

**MARGIN FOREIGN EXCHANGE  
METATRADER PRODUCT  
DISCLOSURE STATEMENT**

Issue Date: 1 Aug 2023

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# 1 Important Information

## 1.1 This PDS

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This Product Disclosure Statement (**PDS**) is dated 1 Jul 2023 and was prepared slightly before that date by Zero Securities Pty Ltd ABN 61 056 617 862, AFSL 244040 as the issuer of the following over the counter (**OTC**) contracts:

- Margin FX;
- Metals Contracts; and
- Index CFDs,
- Commodity CFDs (i.e. WTI Oilz)
- Crypto Currency CFDs
- Single Stock Equity CFDs
- Collectively referred to as **ZS OTC contracts**.

All financial products are traded on the Metatrader Platform and are over-the-counter-derivative financial products issued by Zero Securities Pty Ltd and are not exchange-traded financial products. This PDS is designed to help you decide whether the ZS OTC contracts described in this PDS are appropriate for you. You may also use this PDS to compare this financial product with similar financial products offered by other issuers.

This PDS describes the key features of our ZS OTC contracts, their benefits, risks, the costs and fees of trading in our ZS OTC contracts and other related information. ZS OTC contracts are sophisticated financial products so you should read this PDS and the Account Terms in full before making any decision to invest in them.

Some expressions used in this PDS have definitions given in the Glossary at the end of this PDS (see Section 7).

## 1.2 ZS OTC contracts

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This PDS covers ZS OTC contracts traded through our Metatrader Platform in respect of a variety of Underlying Financial Products – see Section 2.6.

These ZS OTC contracts are over-the-counter derivative products issued by Zero Securities Pty Ltd. They are not exchange traded products.

## 1.3 Target Market

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Trading in CFD products can carry high levels of risk and will not be suitable for everyone. Zero Securities has provided a Target Market Determination (TMD) which can be viewed at <https://www.zerosecurities.com.au/about-us/legal-documentation/>. All potential and current clients are required to review the TMD to ensure trading in CFD's is an appropriate product to their requirements.

#### **1.4 Retail Clients**

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This PDS is designed and intended to apply to Retail Clients (as defined in Section 7) only. Although informative as to the general nature of the product offered, this PDS does not reflect Zero Securities Pty Ltd' policies and procedures undertaken in respect of clients who are not Retail Clients.

Retail clients should be aware of new conditions as per the ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986 in relation to contracts for difference from the 29th March 2021 until further notice from ASIC:

## **1. LEVERAGE RATIO LIMITS:**

- CFD leverage can now only be offered to retail clients to a maximum ratio of:
  - 30:1 for CFDs referencing an exchange rate for a major currency pair (requiring a margin of 3.33%).
  - 20:1 for CFDs referencing an exchange rate for a minor currency pair, gold or a major stock market index (requiring a margin of 5%).
  - 10:1 for CFDs referencing a commodity (other than gold) or a minor stock market index (requiring a margin of 10%).
  - 2:1 for CFDs referencing crypto-assets (requiring a margin of 50%).
  - 5:1 for CFDs referencing shares or other assets (requiring a margin of 20%).

## **2. MARGIN CLOSE OUT PROTECTION:**

- CFD issuers' margin close-out arrangements have been standardised such that if a retail client's funds in their CFD trading account fall to less than 50% of the total initial margin required for all of their open CFD positions on that account, a CFD issuer must, as soon as market conditions allow, close out one or more open CFD positions held by the retail clients.

## **3. NEGATIVE BALANCE PROTECTION:**

- You are now protected against negative account balances by limiting the ability for CFD issuers to recover only those funds in a retail client's CFD trading account, whether that be funds initially deposited or funds subsequently paid into that trading account, or the client money account.

## **4. PROHIBITION ON INDUCEMENTS:**

- CFD issuers are now prohibited from giving or offering certain inducements to retail clients (for example, offering trading credits and rebates).

For more information on the changes for ASIC's product intervention order you may read ASIC's media release, [click here](#).

Should the Product Intervention Order (PIO) be in effect at the time of issue of this PDS then these conditions will apply. For the purpose of this PDS and any of the retail client terms and conditions should any inconsistency exist between our documentation and the PIO, The PIO will take precedence.

## 1.5 Client Money

Please read the detailed Client Money disclosures made in Section 3 of this PDS. That section, and the below paragraph, prevail to the extent of any inconsistency with the rest of this PDS.

Zero Securities Pty Ltd holds all client money on trust on behalf of its clients in a segregated client moneys trust account. Retail and Wholesale clients are treated differently. In respect of Retail Client Money (as defined in section 7) Zero Securities Pty Ltd is not permitted to:

- Rely on an entitlement or written direction from clients to use Retail Client Money:
  - As its capital, including working capital;
  - For the purposes of meeting obligations incurred by Zero Securities Pty Ltd other than on behalf of the client; or
  - For the purpose of entering into, or meeting obligations under, transactions that Zero Securities Pty Ltd enters into to hedge, counteract or offset the risk associated with the transaction.
- Use Retail Client Money for the purposes of meeting obligations incurred by it in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in ZS OTC contracts.

## 1.6 Your potential liability

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Please especially read the Key Information in Section 2 and the Significant Risks in Section 4 for important information about your potential liability. You trade at your own risk and are liable for all trading losses.

Potential investors should be experienced in derivatives, especially over-the-counter leveraged derivatives, and understand and accept the risks of investing in our ZS OTC contracts.

You should carefully consider the risks of our ZS OTC contracts and should only use funds you are willing to lose when investing in our ZS OTC contracts. This initial warning cannot set out and duplicate all of the important information in this PDS.

You should carefully consider the risks of our CFDs and should only use funds you are willing to lose when investing in our CFDs. Under the terms of the PIO, Zero Securities Pty Ltd' recourse against you for any shortfall is limited to money Hedgehood Pty Ltd holds both in a client money account on your behalf, or otherwise holds in relation to your CFD trading account.

**You should read all of this PDS and the Account Terms 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 or the Account Terms prior to entering into any transactions with us. Zero Securities Pty Ltd recommends that you consult your advisor or obtain independent advice before trading.

### **1.7 Zero Securities Pty Ltd does not give personal advice**

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Zero Securities Pty Ltd will not give you personal financial advice about your ZS OTC contracts. This PDS does not constitute a recommendation or opinion that our ZS OTC contracts are appropriate for you, even if we assess that you are suitable to invest in our ZS OTC contracts. The information in this PDS is general only and does not take into account your personal objectives, financial situation and needs.

### **1.8 Your Suitability to Trade ZS OTC contracts**

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If we ask you for your personal information to assess your suitability to trade our ZS OTC contracts and we accept your application to trade our ZS OTC contracts, this is not personal advice or any other advice to you. You must not rely on our assessment of your suitability since it is based on the information which you provide and the assessment is only for our purposes of deciding whether to open an Account for you.

You may not later claim you are not responsible for your losses because we have opened an Account for you after assessing your suitability. You remain solely responsible for your own assessments of the features and risks and seeking your own advice on whether these ZS OTC contracts are suitable for you.

### **1.9 Currency of PDS**

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A copy of this PDS and the Account Terms can be downloaded from the website or you can call Zero Securities Pty Ltd to request that a paper copy of them be provided to you free of charge. The information in this PDS is up to date at the time it was prepared but is subject to change at any time. Any updates will be posted on our website ([www.zerosecurities.com.au](http://www.zerosecurities.com.au)).

If the new information is information which is materially adverse to you, we will issue either a new PDS or a supplementary PDS containing the new information. If the new information is not materially adverse to you, you will be able to find updated information on our website ([www.zerosecurities.com.au](http://www.zerosecurities.com.au)) or by calling us using the contact details given below. If you ask us, we will send you without charge a paper copy of the information.

## 1.10 Contact

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Zero Securities Pty Ltd can be contacted at:

Level 3, 10 Bridge Street

Sydney NSW

2000Australia

E: [support@zerosecurities.com.au](mailto:support@zerosecurities.com.au)

or through our website at [www.zerosecurities.com.au](http://www.zerosecurities.com.au)

## 2 Key Information

### 2.1 Key Features of ZS OTC contracts

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- ZS OTC contracts are over-the-counter derivatives issued by Zero Securities Pty Ltd. They are not traded on an Exchange.
- They are for investing indirectly in a range of securities, other financial products, metals and index movements around the world without having to own the Underlying Financial Product or any underlying Exchange traded contract in relation to the index.
- You must fund your Account before ZS OTC contracts are issued to you. You do this by paying at least the Initial Margin.
- Unlike products traded on an Exchange, OTC products are not forced to have the same standardised contract specifications as the exchange traded products. The size of the ZS OTC contracts are expressed in Lot sizes, depending on the particular financial product traded.
- You remain liable to pay later Margins and to maintain the required minimum amount of Margin. If you do not pay the required Margin call by the required time or you do not always maintain the required minimum Margin, all or some of the ZS OTC contracts can be Closed Out. In many instances, required by the terms of the PIO, we are obligated to Close Out the trading positions and we will not be able to exercise any discretion in this respect if your Initial Margin falls below a specified amount.
- Unlike contracts traded on an Exchange, ZS OTC contracts are not standardised. The terms of an ZS OTC contract are individually tailored to the requirements of the parties to the ZS OTC contract – you and Zero Securities Pty Ltd.
- You have no right or obligation to acquire the Underlying Financial Product itself.
- There is leverage in the ZS OTC contract because you pay to Zero Securities Pty Ltd only Margin, not the full value. All payments to Zero Securities Pty Ltd are paid as Margin (or are for the relevant

Fees). The more Margin you pay, the less leverage in your Account.



## 2.2 Key Benefits of our ZS OTC contracts

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- ZS OTC contracts enable you to take a trading position with an exposure to a particular Underlying Financial Product without needing to buy or sell the Underlying Financial Product.
- You can use ZS OTC contracts for speculation, with a view to profiting from market fluctuations in the Underlying Financial Product. You may take a view of a particular Underlying Financial Product and so invest in our ZS OTC contracts intending to make a profit.
- You can use ZS OTC contracts to hedge your existing exposure to an Underlying Financial Product.
- You can deal in ZS OTC contracts with a view to profiting in both rising and falling markets.
- ZS OTC contracts can be used as important risk management tools. For example, margin FX may be used to hedge foreign exchange currency exposures, protect against adverse exchange rate movements and provide certainty of foreign exchange rates and cash flow. Metals Contracts can give some protection against movements in the market price of the underlying asset and provide increased cash flow certainty.
- A major benefit of entering into an ZS OTC contract is that the transaction is not forced to have the same standardised contract specifications as the exchange traded contracts. For example, Zero Securities Pty Ltd allows you to enter into transactions in smaller amounts for example 0.01 of a Lot, whereas exchange-traded contracts are a standard size.
- ZS OTC contracts involve leverage. Leverage amounts for retail clients are now capped by the PIO. ZS OTC contracts potentially let you invest a relatively small amount (in the form of the Initial Margin) to have an exposure to the Underlying price movement without having to pay the full price of the Underlying Financial Product. This leverage gives you the potential to take a greater level of risk for a smaller initial outlay, so this increases the potential risks and rewards. Leverage can magnify losses (see Section 4 – Significant Risks and, in particular, the paragraph “Loss from leverage”).

## 2.3 Key Risks of our ZS OTC contracts

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The key risks of investing in our ZS OTC contracts are outlined below. Please see Section 4 for further description of the significant risks.

- Trading risk - You trade at your own risk and are liable for all trading losses.

- Leverage – our ZS OTC contracts are leveraged when the amount you pay (i.e., the total Margin and fees and charges) to Zero Securities Pty Ltd is less than the full-face value of the underlying investment.
- You should be prepared for the greater risks from this kind of leveraged derivative, including being asked to pay Zero Securities Pty Ltd more Margin and those Margin requirements changing rapidly in response to changes in the market for the Underlying Financial Products.
- Loss of your moneys – Your potential losses on (long or short) ZS OTC contracts may exceed the amounts you pay (as Margin) for the ZS OTC contracts or amounts we hold on trust for you. That being said, Zero Securities Pty Ltd only has recourse to any amounts held across your trading accounts, client money accounts and any other property (for example, security property) you pledge to us in connection with your trading.
- Margin requirements – You are liable to pay Margin before our ZS OTC contracts are issued and, after that, you are liable to pay more Margin before the ZS OTC contracts are Closed Out. The required Margin varies depending on the kind of product you trade, but will usually be at least:
  - the Margin required by Zero Securities Pty Ltd, in line with the PIO, for the CFD (initially and later). Typically, we will require an Initial Margin calculated as a percentage of the contract value. The Initial Margin will vary depending on the type of product you trade and is determined in line with the PIO. It is typically 3.33% - 50% of the notional value of the CFD but may be as high as 100% depending on the volatility of the relevant market and the liquidity of the underlying asset; plus
  - the Margin required by Zero Securities Pty Ltd to cover any unrealised loss or gain on other positions in your Account; plus
  - any Margin required by Zero Securities Pty Ltd to cover adjustments for any foreign exchange rate.

If you do not meet Margin requirements, including those with little or no notice, all of the ZS OTC contracts may be Closed Out without notice to you.

- Foreign Exchange – ZS OTC contracts which are denominated in foreign currency can expose you to fast and large changes to the value of your Trading Account, potentially triggering the need for more Margin to be paid by you, including at short or no notice.
- Counterparty risk – you have the risk that Zero Securities Pty Ltd will not meet its obligations to you under the ZS OTC contracts. Zero Securities Pty Ltd' ZS OTC contracts are no Exchange traded so you need to consider the credit and performance risk you have with Zero Securities Pty Ltd. This is further explained in Section 3.20 under “Your Counterparty Risk on Zero Securities Pty Ltd”.

## 2.4 Your suitability

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We may make an initial assessment of your suitability to invest in ZS OTC contracts based on the information you give us. You should always make your own assessment of your suitability to trade our ZS OTC contracts. You should carefully consider the features of ZS OTC contracts and their significant risks before investing in them.

Some key suitability considerations for you are:

- whether you have experience in trading in the Underlying Financial Products;
- whether you understand the terms of our ZS OTC contracts 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 ZS OTC contracts;
- whether you understand the nature of ZS OTC contract trading, including that ZS OTC contracts do not provide investors with interests or rights in the Underlying Financial Products over which a position is taken;
- whether you understand the processes and technologies used in trading Zero Securities Pty Ltd' ZS OTC contracts;
- whether you can monitor your ZS OTC contract investments and manage them in a volatile market;
- whether you can manage the risks of trading in ZS OTC contracts; 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 ZS OTC contracts, in particular bearing the loss of all deposited funds.

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, telephone 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 ZS OTC contracts 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 ZS OTC contracts nor does it imply that we are responsible for any of your losses from trading in ZS OTC contracts.

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

Even if we assess you as suitable to commence trading ZS OTC contracts 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 ZS OTC contracts and how the Metatrader Platform works.

## **2.5 Nature of ZS OTC contracts**

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ZS OTC contract are sophisticated over-the-counter financial products that you buy from Zero Securities Pty Ltd. The terms of any payment when it is Closed Out reflects the performance of an Underlying Financial Product that you have chosen including, among others, foreign exchange, spot precious metals and indices. The amount of profit or loss is determined by the difference between the price at which the ZS OTC contract is bought and the price at which it is Closed Out, adjusted to reflect interest payments (or Finance Charge/Finance Credit Adjustment, as it is commonly referred to) or any other charges where applicable (as described in Section 5). It is important to note that no physical delivery of either the ZS OTC contract or the Underlying Financial Product takes place. ZS OTC contracts are tailored by Lot sizes and do not have the same standardised contract specifications as exchange traded contracts. The terms of ZS OTC contracts are based on the Account Terms with Zero Securities Pty Ltd, which apply to your Trading Account(s) and all of your Zero Securities Pty Ltd Products. All ZS OTC contracts traded on the Metatrader Platform are subject to Margin requirements, which means you (the Client) are required to pay to Zero Securities Pty Ltd at least the minimum required Margin. Essentially, the amount of any realised profit or loss made on the ZS OTC contract will be equal to the net of:

- The difference between the Transaction Price of the ZS OTC contracts when the Transaction is opened and the Transaction Price of the ZS Products when the Transaction is Closed Out, multiplied by the Lots traded and the standard volume size per (1.00 Lot);
- For all ZS OTC contracts any Finance Charge Adjustment / Dividend Adjustment on the position held overnight;
- Any Transaction Fees payable in respect of the ZS OTC contracts and any other charges (for more information on Fees and Charges see Section 5 of this PDS). Your Equity will also be affected by other amounts you must pay in respect of your Account such as Finance Charges

on your Account and conversion costs (for more information on costs, fees and charges in respect of your Account, see Section 5 of this PDS).

## **2.6 Types of ZS OTC contracts covered by this PDS**

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This PDS covers our ZS OTC contracts traded on the Metatrader Platform.

(For financial products traded on our other trading platforms, please see our other product Disclosure statements specifically for those financial products).

### **2.6.1 Spot margin FX**

A Spot margin FX is an OTC agreement to exchange an amount in one currency for an amount in another currency at an exchange rate agreed on the day of the trade. When you trade in margin FX, you trade a combination of two currencies (known as a currency pair). A margin FX is opened by buying an ZS OTC contract which is based on either buying or selling the currency pair. The buying or selling is in reference to the buying or selling of the Base Currency (but remember no physical delivery ever takes place). For example, if you were buying USDJPY, you would be buying USD by selling JPY, whereas if you were selling JPYUSD you would be selling JPY and buying USD. The minimum Lot size is 0.01 Lot (step 0.01 Lot(s)), with 1 Lot being equivalent to 100,000 units of Base Currency. Margin FX traded on the Metatrader Platform cannot be settled by the physical or deliverable settlement of the currencies on their Value Date; rather, these financial products can be rolled or swapped indefinitely and settled in cash when you decide to Close Out the Transaction. Refer to Section 3 under “Swap/Rollover” for more details and for the relating fees and charges refer to the Section 5 “Finance Charge Adjustment/ Finance Credit Adjustment”. 10

### **2.6.2 Spot Metals Contract**

A Spot Metals Contract is an OTC agreement settled in cash by reference to buying or selling spot gold and silver at the Spot price agreed on the day traded against the relevant currency. Please contact Zero Securities Pty Ltd for further information. A Metals Contract is opened by either buying or selling by reference to the Spot metal traded against USD or AUD. For example, if you were buying Gold spot, you would be buying gold by selling a reference amount of USD or AUD, whereas if you were selling mini silver spot, you would be selling silver by buying a reference

amount of USD or AUD. The minimum contract size is 0.01 Lot (step 0.01 Lot) with 1 Lot of gold being equivalent to 100 ounces and 1 lot of silver being equivalent to 5000 ounces. Spot Metals Contracts traded on the Metatrader Platform cannot be settled by the physical or deliverable settlement of the spot metals on their Value Date, rather these products can be rolled or swapped indefinitely and settled in cash when you decide to Close Out the Transaction. Refer to the Section 3 under “Swap/Rollover” for more details and for the relating fees and charges refer to the Section 5 under “Finance Charge Adjustment/Finance Credit Adjustment”.

### **2.6.3 Index CFDs**

Trading in respect of movements in indices allows you to gain indirect exposure to a large number of different shares in one single transaction. They can also be used to take positions on the direction of a whole market without taking a view on the prospects for any particular company’s shares. Index CFDs derive their price from the real time fluctuations in the value of the index which makes up the Underlying Financial Product for the ZS OTC contract, as calculated by the relevant Exchange or index sponsor, as the case may be for each particular index or, if that is not available, Zero Securities Pty Ltd’ determination of the index level. Prices are normally only quoted for Index CFDs and can only be traded during the open market hours of the relevant futures or other Exchange (or within any more limited hours set from time to time by Zero Securities Pty Ltd). When looking at trading on a futures Exchange, it is important to remember that the current price of the underlying futures contracts will not normally be the same as the price of the underlying index. Index CFDs allow you to trade anticipated market trends rather than individual shares or other financial products. The minimum contract size is 0.01 Lot (step 0.01 Lot). Index CFDs do not have an expiry date and will remain open until Closed Out - refer to the Section 5 for the fees and charges relating to keeping the position open.

### **2.6.4 Commodity CFDs**

A Commodity CFDs Contract is an OTC agreement settled in cash by reference to buying or selling an underlying commodity including but not limited to Crude and Brent Oil at the price agreed on the day traded against the relevant currency (typically USD). Please contact Zero Securities Pty Ltd for further information. The minimum contract size is 0.01 Lot (step 0.01 Lot) with 1 Lot of oil being equivalent to 1000 barrels. Relevant contract specifications can be found in your Metatrader

Platform. Commodity CFDs Contracts traded on the Metatrader Platform cannot be settled by the physical or

deliverable settlement of the Commodity CFDs on their Value Date, rather these products can be rolled or swapped indefinitely and settled in cash when you decide to Close Out the Transaction. Refer to the Section 3 under “Swap/Rollover” for more details and for the relating fees and charges refer to the Section 5 under “Finance Charge Adjustment/ Finance Credit Adjustment”.<sup>11</sup>

### **2.6.5 Crypto CFDs**

A Crypto CFDs Contract is an OTC agreement settled in cash by reference to buying or selling the underlying crypto currency such as Bitcoin. The minimum contract size for Bitcoin is 0.01 lot (step 0.01 lot) with 1 lot being equal to 1 Bitcoin exposure. Crypto CFDs cannot be settled by the physical or deliverable settlement of the Crypto Currency, rather these products can be rolled or swapped indefinitely and settled in cash when you decide to Close Out the Transaction. Refer to the Section 3 under “Swap/Rollover” for more details and for the relating fees and charges refer to the Section 5 under “Finance Charge Adjustment/ Finance Credit Adjustment”.

### **2.6.6 Single Stock Equity CFDs**

A Single Stock Equity CFDs Contract is an OTC agreement settled in cash by reference to buying or selling the underlying stock. The minimum contract size and specifications can be located in your MetaTrader Platform. Single Stock Equity CFDs cannot be settled by the physical or deliverable settlement of the stock, rather these products can be rolled or swapped indefinitely and settled in cash when you decide to Close Out the Transaction. Refer to the Section 3 under “Swap/Rollover” for more details and for the relating fees and charges refer to the Section 5 under “Finance Charge Adjustment/ Finance Credit Adjustment”. Single Stock Equity CFDs derive their price from the real time fluctuations in the value of the underlying stock, as calculated by the relevant Exchange or Single Stock Equity sponsor, as the case may be for each particular Single Stock Equity or, if that is not available, Zero Securities Pty Ltd’ determination of the Single Stock Equity level. Corporate Actions - Adjustments If there is a corporate action by the company which issues the CFD’s Underlying Financial Product to which the CFD relates, Zero Securities Pty Ltd may in its discretion make an adjustment to the terms of the CFD in accordance with the terms of the Trading



Account. For example, an adjustment will ordinarily be made for: subdivisions; consolidations; reclassifications of shares; bonus issues; other issues of shares for no consideration; rights issues; buy backs; in specie distributions; takeovers, schemes of arrangement or similar corporate actions; a corporate action event that has a dilutive or concentrative effect on the market value of the shares. Zero Securities Pty Ltd may in its discretion determine the extent of the adjustment. Zero Securities Pty Ltd may elect to close a position (without prior notice to you) if an adjustment event occurs and it determines that it is not reasonably practicable to make an adjustment. Zero Securities Pty Ltd may also elect to close a CFD if the CFD's Underlying Financial Products are the subject of a take-over offer, scheme of arrangement or other mechanism

for change in control, prior to the closing date of the offer. Please note that Zero Securities Pty Ltd does not notify you in advance of any corporate action nor does it separately notify you of the actions taken in response to a corporate action, so you should monitor your own positions. No Shareholder Benefits When trading Single Stock Equity CFDs, you do not have rights to vote, attend meetings or receive the issuer's reports, nor can you direct Zero Securities Pty Ltd to act on those rights. Other benefits such as participation in shareholder purchase plans or discounts are unavailable.

## **2.7 Benchmark Disclosure**

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ASIC has introduced benchmarks for over-the-counter derivatives which include OTC margin foreign exchange financial products. While it is not clear that ASIC's benchmarks apply to any or all of the ZS OTC contracts which are not CFDs, Zero Securities Pty Ltd has chosen to apply the benchmarks to all of the ZS OTC contracts. It is important to note that the benchmarks are not mandatory and are not law. ASIC has introduced them by way of stating in its Regulatory Guide 227 ASIC's expectations. Not meeting the benchmarks is not an indication of breaches or failures. Rather, the benchmarks in RG 227 also require prominent disclosure in a PDS as to whether an OTC contract issuer (such as Zero Securities Pty Ltd) meets the benchmarks or, if not, the reasons why they are not met are explained in the PDS. The following table summarises the benchmarks applying to Zero Securities Pty Ltd' ZS OTC contracts, whether Zero Securities Pty Ltd meets them and, if not, why not.

The table also refers you to other Sections of this PDS for more information on relevant topics (to



ASIC RG 227 Benchmark	Zero Securities Pty Ltd
<p><b>1 Client qualification</b></p> <p>If an issuer meets this benchmark, the PDS should clearly explain:</p> <ul style="list-style-type: none"> <li>• that trading in ZS OTC contracts is not suitable for all investors because of the significant risks involved; and</li> <li>• how the issuer’s client qualification policy operates in practice.</li> </ul> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described in RG 227.40, it should disclose this in the PDS and explain why this is so.</p>	<p>Zero Securities Pty Ltd believes that it meets this benchmark. Please see Section 2.4.</p>
<p><b>2 Opening collateral</b></p> <p>If an issuer meets this benchmark, the PDS should explain the types of assets the issuer will accept as opening collateral.</p> <p>If an issuer accepts non-cash assets as opening collateral (other than credit cards to a limit of \$1000), the PDS should explain why the issuer does so and the additional risks that using other types of assets (e.g. securities and real property) as opening collateral may pose for the investor. This includes, for example, the risks of ‘double leverage’ if leveraged assets are accepted as opening collateral.</p>	<p>Zero Securities Pty Ltd does not meet this benchmark because it accepts as funding for opening the account:</p> <ul style="list-style-type: none"> <li>• Payments by credit card for more than \$1,000. The additional risks of paying by credit card are described in Section 6.7. Zero Securities Pty Ltd otherwise meets this benchmark; and</li> <li>• On approval, certain non-cash assets transferred for opening the account.</li> </ul>

ASIC RG 227 Benchmark	Zero Securities Pty Ltd
<p><b>3 Counterparty risk – Hedging</b></p> <p>If an issuer meets this benchmark, the PDS should provide the following explanations:</p> <ul style="list-style-type: none"> <li>• a broad overview of the nature of hedging activity the issuer undertakes to mitigate its market risk, and the factors the issuer takes into account when selecting hedging counterparties; and</li> <li>• details about where investors can find the issuer’s more detailed policy on the activities it undertakes to mitigate its counterparty and market risk, and the names of any hedging counterparties. If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so. The PDS must include information about the significant risks associated with the product: section 1013D (1) (c) of the Corporations Act. The PDS should also provide a clear explanation of the counterparty risk associated with OTC ZS OTC contracts. The PDS should explain that, if the issuer defaults on its obligations, investors may become unsecured creditors in an administration or liquidation and will not have recourse to any underlying assets in the event of the issuer’s insolvency.</li> </ul>	<p>Zero Securities Pty Ltd would meet this benchmark but does not due to:</p> <ul style="list-style-type: none"> <li>• Zero Securities Pty Ltd does not disclose or specify the names of its hedge counterparties in its hedge counterparty policy which is publicly available.</li> </ul> <p>Zero Securities Pty Ltd has a written risk management policy on exposures from client positions and controls to monitor and manage (hedge) these risks. The risk management policy also includes guidelines for accessing our counterparties to ensure they are of sufficient financial standing. This PDS complies with the requirements to include information about the significant risks associated with the ZS OTC contracts (see Section 4) and also provides an explanation of the counterparty risk associated with OTC ZS OTC contracts (see Section 3.20). This PDS explains that, if Zero Securities Pty Ltd defaults on its obligations, investors may become unsecured creditors in an administration or liquidation. Zero Securities Pty Ltd Clients will have no recourse to any underlying asset in the event of Zero Securities Pty Ltd’ insolvency.</p>
<p><b>4 Counterparty risk – Financial resources</b></p> <p>If an issuer meets this benchmark, the PDS should explain how the issuer’s policy operates in practice. If an issuer does not meet the requirement on stress testing, it should explain why and what alternative strategies it has in place to ensure that, in the event of significant adverse market movements, the issuer would have sufficient liquid resources to meet its obligations to investors without needing to have</p>	<p>Zero Securities Pty Ltd would meet this benchmark except that Zero Securities Pty Ltd makes available copies of its latest audited annual financial statement only by inspection at the office of Zero Securities Pty Ltd. Zero Securities Pty Ltd otherwise meets this benchmark – for a description of how Zero Securities Pty Ltd’ policy on maintaining adequate financial resources see Section 3.20.4.</p>

recourse to client money to do so. An issuer should also make available to prospective investors a copy of its latest audited annual financial statement, either online or as an attachment to the PDS.

ASIC RG 227 Benchmark	Zero Securities Pty Ltd
<p><b>5 Client moneys</b></p> <p>If an issuer meets this benchmark, the PDS should clearly:</p> <ul style="list-style-type: none"> <li>• describe the issuer’s client money policy, including how the issuer deals with client money and when, and on what basis, it makes withdrawals from client money; and</li> <li>• explain the counterparty risk associated with the use of client money for derivatives.</li> </ul> <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described above, it should disclose this in the PDS.</p> <p>If an issuer’s policy allows it to use money deposited by one client to meet the margin or settlement requirements of another client, it should very clearly and prominently explain this and the additional risks to client money entailed by this practice. An issuer’s client money policy should be explained in the PDS in a way that allows potential investors to properly evaluate and quantify the nature of the risk, if any, to client money.</p>	<p>Zero Securities Pty Ltd believes it meets this benchmark in all respects.</p> <p>The features and risks of this are clearly and prominently explained in this PDS as are the additional risks to client money arising by this practice.</p>

ASIC RG 227 Benchmark	Zero Securities Pty Ltd
<p><b>6 Suspended or halted underlying assets</b></p> <p>If an issuer meets the benchmark, the PDS should explain the issuer’s approach to trading when underlying assets are suspended or halted. If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so, as well as the additional risks that trading when underlying assets are suspended may pose for investors. To provide a full explanation of this aspect of the product, an issuer should explain any discretions it retains as to how it manages positions over halted or suspended assets, and how it determines when and how it uses these discretions. This should include disclosure of any discretions the issuer retains to:</p> <ul style="list-style-type: none"> <li>• change the Margin requirement on a position;</li> <li>• re-price a position; or</li> <li>• close out a position</li> </ul>	<p>Zero Securities Pty Ltd believes it meets this benchmark in all respects. Zero Securities Pty Ltd’ approach to trading when underlying assets are suspended or halted is described in Section 3.14.</p> <p>Zero Securities Pty Ltd’ discretions and how it manages its positions are described in Section 3.14 and Section 6.2</p>
<p><b>7 Margin calls</b></p> <p>If an issuer meets this benchmark, the PDS should explain the issuer’s policy and margin call practices. If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described above, it should disclose this in the PDS and explain why this is so. To provide full and accurate information about this aspect of ZS OTC contract trading, the PDS should clearly state that trading in ZS OTC contracts involves the risk of losing substantially more than the initial investment. This will ensure the issuer meets its obligation to include in the PDS information about the significant risks associated with the product: section 1013D (1) (c) of the Corporations Act.</p>	<p>Zero Securities Pty Ltd does not meet this benchmark in certain respects. Zero Securities Pty Ltd describes its margin policy at Section 3.11 and the risks at Section 4. Zero Securities Pty Ltd does not commit to taking any reasonable steps to notify investors before making a Margin call because that is contrary to the Account Terms and would, if it applied, tend to have a worse financial effect for individual clients and therefore for all Clients generally, since they could all suffer adverse price movements while waiting for an undefined reasonable notice period that is only later decided after lengthy and costly legal proceedings. Zero Securities Pty Ltd might attempt to contact Clients, but the Account Terms clearly require the Client (i) to maintain the required minimum Margin Cover as well as (ii) to meet any Margin call. A Client must meet the Margin Cover requirements whether or not the Client is aware of the current Margin Cover. A Client must meet a Margin call even if they have not actually received the Margin</p>

call made to the address they gave Zero Securities Pty Ltd.

## 3 How to Trade

### 3.1 Your Account

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You need to establish your Account by completing Zero Securities Pty Ltd' Account application form, which will be made available for you on Zero Securities Pty Ltd' website or by contacting Zero Securities Pty Ltd directly. After Zero Securities Pty Ltd accepts your application, your Account will be established.

After finishing the registration process, your personal profile will be created. Within the Metatrader Platform you can perform many functions including opening a real or demo Trading Account(s), choosing the Account Currency and manage money operations.

In order to open a real Metatrader Trading Account you will need to go to the "Open an Account" section of our web site and fill in the online form. After completion and Zero Securities Pty Ltd accepts your application, your real Trading Account will be established and you will receive your unique login and password details. Simply download the Metatrader Platform, install it on your device, run the terminal and enter your login data in order to begin trading. Your Account covers all of the services and products which you apply for in your application form and which are accepted by Zero Securities Pty Ltd.

Within your Account you may have one or more Trading Accounts. A Trading Account is a subaccount of your Account for a specific method of dealing, such as for a Platform or (if you choose) for dealings in a particular product.

By opening an Account, you agree to the Account Terms.

The legal terms governing your Account and your dealing in our ZS OTC contracts are set out in the Account Terms. The Account Terms also have the legal terms for your dealings with us for other financial products which are not covered by this PDS.

The Account is not a deposit product. It is a record of the amount of funds held to your credit, calculated in accordance with the Account Terms and this PDS. A change in the value of the

Account does not necessarily mean that any actual transfer of funds has occurred, whether it be between you and Zero Securities Pty Ltd, or between the client money trust account and any other account.

Zero Securities Pty Ltd requires an initial balance in order to establish your Account (so you must pay at least Initial Margin of your first OTC contract).

### **3.2 Opening an ZS OTC contract**

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The particular terms of each ZS OTC contract are agreed between you and Zero Securities Pty Ltd before entering into the Transaction.

Before you enter into an ZS OTC contract, Zero Securities Pty Ltd will require you to have sufficient Account Value (as defined in the Glossary in Section 7) to satisfy the Initial Margin requirements for the relevant number of ZS OTC contracts.

When you Close Out the ZS OTC contract, you are entering into a new ZS OTC contract opposite to your open ZS OTC contract. You are liable for the costs, fees and charges as described in this PDS (see Section 5 and the relevant Section for each type of ZS OTC contract). You should be aware that your investment might suffer a loss, depending on the marked-to-market value of your ZS OTC contract at termination compared with the total cost of your investment up to the time of termination.

An ZS OTC contract position is opened by buying an ZS OTC contract, corresponding with either buying (going long) or selling (going short) the Underlying Financial Product. You go “long” when you buy an ZS OTC contract corresponding with buying the Underlying Financial Product in the expectation that the price of the Underlying Financial Product to which the ZS OTC contract is referable will increase, which would have the effect that the price of the ZS OTC contract would increase.

You go “short” when you buy an ZS OTC contract corresponding with selling the Underlying Financial Product in the expectation that the price of the Underlying Financial Product to which the ZS OTC contract is referable will decrease, which would have the effect that the price of the ZS OTC contract will decline.



### 3.3 Dealing

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Quotes for prices for dealing in our ZS OTC contracts are indicative only and so are subject to the actual price at the time of execution of your Transaction. There is no assurance that the ZS OTC contracts will actually be dealt with at the indicative quote, especially if you delay placing the Order. You do not have a contract for an ZS OTC contract unless and until the moment your Order is actually executed. This will be shown on your Trading Account

Quotes can only be given, and Transactions made during the open market hours of the relevant Exchange or market on which the Underlying Financial Products are traded. The open hours of the relevant Exchanges are available by viewing the relevant Exchange website or by contacting Zero Securities Pty Ltd.

Zero Securities Pty Ltd may at any time in its discretion without prior notice impose limits on our ZS OTC contracts in respect of particular Underlying Financial Products. Ordinarily, Zero Securities Pty Ltd would only do this if the market for the particular Underlying Financial Products has become illiquid or its trading status has been suspended or there is some significant disruption to the markets, including trading facilities.

You should be aware that the market prices and other market data which you view through the Metatrader Platform or other facilities which you arrange yourself may not be current or may not exactly correspond with the prices for our ZS OTC contracts offered or dealt by Zero Securities Pty Ltd.

If you access your Accounts and the Metatrader Platform outside of the hours when Orders may be accepted, you should be aware that the Orders may be processed at a later time when the relevant Exchange or market is open to trading, by which time the market prices (and currency exchange values) might have changed significantly.

### **3.4 Pricing - Bid/Offer spread**

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Zero Securities Pty Ltd quotes a lower price and a higher price at which you can place your Order. This is referred to as the Bid/Offer spread. The higher quoted price is the indication of the price at which you can buy the ZS OTC contract. The lower quoted price is the indication of the price at which you can Close Out the ZS OTC contract (which you do by buying an opposing ZS OTC contract, sometimes referred to as selling your ZS OTC contract).

Please be aware that Zero Securities Pty Ltd does not act as your agent to find you the best prices.

When your Order is executed, for you to break even or realise a profit, putting aside for the sake of simple illustration any fees, charges or currency considerations, the price at which you exit your position needs to be at least equal to the original Bid or Offer price that you started the position (depending on whether you went long or short); if you trade at the Offer, the price needs to reach the Bid and vice versa.

Also, the available pricing may be limited by minimum steps, depending on the market or Exchange rules for trading the Underlying Financial Product or its hedge, so, depending on the ZS OTC contract you choose, your Order to exit your position might have to be in minimum increments of pricing before it can be accepted and executed.

### **3.5 Metatrader Platform**

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Your Trading Account is accessible via the Metatrader Platform, which is a multi-product on-line trading platform on which all ZS OTC contracts are traded. (Please see Zero Securities Pty Ltd' other product disclosure statements for other OTC financial products traded on other platforms.) All ZS OTC contracts will use the Metatrader Platform. You must carefully read and follow the operational rules for the Metatrader Platform. The Metatrader Platform may impose special operating rules regarding:

- paying Margin (such as when payment is posted as effective);
- how Margins are calculated; or
- how Orders are managed.

**We strongly recommend that prior to engaging in live trading you open a “demo” account and conduct simulated trading.** This enables you to become familiar with the trading platform features and conditions.

There is also Online Help menu or user guide available on the Metatrader Platform which has a wealth of information relating to the operation of the Metatrader Platform or you can contact Zero Securities Pty Ltd through [www.zerosecurities.com.au](http://www.zerosecurities.com.au) .

Zero Securities Pty Ltd may suspend your access to the Metatrader Platform without prior notice to you, which may adversely affect your ability to trade out of your Open Positions.

### **3.6 Pricing models**

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Zero Securities Pty Ltd offers two pricing models for ZS OTC contracts covered by this PDS. Each model is explained below. The default pricing model is a no transaction fee model. If you wish to trade the ECN model please contact an Zero Securities Pty Ltd representative.

#### **Electronic Communication Network (ECN) style Forex pricing model**

Zero Securities Pty Ltd receives foreign exchange prices from several major banks and financial institutions. Under the ECN-pricing model, Zero Securities Pty Ltd offers the best bid / ask directly to our clients.

There is no Exchange for trading in Underlying Financial Products which are FX Transactions or Metals Transactions, so all price quotes by Zero Securities Pty Ltd for CFDs in respect of them are based on market (not any Exchange) prices offered to Zero Securities Pty Ltd. Zero Securities Pty Ltd has no other dealer intervention and therefore no price re-quotes and order rejection.

It also translates into faster execution.

Our ZS OTC contracts result in real time execution with market prices when the underlying market is open for hedging the Underlying Financial Product for our ZS OTC contracts. While Zero Securities Pty Ltd aims for competitive pricing, it is not acting as your agent.

#### **No Transaction Fee model**

The ECN model pricing means you incur a Transaction Fee at the time you open your ZS OTC contract. The alternative pricing model has no Transaction Fee however the Bid/Offer prices spread will be wider than the ECN pricing with the Transaction Fee. The default margin FX and Metals Contract pricing model incurs no Transaction Fee when dealing. If you do not want this default pricing model to apply to you but instead wish to trade using the ECN-pricing model, please contact an Zero Securities Pty Ltd representative. Please be aware that Zero Securities Pty Ltd has minimum requirements and discretion in allowing this, so it might not be available to you. For further information on fees, charges and costs, see Section 5.

### **3.7 Confirmations of Transactions**

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If you transact in our ZS OTC contracts, the confirmation of that Transaction (as required by the Corporations Act) is provided by a daily statement being emailed to you (which you can print).

If you have provided Zero Securities Pty Ltd with an email or other electronic address, you consent to confirmations being sent electronically, including by way of email or the information posted to your Trading Account in the Metatrader Platform. It is your obligation to review the confirmation immediately to ensure its accuracy and to report any discrepancies within 24 hours.

By the way, when you enter an Order into the Metatrader Platform, the system may report the main features of your Transaction in a “pop-up” window or other online notice. This is only a preliminary notification for your convenience and is not designed to be a confirmation as required by the Corporations Act.

### **3.8 Payments and Client Moneys - Overview**

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We appreciate that it is important that you understand how your payments are dealt with. In the following Sections we explain the four main phases of trading in an ZS OTC contract:

- establishing an ZS OTC contract position
- paying Margin for a Margin call or to maintain the required minimum Margin Cover
- having surplus Margin Cover

- Closing Out an ZS OTC

## **3.9 Payments and Client Moneys - Establishing an ZS OTC contract position**

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### **3.9.1 Establishing an ZS OTC contract position - introduction**

Before you transfer any money to Zero Securities Pty Ltd, you should carefully consider how your money will be held and used and the risks to you of paying money to Zero Securities Pty Ltd.

Steps and introductory summary:

**Step 1** You (as our Client) pay moneys into the ZS client moneys trust account. This account and its features are described in further detail at 3.9.2 below.

**Step 2** Funds are then credited to your Trading Account, which is a record maintained by us that shows the net of the payment you have made or are required to make to us and the payments we have made or are required to make to you. The Trading account is not a deposit account and no money is held in the Trading Account. Under the Client Agreement you authorise us to credit your Trading Account with any amounts deposited by you in the ZS client money trust account (discussed below) and the amounts we are required to credit to you and designate the amounts in the Trading Account as either free balance or margin depending on the amount of funds you have deposited with us, your orders, open ZS OTC contracts and market movements.

**Step 3** ZS OTC contracts are issued to you.

### **3.9.2 ZS client moneys trust account**

Moneys paid by you to Zero Securities Pty Ltd for ZS OTC contracts are initially deposited into a client moneys trust account maintained by Zero Securities Pty Ltd, which is referred to in this PDS as the “ZS client moneys trust account”. The moneys paid by you into the ZS client moneys trust account are held for you and are segregated from Zero Securities Pty Ltd’ own funds. This means those funds are not available to pay general creditors in the event of receivership or liquidation of Zero Securities Pty Ltd except by court order.

You should be aware that, generally, for client moneys trust accounts:

Individual Clients do not have separate or segregated accounts. All Clients' moneys are combined into one account. Zero Securities Pty Ltd is entitled to retain all interest earned on the money held in the ZS client moneys trust account.

If you do not use the client reference number when making your deposit, Zero Securities Pty Ltd may ask you to confirm your written direction before we can credit your Account to enable you to enter into a Transaction.

When you make a payment of funds into the ZS client moneys trust account, these funds, including any funds used as margin, will be held in that account for your benefit. Funds from this account will be used in connection with paying fees and charges in respect of your ZS OTC contract, as well as other paying amounts that you may owe to us under the CFD from time to time and otherwise as authorised by law.

### **3.9.3 Use of Client Money**

Please note that Zero Securities Pty Ltd does not use Retail Client Money for any of the following purposes:

- meeting obligations incurred by Zero Securities Pty Ltd in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives by Zero Securities Pty Ltd (including dealings on behalf of people other than the client);
- as Zero Securities Pty Ltd' capital, including working capital;
- for the purpose of meeting obligations incurred by Zero Securities Pty Ltd other than on behalf of the client; or
- for the purpose of entering into, or meeting obligations under, transactions that Zero Securities Pty Ltd enters into to hedge, counteract or offset the risk to Zero Securities Pty Ltd associated with a transaction between Zero Securities Pty Ltd and yourself – to the extent that Zero Securities Pty Ltd hedges its risk in contracts involving derivative retail client money, Zero Securities Pty Ltd will always use its own funds to pay the Hedge Counterparty.

Pursuant to your Account Terms, you cannot make a payment into the ZS client moneys trust account without also directing that these funds may, from time to time, be withdrawn to pay Zero Securities Pty Ltd for amounts that you may come to owe to it under any CFDs that you enter into, or for any applicable fees and charges, or as otherwise authorized by law. Therefore, you should only pay into the ZS client moneys trust account the amount which you are prepared to have

withdrawn to pay Zero Securities for amounts that may be owed

You are free to decide that it is more prudent for you to pay more than the required minimum Margin to reduce the risks from leveraging or to avoid time limits for meeting later Margin requirements that you cannot meet. However, you need to ensure that you have sufficient fundsstanding to your credit (and held in the client moneys trust) to cover any Margin requirements.

### **3.10 Record Keeping and Reconciliation of Retail Client Moneys**

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In accordance with the ASIC Client Money Reporting Rules 2017, Zero Securities Pty Ltd:

- keeps accurate records of the amounts of Retail Client Money it is required to hold in the ZS client money trust account for each client and on an aggregate basis; and
- performs daily and monthly reconciliations of the amounts of Retail Client Money that, according to our records, is required to be held in our Zero Securities Pty Ltd client money trust account against the amount of reportable client money that is actually being held in that account. These reconciliations are performed on an aggregate and individual client basis. Written records of our monthly reconciliations are sent to ASIC.

Further information about our client money policy can be found in our Policies and Procedures documents available on our website at [www.Zero securities.com](http://www.Zero securities.com).

#### **3.10.1 Withdrawal Authority**

Margin is part payment by you to Zero Securities Pty Ltd for the ZS OTC contract and is not held on deposit for you. You must pay Margin to Zero Securities Pty Ltd for the ZS OTC contract. You must pay Margin in an amount of at least the minimum required Margin amount.

Since you must pay Margin for the ZS OTC contract and you control when you place Orders, Zero Securities Pty Ltd requires that all of your moneys for payment for your ZS OTC contract must first be deposited into the ZS client moneys trust account.

Zero Securities Pty Ltd ensures each Client's payments for their ZS OTC contracts are allocated to that Client's Trading Account.

### **3.10.2 Consequences of withdrawals from the ZS client moneys trust account**

Moneys are withdrawn from the ZS client moneys trust account either to pay Zero Securities Pty Ltd or to pay you. Moneys withdrawn to pay Zero Securities Pty Ltd are Zero Securities Pty Ltd's own moneys.

## **3.11 Margin Call payments**

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### **3.11.1 Margin Call payments – introduction**

When you provide us with Margin, either initially or after a Margin Call, this amount is retained in the client moneys trust account on your behalf. This amount is then posted as a credit to your Account with Zero Securities Pty Ltd. Please note that this process does not involve any actual transfer of funds between the client moneys trust account and Zero Securities Pty Ltd's own deposit account(s). Here is a summary of the payment flows when you make a later margin payment.

**Step 1** You (as our Client) pay moneys into the ZS client moneys trust account to be withdrawn, from time to time, as payment for amounts owed by you under a CFD or for applicable fees and charges.

**Step 2** At or around the same time as step 1, Zero Securities Pty Ltd posts to your Trading Account the Margin you paid.

### **3.11.2 Margining of ZS OTC contracts**

Here are the key features of margining which are explained further in this Section:

- When you hold our ZS OTC contracts, you are also liable to meet all calls for Margin.
- This obligation is in addition to your obligation to maintain the minimum required Margin.



- There is no limit as to when you need to meet Margin calls, how often you may be called or the amount of the Margin calls.
- The timing and amount of each Margin call will depend on movements in the market price of the Underlying Financial Product for the ZS OTC contracts which you choose and the things that affect the market price of the Underlying Financial Product and changes to the Account Value.
- You have an obligation to meet the Margin call even if Zero Securities Pty Ltd cannot successfully contact you.
- You have a risk of the ZS OTC contracts being Closed Out if you do not meet the requirement to meet a Margin call. The PIO prescribes the level of margin required to open a position. This is typically 3.33% - 50% of the notional value of the CFD. Further details are set out at 3.10.2 below.
- This obligation (to meet Margin calls) is in addition to your obligation to maintain the required minimum Margin Cover for your Trading Account (see next item).
- When you hold our ZS OTC contracts, you are also separately obliged to maintain at all times the minimum Margin Cover for all of the ZS OTC contracts.
  - It is your obligation to monitor the minimum required amount of Margin Cover for your Account.
  - It is your obligation to maintain the minimum required Margin Cover at all times for so long as you have an Open Position in an ZS OTC contract that is, you must ensure the Margin Cover amount is positive at all times.
  - Zero Securities Pty Ltd is not obliged to notify you about the amount of your Margin Cover or whether it is at least the minimum required amount of Margin Cover, though we may do so by email, telephone call or otherwise, as a courtesy.
  - You have a risk of the ZS OTC contracts being Closed Out if you do not have in your Account sufficient Margin credited to it, regardless of whether you have checked your Account's requirement for minimum Margin or whether you have tried to make a payment but it has not been credited to your Account. The PIO prescribes the level of minimum margin required to hold various CFD positions, and if this is not met we have no discretion over whether to Close Out the positions. Further details are set out at section 3.11.7

### 3.11.3 Margin policy

Zero Securities Pty Ltd applies the following main Margin principles:

- Each Client is required to have sufficient Margin before issuance of our ZS OTC contracts. The minimum amount is determined in accordance with the PIO and Itis typically 3.33% - 50% of the notional value of the CFD. Initial Margin may increase beyond the minimum amount required based on a number of factors, including the market price of the Underlying Financial Product, the Margin required to hedge the Underlying Financial Product, the margin which Zero Securities Pty Ltd is required to pay its Hedge Counterparty and Zero Securities Pty Ltd' risk assessment of the Client, and any unrealised loss or gain on your Trading Account at any point in time.

### 3.11.4 How is Margin calculated?

Zero Securities Pty Ltd sets the amount of the initial Margin required with regards to base level set by the PIO. These minimum margin requirements are:

- (a) if the underlying asset for the CFD is an exchange rate for a major currency pair—3.33% of the notional value of the CFD at the time of issue. This is leverage of 30:1.
- (b) if the underlying asset for the CFD is a major stock market index, an exchange rate for a minor currency pair or gold—5% of the notional value of the CFD at the time of issue This is leverage of 20:1.
- (c) if the underlying asset for the CFD is a minor stock market index or a commodity other than gold—10% of the notional value of the CFD at the time of issue. This is leverage of 10:1.
- (d) if the underlying asset for the CFDs is a crypto asset—50% of the notional value of the CFD at the time of issue/ This is leverage of 2:1.
- (e) if the underlying asset for the CFD is not referred to in paragraphs (a) to (d)—20% of the notional value of the CFD at the time of issue. This is leverage of 5:1.

Zero Securities Pty Ltd may at any later time, require more Margin to maintain the required amount of Margin. This concept is known as the **Maintenance Margin**. This is the minimum amount of

equity that must be available in your account to maintain your open positions and avoid it or

them being automatically terminated under the PIO. Maintenance Margin is fixed at 50% of the Initial Margin amounts described above. If your Equity goes below the Maintenance Margin threshold, Zero Securities Pty Ltd is required by law to close-out your positions until your Equity returns to above the Maintenance Margin threshold, or until all of your open positions are closed out, whichever occurs first.

Owing to the volatility of the market, the amount of required Margin may change after a position has been opened, requiring a further payment as Margin because your initial payment has become insufficient. Margin amounts are calculated to cover the maximum expected movement in the market at any time but will change when the market changes, so those calculation might not cover all market movements and since those Margin requirements can change rapidly and continuously, you need to ensure your Margin Cover is positive at all times otherwise you risk some or all of your positions being automatically Closed Out.

Here is an example of calculating Margin Cover: You deposit \$10,000 into the ZS client Moneys trust account and your Trading Account is credited with \$10,000. You enter into an ZS OTC contract and Zero Securities Pty Ltd requires you to provide Initial Margin of \$8,000. A short time later, there are fluctuations in the market such that your unrealised loss on your Account is \$2,000. As a result, your Margin Cover is fully utilised and therefore you have no capacity to enter into further Transactions (except to close your Open Position) and you are at risk of being Closed Out if there are further adverse movements in the pricing.

Under the Account Terms, your obligation to have sufficient Margin available arises from the time you have an Open Position. If the market moves so as to increase the minimum Margin requirements, or Zero Securities Pty Ltd increases the minimum Margin requirement, you immediately owe the increased amount of the Margin Cover, regardless of if or when we contact you to pay more Margin. Your obligation to maintain the minimum required Margin remains at all times, whether or not we contact you and whether or not you log into your Account.

You will be required to provide the required Margin 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 requirements by email, SMS message or,

when you access your Trading Account online, by pop-up messages on your screen, but you need to provide the Margin whether or not you receive notice.

The values of your ZS OTC contract positions are ordinarily marked to market on a continuous basis, which automatically leads to corresponding changes in Free Margin for your Account.

However, at weekends or at other times when trading on the Exchange relevant to the Underlying Financial Product is closed, some Margin requirements automatically increase.

### **3.11.5 Margin calls**

Apart from your obligation to maintain the required amount of Margin, you are also to meet Margin calls by paying the required amount by the time stipulated in the Margin call.

- If no time is stipulated, payment is required within 24 hours of the Margin call being made. Sometimes, however (such as in unusually volatile market conditions or rapidly falling market prices), little or no time may be stipulated for paying a Margin call (that is, immediate payment is required) or more than one Margin call may be made on the one day including at weekends or outside of local business hours.
- If you do not answer the telephone on the number you give us, or you do not read the emailed Margin call which was sent to the email address you gave us, you remain liable to meet the Margin call. That is why you need to be contactable 24 hours a day, 7 days a week.

### **3.11.6 Margin defaults**

If you do not ensure that you maintain the required level of Margin or meet your obligation to pay Margin calls (even those requiring immediate payment), all of your positions (not just the ZS OTC contracts) may be Closed Out and the resulting realised loss deducted from any proceeds. Any losses resulting from Closing Out your Open Positions will be debited to your Trading Account(s) and you may be required to provide additional funds to Zero Securities Pty Ltd to cover any shortfall. If you are trading through a Platform, you must read the rules of the Metatrader

Platform particularly carefully. If you do not comply with your obligations, all of your Open Positions can be Closed Out automatically. Zero Securities Pty Ltd only acts on cleared funds. If your payment is not cleared and credited by Zero Securities Pty Ltd by the time you are required to have the necessary Margin or meet the Margin call, you could lose some or all of your positions. Zero Securities Pty Ltd may but need not give you any grace period. You should maintain a prudent level of Margin and make payments in sufficient time to be cleared and credited to your Account. It will not be enough just to send a copy of your payment transfer instructions. Please see “Margin Risks” in Section 4.

Zero Securities Pty Ltd allows you to make payment in a number of ways. Since those payment details may be unique to you, please contact your Zero Securities Pty Ltd adviser for arranging your payment methods.

### **3.11.7 Auto Liquidation**

We may automatically Close Out some or all of your open Position(s) when your Total Equity balance falls below the Minimum Margin or Liquidation Level (by placing Orders to Close Out your Open Positions, also referred to as liquidating your positions).

This will change unrealised profit or losses into realised profit or losses and any Transaction Fees may be incurred on the Orders to Close Out those positions.

We do not represent, warrant, undertake or guarantee that we will actually place such liquidation Orders, that they will be executed, or that your open Positions will be Closed Out at any particular level or at any particular time. You are responsible for losses that you may incur, despite us having the right to Close Out your position before the losses were incurred.

It is your responsibility to pay your Margin and meet Margin call payments on time and in cleared funds, so please keep in mind the possibility of delays in the banking and payments systems.

Please contact Zero Securities Pty Ltd for further information on the current Liquidation Level that applies to you. Zero Securities Pty Ltd may change the Liquidation Level at any time without notice to you. Zero Securities Pty Ltd liquidation level will not be set below the 50% as set out in the PIO.

### **3.12 Surplus Margin Cover**

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#### **3.12.1 Surplus Margin Cover - introduction**

If you have excess Free Margin, i.e., the Margin Cover amount is positive so you have some Withdrawable Funds, then you may request payment of an amount not exceeding Withdrawable Funds. Zero Securities Pty Ltd will determine if that is permissible and if so it will arrange for the permitted amount to be paid into your nominated bank account. If you wish to withdraw additional funds which are used by you as margin, you will need to close out positions to create additional Free Margin. Steps:

Assume that you (as our Client) have excess Free Margin, i.e., the Margin Cover amount is positive so there is Withdrawable Funds and you request payment of an amount not exceeding the Withdrawable Funds.

**Step1** Zero Securities Pty Ltd sources funds for payment to you (which will be Step 2) from its Trust Bank Account

**Step2** Zero Securities Pty Ltd pays funds into your nominated bank account.

### **3.13 Close Out and return of surplus funds**

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#### **3.13.1 Close Out and return of surplus funds - Introduction**

If you Close Out the ZS OTC contract, realising a gain and your Account has a net credit balance above any remaining minimum required Margin Cover, you may request payment of the Withdrawable Funds.

Zero Securities Pty Ltd will determine if that is permissible and if so it will arrange for the permitted amount to be paid into your nominated bank account.

Steps:

You (as our Client) Close Out the ZS OTC contracts, realising a gain. Your Account has a net credit balance above any remaining minimum required Margin Cover (if any remains). You request payment of the Withdrawable Funds.

**Step 1** Zero Securities Pty Ltd sources funds for payment to you (which will be Step 2) from its Trust Bank Account

**Step 2** Zero Securities Pty Ltd pays funds into your nominated bank account.

### **3.14 Valuation**

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During the term of the ZS OTC contracts, Zero Securities Pty Ltd will determine the value of your Trading Account(s), based on the current value of the ZS OTC contracts in your Trading Account(s), defined as your Account Value in the Glossary in Section 7. The current value of your ZS OTC contract positions on your Trading Account are ordinarily marked to market on a continuous basis, using Zero Securities' Current Market Price, when the Exchange or market for the relevant Underlying Financial Product is open. After the Exchange trading ends, the ZS OTC contract pricing may be updated to reflect its Closing Price (this may be a delayed price depending on whether you have subscribed for live pricing).

If trading in the Underlying Financial Product is suspended or halted by the relevant Exchange, the ZS OTC contract position will be re-valued by the Metatrader Platform for your Trading Account.

Zero Securities Pty Ltd is always responsible for determining the valuation of ZS OTC contracts, since it issues them as principal.

Your Account Value is used to assess your Margin Cover against current positions and any potential new positions you may wish to take (for a further explanation refer to Section 3.11 on how Margin requirements and Margin Cover are calculated). Zero Securities Pty Ltd' Closing Price might not exactly match the Exchange's own closing price for the particular Underlying Financial Product. Your Account statement shows Zero Securities Pty Ltd' valuations and calculations.

The ordinary periodic valuations do not occur in some relatively uncommon cases. If trading in the Underlying Financial Product is suspended or halted by the relevant Exchange, the ZS OTC contract position will be re-valued by Zero Securities Pty Ltd for your Trading Account or, in Zero Securities Pty Ltd' discretion, be terminated (in either case, without prior notice to you). Zero Securities Pty Ltd may re-value the Underlying Financial Product to nil value, even if there are sales off market for some value and despite any uncertainty as to whether the suspension will be lifted or if there will be any value realised on the liquidation of the issuer. Zero Securities Pty Ltd will determine the re-valued price in its discretion based on a number of factors, including the effect of the suspension or halt on its corresponding hedge contract. Zero Securities Pty Ltd may also make a valuation outside the ordinary periodic cycle if there is a disruption to the publication of an index relevant to an Underlying Financial Product (which is an index) or if there is an adjustment (by Zero Securities Pty Ltd) due to a corporate action which has not flowed through the periodic marking to market of the Underlying Financial Product.

### **3.15 Leverage Rates**

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The full list of Leverage Rates applicable to the ZS OTC contracts is available on our website or by contacting Zero Securities Pty Ltd.

The Leverage Rates for the ZS OTC contracts traded on the Metatrader Platform to all Retail clients are prescribed by the PIO, and available to view on [www.ZeroSecurities.com/leverage](http://www.ZeroSecurities.com/leverage). The minimum amounts set by the PIO are set out at 3.11.4 above. Clients may request to reduce leverage further by contacting Zero Securities Pty Ltd.

### **3.16 ZS OTC contract Order Types**

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Different types of Orders are available on the Metatrader Platform. You will be able to find out information about Orders that apply on the Zero Securities Pty Ltd trading platform when you log in. This information is also available in the "Help" section of the Metatrader Platform. The following are examples of Order types that may be available to you. If you have any questions, please contact Zero Securities Pty Ltd.



### **Important notice about this Section**

When you request one of the types of Orders described in this Section, we have discretion whether or not to accept and execute any such request. We retain our discretion to accept or reject any Orders even though ordinarily there will be prompt execution of your Orders. While we cannot give you any fixed rules about when we would exercise our discretion, it would typically be when we are acting in accordance with one of our policies (such as compliance, or margin policy) or our Hedge Counterparty imposes its own restrictions, such as due to market regulations or compliance policies.

The price at which we accept an Order to trade will generally be on the basis of filling the full volume of the Order in one Transaction if possible and partially filled Orders will be filled as soon as the opportunity arises. The type of Orders and how they may be filled, if at all, might depend on the rules of the Exchange where the Underlying Financial Products are being traded and the pricing model you have selected. For some ZS OTC contracts that you choose to trade, there may be a minimum trade value or other restrictions (e.g., pricing) that relate to a particular market.

### **Limit Order**

Limit Orders are commonly used to enter a market and to take profit at predefined levels.

- Limit Orders to buy are placed below the Current Market Price and are executed when the Offer price hits or breaches the price level specified.
- Limit Orders to sell are placed above the Current Market Price and are executed when the Bid price breaches the price level specified.

When a limit Order is triggered, it is filled as soon as possible at the price obtainable on the market. Note that the price at which your Order is filled may differ from the price you set for the Order.

### **Stop Order**

- Stop Orders are commonly used to enter a market or limit losses at predefined levels.
- Stop Orders to buy are placed above the current market price

- Stop Orders to sell are placed below the current market price
- When a stop order is triggered, it is filled as soon as possible at the price obtainable on the market.
- Note: the price at which your Order is filled may differ from the price you set for the Order.

### **Market Order**

A market Order is an Order to buy or sell at the Current Market Price as soon as possible. i.e. if the market is closed, the Order will not be executed.

### **Order duration**

#### **Good till cancelled (GTC)**

Order valid until it is either manually cancelled or is executed because the necessary market conditions have been met.

#### **Select date**

Select date allows you to select any date.

### **Stop Loss Orders**

Zero Securities Pty Ltd may, in its discretion, accept an Order from you to close an ZS OTC contract if the price moves to or beyond a level specified by you. This is known as a “stop loss Order”.

You would generally choose to place a stop loss Order to provide some risk protection. Stop Orders are commonly used to exit positions and to protect investments in the event that the market moves against an Open Position.

For example, if your Open Position moves towards making a loss based on a level chosen by you, the stop loss Order would be triggered in Order to try to close your Open Position or to open a position, depending on the Transaction you have.

Stop Orders to sell are placed below the current market level and your stop loss Order would be executed i.e. triggered if our Bid price (for a stop loss Order that requires an Order to sell an ZS OTC contract) moves against you to a point that is beyond the level specified by you (and

accepted by us). Conversely, Stop Orders to buy are placed above the current market level and your stop loss Order would be executed i.e. triggered if our offer price (for a stop loss Order that requires an Order to buy an ZS OTC contract) moves against you to a point that is beyond the level specified by you (and accepted by us).

All stop loss Orders are subject to agreement by us, so you cannot be assured that you will always be able to have a stop loss Order. While Zero Securities Pty Ltd has absolute discretion whether to accept a stop loss Order, it will generally try to do so, subject to market conditions and the reasonableness of your stop loss Order. Your Order may be unreasonable if, for example, the level you have specified is beyond the level allowed for Orders for the Underlying Financial Product or trading in the Underlying Financial Product has been halted or suspended on the Exchange.

Even if we accept your stop loss Order, market conditions may move against you in a way that prevents execution of your stop loss Order. For example, in volatile markets, our quoted prices might gap through your stop loss Order level, so that the closing level of quotes may be beyond the exact level specified by you. A gap in market prices reflects the market for the security, so can occur for any reason, without any apparent reason or at any time. Additionally, it may be that not all of the stop loss Order can be fulfilled because the underlying market does not have enough buyers and sellers in the volume of the Underlying Financial Product to allow Zero Securities Pty Ltd to hedge its Transactions which it makes in order to completely fulfil your stop loss Order. If the opening price of the Underlying Financial Product is beyond the level of your stop loss Order, your Order will be filled at the opening level, not at your stop loss Order level.

### **Trailing Stop**

A Trailing Stop Order is a stop Order where the stop price trails the spot price. As the market rises (for long positions) the stop price rises according to the proportion you set, but if the market price falls, the stop price remains unchanged. This type of stop Order helps you to set a limit on the maximum possible loss without limiting the possible gain on a position.

Example: you expect the price of an instrument to rise and reach at least 1.5710 by the end of

the day. You open a long position at 1.5680. To limit any potential loss, you place a trailing stop 42

Order at 1.5670 with a distance to market of 10 and a trailing step of 5. During the day the market rises

as predicted and the trailing stop follows. When the price suddenly drops to 1.5700, the trailing stop price has reached 1.5705 and is triggered. You have thereby not only protected your initial investment, but you have also managed to keep a good proportion of the profits.

When setting the stop price, you should be careful not to set it too close to the Current Market Price, especially in a volatile market, as the stop price might be hit before the price starts to go up/down as you expect. On the other hand, you should carefully consider how much you can afford to lose, if your prediction does not hold.

In any case, the stop loss order, of any kind, is not a guarantee that it will actually be made. This is the case with any Order you place (and which is accepted by Zero Securities Pty Ltd) as long as it is made in accordance with the Account Terms. For example, Zero Securities Pty Ltd' Hedge Counterparties are required to ensure there is an orderly market, so their trading may be stopped by them or modified (by way of converting a stop loss Order to them to a stop limit Order) in order to comply with their obligation to maintain an orderly market. That means the stop loss Order you place with Zero Securities Pty Ltd could be similarly affected, if your CFD has been hedged by Zero Securities Pty Ltd with that Hedge Counterparty.

Please note: For Trailing Stop orders to function:

- You must remain logged in to your Trading Account. If you log out then the Trailing Stop order will cease to update and your order may not be executed as a result.
- If you have more than one log in, you must remain logged in to each Trading Account for the relevant Trailing Stop order to function.
- You must remain logged into your Account on the same device, e.g. PC/laptop/phone/tablet, by which the Trailing Stop Order was entered. Switching from one device to the other causes the stop loss Order to stop functioning and therefore your stop loss Order WILL NOT be executed.

### 3.17 Swap/Roll Over

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ZS OTC contracts such as Margin FX, Cash Index CFDs and Metal Contracts are either “rolled over” or “swapped” (depending on which term applies to your particular OTC contract). If your position is rolled (or “swapped”) to the next Value Date, you will receive a benefit or bear a cost on your original traded amount.

As a rule, the following applies: if you buy a currency with a higher interest rate than the currency you sell then you will receive a benefit at rollover. If you sell a currency with a higher interest rate than the currency you buy then you will incur a cost at rollover.

For example:

If you have a bought AUD/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, your Transaction will receive a benefit i.e. the interest differential between the two currencies if you do not Close Out the position before the settlement time. Your Transaction will receive the interest rate differential whilst the position remains open for holding the higher yielding currency.

If you have a bought AUD/USD position and the USA interest rate is higher than the Australian interest rate, your Transaction will bear a cost i.e. the interest differential between the two currencies if you do not Close Out the position before the settlement time. Your Transaction will be charged the interest rate differential whilst the position remains open for holding the lower yielding currency.

ZS Swap rates vary by instrument and the amount we charge depends on the funding costs of the underlying asset or contract. Please check the MetaTrader Platform that apply to your contracts. ZS considers the costs incurred by its own liquidity providers swap rates when setting the rates received by customers.

The benefit or cost can either be directly debited or credited to your Trading Account balance as a Finance Charge adjustment / Finance Credit Adjustment 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).

## **Islamic Accounts**

Islamic Accounts are designed for, and accessible only to, clients who cannot pay or receive swaps or rollover interest on overnight positions due to religious reasons. An Islamic Account will be charged an administration fee - administrative charges are available on the Zero Securities Pty Ltd website (<https://www.Zero securities.com/forex-trading/islamic-account/>)

. We reserve the right to update the administration charges from time to time, any amendments to the charges will be notified to clients via the Zero Securities Pty Ltd website (<https://www.Zero securities.com/forextrading/islamic-account/>).

Islamic Accounts will not debit or credit swap charge or swap credits when holding positions overnight. Apart from these differences, Swap Free Accounts will have the same trading conditions and terms as a regular Metatrader Platform Account. In order to open an Islamic Account a client must first open a Metatrader Platform account and then request for it to be converted to into an Islamic Account. Clients can make this request by contacting us directly on the details available on the Zero Securities Pty Ltd website (<https://www.Zero securities.com/about-us/#contact>).

We will evaluate your request and provide you with an email confirmation as to whether the request is accepted or rejected. If accepted, all subsequent trading accounts opened by you with us will automatically occur as an Islamic Account unless specified by you.

## **Terms and Conditions**

Please refer to our Account Terms for the specific terms and conditions that relate to Islamic Accounts.

## **Dividends Adjustments**

If you hold an open Long position on a Cash Index CFD or Single Stock Equity CFD contract that pays a Dividend you will be entitled to an amount equal to the amount based on the number of contracts you hold after the close of the business day before the ex-dividend date.

Conversely, if you hold an open Short position in a Cash Index CFD or Single Stock Equity CFD which pays a dividend you will be required to pay an amount based on the number of contracts you hold after the close of the business day before the ex-dividend date.

This adjustment may be made either as a cash adjustment into your Metatrader trading account or included into the end of day swap rate.

### **3.18 Market Conduct**

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All market participants (including Zero Securities Pty Ltd) have a legal obligation to ensure that the markets are fair, orderly and transparent. Zero Securities Pty Ltd Clients should be aware that some practices in placing Orders can constitute market manipulation or creating a false market which is conduct prohibited under the Corporations Act. It is the Client's responsibility to be aware of unacceptable market practices and the legal implications. The Client may be liable for penalties to regulators such as ASIC or be liable to Zero Securities Pty Ltd for costs to Zero Securities Pty Ltd arising out of those trading practices of the Client which lead to the Client, Zero Securities Pty Ltd or any other person suffering loss or penalty.

#### **Abusive Trading Practices**

Clients should be aware that some electronic advisor or signal trading strategies are not allowed by Zero Securities Pty Ltd. While Zero Securities Pty Ltd welcome most forms of electronic trading strategies including scalping, hedging and arbitrage, Zero Securities Pty Ltd will not allow strategies that harm our systems infrastructure or takes unfair advantage of the way we construct our Bid/Offer prices. Clients must ensure that they do not or allow others (whether authorised to do so or not) to use such a strategy on their accounts. Zero Securities Pty Ltd has discretion in determining if a strategy is abusive or takes unfair advantage of our systems. Zero Securities Pty Ltd may block your IP address from accessing our servers, disable trading without notice to you and cancel trades from the outset or make adjustments to reflect the market value.

### 3.19 Closing an ZS OTC contract

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ZS OTC contracts do not expire or have a fixed term of existence, so they must be Closed Out by you or rolled automatically.

ZS OTC contracts cannot be settled by physical or deliverable settlement of the Underlying Financial Product on the Value Date and will be continuously rolled or swapped until they are Closed Out.

If you wish to Close Out an ZS OTC contract before it expires and for the Open Positions to be 'netted out', you must select the Open Order with the view to closing the existing ZS OTC contract position (or part of it) at the Transaction Price quoted.

If, instead, you trade an equal and opposite ZS OTC contract to the open ZS OTC contract, each position will generate a floating (unrealised) profit or loss and will not be 'netted out'. However, you should be aware that by not netting out positions additional fees and charges will be incurred.

Profits and/or losses are realised if positions have been Closed Out. Profits and/or losses are unrealised if only one side of the transaction has been completed i.e. it remains an Open Position.

The amount of any profit or loss you make on an ZS OTC contract will be based on the difference between the amount paid for the ZS OTC contract when it is issued (including fees and charges) and the amount credited to your Trading Account when the ZS OTC contract is Closed Out (including allowance for any fees and charges).

Any profit or loss net of any fees and charges will be credited/ debited to your Equity in the Account Currency selected.

At the time that the ZS OTC contract is Closed Out, Zero Securities Pty Ltd will calculate the remaining payment rights and obligations. Since you are required to enter into an ZS OTC contract to



Close Out the existing OTC Product, there may be a Transaction Fee on the ZS OTC contract used to close the position – see Section 5 under “Costs, Fees and Charges”.

In volatile markets the Transaction Price quoted to you may not be available by the time that you chose to accept the price offered and you may require another quote.

In order to provide the ZS OTC contracts to you in an efficient and low-cost manner, Zero Securities Pty Ltd has discretion in determining closing Transaction Prices.

In general, without limiting Zero Securities Pty Ltd’ discretion, it should be expected that Zero Securities Pty Ltd will act reasonably and have regard to a range of relevant factors at the time, such as the value of any hedge contract taken by Zero Securities Pty Ltd to hedge its ZS OTC contract issued to you, the closing price of the ZS OTC contract and any foreign currency exchange rates which are relevant due to the denomination of your ZS OTC contracts or Trading Accounts. Zero Securities Pty Ltd also has the right to decide to make an adjustment in any circumstance if Zero Securities Pty Ltd considers an adjustment is appropriate. Zero Securities Pty Ltd has a discretion to determine the extent of the adjustment so as to place the parties substantially in the same economic position they would have been in had the adjustment event not occurred.

Zero Securities Pty Ltd may elect to Close Out a position (without prior notice to you) if an adjustment event occurs and it determines that it is not reasonably practicable to make an adjustment.

Although there are no specific limits on Zero Securities Pty Ltd’ discretions, Zero Securities Pty Ltd must comply with its obligations as a financial services licensee to act efficiently, honestly and fairly.

### **3.20 Your Counter party Risk on Zero Securities Pty Ltd**

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When you deal in Zero Securities Pty Ltd’ ZS OTC contracts, you have a counterparty risk on Zero Securities Pty Ltd. An element of counterparty risk is “credit risk”, so you should consider your credit risk on Zero Securities Pty Ltd having the financial resources at the time to pay you the amounts it owes you. The risk on Zero Securities is affected by the extent Zero Securities Pty Ltd hedges its ZS OTC contracts.

### **3.20.1 Your credit risk on Zero Securities Pty Ltd**

You have credit risk on Zero Securities Pty Ltd when your Account has a net credit balance made up from the amounts credited as Margin, the unrealised value of the ZS OTC contracts, other amounts credited to your Account (from closed positions or Finance Charges credited to your Account), less fees and charges and the minimum required Margin Cover. Your credit risk on Zero Securities Pty Ltd is managed and reduced by Zero Securities Pty Ltd:

- applying its risk management policy and Margin Call Policy designed to reduce risk to Zero Securities Pty Ltd and therefore benefit all of its Clients. Zero Securities Pty Ltd has a risk management policy which sets out how Zero Securities Pty Ltd:
- monitors its compliance with its Australian financial services (AFS) licence financial requirements;
- conducts stress testing to ensure it holds sufficient liquid funds to withstand significant adverse market movements;
- manages its hedging of CFDs whose Underlying Financial Products are notExchange traded;
- chooses and monitors its Hedge Counterparties;
- is exposed to concentrations or movements in selected securities, investment sectors, Zero Securities Pty Ltd Products, client categories and particular Clients.

### **3.20.2 Risks from Zero Securities Pty Ltd' Hedge Counterparty**

It is possible that Zero Securities Pty Ltd' Hedge Counterparty, or any custodian used by the 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 Zero Securities Pty Ltd under the hedge contracts. Since Zero Securities Pty Ltd is liable to you as principal on the ZS OTC contract, Zero Securities Pty Ltd could be exposed to the insolvency of its Hedge Counterparty or other defaults which affect the Hedge Counterparty.

### **3.20.3 Hedge Counterparty risk**

Zero Securities Pty Ltd uses a number of Hedge Counterparties from time to time and does not intend to limit or restrict its use of Hedge Counterparties, therefore it is not reasonable or meaningful to

identify in this PDS any particular Hedge Counterparties or give any particular information about them nor will Zero Securities Pty Ltd do so on its website.

You should note that:

- No Hedge Counterparty has been involved in the preparation of this PDS nor authorised any statement made in this PDS.
- No Hedge Counterparty has contractual or other legal relationship with you as holder of the ZS OTC contracts. A Hedge Counterparty is not liable to you and you have no legal recourse against it (this is because Zero Securities Pty Ltd acts as principal to you and not as agent) nor can you require Zero Securities Pty Ltd to take action against the Hedge Counterparty.
- Zero Securities Pty Ltd gives no assurance as to the solvency or performance of any Hedge Counterparty. Zero Securities Pty Ltd does not make any express or implied statement or representation about the solvency or credit rating of 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 gives no assurance that the Hedge Counterparty has good credit quality or that it will perform its obligations to Zero Securities Pty Ltd.
- The credit quality of a Hedge Counterparty can change quickly. Zero Securities Pty Ltd is not able to make assessments of the credit quality of its Hedge Counterparties which it can disclose and reports by independent credit rating agencies may not be available because of their lack of consent or because they are not licensed to allow such reports to be cited in PDSs given to retail clients.
- Although Zero Securities Pty Ltd has a policy for adopting and monitoring Hedge Counterparties and Zero Securities Pty Ltd' exposure to them, you may not take that as any assurance that Zero Securities Pty Ltd is responsible for the performance by Hedge Counterparties or their failure to perform.

Zero Securities Pty Ltd is not authorised to set out in this PDS any information published by the respective Hedge Counterparties and Zero Securities Pty Ltd takes no responsibility for third-party information about

those Hedge Counterparties which may be available to you. If you require further information about the Hedge Counterparties used by Zero Securities Pty Ltd before deciding whether to invest in them.

#### **3.20.4 Solvency of Zero Securities Pty Ltd**

The risks you have by dealing with Zero Securities Pty Ltd cannot be simplistically assessed by reference to historical financial information about Zero Securities Pty Ltd or its Hedge Counterparties or general statements of principle. The credit risk you have with Zero Securities Pty Ltd 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, the extent of hedging CFDs whose Underlying Financial Products are not Exchange-traded, its counterparty risks for all of its business and transactions (not just the ZS OTC contracts), its risk management systems and actual implementation of its risk management policy.

Zero Securities Pty Ltd cannot give any assurance or further description of the extent of hedging CFDs whose Underlying Financial Products are not Exchange-traded, since that is not reasonably capable of being limited by any definitive formula or fixed outcome. Your credit risk on Zero Securities Pty Ltd will fluctuate throughout the day and from day to day, including due to the implied credit risk on Hedge Counterparties, whose credit risk to Zero Securities Pty Ltd (and so indirectly to you) cannot be assessed or verified on a continuous basis or perhaps at all due to lack of details and verification of the necessary details.

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 Zero Securities Pty Ltd. The Zero Securities Pty Ltd annual directors' report and an audited annual financial report are available free on request by bona fide potential investors contacting Zero Securities Pty Ltd to arrange inspection of them at the offices of Zero Securities Pty Ltd.

#### **3.20.5 Payments to you in Zero Securities Pty Ltd' Insolvency**

If Zero Securities Pty Ltd becomes insolvent, here is how you can be paid for any net credit balance in your Account:

- Any of your moneys in the ZS client moneys trust account should be paid to you, after deduction for any amounts properly payable to Zero Securities Pty Ltd for the ZERO

Markets Products which you have otherwise agreed are payable to Zero Securities Pty Ltd (and subject to any court orders to the contrary).

- The precise amounts and timing of payments will not be known until the net position with the Hedge Counterparties are known.
- Zero Securities Pty Ltd will use reasonable efforts to reclaim any moneys held with the Hedge Counterparties.
- Zero Securities Pty Ltd will need to assess whether it can feasibly sue to recover anything owed by the Hedge Counterparties.
- Zero Securities Pty Ltd will need to assess the amounts prudently available to pay Clients and may choose to pay out interim amounts.
- Zero Securities Pty Ltd will need to assess fair and reasonable allocation to Clients, having regard to, for example any amounts paid from the ZS client moneys trust account, Account balances, amounts recovered from the Hedge Counterparty.

## 4 Significant Risks

Using our ZS OTC contracts involves a number of significant risks. You should seek independent advice and consider carefully whether our ZS OTC contracts are appropriate for you given your experience, financial objectives, needs and circumstances.

### 4.1 Key Risks

You should consider these key risks involved in our ZS OTC contracts:

Key Risks	Important Issues
Loss from leverage:	<ul style="list-style-type: none"> <li>• ZS OTC contracts have leverage which can lead to large losses as well as large gains. The high degree of leverage in our ZS OTC contracts can work against you as well as for you. The leveraging in an ZS OTC contract gives a moderate to high risk of a loss larger than the amounts you pay Zero Securities Pty Ltd as Margin. It can also cause volatile fluctuations in the Margin requirements.</li> <li>• You can minimise the risk of losses on short ZS OTC contracts by monitoring your Open Positions and Closing Out the positions before losses arise.</li> </ul>

Key Risks	Important Issues
Margin risk:	<ul style="list-style-type: none"> <li>• You must be able to maintain in your Account with Zero Securities Pty Ltd the amount of required Margin as and when required, otherwise all of your Transactions may be Closed Out without notice to you.</li> <li>• Margin requirements are highly likely to change continuously, in line with market movements in the Underlying Financial Product.</li> <li>• You should consider 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 Financial Product moves rapidly against you, you will be required to pay more Margin on little or no notice.</li> <li>• You can minimise your risk of losing your positions after failing to meet Margin requirements by carefully selecting the type and amount of our ZS OTC contracts 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 Zero Securities Pty Ltd.</li> </ul> <p>Please see Section 3.11 for further information about Margin</p>
Foreign exchange risk:	<ul style="list-style-type: none"> <li>• Foreign currency conversions required for your Account (see Section 6.1 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 Trading Account which can be large (depending on foreign exchange rates) and volatile. This will directly affect the value of an ZS OTC contract position.</li> <li>• You can minimise this risk by selecting our ZS OTC contracts with foreign exchange exposure that you are prepared to incur and to</li> </ul>

	monitor.
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Key Risks	Important Issues
Counterparty risk on Zero Securities Pty Ltd:	<ul style="list-style-type: none"> <li>You have the risk that Zero Securities Pty Ltd will not meet its obligations to you under the ZS OTC contracts. ZS OTC contracts are not Exchange traded so you need to consider the credit and related risks you have on Zero Securities Pty Ltd.</li> <li>Zero Securities Pty Ltd believes that your counterparty risk on Zero Securities Pty Ltd is low to moderate, especially due to its Margin policy and risk management (including hedging policy) however, the potential adverse outcome of this risk is very significant to you since, if it occurs, you could lose all or some of your investment.</li> <li>You can minimise your counterparty risk on Zero Securities Pty Ltd by limiting the amount you pay Zero Securities Pty Ltd, 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 resulting in all of your positions to be Closed Out. Please see heading “Your Counterparty Risk on Zero Securities Pty Ltd” in Section 3.20.</li> </ul>

#### 4.2 Other Significant Risks

You should consider these significant risks involved in our ZS OTC contracts:

Significant Risks	Important Issues
Market risk:	<p>Financial markets such as equity markets can change rapidly; they are speculative and volatile. Prices even of securities depend on a number of factors including, for example, commodity prices or index levels, interest rates, demand and supply and actions of governments. Each Exchange may reserve the right to suspend securities from trading or withdraw their quotation. Our ZS OTC contracts are highly speculative and volatile. There is a high risk that market prices will move such that the Contract Value of the ZS OTC contracts on closing can be significantly less than the amount you invested in them. There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged. You can reduce your risk by</p>



	understanding the market relevant to the ZS OTC contracts, monitoring your ZS OTC contract positions carefully and closing your Account.
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Significant Risks	Important Issues
OTC market:	<p>The ZS OTC contracts offered by Zero Securities Pty Ltd are over-the-counter derivatives and so are not covered by the rules for Exchange-traded ZS OTC contracts. For example, trading on the ASX is governed by rules applicable to brokers and generally has the benefit of a guarantee system known as the National Guarantee Fund which provides protection from fraud or misconduct by brokers in connection with certain ASX trades.</p> <ul style="list-style-type: none"> <li>• The ASX rules and the National Guarantee Fund do not apply to trading in our ZS OTC contracts.</li> <li>• Over-the-counter contracts, such as our ZS OTC contracts, by their nature are not liquid investments in themselves.</li> <li>• If you want to exit the ZS OTC contracts, you rely on Zero Securities Pty Ltd' ability to Close Out at the time you wish, which might not match the liquidity or market price of the Underlying Financial Products.</li> <li>• 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.</li> </ul>
Market disruptions:	<p>A market disruption may mean that you may be unable to deal in our ZS OTC contracts when desired, and you may suffer a loss as a result of that. This is because the market disruption events which affect the Underlying Financial Product will also affect the ZS OTC contracts on the same or very similar basis. Common examples of disruptions include the “crash” of a computer-based trading system, a fire or other Exchange emergency, or an Exchange regulatory body declaring an undesirable situation has developed in relation to particular series of contracts or a particular trade, and suspends trading in those contracts or cancels that trade.</p> <ul style="list-style-type: none"> <li>• You can attempt to minimise the effect of market disruptions by obtaining information released by the Exchange relevant to the ZS OTC contracts and taking action after the event as appropriate (if any) to the ZS OTC contracts, such as Closing Out because the values have significantly changed since before the event.</li> </ul>

Significant Risks	Important Issues
Orders and gapping:	<ul style="list-style-type: none"> <li>• 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 ZS OTC contracts value over a short period. There is a moderate to high risk of this occurring.</li> <li>• Zero Securities Pty Ltd’ ability to Close Out an ZS OTC contract depends on the market for the Underlying Financial Products. 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.</li> <li>• 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 3.16 on “Stop Loss Orders”.</li> <li>• Trailing Stop Orders only function if you remain logged in. If, for example (and without limitation of the possibilities) you log out, switch your device or your device goes into hibernation, your Trailing Stop Orders will not function, so you will lose any protection against losses which those order may give. You can manage this risk by ensuring you remain logged in at all times you want your Trailing Stop Order to function. Please see Section 3.16 on “Stop Loss Orders”.</li> </ul>
Auto-liquidation:	<ul style="list-style-type: none"> <li>• Zero Securities Pty Ltd may without prior notice to you liquidate all or some of your Open Positions if the Total Equity balance falls below the Liquidation Level applicable to your Account. This can generate realised losses in your Account. Zero Securities Pty Ltd does not assure you that Zero Securities Pty Ltd will actually act on this right, at any time or in respect of all or any of your Open Positions. It is not something that you should rely upon to manage your risk and your obligation to maintain Margin cover.</li> <li>• The more basic risks to you are that you fail to manage your own Account by maintaining adequate Margin cover, you fail to meet any Margin call, you fail to monitor your Open Positions, you (wrongly) rely on Zero Securities Pty Ltd liquidating your Open Positions and you fail to manage your Open Positions before the Total Equity balance falls below the Liquidation Level applicable to your Account. • You can manage the risk of Zero Securities Pty Ltd liquidating some or all of your Open Positions, or the risk of you wrongly relying on Zero Securities Pty Ltd to do this, by carefully monitoring your Open Positions, placing and maintaining prudent Orders (including stop loss orders) and managing your Open Positions before the Total Equity balance falls below the Liquidation Level applicable to your Account.</li> </ul>

Significant Risks	Important Issues
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<p>Platforms:</p>	<ul style="list-style-type: none"> <li>You are responsible for the means by which you access the Metatrader Platform or your other contact with Zero Securities Pty Ltd. If you are unable to access the Metatrader Platform, it may mean that you are unable to trade in our ZS OTC contracts (including Closing them Out) or you might not be aware of the current Margin requirements and so you may suffer loss as a result.</li> <li>Zero Securities Pty Ltd may also suspend the operation of the Metatrader Platform or any part of it, without prior notice to you. Although this is considered to be a low risk since it would usually only happen in unforeseen and extreme market situations, Zero Securities Pty Ltd has discretion in determining when to do this. If the Metatrader Platform is suspended, you may have difficulty contacting Zero Securities Pty Ltd, you may not be able to contact Zero Securities Pty Ltd at all, or your Orders may not be able to be executed at prices quoted to you.</li> <li>There is a moderate to high risk that Zero Securities Pty Ltd will impose volume limits on Client accounts or filters on trading, which could prevent or delay execution of your Orders, at your risk. You have no recourse against Zero Securities Pty Ltd in relation to the availability or otherwise of the Metatrader Platform, nor for their errors and software. Please review any terms and any guidance material for the Metatrader Platform.</li> </ul>
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<p>Exchange:</p>	<ul style="list-style-type: none"> <li>The rules of the relevant Exchange govern the trading in the Underlying Financial Products which are Exchange traded and so will indirectly affect the dealing in the ZS OTC contracts in respect of those Underlying Financial Products. All of the rules of each relevant Exchange, if any, may be relevant to those ZS OTC contracts, so you should consider those rules. The details of those rules are outside the control of Zero Securities Pty Ltd and they may change             <ul style="list-style-type: none"> <li>at any time and without notice to you. ZS OTC contracts in respect of Underlying Financial Products which are not Exchange-traded, such as FX, metals, bullion and commodities, do not have any Exchange rules affecting them.</li> </ul> </li> </ul>
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<p>Account falls below minimum balance:</p>	<ul style="list-style-type: none"> <li>Zero Securities Pty Ltd requires an initial balance in order to establish your Account. Zero Securities Pty Ltd also requires that you maintain a minimum balance (known as your Withdrawable Funds) in your Account at all times. If your Account's Withdrawable Funds falls below the minimum required amount (Total Equity), then Zero Securities Pty Ltd may reduce or Close Out any or all of your ZS OTC contracts.</li> <li>You can manage this risk by monitoring your Account and managing your positions or paying more Margin.</li> </ul>
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Significant Risks	Important Issues
Conflicts:	<ul style="list-style-type: none"> <li>• Trading with Zero Securities Pty Ltd for its ZS OTC contracts carries a potential risk of conflicts of interests because of the legal role of Zero Securities Pty Ltd as principal in its ZS OTC contracts with you (not as your agent or broker) and Zero Securities Pty Ltd setting the price of the ZS OTC contracts and also because it might be transacting with other Clients, at different prices or rates, or Zero Securities Pty Ltd might be trading with market participants at different rates or, in respect of CFDs whose Underlying Financial Products are not Exchange-traded. Zero Securities Pty Ltd may at any time choose the extent to which it hedges the CFD (or at all).</li> <li>• 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 Zero Securities Pty Ltd' ZS OTC contracts pricing and by monitoring the underlying market.</li> </ul>
Valuations:	<ul style="list-style-type: none"> <li>• The ZS OTC contracts are valued by Zero Securities Pty Ltd. Typically, this is by direct reference to the market value of the relevant Underlying Financial Product on the relevant Exchange which in turn affects the price quoted by the relevant Hedge Counterparty to Zero Securities Pty Ltd.</li> <li>• Zero Securities Pty Ltd expects that it will only not use the market value in the unusual cases where the Exchange fails to provide that information (for example, due to a failure in the Exchange's trading system or data information service) or trading in the Underlying Financial Product is halted or suspended, in which cases Zero Securities Pty Ltd may exercise its discretion to determine a value.</li> <li>• Due to the nature of our ZS OTC contracts, in common with industry practice for such financial products, Zero Securities Pty Ltd' discretion is unfettered and so has no condition or qualification. While there are no specific limits on Zero Securities Pty Ltd' discretions, Zero Securities Pty Ltd 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 Zero Securities Pty Ltd in the circumstances permitted by the Account Terms</li> </ul>

Significant Risks	Important Issues
Regulatory bodies:	<ul style="list-style-type: none"> <li>A Client may incur losses that are caused by matters outside the control of Zero Securities Pty Ltd. For example, actions taken by a regulatory authority exercising its powers during a market emergency may ultimately result in losses to the Client by reason of the effect of those actions on the Underlying Financial Product and so the terms of the Client’s ZS OTC contract. A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled, which will affect the Underlying Financial Product for the Client’s ZS OTC contract. There is a risk that ASIC may seek to impose an interim stop order or a stop order which, in either case, could prevent Zero Securities Pty Ltd accepting Orders after that time (depending on the terms of ASIC’s orders) which could lead to a Client unable to trade, including unable to Close Out positions.</li> </ul>
Zero Securities Pty Ltd’ powers on default, indemnities and limitations on liability:	<ul style="list-style-type: none"> <li>If you fail to pay, or provide security for, amounts payable to Zero Securities Pty Ltd or fail to perform any obligation under your Transactions, Zero Securities Pty Ltd has extensive powers under the Account Terms to take steps to protect its position. For example, Zero Securities Pty Ltd has the power to Close Out positions and to determine the rates of interest it charges. Additionally, under the Account Terms you agree to indemnify Zero Securities Pty Ltd for certain losses and liabilities, including, for example, in default scenarios.</li> <li>You should read the Account Terms carefully to understand these matters.</li> </ul>
Operational risk:	<ul style="list-style-type: none"> <li>There is always operational risk in an ZS OTC contract. 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 a Platform or in the provision of data by third parties.</li> </ul>

## 5 Costs, Fees & Charges

### 5.1 Costs, Fees & Charges

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Zero Securities Pty Ltd derives a financial benefit by entering into other transactions with other persons at different rates from those charged to the Client.

All costs, fees and charges are charged in the Account Currency selected, unless otherwise specified.

Details of the costs, fees and charges which have been charged are included in your statement. This is made available as an online report that can be accessed via the Metatrader Platform or emailed or mailed to you that you can access and print upon demand.

### 5.2 Transaction Fees

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Zero Securities Pty Ltd has two OTC contract pricing models. Each of these has different treatments of Transactions Fees.

The default FX CFD and Metals CFD pricing model incurs no Transaction Fee when trading. The difference between the Bid/Offer prices at which you are able to sell (offer) or buy (bid) an FX CFD or Metals CFD at any given time is commonly referred to as the spread. The spread can be seen as a cost of trading and should be factored into your trading decisions.

The alternative ECN pricing model will always deliver a smaller spread than the default however a Transaction Fee will be charged at the rate of a specified percentage of the Contract Value of the trade.

Zero Securities Pty Ltd may charge a Transaction Fee (which may be described as “commission” on the Metatrader Platform) on each ZS OTC contract that is executed. Our rates vary depending on the type and level of service required, and the frequency and size of Transactions.



There are different types of Transaction Fee charging models that can be applied depending on the individual ZS OTC contract.

### **1. Percentage per trade**

The greater of:

- the amount that is calculated by multiplying the Transaction Fee rate by the Contract Value of the ZS OTC contract; and
- a minimum Transaction Fee or a minimum ticket Transaction Fee depending on the ticket size.

### **2. Fee per contract**

The greater of:

- the amount that is calculated by multiplying the amount of ZS OTC contracts traded by the individual charge per contract; and
- a minimum Transaction Fee or a minimum ticket Transaction Fee depending on the ticket size.

Zero Securities Pty Ltd may charge a Transaction Fee of up to 0.01% of the Contract Value (in each of the Base Currency and the Terms Currency). The indicative Transaction Fee rate is 0.005%. The Transaction Fee that you will be actually charged is disclosed on your statement. The fee accrues immediately upon execution of the Transaction, i.e when you Open or Close the ZS OTC contract. The Transaction Fee will either be reflected in the execution price as an additional component to the spread pricing or separately, i.e not included in the spread pricing.

## **5.4 Finance Charge Adjustment/Finance Credit Adjustments**

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### **Finance Charge Adjustment/Finance Credit Adjustments on Long/Short margin FX and Metals Contracts**

Open margin FX and Metals Contracts held at the end of a trading day at 17:00 New York Local Time (00:00 Server time) are not closed and opened to account for these Swap Rates.

Instead, Zero Securities simply applies the equivalent financial consideration to the position it were rolled over as a Finance Charge Adjustment or Finance Credit Adjustment.

The Swap Rate for a position opened on Wednesday and held open Overnight is three times that of other days; the reason for this is that the Value Date of a trade held open Overnight on a Wednesday would normally be Saturday, but since banks are closed, the Value Date is Monday and the Client incurs an extra 2 (two) days of interest. From Friday to Monday, SwapRate is charged once.

The calculation for an overnight Finance Charge Adjustment / Finance Credit Adjustment for each day that a long or short Zero Securities Pty Ltd margin FX and margin FX is held Overnight is as follows:

$$F=S*L*P$$

F = Daily Finance Charge (negative) / Finance Credit (positive) S = Swap Rate (positive or negative) L = Number of Lots

P = Pip Value in Account Currency based upon 1 Lot

Examples:

If you hold a short 200,000 EUR/USD position Overnight and the Account Currency is USD, then the Daily Finance Charge is -2.80 USD = -0.14 (Swap Rate) \* 2 (Lots) \* 10 USD (PipValue).

If you hold a long 100,000 USD/JPY position Overnight and the Account Currency is USD, then the Daily Finance Charge is -0.39 USD = -0.03 (Swap Rate) \* 1 (Lots) \* 13 USD (Pip Value) \* -1.

There is also a “Traders Calculator” available on our website which can be used to calculate the Daily Finance Charge / Finance Credit which is displayed as a swap long or swap short reflected in the relevant Account Current chosen.

### **Finance Charge Adjustment / Finance Credit Adjustment on long/ short Index CFD**

If you hold a long position overnight you will pay a Finance Charge Adjustment or if you hold a short position overnight you will receive a Finance Credit Adjustment on the Index CFD Open Positions held overnight. The calculation for an overnight Finance Charge Adjustment / Finance Credit Adjustment for each day that a long or short Index CFD is held overnight is as follows:

$$F = CV \times (FR/100) / 360$$

Where:

F = Daily Finance Charge (negative) / Finance Credit (positive)

CV is Contract Value of the Index CFD Open Positions, at the time the ZS OTC contract is established.

FR is the Finance Rate as defined in the Glossary in Section 7.

The Finance Charge Adjustment / Finance Credit Adjustment is detailed on the statement. A Finance Credit Adjustment will be credited for the short Index CFD position held overnight to your Account when the Finance Rate is positive. A Finance Charge will be debited for the long Index CFD position held overnight to your Account when the Finance Rate is negative.

By way of example, using the calculation for a long Index CFD held overnight for a USD Index whose Finance Rate is -5.61%.  $F = \$10,000 \times (-5.61\%/100) / 360 = -\$1.56$

Where:

CV is \$10,000 FR is -5.61% p.a.

No Finance Charge/Finance Credit is paid or received if you open and close an Index CFD position on the same day.

### **Finance Charge Adjustment on Trading Account Balance**

Zero Securities Pty Ltd chooses not to pay any Finance Credit Adjustment earned on your TradingAccount on positive Balances.

A Finance Charge Adjustment may be debited to your Trading Account, if the Balance relating to your Trading Account is negative.

The Finance Charge Adjustment applied to your Trading Accounts will be calculated using the Base Rate (see definition in the Glossary) applied to the negative Balance amount.

For example, if the Balance amount is negative A\$30,000 for 10 days and assuming the Base Rate is 7.5% p.a., then the Finance Charge will be calculated as  $AUD\$30,000 \times (7.5\%/365 \text{ days} \times 10 \text{ days}) = A\$61.64$  or A\$6.164 per day.

An additional Finance Charge Adjustment may be imposed if you have not paid Zero Securities Pty Ltd any amount you are required to pay, such as an overdue payment to close an Account. Zero Securities Pty Ltd may at any time without prior notice apply different Base Rates.

### **5.5 Administration Fees (Islamic Accounts Only)**

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Islamic Accounts will not be charged any swap charges or paid swap credits and will instead be charged an administration charge - administrative charges are available on the Zero Securities Pty Ltd website (<https://www.Zero securities.com/forex-trading/islamic-account/>) and may be updated by Zero Securities Pty Ltd from time to time.

### **5.6 Islamic Account Terms**

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Islamic Accounts are to be used in good faith and clients may not use Islamic Accounts to make a profit from not paying swap charges. Zero Securities Pty Ltd will not pay any Swap Credit Amounts that have been forfeited as a result of converting your Metatrader Platform account into an Islamic Account.

Zero Securities Pty Ltd Islamic Accounts are available only to clients who cannot pay or receive swaps for religious reasons. Should Zero Securities Pty Ltd suspect that an Islamic Account is being abused for any reason, including fraud, cash-back arbitrage or other forms of deceitful behaviour, then Zero Securities Pty Ltd reserves the right to revoke the Islamic Account status with immediate effect and recover the accrued swaps and interest expenses during the period the Metatrader Platform account was an Islamic Account. Zero Securities Pty Ltd also reserves the right to revoke a Metatrader Platform accounts Islamic Account status at any time for any reason.

## **5.7 Currency Conversion**

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When your account is opened, you will select a Base Currency from the range of Base Currencies offered by Zero Securities Pty Ltd.

Any realised non-Base Currency amounts in your Trading Account will be converted to your Base Currency at Zero Securities Pty Ltd' prevailing conversion rate. This occurs each time there is a conversion from a non-Base Currency of your Trading Account to Base Currency or a Transaction Fee is denominated in a non-Base Currency e.g a Transaction Fee calculated in US dollars will be converted back to your Base Currency, for example Australian dollars. This currency conversion does not have a separate fee or charge but you should consider it as a cost of your Transactions.

## **5.8 External Fees, Taxes and Charges**

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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 Zero Securities Pty Ltd). Bank charges and fees imposed on Zero Securities Pty Ltd to clear your funds or in respect of your payments will also be charged to your Account.

The Account Terms may allow Zero Securities Pty Ltd to impose other fees or charges from time to time which do not relate directly to Transactions (and so are not costs, fees or charges for acquiring or later dealing in the ZS OTC contract itself). 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. Zero Securities Pty Ltd may debit these amounts to your Trading Account.

## 5.9 Zero Securities Pty Ltd Trading Examples

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### Example of Spot margin FX:

- the Trading Account Base Currency selected is United States dollars;
- no brokerage, commission or Transaction Fee is charged;
- the Trading Account Leverage Rate is 1:30 for Spot margin FX (major currency) i.e. Initial Margin is set at 1:30 or 3.33...% of the Spot margin FX; and

### Example 1: Buying USD/JPY

Opening the position You decide to go long on the US Dollar against the Japanese Yen, and ask for a quote for 5 Lots, the equivalent of USD500,000. We quote you 73.41/73.43 and you buy 5 Lots at 73.43.

### Initial Margin

The Initial Margin required to open your position was  $(1/30) \times \$100,000 \text{ USD} \times 5 = \$16,666.67 \text{ USD}$

### Finance Charge Adjustment

While the position remains open, for example if the applicable Swap Rate might be negative 0.01 points for 'long' positions and the Point Value for 1 lot is ¥1,000, then the Swap long for a particular day would be ¥5,000

### Closing the position

Later, USD/JPY has risen to 76.87/76.89, and you take your profit by selling 5 Lots at 76.87.

Your gross profit on the trade is calculated as follows:

Closing transaction:  $\text{USD}500,000 (5\text{Lots}) \times 76.87 = \text{¥}38,435,000$  Opening transaction:  $\text{USD}500,000(5\text{Lots}) \times 73.43 = \text{¥}36,715,000$  Gross profit on trade =  $\text{¥}1,720,000$  equivalent to

### **Calculating the overall result**

To calculate the overall or net profit, you also have to take account of the Finance Charge Adjustment. In this example, you might have rolled the position for 20 days, charging a total Finance Charge Adjustment debit of ¥100,000 or equivalent to \$1300.90 (76.87 USD/JPY)

Gross profit on trade:       \$22,375.44

Finance Charge Adjustment: (\$1300.90)

Net profit:                 \$ 21,074.54 USD

### **Example of Spot Metal Contract**

- The Trading Account Base Currency selected is United States dollars;
- No brokerage, commission or Transaction Fee is charged;
- The Standard Trading Account Leverage Rate is 1:20 for Spot gold contracts i.e.

Initial Margin is set at 5% of the Spot gold contracts;

- 1 lot of gold is equivalent to 100 ounces; and
- The price of the Spot gold product moves in line with the market price of the spot Gold.

### **Example 2: Buying spot**

#### **Opening the position**

You consider that gold is undervalued and wish to speculate the price will go higher, you decide to buy gold, and ask for a quote for 1 Lots, the equivalent of 100 ounces. We quote you \$1,724.65/1,725.15 and you buy 1 Lots at 1,725.15.

#### **Initial Margin**

The Initial Margin required to open your position was  $5\% \times \$1,725.15 \times 100 = \$8,625.75$

#### **Finance Charge Adjustment**

While the position remains open, for example daily Swap long is \$5.70.

#### **Closing the position**

Later, gold has fallen to 1,720.00/1,720.05, and you take your loss by selling 1 lot at 1,720.

Your gross loss on the trade is calculated as follows:

Closing level: \$1,720.00  
Opening level: \$1,725.15  
Difference: \$5.15  
Gross loss on Transaction:  $\$5.15 \times 100 = \$515$

### **Calculating the overall result**

To calculate the overall or net loss, you also have to take account the Finance Charge Adjustment. In this example, you might have rolled the position for 10 days, charging a total Finance charge Adjustment of \$57:

Gross loss on trade: (\$515.00)  
Finance Charge Adjustment: (\$ 57.00)  
Net loss: (\$572.00)

### **Example 3 - Long Index CFD:**

#### **Opening the position**

A Client believes that the market will rally in the short term and looks to benefit by buying an Index CFD over the S&P / ASX 200™ index (AUS200). We quote you 4,184/4,188 and you buy 1 lot at 4,188.

#### **Initial Margin**

Assume the Leverage Rate on the Index CFD is 5%. The 'tick' size of the Index CFD is \$1 perpoint of the index.

The Initial Margin required to open your position was  $5\% \text{ (margin)} \times 4,188 \text{ (price)} \times 1 \text{ (Lots)}$   
 $=209.4$

#### **Finance Charge Adjustment**

The position is opened and closed in the same day and so there is no financing charge.

#### **Closing the position**

Later, the S&P / ASX 200™ index has risen to 4,212/4,216, and you take your profit by selling 1 lot at 4,212. Your gross profit on the trade is calculated as follows:



Closing level:	4,212.00
Opening level:	4,188.00
Difference:	24.00

Gross profit on Transaction: 24.00 x 1 = \$24

### **Calculating the overall result**

To calculate the overall or net profit, you also have to take the account financing and commission charge. In this example, there is no financing because the position was not held overnight or commission charge.

Gross profit on trade:	\$24.00
Finance Charge Adjustment:	\$0.00
Commission:	(\$0)
Net loss:	\$24

### **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 fees charged by Zero Securities Pty Ltd), 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 an investor's tax rate or overall tax position, potential changes in interest rates charged to or earned on the 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 change at any time and are hypothetical only.

## 6 General Information

### 6.1 Accounts Denominated in Foreign Currency

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Your Account and each Trading Account may be denominated in Australian dollars or any other currency permitted by Zero Securities Pty Ltd from time to time.

If you instruct Zero Securities Pty Ltd to effect a Transaction denominated in a currency different from the denomination of your Trading Account currency, Zero Securities Pty Ltd will convert the currency value of your Transaction into the Trading Account's currency.

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. This will immediately impact on the Margin Cover requirements for your Account, so you must be careful to understand and to monitor the effect of trading in ZS OTC contracts denominated in foreign currencies.

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 Zero Securities Pty Ltd.

### 6.2 Discretions

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Zero Securities Pty Ltd 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 limits we impose on your Account or your trading;
- determining Margin requirements over and above minimum margin requirements set out in the PIO.
- determining values of Underlying Financial Products (for opening and closing positions, the daily Closing Price and for determining Margin);
- setting Bid prices and Offer prices; and
- closing your positions and setting the Closing Value.

You should consider the significant risks that arise from Zero Securities Pty Ltd exercising its discretions – see Section 4.

Our other discretions include:

- setting our fees and interest rates;
- adjusting our ZS OTC contracts for adjustments made by the Exchange to the Underlying Financial Products;
- 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.

Please note that while we have discretions in how we may exercise our powers, the trading parameters typically are set or applied for automatic outcomes, such as automatically Closing Out all of your Open Positions if you do not maintain the required minimum Margin Cover.

### **6.3 Policies**

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Zero Securities Pty Ltd has a number of policies that can affect your ZS OTC contract investments. The policies are guidelines that Zero Securities Pty Ltd (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. Our policies may help you understand how we operate but 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 copy of the policies are available on our website at [www.ZeroSecurities.com.au](http://www.ZeroSecurities.com.au). Our key policies relevant to our ZS OTC contracts currently are:

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

### **6.4 Anti-Money Laundering Laws**

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Zero Securities Pty Ltd is subject to anti-money laundering and counter-terrorism financing laws (AML laws) that can affect the ZS OTC contracts. In order to establish your Account, we need to collect personal information from you or from businesses or government agencies (such as Medicare) that you authorise.

If your Account is established, Zero Securities Pty Ltd may disclose your personal information or stop transactions on your Account for the purposes of the AML laws or under Zero Securities Pty Ltd' AML laws procedures, without liability to you for any loss that arises due to that occurring.

## 6.5 ASIC Guides

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ASIC has released a guide: RG 227 Over-the-counter contracts for difference: Improving disclosure for retail investors. ASIC has also released a guide for investing in contracts for differences:

Thinking of trading contracts for difference (CFDs)? While not all of the ZS OTC contracts traded on the Metatrader Platform are necessarily CFDs, some are and the others have similarities with CFDs so the ASIC guide on CFDs may be useful to investors in all of the ZS OTC contracts. Potential

investors are encouraged to contact ASIC or to visit the ASIC website ([www.asic.gov.au](http://www.asic.gov.au)) for copies of these and other material which can assist you in deciding whether to deal in our ZS OTC contracts.

## 6.6 About Zero Securities Pty Ltd

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Zero Securities Pty Ltd is an Australian company established to provide innovative online financial products. Further information about Zero Securities Pty Ltd is available on its website at [www.Zero securities.com.au](http://www.Zero securities.com.au).

## 6.7 Applications and Funding your Account

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You apply for an Account by returning to Zero Securities Pty Ltd a completed application form. The application form may be online or in a booklet with the Account Terms, available by contacting Zero Securities Pty Ltd directly.

Zero Securities Pty Ltd Accounts can be funded by credit card, electronic transfer, BPay and cheque. Further details are available by contacting Zero Securities Pty Ltd or on its website at: <http://www.Zero securities.com.au/account/fund-your-account/>.

**Please be reminded that funding your Account by credit card or by BPay from your creditcard account has additional risks and costs for you.**

By using these payment methods, you effectively would be doubling your leverage by taking credit from your credit card account and trading with leverage on your Zero Securities Pty Ltd Account. This can add to the risks and volatility of your positions as well as incurring higher interest costs on your credit card account.

If you lose on your ZS OTC contract investments, you might not have other financial resources to repay your credit card account, incurring higher interest costs and possibly defaulting on your credit card terms.

Although Zero Securities Pty Ltd accepts payments of more than \$1,000 from credit card accounts to fund your Account and to meet later Margin payments, please carefully consider whether this payment method is suitable for your ZS OTC contract trading and limit it to what you can afford.

## **6.8 Taxation Implications**

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Our ZS OTC contracts 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. The following information should be regarded as general information only.

### **Profits and losses on our ZS OTC contracts**

Any gains derived or losses incurred by you in respect of an ZS OTC contract ordinarily should be included in your assessable income. When calculating the amount of profit or loss, you need to consider the difference between the Closing Value and the Contract Value on commencement of the position and any fees on Open Positions paid or received. If you hold the ZS OTC contracts for the purpose of trading, you should seek independent taxation advice relevant to your circumstances.

The Australian Taxation Office (ATO) has released Taxation Ruling 2005/15 which describes the income tax and capital gains tax consequences of dealing in CFDs. A copy of Taxation Ruling 2005/15 is available from the ATO's website [www.ato.gov.au](http://www.ato.gov.au). Potential investors should note that this is a public ruling for the purpose of Part IVAAA of the Taxation Administration Act 1953 (Commonwealth) and therefore, if the ruling applies to the investor, the Commissioner of Taxation is bound to assess that investor on the basis outlined in the ruling. Penalties may apply where the treatment outlined in a taxation ruling is not followed and the investor has a tax shortfall. The following statements do not set out all of the content of the Taxation Ruling and there might be other taxation aspects that are relevant to your particular circumstances.

### **Tax file number withholding rules**

The tax file number withholding rules only apply to those investments as set out in income tax legislation. Zero Securities Pty Ltd' current understanding is that those withholding rules do not apply to its ZS OTC contract financial products; however, if it is later determined to apply and you have not provided Zero Securities Pty Ltd with your tax file number or an exemption category, Zero Securities Pty Ltd may be obliged to withhold interest payments at the highest margin tax rate and remit that amount to the ATO.

### **Other fees, charges or commissions**

If the ZS OTC contract gives rise to gains that are assessable or losses that are deductible, any fees other than charges or commissions ordinarily should be available as a deduction at the time they are paid by the investor and debited against their Trading Account.

### **Goods and Services Tax**

With the exception of fees and charges as set out in this PDS, amounts payable for or in respect of ZS OTC contracts are not subject to goods and service tax. Australian Taxation Office Ruling GSTD 2005/3, available from [www.ato.gov.au](http://www.ato.gov.au) has been issued in respect of GST

## **6.9 Cooling Off**

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There is no cooling off arrangement for our ZS OTC contracts. This means that you do not have the right to return the ZS OTC contract, nor request a refund of the money paid to acquire the ZS OTC contract. If you change your mind after entering into an ZS OTC contract with Zero Securities Pty Ltd, you must close it out, pay any Transaction costs and take the risk of incurring a loss in doing so.

## **6.10 Ethical Considerations**

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Our ZS OTC contracts do not have an investment component. Labour standards or environmental, social or ethical considerations are not taken into account by Zero Securities Pty Ltd when making, holding, varying or Closing Out our ZS OTC contracts.

## **6.11 Jurisdictions**

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The ZS OTC contracts offered by this PDS are available only to persons receiving the PDS in Australia. The distribution of this PDS in jurisdictions outside Australia may be subject to legal restrictions. Any person who resides outside Australia who gains access to this PDS should comply with any such restrictions and failure to do so may constitute a violation of financial services laws.

## **6.12 Zero Securities Pty Ltd' Insurance**

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Zero Securities Pty Ltd has a comprehensive insurance policy in place to cover a variety of different scenarios, some which may assist in the repayment of deficits arising from dealing in Hedge Counterparties or if there is fraudulent activity by one of Zero Securities Pty Ltd' employees, directors or authorised representatives that results in your money being used in fraudulent activities. If



the insurance policy is insufficient or the insurer fails to perform its obligations, Zero Securities Pty Ltd may not be able to make the payments it owes to you.

### **6.13 Dispute Resolution**

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Zero Securities Pty Ltd wants to know about any problems you may have with the service provided to you so we can take steps to resolve the issue. If you have a complaint about the financial product or service provided to you, please see the document "Complaints Handling Procedure – Information for Clients", available by contacting your Zero Securities Pty Ltd Representative, and then take the following steps:

1. Contact your Zero Securities Pty Ltd Representative and provide the details of your complaint. You may do this by telephone, facsimile, email or letter.
2. If your complaint is not satisfactorily resolved through your Zero Securities Pty Ltd Representative, within three business days of receipt of your complaint, please contact the Compliance Department by emailing [compliance@zerosecurities.com.au](mailto:compliance@zerosecurities.com.au) or post your complaint to the Compliance Department at:

Level 5, 10 Bridge  
Street Sydney  
NSW2000  
Australia

Zero Securities Pty Ltd will try to resolve your complaint quickly and fairly. Complaints received in writing will be acknowledged within five business days of written receipt of your complaint and we will use our best endeavors to try to resolve your complaint within 21 days of receipt of your written complaint.

3. If you still do not get a satisfactory outcome, you have the right to complain to the Australian Financial Complaints Authority (AFCA), if your complaint is within its rules. AFCA is an external dispute resolution scheme. The contact details for AFCA are:

Australian Financial  
Complaints Authority G.P.O.  
Box 3 Melbourne VIC 3001  
Telephone: 1300 780

808 Website:

[www.afca.org.au](http://www.afca.org.au)

Zero Securities Pty Ltd is a member of the AFCA complaints resolution scheme. AFCA provides fair, free and independent dispute resolution for financial complaints.

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

## **6.14 Privacy**

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All of the information collected by Zero Securities Pty Ltd, in the application form or otherwise, is used for maintaining your Account and for the purpose of assessing whether you would be suitable as a Client.

Zero Securities Pty Ltd has obligations under and has procedures in place to ensure its compliance with, the Privacy Act 1988 (Commonwealth).

Significantly, these include the following:

### **1. Collecting personal information**

In collecting personal information, Zero Securities Pty Ltd is required to:

- collect only information which is necessary for the purpose described above;
- ensure that collection of the information is by fair and lawful means; and
- 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, Zero Securities Pty Ltd also collects information on directors of a corporate client or agents or representatives of the Client. Zero Securities Pty Ltd may be required by law to collect information, such as for taxation purposes or to identify persons who open or operate an account.

Zero Securities Pty Ltd 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 Zero Securities Pty Ltd 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 Zero Securities Pty Ltd has collected the information from you, Zero Securities Pty Ltd 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 Zero Securities Pty Ltd if you use, or intend to use, services of those other corporations;
- any organisations to whom Zero Securities Pty Ltd outsources administrative functions;
- brokers or agents who refer your business to Zero Securities Pty Ltd (so that we may efficiently exchange information and administer your account);
- regulatory authorities;
- 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 Zero Securities Pty Ltd (subject to permitted exceptions), by contacting Zero Securities Pty Ltd. We may charge you for that access.

As Zero Securities Pty Ltd 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 later changes.

## **3. Retaining personal information**

Zero Securities Pty Ltd 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 Zero Securities Pty Ltd no longer requires the information for the purpose referred to above.

## 7 Glossary

**Account** means your account with Zero Securities Pty Ltd established under the

**Account Terms**, including all Trading Accounts and all Transactions recorded in them. Account Terms means the terms of your Account with Zero Securities Pty Ltd for all of your Trading Accounts by which you deal in Transactions (as amended from time to time). Variations or additional terms may be notified to you from time to time in accordance with your current Account Terms.

**Account Value** means the current value of your Account which is calculated by Zero Securities Pty Ltd by combining:

- the balance of the cash account;
- the sum of the values of the non-margin positions;
- the unrealised value (positive/negative) of the Open Positions in margin products;
- indicative costs to Close (Transaction Fees, Finance Charges); and
- the values of Transactions not yet booked.

**AML Laws** means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Commonwealth) and any related regulations, rules and instruments.

**ASX** means the securities and other Exchanges operated by ASX Limited.

**AUD** or **A\$** means the lawful currency of the Commonwealth of Australia.

**Balance** means the funds available in a Trading Account that may be used for trading ZS OTC contracts.

**Base Currency** is the first currency quoted when requesting a quote for an ZS OTC contract which can be denominated in another currency, such as an FX ZS OTC contract, for example in the quote AUD/USD the AUD is the Base Currency.

**Bid** means the price which Zero Securities as the buyer is willing to accept i.e. the price at you can currently buy an ZS OTC contract to Close Out (“sell”) your existing ZS OTC contract.

**Basis point or bp** refers to 0.01% of an amount. E.g., 5 bps means 5 basis points or 0.05%(typically of a Contract Value).

**Cash Balance** means the amount of cash which would be paid to you from a Trading Account if requested. There is Cash Balance only if your Margin Cover is a positive amount. The amount of the Cash Balance is the lesser of the cash balance of your Account and the required minimum Margin Cover. If your Margin Cover is not positive, there will be no Cash Balance. The amount is subject to final adjustment by Zero Securities Pty Ltd at any time including immediately after payment of cash to you for any reason whatever, including changes in value or level of Underlying Financial Products, interest rates, currency rates, and unposted (or unreported) but accrued Finance Charges or Transaction Charges.

**CFD** means an over-the-counter derivative contract for difference. An ZS OTC contract which is a CFD is issued by Zero Securities Pty Ltd as principal on the terms set out in the Account Terms and with such other terms as the Client and Zero Securities Pty Ltd agree at or before the time of issuance (such as the price for it).

**Client** refers to the person who has an Account with Zero Securities Pty Ltd.

**Client Mark-up** means the amount (as a percentage), determined by Zero Securities Pty Ltd, applied to the ZS Base Rate to determine the net Finance Charge on long positions or short positions. The Client Mark-up applying to you is notified at the time of opening your Account, and may later be varied on appropriate notice.

**Close Out, Closed Out and Closing Out** in relation to a Transaction means discharging or satisfying the obligations of the Client and Zero Securities Pty Ltd under the transaction and this includes matching up the Transaction with a Transaction of the same kind under which the Client has assumed an offsetting opposite position.

**Closing Date** means the date on which the ZS OTC contract is agreed to be Closed Out, or earlier, if deemed to be Closed Out in accordance with the Account Terms.

**Closing Price** means the value of an ZS OTC contract determined by Zero Securities Pty Ltd on a day. Please see Section 3.13.

**Closing Value** means the value determined by Zero Securities Pty Ltd by multiplying the number of your ZS OTC contracts by the Closing Price of the ZS OTC contract at the Closing Date.

**Contract Size** means the standard volume per 1 Lot expressed either in ounces or number of contracts. An indication of the standard transaction sizes for the ZS OTC contracts is available on the website at [www.ZeroSecurities.com](http://www.ZeroSecurities.com)

**Contract Value** means the face value of the ZS OTC contract, and is calculated by Zero Securities Pty Ltd by multiplying the applicable price (or, if an index, the level) of the ZS OTC contract by the number of ZS OTC contracts.

**Corporations Act** means the Corporations Act 2001 (Commonwealth).

**Current Market Price** is the price which is the midpoint between ZERO Securities' Bid and Offer prices for ZS OTC contracts, which may be a delayed price depending on whether you have subscribed for live pricing.

**Electronic Communications Network** and **ECN** refer to a facility through which an order from a non-institution is placed with an institutional counterparty. Typically, such facilities are used for dealing in financial products which are not Exchange-traded, such as FX, metals, bullion and commodities. There are many variations to the general ECN model but the essence of them is a fast, automatic order placement and pricing within a competitive market.

**Exchange** means the market operated by the ASX, ASX 24 operated by Australian Securities Exchange Limited (ABN 83 000 943 377), the Australian Clearing House operated by ASX Clearing Corporation Limited (ABN 45 087 801 554), or any other exchange or market on

which the relevant Underlying Financial Product trades or, in the case of an index, it relates to.

**Electronic Communication Network Style Foreign Exchange** and **ECN** refer to a model of pricing and execution where an order is placed directly, or virtually directly, via a Hedge Counterparty without any broker intervention. In practice, there are many variations to the general model and brokers always retain the right to filter orders for regulatory or compliance reasons.

**Finance Charge** means a charge payable by you in respect of your Transaction, in accordance with the Account Terms.

**Finance Charge Adjustment** means the amount you pay in respect of your Transaction, in accordance with the Account Terms.

**Finance Credit Adjustment** means the amount you receive in respect of your Transaction, in accordance with the Account Terms.

**Finance Rate** displayed as a swap long percentage or swap short percentage on the website means the interest rate percentage for the cost of funding the Open Position Overnight nominated by Zero Securities Pty Ltd for this defined term from time to time, as notified to you (including through the online trading platform) or posted on its website.

**Zero Securities Pty Ltd** means Zero Securities ABN 61 056 617 862, AFSL 244040.

**ZS Base Rate** means the amount determined by Zero Securities Pty Ltd for this term from time to time. Zero Securities Pty Ltd sources and chooses its rate from many possible providers on any day, so the ZS Base Rate for any particular Client changes from day to day without prior notice. The Client is notified of the Client Mark-up applicable to that Client from time to time. The total rate (Client Mark-up plus ZS Base Rate) is applied to each Client's Trading Account which uses the Metatrader Platform.

**ZS client moneys trust account** means the bank account maintained by Zero Securities Pty Ltd as a trust account under section 981B of the Corporations Act. (It is not part of your Account but any of your moneys in it belong to you.)

**ZS OTC contract** means an over-the-counter contract, issued (when the Client trades on the Metatrader Platform) by Zero Securities Pty Ltd as principal on the terms set out in the Account Terms, subject to any Trading Conditions, and with such other terms as the Client and Zero Securities Pty Ltd agree at or before the time of issuance (such as the price for it). The kinds of OTC contracts available on the Metatrader Platform are described in this PDS (or as later amended or superseded by another PDS).

**ZS Product** means an over-the-counter contract issued by Zero Securities Pty Ltd as principal on the terms set out in the Account Terms, subject to any Trading Conditions, and with such other terms as the Client and Zero Securities Pty Ltd agree at or before the time of issuance (such as the price for it). ZS Product includes the ZS OTC contracts available on the Metatrader Platform as described in this PDS (or as later amended or superseded by another PDS) and other OTC contracts issued by Zero Securities Pty Ltd which are covered by other PDSs.

**FX Transaction** means a transaction to buy or sell a specific quantity of a currency in exchange for a specific quantity of another currency, at an agreed date (same day or in the future), whether or not

it is physically settled or capable of being physically or cash settled, and includes an option for such a transaction.

**Hedge Counterparty** means a person with whom Zero Securities Pty Ltd enters into a hedge contract to hedge Zero Securities Pty Ltd' exposure to ZS OTC contracts.

**Index CFD** means an ZS OTC contract whose Underlying Financial Product is an index comprised of securities of issuers listed on an Exchange, typically an index sponsored or promoted by an Exchange. The S&P™/ ASX 200™ is an example, so a S&P™/ ASX 200™ Index CFD is a CFD whose Underlying Financial Product is the S&P™/ ASX 200™ and the values are



based on the index levels of the S&P™/ ASX 200™. The index sponsor has no involvement in the CFD.

**Initial Margin** means the amount which you are required to pay to Zero Securities Pty Ltd as the initial Margin for any Transaction which you propose to enter into.

**Liquidation Level** means the minimum Margin Cover allowable before there might be automatic Close Out of all or some of your Open Positions.

**Lot** means the unit that represents the volume of a Transaction taking into consideration the Contract Size. It can be represented as a portion of a Lot subject to the minimum lot size, for example (0.1 of a lot) being referred to as a mini Lot or (0.01 of a Lot) being referred to as a micro Lot. For example, 1 Lot in EURUSD equals 100,000 EUR being the Base Currency unit and 0.1 Lot is therefore 10,000 units of Base Currency.

**Maintenance Margin** means the minimum amount of equity that must be available in your account to maintain your open positions and avoid it or them being automatically terminated under the PIO. Maintenance Margin is fixed at 50% of the Initial Margin amounts described above. If your Equity goes below the Maintenance Margin threshold, Zero Securities Pty Ltd is required by law to close-out your positions until your Equity returns to above the Maintenance Margin threshold, or until all of your open positions are closed out, whichever occurs first.

**Margin** means the amount of cash or other assets paid to Zero Securities Pty Ltd and credited to your Account as Margin.

**Margin Cover** means the amount of Margin available for margin trading on your Account. It is calculated by Zero Securities Pty Ltd by subtracting from the Account Value:

- (i) the required Margin;
- (ii) that part of the value of Open Positions which are margin products which is not available to be counted as Margin Cover (usually shown as a percentage of the unrealised value of the margin product) and

(iii) that part of the value of non-margin positions which are non - margin products which is not available to be counted as Margin Cover (usually shown as a percentage of the value of the non - margin product).

**Margin FX** means an ZS OTC contract whose Underlying Financial Product is a currency or currency pair.

**Margin product** means an ZS OTC contract (or other Transaction) which has a required Margin. This could be an ZS OTC contract covered by this PDS or another kind of ZS OTC contract covered by another product disclosure statement.

**Margin trading** refers to any trading in any margin product.

**Metals Contract** means an ZS OTC contract whose Underlying Financial Product is either a metal (including bullion) traded on a market or Exchange or a financial product traded on an Exchange or market by reference to a contract in respect of metal (including bullion).

**Metatrader Platform** means the Meta Trader 4 or Metatrader 5 electronic trading platforms made available by Zero Securities Pty Ltd to enable the Client to trade in ZS OTC contracts. Meta Trader 4 and Meta Trader 5 is provided by MetaQuotes Software Corp, a company located in Nassau, Bahamas.

**Non-margin position** means an Open Position of an ZS OTC contract (or other Transaction) which has no required Margin. This would be a Transaction such as a fully paid exposure to a fully paid share.

**Offer** means the price which Zero Securities Pty Ltd as the seller is willing to accept i.e.: the price at which you can buy the ZS OTC contract.

**Open Position** means, at any time, a Transaction which has not been Closed Out, or settled prior to the time agreed for settlement.

**Order** means any order placed by you to enter into a Transaction.

**OTC contract** means an over-the-counter contract for a financial product, including options and contracts in respect of foreign exchange or metals. OTC contracts are not traded or settled with any Exchange.

**Overnight** means end of a trading day at 21:59 London local time.

**PIO** means the ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986.

**Pip Value & Points** means the smallest increment by which a unit of currency (such as for an FX ZS OTC contract) changes and is quoted depending on the number of decimal places in which the currency is quoted. For example a USDJPY margin FX is quoted with only two decimal places (meaning one Pip Value (or “Point”) = JPY 0.01).

**Platform** means any of the trading platforms provided by Zero Securities Pty Ltd for accessing your Account and placing Orders.

**Retail Client** has the meaning given to it by s 761G of the Corporations Act, and for the purposes of client money includes sophisticated investors within the meaning of s 761GA of the Corporations Act.

**Retail Client Money** is money paid to Zero Securities Pty Ltd by a Retail Client in connection with a CFD.

**Spot** means the theoretical Value Date for a Transaction two Business Days following the day on which the Transaction is entered into.

**Swap Rate** means the rate determined by Zero Securities Pty Ltd for this defined term from time to time, as notified to you (including through the online trading platform). Please see the definition of “ZS Base Rate”.

**Terms Currency** is the second currency quoted in a pair for an ZS OTC contract, for example for the quote AUD/USD, the Terms Currency is the USD.

**Total Equity** or **Equity** means the sum of:

- the balance of the cash account; and
- the unrealised value (positive/negative) of the Open Positions in margin products.

**Trading Account** means a sub-account of your Account with Zero Securities Pty Ltd.

**Trading Conditions** means the operational rules and conditions relating to the Metatrader Platform from time to time. It includes information relating to fees and charges, Margin percentages for each specific margin Product, and the Finance Charge for each specific margin Product (if any), the finance credit account qualification level and other relevant information.

**Transaction** means any of the kinds of ZS OTC contract which are traded under the Account Terms.

**Transaction Fee** means the fee (also called commission) from time to time specified by Zero Securities Pty Ltd to be the amount payable by you to Zero Securities Pty Ltd in respect of each Transaction. The amount of the Transaction Fee is within the ranges set out in this PDS or as later varied in accordance with the Account Terms and this PDS and will be as agreed by Zero Securities Pty Ltd from time to time.

**Transaction Price** means, for margin FX, the exchange rate for the relevant currencies and, for Metals Contracts, it is the price (or for indices, the level) of buying or selling the financial product.

**Underlying Financial Product** means the thing which is used as the basis for the calculations of prices for an ZS OTC contract, such as a share or similar equity financial product, an index, foreign currency pairs, a metals transaction, Exchange-traded units in a fund, an exchange traded fund (ETF) or other similar item (or any combination of one or more of those).

**Value Date** means the theoretical date of delivery if the ZS OTC contract could be settled by physical or deliverable settlement.

**Withdrawable Funds** means the amount of credit balance in a Trading Account available for being used as Margin (to cover adverse movements in the value of your existing positions or towards new positions). There is Withdrawable Funds only if your Margin Cover is a positive amount. The amount of the Withdrawable Funds is the surplus (if any) of the cash balance credited to your Trading Account and unrealised profit and loss over the required minimum Margin Cover. If your Margin Cover is not positive, there will be no Withdrawable Funds. The amount is subject to final adjustment by Zero Securities Pty Ltd at any time including immediately after payment of cash to you for any reason whatever, including changes in value or level of Underlying Financial Products, interest rates, currency rates, and unposted (or unreported) but accrued Finance Charges or Transaction Charges.

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

Level 3, Exchange  
House10 Bridge Street  
Sydney NSW 2000

E [support@zero securities.com.au](mailto:support@zero securities.com.au)  
<http://www.zero securities.com.au/>

AFSL 244040 ABN. 61 056 617 862

*OR*

<http://www.hedgehood.com.au/>

Hedgehood Pty Ltd (ACN: 667 506 970) An Authorised Representative no: 001303318 of  
Zero Securities Pty Ltd (ABN 61 056 617 862, AFSL 244040)