Plus500AU Pty Limited

World's Trading Machine

Risk Disclosure Notice

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Trading in margin contracts (including CFDs) involves the potential for profit as well as the risk of loss of your entire account balance and is not suitable for all investors.

Movements in the price of the margin contract's underlying asset (e.g. shares, indices, ETFs, foreign exchange rates or commodity prices) are influenced by a variety of unpredictable factors of global origin.

Violent movements in the price of the underlying asset may occur in the market as a result of which you may be unable to settle adverse trades.

You do not own, or have any rights to underlying assets (e.g. the right to receive dividend payments).

1. This Risk Disclosure Notice forms part of the Client Agreements as defined in the User Agreement

1.1. You are considering dealing using the Plus500AU ("we", "our", "us") trading platform in Contracts for Difference ('CFDs'). CFDs are high risk investments, which are not suitable for many investors.

1.2. This notice provides you with information about the risks associated with CFDs, but it cannot explain all of the risks nor how such risks relate to your personal circumstances. If you are in doubt you should seek professional advice.

1.3. It is important that you fully understand the risks involved before deciding to enter into a trading relationship with us. If you choose to enter into a trading relationship with us, it is important that you remain aware of the risks involved, that you have adequate financial resources to bear such risks and that you monitor your positions carefully.

2. MAGNIFIED LOSSES

2.1. The nature of margin trading markets means that both profits and losses can be magnified and, unless you place a Close at Loss or a Limit Order, you could incur very large losses if your position moves against you. However you cannot lose more than the balance on your Trading Account.

3. CFDS ARE NOT SUITED FOR LONG TERM INVESTMENT

3.1. CFDs are not suited to the long term investor. If you hold a CFD open over a long period of time the associated costs increase, and it may be more beneficial to buy the underlying asset instead.

4. NO RIGHTS TO THE UNDERLYING INSTRUMENT

4.1. CFDs do not provide any right to the underlying instruments, or in the case of CFDs referenced to shares, to voting rights.

5. ONLY INVEST MONEY YOU CAN AFFORD TO LOSE (Risk Capital)

5.1. Do not trade CFDs with money you cannot afford to lose. CFDs carry a high degree of risk and, due to fluctuations in value, you may not get back the amount you deposited.

6. APPROPRIATENESS

6.1. Subject to our obligation to assess the appropriateness of the Trading Platform for your circumstances, any decision whether or not to open an account, and whether or not you understand the risks is yours.

6.2. We may also ask you for information about your financial assets and earnings. We do not monitor on your behalf whether the amount of money that you have sent us or your profits and losses are consistent with that information. It is up to you to assess whether your financial resources are adequate and what level of risk you take.

7. POTENTIAL RISKS

7.1. With Plus500AU you can lose all, but not more than the balance of your Trading Account.

7.2. Before you open a CFD trade with us you must have enough funds on your account to cover the Initial Margin and, in order to keep a Transaction open, you must ensure that the amount in your Trading Account exceeds the Maintenance Margin. The Initial Margin will differ between Instruments and the amounts will be indicated on the Trading Platform. Trading using 'leverage' can work for or against you; a small price movement in your favour can result in a high return on the Initial Margin placed for the trade, but a small price movement against you may result in substantial losses.

Trading CFDs with leverage means you can secure a significantly larger exposure to an underlying asset for a relatively small initial margin.

However, the use of leverage magnifies the size of your trade, which means your potential gain and your potential loss are equally magnified.

You should, therefore, closely monitor all of your open positions to manage the risk of large losses. For example, a leverage of "10%" (or 1:10) means that if the price of the underlying asset changes by 1%, it is as if the price of the CFD has changed by 10%.

Each instrument has a fixed leverage which is specified in the instrument's details. An important consideration is whether or not, you wish to dedicate all of your deposit to meet your margin requirements. By dedicating all your deposit in this manner, you will be less able to deal with market volatility than if you only dedicate some of your deposit.

7.3. We will further require you to ensure that the amount in your Trading Account exceeds the Maintenance Margin in order to keep a Transaction open. Therefore, if our price moves against you, you may need to provide us with substantial additional Margin, at short notice, to maintain your open trades. If you fail to do this, we will be entitled to close one or more or all of your trades. You will be responsible for any losses incurred.

7.4. You should also be aware that under our User Agreement we are entitled, at our sole discretion, to make a Margin Call. Under the User Agreement, you are required to satisfy any Margin Calls immediately. If you do not do this, we will be entitled to close one, or more, or all of your trades.

7.5. Unless you have taken steps to place an absolute limit on your losses by setting a Guaranteed Stop, it is possible for adverse market movements to result in the loss of the entire balance of your Trading Account. Guaranteed Stops are not offered on all instruments, but there are other risk management tools available, e.g. by placing "Close at Loss" or "Close at Profit" orders on your account, that will help mitigate your losses. However, please note "Close at Loss" and "Close at Profit" are not guaranteed if the rate changes by more than a single pip. For more information visit our FAQ Trading page: http://www.plus500.com.au/Help/FAQ.aspx.

7.6. With CFDs customers can buy ("go long") and close the position later by selling. Alternatively, customers can sell ("go short") and close the position later by buying (the mere action of closing the position functions as the action of buying/selling). Selling at a higher/lower price than the purchase price yields a gain/loss accordingly. If the market goes against you and you do not have the necessary risk management tools in place your position could result in significant losses.

8. NOT SUITABLE AS INCOME

8.1. The inherent concept of CFDs means they are not suitable for an investor seeking an income from his investments as any profits from such trading may fluctuate in value in money terms. With OTC products, which are not a readily realisable investment, it may be difficult to sell or realise the investment and obtain reliable information about its value or the extent of the risks to which it is exposed.

9. FLUCTUATIONS IN THE MARKET

9.1. It is important that you comprehend the risks associated with trading on a market as fluctuations in the price of the underlying market will have an effect on the profitability of the trade. For example: the value of investments denominated in foreign currencies may diminish or increase due to changes in the rates of exchange.

9.2. Slippage occurs when the market moves suddenly in any direction, and is the difference between the expected price of a trade, and the price at which the trade was actually executed. The price is then said to have ‘slipped’ when the market has ‘gapped’ from one level to another. This applies in the event of either advantageous or disadvantageous price movements and can result in either losses (negative slippage) or gains (positive slippage).

9.3. CFDs are therefore only suitable for those customers who fully understand the market risk and have previous trading experience. If unsure, it is advisable to seek independent advice.

10. DERIVATIVES

10.1. Positions opened with us are not traded on any exchange. The prices and other conditions are set by us, subject to any obligations we have to provide best execution, to act reasonably and in accordance with our user agreement and with our order execution policy. Each CFD trade that you open through our Trading Platform results in you entering into a contract with us; these contracts can only be closed with us and are not transferrable to any other person. There is no clearing house for CFD’s. Plus500AU products are not guaranteed by an exchange.

11. NEED TO MONITOR POSITIONS

11.1. Because of the effect of gearing and therefore the speed at which profits or losses can be incurred it is important that you monitor your positions closely. It is your responsibility to monitor your trades at all times.

12. OPERATIONAL RISKS

12.1. Operational risks with Plus500AU on your computer are inherent in every CFD transaction. For example, disruptions in Plus500AU's operational processes such as communications, computers, computer or mobile networks or external events may lead to delays in the execution and settlement of a transaction. Plus500AU does not accept or bear any liability whatsoever in relation to the operational processes of Plus500AU, except to the extent that it is caused by the fraud, negligence or dishonesty by Plus500AU.

13. CURRENCY RISK

13.1. Customers should be aware that CFDs denominated in a currency other than their home currency have the additional risk associated with currency fluctuations.

14. CLIENT MONEY AND COUNTERPARTY RISK

14.1. Any money you transfer to us will be classified as Client Money and held by us on trust for you and administered by us in accordance with the provisions of the Corporations Act. All client money is held in segregated client bank accounts with an Australian ADI and we do not use client money for hedging purposes. We may place your funds in our designated Client Money account in a different currency to your base currency. Such Client Money will be at least equal in value to your base currency and will be in compliance with regulatory requirements. These accounts hold Client Money separately from money belonging to the business. Plus500AU does not use Client Money for any investment or business Purposes.

14.2. By using our services, you relinquish the right to any interest on funds deposited in our designated client accounts (also known as trust accounts). Individual client accounts are not separated from each other but are pooled together. The money is held on trust for you until you withdraw the money or otherwise provide us with a legal right to that money.

14.3. Given you are dealing with us as a counterparty to every transaction, you will have an exposure to us in relation to each transaction. In all cases, you are reliant on our ability to meet our obligations to you under the terms of each transaction. This risk is sometimes described as counterparty risk.

14.4. The products issued by Plus500AU are not protected by a licensed exchange, also known as a central counterparty. Instead, the products are called over-the-counter derivatives. This means that you contract directly with us, and you are subject to our credit risk. If our business becomes insolvent we may be unable to meet our obligations to you. In such a scenario, you may become an unsecured creditor in any administration or liquidation and will not have recourse to any of our underlying assets. You can assess our financial ability to meet these counterparty obligations to you by reviewing financial information about our company. You can obtain a free copy of our financial statements by contacting us by using the details at the start of this PDS.

14.5. We may choose to limit our exposure to our clients by entering into opposite transactions with hedging counterparties as principal in the wholesale market. However, there is also a risk that a hedging counterparty that we deal with may become insolvent. Where this occurs, we may not have recourse to underlying assets and will become an unsecured creditor of the hedging counterparty. This may affect our ability to perform our obligations to you.

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