Desk FX and Commodities
Product Disclosure Statement

AUGUST 2012

http://www.bby.com.au

This product disclosure statement covers over-the-counter foreign exchange contracts and commodities which are issued by BBY Limited and traded over the desk.

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 August 2012 and was prepared by BBY Limited ABN 80 006 707 777; AFSL 238095 (**BBY**) as the issuer of Over-The-Counter (OTC) contracts for Foreign Exchange (FX) contracts and commodities (referred to as Transactions). This PDS will have effect from the day that you become a client of BBY and begin to trade the FX contracts and Commodities described in this PDS.

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.

Over-the-counter (OTC) contracts can be highly leveraged and speculative with a high degree of risk. Potential investors should be experienced in derivatives generally and understand and accept the risks of investing in OTC contracts. 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 OTC contracts 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 financial advisor or obtain independent advice before trading in foreign exchange and commodities with BBY.

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 the issuer of financial products which are derivatives.

Your Transactions with BBY will be derivatives.

This is a sophisticated financial product so you should read this PDS in full before making any decision to invest in this financial product.

In particular, please read the Key Information in Section 2 and the Significant Risks in Section 4

This PDS aims to provide you with enough information for you to decide whether to trade in these financial products with BBY.

Your suitability to trade in Margin FX and commodities transactions

We are required to assess your suitability to trade in FX and commodities transactions before we open an account for you. We do this by assessing your understanding of OTC derivative products and of concepts such as leverage, margin and volatility. If after an initial assessment by BBY you are deemed unsuitable to trade in FX and commodities transactions, we will not open an account for you at that time. You will need to gain a better understanding of this type of financial product by reading this PDS or other educational material and then be re-assessed for suitability before we can open an account for you.

Although we may assess your suitability to trade in these products with a questionnaire or by other means, you must not rely on our assessment of your suitability since it is based on the information you provide and the assessment is only for our purposes of deciding whether to open an Account for you and is separate from your decision to trade in these products. If we ask you for your personal information to assess your suitability to trade in FX and commodities transactions and we accept your application to trade, this is not personal advice or any other advice to you. You remain solely responsible for your own assessments of the features and risks and seeking your own advice on whether trading in these types of financial products is suitable for you.

CONTACT

BBY Limited can be contacted at:

Level 17, MetCentre
60 Margaret Street
Sydney, NSW 2000
Telephone: +61 2 9226 0000

SECTION 2 – KEY FEATURES

Nature of the Transactions

Key Features of BBY FX and commodities transactions

- BBY FX and commodities transactions are sophisticated, high-risk, over the counter products issued by BBY. They are not exchange-traded.
- Each BBY FX and commodities transaction which is agreed and entered into with you will be entered into by BBY as principal. For desk trading, BBY makes a market in its products since it regularly states the price at which it is prepared to deal with the client as principal.
- Margin FX products are available in most currencies. BBY offers foreign exchange on major currency pairs, including crosses on all major currencies.
- Commodities are offered in respect of gold, silver and other commodities from time to time.
- Unlike products traded on an Exchange, OTC products are not standardised. The terms of BBY FX and commodities transactions are individually tailored to the particular requirements of the parties involved in the product.
- You must fund your account with BBY before a BBY FX and commodities transaction may be issued to you. You do this by paying at least the Initial Margin.
- You remain liable to pay later Margin amounts and to maintain the required amount of Margin. If you do not maintain the required Margin or you do not pay the required Margin call by the required time, your BBY FX and commodities transactions can be Closed Out and you remain liable to pay for any remaining shortfall.

- There is high degree of leverage in BBY FX and commodities transactions because you pay to BBY only Margin, not the full face value. All payments to BBY for BBY FX and commodities transactions are paid as Margin, therefore the more Margin you pay, the less leverage you have.

OTC Foreign Exchange

Unlike foreign exchange contracts traded on an exchange, OTC foreign exchange contracts are not standardised but are individually tailored to the particular requirements of the parties involved in the contract.

Terms involved in the negotiation of the contract are:

- the currencies/commodities (including underlying security or index) traded;
- the amount of such currencies/commodities;
- the maturity date of the contract; and
- the rate at which such currencies/commodities are exchanged.

Contracts mature on an agreed and designated value date (which can be any business day acceptable to the two parties of the contract). Transactions are potentially deliverable contracts and can involve an obligation to give or to take delivery at maturity. Delivery terms are set out in the terms and conditions of each individual foreign exchange transaction.

Open Positions held at the end of the business day before their Value Date will be rolled over to a new Value Date on a TOM/ Next basis.

Commodities

A commodity swap is a cash-settled derivative OTC contract offered to the holder by an institution (a market maker, such as BBY), at a known commodity price and settled on an agreed date. These are traded as an over-the-counter contract (also known as "OTC" or off-market contracts).

An OTC commodity swap is a private, tailor-made, non-standardised agreement between two entities for a specific term, at a specific price and for a specific date in the future.

Swap and swap option contracts may be for a commodity priced in Australian dollars, hence removing the foreign exchange risk and conversion costs if the "home currency" of your account is in Australian dollars.

The swap and/or swap option prices quoted to your agent by the market maker (BBY) each day are at a bid/offer spread, i.e. the market maker will regularly state a price at which it is prepared to deal (and in which currency) and will provide a bid (if it is prepared to buy the commodity) and offer (if it is prepared to sell the commodity). Consequently, you set the swap or swap option price at the equivalent quoted bid.

To close out a swap or swap option requires cash settlement.

The required Transaction will be executed at BBY's best offer that you or your agent can obtain – if BBY is prepared to deal.

When trading OTC contracts you should be aware of the risks and benefits (as set out in this PDS).

Key Benefits of BBY FX and commodities transactions

- Hedging: BBY FX and commodities transactions can be used as important risk management tools. FX products are used to hedge foreign exchange currency exposures, protect against adverse exchange rate movements and provide certainty of foreign exchange rates and cash flow. Commodities transactions give protection against movements in the market price for commodities and provide cash flow certainty.
- Speculation: BBY FX and commodities transactions can be used for speculation, with a view to profiting from exchange rate fluctuations for FX products, and from movements in the market price of commodities for commodities transactions.
- Profit potential in both rising and falling markets: Since the currency and commodities markets are constantly moving, there are always trading opportunities, whether a currency is strengthening or weakening in relation to another currency or the market price of commodities (which may be denominated in a foreign currency) is rising or falling. There is a potential for profit (and loss) in both rising and falling markets depending on the strategy you have employed. Strategies may be complex and each strategy will have different levels of risk associated with it.
- Tailored – A major benefit of entering into a BBY FX and commodities transaction is that you can tailor the transaction to meet your specific circumstances. Unlike exchange-traded products, OTC products are not standardised and can be personally tailored to suit your requirements. For example, BBY allows you to enter into transactions in small amounts and the Settlement Date may be negotiable, whereas exchange-traded products are a standard size and contracts cannot be varied in duration.
- Leverage: The use of BBY FX and commodities transactions involves a high degree of leverage. These OTC products enable a user to outlay a relatively small amount (in the form of premium or initial Margin) to secure an exposure to the underlying currency. This leverage can work against you as well as for you. The use of leverage can lead to large losses as well as large gains.

Key Risks of BBY FX and commodities transactions

These are the key risks of investing in BBY issued BBY FX and commodities transactions. For a description of other significant risks, please see Section 4.

- Leverage – BBY FX and commodities transactions are highly leveraged. This is because the amount you pay (Margin) to BBY is significantly less than the full face value. You should be prepared for the greater risks from this kind of leveraged investment, including being liable to pay BBY more Margin and those Margin requirements changing rapidly in response to changes in the currency and metals market. You may lose more than your initial investment as a result of leverage.
- Loss of your moneys and other assets (such as securities used as collateral) – Your potential losses on (buying or selling) BBY FX and commodities transactions may exceed the amounts you pay (as Margin) for your BBY FX and commodities transactions. You can also lose any non-cash assets you hold through the platform as which have been used to offset margin requirements.

- Unlimited loss – Your potential losses on (buying or selling) BBY FX and commodities transactions may be unlimited.
- Margining – You are liable to pay Margin before the BBY FX and commodities transaction is issued and you may be required to pay more Margin before a BBY FX and commodities transaction is Closed Out. Margin requirements can change rapidly. If you do not meet Margin requirements, including at little or no notice, all of your BBY FX and commodities transactions may be Closed Out without notice to you.
- Foreign Exchange – BBY FX and commodities transactions denominated in foreign currency can expose you to rapid, significant and large changes to the value of your Trading Account (for both account value and open positions).
- Counterparty risk – you have the risk that BBY will not meet its obligations to you in relation to the products you trade with BBY, including BBY FX and commodities transactions. BBY FX and commodities transactions are not exchange-traded so you need to consider the credit and performance risk you have with BBY. This is further explained in Section 3 under "Your Counterparty Risk on BBY".

SECTION 3 – HOW TO TRADE

Establishing your facility

You need to establish a BBY account by completing an application form.

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 (and is not held on your behalf). After you make a Transaction, confirmation of the Transaction will be given (such as a statement being sent to you by email).

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

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

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).

Margins in FX trading are required in the term's currency. For example, if a client has a position in A$/USD, the margin will be applied in USD. In the case where a client has no USD or a negative account balance in USD but has sufficient funds in an alternate currency (at the current market rate), it can be used to offset the margin.

In the case of Spot and Forward FX contracts and sold FX options, the Initial Margin immediately payable will typically be between 2% - 4% of the face value of the contract for major currency pairs; and 4% - 50% of the face value of the contract for exotic currency pairs in normal market conditions, but additional margins can be immediately payable in extreme market volatility.

In the case of spot metal Commodities Transactions, the Initial Margin immediately payable will typically be between 2% - 4% of the face value of the contract for major commodities; and 4% - 50% of the face value of the contract for exotic commodities in normal market conditions, but additional margins can be immediately payable in extreme market volatility.

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

Owing to the volatility of the market, an Initial Margin may change after a position has been opened, requiring a Variation Margin to be paid by you at that time. They are calculated to cover the maximum expected movement in the market at any time.

You will be required to provide Variation Margin 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. You might receive notice about margin cover requirements by email, SMS message or by telephone, 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. For example, at weekends some margin cover requirements automatically increase.

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 Margin and Variation Margin must be paid immediately after a 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.

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.

You will only be allowed to deal in and maintain positions on the basis of cleared funds being provided for your margin obligations or your net balance is in credit. It is your responsibility to provide the collateral for your margin cover on time. You should note that it can take up to 48 hours (or longer, over non-banking days) for your funds to be credited to your Trading Account (depending on the rules of your Trading Account or other external factors outside the control of BBY). Any delay in crediting your margin payments is at your risk.

Initial Margin will be credited to the relevant Trading Account on settlement of the contract. Debit Variation Margin (unrealized losses) on closure of the contract will be debited to the relevant Trading Account balance and credit Variation Margin (unrealised profits) on closure of the contract will be credited to the relevant Trading Account. You will be required to fund any cash shortfall in the Trading 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.

Daily Valuation

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.

Mechanics of Quotations, Bids and Offers

In every foreign exchange contract there are two currencies.

The currency being priced is known as the commodity currency.

The exchange rate is quoted such that a fixed number of units (usually one) of the commodity currency is expressed in terms of a variable number of the other currency, the terms currency.

Foreign exchange can be quoted as either a price quotation or a volume quotation. In a priced quotation, the foreign currency (or commodity currency) is priced in terms of the local currency (or terms currency) e.g. In USA, USD$1 =Yen 120. In a value quotation the local currency (the commodity currency) is priced in terms of the foreign currency (the terms currency).

For example, in Australia A$1 = USD 0.5342. A cross rate is an exchange rate derived from two other exchange rates (and not the local currency).

In the market, the quoting party (usually a bank or broker – the quoting party) will make a two way quote. The two parties to the quotation are the quoting bank and the market participant (which can be a bank or broker). The quoting bank is the party that makes the market while the market participant is the party that calls and asks the quoting bank to make a market.

The market participant seeking the market performs the opposite side of the transaction to the quoting bank. If the quoting bank wishes to buy dollars then the market participant sells dollars. If the market participant wishes to buy dollars then the quoting bank is selling dollars.

The first rate quoted is the bid rate and the second rate quoted is the offer rate.

The bid rate is the rate at which the quoting bank is willing to buy the commodity currency. The offer rate is the rate at which the quoting bank is willing to sell the commodity currency.

If the market participant wishes to sell dollars to the quoting bank it must sell dollars at the quoting bank's bid rate (i.e., its buying rate).

If the market participant wishes to buy dollars from the quoting bank it must buy dollars at the quoting bank's ask rate (i.e., its selling rate).

The difference between the bid rate and the ask rate is called the bid/offer spread. The quoting bank is seeking to make a profit by buying the commodity currency more cheaply then it sells it.

Spot and Forward Exchange Rate Contracts

When dealing in OTC foreign exchange markets, each contract will fall within either the spot or forward market. This will reflect the time element of a foreign exchange transaction.

The spot market is for delivery within two (2) business days.

The forward market is for delivery at some specified future date.

Spot Market

Whilst this market will reflect those transactions deliverable within two business days, it will also reflect what is often determined to be a third element, being those transactions for immediate delivery i.e. "Today" or "tomorrow". Transactions that involve a delivery up to two (2) days later are traditionally considered to be spot transactions, although they carry a different rate depending on the specific delivery date (except for transactions in Canadian dollars, which settle on a "value tomorrow" basis).

Forward Market

The forward value date is usually computed as a number of months from the spot value date at the time of the transaction, and must be a business day in the home country of the currencies involved in the transaction. As foreign exchange is a global business it must overcome time differences of up to 12 hours so a standard spot value date of today or "TOM" (being the following business day) would not be practical. In addition, time must be allowed to properly process all the paper work involved. Also, banks executing the transfer must be allowed sufficient time to check details defining the nature of cash flows.

Market Liquidity

Market liquidity describes the volumes which can be readily transacted in the market, and has sometimes been described as being the life blood of exchange traded markets. Market Liquidity Risk is the risk that it may not be possible to execute the full amount of a transaction without seriously impacting the market price. Billions of dollars of transactions are executed everyday in EUR/USD, USD/JPY, GBP/USD. On the other hand, exotic currencies (such as those of developing countries) can be very thin or illiquid. Even in the major currencies liquidity can be scarce at times. After New York inter bank trading closes and before Asian trading opens it can be difficult to obtain quotes in GBP/EUR which is a very liquid market during European trading.

Market Liquidity is reflected in the bid-offer spread. The more participants there are in the market prepared to quote two way prices in a particular currency, the bid/offer spread will be narrow. Conversely, if there is only a couple prepared to quote, the wider the bid/offer spread will become. As such, the bid/offer spread represents the profit that the quoting party must obtain in order to take on the risk. An imminent news release which may have significant affect on the market can affect market prices by drying up liquidity temporarily.

The Interest Rate Market and its Mechanics

The interaction between the money market and the foreign exchange market provides the basis for the relationship between the spot rate and the forward rate and the justification of the spread between the two dates. Forward rates differ from spot rates to reflect the differing interest rates prevailing in the two countries.

The Interest Rate Market will influence the difference between the forward rate and the spot rate. The forward rate will generally reflect the mechanism of borrowing one currency to invest in another and the impact of the futures value of these currencies based on the amount of Interest received and paid.

As such, whilst the futures price will tend to reflect the expected price at a future date, the forward rate is not what the market expects the spot rate to be at a future date but the impact of currencies based on the spot rate and interest rates.

The interest rates used reflect those rates which are available to the parties involved in the transaction. For example if a resident borrows from or lends to a non-resident, the transaction may be subject to interest withholding tax rules. The interest rate used to calculate the forward exchange rates will be marked up to reflect the inclusive of withholding tax, so that after the payment of the tax, the net result would reflect the value as if the withholding tax had not been liable in the first place.

At times, monetary authorities will use a tightening of interest rates to reduce the inflationary effect on a weakening currency which may be causing price inflation, and vice versa. They can also consider the stability of their currency and will use a monetary policy to achieve targeted exchange rates. Raising interest rates will tend to attract capital thereby supporting the exchange rate, whilst falling interest rates can lead to capital being removed from the currency and placing pressure on the exchange rate to move downwards.

Factors Affecting Foreign Exchange Rates over the Short Term and Long Term

There are many different short and long term factors that will affect the foreign exchange rates and these can be inter-related, or they can assume different significance at different times. None of the numerous theories of exchange rate determination are sufficiently comprehensive or dynamic to explain exchange rate movements on their own, let alone accurately predict the future direction and level of exchange rates. The factors that are likely to affect the movement over an extended period of time can be defined within the fundamental factors that affect the overall financial markets as a whole.

These factors are:

- The current account balance: this is an important determinant of exchange rates. Currencies with increasing current account surpluses or decreasing current deficits tend to strengthen against currencies with decreasing current account surpluses or increasing current account deficits. It is the change in the current account deficit or surplus which is relevant.
- Current account surplus: a diminishing current account surplus will tend to cause a currency to depreciate, while a shrinking current account deficit will tend to cause the currency to appreciate. However, in practice exchange rates do not always move to reflect current account figures. While over time the relationship holds true there may be sustained periods during which exchange rates move in the opposite direction.
- Inflation Rates: these impact upon the ability to purchase goods and services. Over a period of time, the inflationary impact on prices tends to result in price increases for goods and services to offset the impact of inflation. This means that exchange rates should change so as to reflect the relative purchasing power of two currencies.
- Interest Rates: how interest rates affect the forward rates has already been described. They can also affect the flow of currencies between countries. Over a period of time it is possible for currencies with a trend towards high local interest rates to attract capital inflows, and vice versa. If all three fundamental factors point in the same direction there is a high probability that exchange rates will trend in that direction.

The relative importance of these fundamental factors can change over a period of time, depending on current policy slants and even fashion. The fundamental factors are normally very poor predictors of short term exchange rate movements. In the short term, exchange rates tend to be affected by a different set of factors. Various factors, including market flows, central bank intervention, release of economic statistics, market sentiment and even technical analysis can influence spot rates in the short term, primarily through how they affect market expectations.

Also, if a country's central bank significantly reduces interest rates then the rate would be reduced. A substantial decline in interest rates will also put pressure on the spot exchange rate for the relevant currency.

Option Contracts

Like forward foreign exchange contracts, foreign exchange options are traded on stock, futures or commodities exchanges and on the OTC market.

Whereas exchange traded options have strictly defined characteristics such as standard amounts, standard expiry date and standard strike prices, OTC options are tailored to suit the exact terms agreed with the option buyer.

A foreign exchange or "forex" option is the right, without the obligation, to buy or sell one currency at a specified price at a specified time.

A call is the right, without the obligation, to buy a currency.

A put is the right without the obligation to sell a currency.

In every foreign currency transaction, one currency is purchased and another currency is sold. There are two parties to an option - the buyer and the seller. The buyer of the option enjoys the right to exercise the option, until it lapses. The seller of the option has the obligation to deal at the contracted rate if the buyer elects to exercise the option. The seller is also known as the writer or grantor of the option.

The strike price or strike rate is the exchange rate at which the option will be exercised if the buyer elects to exercise the option.

"In-the-Money" describes an option for which the strike price is better then the market price; "Out-of-the-Money" describes an option for which the strike price is worse then the market price; and "At-the-Money" describes an option for which the strike price is the same as the market price.

The price of the option is known as the option premium. The option premium is often expressed as a fixed number of exchange points in the seller as compensation for the risk involved in writing the option. The premium is payable on the date the option is executed.

The premium will be high if the option is "In-the-Money" and lower if the option is "Out-of-the-Money".

The premium economically is comprised of two components, intrinsic value and time value. The relationship between strike price and the market rate will determine whether the option is "In-the- Money" or "Out-of-the-Money".

An option which is "In-the-Money" has value (i.e. intrinsic value) and an "Out-of-the-Money" option has no intrinsic value.

The other economic component of option premium is time value. An option which has not yet expired has time value. The closer an option is to expiry the lower is its time value. Time value is maximised at the "At-the-Money" strike price where the uncertainty as to whether it will expire in or out of the money is greatest. Bought taken options, where they are call options, can be liquidated by selling the option back to the original counterparty. While in the case of exchange traded options the sale is executed in an open market, in the OTC market bought options ordinarily can only be sold to the original party who granted the option in the first place.

The expiration date or expiry date refers to the date on which the buyer's right to exercise the option ends. In practice a specific expiry time (e.g. 3:00 p.m. Tokyo time on the expiry date) is specified by the counterparty. In the event of exercise on or before the expiry date, settlement will take place as specified by BBY over the three (3) business days up to the expiry date's spot value date.

An American option refers to an option which can be exercised on any date between the contract date and the expiry date. An European option refers to an option which, theoretically, can only be exercised for spot value on the expiry date.

Obligations of the holder of margin foreign exchange forward contracts and options on them

The obligations of the holder of a margin foreign exchange contract are as follows:

(a) Pay an Initial Margin on each contract of the amount called by BBY. The liability for Initial Margin is incurred upon execution of an order.

(b) Pay any later margin requirements, including any margin calls made by BBY for Variation Margin to maintain the margin foreign exchange position held by the client.

(c) If a loss is incurred on close out of a margin foreign exchange contract i.e. by executing an equal and opposite position to that originally opened, such closed forward prompt loss must be fully covered by Variation Margin. Subject to such loss being fully covered by Variation Margin no Initial Margin is required.

    Arrangements can be made to fix the amount of such forward foreign exchange loss in Australian dollars at the time of the close out otherwise the closed forward prompt loss will be converted to Australian dollars on the Settlement Date, or on the business day immediately following the Settlement Date as BBY elects. If a profit is incurred it will be converted to Australian dollars on the Settlement Date, or on the business day immediately following the Settlement Date as BBY elects, and paid out to the client.

(d) If delivery of foreign exchange is made in settlement of a margin foreign exchange contract seven (7) days' prior written notice of delivery will be required and the entire amount of the foreign exchange to be delivered by the client must be paid (in cleared funds) to BBY at least two (2) business days prior to the Settlement Date.

The obligations of the holder of a taken option contract are as follows:

(a) The taker of the option (i.e. the Client who buys either a Call Option or a Put Option) is obliged to pay a premium on acquisition of the Option (which, only if BBY is acting as broker not as principal, will be passed by BBY to its counterparty which is the grantor of the option, (i.e. the person who sells the Call or Put Option)).

(b) Taken options can be liquidated by selling them. In the inter-bank OTC market, bought taken options can only be sold to the bank who granted the options in the first place and such sale can only be effected at the premium offered by the grantor. So, in the cases where BBY is acting as broker, liquidation of taken options is subject to agreement of the counterparty bank or other market participant.

(c) The expiration date and the type of option (whether American or European) will be settled along with the other terms prior to execution. Exercise of an American style option can occur at any time along with payment of the currency to be delivered by the option holder. Currency to be delivered to the option holder will be delivered on the spot value date following the expiry date.

FX Option Exercise Procedure

Options need to be exercised by you prior to the expiry date and time.

This Spot position is subject to the usual profit/loss if the Spot price moves from the exercise price. If you already have an off-setting position at exercise, the exercised position will be netted out on the settlement date.

Closing Out Positions by Liquidation, Settlements and Delivery

An open margin foreign exchange position for a forward date may be closed out or liquidated by the execution of an equal and opposite position. The execution of such an equal and opposite Transaction will give rise to a closed forward prompt position, namely a bought and a sold position for an identical amount of the currency (or other general commodity) in the same currency for settlement on the same value (or prompt) date (Settlement Date).

While closed forward prompt position profits cannot be paid until the Settlement Date, closed forward prompt losses must be fully covered by Variation Margin pending settlement. Closed forward prompt positions that are in profit or, if in loss are fully covered by Variation Margin, will generally not be secured by an Initial Margin since the final profit/loss has been set and covered. When this occurs, the amount payable on the Settlement Date will be the net value of the opening and the closing Transaction in the Transaction's currency.

Settlement will occur on the Settlement Date in the currency of the Trading Account. If the Trading Account is not denominated in the currency of the Transaction, BBY will on the Settlement Date or at a time determined by BBY, as it elects, convert the settlement amount to the currency in which the Trading Account is denominated.

In order to be delivered, an open position which is to be liquidated must be the subject of a written notice of delivery received by BBY at least seven (7) days before the Settlement Date. If the Client is making delivery, the amount payable on settlement of a Transaction must be deposited and cleared in the Trading Account, unless otherwise agreed in writing, not less then three (3) business days before the Settlement Date. Delivery by BBY to the client will be effected on the business day following the Settlement Date and the proceeds will be deposited by BBY to the Trading Account.

Commodity Pricing

A commodity swap is an agreement to buy or sell a quantity of a commodity at an agreed price (to a nominated quality) at some point in time in the future.

Spot metal Transactions are similar to spot FX Transactions and you should refer to the sections above for spot FX trading. Please note that all commodity Transactions may only be settled in cash (physical settlement is not possible).

How is the commodity swap rate calculated?

We cannot predict future prices and the rate or price quotations are not a forecast of where we believe prices of commodities or other financial products will be at a future date. We calculate rates or prices taking into consideration the current rates such as commodity prices and the prices offered by other market participants to provide financial products which we acquire to hedge our OTC contract obligations to you.

Fees and Costs

Ordinarily BBY will be acting as principal in the transaction with you.

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.

For fees where BBY is the broker and for other charges and costs, see Section 5 of this PDS.

Your Counterparty Risk on BBY

When you deal in BBY's FX and commodities transactions, you have a counterparty risk on BBY. An element of counterparty risk is "credit risk" and this in turn is impacted by the "limited recourse" feature of OTC financial products, so you should consider your credit risk on BBY having the financial resources at the time to pay you the amounts it owes you. The risk on BBY is affected by BBY hedging its FX and commodities transactions and limiting your recourse to BBY as part of the overall protection in the interests of all FX and commodities transactions.

Your credit risk on BBY

You have credit risk on BBY when you pay Margin to BBY or when BBY owes you money as a result of Transactions. Your credit risk on BBY:

- depends on the overall solvency of BBY, which is affected by BBY risk management;
- is affected by your limited recourse against BBY.

Your credit risk on BBY is managed and reduced by BBY:

- applying its risk management policy and Margin Policy designed to reduce risk to BBY and therefore benefit all of its clients;
- fully hedging all client positions;
- keeping any funds you hold with us (not including Margin) in a statutory trust account or in the Protection Trust. You should note here that Margin is not considered client money once it is paid to BBY.
- BBY using the funds paid as Margin by clients only for hedging client open positions (including managing its own margin obligations on these hedges) and for fees and charges on the BBY FX and commodities products payable to BBY.

The amounts you pay

Once an Order for a BBY FX and commodities product is received, BBY will, at or about the same time, make a similar transaction (in its own name, on its own account) with another market participant (a Hedge Counterparty) to hedge fully the BBY FX and commodities entered into with you, so that BBY has little or no direct market exposure to later changes in the value of the underlying currencies and metals market.

In order to enter into those transactions, BBY is usually required to pay for its hedge or to deposit moneys with the Hedge Counterparty to maintain BBY's open hedge position. BBY funds this payment obligation to its Hedge Counterparty from the proceeds of client Margin payments to BBY.

Risks from BBY's Hedge Counterparty

It is possible that BBY's Hedge Counterparty may become insolvent or it is possible that other clients of that Hedge Counterparty may cause a default which reduces the financial resources or capacity for that Hedge Counterparty to perform its obligations owed to BBY under the hedge contracts.

Since BBY is liable to you as principal on the BBY FX and commodities if you trade through the desk, BBY could be exposed to the insolvency of its Hedge Counterparty or other defaults which affect the Hedge Counterparty and for that reason BBY limits your recourse to amounts it can proportionally recover.

Limited Recourse

Since BBY is in the business of providing BBY FX and commodities trading and is not assuring the performance and credit risk of BBY's counterparties, BBY limits its liability to you (as clients) under the terms of the BBY FX and commodities products by the extent to which BBY actually recovers against its Hedge Counterparties. Put another way, any liability owed by BBY to you will be satisfied only by the extent to which BBY is able to recover from its Hedge Counterparties used for those BBY FX and commodities clients.

It is therefore possible that BBY might not fully recover from Hedge Counterparties used for those BBY FX and commodities clients due to reasons not arising from your own trading, or it may incur costs in seeking the recovery or choose to terminate recovery efforts early, thereby reducing the proceeds available to BBY to allocate to your products or account. Where the amount which BBY is able to recover is not sufficient to meet all of its obligations under the BBY FX and commodities contracts that are owed to clients, BBY will apportion the amount received by BBY honestly, fairly and efficiently.

It is important to understand that you have no rights or beneficial interest in any product which BBY has with its Hedge Counterparties and you cannot force BBY to make any decision about seeking recovery against BBY's Hedge Counterparty. You are dependent on BBY taking any action to seek recovery. BBY has complete discretion as to how it pursues that action, although BBY would act honestly, fairly and efficiently in determining if and how to pursue that recovery action.

Broadly this is economically comparable to the same risk you would face if you were to deal in the market directly with the same Hedge Counterparties and incur your own costs of seeking recovery, perhaps in overseas jurisdictions. By dealing in these BBY FX and commodities products, you get the benefit of BBY's obligation to you as issuer of the BBY FX and commodities products and the benefit of BBY dealing with market participants who might not ordinarily deal with you directly and you get the benefit of the protection from the Protection Trust.

The limited recourse does limit your potential recovery against BBY. However BBY considers that the overall effect of its hedging arrangements is to provide a more financially secure basis on which to invest in BBY FX and commodities products.

Protection Trust

BBY has chosen to give BBY FX and commodities clients additional protection by creating the Protection Trust. BBY has executed a deed which binds BBY to keep to the terms of the Protection Trust. In simple terms, BBY commits to using funds from your payments for Margin only for fully hedging your BBY FX and commodities or managing the hedge contracts, for paying fees and charges to which it is entitled and for payments back to you. This reduces your credit risk on BBY because BBY fully hedges and does not speculate or use the funds for purposes unrelated to your BBY FX and commodities trading (such as general working capital).

The Protection Trust holds:

- all of the benefit of the claims against the Hedge Counterparty, for the hedge contracts (**Claims**); and
- all of the surplus funds from your payments to BBY which are not paid to the Hedge Counterparty or paid as your fees and charges (**Surplus**).

All of the Surplus moneys are held in the Protection Trust Bank Account.

The Protection Trust has two sets of rules – one set applies before a trigger event, the other set applies automatically on a trigger event.

The Protection Trust operates as follows:

- until prior to a trigger event occurring, the Claims and the Surplus may only be used by BBY for hedging and managing hedges for BBY client OTC derivative positions, paying money to clients, paying money to which BBY is entitled (fees, charges, interests) or for payments on winding up the trust. In practical terms, the Protection Trust gives you protection by limiting use of Surplus to BBY client OTC derivative activity, maximising the available funds that could be available if needed to be paid to a BBY client. During this time before any trigger event, each BBY OTC derivative client is a beneficiary of the rights under the trust and may enforce the terms of the trust (but at this time they do not have a beneficial interest in the trust property such as hedge contracts or cash); and
- automatically upon the occurrence of a trigger event, BBY as trustee holds the Claims and Surplus beneficially for the BBY OTC derivative clients and, in simple terms, BBY as trustee must manage the Claims and the Surplus to pay out all BBY OTC derivative clients. BBY (as trustee) is allowed to manage the Claims, because it could get quite complex and require skill, time and judgement to get the best practical result but all of the benefit flows first to BBY OTC derivative clients, not BBY or other creditors.

Trigger events are: (i) insolvency by the Hedge Counterparty or BBY; and (ii) a breach by BBY of the terms of the Protection Trust that adversely affects the interests of BBY OTC derivative clients as a whole. (A full copy of the terms of the Protection Trust is available free of charge on request).

So, if BBY or its Hedge Counterparty were to become insolvent, all of the Claims and Surplus are protected under the trust for the benefit of BBY OTC derivative clients first, and the Claims and Surplus can only be used first to payout BBY OTC derivative clients.

Please see the Section below under "Payments to you in upon BBY Insolvency" for a summary of what would happen when that trigger event occurs.

Solvency of BBY

The risks you have by dealing with BBY (due to BBY using client Margin payments to make a corresponding hedge transaction with counterparties for those BBY clients) cannot be simplistically assessed by reference to historical financial information about BBY or its Hedge Counterparties or general statements of principle.

The credit risk you have on BBY depends on its solvency generally, as well as on the amount (and kind) of its capitalisation, its cash flow, all of its business risks, its client and stock concentration risks, its counterparty risks for all of its business and transactions (not just the BBY FX and commodities products), its risk management systems and actual implementation of that risk management, and the limited recourse you have.

BBY conducts semi-annual stress testing of OTC client positions to ensure that BBY has the capability to meet counterparty obligations in stressed market conditions. However your credit risk on BBY will fluctuate throughout the day and from day to day, including due to the implied credit risk on Hedge Counterparties. Hedge Counterparty credit risk to which BBY is exposed (and so indirectly to you) cannot be assessed or verified on a continuous basis at all time of a business day.

You should take into account all of those factors and not rely only on past financial statements since that could be materially incomplete information for your purposes, not current and therefore potentially misleading as a guide to the current solvency and creditworthiness of BBY.

The BBY annual directors' report and an audited annual financial report are available free on request by contacting BBY.

Payments to you in BBY Insolvency

If BBY or the Hedge Counterparty becomes insolvent, the following explains how you may be paid:

- Any of your moneys in the statutory Trust Account should be paid to clients, after deduction for any amounts properly payable to BBY for the BBY FX and commodities products or which you have otherwise agreed are payable to BBY. As mentioned earlier, the Trust Account can hold moneys for any BBY clients not just BBY FX and commodities clients.
- The precise amounts and timing of payments will not be known until the net position with the Hedge Counterparty is known.
- BBY or an administrator will use reasonable efforts to realise any Claims held in the Protection Trust (which will be added to the Surplus held beneficially for BBY Contract Clients).
- BBY or an administrator will need to assess whether it can feasibly sue to recover anything owed by the Hedge Counterparty.
- BBY or an administrator will need to assess the amounts prudently available to pay BBY clients, and may choose to pay out interim amounts.
- BBY or an administrator will need to assess fair and reasonable allocation to clients, having regard to, for example any amounts paid from the statutory Trust Account, account balances, and amounts recovered from the Hedge Counterparty for clients.

Hedge Counterparty risk

BBY selects its counterparty for each trading platform in accordance with its counterparty selection policy. This includes a due diligence process before entering into an agreement with a counterparty and on-going review of counterparty suitability. BBY hedges 100% of client positions which arise over the desk with its hedge counterparties. As an example of how this policy applies, BBY has selected Saxo Capital Markets (Australia) Pty Ltd; AFSL 280372; ABN 32 110 128 286 (SAXO) as its counterparty for desk BBY FX and commodities trading. SAXO is a wholly-owned Australian subsidiary of Saxo Bank A/S, the online trading and investment specialist headquartered in Copenhagen, Denmark. The following information is applicable with respect to BBY's Hedge Counterparty as at the date of this PDS:

BBY trading platform:	BBY Desk FX and commodities
BBY's Hedge Counterparty:	Saxo Capital Markets (Australia) Pty Ltd ABN 32 110 128 286 AFSL 280372
Website of Hedge Counterparty:	www.saxobank.com
Further information:	Saxo Capital Markets (Australia) Pty Ltd is a subsidiary of Saxo Bank A/S which is incorporated in Denmark as a licensed bank (license no. 1149) and is regulated by the Danish Financial Supervisory Authority (FSA) - Finanstilsynet, Århusgade 110, 2100, København Gl. Kongevej 74A, 1850 Further details regarding the Danish FSA and Saxo Bank's licence may be viewed at www.ftnet.dk. As a member of the European Union, Denmark has incorporated the EU Banking and Investment Directives into Danish law. Further detail on the financial statements of Saxo Bank A/S is available from its website.

You should note that:

- SAXO has not been involved in the preparation of this PDS nor authorised any statement made in this PDS relating to it.
- SAXO has no contractual or other legal relationship with you as holder of the BBY FX and commodities products. SAXO is not liable to you and you have no legal recourse against SAXO (because BBY acts as principal to you and not as agent) nor can you require BBY to take action against SAXO.
- BBY gives no assurance as to the solvency or performance of any Hedge Counterparty. BBY does not make any express or implied statement about the solvency or credit rating of SAXO or any Hedge Counterparty.
- The regulation of a Hedge Counterparty is no assurance of the credit quality of the Hedge Counterparty or of any regulated or voluntary scheme for meeting the claims of creditors of the Hedge Counterparty. For example, although a Hedge Counterparty may be licensed by the Australian Securities and Investments Commission, that provides no assurance that the Hedge Counterparty has good credit quality or that it will perform its obligations to BBY.
- The credit quality of a Hedge Counterparty can change quickly. BBY is not able to disclose assessments which it makes of the credit quality of its Hedge Counterparties and reports of the credit quality of its Hedge Counterparties by independent credit rating agencies may not be available.

- If BBY becomes aware that material information about a Hedge Counterparty in this PDS changes or a significant matter later changes, BBY will issue a supplementary product disclosure statement, or a new product disclosure statement. If the new information is not materially adverse to you, BBY will provide the updated information on its website.
- BBY may change the Hedge Counterparty at its discretion without your consent.

BBY is not authorised to set out in this PDS any further information published by the respective Hedge Counterparties and BBY takes no responsibility for third-party information about those Hedge Counterparties. If you require further information about the Hedge Counterparties used by BBY before deciding whether to invest in them, please first contact the relevant Hedge Counterparty listed above. BBY will also reasonably assist you to locate such other information as is publicly available to BBY.

SECTION 4 – SIGNIFICANT RISKS

Trading in BBY FX and commodities transactions 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.

4.1 Key Risks

You should consider these key risks involved in BBY FX and commodities:

KEY RISKS	IMPORTANT ISSUES
Loss from Leverage:	• BBY FX and commodities have leverage which can lead to large losses as well as large gains. The high degree of leverage in BBY FX and commodities can work against you as well as for you. The leveraging in a BBY FX and commodities transaction gives a moderate to high risk of a loss larger than the amounts you pay BBY as Margin. It can also cause volatile fluctuations in the Margin requirements. • You can manage the risk of losses on BBY FX and commodities by monitoring your Open Positions and Closing Out the positions before losses arise.
Client moneys are applied to pay for your BBY FX and commodities transactions:	• The money which you pay into the BBY Trust Account is withdrawn on your direction to pay BBY before the BBY FX and commodities are issued to you, even if you pay more than the minimum Margin required. • You client moneys are not retained in the BBY Trust Account because you need to pay BBY before the BBY FX and commodities are issued to you. • Moneys withdrawn from the BBY Trust Account to pay BBY are BBY's moneys (and are not held for you), although any amount not required for Margin for hedge positions are held in the Protection Trust.
Margin risk:	• You must be able to pay to BBY the amount of required Margin as and when required in accordance with margin calls, otherwise all of your Transactions may be Closed Out without further notice to you. Margin requirements are likely to change continuously, in line with market movements in the underlying currency. • You should consider that there is a high risk of Margin requirements changing and changing at times very rapidly. There is a moderate to high risk that if the market value of the underlying currency moves rapidly against you, you will be required to pay more Margin on little notice. If you do not meet those requirements, your position can be Closed Out. • You can manage your risk of losing your positions due to failing to meet Margin requirements by carefully selecting the type and amount of BBY FX and commodities to suit your needs, monitoring the positions, maintaining a prudent level of cash balance in your Account and providing sufficient Margin within the time required by BBY. Please see Section on "Margining of Transactions".
Foreign exchange risk:	• Foreign currency conversions required for your Account (see Section 6 for a further description) 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. This exposes you to adverse changes in the value of your Account which can be large (depending on foreign exchange rates) and volatile. This will directly affect the value of a BBY FX and commodities position. • You can manage this risk by selecting BBY FX and commodities with foreign exchange exposure that you are prepared to incur and to monitor.

KEY RISKS	IMPORTANT ISSUES
BBY Counterparty risk on BBY:	• You have the risk that BBY will not meet its obligations to you for your Transactions. BBY's FX and commodities are not Exchange traded so you need to consider the credit and related risks you have with BBY. • BBY believes that your BBY counterparty risk is low, due to its Margin policy, its risk management and the special protections (through its Protection Trust) it has implemented for the benefit of Clients; However, the potential adverse outcome of this risk is very significant to you because, if it occurs, you could lose all or some of your investment. • You can manage your BBY counterparty risk by limiting the amount you pay BBY, trading prudently and requesting payment to you of any surplus in your Account which is not required for prudent Margin management, however this may increase your Margin risk. Please see heading "Your Counterparty Risk on BBY" in Section 3.
Limited Recourse:	• BBY limits its liability to you under the terms of the BBY FX and commodities by the extent to which BBY actually recovers against its Hedge Counterparties and allocates to your BBY FX and commodities. • This key risk is linked to "counterparty risk". Both limited recourse and counterparty risks are further explained in Section 3 under "Your BBY Counterparty Risk on BBY".

4.2 Other Significant Risks

You should consider these significant risks involved in OTC trading

KEY RISKS	IMPORTANT ISSUES
Market risk:	OTC trading, including options, is highly speculative and volatile. There is no guarantee or assurance that you will make profits, or not make losses, or that unrealized 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 three underlying markets (commodity, FX, futures), 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 (such as commodity swaps) 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 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. 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. Stop-loss orders may not always be filled and, in any event, may not limit your losses to the amounts specified in the order.
Not a regulated market:	The BBY FX and commodities transactions offered by BBY are over the counter products and are not covered by the rules for an exchange. Over-the-counter products, such as BBY FX and commodities transactions, by their nature are not liquid investments in themselves. If you want to exit your BBY FX and commodities transactions, you rely on BBY's ability to Close Out at the time you wish, which might not match the liquidity or market price of the underlying currencies and metals market. You can reduce your risk by carefully reading this PDS, the Account Terms and taking independent advice on the legal and financial aspects relevant to you.
Market Disruptions	A market disruption may mean that you may be unable to deal in BBY FX and commodities transaction when desired, and you may suffer a loss as a result of that.

KEY RISKS	IMPORTANT ISSUES
Orders and gapping:	It may become difficult or impossible for you to Close Out a position. This can, for example, happen when there is a significant change in the BBY FX and commodities transaction value over a short period. There is a moderate to high risk of this occurring. BBY's ability to Close Out an BBY FX and commodities transaction depends on the current market price. Stop-loss Orders may not always be filled and, even if placed, may not limit your losses to the amount specified in the Order, since they are not guarantees that there will be no loss. You should consider placing stop-loss or other Orders that limit your losses but also closely monitor your Account and the relevant market in case the Stop-loss Order is not fully filled or filled at all and you need to take further action to limit your losses. For further information, see Section on "Stop-loss Orders".
Conflicts:	Trading with BBY for its BBY FX and commodities transaction over the desk carries a risk of conflicts of interests because BBY is acting as principal in its BBY FX and commodities transaction with you and BBY sets the price of the BBY FX and commodities transactions. The policy used by BBY is that as principal it issues the BBY FX and commodities transaction to you based on the price it gives you, not by acting as broker to you. BBY obtains its price by dealing with its own Hedge Counterparties. You can reduce the risks to you of unfavourable pricing or opaque pricing (meaning it is unclear how it relates to the underlying market) by monitoring BBY's FX and commodities transaction pricing compared with other similar OTC products which have comparable terms and the underlying market.
Valuations:	When trading through the desk, the BBY FX and commodities transaction are valued by BBY. While there are no specific limits on BBY's discretions, BBY must comply with its obligations as a financial services licensee to act efficiently, honestly and fairly. You therefore have the risk of relying on whatever value is determined by BBY in the circumstances permitted by the Account Terms.
Operational risk:	There is always operational risk in trading in financial products. For example, disruptions in operational processes such as communications, computers and computer networks, or external events may lead to delays in the execution and settlement of a transaction. We are not liable to you if losses arise owing to delays, errors or failures in operational processes outside our control, in particular, due to faults in the online trading platform or in the provision of data by third parties.

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.

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.

  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.
- 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.

SECTION 5 – COSTS, FEES AND CHARGES

Important Payment Features and information about client money

Payment Netting

The terms of your account with BBY provide for netting. If you have more than one Transaction with BBY under the BBY Facility which settles in the same currency on the same date, payments and receipts arising from those Transactions will be netted, so that all settlements are combined and only a single payment is made as between you and BBY. This will also occur if your account is terminated and all of your Transactions are terminated early on the same date.

Your payments to BBY

Where you are trading through the desk and BBY is acting as principal in Transactions with you, 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 are not 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). Other amounts held by BBY for you, such as profits you make on Transactions, will be held in BBY's statutory Trust Account or in the Protection Trust account.

Transaction Fees

We charge a Transaction Fee on each FX and FX Option contract executed with you. Our fees vary depending on various factors such as but not limited to the type/level of service required, and the frequency and volume of transactions. Each FX and Option transaction may incur a fee typically starting between 1 and 10 points up to a maximum of 100 points of the Transaction's full face value amount.

The fee will be debited immediately upon execution of the trade including any roll of a Transaction, and will be deducted from your Trading Account in accordance with the Account Terms.

A minimum fee of USD10 or currency equivalent may be levied on Transactions.

Finance Charges

Forward and Roll over fee (interest differential)

Margin FX contracts that are "rolled over" or "swapped" will result in you paying or receiving interest at the daily rollover rate. The rollover rate is the interest rate differential between the two applicable currencies.

For example:

If you have a long A$/USD position (i.e. you have bought the Australian Dollar against the US Dollar) and interest rates are higher in Australia than in the USA, you will be credited forward points i.e. credited the interest differential between the two currencies if you do not close the position before the settlement time. You will receive the interest rate differential whilst the position remains open for holding the higher yielding currency.

However, if you have a long A$/USD position and the USA interest rate is higher than the Australian interest rate, you will be debited the forward points i.e. debited the interest differential between the two currencies if you do not close the position before the settlement time. You will be debited the interest rate differential whilst the position remains open for holding the lower yielding currency.

The forward points will therefore vary depending on (but not limited to):

- the currency pair you are trading;
- the applicable interest rates in the interbank markets according to the period of the rollover i.e. the interest rates offered for each currency pair (paid or earned);
- the size of the position; and
- the standard BBY fees or "mark-up" that may apply.

The forward points can either be accumulated as an offset to your Trading Account balance and will directly debited or credited to your Trading Account balance on settlement date or reflected in the price at which the open position is rolled forward i.e. it is included in the price (or rate at which the contract is rolled) and debited or credited to your Trading Account balance on settlement date.

Interest on Account

If BBY places any of your moneys into a trust account, BBY will be entitled to earn any interest on positive balances in your moneys in the trust account. It may entirely at its discretion pay such interest, at such rates and for so long as it chooses.

If any of your denominated currency account balances becomes a debit i.e. negative, the Trading Account 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".)

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 trade currency denominated in the term currency to your base currency. The conversion fee charged is up to a maximum of 100 basis points (1.00%) of the FX Transaction's full face value being converted. Minimum charges may also apply for smaller conversions.

Rates

BBY allocates Transaction Fees, Finance Charges, and Margin cover requirements for a particular Transaction, so you should always confirm with BBY the actual fees and charges before entering into a Transaction.

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 ASX) for your use of information feeds or for online transaction services.

BBY may debit these amounts from your Account.

Accounts Denominated in Foreign Exchange

Your Trading 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 Trading Account's 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 and the calculation will generally only occur on a monthly basis at month end if your account is traded over the desk.

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. In the unlikely event that a particular currency is suspended, you will not be able to open a new derivative position that included that currency, and open positions that include that currency might not be able to be closed out.

Examples

Here are some examples to illustrate the variables for a typical Transactions and how they affect the calculations. The variables of your actual Transactions will of course differ, so please check with BBY before entering into your Transaction.

FX Examples for FX Spot and Option Contracts

Example 1

You wish to speculate that the US dollar will rise against the Swiss franc and therefore decide to buy USD2,000,000.

BBY quotes you 1.2310/1.2315. You buy from BBY USD at 1.2315. If a 3 point transaction fee is charged on each FX Transaction, then an amount of CHF 600 (0.0003 * USD 2,000,000) will be charged, and an Initial Margin of 3% of the face value of the FX position is reserved as security against the performance of the trade. In this case it will be USD 60,000 (2,000,000 x 3%) converted at the current rate i.e. 1.2315 into CHF 73,890.

Day 1: Buy USD2,000,000 vs CHF1.2315 = Sell CHF 2,463,000.

Four days later, the dollar has actually risen to CHF1.2575 and you decide to take your profit. Upon your request, BBY quotes you 1.2575-1.2580. You sell at 1.2575.

Day 5: Sell USD2,000,000 vs CHF1.2575 = Buy CHF 2,515,000.

As the dollar side of the Transaction involves a credit and a debit of USD2,000,000, your USD account will show no change.

The CHF account will show a debit of CHF2,463,000 and a credit of CHF2,515,000. This results in a profit of CHF52,000.

This profit does not take into consideration the impact of the Finance Charge, roll over fee (interest component) of rolling the position each day and the FX Transaction Fee on establishing the position and on the rolls if applicable.

During this time your FX position will attract a roll over benefit (interest benefit) resulting from rolling the position. As the USD interest rates are higher than CHF you will receive an interest benefit. In this example you will receive a 5 day interest credit of CHF600 (i.e.0.0003 * USD2,000,000).

TRANSACTION PROFIT AND LOSS	
TRANSACTION	BUY 2,000,000 USD/CHF AT 1.2315 SELL 2,000,000 USD/CHF AT 1.2575
GROSS PROFIT	CHF 52,000 (1.2575 - 1.2315) * USD 2,000,000
TRANSACTION FEE	CHF 1,200 (0.0006 * USD 2,000,000)
INTEREST CREDIT	CHF 600 (0.0003 * USD 2,000,000)
NET PROFIT	CHF 51,400 (52,000 - 1,200 + 600)

Example 2

You follow the cross rate between the Euro and the Japanese yen. You believe that this market is headed for a fall. You ask BBY for a quote in EUR1,000,000. BBY quotes 145.05-145.10. You sell EUR at 145.05.

If a 3 point Transaction Fee is charged on each FX Transaction, then an amount of JPY 30,000 (0.03 * EUR1,000,000) will be charged and an Initial Margin of 3% of the face value of the FX position is reserved as security against the performance of the trade. In this case EUR 30,000 (1,000,000 x 3%) converted at the current rate i.e. 145.05 into JPY 4,351,500

Day 1: Sell EUR1,000,000 vs JPY 145.05 = Buy JPY145,050,000.

You decide to protect this position with a stop-loss order to buy back the Euro at 145.57 and the stop is executed at 145.60.

BBY works all stop loss orders on a best endeavours basis and cannot guarantee execution at a specific level.

Two days later, this stop is triggered since the Euro strengthens short term in spite of your expectations.

Day 3: Buy EUR1,000,000 vs JPY 145.60 = Sell JPY145,600,000.

The EUR side involves a credit and debit of EUR1,000,000.

Therefore, the EUR account shows no change. The JPY account is credited JPY145,050,000 and debited JPY145,600,000. This results in a loss of JPY550,000.

This loss does not take into onsideration the impact of the Finance Charges, roll over fee (interest component) of rolling the position each day and the FX Transaction Fee on establishing the position and on the rolls if applicable.

During this time your FX position will attract a roll over charge (interest charge) resulting from the rolling of the FX position.

As the EUR interest rates are above the JPY you will be charged an interest debit.

In this example you will be charged a 4 day interest debit of JPY10,000 (i.e. 0.01 * JPY1,000,000)

TRANSACTION PROFIT AND LOSS	
TRANSACTION	SELL 1,000,000 EUR/JPY AT 145.05 BUY 1,000,000 EUR/JPY AT 145.60
GROSS LOSS	JPY 550,000 (1.4560 - 1.4505) * EUR 1,000,000
TRANSACT ION FEE	JPY 60,000 (0.06 * EUR 1,000,000)JPY
INTEREST DEBIT	JPY 10,000 (0.01 * EUR 1,000,000)
NET LOSS	JPY 620,000 (550,000 + 60,000 + 10,000)

Example 3 – Buying a Put Option

With this example, you are expecting a fall in the USD versus the JPY (USD/JPY):

Buy 1,000,000 USD/JPY Put strike price 110, Expiration in several months' time.

Premium 0.70 points = 700,000 JPY (USD1,000,000*0.70), BBY quotes you a spot reference price of 115.60.

If a 3 point Transaction Fee is charged on each FX option Transaction an amount of JPY 30,000 (0,03 * USD 1,000,000) will be charged.

This gives you the right to sell USD and buy JPY at the price of 110.00. For this right, you are paying a premium of 700,000 JPY.

In this scenario, the market price on the day you purchase the option is 700,000 JPY When buying the option, you are speculating that the dollar will weaken significantly against the Yen and fall well under the 110 level in the coming days.

Let's say that, as you have anticipated, the option expires in the money (in this case, below the 110 strike price, meaning that the option has intrinsic value on expiration), due to a significant decline in the USD/JPY spot rate. The spot rate on exercise date is, say, 108.50.

You exercise your right to sell at the 110 strike price to the seller of the put option resulting in a short 1,000,000 USD/ JPY. You can hold the short FX position reflecting an unrealised profit or you can realise your profits and buy back the 1,000,000 USD/JPY at the 108.50 market price to close the position and take the profit.

The profit scenario is then: Strike price – closing spot price x contract size – premium i.e. 110.00 – 108.50 x USD 1,000,000 – 700,000 = JPY 800,000 profit. This profit does not take into consideration the impact of FX Transaction Fee.

Alternatively you can sell 1,000,000 USD/JPY Put, prior to expiry, the option premium is now 1.10 points = 1,100,000 JPY (USD1,000,000 *1.10), resulting in a profit of 400,000 JPY having purchased the option for 700,000 JPY.

If the spot rate was quoted above the strike price (110.00), the option would have been out of the money and you would have lost your premium, but your risk in this transaction was limited to the premium and nothing more.

As you can see, you can make unlimited profit but the maximum loss is the premium paid in relation to bought options whereas sold options have unlimited risk.

TRANSACTION PROFIT AND LOSS	
TRANSACTION	BUY 1,000,000, 110 USD/JPY PUT
PREMIUM PAID	JPY 710,000 (1,500,000 - 30,000 - 60,000)
TRANSACTION FEES	JPY 30,000 (0.03 * USD 1,000,000)

OPTION EXERCISE		CLOSE OUT
EXERCISE	SHORT 1,000,000 USD/JPY AT 110.00	
TRANSACTION	BUY 1,000,000 USD/JPY AT 108.50	SELL 1,000,000 USD/JPY 110 PUT
SALES REVENUE		JPY 1,100,000
PREMIUM PAID		JPY 700,000
GROSS PROFIT	JPY 1,500,000 (110-108.50) * USD 1,000,000	JPY 400,000 (1,100,000 - 700,000)
INITIAL FEES & CHARGES	JPY 730,000 (700,000 + 30,000)	JPY 30,000
TRANSACTION FEE	JPY 60,000 (0.06 * USD 1,000,000)	JPY 30,000 (0.03 * USD 1,000,000)
NET PROFIT	JPY 710,000 (1,500,000 - 730,000 - 30,000)	JPY 340,000 (400,000 - 30,000 -30,000)

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.

Queries and Disputes

Any disputes about fees or charges must be brought to our attention within five (5) calendar days of the fee being applied.

Please see the section in this PDS on "Dispute Resolution".

SECTION 6 – GENERAL INFORMATION

Discretions

BBY has discretions under the Account Terms which can affect your Orders and positions. You do not have any power to direct how we exercise our discretions.

When exercising our discretions we will comply with our legal obligations as the holder of an Australian Financial Services Licence. We will have regard to our policies and to managing all risks (including financial, credit and legal risks) for ourselves and all of our Clients, our obligations to our counterparties, market conditions and our reputation. We will try to act reasonably in exercising our discretions but we are not obliged to act in your best interests or to avoid or minimise a loss in your Account.

Our significant discretions are:

- whether to accept your Order (including to Close Out a position) or to amend it;
- any risk limits or other limits we impose on your Account or your trading;
- determining Margin requirements, especially the amount of Initial Margin, minimum Margin requirements, the time to meet any changed Margin requirement;
- determining values of underlying currencies and metals market (for opening and closing positions and for determining Margin);
- setting Bid Prices (sell prices) and Offer Prices (buy Prices); and
- closing your positions and determining prices.

You should consider the significant risks that arise from BBY exercising its discretions – see Section 4.

Our other discretions include:

- setting our fees and interest rates;
- setting foreign exchange conversion rates;
- opening and closing your Account;
- giving you a grace period for full compliance in paying by cleared funds any amount you owe; and
- interpretation, variation and application of our policies.

Policies

BBY has a number of policies that can affect your BBY FX and commodities investments. The policies are guidelines that BBY (including all of its staff) is expected to follow but policies are not part of the Account Terms and do not give you additional legal rights or powers.

We may change our policies at any time without notice to you. We may amend, withdraw, replace or add to our policies at any time without notice to you. All of the important information is set out in or referred to in this PDS so you should only rely on this PDS and not on the policies.

A summary of the policies are available by contacting us, we will send you a summary free of charge.

Our key policies relevant BBY FX and commodities transactions currently are:

- client money policy;
- margin call policy; and
- conflicts of interests management policy.

Anti-Money Laundering Laws

BBY is subject to anti-money laundering and counter-terrorism financing laws (AML laws) that can affect your BBY FX and commodities trading. If your Account is established, BBY may disclose your personal information or stop transactions on your Account for the purposes of the AML laws or under BBY's AML laws procedures, without liability to you for any loss that arises due to that occurring.

ASIC Guides

ASIC has released guidelines to disclosures on OTC financial products, counterparty risk and how margin calls work: Regulatory Guide RG 277 Over-the-counter contracts for difference: Improving disclosure for retail Investors. Potential investors are encouraged to contact ASIC or to visit the ASIC website (www.asic.gov.au) for any information released by ASIC on these and other important features and risks of dealing in OTC contracts.

Role of BBY

The terms of your facility with BBY allow you to trade with BBY as the principal through the desk.

Confirmations of such Transactions will state that BBY is acting as "principal".

When 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.

About BBY

BBY is an Australian owned investment company, holds an Australian financial services licence and is a Market, Clearing and Settlement Participant of ASX and Chi-X. BBY will provide on request free of charge a copy of its most recently available audited financial reports.

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

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 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 +61 9226 0267 or put your complaint in writing and send it to us at:

   Level 17, MetCentre
   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

Account Terms means the terms of trading for your account with BBY established under the foreign exchange terms.

American Dollars or USD means the lawful currency of the United States of America.

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

BBY Account means your account with BBY established under the foreign exchange terms, including all Trading Accounts and all Open Transactions in them.

BBY Facility means the facility by which the BBY Facility or the BBY Account, as the case may be, is provided by which you trade Transactions.

BBY Trust Account means the statutory trust account operated by Bby in accordance with the Corporations Act.

Claims means all of the benefit of the claims against the Hedge Counterparty arising out of the hedge contracts.

Client refers to the person who has the BBY Online Account or the BBY Account, as the case may be.

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 foreign exchange (or other relevant 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 will include a point spread in respect of the buy and sell prices quoted by the Market Participant.

Euro or EUR means the currency of twelve European Union countries: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.

Facility Terms means the terms of your respective BBY Online Account or your BBY Account with BBY by which you trade Transactions.

Foreign exchange means currency including Australian Dollars and foreign currency.

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

Japanese Yen or JPY means the lawful currency of Japan.

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 options and contracts in respect of foreign exchange or other commodities, such as metals.

Surplus means all of the surplus funds from your payments to BBY not paid to the Hedge Counterparty or paid as your fees and charges and which is managed in a bank account.

Swiss Francs or CHF means the lawful currency of Switzerland.

Transaction means any of the kinds of OTC contracts which are traded under the Foreign Exchange Terms.

SYDNEY - HEAD OFFICE

Level 17
60 Margaret St
Sydney NSW 2000
Australia

T +61 2 9226 0042
F +61 2 9226 0066

ADELAIDE

Suite 5, 148 Greenhill Rd
Parkside
Adelaide SA 5063
Australia

T +61 8 8291 1111

AUCKLAND

Level 8, 36 Kitchener St
Auckland 1010
New Zealand

T +64 9 3080780

GOLD COAST

Suite E318 Oracle East
3 Oracle Blvd
Broadbeach QLD 4218
Australia

T +61 7 5504 2111

LONDON

15 Stratton St
W1J 8LQ United Kingdom

T +44 203 3000 120

MELBOURNE

Level 13, 8 Exhibition St
Melbourne VIC 3000
Australia

T +61 3 8660 7222

NEW YORK

Suite 1700, 19 West 44th St
New York, NY 10036
United States of America

T +(1) 646 454 8600

PERTH

Level 4, 109 St Georges Tce
Perth WA 6000
Australia

T +61 8 6436 3111

WELLINGTON

Level 8 Equinox House
111 The Terrace
Wellington 6011
New Zealand

T +64 4 4717600