KEY POLICIES FOR CFDS

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Contents

1. About this document

This document sets out the policies of Zero Securities Pty Ltd (Zero Securities) which are men- tioned in product disclosure statements as at the date of this document. HEDGEHOOD Pty Ltd (ACN 667 506 970) is an Authorised Representative no: 001303318 of Zero Securities Pty Ltd (ABN 61 056 617 862, AFSL 244040).

It is based on selections from Zero Securities' Risk Policy Manual and other policies and proce- dures adopted by Zero Securities.

These policies are operated in the context of a comprehensive risk management policy (Risk Policy) which addresses, among other things, the key factors of Market Risk, Counter Party Risk, Liquidity Risk and Regulatory Risks.

The hedge counterparty policy operates in the context of other parts of Zero Securities' risk management policy and Zero Securities' duties under its Australian Financial Services Licence, statutes and its contractual agreements with its clients. This policy does not prevail over other risk management policies or legal and compliance obligations.

Although Zero Securities has adopted the policies and generally follows them, Zero Securities may act differently from a policy, without prior notice of that and without liability for that, for any reason and without having to give any reason, including for the purposes of complying with its other policies or to comply with legal duties, its compliance policy and procedures and to manage its exposure to its hedge counterparties.

The existence of this document and its publication do not create legal responsibilities or liability for Zero Securities or any of its directors and officers.

This document sets out the key policies and so as a policy document it is not binding, complete or represent that it will always be followed or followed in every respect or that everything that could be mentioned has been mentioned in it. It does not create terms of any agreement or any legal rights or expectations. As a policy document it might not be followed exactly and it might change from time to time without prior notice, since the nature of a risk policy is to set out principles to address complex and changing risks which cannot be antici- pated in exact detail in written document or sometimes at all.

If it is not followed in any particular circumstance, or not strictly followed, or circumstances occur which are not covered by this policy, no person has any right to claim loss or damages, compensation, accounting for profits or any other remedy of any kind, however the claim arises.

Further, Zero Securities in no way assures or guarantees the performance of it hedge counterpar- ties or financial institutions that provide bank accounts to hold client moneys. Dealing with financial institutions and hedge counterparties is inherently risky and no policy can assure anyone that hedge counterparties will fully perform their obligations to Zero Securities as and when they fall due.

2. Client Suitability Policy

The purpose of this policy

Zero Securities maintains and applies a written client suitability (qualification) policy that:

(a) sets out the minimum qualification criteria that prospective investors will need to demonstrate they meet before the issuer will agree to open a new account on their behalf;

(b) outlines the processes the issuer has in place to ensure that prospective investors who do not meet the qualification criteria are not able to open an account and trade in CFDs; and

(c) requires the issuer to keep written records of client assessments. (RG 227.37)

Minimum qualifying criteria

Zero Securities will assess a prospective investor against qualifying criteria that address the investor's understanding of and experience with the product.

The criteria address the investor's:

- whether you have experience in trading in the Underlying Financial Products;
- whether you understand the terms of our CFDs and how they work;
- whether you understand the concepts of leverage, margins and volatility;
- whether you accept a high degree of risk in trading in CFDs;
- whether you understand the nature of CFD trading, including that CFDs do not provide investors with interests or rights in the Underlying Financial Products over which a position is taken;
- whether you understand the processes & technologies used in trading Zero Securities' CFDs;
- whether you can monitor your CFD investments and manage them in a volatile market;
- whether you can manage the risks of trading in CFDs;
- whether you have financial resources to provide more Margin, especially on little or no notice; and
- whether you can bear substantial losses that might arise from trading in CFDs, especially the potentially unlimited losses on dealing in short CFDs.

Context

Zero Securities will determine the best method of conducting the assessment itself. ASIC consid- er that an online test, a face-to-face interview or a telephone interview would all be appro- priate methods. Zero Securities will document the assessment process in writing, and retain this assessment.

Zero Securities has established a process based on AFMA's guidelines and which Zero Securities con- siders to be more comprehensive and more rigorous.

Zero Securities will assist prospective investors by offering a practice account system, which allows investors to trade on a virtual basis for a period of time before proceeding to open an actual account, and mirrors the functions of actual accounts offered by the issuer. However, any practice systems or equipment offered to prospective investors should be offered on a non- obligatory basis.

Suitability process

Zero Securities will assess prospective investors by asking a series of questions relating the five criteria specified by ASIC above. Each prospective investor will be asked questions in three sections, the first section is experience and is not graded, the second section requires a 75% or greater pass rate and third requires 100% to succeed.

No personal advice

Zero Securities does not give personal financial product advice.

As per Regulatory Guide 227.41, ASIC does not consider that just making an assessment about a prospective investor's understanding of and experience with the product, including the criteria listed above, constitutes the provision of personal financial product advice.

Note: 'Personal advice' is defined in section 766B(3) of the Corporations Act as financial product advice given or directed to a person (including by electronic means) in circum- stances where:

- the provider of the advice has considered one or more of the person's objectives, financial situation and needs; or
- a reasonable person might expect the provider to have considered one or more of those matters.

Assessment

Our assessment of your suitability is based on your information and any other information we ask and you give us. Our policy includes assessing the information you give us by your online responses, the information you give us and any responses you give us by email, tele- phone or in meetings. We may keep the information which you give us to help monitor our policy and for the requirements of a financial services licensee.

As a result of our assessment we might limit some features for your Account.

Our assessment of your suitability to trade in CFDs and any limits we set for your Account (or later change to those limits) should not be taken as personal advice to you to trade in CFDs nor does it imply that we are responsible for any of your losses from trading in CFDs.

To the extent permitted by law, we do not accept liability for your choice to invest in any CFDs so you should read all of this PDS carefully, consider your own needs and objectives for investing in these CFDs and take independent advice as you see fit.

Even if we assess you as suitable to commence trading CFDs with us, we urge you to experience trading on our (free) demonstration account for a while to ensure you are familiar with the terminology of our CFDs and how the Platforms work.

3. Client Moneys Policy

Regulatory context

The Corporations Act 2001 legislates how financial service licensees must operate in relation to holding client money. Zero Securities identifies client money as money paid in connection with the provision of a financial service or product.

Zero Securities, in accordance with regulations holds client money at a nominated Australian Approved Deposit-taking Institution (ADI) and complies with section 981B of the Corporations Act, which states, that an account must be established in order to separate Zero Securities money from client money.

The legislation outlines that the money can only be used as permitted under the strict client money provisions.

Trust moneys are withdrawn to pay for the CFDs

The money which you pay into the Zero Securities client moneys trust account are not retained in that account but are withdrawn to pay Zero Securities for the CFDs even if you pay more than the minimum Margin required.

The moneys are withdrawn as payments to Zero Securities, so please be aware that they are not retained on deposit for you in the Zero Securities client moneys trust account and, once withdrawn, the statutory rules applying to the Zero Securities client moneys trust account no longer apply to those withdrawnmoneys.

Please review the relevant product disclosure statements for more detail on how we handle client moneys.

4. Margin Call Policy

Margin calls and liquidation

Zero Securities issues Margin call notices to clients in the event of there being insufficient free equity (however it is named in a Platform) in the client's account to maintain the margin requirement of their open CFD positions.

Margin requirements are valued on a real-time based on the intra day marked to market price of the client's CFDpositions.

Zero Securities reserves the right to liquidate all or some of the client's positions if they fail to maintain their margin obligation or to meet a Margin call. Those are two separate and dis- tinct obligations a client has under the terms of their account.

This policy document is on Margin calls.

Liquidation orders can be manually entered into the market by Zero Securities via the electronic trading platform. This process ordinarily aims to ensure a client's positions are closed before the account enters a deficit balance, thus reducing both credit and liquidity risk. This might not always occur and the reasons for that cannot be fixed in advance. Reasons include the market gapping before the orders can be executed.

The Head of Risk Management may set higher initial margin requirements for each individual CFD product based on the size, depth and liquidity of the market in the underlying instru- ment on which the CFD is based.

Zero Securities reserves the right to alter the initial margin percentage required on a CFD at any time. This assessment occurs on a real time intraday basis.

Margin call assessments

Zero Securities calculates margin daily, on a real time basis as much as practical, using the day's positions and balances. If in any day the aggregate of:

(a) market value of all securities credited to the account;
(b) market values of all utilised securities; and
(c) cash credited to the cash account

is less than the net exposure of Zero Securities on that day, Zero Securities may by notice to the customer demand that the customer deposit securities to the account or transfer cash into the account in order to reduce the net exposure to an acceptable amount in the discretion of Zero Securities.
Zero Securities is not limited by the above timing and may make Margin calls at any time and for any reason.

This may be made via email, fax, sms message, telephone or via post.

Making Margin calls

This may be made in person or via email, fax, sms message, telephone or via post. (It need not be in writing.) The Margin call is effective when made, and does not rely on being received or acknowledged by the client. Any number of Margin calls may be made, even on the same day, and all must be satisfied by the client.

Obligations in respect of Margin calls

If Zero Securities makes a Margin call, the customer must do one of the things required by Zero Securities.

A client does not have the right to choose which may be done, unless Zero Securities allows the client a choice.

The things a client may do, when requested by Zero Securities, may be one or more of the follow- ing (as specified by Zero Securities):

(a) deposit additional securities acceptable to Zero Securities for the credit of the customer account
(b) transfer cash for the credit of the cashaccount
(c) reduce positions/holdings.

In any case, Zero Securities may require that the market value of all positions and the account's cash balance is equal to (or more than) the percentage (as determined by Zero Securities in its absolute discretion) of the Zero Securities net exposure at the time of the Margin call.

Time for satisfying Margin calls

If a Margin call is made, the customer must meet the request immediately or within any specific time specified in the notice to the client. If not specified time is given, assume that you must comply with it immediately.

The Margin call may give little or no notice of the time for payment. Zero Securities seeks to act in good faith and responsibly, however it must also act prudently and with regard to its Risk Policy and the interests of clients generally so it is not obliged to give any particular period for compliance with a Margin call.

A margin is met only when the funds are received as cleared funds and paid to Zero Securities. The client takes the risk of the payment system. It is not sufficient for a client merely to send instructions to its financial institution for payment or send evidence of funds having been transferred out of the client's bank account – a Margin call is satisfied if and when the cleared funds are received by Zero Securities out of the client moneys account, unless Zero Securities (in its absolute discretion) waives strict compliance.

5. Hedge Counterparties

Risk management

All products issued by Zero Securities are derivatives in accordance with section 981D of the Corporations Act and are entered into on a principal to principal basis with the underlying client, meaning that the client does not own the underlying security itself but has a derivative contract only with Zero Securities.

All Zero Securities' CFDs whose Underlying Financial Product can be Exchange-traded are 100% hedged by Zero Securities using its direct market access to those Exchange-traded Underlying Fi- nancial Products which is provided by financial institution Hedge Counterparties. The pricing for those CFDs is based on the direct market access pricing available to Zero Securities (known as
"DMA-pricing").

If the CFD's Underlying Financial Products are not Exchange-traded, then Zero Securities hedges those CFDs by accessing institutional markets available to Zero Securities. The hedging might not be 100% and the pricing of the CFDs reflects the market pricing available to Zero Securities. Since there is no Exchange for those Underlying Financial Product (such as FX, metals, bullion or other commodities), all price quotes by Zero Securities for those CFDs are based on market (not any Exchange) prices offered to Zero Securities. This is known as an "Electronic Communication Network" (or "ECN") and gives "ECN- pricing".

Due diligence and approved counterparties

Zero Securities uses a number of counterparties to hedge the market risk Zero Securities has when offering derivative products to retail clients and wholesale clients.

The Board of Directors conducts a rigorous Due Diligence program on all potential counter- parties.

The Due Diligence Program includes:

- Review of credit ratings of the counterparty
- Review of the latest financial reports
- Review of products offered
- Review of legal contract
- Review of the Communications Environment & Media Interest in the counterparty.

Zero Securities may only use counterparties that have been approved by the Board of Directors.

Counterparty monitoring and review

Zero Securities completes annual reviews of all counterparties. The review encompasses:

- Review of the product and services provided
- Review of the latest financial reports
- Review of credit ratings
- Review of the Communications Environment and Media Interest in the counterparty.

Diversification of counterparties

Zero Securities has identified a number of risks relating to the use of any single counterparty for hedging purposes.

Zero Securities has a policy of diversification and therefore does not rely on a single counterparty for hedging purposes. Diversification mitigates a number of risks such as:

- a counterparty ceasing to offer execution

- a counterparty's credit department increasing the credit requirement to that outside of Zero Securities' tolerance and acceptance and therefore the ability to hedge with that counterparty
- A counterparty ceasing to offer the existing product and services.

Margin requirements

Zero Securities requires clients to meet Margin Requirements for each instrument according to Mar- gin Tables determined by the Zero Securities Risk Committee.

Zero Securities enters into hedge positions with counterparties as a result of accepting CFD instruc- tions from clients. It is Zero Securities' policy to hedge 100% of all accepted client orders for CFDs whose Underlying Financial Products are Exchange-traded. Other CFDs may be hedged up to 100% initially or later have their hedging varied on a pooled basis to less than 100%. There are circum- stances where Zero Securities' hedging Margin Requirements may vary from those met by clients.

When accepting new clients Zero Securities collects information & verifies data with third parties to determine risk profiles for individual clients. Zero Securities monitors all transactions & the levels of equity supporting all positions using intraday reporting at an individual account level.

Zero Securities ensures that the Margin Requirements are appropriate as a result of "Natural Hedg- ing" and adjustments to the Margin Table for each instrument or account in order to suitably match Zero Securities' client and counterparty Margin Requirements.

Zero Securities currently determines the appropriate level of Margin Requirement by applying a "rules-based" approach according to set criteria.

A client order will only be accepted by Zero Securities if the client account has sufficient Free Equity (Available Funds) to meet the minimum Margin Requirements of the instrument as determined by the Zero Securities Margin Table.

Zero Securities' electronic trading platform calculates the minimum Margin Requirement per instru- ment by referencing the FNV (Full Notional Trade Value of the position) and the % Margin Require- ment as set in the Zero Securities Margin Table.

Zero Securities' Hedging Counterparty requires Zero Securities to post Margin Requirements based on the open hedged positions.

In certain circumstances incremental margin additions or reductions may occur as a result of concentration, liquidity or volatility measurements directed by the Credit Departments of Zero Securities' counterparties.
Zero Securities' hedging activities may incur Margin Requirements that vary from those imposed by Zero Securities on Zero Securities' clients.
Zero Securities focuses on three key principles from an account and instrument level to manage Margin Tables and match its requirements imposed on its clients with counterparty requirements imposed on Zero Securities.

1) Zero Securities' Margin Requirement for a particular instrument may be less than the set requirement of the counterparty
2) Zero Securities' Margin Requirement for a particular instrument may be greater than that of the set requirement of the counterparty
3) Zero Securities Margin Requirement differs with the hedging counterparty due to Nautral Hedging

Zero Securities' approach is based on setting margins at an instrument level as opposed to a uniform margin rate across all instruments as used by Zero Securities' counterparties.

Zero Securities monitors all client trading activity and positions using a number of intra-day and end of day (EOD) reports.

It is the role of the Risk Manager to monitor and prepare daily reports for Senior Management and present all documents to the Risk Committee on a monthly basis.

Counterparty book monitoring against client positions

Zero Securities' Operations Department staff reconcile Zero Securities' counterparty book against underlying client trades every day on an instrument level and in accordance with the hedging policy. Both the quantity and the marked to market value are reconciled.

Counterparty defaults

In the event of Zero Securities becoming aware through the ongoing due diligence of the Board of Directors that a hedge counterparty default is imminent or has occurred the following action would be taken:

- assess the financial impact (if any) on Zero Securities' financial resources to ensure that the licensing obligations and RG 166 Capital Adequacy Trigger Levels had not been breached. Es- calation by the Operations Department/ Financial Controller to the Board of Directors would occur.

- Review of client positions.

The Risk Manager's daily report may be used to identify the impact of positions that were hedged with the counterparty in question.
The Risk Manager would identify the impact on Zero Securities from the High Value Position Re- port, available on the Zero Securities intranet which marks all positions to worst case 'zero' value.

- The Risk Manager would be required to run stress testing of Zero Securities' portfolio after identifying positions hedged with the counterparty in question.

- The Risk Committee may instruct the provider of Zero Securities' electronic trading platform(s) to redirect all hedging orders to an alternate gateway or counterparty.

- Cease or reduce hedging activities with the counterparty.

- The Operations Department would look to take action to withdraw (if possible) all available cash from Zero Securities' account with the hedge counterparty and move hedge positions to an alternate counterparty. (Zero Securities has experienced how to move hedge positions from one prime broker to another.)

Documentation

Zero Securities recognises that legal agreements with its hedge counterparties underpin the security of contractual rights against hedge counterparties.

Zero Securities recognises that legal documentation may be complicated by cross-jurisdictional legal issues and discretions given to courts, particularly in the event of insolvency of a hedge counterparty.

Zero Securities strives to achieve a suitable level of legal documentation with its hedge counter- parties, having regard to standard legal documents, the role of the hedge counterparties.
Zero Securities reviews it legal documentation form time to time.

No disclosures of confidential information

Zero Securities recognises duties of confidentiality to its hedge counterparties and Zero Securities cannot publically disclose trading details or other confidential information .

Zero Securities recognises that the solvency of hedge counterparties is highly relevant to it and to Zero Securities' clients; however, it is difficult to assess the solvency of hedge counterparties on the available information and that may change significantly from day to day and through- out the day. Zero Securities cannot and does not attempt to make any statement or inference (expressly or by omission) that it makes financial assessments of the solvency of its hedge counterparties which may be disclosed or which may be relied upon by a client of Zero Securities. The lack of disclosure by Zero Securities of details about its hedge counterparties and Zero Securities' assessments of its hedge counterparties may not be used to represent or imply that Zero Securities believes at all times that the hedge counterparties is financially stable and will perform all of its obligations to Zero Securities as and when they fall due.

6. Managing Conflicts of interest Policy

General policy

It is Zero Securities' policy to avoid placing its own interests or that of its employees or autho- rised representatives in a position where there is a material conflict between their interests and that of Zero Securities' clients.

CFDs and FX

It is recognised that in issuing CFDs Zero Securities has an unavoidable conflict of its interests as principal when issuing the CFDs and the interests a client may have.

This unavoidable conflict of interests is inherent in any OTC derivative and trading business. This is clearly disclosed in the product disclosure statements

Also, the pricing and hedging are clearly disclosed in the product disclosure statements. Zero Securities operates a DMA-pricing model and 100% hedges all CFDs whose Underlying Financial Products are Exchange-traded. Other OTC contracts (that is, FX and other CFDs) do not have Underlying Financial Products that are Exchange-traded so there cannot be DMA- pricing and execution on an Exchange. If the CFD's Underlying Financial Products are not Exchange-traded, then Zero Securities hedges those CFDs by accessing institutional markets available to Zero Securities. The hedging might not be 100% and the pricing of the CFDs reflects the market pricing available to Zero Securities. Since there is no Exchange for those Underlying Financial Product (such as FX, metals, bullion or other commodities), all price quotes by Zero Securities for those CFDs are based on market (not any Exchange) prices offered to Zero Securities. This is known as an"Electronic Communication Network" (or "ECN") and gives "ECN-pricing".

All price quotes by Zero Securities for Share CFD and Futures CFDs are the same as the price or value of the Underlying Financial Product on the relevant Exchange if the Client has chosen live pricing (which incurs additional Fees, which the Client agrees to on accepting the sub- scription agreement, otherwise by default there will be delayed pricing).

Zero Securities' hedge contracts for these CFDs are made with one of Zero Securities' Hedge Counter- parties by reference to the underlying market for the Underlying Financial Product but there is no automatic direct linking of pricing to any Exchange. That is reflected in the pricing of those CFDs issued by Zero Securities to you.

While Zero Securities aims for competitive pricing, it is not acting as the agent of the client or the broker of the client to find the best prices for the Client. This is clearly disclosed in the product disclosure statements. The only other occasions for not fully hedging arises from managing error positions.

Zero Securities makes full disclosure of its role and interests by way of the PDS.

Zero Securities has discretions under the terms of its CFDs and Accounts. These are fully and expressly disclosed to clients before they apply for the Account and they are encouraged to seek independent legal and financial advice before investing.

In order to maintain a cost effective and prudent CFD platform which is efficient and reasonable, Zero Securities does not expressly limit its discretions. Nevertheless, Zero Securities operates under its duties as a holder of an Australian Financial Services Licence (including to act honestly, fairly and reasonably) within a competitive market.

The client suitability policy seeks to ensure that prospective new clients are assessed on AFMA-supported criteria as qualifying to trade CFDs.

A demonstration account is provided for free to facilitate experience in trading CFDs. Treatment of client moneys is fully disclosed in the PDS.

Zero Securities has adopted additional protection for clients, as disclosed in Section 3.19 of the PDS in relation to the Security Trust.

Other conflicts

The following policy outlines how Zero Securities manages conflicts of interests that might arise which are in addition to the disclosed and managed role as issuer and principal of its CFDs.

The management of Zero Securities' conflicts in respect of its CFDs can only properly be applied as a general policy across all of its businesses.

Management

The directors and Responsible Officers of Zero Securities, its employees and representatives willbe made aware of their obligations under the Corporations Act and ASIC Policy to disclose any interests that they or their associates have and any potential conflicts of interest that may arise.

The Compliance Officer will be advised of the actual or potential conflict of interest and together with the Board will be responsible for deciding upon, and implementing, an appropri- ate response to the actual or potential conflict of interest. The Compliance Officer may also obtain external legal advice in order to resolve the conflict and determine whether and if so what action it shouldtake.

Upon discovery of an actual or potential conflict of interest which needs further management, the Compliance Officer may recommend and the Board may implement measures which may include:

- disclosure of interests toclients;
- allocate another representative to provide the service to the client;
- establishing internal arrangements;
- declining to act for a customer;
- meeting with affected clients;and
- requiring that the directors give certain undertakings where necessary.

Disclosure of interests to a customer

The following conflicts of interest have been identified and disclosed in Zero Securities' Financial Services Guide (FSG), Product Disclosure Statement (PDSs) for its financial products.

- Zero Securities may deal as principal in the security recommended and may engage in transactions inconsistent with advice/recommendation provided;

- Zero Securities may be the issuer of a financial product or linked to the product recom- mended;

- Zero Securities may not fully hedge some of its OTC contracts and does not disclose the extent of hedging, the exact pricing made available to Zero Securities for its hedges, the identity of the Hedge Counterparty or their margin requirements for Zero Securities;

- Zero Securities may provide a (general) recommendation to buy or sell a security or deriva- tive in which one of Zero Securities' clients has given instructions to buy or sell;

- Zero Securities may provide a (general) recommendation that is in conflict with a client's own interest.

It is Zero Securities' policy to disclose all material interests or conflicts of interest to a client whether generally or in relation to a specific transaction before it deals with the customer. The fact that Zero Securities could have an interest or conflict of interest in relation to transac- tion which it either trades or advises a client in is outlined in Zero Securities' disclosure documen- tation FSG and PDS in the event of a financial product. This is also outlined in a disclaimer on third party research reports if provided.

At all times Zero Securities is able to demonstrate that it has taken reasonable steps to ensure that the client does not object to the material interest or conflict of interest and, this is evi- denced in writing upon receipt of a signed client declaration issued with Zero Securities' account opening documentation.

Zero Securities does not give personal advice to clients, so no conflicts arise in the course of mak- ing personal recommendations.

Allocate another representative to provide the ser- vice to the customer

In the event of an employee or representative being unable to act for a client due to a conflict of interest the authorised representative must either decline to act for the client or refer the customer to another employee or representative.

Establishing internal arrangements

Zero Securities separates its risk management function which is responsible for derivatives market making from its dealing functions responsible for advising retail clients with respect to derivatives and securi- ties. Zero Securities also separates its back office functions from its dealing and market making functions. Departmental separation is to prevent free flow of information between divisions of the Head of Risk Management, Head of Dealing and Financial Controller along with the Compliance Officer. Each division is responsible for policing their own areas and ensuring that procedures are correctly and properly followed.

Declining to act for a client

In the event of Zero Securities determining that it is unable to manage a conflict of interest using one of the methods described above, Zero Securities will decline to act on behalf of a client. The decision to do so should be made by the Head of Dealing in consultation with the Compliance Officer.

Meeting with affected clients

Meetings may be held with clients to discuss any conflict or potential conflict of interest likely to affect the client(s).

Requiring that the directors give certain undertakings when necessary

The Compliance Officer may require that the board provide certain undertakings when necessary to ensure conflicts of interest are dealt with appropriately.

Identifying possible conflicts of interests

Zero Securities considers the following:

- Conflicts of interest may exist between Zero Securities and its clients;
- Conflicts of interest may exist between Zero Securities' officers and employees and its clients; &
- Conflicts of interest may exist between clients.

Mechanisms to identify and manage conflicts

Zero Securities employs the following mechanisms to identify and manage conflicts:

- internal guidance and training of all staff in the identification of possible issues of conflict as they arise;
- escalation of procedures for ensuring that issues identified are referred to and considered at the appropriate level within the firm;
- appropriate internal arrangements for regulating the flow of information between & within the business areas;and
- guidelines and procedures for supervisory and compliance review of research & recommendations from third party providers prior to publication.

Zero Securities’ compliance officer will, on an ongoing basis, review operations to identify actual or poten- tial conflicts of interest

Measures will include:

- periodically engaging an independent auditor to review operations;
- periodically reviewing client files and services provided; and
- periodically reviewing the terms and arrangements of agreements, in particular, those agreements with associated entities or entities with which the directors or representatives are associated.
- The Compliance Officer will review these measures on an ongoing basis.

Zero Securities’ monitoring and supervision procedures take conflicts of interest management issues into account

In the event of the Head of Dealing, Head of Risk management, Financial Controller or other senior manger being affected in any way by a conflict of interest the Compliance Officer will have ultimate responsibly for determining the appropriate action to resolve the matter at hand.

Zero Securities has a clear reporting and supervisory structure with respect to conflicts management

The Directors, Employees and responsible Officers report to the Compliance Officer with respect to Conflicts Management, all are responsible for overseeing compliance with Zero Securities’ Conflicts management policy, with the Compliance Officer ultimately responsible. The Compliance Officer reports all conflicts to the Managing Director and Board monthly or on an as needs basis.

Where conflicts appear to be recurring or systemic, the Compliance Officer will report these issues directly to the Board of Directors with a recommendation as to what action should be taken to prevent these issues from arising. If the Compliance Officer believes that Zero Securities’ Conflicts management policy and procedures can be further improved, the improvements must be reported directly to the Board of Directors..

ALL Zero Securities employees and representatives are trained and understand their obligations relating to compliance with Zero Securities’ conflicts management policy

Zero Securities’ conflicts management policy and procedures are addressed in Zero Securities’ Com- pliance Manual and Plan which is provided to all employees upon commencement of employ- ment and during in-house training, upon induction and on an ongoing, as needs, basis. The Head of Dealing and the Compliance Officer are responsible for the provision of initial and ongoing training where necessary. All employees are required to sign and return a declaration upon receipt of Zero Securities’ Compliance Manual and Plan to the Compliance Officer.

Employees and Authorised Representatives responsible for providing financial product advice are required to undergo further training prior to providing financial product advice on behalf of Zero Securities.

The financial product advice and conflicts management training will include, amongst other things, examination of:

- What constitutes financial product advice;
- General versus personal advice;
- Managing Conflicts of Interest
  - Identifying assessing and evaluating conflicts;
  - Managing Conflicts;
  - Controlling, avoiding and disclosing conflicts
- PDSs
  - When they are required;
  - Timing of giving anPDS;
  - Content requirements;
- FSGs:
  - When they are required;
  - The timing of giving an FSG;
  - Content requirements;
- SOAs:
  - When they are required;
  - Timing of giving an SOA;
  - Content requirements;
- Suitable Personal Advice:
  - The requirement to have a reasonable basis for the advice;
  - What client inquiries arerequired?
  - What is appropriate advice?

Training covers SOAs and Personal Advice even though Zero Securities does not give personal advice. This is to ensure the training covers the distinction between general advice and personal advice.

Advisers will be required to read:

- *[RG 175] Licensing: Financial product advisers – Conduct and disclosure; and*
- *[RG 181] Licensing: Managing Conflicts of Interest*
- *[RG 36] Licensing: Financial product advice and dealing*

Zero Securities' conflicts management training includes training in the following policies:

- Gifts and Inducements;
- Improper payments; and
- Personal Account Trading.

All employees undergo training in conflicts management upon employment; Zero Securities' Conflicts management training includes education in the following areas with respect to employees and representatives.

- Gifts and Inducements

Zero Securities has in place a gifts and inducements policy and must not offer any inducements to conduct business, nor seek them from others. Although it is recognised that gifts and entertainment may be offered in the normal course of business, Zero Securities has established procedures for dealing with them in order to avoid conflicts of interest.

- Personal Account trading

Zero Securities has in place a Personal account trading policy and applies strict controls to prevent representatives trading on their own account, especially in products which Zero Securities offers. Such personal trading can be perceived as involving front running or insider trading, and can create real or perceived conflicts of interest.

- Improper Payments

Zero Securities ensures that representatives do not use their positions to seek personal gain (in- cluding a benefit to family members or other associates) from clients or potential clients, nor should they engage in any act that could be interpreted as seeking or receiving a bribe, secret commission or questionable payment.
Zero Securities' Compliance Culture and encouragement of 'Whistle Blowing' ensures compliance with the above policies. Ongoing monitoring also occurs through direct supervision and appropriate staff recruitment.

Zero Securities' conflicts management policy isregularly reviewed and updated

Zero Securities' conflicts management policy is internally reviewed and updated regularly by Zero Securities' Compliance Officer to ensure changes in statutory requirements and obligations are incorporated, and the policy is in line with industry standards.
A formal annual review is also conducted by Zero Securities' Compliance Officer who is also responsible for implementing, reviewing and updating Zero Securities conflicts management policy.
Zero Securities' external auditors review its conflicts management policy annually. Recommendations resulting from internal and external audits and routine reviews are sub- mitted by the Compliance Officer to the Managing Director and Board for review, acknowl- edgement and confirmation to implement the proposed changes. The changes are then communicated to the relevant departmental manager.

Zero Securities must ensure that its conflicts man- agement policy is being adhered to and it has pro- cedures in place for identifying and dealing with instances of non-compliance with it conflicts man- agement arrangements

Zero Securities fosters a "compliance culture", encourages Whistle Blowing and has internal supervision, monitoring and reporting systems in place.

Employees and representatives are trained in recognising conflicts of interest and are re- quired to report any conflicts of interest to the Compliance Officer or departmental manager as they arise.

The Head of Dealing conducts daily supervisory monitoring of employees and authorised rep- resentative as well as random audits of client files, records, SOAs, and disclosure documents to ensure clients have not been treated unfairly, appropriate disclosures have been provided and conflicts have been dealt with in accordance with Zero Securities' Conflicts management policy. All audits are supervised by the Compliance Officer.

Any breaches are reported to the Compliance Officer who will liaise with the Managing Director to determine appropriative action which may require meetings with effected staff or clients or the Managing Director referring the matter to ASIC. Serious breaches will lead to the termination of a director/employee's services.

Where material, systematicand/or repeated breaches ofZero Securities' Conflicts Management policy have been the result of action(s) of employees or representatives, Zero Securities applies the following disciplinary policy:

- Informal warning andcounselling.
- Stage 1 - Formal Warning

  Disciplinary interview with verbal warning and counselling
- Stage 2 - Written warning

  Disciplinary interview and possibly external training
- Stage 3 - Final writtenwarning

  Senior management consultation
- Stage 4

  Dismissal

This policy is applied rigorously and ensures, amongst other things, that employees are not rewarded in any shape or form, particularly financially, as a result of any policy breaches occurring.

Zero Securities' conflicts management policy is documented

Zero Securities' conflicts management policy has been tailored according to the nature, scale and complexity of Zero Securities business and is clearly documented in Zero Securities' Compliance Manual and Plan which outlines procedures to ensure conflicts are effectively managed to meet regulatory and company policy. The Board has approved all documented procedures. Both the Compliance Manual and this Compliance Plan have been issued to all directors, em- ployees and representatives, with the requirement that they acknowledge receipt and return those acknowledgements to the Compliance Department.

All Manuals will also be made available electronically with easy access by all Zero Securities personnel.

Conflicts management measures are been integrated into to these manuals in an easy to read format.

Compliance records associated with conflicts man- agement are documented and kept

The Compliance Officer will establish and maintain a register recording all reported conflicts and potential conflicts of interest. This register will be updated on an ongoing basis and reported to the board of directors quarterly.

In addition to the following the database will contain records from audits and other monitor- ing conducted to ensure compliance with Zero Securities' Conflicts management arrangements.

All records are retained for a period of seven (7) years.
- the conflicts identified and action taken;
- any oral disclosure scripts;
- reports given to Zero Securities' Managing Director and Board about conflicts of interest mat- ters; and copies of written conflicts of interest disclosures given to clients and the public.

Zero Securities has considered its remuneration practices (including non-monetary benefits) as part of ensuring that Zero Securities operates efficiently, honestly & fairly, and has in place adequate conflicts management ar-rangements.

Zero Securities ensures all remuneration practices are fully disclosed to clients to ensure efficient, honest and fair provision of financial services. Zero Securities avoids all remuneration practices that place the interests of Zero Securities and representatives in direct and significant conflict with those of Zero Securities' clients.

All employees and authorised representatives receive a fixed salary that is subject to a yearly review by the Managing Director. Zero Securities does not remunerate any employees or autho- rised representatives on a Commission basis.

Zero Securities has in place a gifts and inducements policy to ensure that employees and autho- rised representatives are not induced by the provision of soft dollar benefits from clients or other associated parties in exchange for preferential treatment. All employees and authorised representative are familiar with Zero Securities' gifts and inductments policy and are responsible for declaring any gifts or inducements to the Compliance Officer upon receipt. The Compliance Officer will determine the intention of the gift or inducements and take appropriate action which may result in the confiscation of the gift or inducement. Failure to comply with this pol- icy will result in disciplinary action which may require meetings with effected staff or clients. Serious breaches will lead to the termination of a director/employee's services.

Zero Securities ensures that clients are treated fairly

Zero Securities ensures that all clients are treated fairly and receive the same service, in doing so Zero Securities ensures thefollowing:

(a) Zero Securities provides financial services in a manner that does not put the interests of Zero Securities' employees and authorised representatives ahead of its clients;

(b) Zero Securities provides financial services in a way that does not put the interests of one client ahead of other clients; and

(c) Zero Securities does not use knowledge about its clients in a way that is likely to advance its own interests without sufficient disclosure to affected clients.

Zero Securities conducts in-house training, upon induction and on an ongoing, as needs, basis on conflicts management. The Head of Dealing and the Compliance Officer are responsible for the provision of initial and ongoing training where necessary.

Zero Securities ensures that there is no conflict between employees/representatives and clients arising from personal trading positions, Zero Securities has in place a Personal Account trading policy. All employees are made aware of this policy prior to employment and once again during induction. All on Zero Securities' employees/representatives are of good fame and character and are expected to adhere to this policy Zero Securities' Compliance Officer relies on an honesty system to ensure compliance with Zero Securities' Personal Trading policy, a breach of Zero Securities' policy will lead to termination of the employee/representatives services.

Remuneration practices and benefits are fully disclosed in all disclosure documentation including PDS, FSG, SOAs. The head of Dealing conducts along with the Compliance Officer random audits of client flies to ensure appropriate disclosures relating to conflicts have been made to clients and recorded on client files in file notes or SOAs. In the event of a breach the Compliance Officer will liaise with the Managing Director to determine appro- priate action.

Zero Securities provides disclosures to all clients. Zero Securities' Compliance Officer and Managing Director liaise with Zero Securities' legal advisers to ensure all appropriate disclosures are provided in the PDS, FSG and SOAs. PDSs and FSGs are only issued once approved by the Managing Director and legal signoff has been obtained from external legal advisors.

Zero Securities' conflicts managementarrangements must enable Zero Securities, its employees and representatives to identify those conflicts that must be avoided

Having undergone training in Conflicts Management, employees and representatives will be skilled in recognising and in identifying conflicts that must be avoided. In the event of the employee or representative being unable to make a determination as to whether the conflict should be avoided the employee or representative will seek the advice of the Compliance Officer who will make a final determination.

Zero Securities has implemented effective measure to disclose conflicts of interest and to ensure that clients are adequately informed about any conflicts of inter- est that may affect Zero Securities' provision of financial services tothem

Disclosure of a conflict of interest must be:

- timely;
- prominently communicated; and
- meaningful to the client.

In keeping with these requirements, disclosures must be clear, concise and effective. Disclosures must occur either prior to, or when Zero Securities provides the financial service to the client; and Zero Securities will provide the client with reasonable time to assess the effect of any conflict of interest.

In order to avoid generic disclosures, Zero Securities has identified the following broad categories that will require specific disclosure as and when it provides financial products to clients:

- the extent to which Zero Securities or an associated person has a legal or beneficial interest in a financial product or service the subject of, or recommended as a result of, the financial product advice;
- the extent to which Zero Securities or an associated person is related to, or associated with the issuer of the financial product, or service the subject of the financial product advice; and
- the extent to which Zero Securities or an associated person is likely to receive a financial or other benefit if the financial product advice is followed.

The Compliance Officer must ensure that disclosure is documented. When disclosing actual or potential conflicts to affected clients, the Compliance Officer will take into account the following factors:

- the level of financial sophistication of the client;
- how much the client already actually knows about the specific conflict;
- the complexity of the service; and
- the relevance of the information and whether the information is of a confidential nature.

The Compliance Officer will ensure that all benefits (monetary or non-monetary) will be prop-

The Compliance Officer must ensure that disclosure is documented. When disclosing actual or potential conflicts to affected clients, the Compliance Officer will take into account the following factors:

- the level of financial sophistication of the client;
- how much the client already actually knows about the specific conflict;
- the complexity of the service; and
- the relevance of the information and whether the information is of a confidential nature.

The Compliance Officer will ensure that all benefits (monetary or non-monetary) will be prop- erly and promptly disclosed in Zero Securities' Financial Services Guide (FSG) and other disclo- sure documents, as appropriate. The Compliance Officer will regular review the content of the FSG to ensure it is accurate and up to date prior to distribution.

Zero Securities ensures that clients are adequately informed about any conflicts of interest thatmay affect the provision of financial services to them. Disclosures are provided in Zero Securities' PDS and FSG. Further disclosure may be verbal, file notes of verbal disclosures are kept on client's files.

All clients are provided with a copy of Zero Securities' PDS and FSG prior to Zero Securities provid- ing any financial service to the client, these documents outline all conflicts and refer to the specific service to which they relate. Zero Securities ensures that disclosures within these docu- ments are specific and clear enough for the client to understand the conflict and its impact on the service being provided. Clients are given adequate time to read these documents prior to dealing with Zero Securities.

Should Conflicts arise after these documents have been issues Zero Securities employees and representatives will provide further disclosure to clients, this will occur either in the form a written disclosure sent to the client via email or post, or verbal disclosure of which a file note is taken and stored on the clients file. Zero Securities employees and representative will confirm the receipt and understanding of the disclosure document prior to conducting any further dealings with client, file notes of all client conversations will be kept.

All disclosures will be kept on the clients file. The Head of Dealing and Compliance Officer will conduct random audits of all client files to ensure appropriate disclosures have been provid- ed to clients.

Zero Securities provides disclosures for financial product advice

Zero Securities provides disclosure at or about the time of providing financial product advice.

Disclosure will cover the following matters:

(a) The extent to which Zero Securities or any associated person has a legal or beneficial interest in the financial products that are subject of the financial product advice;

(b) The extent to which Zero Securities or any associated person is related to or associated with the issuer or provider of the financial products that are subject of the financial product advice;

(c) The extent to which Zero Securities or any associated person is likely to receive financial

Zero Securities' Compliance Officer ensures appropriate disclosures are made on all documents containing financial advice including research reports. Disclosures are also provided in Zero Securities' FSG before financial product advice is given, and in Zero Securities' PDS prior to the client dealing in financial products to which Zero Securities is the issuer.

Zero Securities makes no distinction between retail clients and wholesale clients for disclosureso all clients are given the same disclosure as is given to retail clients.

Zero Securities has mechanisms in place to deal in con- flicts that are confidential in nature

If conflicts arise that are confidential in nature and may amount to 'inside information' Zero Securities' Compliance Officer will assess whether disclosures can be given and the conflict managed through other mechanisms. Generally Zero Securities will avoid such conflicts and decline to provide the effected service to the client.

Should you have any questions or enquiries, please don't hesitate to contact Zero Securities.

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