Futures

Product Disclosure Statement

JUNE 2011

http://www.bby.com.au

ISSUER: BBY LIMITED
ABN 80 006 707 777 AFSL 238095

SECTION 1 – IMPORTANT INFORMATION

Purpose of this PDS

This Product Disclosure Statement (PDS) is dated 5 July 2011 and was prepared by BBY Limited as the deemed issuer of futures and related financial products (referred to as Transactions). It describes the key features of Transactions, their benefits, risks, the costs and fees of trading in Transactions and other related information. You should read all of this PDS.

This PDS is designed to help you decide whether the Transactions described in this PDS are appropriate for you. You may also use this PDS to compare this financial product with others.

The information in this PDS does not take into account your personal objectives, financial situation and needs. This PDS does not advise you on whether Futures Transactions are appropriate for you. You should read all of this PDS before making a decision to deal in financial products covered by this PDS. We recommend that you contact us if you have any questions arising from this PDS prior to entering into any Transactions with us. BBY recommends that you consult your advisor or obtain independent advice before trading under the BBY Futures Facility.

Currency of PDS

The information in this PDS is up to date at the time it was prepared but is subject to change from time to time. If the new information is information which is materially adverse to you, we will either issue a new PDS or a supplementary PDS containing the new information. If the new information is not materially adverse to you, we will not issue a new PDS or a supplementary PDS to you, but you will be able to find the updated information on our website at www.bby.com.au or by calling us using the contact details given in the Directory in this document.

If you ask us, we will send you a paper copy of the information.

This PDS

BBY is required to give this PDS because it is deemed to be the issuer of financial products which are derivatives, even if traded on an exchange. Your Transactions with BBY under the BBY Account Facility will be derivatives. Futures and derivatives transactions can be highly leveraged and speculative with a high degree of risk. Potential investors should be experienced in derivatives and understand and accept the risks of investing in Futures Transactions. These are sophisticated financial products so you should read this PDS in full before making any decision to invest in these financial products. This PDS aims to provide you with the documents for establishing your BBY Account Facility with BBY and with enough information for you to decide whether to trade in these financial products with BBY.

You may also use this PDS to compare this financial product with others. Some expressions used in this PDS have definitions given in the terms of your BBY Account Facility.

Contact

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SECTION 2 – KEY FEATURES

Nature of Futures Transactions

Futures Transactions are agreements, whether exchange traded or an Over-The-Counter (OTC) contract, to buy or sell a specific quantity of a described commodity at an agreed date in the future, whether or not it is physically settled or capable of being physically or cash settled. The commodity could be shares, currency, grains, metals or other similar things commonly traded in bulk on standardised terms, or indices in respect of them.

The BBY Account Facility allows you to trade either exchange-traded futures with BBY acting as your order placement agent or OTC contracts with BBY as principal.

Key Benefits of Futures Transactions

The significant benefits of Futures Transactions allow management of risks associated with holding or trading the underlying financial instrument, index or commodity. Trading in Futures Transactions may assist with cash flow management. Futures Transactions also allow speculative trading to generate significant profits (as will as significant losses).

Exchange traded Futures Transactions have the benefit of greater market liquidity and the regulations governing the market.

The use of OTC contracts provides important risk management tools. The major benefit of entering into an OTC contract is that you can tailor the price of the contract to your specific circumstances (e.g. based on your anticipated yield of production or your future currency needs). Unlike exchange traded derivatives, OTC contracts are not standardised and can be personally tailored to suit your requirements. Another advantage of OTC contracts, compared with exchange traded derivatives, is the flexibility in the contract quantity. Exchange traded derivatives are standardised. Furthermore, the date of settlement for OTC contracts is negotiable and can be set to mature some months from initial settlement.

SECTION 3 – HOW TO TRADE

Establishing your Facility

You need to establish a BBY Account Facility by completing the application form with BBY.

By opening a BBY Account Facility, you agree to the terms BBY Futures.

The particular terms of a Transaction are decided by you and BBY before entering into the Transaction.

Before you make a Transaction, BBY may require you to provide Initial Margin. This is paid to BBY.

After you make a Transaction, confirmation of the Transaction will be given (such as being reported online or in an online account statement or record).

The fees and costs of transacting with BBY are set out in this PDS.

If there is early termination of an OTC contract, you may be liable for any fees, as well as any losses, depending on the marked-to- market value of your Transaction at termination.

BBY may from time to time offer online trading platforms for placing orders and monitoring your Trading Account. Details of operational aspects of the trading platform are available separately from BBY. It is important that you read and understand those operational rules, especially in relation to margin cover requirements and how orders are managed.

Margining of Transactions Margin cover is usually required in these cases:

- as "initial" margin, to start the trading (Initial Margin);
- as "variation" margin, meaning adjustments to margin cover due to falls in the value of the financial product or underlying security (Variation Margin); or
- as "maintenance" margin – to maintain the margin cover in light of adjustments to the percentage of value of the stock allowed as margin cover or other trading platform adjustments not related to the price movements of the financial products.

Initial Margin amounts are set by the exchange and act as a deposit for the Futures Contract that has been entered into by the client.

BBY generally charges the margins set by the exchange but is entitled to demand or "call" (which means a demand for payment) a higher Initial Margin than the minimum set in order to protect its own obligation incurred when dealing on a client's behalf.

Liability for Initial Margin occurs at the time of the trade and should be paid to BBY before any trading is conducted on the client's behalf.

In the case of Derivative Transactions, the Initial Margin immediately payable is typically between 10% to 30% but may be as high as 100%. We may call more margin from you, in addition to the amount that must be paid to the Clearing House. In normal market conditions BBY has an additional margin requirement typically being 20% above the Clearing House requirements but in extreme market volatility or at any other time this requirement can be increased without having to give you prior notice.

The liability of a client under a Futures Contract is not limited to the Initial Margin which that client paid when the contract was first opened. If, after paying the Initial Margin, the price moves against the client, Variation Margin will be called and must be paid on demand.

Margin requirements can be changed without having to give you prior notice.

You must be in a position to fund such requirements at all times and you have to maintain the margin cover required by BBY. Initial and Variation Margin must be paid immediately after the call. The general policy of BBY is that payment of the call must be received within 24 hours of the call although in times of extreme price volatility this may mean as little as 1 hour.

Losses can therefore exceed the amount of the Initial Margin and any Variation Margin paid. Initial Margin offset will be removed from the client's Account on settlement of the contract. Debit Variation Margin (unrealised losses) on closure of the contract will be debited to the client's Account balance and credit Variation Margin (unrealised profits) on closure of the contract will be credited to the client's Account.

You will be required to fund any cash shortfall in the Account.

Any losses resulting from BBY closing your position will be debited to your Trading Account and may require you to provide additional funds to BBY.

Writers of options must pay margin to the exchange. The margin acts as a deposit for the Futures Contract that has been entered into by the client.

If the price of your sold option moves against you, you will be asked to pay a margin which represents the adverse movement.

The margin cover is usually provided by you paying cash to BBY.

In some cases your Trading Account may allow shares as collateral. Your Trading Account's collateral is effectively based on cash, any permitted shares and the market value of your positions.

You will be required to provide variation or other required margin cover whether or not you receive a margin call. In other words, you are responsible for monitoring your positions and providing the required level of margin call. You might receive notice about margin cover requirements by email, SMS message or, when you access your Trading Account online, pop-up messages on your screen, but you need to provide the margin cover whether or not you get these messages.

In some cases the required margin cover will change automatically at times or in cases applying to your online trading platform.

For example, at weekends some margin cover requirements automatically increase.

If you do not ensure you maintain the required level of margin cover, all your positions may be closed out and the resulting realised loss deducted from any proceeds. If you are trading through an online trading platform, you must read the rules of the platform particularly carefully. In some cases all of your positions can be closed out automatically.

It is your responsibility to provide the collateral for your margin cover on time. In some cases it might take 48 hours or more for funds sent to BBY to be credited to your Trading Account (depending on the rules of your Trading Account or online trading platform or other external factors outside the control of BBY).

Daily valuation

Following the close of business on each Business Day during the term of a Transaction, BBY will determine your Trading Account's collateral value, based on the value of the Transactions in your Trading Account as at close of business.

Types of Futures Contracts

There are two main types of Futures Contracts. One is an agreement under which the seller agrees to deliver to the buyer, and the buyer agrees to take delivery of, the quantity of the commodity described in the contract. Such contracts are described as Deliverable Contracts (Deliverable Contracts).

The other kind is an agreement under which the two parties will make a cash adjustment between them according to whether the price of a commodity or security has risen or fallen since the time the contract was made. Such contracts are described as Cash Settlement Contracts (Cash Settlement Contracts).

Contract Specifications

The terms and conditions of a Futures Contract are set out in the rules and regulations of the exchange on which the contract was made. Futures exchanges exist in a number of countries and regions, including the United States of America, the United Kingdom, Europe and Asia, as well as Australia. The material in this document is intended to refer to any Futures Contract traded on any exchange, but there may be differences in procedure and regulation of markets from one country to another and one exchange to another.

Futures Contracts are made for periods of up to several years in the future, although the vast majority are for settlement within six months of the agreement being made. Part of the standardisation of contracts is that the time of the delivery or settlement is one of a series of standardised maturity times.

For example, in the SPI 200™ Index Future traded on the futures market operated by ASX, known as the ASX24 market.

Contracts can be made for settlement at the end of March, July, September or December during a period of 18 months from the time of the trade.

Deliverable Contracts involve an obligation to deliver or take delivery at maturity, and it is not advisable to enter into such contracts in the last weeks before maturity unless actual delivery is contemplated. It is the policy of some brokers, including BBY, not to permit actual delivery.

The terms and specifications of Futures Contracts traded on the ASX24 are available though its website: www.asx.com.au

Futures Contracts are standardised

A result of contract standardisation is that price and volume are the only factors that are to be determined in the marketplace. Price discovery can occur by means of an open outcry system, under which brokers on the trading floor state aloud the prices at which they are prepared to buy or sell, giving other brokers with an interest in that commodity an equal chance of deciding whether to accept a bid (buying price) or offer (selling price) or by means of an electronic trading system. Futures prices represent a consensus of market opinion as to what the price of the commodity should be at the specified future time.

Since all Futures Contracts for a given future month in the same market are exactly alike, obligations under Futures Contracts are easily transferred from one party to another. A Client who holds a contract to buy may cancel this obligation by taking a new contract to sell in the same month. This process is known as “offsetting” or “closing out the contract”. In the same way, the holder of a contract to sell can close out by taking a new contract to buy. In each case there will be a profit or loss equal to the difference between the buying and selling prices multiplied by the standard contract amount. In practice, the vast majority of contracts are offset in this manner, the remainder being fulfilled by delivery or by mandatory cash settlement in those markets if no provision for delivery exists.

Closing Out

Closing out can be achieved either by selling an exchange traded Futures Contract or, if possible on the particular exchange, buying or selling (as the case may be) an opposite transaction or, if it is an OTC contract with BBY, terminating that agreement early.

The clearing house stands between the buying and selling brokers (i.e. Participants of the ASX24 who are also participants of the clearing house), guaranteeing contract performance to each of them (but not the individual clients, who rely on the financial integrity of their broker). In the case of ASX24, the clearing house provides this guarantee by assuming as principal the opposite side of all contracts. Thus in practical terms, the clearing house is able to substitute a new buyer as the contract party when an existing buyer sells to close out his position. This can be represented by the following example:

A sells to B at $100 per unit
B sells to C at $120 per unit
B has quit the market and has a profit of $20 per unit (ignoring transaction costs and taxes)

At settlement, A (seller) is matched with C (buyer).

In effect, C has replaced B as the Buyer of the contract from A.

The contracts which B held (one to buy and one to sell) have been settled in cash; B simply receives a profit.

In such a case, any profit due to B is paid out by the Clearing House in cash, even though the original seller (A) remains in the market. The Clearing House ensures that it is able to pay such profits by calling for Initial Margins (deposits) and Variation Margins to cover any unrealised losses in the market. Variation Margins must be paid by any client (as far as the clearing house is concerned the clearing participant) whose contract is showing a loss; i.e. if the market falls after a purchase or rises after a sale. For example, if the client makes a Futures Contract to buy 100 ounces of gold in September at $400 an ounce, and the price for delivery in September falls to $380 an ounce, the client will be required by the broker to pay a Variation Margin of $20 an ounce or $2,000. This Variation Margin ensures that the Clearing House will have cash on hand to pay equivalent profit to the clearing participant holding an opposite position. If the market fails to recover before the client’s contract matures, this Variation Margin will not be recovered; it would then become a realised loss.

Expiry of Futures Contracts

It should be noted that BBY does not support physical delivery of the underlying security upon expiry of a Futures Contract. Therefore all positions need to be closed or, alternatively, rolled into the next contract month. BBY therefore advises you to be aware of the expiry and first notice dates of any Futures Contracts you invest in and ensure that you close your position before this date. If you do not close a futures position within 2 days of its expiry or first notice date, BBY reserves the right to close your position for you at the first available opportunity at the prevailing market price.

Any resulting costs, gains or losses will be passed on to you. If you require any assistance or clarification regarding the expiry of Futures Contracts, please contact your BBY advisor.

Profit and loss when trading futures

The diagram below sets out profit and loss situations when trading Futures Contracts.

PROFITABLE TRADES	LOSING TRADES
BUY LOW-SELL HIGH	BUY HIGH-SELL LOW
SELL HIGH-BUY LOW	SELL LOW-BUY HIGH

Futures Options

On many futures exchanges, Futures options (option contracts over Futures Contracts) are available in addition to Futures Contracts.

An option on a Futures Contract can be defined as a contract which gives the buyer the right, but not the obligation, to buy or sell a Futures Contract, at a predetermined price known as the strike price, on or before a specified date in the future.

In exchange for this right, the buyer pays the seller a sum of money known as the option premium.

There are two types of options. A call option is an option to buy in the futures market at a designated price (the exercise price or striking price), at any time before the option expires, irrespective of the current futures price. A put option is an option to sell in the futures market at the exercise price. Like Futures Contracts, options are standardised, so that having bought an option it is possible to sell it later to a third party.

Depending on the nature of the option, an option may be exercised at any time prior to expiry or only on expiry. Upon exercise, a buyer (taker) and a seller (granter) are required to take up the resulting futures positions.

There are two parties to an options contract; the buyer (or taker) and the seller (or granter). If the option is exercised, it becomes a Futures Contract, and the buyer of the call option then has a bought futures position at the exercise price, while the seller (granter) is required to take the opposite (sold) side of this Futures Contract.

If the option was a put option, the buyer, on exercise, then has a Futures Contract to sell at the exercise price and the seller (granter) has a Futures Contract to buy at this price.

The diagram below sets out the results from the buyer's and seller's viewpoint when the buyer exercises a call or put futures option:

BUYER	
BOUGHT CALL OPTION >>	BOUGHT FUTURES (AT THE EXERCISE PRICE Of THE OPTION)
SOLD CALL OPTION >>	SOLD FUTURES (AT THE EXERCISE PRICE Of THE OPTION)

Exercising call and put options

Provided the buyer pays the full amount of the premium which is non-refundable at the time the option is traded, the buyer will not be called upon to pay margins; if the buyer pays only an Initial Margin (deposit), the buyer may be called upon to pay margins up to the full value of the premium (but no more). Provided the underlying futures market has moved in the buyer's favour, the holder of an option can profit by selling it later at a higher premium, or by exercising it and closing out the resulting future contract. The profit depends on the movement in the underlying futures market and is potentially unlimited.

However if the conditions do not suit the buyer, then the options can be left to lapse and the buyer simply forgoes the premium paid.

On the other hand, sellers (granters) of option contracts have limited profit potential (they cannot earn more than the premium for which the option is sold) and have similar potential liability to the holder of a Futures Contract, i.e., unlimited potential for loss.

Margins will be called if the market price moves against the seller.

You must distinguish between Futures options and exchange traded options (ETOs). If a Futures option is exercised a Futures Contract is established. If an ETO is exercised, it results in making or taking delivery of the actual commodity underlying the option, or making a cash adjustment based on a change in the price of the commodity or on the movement in an index. The following matters can apply both to Futures options and ETOs but the discussion will centre on Futures options.

European and American options

European options can only be exercised on the expiry date of the option, and not before.

American options are tradable and can be exercised at any time up to the date the option is due to expire.

Options traded on a futures exchange (such as the ASX24) usually may be exercised at any time before the expiry date. In this case, if you are the seller of an option, you must be prepared for that option to be exercised any time before the expiry date.

Futures Option Exercise Procedure

The settlement of derivative contracts that are Futures options is more complex than for many other derivatives.

On some exchanges (e.g. ASX24) all in-the-money options are automatically exercised at expiry (converted into Futures Contracts) by the exchange. Not all exchanges automatically exercise at-the-money or in-the-money options at expiry, particularly some European and US Exchanges where in-the-money options may be cash settled. Check with your BBY advisor if you are not sure. An in-the-money put option has an exercise price above the settlement price of the underlying Futures Contract at expiry of the option.

For example a client has bought a 4800 put option and on the last trading date of the option the settlement price of the futures is at 4700. The client's put option position will then be exercised into a short (sold) Futures Contract from 4800. An in-the-money call option has an exercise price below the settlement price of the underlying Futures Contract at expiry of the option. For example a client has bought a 4600-call option and on the last trading date of the option the settlement price of the futures is at 4700.

The client's call option position will then be exercised into a long (bought) Futures Contract from 4600.

The exercised position will be netted out on the settlement date.

Profit and loss when trading futures

The diagram below sets out profit and loss situations when trading call and put options:

PROFITABLE TRADES	LOSING TRADES
BUYING A CALL OPTION - BUY LOW SELL HIGH*	BUYING A CALL OPTION - BUY HIGH SELL LOW*
BUYING A PUT OPTION BUY HIGH SELL LOW	BUYING A PUT OPTION BUY LOW SELL HIGH*
SELLING A CALL OPTION - SELL HIGH BUY LOW**	SELLING A CALL OPTION - SELL LOW BUY HIGH**
SELLING A PUT OPTION - SELL LOW BUY HIGH**	SELLING A PUT OPTION - SELL HIGH BUY LOW**

*Refers to the buying of the option.

** Refers to the selling of the option.

Out-of-the-money options

This term is used to describe an option that cannot be exercised at a profit. An out-of-the-money option is a call option whose strike price is higher than the current market level or a put option whose strike price is below market.

A Client contemplating purchasing a deep out-of-the-money option should be aware that the chance of such an option becoming profitable is ordinarily remote.

Clients' Segregated Accounts

Funds deposited with an ASX24 market participant concerning derivatives trading are deposited into that Participants' Clients' Segregated Account.

For Client's money deposited in a Segregated Account, the Client acknowledges that:

- individual client accounts are not separated from each other;
- all Clients' funds are co-mingled into one Client Segregated Account;
- Client Segregated Account provisions may not insulate any individual client's funds from a default in the Client Segregated Account; such a default may arise from any Clients' trading;
- BBY is entitled to all interest earned on the Client Segregated Account, unless and to the extent BBY otherwise determines;
- assets in the Client Segregated Account belonging to non defaulting customers are potentially at risk, even though they did not cause the default;
- BBY has the right to apply all clients' moneys held in its Client Segregated Account to meet the default in that account;
- all Client moneys may be used to meet any of the Client's liabilities under the BBY Account Facility;
- The Clearing House has the right to apply all moneys in the Client Clearing Account (or House Clearing Account) to meet any liabilities in the Client Clearing Account.

Clients who trade in Futures Transactions which are OTC contracts or on foreign derivatives exchanges may not have the benefit of protective measures provided by the Corporations Act 2001 or an exchange's operating rules. In particular, Clients' funds may not have the same protection as funds deposited in Australia in a Client Segregated Account.

If you have any additional queries in relation to the operation of Client Segregated Accounts, we highly recommend the ASX24 publications. Copies of this publication can be obtained from the ASX website.

Closing or Expiry

Options have a limited term and expire on standard expiry days set by the Transaction. The expiry day is the day on which the unexercised option expires.

The kind of exercise rights for OTC Derivatives depends on the terms you agree with BBY.

The purchaser of an option, whether it is a call option or a put option, has a known and limited potential loss. If a purchased option expires worthless, the purchaser will lose the total value paid for the option (known as the premium), plus transaction costs. Selling ("writing") options may entail considerably greater risk than purchasing options. The premium received by the seller of an option is fixed and limited; however the seller may incur losses greater than that amount.

To close an OTC Derivative position before its expiry, you contact BBY, either by telephone or other means or using an online trading platform, to determine the current market value or level for the Underlying Security, with the view to closing the position (or part of it). BBY will confirm the current market value or level and you will then decide whether to accept the value or level, and if so, you will instruct BBY to close your open position in accordance with your instructions. (A similar procedure applies for exchange-traded derivatives dealt through the BBY Account Facility.)

The total closing value is then determined by multiplying the number of Derivatives by the value or level of the Derivative's Underlying Security.

On the day that the Derivative is closed, BBY will calculate the remaining payment rights and obligations to reflect movements in the contract value since the previous business close (including interest and other credits/debits). The determination of the closing value may be affected by certain events described below.

- If the OTC Derivative is over shares in a company which becomes externally administered, the Derivative is taken to be closed at that time. If this happens, BBY will determine the closing price.
- If the OTC Derivative is over shares which cease to be quoted on the exchange on which they were quoted when the Derivative was entered into, or are suspended from quotation for 5 consecutive business days, we may elect to close the Derivative or call additional margin, or both, as determined by BBY.

Fees and Costs

If BBY is acting as agent, it may earn its remuneration by a separate commission or a commission or spread through quoting you a price for the contract different from the market counterparty's quote. For fees where BBY is the broker and for other charges and costs, see section 5 of this PDS.

When BBY acts as principal, it charges a small Transaction Fee. BBY derives a financial benefit by entering into other transactions with other persons at different rates from those quoted to the Client. The price quoted ordinarily includes the Transaction Fee.

Online Trading Platforms

If you use an online trading platform, you must carefully read and follow the operational rules for that platform. It may impose special trading rules regarding posting margin cover, (such as when payment is effective) or how Variation Margins are calculated (such as automatic adjustments outside of trading hours, such as during the weekend) or how orders are managed.

SECTION 4 – SIGNIFICANT RISKS

Risks

Using Futures Transactions and Derivatives, including by way of OTC contracts, involves a number of significant risks. You should seek independent advice and consider carefully whether these Transactions are appropriate for you given your experience, financial objectives, needs and circumstances.

Key Risks

You should consider these significant risks involved in Futures Transactions and Derivatives:

Market Risks: futures trading, including Futures Options, is highly speculative and volatile. There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged. You may incur large losses in short periods of time and may be unable to limit your losses. Your losses may not be limited to the credit balance of your Trading Account or amount of margin paid by you.

The markets in general are subject to many influences which may result in rapid fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility. There may be underlying markets (commodity, FX), whose combined volatility may significantly increase the complexity of movements in pricing of your Transactions (including your close out contracts).

If you are entering into OTC contracts as a hedge, the impact of market volatility will not affect your position unless you have over hedged or under hedged. Past performance of markets, and currencies in particular, is never an assurance of future performance.

The value of your Trading Account may fluctuate according to share prices, exchange rates and interest rates, as well as other market conditions which are outside of your control and which cannot be forecast.

The placing of contingent orders (such as a "stop-loss" order) may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders.

A "spread" position is not necessarily less risky than a simple "long" or "short" position.

Under market conditions from time to time, it could be difficult or impossible to Close Out a Transaction at a price that would confine the loss sustained by you within the amount of your Trading Account.

Your loss on a Transaction could be very substantial, even if you try to close out the Transaction.

If you propose to trade in Futures Options, the maximum loss in buying an option is the amount of the premium, but the risks in selling an option are the same as in other Futures trading.

BBY's ability to close out an OTC Derivative depends on the market for the Underlying Securities.

OTC Derivatives are by their nature not liquid investments in themselves. If you want to exit your OTC Derivative investment early, you rely on BBY's ability to close it out early, which might not match the liquidity or price of the Underlying Security.

OTC Derivatives are not Futures Contracts and are not covered by the protections for exchange traded contracts arising under the Corporations Act, the ASX Rules, the rules of ASX24.

Margining: You could sustain a loss, greater than and not limited to, the Initial Margin and Variation Margin that you have deposited with us to establish or maintain a Transaction. If the market moves against your position, you are responsible for monitoring and meeting the margin cover requirements.

Positions are ordinarily marked to market on a continuous basis.

Your obligation to meet the margin cover is not dependent on BBY giving you notice of that (i.e., a "margin call"). You may be required to deposit with us a Variation Margin in order to maintain your position. The amount of the Variation Margin may be substantial.

If you fail to provide those additional funds within the required time, your entire position may be liquidated at a loss and you will be liable for any shortfall in your Trading Account resulting from that failure.

If a position is closed out, all of it may be closed not just a proportion needed to cover the margin call.

There is no limit on the amount of margin which may be called in order to meet a revised valuation of your transaction.

Leverage: Transactions under the BBY Account Facility are leveraged. This can lead to large losses, significantly disproportionate to your initial deposit, margin payments or other moneys credited to your Trading Account.

Under or Over Hedge: If you have not correctly hedged your exposure by giving orders to us to enter into contracts, you may decide under your own risk management policies to add or to close out some of those contracts (to match your exposure).

The loss or profit arising as a result of this additional trading with BBY will be credited or debited to your Trading Account. You will need to take into account the cost of additional hedging adjustment contracts when considering your overall risk management.

Regulatory bodies: You may incur losses that are caused by matters outside the control of BBY. For example, a regulatory authority exercising its powers during a market emergency may result in losses. A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled. This could also result in a loss to you.

Dealings on foreign derivatives exchanges: If you deal on foreign derivatives exchanges should be aware that participation in Transactions on foreign derivatives involves the execution and clearing of trades subject to the rules of that foreign derivatives exchange and the laws of the country in which that exchange is domiciled. Neither the Australian Securities and Investments Commission nor the ASX24 regulates activities of foreign derivatives exchanges, including the execution, delivery and clearing of Transactions, nor do they have the power to compel enforcement of the operating rules of a foreign derivatives exchange or any applicable foreign laws. Generally, the foreign transaction will be governed by applicable foreign law. This is true even if the derivatives exchange is formally linked with an exchange in Australia. Such rules and regulations will vary depending on the foreign country in which the transaction occurs.

Market disruptions/emergencies: A market disruption may mean that you are unable to deal in a derivatives contract when you desire and you may suffer a loss as a result. Common examples of disruption include the "crash" of a computer based trading system, fire or other exchange emergency, an exchange regulatory body declaring an undesirable situation has developed in relation to a particular series of contracts and suspends trading.

Our powers on default, indemnities and limitations on liability: If you fail to pay, or provide security for, amounts payable to BBY or fail to perform any obligation under your Transactions, BBY has extensive powers under the Facility Terms with you to take steps to protect our position including, for example, the power to close out positions and to charge default interest.

Under the Facility Terms you also indemnify BBY for certain losses and liabilities, including, for example, in default scenarios.

Further, BBY's liability to you is expressly limited (to the extent permitted by law) to performing its obligations. You should read the Facility Terms carefully to understand these matters.

Credit Risk: Your Trading Account may reflect collateral given to BBY as security for your performance of your obligations. BBY has a right to adjust your Trading Account towards satisfaction of any outstanding liability you have to BBY. Conversely, you are subject to our credit risk. If BBY were to become insolvent, then we may be unable to meet our obligations to you in full or at all.

When you are trading with BBY as principal, you rely on the creditworthiness of BBY to be able to meet its financial obligations to you. BBY's capital adequacy is subject to the conditions of its Australian Financial Services Licence. This requires certain minimum capital requirements to be maintained.

Operational Risk: You rely on BBY performing its obligations, such as settling your Transactions in a timely and accurate manner. If you have entered into the Transaction with BBY as principal, that risk is BBY's responsibility.

General Risks

BBY strongly recommends that, if you are not fully familiar with Transactions, you obtain independent legal, financial and taxation advice before proceeding with a transaction.

Further, BBY recommends that you should consider the following:

- It is your responsibility to understand the nature and risks associated with each Transaction.
- In entering into any Transaction, neither BBY nor any of its representatives will advise you, or is to be taken as advising you, as to any strategy, risk profile or financial result.
- OTC contracts trading is highly speculative and volatile. There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged.
- Past performance of markets, and currencies in particular, is never an assurance of future performance.
- The value of your Trading Account may fluctuate according to exchange rates and interest rates, as well as other market conditions which are outside of your control and which cannot be forecast.
- Trading with BBY may give rise to actual or potential conflicts of interests, because when BBY is acting as principal in its Transactions with you and also because it may be transacting with other persons, at different prices or rates, or BBY will be trading with banks and other market participants. BBY will make those transactions as principal or as agent, and will do so to hedge its position and with the intention of making a profit.
- Information about prices or rates may come from several sources and may not be current at the time given to you.

BBY does not take responsibility for information about rates or other financial market data or statements and BBY relies on your acknowledgment that you do not rely on any such information given to you or discussed with you. BBY only undertakes to perform the Transaction agreed with you at the price or rate for that Transaction, and not at any other price or rate available in the market.

Important Payment features

Your payments to BBY

If BBY is acting as your order placement agent for dealings through the ASX24, BBY will place your funds first into BBY's trust account which is a Client Segregated Account.

This should have the effect of protecting your funds from BBY's own liabilities as principal in all of its transactions, but will not protect your funds from being used by BBY to meet the obligations of BBY as agent for other clients. This means that if another client of BBY who is using BBY as agent defaults, BBY may access all such funds in the segregated account with it (including yours), to remedy that default. BBY as broker will not be responsible to any of its clients for losses caused by the default of other clients.

If BBY is acting as principal in Transactions with you (such as for OTC contracts), the cash deposits you pay to BBY as Initial Margin or Variation Margin are paid to BBY for its own benefit. Those funds need not be placed into a trust account and need not be held on trust for you, although BBY may choose to do so. Similarly, payments by you to BBY on settlement of Transactions are for BBY's own use (although BBY may choose to place those funds into a trust account).

SECTION 5 – COSTS, FEES & CHARGES

Fees or Commissions

We charge fees on each Futures and Futures Option contract executed on your behalf. Our fees vary depending on the type and level of service required, the exchange upon which the Transaction is to be conducted, and the frequency and volume of Transactions executed.

All commission fees for Futures Transactions are charged on a per contract basis. The standard fees you will be typically charged can vary between A$11 (incl GST, if applicable) up to a maximum of A$100 (incl GST, if applicable) per transaction per contract or between A$22 (incl GST, if applicable) and A$200 (incl GST, if applicable) per round turn (total entry and exit of contract). For Futures Transactions on international exchanges brokerage is charged in the currency of the country of the exchange that you are trading on. On Futures markets in the US for example you will be typically charged between USD11 (incl GST, if applicable) up to a maximum of USD82.50 (incl GST, if applicable) per transaction per contract or between USD22 (incl GST, if applicable) and USD165 (incl GST, if applicable) per round turn.

BBY may charge a fee or commission for a Futures Option exercised or expiring out of the money at the above rates.

The fees are paid to us immediately upon execution of the trade, and will be deducted from your Trading Account in accordance with your agreement. Please note that GST if applicable will be charged on all brokerage and fees and will be denominated in the currency of the country of the exchange that you are trading on.

The standard fees charged by BBY generally cover any exchange fees that are payable. Where they are not covered, you will be notified at the time of the transaction. Fees charged by the exchange for execution and clearing of Transactions vary from exchange to exchange and can be found on each particular exchange's website.

Exchange Fees

Fees charged by an exchange vary from exchange to exchange and can be found on that particular exchange's website. A list of exchange websites can be obtained from BBY upon request. Exchange fees are charged for execution and clearing of Futures Contracts and equity Derivatives.

Option contracts which are either exercised or assigned will be charged fees in accordance with the relevant Exchange's fees on which the option is traded.

For example, the ASX24's execution fees vary between $0.90 and $100 per side (GST exclusive) and the clearing fees vary between $0.90 and $40 per side (GST exclusive). These fees vary depending on whether the contract is deliverable or cash settled and the type of contract being traded. Volume rebates may also apply against these fees.

For more detailed information, you should check the ASX24 fees and charges schedule at: www.asx.com.au

Finance Charges

If BBY places any of your moneys into a Client Segregated Account or a Trust Account, BBY will be entitled to earn any interest on positive balances in your

Account. It may entirely at its discretion pay such interest, at such rates and for so long as it chooses.

If your Trading Account comes into debit i.e. negative, the interest rate charged on each debit currency balance will be at BBY's prevailing rate (accruing daily), which changes according to market conditions.

(Note: if you have multiple Trading Accounts denominated in different currencies, each Trading Account balance is calculated separately. You may nominate your account balances to be converted into one nominated currency, refer to "Accounts denominated in Foreign Exchange" below.)

The debit interest generally will appear in your statement on a monthly basis, or only at other intervals, such as month end or end of the Transaction, depending on how you are dealing in those Transactions.

Conversion Fee

You will be charged a "conversion fee" when converting currencies to your Base Currency. This occurs each time there is a conversion from a term currency to your Base Currency. This is typically levied at the rate at which the transaction is executed by BBY plus or minus 40 basis points (0.04% depending upon the currency) up to a maximum of 100 basis points(1.00%).

External Fees, Taxes and Charges

You are responsible for any stamp duty, transaction duty, GST or similar goods and services or value added tax payable in respect of trading in Transactions (except for any income tax payable by BBY). Bank charges and fees imposed on BBY to clear your funds or in respect of your payments will also be charged to your Trading Account.

Your account terms may allow BBY to impose other fees or charges from time to time which do not relate directly to Transactions.

For example, you may be required to pay royalty or similar charges set by data providers (e.g., the ASX24) for your use of information feeds or for online transaction services. BBY may debit these amounts to your Account.

Examples

The regulations and practices for exchanges inside and outside of Australia may differ greatly, including margining, local taxes and the rules for trading. Various futures trading strategies and examples are explained in detail in the ASX booklet "Trading Futures and Options" which is available on the ASX website at www.asx.com.au.

You should also see the publications released by other exchanges, usual available though their websites.

Example 1: Buying a Futures Contract

Buy an ASX24 SPI 200™ Index Futures Contract when the price is 3500 points and then sell an ASX24 SPI 200™ Index Futures when the price has risen. BBY's standard charge is A$55 (incl GST) for the round turn including any exchange Fees. The example in this SPDS assumes GST is applicable.

If the an ASX24 SPI 200™ Index Futures Contract price increased by 100 points to 3600 points then the value of your exposure would have increased to A$90,000 (i.e. 3600 x $25). In this case you have effectively made $2500 or a 55% profit on your Initial Margin outlay of A$4,500. To realise your gain you simply sell your Futures Contract at the higher level.

*The actual margin required varies between approximately 2% - 10%.

TRADING PROFIT AND LOSS	
TRANSACTION	BUY 1, ASX24 SPI 200 FOR 3500 POINTS SELL 1, ASX24 SPI 200 FOR 3600 POINTS
GROSS PROFIT	A$ 2,500 (3600 – 3500 POINTS @ A$ 25 PER POINT)
COMMISSION	= A$ 55 (INCL GST)
NET PROFIT	= A$ 2,445 (2,500 - 55)

Example 2: Buying a Futures Put Option Contract

Buy a 3450 ASX24 SPI 200™ Index Put Option for a price of 22 points. The ASX24 SPI 200 is trading at 3500 points. Close to the expiry day, ASX24 SPI 200 Options are trading at 3500 and the option premium is now 30 points per option contract.

By paying BBY the premium of $550 (i.e. 22 points x $25) you have bought the right to sell a Futures Contract for 3450 points before the option expires.

Since you paid $550 for the option you will need the futures price to be below the break-even point of 3428 to make a profit on the option.

The example shows that while the futures price is above 3428 points the put option buyer would make a loss. The most the call option buyer can lose is the price of the option, worth $550.

TRADING PROFIT AND LOSS	
TRANSACTION	BUY 1, 3450 ASX24 SPI 200 INDEX PUT OPTION FOR 22 POINTS
PREMIUM PAID	A$ 2,500 (3600 – 3500 POINTS @ A$ 25 PER POINT)
COMMISSION	= A$ 55 (INCL GST)

OPTION EXERCISE		CLOSE OUT
EXERCISE	SHORT 1, ASX24 SPI 200 INDEX AT 3450 POINTS	
TRANSACTION	BUY ASX24 SPI 200 INDEX AT 3350 POINTS	SELL 1, ASX24 SPI 200 INDEX PUT OPTION
SALES REVENUE		A$ 750 (30 @ 25 PER POINT)
PREMIUM PAID		A$ 550
GROSS PROFIT	A$ 2,500 (3450 - 3350 @ A$ 25 PER POINT)	A$ 200 (750 - 550)
INITIAL FEES & CHARGES	A$ 577.50 (INCL GST) (550 + 27.50)	A$ 27.50 (INCL GST)
COMMISSION	A$ 55 (27.50 + 27.50)	A$ 27.50 (INCL GST)
NET PROFIT	A$ 1,867.50 (2,500 - 577.50 - 55)	A$ 145 (200 - 27.50 - 27.50)

Notes to all Examples In This PDS:

1. The above examples are to illustrate the impact of key variables on the outcome of a Transaction. They are not forecasts or projections of any particular Transaction.
2. The worked examples illustrate in dollar terms how trading incurs fees (including BBY's Fees), charges or other payments.

   These examples are not intended to be exhaustive and document every trading strategy.
3. The examples use simplifying assumptions by not taking into account a Client's tax rate or overall tax position, potential changes in interest rates charged to or earned on the

   Client's Trading Account or the time value of money. While these variables will undoubtedly change the outcome of a Transaction, they are normal market variables which cannot now be predicted and so must be taken into consideration by a potential investor in Transactions.
4. Margin requirements, interest rates and external charges may of course change at any time.

Accounts denominated in Foreign Exchange

Your account may be denominated in Australian dollars and or any other currencies permitted by BBY from time to time.

If you instruct BBY to effect a Transaction denominated in a currency different from the denomination of your account currencies, BBY will not convert the currency value of your Transaction into the selected currency which may be your local currency but will remain in the currency of the transaction provided an account designated in the similar currency has been set up. A specific instruction from the client is required to perform the FX conversion.

The foreign currency conversions can expose you to foreign exchange risks between the time the Transaction is entered into and the time the relevant conversion of currencies occurs.

Foreign exchange markets can change rapidly. Exchange rates depend on a number of factors including for example, interest rates, currency supply and demand and actions of

government. In some situations, exchanges of currency may be suspended. These will impact on the rates of conversion set by BBY.

SECTION 6 – GENERAL INFORMATION

Role of BBY

The terms of your BBY Account Facility with BBY allow you to trade with BBY as the principal or as your agent in your Transaction with another person as counterparty, such as the quoting bank of futures broker.

Ordinarily, you will be trading exchange-traded Futures Transactions with BBY as your agent on the ASX24.

Otherwise, BBY, as your agent, places the order with another intermediary (in Australia or overseas), who may then place the order directly or indirectly with an exchange.

BBY's futures platform can allow a range of alternative online trading platforms, which may place orders directly into the market or may use intermediaries.

If BBY is acting as your agent, your risk lies in the intermediaries performing their role of taking an order or placing it, as well as the market exchange performing. Your rights will be limited by the terms of the Market Agreements entered into by BBY on your behalf.

When in other cases you trade with BBY as principal, you do not have a Transaction with a quoting bank or any other person. In the Transaction with you, BBY undertakes all the activity described above as "quoting bank". (BBY may of course be dealing with banks or other Market Participants in its own transactions.) Your risk lies with BBY. You will not have rights against any other person in the market.

When you trade Transactions (such as OTC Derivatives) with BBY as principal, your risk lies with BBY. You will not have rights against any other person in the market. You do not have a transaction with a quoting bank or any other person. (BBY may of course be dealing with banks or other Market Participants in its own transactions.)

About BBY

BBY is an Australian owned stockbroking and investment company.

Further information about BBY is available on its website at www.bby.com.au

If you use your own agent

Some clients use an agent to trade on their behalf with BBY.

If you have used your agent to trade with BBY, our dealings remain legally with you, not your agent. You are responsible to us and we are responsible to you, even though orders may be placed only through your agent with us and we will only communicate with your agent. You may be required to pay a fee or other charge to your agent.

This should be disclosed in your agent's financial services guide to you.

We will rely on your agent to give us your orders and otherwise to give us instructions about your Trading Account or to receive notices from us. We are not obliged to try to contact you directly and will not attempt to do so. You should study your arrangement with your agent carefully and abide by the terms of your agreement with your agent.

Applications

You apply for a BBY Account Facility by returning to BBY a completed application form which accompanies the booklet with the Facility Terms.

Individual Transactions are made by contacting your BBY advisor or using an online trading platform.

Taxation Implications

Transactions will have taxation implications for Clients, depending on the current tax laws and administration, the nature of the Client for tax laws, the terms of the transactions and other circumstances.

These are invariably complex and specific to each Client.

You should consult your tax advisor before trading in these financial products.

Cooling Off

There is no cooling off arrangement for Transactions.

Ethical Considerations

Transactions made under the BBY Account Facility do not have an investment component. Labour standards or environmental, social or ethical considerations are not taken into account by BBY when making, holding, varying or ending Transactions.

Dispute Resolution

We want to know about any problems you may have with our service so we can take steps to resolve the issue. If you have a complaint about the financial product or service provided to you, please take the following steps:

1. Contact your advisor and tell him/her about your complaint. You may do this by telephone, facsimile, email or letter.
2. If your complaint is not satisfactorily resolved within three business days of receipt of your complaint, please contact Head of Compliance on 9226 0133 or put your complaint in writing and send it to us at:

   Level 17
60 Margaret Street
Sydney, NSW 2000

   We will try to resolve your complaint quickly and fairly.

Complaints received in writing will be responded to within a fortnight of receipt of your written complaint.

3. If you still do not get a satisfactory outcome, you have the right to complain to the Financial Ombudsman Service (FOS). FOS is an external complaints and dispute resolution body. The contact details for FOS are:

   Financial Ombudsman Service
   G.P.O. Box 3, Melbourne VIC 3001
   telephone 1300 780 808
   www.fos.org

   We are a member of FOS complaints resolution scheme.

   The service to you is free.

4. The Australian Securities and Investments Commission (ASIC) also has an Infoline on (Ph 1300 300 630) which you may use to make a complaint and obtain information about your rights.

Privacy

All of the information collected by BBY, in the Application Form or otherwise, is used for maintaining your account and for the purpose of assessing whether you, as a prospective Client, would be suitable for the Transactions and financial services, having regard to your financial and personal circumstances; and trading experience.

BBY has obligations under, and has procedures in place to ensure its compliance with, the Privacy Act 1988.

Significantly, these include the following:

1. Collecting personal information

   In collecting personal information, BBY is required to collect only information which is necessary for the purpose described above and ensure that collection of the information is by fair and lawful means; and to take reasonable steps to make you, the individual, aware of why the information is being collected and that you may access the information held by us.

   If necessary, BBY also collects information on directors of a corporate client or agents or representatives of the client.

   BBY may be required by law to collect information, such as for taxation purposes or to identify persons who open or operate an account.

   BBY may take steps to verify information given to it, such as consulting registries, referees, employers or credit agencies.

   This information will not be disclosed to any other person although BBY may disclose this information to its related bodies corporate if you intend to use the services of any of those related bodies corporate.

2. Using the personal information

   Once BBY has collected the information from you, BBY will only use the information for the purposes described above unless you consent otherwise.

   Personal information may be disclosed to:

   - any person acting on your behalf, including your advisor, accountant, solicitor, executor, attorney or other representative
   - related bodies corporate of BBY if you use, or intend to use, services of those other corporations
   - any organisations to whom we outsource administrative functions
   - brokers or agents who refer your business to us (so that we may efficiently exchange information and administer your account)
   - regulatory authorities; and
   - as required or permitted by law or by court order.

   This information will not be disclosed to any other person without your consent.

   You may access your personal information held by BBY (subject to permitted exceptions), by contacting BBY.

   We may charge you for that access.

   As BBY is obliged by law to take reasonable steps to ensure that the personal information used is accurate, up to date and complete, please inform us immediately if any of the information provided in this section changes.

3. Retaining personal information

   BBY has implemented and maintains secure protection of all personal information obtained from misuse, loss, unauthorised access, modification or disclosure.

   The information will be destroyed or de-personalised if BBY no longer requires the information for the purpose referred to above.

SECTION 7 – GLOSSARY

Australian Dollars or A$ means the lawful currency of the Commonwealth of Australia.

BBY means BBY Limited, ABN 80 006 707 777 AFSL 238095

Clearing House means clearing house and otherwise has of the meaning given to it in the rules of ASX24.

Client refers to the person who has the BBY Account Facility.

Close Out, Closed Out and Closing Out in relation to a Transaction means discharging or satisfying the obligations of the Client and BBY under the Transaction and this includes: (a) by delivering the amount of relevant underlying commodity required in accordance with the terms of the Transaction; or (b) as a result of the matching up of the Transaction with a Transaction of the same kind under which the Client has assumed an offsetting opposite position.

Commission means the fee from time to time notified by BBY to the Client to be the commission payable by the Client to BBY in respect of each Transaction for which BBY acts as an agent for the Client, which may include a point spread in respect of the buy and sell prices quoted by the Market Participant where BBY is acting as your intermediary (e.g., for dealings with non-Australian Futures Transactions).

Derivative means a transaction between the parties to settle a contract by delivering Underlying Securities or by paying in cash an amount dependent on the market price of the Underlying Securities or by reference to an index, on the terms set of the BBY Account Facility Account, or, if applicable, the rules of an exchange.

Foreign Exchange means currency including Australian Dollars and foreign currency.

Futures Contract means a Futures Transaction which is exchange traded.

Futures Exchange means the ASX24 or another approved futures exchange, recognised futures exchange or exempt futures market.

Futures Option means an option over a Futures Transaction, usually an exchange traded option over a Futures Contract.

Futures Transaction means any transaction, whether exchange traded or an OTC contract, to buy or sell a specific quantity of a described commodity at an agreed date in the future, whether or not it is physically settled or capable of being physically or cash settled, and includes an option for such a transaction.

Initial Margin means an initial deposit or a margin payment, by whatever terms they are described, and any like payments.

Margin means the balance of the amount of cash or other assets required to cover dealing through a Trading Account.

Market Agreement means an agreement entered into by BBY with a Market Participant (whether or not in writing) pursuant to which BBY enters into Transactions on behalf of the Client.

OTC contract means an over-the-counter contract for a financial product, including Futures Transactions.

Price means, in relation to a Transaction, the price or rate quoted by BBY or by a Market Participant (as adjusted for any Commission) and agreed to by the Client to express the value of the Transaction or the Underlying Security the subject of that Transaction.

Transaction means any of the kinds of Futures Transactions or Derivatives which are traded under the BBY futures terms.

Underlying Security means the reference security, other financial product or index underlying the Derivative.

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