which can be highly volatile. The prices of CFDs and the Underlying Reference Instruments and indices may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by you. The prices of CFDs may be influenced by, among other things, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the relevant marketplace.

The Underlying Market may also lack Liquidity, caused by insufficient activity, or because the aggregate of all requests for orders at a particular price or range of prices determined by CMC Markets exceeds the available volume in the relevant Underlying Markets. This may affect the ability of CMC Markets to offer the relevant CFD in sufficient volume to allow you to close out your position or open a new position. Alternatively, we may requote the price at which we offer the CFDs to you.

Finally, if trading in the Underlying Market is affected by Exceptional Market Conditions, we may use our discretion to determine if you are able to place an order to close out your position or open a new position. Refer to section 3 for further information on our discretions.

As a result, a potentially profitable trade may not be executed, or it may not be possible to close out a position in a timely fashion at the price you require. This may lead to reduced profits and/or higher losses.

10.2 Gapping

Sometimes markets move so quickly that Gapping occurs. If Gapping occurs in the Underlying Market, it will also occur in the price of the relevant CFD and may mean you are unable to close out your position or open a new position at the price at which you have placed your order or may have liked to place your order. However, you can place a GSLO on your Account.

10.3 Insufficient Liquidity, Slippage and requotes

CMC Markets may adjust the price at which it offers CFDs to you when your order or the aggregate of all requests for orders at a particular price or range of prices determined by CMC Markets exceeds that available in the Underlying Market to which your request to place an order relates. An example is where a number of clients place Stop Loss Orders at a particular price and CMC Markets Hedges its exposure to this by trading in the Underlying Reference Instrument. CMC Markets will endeavour to execute the stop orders at the price you set the order at, but your price may be inferior to the price you placed the stop order at. If the new price is within your nominated price range, you will not have the option to either accept or reject the adjusted price, it may be automatically executed.

CMC Markets may also adjust the price in other circumstances we determine are appropriate, including where there has been a change in the Underlying Market since the original quote.

Furthermore, there is no predetermined percentage or amount by which the adjusted price of a CFD can vary from the price of the CFD originally quoted to you. CMC Markets in its discretion may quote different prices to different clients.

10.4 Risks resulting from Margin Calls

If the CFD price moves against your CFD position you may be required, at short notice, to deposit further moneys to your Account with CMC Markets in order to satisfy your Total Margin Requirement and maintain your position. This is known as being on Margin Call. The amount of the additional Margin may be substantial.

Failure to pay these additional funds promptly may result in:

- some or all of your open positions being closed or liquidated by CMC Markets (see section 2.12 in relation to Liquidation Levels);
- you being prevented from opening new positions or extending existing positions; and
- you being liable for interest charges on negative or debit balances.

Further, any additional funds deposited must be Cleared Funds before they will be taken as satisfying your Margin Call. In some circumstances, your position may be liquidated before you have an opportunity to deposit additional funds and before any additional funds that you deposit in response to a Margin Call have had the opportunity to become Cleared Funds (see section 2.12 in relation to Liquidation Levels).

While CMC Markets may attempt to limit your losses by taking any of the actions listed in section 12.13, CMC Markets is under no obligation to do so and in the event it does attempt any of those actions, circumstances may arise that hinder these efforts or cause your losses to be increased. CMC Markets takes no responsibility for losses incurred by you once your Account goes into Margin Call even where such losses are caused by CMC Markets or its employees attempting to limit your losses.

It is your responsibility to monitor your Account to see whether you are in Margin Call.

10.5 The Base Currency of your Account

Your Account is maintained in a currency you nominate, known as the Base Currency. New Zealand clients will have their Base Currency defaulted to NZD if they do not nominate a different Base Currency.

All Margins, profits, losses, Rollover Charges, Rollover Benefits, Financing Charges or Financing Benefits in relation to a CFD are calculated using the currency in which that CFD is denominated, which is shown on the CMC Markets Product Schedule, except for Forex CFDs and Currency Future CFDs, which will have their profits or losses denominated in US dollars.

Accordingly, your profits or losses may be affected by fluctuations in the exchange rate for the relevant currency between the time the order is placed for the CFD and the time the profit and loss is realised.

Any withdrawal requests will be honoured in the currency in which you have deposited funds into your Account.

10.6 Interest rate fluctuations

The interest you receive or pay in relation to your Account balance will be affected by fluctuations in the Relevant Interest Rate specified by us for the currency in which your Account is denominated.

If you trade in a CFD denominated in a currency other than NZ dollars, the fluctuations in the relevant Financing Rate will also affect your profits and losses.

10.7 Warning about counterparty risk

As CMC Markets is the CFD product issuer, you are exposed to the financial and business risks, including the credit risk associated with trading with CMC Markets. If CMC Markets becomes insolvent, CMC Markets may be unable to meet its obligations to you.

CMC Markets has risk management and compliance systems in place to manage its risks including but not limited to financial, operational and credit risks. Funds are held with reputable financial institutions. CMC Markets has policies around monitoring client positions, margin calls and liquidations. CMC Markets also monitors market risk on a daily basis against set limits.

CMC Markets maintains a written policy to ensure it maintains adequate financial resources and complies with the financial requirements of its Authorisation. The steps that are taken to ensure this include:

- Performing a daily adjusted surplus liquid funds calculation, ensuring that we meet the minimum liquid capital requirement set by the Financial Markets Authority; and
- Performing a daily client cash segregation calculation, ensuring that we hold adequate cash in our client trust account in order to meet our obligations to the client. All client cash is maintained in fully segregated trust accounts separate to CMC's operating account.

Before entering a relationship with a new hedging counterparty CMC Markets undertakes a due diligence process. This process will include a review of a number of key factors that relate to the risk of dealing with the counterparty. These include the counterparty's credit rating, reputation, market presence, funding arrangements, stock availability, trading platforms, reporting processes and fees and charges.

CMC Markets will transfer monies owed to clients (which may include client gains) to the segregated trust account (daily), from our operating cash account. You are an unsecured creditor in respect of monies owed which you should be aware of in the (unlikely) event that CMC Markets were to become insolvent.

If there is a deficit in the segregated trust accounts and in the unlikely event CMC Markets becomes insolvent, you may be an unsecured creditor in relation to some of the money owing to you.

If you become an unsecured creditor of CMC Markets, you will need to lodge a proof of debt with the liquidator for the amount of money owing to you as evidenced by your Account statements. The liquidator then assesses all proofs of debt to determine which creditors are able to share in the assets of the company, and to what extent, depending on the amounts owing to them and any priority they may have to be paid.

If you require further information about CMC Markets' financial position, please contact Client Services and request a copy of our audited financial statements. These will be provided free of charge.

10.8 Potential loss caused by spread

Because of the difference between the buying and selling price of a CFD, the relevant CFD price must move favourably before you can break even. In other words, even if the CFD price does not move at all and you close out your position, you will make a loss to the extent of the CMC Markets Spread and of any CMC Markets fees and costs (including Commissions) which apply to the CFD. See section 5.12 for more information on spreads.

Furthermore, the CMC Markets Spread may be larger at the time you close out the position than it was at the time you opened it.

10.9 Conflicts of interest

CMC Markets, its Associates or other Persons connected with CMC Markets may have an interest, relationship or arrangement that is material in relation to any CFD entered into with us. You agree that we may conduct such business without your prior consent.

In addition, we may provide services to third parties whose interests may be in conflict or competition with your interests. CMC Markets, its Associates or other Persons connected with CMC Markets and the employees of any of them may, or may act on behalf of other clients who may, take positions opposite to yours or may be in competition with you to acquire the same or a similar position. From time to time we may effect transactions with or through our Associates in connection with the Services we provide.

We will not deliberately favour another Person over you, but will not be responsible for any loss which may result from such competition.

CMC Markets is a CFD issuer, not a broker. Accordingly, you will be trading CFDs directly with us, and not on any financial market. As a CFD issuer, we set the prices that refer to, but may not always be the same as, those in the Underlying Market. We will always act as a principal, not as an agent, for our own benefit in respect of all CFD transactions with you.

CMC Markets may also conduct transactions as principal in the Underlying Reference Instruments on which CFDs are based, including shares and futures. In particular, the CMC Markets Group may at its sole discretion, Hedge our liability to you in respect of your CFD positions by undertaking transactions in the Underlying Reference Instruments in the Underlying Markets. However, we have no obligation to do so and are under no obligation to inform you as to whether or not we have done so. These trading activities may affect (positively or negatively) the prices at which you may trade CFDs with us.

10.10 Information technology

Operational risks in relation to our Electronic Trading Platform/s are inherent in every CFD transaction. For example, disruptions in our operational processes such as communications, computers, computer networks, software, our website or external events may lead to delays in the execution and settlement of a transaction. We do not warrant or forecast that our Electronic Trading Platform/s will meet the requirements of any user, or that the operation of our Electronic Trading Platform/s will be uninterrupted or error free. CMC Markets does not accept any liability in respect of the operation of our Electronic Trading Platform/s, except to the extent that it is caused by the fraud or dishonesty on the part of CMC Markets or its employees, agents or representatives.

10.11 You may suffer losses in excess of the money you deposit with CMC Markets

When you trade in CFDs you should realise that in a 'worst case scenario' your maximum loss is the value of your total exposure to the market. This means that if you buy 1,000 Share CFDs over a company trading at $10, your maximum loss is $10,000. This is irrespective of the fact your Margin may only be a very small percentage of this amount. Your Margin does not represent a limit on the loss you can potentially be exposed to. You are also liable for losses that extend beyond the amount of funds you have in your Account on both open and closed positions.

10.12 Scope of CFD market regulation

As the CFDs are Contracts with CMC Markets and are not traded on a licensed market, some of the protections associated with licensed markets are not available for trading in CFDs. For example, trading on the ASX generally has the benefit of a guarantee system known as the National Guarantee Fund which provides protection from fraud or misconduct by brokers in connection with certain ASX trades. The National Guarantee Fund does not apply to CFD trading with us, nor any other compensation fund operated by an Underlying Market.

10.13 Right to cancel, limit or close clients' positions

If you fail to pay, or provide security for, amounts payable to us or fail to perform any other obligation included in the Agreement, we have powers to take steps to protect our position. These powers include the power to close out positions and to charge interest on debit amounts.

CMC Markets has the right, whether with or without prior notice, and in addition to any other rights it may have under this Agreement:

- to close out all or part, as CMC Markets reasonably considers appropriate, of your open positions; or
- to limit the size of your open positions either in monetary terms or in number of Contracts (net or gross); or
- to refuse orders to establish new positions; or
- to cancel your positions,

if

- CMC Markets reasonably considers there are abnormal trading conditions;
- CMC Markets, in its reasonable opinion, considers it necessary for the protection of its rights under this Agreement;
- CMC Markets is unable to make prices in the relevant Contract due to the unavailability of the relevant market information for reasons beyond CMC Markets' control;
- CMC Markets so decides in its discretion and, in this case only, gives written notice of such decision to you;
- CMC Markets considers that you may be in possession of 'inside information' within the meaning of the Securities Markets Act 1988;
- CMC Markets considers that you may be in breach of any Applicable Law;
- you or CMC Markets is so requested by the Securities Commission or any other regulatory agency or authority;
- any of the circumstances set out in section 10.14 of the definition of Specified Event apply to you;
- you breach the Liquidation Level or fail to deposit any other sum due under this Agreement in respect of any Contract;
- Margin moneys or collateral held by CMC Markets in respect of any open Contract which has been purchased on Margin fall below CMC Markets' Margin Requirements and breach the Liquidation Level;
- the aggregate of your order and all other orders for a Contract is outside of the Normal Dealing Size;
- a Position Limit is, or is likely to be, exceeded;
- CMC Markets can no longer Hedge your position or has a position closed out by a counterparty; or
- prices are manipulated or you use any fault in CMC Markets' Electronic Trading Platform/s unfairly to gain a price advantage which would not normally be available if the Electronic Trading Platform/s had not suffered the fault.

10.14 Specified Events

A Specified Event occurs on:

- your failure to make any payment or failure to do any other act or thing required under in accordance with this DD;
- your failure to provide assets for delivery, or take delivery of assets, under any Contract on the first due date;

- your death or mental incapacity;
- your stating that you are insolvent;
- your seeking or obtaining protection from any of your creditors under any legislation;
- your becoming insolvent or committing an act of bankruptcy or your estate coming within the law dealing with bankrupts;
- a bankruptcy petition being presented in respect of you, or if you are a partnership, in respect of one or more of the partners, or if you are a company, a receiver, trustee, administrative receiver or similar officer being appointed;
- the occurrence of any of the following events:
  - an order being made to wind you up;
  - an application being made to a court for an order that you be wound up;
  - an application being made to a court for an order to appoint a liquidator, provisional liquidator or controller;
  - a liquidator, provisional liquidator or controller being appointed to you;
  - a resolution being passed to appoint an administrator to you;
  - a resolution being passed or notice being given of your intention to pass a resolution to wind yourself up;
  - you entering into a deed of company arrangement or proposal of a reorganisation, moratorium or other administration involving all or any of your creditors;
  - your dissolution or being wound up in any other way;
  - your stating you are unable to pay your debts as and when they fall due;
- an execution being levied against your business or property which isn't removed, released, lifted, discharged or discontinued within 28 days;
- your seeking of a moratorium or proposal of any arrangement or compromise with your creditors;
- any other event having substantially the same legal effect as the events specified above;
- any security created by any mortgage or charge becoming enforceable against you and the mortgagee or charger taking steps to enforce the security or charge;
- your having any indebtedness or any of your subsidiaries having indebtedness becoming immediately due and payable, or capable of being declared so due and payable, prior to their stated maturity by reason of your default (or the default of any of your subsidiaries) or your (or any of your subsidiaries) failure to discharge any indebtedness on its due date;
- your failure to fully comply with any obligations under this Agreement or any contract;
- any of the representations or warranties you give being, or becoming, untrue; or
- we reasonably consider it necessary for our own protection or the protection of our Associates.

After a Specified Event has occurred, we will have the right to:

- sell or charge in any way any or all of your assets and property which may from time to time be in the possession or control of CMC Markets, its Associates or other Persons connected with CMC Markets; and/or
- call on any guarantee in respect of your obligations; and/or
- require you to immediately close out and settle a CFD in such manner as we may in our discretion request; and/or
- enter into any transaction, at such rates and times as we may determine, in order to meet obligations incurred under a CFD Contract.

If you are in default of any of your obligations under the Agreement, we will be entitled (without prejudice to any other rights we may have) to assign to any Person with immediate effect, our rights in respect of money you owe to us under the Agreement, as well as any security or other remedies available to us in respect of such money. If such assignment is made, then you will, if required by CMC Markets and the assignee, acknowledge in writing that the assignee has assumed the rights and obligations of CMC Markets under the Agreement in relation to the relevant money you owe.

You authorise us to take any or all of the steps described in this section without giving prior notice to you, and you acknowledge that we will not be responsible for any consequences of our taking such steps. The rights described in this section are in addition to any other rights which CMC Markets, its Associates or other Persons connected with us may have against you.

You agree to execute such documents and take such other action as we may request in order to protect the rights of CMC Markets, its Associates or other Persons connected with us under this DD or any other Agreement you have with us.

After a Specified Event has occurred, and without prejudice to our other rights, we may at any time and without notice:

- combine, close or consolidate all or any of your Accounts with CMC Markets, its Associates or other Persons connected with us and offset any amounts owed to, or by, CMC Markets, its Associates or other Persons connected with us, in such a manner as we may in our discretion determine; and
- retain any sum owed by CMC Markets, its Associates or other Persons connected with us to you against any of your contingent liabilities to CMC Markets, its Associates or other Persons connected with us for so long as the contingency subsists.

10.15 Force Majeure Events

We may in our reasonable opinion determine that an emergency or Exceptional Market Condition exists (a Force Majeure Event), including but not limited to:

(a) where we are, in our opinion, unable to maintain an orderly market in our Contracts in respect of any one or more of the Underlying Reference Instruments as a result of the occurrence of any act, omission or event (including but not limited to any circumstance beyond our control such as strike, riot, civil unrest or failure of power supply, communications or other infrastructure);

(b) the suspension, closure, liquidation or abandonment of any relevant market or Underlying Reference Instruments;

(c) the imposition of conditions, limits or special or unusual terms on the Underlying Market or other relevant markets or Underlying Reference Instruments;

(d) the imposition of conditions, limits or special or unusual terms on CMC Markets by our hedging counterparties (including but not limited to the recall of short positions in the market or by our hedging counterparties);

(e) the general inability of CMC Markets to borrow stock to cover short positions held by clients;

(f) the excessive movement, volatility or loss of Liquidity in the relevant markets or Underlying Reference Instruments; or

(g) where we reasonably anticipate any of the circumstances set out above are about to occur.

If we determine a Force Majeure Event exists then we may (without prejudice to any other rights under the Agreement and at our sole discretion) take any one or more of the following steps:

- alter normal trading times;
- alter the Margin Percentage;
- amend or vary the Agreement and any transaction contemplated by the Agreement, including any Contract, insofar as it is impractical or impossible for us to comply with our obligations to you;
- close any or all open Contracts, cancel instructions and orders as we deem to be appropriate in the circumstances; or
- take or omit to take all such other actions as we deem to be reasonably appropriate in the circumstances.

We will inform you as soon as reasonably practicable if we determine a Force Majeure Event exists.

If we determine a Force Majeure Event exists, we will not be liable to you for any failure, hindrance or delay in performing our obligations under the Agreement or for taking or omitting to take any action according to this section.

11 Dispute resolution

11.1 Internal complaints handling system

On receipt of a complaint, the CMC Markets employee that receives the complaint will make every effort to resolve the issue, and if they are unable to do so, the matter will be referred to a senior member of the relevant CMC Markets division for further investigation.

If you are dissatisfied with the outcome, you will be requested to provide:

- written notice specifying the nature of the complaint, the desired outcome and what action you think will settle the complaint; and
- all relevant material to support the complaint.

Complaints should be addressed to the Complaints Officer and sent to CMC Markets.

The Complaints Officer will, on receipt of written notice:

- within five days, provide a written acknowledgement of receipt and an indication of the timeframe in which CMC Markets will respond to your complaint;
- consider and investigate the circumstances surrounding your complaint;
- advise you of the criteria and processes applied by CMC Markets in dealing with complaints;
- on request, provide you with any relevant, non-confidential, material relating to the complaint; and
- communicate directly with you, with a view to resolving the complaint in a fair and timely manner.

No later than 40 days following receipt of written notice, the Complaints Officer must:

- notify you in writing of the decision in relation to your complaint;
- provide you with written reasons for the decision;
- outline to you the remedies, if any, available to you; and
- advise you of any other avenues for complaint and the timeframes involved in those avenues.

Where you have any redress (financial or otherwise), we will provide that redress promptly.

If the complaint is not resolved within 40 days following the receipt of written notice, the Complaints Officer will inform you of the reasons for the delay.

Please contact us if you need more information on how complaints are handled by CMC Markets (see contact details in section 1.2 of this DD).

11.2 External dispute resolution process

Financial Services Complaints Limited (FSCL)

CMC Markets is a member of an independent dispute resolution scheme operated by FSCL and approved by the Ministry of Consumer Affairs. Under the scheme we have 40 days to respond to your complaint. If you are not satisfied by our response, you may refer the matter to FSCL by emailing info@fscl.org.nz or by calling FSCL on 0800 347 257. Full details of how to access the FSCL scheme can be obtained on their website fscl.org.nz. There is no cost to you to use the services of FSCL.

12 Taxation considerations

12.1 Introduction

The following is a generalised summary of the New Zealand taxation implications which may arise for New Zealand tax resident investors in CFDs under the *Income Tax Act 2007* (**Tax Act**). The tax implications for non-resident investors are not considered in this summary.

Returns to New Zealand investors will be affected by New Zealand taxation rules under the Tax Act. Despite the information on taxation provided in this section, you should satisfy yourself as to the tax implications of investing in CFDs. In this regard, we recommend that you consult your own taxation adviser as to your own specific circumstances.

12.2 Gains and losses from CFDs

The financial arrangements rules will generally apply to CFDs.

This means that any gain (whether of an income or capital nature) derived from CFDs is likely to constitute assessable income and be subject to tax. The treatment of expenditure under a financial arrangement will depend on the nature and individual circumstances of the taxpayer. For example, a New Zealand resident company (other than a qualifying company) is ordinarily allowed a deduction for expenditure incurred under a financial arrangement. For all other entities and natural persons, expenditure is deductible only if the ordinary deductibility criteria under the Tax Act are met. These criteria state that expenditure incurred on any CFD will be deductible only if it is:

- incurred in deriving assessable income and/or excluded income; or
- incurred in the course of carrying on a business for the purpose of deriving assessable income and/or excluded income.

In general it would be expected that an investor would enter into a CFD as part of a business or profit-making undertaking that includes investing in such products with the expectation of deriving assessable income.

Generally, where a CFD spans more than one income tax year, an accruals basis of determining income and expenditure (including losses) may apply.

However, a concession may be available for a natural person (not including a trustee of a trust) for whom all financial arrangements to which the person is a party meet certain thresholds prescribed under the Tax Act. In such circumstances, the person is able to recognise income and expenditure under financial arrangements on a realisation basis, rather than on a full accrual basis. Any gain (whether of an income or capital nature) or any expenditure or loss from a CFD when it is sold or matures is still required to be accounted for in accordance with the paragraphs above).

12.3 Interest payments made to CMC Markets

Interest payments made by you to CMC Markets will only be allowed as a deduction if you satisfy the deductibility criteria under the Tax Act. A New Zealand resident company (other than a qualifying company) is ordinarily allowed a deduction for interest expenses.

12.4 Interest payments received from CMC Markets

Interest paid by CMC Markets to you will be subject to resident withholding tax (RWT) unless you hold a valid certificate of exemption from RWT. At the date of this DD, RWT is required to be deducted at the rate of:

(a) 10.5%, 17.5%, 30% or 33% (as elected) if you provide an IRD number to CMC Markets; or

(b) 33% if you are a company and provide an IRD number to CMC Markets; or

(c) 33% if no IRD number is provided.

To the extent that the tax rate at which RWT is deducted does not match your correct tax rate, you will be subject to an end-of-year adjustment for the underpaid or overpaid tax on your interest income.

12.5 Goods and Services Tax (GST)

At the date of this DD no GST is applicable to CFD trading. However, this may be subject to change in the future, and at such time you will pay all applicable GST and other taxes and all other fees reasonably incurred by CMC Markets in connection with any Contract. Any future imposition of stamp duty or other tax, which may from time to time be levied in respect of CFDs, will be for the account of, and payable by, you.

12.6 Tax deductions by CMC Markets

CMC Markets is entitled to deduct or withhold from any payment made under this Agreement or credited to any Account of a client any tax required by law to be deducted or withheld from any such payment or credit.

13 Other considerations

13.1 Assignment

You may not assign any of your rights or obligations under the Agreement to any Person without our prior written consent. You may not give a charge over any rights to deposits held by us. We may assign our rights or delegate any of our obligations under the Agreement and any Contracts to any Person on giving not less than one month's notice to you.

13.2 Clients may be treated differently

We may, in our discretion, treat clients differently in situations including but not limited to where we quote prices and apply fees, Margin Percentages and costs.

13.3 Sharing of commissions and other amounts

We may share Commission, the CMC Markets Spread, Financing Charges, Financing Benefits and other charges or benefits with our Associates or other third parties or receive remuneration from them in respect of CFD Contracts entered into by us with you.

We may also share such amounts with Introducing Advisers and referrers for the introduction or referral of clients to CMC Markets. Details of such remuneration or sharing will be disclosed according to any Applicable Laws.

13.4 Third party accounts

You must make sure that any cheques you draw or transfers of money are from an Account in your name and not from that of another party.

You agree and acknowledge that we may return any cheque drawn on, or transfer of money from, a third party account. We will not accept or bear any liability or responsibility whatsoever for any loss incurred by you as a result of or arising in connection with, CMC Markets returning any cheque drawn on, or transfer of money from, a third party account, including any loss incurred by you because you are subsequently in default of your obligations under this DD.

13.5 Debts

Where you have opened more than one Account with us, we will treat your Accounts as aggregated for the purposes of satisfying your obligations to us to pay to us any debit balances you may owe. This means any credit balance, including money deposited as Margin, on one Account may be used to discharge any of debit balances in respect of another Account.

Please note that CMC Markets does not aggregate Accounts for the purpose of satisfying a Margin Call.

Without limiting our other rights under the Agreement any amount payable by us (or any of our Associates) to you will, at our election and without prior notice to you, be set off against any other amounts ('Other Amounts') payable by you (or any of our Associates) to us (whether or not arising under a CFD, matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation). To the extent that any Other Amounts are so set off, those Other Amounts will be discharged promptly. For the purposes of setting off under this section, we may convert any amount into any applicable currency using the relevant CMC Markets Exchange Rate.

13.6 Indemnity and liability

You must indemnify us on demand and keep us indemnified against all losses, taxes, expenses, costs and liabilities whatsoever (present, future, contingent or otherwise and including reasonable legal fees) which may be suffered or incurred by us as a result of or in connection with:

- your breach of any of the terms of the Agreement;
- CMC Markets' entering into any CFD with you;
- CMC Markets' exercising its rights following the happening of a Specified Event; or
- your giving of any representation or warranty that is incorrect or untrue, unless and to the extent only that such losses, taxes, expenses, costs and liabilities are suffered or incurred as a result of CMC Markets' negligence, fraud or dishonesty.

This indemnity will survive termination of your Agreement with us.

Importantly, we will not be liable for:

- any direct or indirect loss, expense, cost or liability suffered or incurred by you as a result of or in connection with the provision of Services by one of our employees unless such loss, expense, cost or liability is suffered or incurred as a result of the employee's negligence, fraud or dishonesty;
- any loss suffered or incurred by you as a result of any error in any order or instruction which is, or appears to be, from you or any Person authorised by you to give instructions to us; or
- any direct or indirect loss, expense, cost or liability suffered or incurred as a result of your use of or our Electronic Trading Platform/s or any loss, expense, cost or liability which is caused by delay.

13.7 Limitation of liability in respect of our Electronic Trading Platform/s

CMC Markets does not accept any liability in respect of the operation of our Electronic Trading Platform/s, whether for any breach of a provision of any relevant legislation, negligence, injury, death, lost profits, loss of files, data or use, economic loss, loss of reputation or losses or damages incidental or consequential to the operation of our Electronic Trading Platform/s, except to the extent that it is caused by the negligence, fraud or dishonesty on the part of CMC Markets or its employees, agents or representatives.

All warranties as to the description, quality, performance or fitness for the purposes of the client of the Electronic Trading Platform/s or any component of any such Electronic Trading Platform/s are disclaimed and excluded.

13.8 Authorised Persons

It is possible for a third party to place orders on your behalf provided a written Power of Attorney, Authorised Agent (Authorised Person) form or an Authority to Operate form has been received and accepted by us.

We are entitled to act on the written or oral instructions of any Authorised Person or any Person who appears to us to be an Authorised Person, notwithstanding that the Person is not, in fact, so authorised. In particular, we are entitled to act on any orders or instructions transmitted using your logon or password.

You agree to indemnify us against all losses which we may suffer as a result of any error in any order or instruction given by an Authorised Person or our acting on any order or instruction which is, or appears to be, from an Authorised Person.

13.9 Joint Accounts

If you are a joint Account holder:

(a) the liabilities of each Person under the joint Account will be joint and several;

(b) we may act on instructions received from any one Person under the joint Account who is, or appears to us to be, such a person, whether or not such a Person is an Authorised Person;

(c) any notice or other communication given by us to one Person under the joint Account will be deemed to have been given to all Persons under the joint Account; and

(d) our rights under on default will apply if a Specified Event will be deemed to have occurred in respect of any one of such Persons.

13.10 Rights and remedies

Our rights and remedies contained in the Agreement are cumulative and not exclusive of any rights or remedies provided by law.

Nothing in this DD is intended to confer on any Person other than you or CMC Markets any right to enforce any term of the Agreement.

No delay, waiver or omission on our part in exercising any right, power or remedy provided by law or under the Agreement, or partial or defective exercise thereof, will impair or prevent further or other exercise of such right, power or remedy, or operate as a waiver of such right, power or remedy.

If we agree to waive a term of your Agreement, this will not be construed as waiver of a future breach of the same term, unless agreed by us in writing.

13.11 Notices

Subject to other sections of this DD, any notice or other communication given or made under or in connection with the matters contemplated by this DD will, except where oral communication is expressly provided for, be in writing and will be sent to you/us.

Any such notice will be deemed to have been received:

(a) if delivered personally or by hand, at the time of delivery;

(b) if posted, within three Business Days of posting;

(c) if posted on our website, immediately at the time the information is made available;

(d) if verbal, whether by phone or face to face, when actually iven;

(e) if by leaving a message on an answering machine or voicemail, one hour after the message was left;

(f) if sent by facsimile, one hour after completion of its transmission; and

(g) if sent by email, one hour after sending.

You may alter the address (including the email address) to which we send communications to you by giving us written notice. However, such alteration will only be effective on the later of the date specified in the notice and the time it was deemed to be received under this section.

You agree and acknowledge that you are solely responsible for ensuring we have your current address, phone number and email address.

13.12 Changes to this DD

We may amend this DD at any time by written notice to you. Any amendments to this DD can be found on our website. If amendments are materially adverse to you, we will issue a supplementary or replacement DD.

13.13 Superannuation funds and CFDs

Complying superannuation funds must seek advice from your financial or legal adviser to ensure the superannuation fund is authorised to trade in CFDs. This section does not apply to New Zealand clients.

13.14 Jurisdiction

The law governing all dealings with us is the law of New Zealand.

13.15 Foreign jurisdiction

The distribution of this DD (and any related documents) in jurisdictions outside New Zealand may be restricted by law and therefore Persons into whose possession this DD (and any related documents) comes should seek advice on and observe any such restrictions. Failure to comply with relevant legislation may violate those laws. This DD does not constitute an offer or invitation in relation to a CFD in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

13.16 Illegality

If at any time any term of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining terms of this Agreement under the law of that jurisdiction nor under the law of any other jurisdiction will be in any way affected.

13.17 Communication

The mere transmission of an order or instruction by you does not give rise to a binding Contract between CMC Markets and you. Any order made by you is subject to CMC Markets accepting your order and such order having been recorded as accepted and confirmed to you by CMC Markets. You are responsible for making inquiry of CMC Markets if a confirmation is expected in relation to a transaction but has not been received.

CMC Markets is not liable for any loss, expense, cost or liability (including consequential loss) suffered or incurred by you as a result of internet orders placed, internet instructions given, or any other written communications made by you: (a) not being received by CMC Markets; or (b) being corrupted or delayed.

You will be responsible for all internet orders and internet instructions, and for the accuracy of all other orders.

13.18 Legal and regulatory requirements

Despite any term of the Agreement in providing our services, we will be entitled to take any action we consider necessary in our discretion to ensure compliance with the law. By trading in CFDs, you agree to strictly comply with all Applicable Laws. If we reasonably consider you have not done so, we may terminate any Contract with you immediately or withhold payment of any amount to you without notice.

13.19 Labour standards and environmental, social and ethical considerations

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

13.20 Privacy Statement

We will require you to provide personal information in the course of transacting with us. CMC Markets collects, maintains, uses and discloses personal information in the manner described in our Privacy Statement. Our Privacy Statement is available on our website or by calling us (see contact details in section 1.2 of this DD).

13.21 Interpretation

The definitions contained in the Glossary in section 14 apply to this DD unless the context otherwise requires. In this DD, unless the contrary intention appears:

- the singular includes the plural and vice versa;
- where a word or phrase has a defined meaning any other part of speech or grammatical form in respect of such word or phrase has a corresponding meaning;
- headings are inserted for convenience only and do not affect the interpretation of this DD;
- a reference to any party includes a reference to that party's executors, administrators, successors, substitutes and permitted assigns and any person taking by way of novation;
- a reference to any thing (including any amount) is a reference to the whole or any part of it and a reference to a group of persons is a reference to any one or more of them;
- a reference to the words 'including', 'for example' or 'such as' when introducing an example, does not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- a reference to 'trading' in CFDs describes any activity that involves entering into a CFD by 'opening' a CFD position, altering a CFD position or terminating a CFD by 'closing' a CFD position. We have used phrases such as 'trading in CFDs' and 'trade in CFDs' for simplicity's sake to refer to any opening, establishment, alteration to, and closing of, a CFD;
- if a Confirmation and any other document forming part of the Agreement are inconsistent, the Confirmation will prevail to the extent of that inconsistency;
- the parties agree that the various documents comprising the Agreement constitute one single agreement between the parties. Each transaction contemplated by the various documents comprising the Agreement is entered into (as applicable) in reliance on the fact that each of the documents comprising the Agreement relating to those transactions form a single agreement between the parties, and the parties would not otherwise enter into any transaction contemplated by them; and
- unless otherwise provided for in any document comprising the Agreement, if the day on which or by which a party must do something under the Agreement is not a Business Day, the parties agree that the party may do it on or by the next Business Day.

14 Glossary

This Glossary is to be read in conjunction with this DD. CMC Markets' websites also have a number of lists of market terminology which you should consult in the event that you do not understand any term when trading with CMC Markets.

Account

Your account on our Electronic Trading Platform which you use to trade in CFDs with CMC Markets.

Agreement

The various documents setting out the terms on which CMC Markets will provide Services to you, including the DD, CMC Markets Products Schedule, CMC Markets Rates Schedule, CMC Markets Privacy Statement, Confirmations and any additional terms and conditions issued by CMC Markets in connection with the Services.

Applicable Laws

(a) Applicable provisions of laws and regulations including all relevant rules of government agencies, exchanges, trade and clearing associations and self-regulatory organisations, that apply to You and CMC Markets, this Agreement and the transactions contemplated by this Agreement;

(b) Applicable laws, procedures, standards and codes of practice that apply in relation to You and CMC Markets, this Agreement and the transactions contemplated by this Agreement, including the *Companies Act 1993, the Securities Act 1978, the Securities Markets Act 1988* and *the Anti-Money Laundering and Counter-Terrorism Financing Act 2009*; and

(c) Applicable rules, regulations, customs and practices from time to time of any exchange, licensed financial market, clearing house, licensed clearing and settlement facility, or other organisation or market involved in the conclusion, execution or settlement of a transaction or Contract and any exercise by any such exchange, clearing house or other organisation or market of any power or authority conferred on it.

Application Form

The application form and Account opening documentation completed by you and submitted to CMC Markets or CMC Markets Group whether electronically or in hard copy.

Arbitrage

Attempting to profit by exploiting price differences of identical or similar financial instruments, on different markets or in different forms.

Associate

- A Person who is an officer, employee, agent, representative or Associate of a party;
- a 'related company' (as defined in the *Companies Act 1993*) of a party such as an Introducing Adviser; or
- a Person who is an officer, employee, agent, representative or Associate of a related body corporate of a party.

ASX

ASX Limited operating as Australian Securities Exchange.

Authorisation

The Authorised Futures Dealers Notice (No. 2) 2006 issued by the Securities Commission to CMC Markets authorising CMC Markets to deal in specified futures contracts.

Authorised Person

A Person authorised by CMC Markets, at your request, to give instructions to CMC Markets on your behalf in the following circumstances:

- where you are a body corporate, incorporated association, a director or employee;
- where you are a partnership, a partner in, or employee of, the partner; or
- a Person authorised under a limited power of attorney or authority to operate which CMC Markets accepts (at its discretion) in the form specified by CMC Markets from time to time.

Base Currency

The currency you have selected as being the denomination for your Account, as notified to CMC Markets in writing. In the absence of a selection, your Base Currency will be NZ dollars.

Bid

The price at which CMC Markets offers to buy a CFD, and consequently the price at which you sell a CFD.

Bid/Offer Spread

The lower and higher price at which you can sell or buy (respectively) CFDs at.

Bullion CFDs

A CFD whose value fluctuates by reference to the fluctuations in the Underlying Reference Instrument which relate to gold or silver.

Business Day

A day that is not a Saturday, Sunday, public holiday or bank holiday in Auckland, New Zealand.

Cash Dividend

The cash dividend or distribution declared only and does not include any Franking Credits attached to a dividend or distribution.

CFDs

The contracts for difference CMC Markets offers to its clients from time to time under the Agreement.

CFD Account

An Account to trade in CFDs on CMC Markets' Electronic Trading Platform/s.

CFD Contract

Any Contract entered into by you and CMC Markets in respect of a CFD.

Cleared Funds

Funds that have been deposited with CMC Markets and which are immediately available to CMC Markets and have been applied to your Account.

Client Funds Regulations

The Futures Industry (Client Funds) Regulations 1990.

CMC Markets

CMC Markets NZ Limited. Company registration number: 1705324.

CMC Markets Group

CMC Markets Plc and its associated entities (Registered number: 05145017).

CMC Markets Closing Price

The price used by CMC Markets to determine the daily Mark-to-Market value of your position.

CMC Markets Exchange Rate

The non-New Zealand resident exchange rate as we may reasonably determine from time to time having regard to current market rates and which is available from us on request. This rate may be different to the price quoted by us for a non-New Zealand resident exchange CFD.

CMC Markets Privacy Statement

The Privacy Statement explains how the CMC Markets Group collects, maintains, uses and discloses your personal information. The CMC Markets Privacy Statement can be found at cmcmarkets.co.nz.

CMC Markets Product Schedule

The list of CFDs which CMC Markets holds itself out from time to time as willing to quote a price, as amended by CMC Markets from time to time. The CMC Markets Product Schedule is available at cmcmarkets.co.nz.

CMC Markets Rates Schedule

CMC Markets Rates Schedule includes information relating to Commission, overnight financing rates and balance conversions.

CMC Markets Rollover Rate

The rate we may determine from time to time having regard to Interbank Rates for rollovers.

CMC Markets Spread
The difference between the Bid and Offer prices of a CFD quoted from time to time by us and, where appropriate, expressed as a percentage of the relevant price.

Commission
A transaction fee charged by us for execution services.

Commodity
Synonymous with futures that are traded over natural products extracted either by the mining industry or in agriculture.

Commodity CFD
A CFD whose value fluctuates by reference to the fluctuations in the value of an Underlying Reference Instrument relating to a commodity.

Commodity Rollover Price
The price determined by us by obtaining, on the Expiry Day, the average difference between the trading price of the Underlying Reference Instrument during that day and the price of the Next Serial CFD Contract. We then subtract the difference from the settlement price of the Next Serial CFD to formulate the price at which you are closed out of the expiring Commodity CFD. The application of this difference has the effect of smoothing the increased price volatility due to decreased Liquidity on the days close to the Expiry Day of the Underlying Reference Instrument.

Complaints Officer
Our internal complaints officer, as described in section 11. All complaints should be marked to the attention of the Complaints Officer and sent to us using the contact details in section 1.2.

Confirmation
A form of notification, which may be provided by us through our Electronic Trading Platform/s, confirming entry into a CFD Contract.

Contingent Orders
An order that relies on a contingent event for it to be live and able for execution.

Contract
Any contract, whether oral or written, relating to such financial products entered into by us with You or any back-to-back Agreement which we may enter into to enable it to enter into or fulfil its obligations under such contract.

Contract Quantity
The number of Contract Units traded as stated on the Confirmation.

Contract Unit
The minimum contract unit traded by CMC Markets and for which CMC Markets quotes prices such that the Contract Unit for each type of CFD as specified in the CMC Markets Product Schedule as the minimum trade size and as amended by CMC Markets from time to time.

Contract Value
The contract value is the Bid/Offer price multiplied by the Contract Quantity.

Corporate Action
Includes, but isn't limited to dividends, bonus issues, reconstructions, rights issues and stock splits in respect of an Underlying Reference Instrument.

Crossings
A situation in which a broker acts as agent on both sides of a given transaction.

Currency Ledger
The section on your current position, daily and monthly statement which records the Currency Ledger Balance of various currencies that you trade in.

Currency Ledger Balance
On realising your profit and loss for a CFD position denominated in a currency that is not your Base Currency, you will hold a currency balance in your Account that may be automatically converted back to your Base Currency at the CMC Markets Exchange Rate applicable at the time.

DD
Disclosure document.

Dealing Desk
The trading desk at CMC Markets through which you trade in CFDs. You can call the CMC Markets' Dealing Desk toll-free on 0800 262 332, or 0800 888 128 (Chinese), within New Zealand.

Electronic Trading Platform/s
Any of the electronic platform/s as supplied by CMC Markets or a third party to you for the purpose of placing CFD orders with CMC Markets.

Equity Index Futures Contract
A futures contract over an equity index.

Exceptional Market Condition
Any market condition that we may, in our reasonable opinion, determine exists, including but not limited to a Specified Event.

Expiry Day
The day on which the relevant CFD expires. This information will be available on our Electronic Trading Platform/s.

Financing Benefit
The amount you receive on share, index and sector CFD positions that remain open overnight, calculated using the Financing Rate.

Financing Charge
The amount you pay on share, index and sector CFD positions that remain open overnight, calculated using the Financing Rate.

Financing Haircut
The interest percentage added or subtracted from the Relevant Interest Rate to determine the Financing Rate.

Financing Rate
The CMC Markets rate at which you pay or receive interest on share, index and sector CFD positions that remain open overnight, based on the Relevant Interest Rate plus or minus the Financing Haircut listed in the CMC Markets Rates Schedule.

Force Majeure Event
Has the meaning given to that term in section 10.15.

Forex
A currency or cross currency.

Forex CFD
A Forex Spot CFD or a Forex Forward CFD.

Free Equity
Total Equity less Total Margin Requirements. This is the amount you have available to withdraw or to cover additional Margin Requirements.

Future CFD
Any CFD entered into between CMC Markets and a client with the purpose of securing a profit or avoiding a loss by reference to fluctuations in the price of the Underlying Reference Instrument for delivery at a specified date in the future.

Gapping
The exposure to loss from failure of market prices or rates to follow a 'smooth' or continuous path due to external factors such as world, political, economic and specific corporate events.

Good Till Cancelled (GTC) Order
An instruction that the order does not expire at the end of the Trading Day.

Grossed-up Dividend
The sum of the Cash Dividend plus any Franking Credit attached to that Cash Dividend that a Person who owns the Underlying Reference Instrument is entitled to.

GST
Goods and Services tax.

Guaranteed Stop Loss Order (GSLO)
A GSLO is similar to a normal Stop Loss Order in that it can be used to close or reduce a position, but with the added benefit of CMC Markets guaranteeing your stop out price. An additional fee is payable for this order type.

Hedge/Hedged
An investment made in order to reduce the risk of adverse price movements in a security, by taking an offsetting position in a related security.

If Done Orders
This is when two orders are linked. For the second part of the order to be activated, the first part of the order has to be filled.

Imputation Credit
Any tax, franking or imputation credit which is attached to a dividend or distribution paid to a person. Imputation Credits represent the person's allocation of tax paid that has been paid by the entity paying the dividend or distribution to the person. Also known as franking credits.

Index CFDs
A CFD whose value fluctuates by reference to the fluctuations in the value of an Underlying Reference Instrument, which will relate to a share index.

Index Future CFDs
A CFD whose value fluctuates by reference to the fluctuations in the value of an Underlying Reference Instrument, which is an Equity Index Futures Contract.

Initial Margin
The margin that you are required to pay CMC Markets on the opening of a CFD position.

Interbank Rate
The mid interbank rate calculated by CMC Markets with reference to the Bid and Offer prices for the Underlying Reference Instrument most recently quoted by any one or more third party banks.

Interest Qualification Level
The value that the Free Equity in your Account must exceed before you will qualify for interest payments.

Introducing Adviser
Any intermediary who offers a financial service to enable you to trade with CMC Markets.

IRD
The Inland Revenue Department.

Limit Order
An order to buy or sell a specified amount of a security at a specified price or better.

Liquidation Level
A percentage or currency level at which CMC Markets may automatically close your CFD position(s) due to insufficient equity in your Account.

Liquidity
The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterised by a high level of trading activity.

Margin
Margin is the amount you must have in your Account to enter into or maintain open CFD positions with us.

Margin Call
A demand for additional funds to be deposited in your Account to meet your Total Margin Requirement on your open CFD positions.

Margin Percentage
The percentage of the CFD Contract Value as specified by us in the CMC Markets Product Schedule and as amended by us from time to time. Margin Percentage is used to calculate your Margin Requirement.

Margin Requirement
The level of Margin required to open and maintain a CFD position, calculated by reference to the Margin Percentage.

Market Fill and Kill Order
Has the meaning given to that term in section 4.14.

Market Fill or Kill Order
Has the meaning given to that term in section 4.13.

Market Open Order
A Market Open Order is an order placed with the aim of executing a trade at the opening price in the relevant Underlying Market. This order only be placed on Australian Share CFDs and is only available to clients who have been introduced to us by certain institutional or wholesale introducers.

Market Open Order (Buy)
An order placed by you to buy a CFD in respect of Australian Share CFDs that will be filled if the Underlying Reference Instrument opens and trades at a price equal to or superior to the price at which you have placed your market open buy order, subject to there being sufficient Liquidity in the Underlying Market.

Market Open Order (Sell)
An order placed by you to sell a CFD in respect of Australian Share CFDs will be filled if the Underlying Reference Instrument opens and trades at a price equal to or superior to the price at which you have placed your market open sell order, subject to there being sufficient Liquidity in the Underlying Market.

Market Order
An order placed to buy or sell a CFD at CMC Markets' current price.

Market to Limit Orders
An order where you will accept a price in a CFD from CMC Markets within a price range nominated by you in the order.

Market Trigger Order
An order that is only placed to open a new position or increase an existing position when a client's preset trigger or market condition is met. Can only be placed on Australian Share CFDs, and is only available to clients introduced via specific institutional wholesale relationships.

Mark-to-Market
The process by which CMC Markets will value your current position against the CMC Markets Closing Price in order to calculate on a daily basis the profit or loss on your position. The result of this calculation can be seen in the current position report and daily/monthly statement.

Mid Price
The price at the mid point between CMC Markets' Bid and Offer price.

Minimum Point Increment
The minimum possible price change between two successive transaction prices permitted by us. The Minimum Point Increment can represent either an upward or downward movement in price.

National Guarantee Fund (NGF)
The National Guarantee Fund administered by the ASX.

Next Serial CFD Contract
A CFD of the same type as the relevant CFD Contract, but with the expiry date being the next occurring expiry date.

New Zealand Client
A client who is resident within New Zealand (based on the address on their Application Form or as notified by the client to us from time to time).

Normal Dealing Size
The maximum number of Contracts that CMC Markets reasonably believes to be available at the time of your order.

NZD, NZ$ or $
New Zealand dollars, unless specified otherwise in this DD.

OCO Orders
OCO stands for 'one cancels the other'. An OCO Order is a combination of a Limit Order and a Stop Loss Order where the execution of one order with automatically cancel the other order.

Offer
The price at which we offer to sell a CFD, consequently the price at which you buy a CFD.

OTC
Over the counter. OTC products are not traded on an exchange but are in negotiation between two parties.

Other Amount
Has the meaning given to this term in section 13.5 of this DD.

Person/s
Reference to a Person includes body corporate, unincorporated associations, partnerships and individuals.

Position Limit
A maximum number of CFD Contracts or maximum position size that CMC Markets may impose under this Agreement.

Privacy Act
Privacy Act 1993.

Privacy Statement
The Privacy Statement of CMC Markets, which explains how we collect personal information and maintain, use and disclose that information. It also includes some information about your rights.

Relevant Interest Rate
For Australian CFDs, the 'Relevant Interest Rate' is the cash rate published from time to time by the Reserve Bank of Australia.The 'Relevant Interest Rate' is usually based on the interbank overnight cash borrowing rate applicable to the currency that CFD is valued in. Please contact us if you require further information.

Rollover Benefit
An amount you may pay or receive for holding a Forex or Bullion CFD overnight based on the Rollover Rate of the relevant position.

Rollover Charge
An amount you may pay or receive for holding a Forex CFD or Bullion CFD overnight based on the Rollover of the relevant position.

Rollover Rate
The CMC Markets rate at which you pay or receive interest on Forex CFD and Bullion CFD positions remaining open overnight. A varying rate dependent on the Interbank Rate (for the currencies or bullion involved, as the case may require, see section 5.5), the duration of the rollover period, the size of the position and the CMC Markets Spread, applied at our discretion.

RWT
Resident Withholding Tax is the amount of tax deducted from any interest earned on investment income. RWT on interest is currently deducted at 10.5%, 17.5%, 30% or 33%.

Sector CFDs
A CFD whose value fluctuates by reference to the fluctuations in the value of a basket of securities of Underlying Reference Instrument entities, all of which are operating in the same industry, such as finance, energy or telecommunications. The basket of securities is determined by us.

Services
The services to be provided by CMC Markets under the Agreement.

Settlement time
22.00 London, England Time. London time is displayed as 'Server System Time' on our Electronic Trading Platform/s.

Share CFD
A CFD whose value fluctuates by reference to the fluctuations in the value of a security of the company that issues the share.

Slippage
This is when your Stop Loss Order is executed at a price that is inferior to the price that you originally placed your Stop Loss Order at.

Specified Event
An event as set out in section 10.14.

Stop Entry Order
An order placed to open a new position or increase an existing position at a price which is inferior to the current market price.

Stop Loss Order
An order allowing you to control any potential losses on a position if the market moves against you. Note the difference between an SLO and a GSLO.

Tax Act
The *Income Tax Act 2007*.

Total Equity
Aggregate of the current cash balance in your Account and profit and loss made on that CMC Markets Trading Day.

Total Margin Requirement
Sum of your Margin Requirements for all your current open CFD positions.

Trading Day
The CMC Markets Trading Day starts between 07:00 and 09:00 Sydney time (dependent on daylight savings) and runs for 24 hours to 07:00 or 09:00 (dependent on daylight savings) the following day. For further information, please refer to the CMC Markets Product Schedule.

Treasury CFDs
A CFD whose value fluctuates by reference to the fluctuations in the value of an Underlying Reference Instrument, which relates to a traded government debt instrument.

Underlying Instrument Entity
An entity that is the issuer of an Underlying Reference Instrument.

Underlying Market
The Underlying Market in which the Underlying Reference Instrument is traded.

Underlying Reference Instrument
The asset, security, commodity, futures contract, index or sector, with reference to which the value of a CFD is determined.

We, us or our
References to 'we', 'us' or 'our' should be treated as references to CMC Markets NZ Limited.

You
References to 'you' and 'your' should be treated as references to the client of CMC Markets (or his or her representative, where applicable).

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