

# FOREIGN EXCHANGE CONTRACTS

## PRODUCT DISCLOSURE STATEMENT



---

Dated 10 August 2017  
Issued by TorFX Pty Ltd  
ABN 27 103 142 829  
AFSL 246838

## Important Information

This Product Disclosure Statement ("PDS") has been prepared and issued by TorFX Pty Ltd ABN 27 103 142 829 AFSL 246838. This PDS has not been lodged with the Australian Securities and Investments Commission ("ASIC") and is not required by the Corporations Act to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS.

Please note that the information contained in this Product Disclosure Statement ("PDS") does not constitute a recommendation, advice or opinion and does not take into account your individual objectives, financial situation, needs or circumstances.

This is an important document and should be read in its entirety. Before entering into a Foreign Exchange Contract, you should obtain independent advice to ensure this is appropriate for your particular financial objectives, needs and circumstances.

We recommend that you also obtain independent taxation and accounting advice in relation to the impact of foreign exchange gains and losses on your particular financial situation. The taxation consequences of Foreign Exchange Contracts can be complex and will differ for each individual's financial circumstances, and your tax adviser should be consulted prior to entering into a Foreign Exchange Contract.

TorFX does not guarantee the investment performance of Foreign Exchange Contracts. Past performance is no indication or guarantee of future performance.

All clients shall be bound by the contents of this PDS, The information in this PDS is current as of 10 August 2017, and may be updated from time to time where that information is not materially adverse to clients. Updated information shall be provided on our website [www.torfx.com.au](http://www.torfx.com.au) . TorFX may issue a supplementary or replacement PDS as a result of certain changes, which shall be available on our website or shall be distributed in electronic form as required.

This PDS does not constitute an offer or invitation in any place outside Australia where or to any person to whom it would be unlawful to make such an offer or invitation. The distribution of this PDS (electronically or otherwise) in any jurisdiction outside Australia may be restricted by law and persons who come into possession of this PDS should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable law. Please note that the foreign exchange products offered in this PDS may not be granted to or taken up by, and the foreign exchange products may not be offered or sold to, any person that is in the United States or that is, or is acting for the account or benefit of, a US person.

If you received this PDS electronically, we can provide a paper copy free of charge upon request. For information regarding our full range of products and services, please read the Financial Services Guide ("FSG") and visit our website. If you have any queries regarding this PDS, please contact us.

---

1	Purpose and Contents of this Product Disclosure Statement (“PDS”) .....	4
2	Name & Contact Details of Issuer/Service Provider .....	4
3	Terms & Conditions .....	5
4	Advice.....	5
5	TorFX Foreign Exchange Summary Table.....	6
6	Foreign Exchange Transactions offered by TorFX.....	7
6.1	Our Service .....	7
6.2	What is a Foreign Exchange contract? .....	8
6.3	Exchange Rates.....	9
6.4	Interbank Rates .....	10
6.5	Comparing Exchange Rates .....	10
6.6	Examples .....	10
7	Using TorFX .....	12
7.1	How to Enter a Transaction.....	12
7.2	Pre Funded Accounts .....	12
7.3	Confirmation of Transactions.....	13
8	Fees and Charges .....	13
8.1	Spread .....	13
8.2	Transaction Fees.....	13
8.3	Third Party Fees and Charges.....	13
9	Benefits of Using TorFX.....	14
10	Significant Risks.....	14
10.1	Opportunity Cost .....	14
10.2	Market Risk.....	15
10.3	Counterparty Risk .....	15
10.4	Client Moneys .....	15
10.5	Foreign Exchange Risk .....	16
10.6	Operational Risk .....	16
10.7	No Cooling Off .....	17
11	Suspending or Closing Accounts/Transactions .....	17
12	Privacy Policy .....	17
13	AML/CTF.....	18
14	Tax Implications .....	18
15	Goods and Services Tax .....	19
16	Disclosure of interest .....	20
17	Dispute Resolution.....	20
18	Glossary of Terms .....	21

# Product Disclosure Statement

## 1 Purpose and Contents of this Product Disclosure Statement (“PDS”)

This PDS is an important legal document setting out information about Foreign Exchange Contracts (FX contracts) which may be entered into between you and TorFX.

This PDS is designed to provide you with important information regarding FX contracts including the following information:

- Who we are
- How you can contact us
- Which products we are authorised to offer or utilise
- Key features/risk/benefits of these products
- Applicable fees and charges for these products
- Any (potential) conflicts of interest we may have; and
- Our internal and external dispute resolution process.

The information in this PDS should assist you to:

- decide if the product meets your needs; and
- compare the product with similar products.

If you intend to apply to use any of the products described in this PDS, please read this PDS in full, then keep it, together with all other documentation which you receive from TorFX in connection with FX contracts, for future reference. If you have any questions or need more information, please contact us.

The purpose of this PDS is to assist you in deciding whether the services offered by TorFX are appropriate for you. It describes the key features of foreign exchange transactions, the benefits, risks and associated fees and charges.

All financial amounts mentioned in this PDS are expressed in Australian dollars unless otherwise stated. Capitalised words used in this PDS have defined meanings which appear in the Glossary at the back of this PDS

## 2 Name & Contact Details of Issuer/Service Provider

TorFX Pty Ltd holds an Australian Financial Services licence Number 246838 and is authorised to provide general financial product advice, deal and make a market in foreign exchange contracts to retail and wholesale clients.

TorFX specializes in providing foreign currency dealing and money transmission services to corporate and individual clients who need to buy/sell currencies or make/receive international payments.

You can contact TorFX by any of the means listed below:

TorFX Pty Ltd  
Suite 202  
25 Elkhorn Avenue  
Surfers Paradise  
QLD  
4217  
Australia

Tel: 1800 507 480

Email: [info@torfx.com.au](mailto:info@torfx.com.au)

Website: [www.torfx.com.au](http://www.torfx.com.au)

### **3 Terms & Conditions**

Information provided to you in the FSG and this PDS is important and is binding on you. Additional legal terms governing our relationship are detailed in our Terms & Conditions. As part of the registration process you are required to agree to the TorFX Terms & Conditions. By registering you have stated that you have read and agree to the Terms & Conditions.

You must complete the application form provided separately to this PDS, and have your account approved by TorFX. TorFX reserves the right to refuse to open an account for any person.

### **4 Advice**

We are obliged to warn you that we will only provide you with general advice, which does not take account of your objectives, financial situation or needs. Therefore, you are required to ensure that you obtain prior advice regarding the suitability of our products and services for your personal financial needs, objectives and circumstances, from a licensed professional.

While TorFX believes the advice and information we provide is accurate and reliable, neither TorFX nor its directors, officers, employees, contractors or associates assume any responsibility for the accuracy and completeness or currency of that advice and information.

## 5 TorFX Foreign Exchange Summary Table

Item	Summary	PDS Section reference
<b>Who is the issuer of this PDS and the products?</b>	All products and services detailed in this PDS are supplied by TorFX Pty Ltd ABN 27 103 142 829 AFSL 246838.	<b>2</b>
<b>What is Foreign Exchange?</b>	A Foreign Exchange contract (“FX contract”) is a transaction that involves a contract for the exchange of one currency for another at an agreed Exchange Rate. An “exchange rate” is the price of one currency in terms of another currency.	<b>6.2</b>
<b>Significant Benefits</b>	<p><i>Exchange rate certainty</i> - locking in a certain exchange rate for the purchase or sale of foreign currency amounts will reduce or eliminate exchange rate uncertainty and provide cash flow certainty.</p> <p><i>Diversity</i> - FX contracts are available for a wide range of currencies.</p> <p><i>Flexibility</i> - FX contracts are flexible and can be tailored to meet your requirements.</p>	<b>9</b>
<b>Significant Risks</b>	<p><i>Volatility</i> - Exchange rates and interest rates can be volatile and move adversely.</p> <p><i>Future benefit</i> – Locking in an Exchange Rate means foregoing any benefit from future favourable movements.</p> <p><i>Counterparty Risk</i> - You are reliant on Tor FX’s ability to meet its obligations under the terms of the FX contract.</p> <p><i>Delays</i> – delays are rare but can be caused by technical or administrative problems experienced by us or by third party intermediaries for reasons entirely beyond our control.</p>	<b>10</b>
<b>What fees and charges are payable in respect of FX contracts?</b>	<p>TorFX does not usually charge any direct fees for a FX contract. TorFX derives a financial benefit by offering a rate to clients which applies a spread. The spread may be considered to be the difference between the Interbank or Wholesale Rate and the rate we quote you.</p> <p>TorFX may charge a small fixed transaction fee, but only on transactions under AUD\$10,000 (or foreign currency equivalent). This is a separate fee, the amount of which is unrelated to the exchange rate. You must factor this fee into the cost of the transaction as well. If you are comparing rates, you should bear in mind that an attractive exchange rate may be offset by a high transaction fee (or vice versa).</p> <p>Although TorFX aims to avoid having additional third party fees deducted from your funds in some cases it is unavoidable. This may result in an amount less than you transferred arriving at the Beneficiary Account. TorFX does not either levy or receive these fees and is constantly looking for ways to enable our customers to avoid them.</p>	<b>8</b>
<b>How do I open a FX account?</b>	Prior to transacting in FX contracts, you must read and understand the FSG, this PDS and the TorFX Terms &	<b>3 &amp; 7</b>

Item	Summary	PDS Section reference
	Conditions (which will be provided to you by TorFX) detailing the applicable terms and conditions. You must complete, sign and return the TorFX Application and have your account approved by TorFX.	
<b>How do I place an FX contract order with Tor FX?</b>	TorFX accepts FX contract instructions electronically online or by email or by telephone. TorFX only allows you to exchange funds that have been cleared to our respective Client Accounts. You need to send us the funds you wish to exchange in advance of being able to execute a transaction	<b>7</b>
<b>How are payments made in and out of your Account?</b>	You may transfer funds to us using your internet or telephone banking or by going to your branch. TorFX only accepts bank transfers.  In no circumstances does TorFX accept cash deposits.	<b>7</b>
<b>What are the tax implications of FX contracts?</b>	Tax implications may arise from any transaction or transfer of funds you enter into with us. The taxation consequences of foreign exchange transactions can be complex and will differ for each individual's financial circumstances. We recommend that you obtain independent taxation and accounting advice in relation to the impact of FX contracts on your particular financial situation.	<b>14</b>
<b>Tor FX's powers to suspend or close your account</b>	TorFX retains the right to suspend or cancel your TorFX Account without prior notification as set out in the Terms & Conditions. We can also refuse to facilitate the execution of any transaction.	<b>11 &amp; 13</b>
<b>Dispute Resolution</b>	TorFX has an internal dispute resolution process in place to resolve any complaints or concerns you may have, as quickly and fairly as possible in the circumstances. You should bring any complaints or concerns you have to our attention by contacting us.	<b>17</b>

## 6 Foreign Exchange Transactions offered by Tor FX

### 6.1 Our Service

TorFX operates an online foreign exchange portal that operates 24 hours a day, Monday to Friday, details of which can be obtained from our website. We facilitate the exchange of one currency for another and the transfer of the purchased currency overseas upon your request to the beneficiary you nominate.

TorFX is not a currency speculation service. It is designed to provide spot foreign exchange and remittance services for clients that need to send funds internationally. In all cases, you must deliver to us the full amount of the funds you are exchanging. We simply transmit money. We do not facilitate any type of margin or leveraged foreign exchange transaction (ie: where you are able to speculate on future exchange rate movements by putting down a deposit and trading a multiple of that deposit). We do not allow you to pay us only the

amount of any loss occasioned by exchange movement and in no circumstances will we pay you any profit realised as the result of an exchange rate movement.

## 6.2 What is a Foreign Exchange contract?

The term foreign exchange contract refers to the simultaneous purchase of one currency and sale of another currency at an agreed exchange rate. Foreign exchange contracts are not exchange traded and are customised to each individual transaction. The characteristics below change for each transaction:

- Currencies exchanged
- Exchange rate
- Amount to be exchanged
- Value date of the transaction

Standard FX contracts or “spot” FX mature on a set value date. With TorFX, as all funds are pre-cleared, the purchased funds are available on your account for immediate transfer to your chosen Beneficiary Account. The value date your funds will arrive at the Beneficiary Account will depend on the type of transfer you request and the standard settlement time for the currency you are sending.

The purpose of a Forward Contract is primarily to achieve certainty and to avoid possible losses attributable to adverse exchange rate movements. A Forward Contract enables future exchange risk to be avoided, although you may still face a loss if you do not settle the Forward Contract on or before the Maturity Date. A Forward Contract may be useful in the following circumstances:

- (a) importing and exporting goods where the invoice is in a foreign currency;
- (b) buying or selling property overseas; or
- (c) repatriating salary or interest payments received overseas.

Forward Contracts are generally used by importers, exporters and investors who seek to lock in exchange rates for a future date in order to protect their foreign currency cash flows. However, they can also be used by individuals migrating or buying property overseas.

### How does an FX contract work?

When you enter into any FX contract, you will be asked to nominate an amount (“**Contract Amount**”) and the two currencies to be exchanged. In every FX contract there are two currencies as follows:

1 fixed unit of a currency = X variable units of another currency.

The fixed currency is called the “base” currency and the variable currency is called the “terms” currency. Together, these are known as the Currency Pair. The currencies involved in any FX contract must be currencies which are acceptable to TorFX.

In addition to the Contract Amount and the two currencies, you will also be asked to specify a date on which the exchange of currency will take place. This date is known as the



“settlement date” and can be any business day on or after the “deal date” (i.e. the date on which you enter into the relevant FX contract with TorFX.)

All Forward Contracts must be settled by delivery of the full amount being transferred on the Maturity Date (also referred to as the Settlement Date). This means that we must be able to sight the cleared funds in our bank account on or before the Maturity Date. When you enter into a transaction with us, we enter into a matching transaction with our own providers. If you do not settle your transaction, we still have to settle ours. In order to cover the risk that you do not settle your transaction, we ask you to pay some of the settlement payment in advance (“Advance Payment”).

The amount of any Advance Payment we request will be a fixed percentage of the value of the transaction and will normally be between 5% and 10% of the value of the transaction, but could be more depending on the duration of the Forward Contract. While the amount of any Advance Payment is at our complete discretion, as a general guide, transactions with a short term settlement date (with a Maturity Date of less than 3 months) will attract a 5% Advance Payment and long dated Forward Contracts (with a Maturity Date of 3-12 months) will incur a 10% Advance Payment. We will usually ask for an Advance Payment when you enter into a transaction, but the fact that we have not done so does not mean that we will not ask for one later if the exchange rate moves unfavourably. Equally, the fact that you have already made an Advance Payment does not mean that we will not ask for one or more additional Advance Payments if the exchange rate continues to move unfavourably.

If we have requested payment of an Advance Payment at any stage of the transaction, you must pay it promptly. We expect to receive the Advance Payment within 48 hours of the request, failing which we reserve the right to Close Out the transaction without notice and ask you to pay the full amount of any loss occasioned by us immediately.

**IMPORTANT:** You should not enter into a Forward Contract if you are unable or unwilling to provide an Advance Payment of between 5% and 10% of the value of the transaction with the possibility of one or more further Advance Payments being requested at any time prior to the Maturity Date. If we ask you to pay an Advance Payment at any time and fail to do so, we may Close Out your Forward Contract without prior notice.

If there is a loss on a transaction that is Closed Out, you will be liable to compensate TorFX immediately upon demand for the full amount of that loss which could exceed the amount of any Advance Payment already held. In no circumstances shall we be liable to pay to you any profit arising from the closing out of a transaction.

### **6.3 Exchange Rates**

An Exchange Rate is the price of one currency expressed in terms of another. For example, if the current Exchange Rate for the Australian Dollar against the US Dollar is AUD/USD .93, this means that one Australian Dollar is equal to 93c US. The Exchange Rate can also be expressed as the reciprocal, so USD/AUD would be one USD is approximately equal to 1.07 AUD dollars. Foreign Exchange Rates are moving constantly and are the largest financial market in the world with trillions traded every day.

The foreign currency market is an over-the-counter (“OTC”) market, which means that there is no official or benchmark exchange rate for foreign currencies. Different service providers

will quote different exchange rates. If you are intending to transfer your money straight away, you will want to obtain the best available exchange rate at that time. This is often a matter of shopping around. We cannot guarantee to offer the best rate available on the day, but we endeavour to be very competitive and will try to match any better rates.

A “spot exchange rate” is the exchange rate which applies to an FX contract with a settlement date that occurs 2 business days after the deal date (“spot date”). FX contracts with a spot exchange rate are commonly referred to as “spot contracts”.

A “forward exchange rate” is quoted for any FX contract settling at any time after the spot date, i.e. FX contracts with a settlement date that is more than 2 business days after the deal date. FX contracts with a forward exchange rate are commonly referred to as “forward contracts”.

## **6.4 Interbank Rates**

The Interbank Rate or Wholesale Rate is the rate at which banks and financial institutions exchange their currencies and is the base for all other exchange rates.

## **6.5 Comparing Exchange Rates**

As foreign exchange is an over the counter product, different providers will be quoting different rates at the same time. You will want the best exchange rate available, so we advise that you shop around. When you are comparing exchange rates offered by different providers, you need to consider both the exchange rate that is quoted and any transaction fees that may be applicable. For example, a good exchange rate may be accompanied by high transaction fees, so you need to take both into account.

## **6.6 Examples**

Please note these examples are purely hypothetical to demonstrate the nature of spot and forex contracts only, and do not reflect current rates applicable to your transaction:

### **Spot FX contract**

A spot contract is an agreement to exchange one currency for another currency for settlement within 2 working days. If you need to send an immediate payment (for example to settle for an item you have purchased in foreign currency) you will generally use a spot contract. Since you have to make the payment urgently your only consideration will be the exchange rate we quote you and any fees charged (we may charge a small fixed fee for transactions below AUD 10,000).

### **Example:**

It is September 1<sup>st</sup> and Mr Smith is purchasing a property in the UK. He needs to pay £100,000 in Sterling (GBP) and currently has Australian Dollars (AUD). He needs his

payment to reach the UK before October 1<sup>st</sup>. The current AUD to GBP exchange rate is trading at 0.5800.

His options are;

- Trade now at today's exchange rate.
- Wait until the payments is due and buy a spot contract then.

Scenario 1: Mr Smith buys a spot contract at 0.5800 which costs him \$172,413.79. By late September the exchange rate is now trading at 0.5400. If he had not taken the spot contract on September 1<sup>st</sup> and had instead waited and traded at 0.5400 he would have paid \$185,185.19 ( $100,000 / 0.54$ ) for the same amount of Sterling, a cost increase of \$12,771.40.

Scenario 2: If however the exchange rate had risen to 0.6200 by late September Mr Smith would have been able to buy the £100,000 for \$161,290.32. This is \$11,123.47 less than it cost him on September 1<sup>st</sup>.

#### **Fees:**

- a) Margin is the main way we make our profit. It is build into the exchange rate we quote you. It is worth comparing our exchange rates with other companies to satisfy yourself that our margin is reasonable. Our margin will vary from deal to deal depending on the currencies you are trading, the volume of currency, market conditions and other factors.
- b) Fees. We may charge a small fixed fee for transactions below \$10,000.

Note: a good exchange rate can be offset by a fee, and vice versa so clients should consider the full cost of the transaction when comparing quotes between different providers.

- c) Third party banks sometimes deduct transactions fees that we cannot anticipate and have no control over. For example some banks make a small charge for receiving currency (your beneficiary bank) and some intermediary banks make a deduction for helping to facilitate your payment. You may find therefore that the amount that you receive is slightly less than the amount we have sent on your behalf. If you are unsure and wish to discuss this please speak to your dealer.

#### **Forward FX contract**

A forward contract is an agreement to buy one currency and sell another currency for settlement at an agreed date in the future, usually within 12 months. An initial deposit is payable upon agreeing the forward contract (usually 10% of the currency you are selling) and the balance is payable prior to the maturity date. Your main considerations when buying a forward contract are;

- the exchange rate you are quoted
- the impact of paying a deposit on your cash flow
- the date by which you will need to make your payment

- the likelihood of the exchange rate deteriorating or improving between now and your required payment date / maturity date.

The main purpose of a forward contract is to lock in an exchange rate for a future payment and therefore eliminate the risk of currency movements making your payment more expensive.

### **Example:**

In the above example Mr Smith could buy a forward contract on September 1<sup>st</sup>, fixing his exchange rate at 0.5800 and avoiding any risk of the exchange rate getting worse. However it is important to note that he would also not benefit from any improvement in the exchange rate in scenario 2.

### **Forward Exchange Rates:**

Forward exchange rates are calculated by reference to the spot exchange rate, with an adjustment reflecting the difference in interest rates between the two currencies, and the time to maturity. This adjustment is known as 'forward points'. If the spot rate is 0.5800 and the forward points for the agreed maturity date are +25 the quote offered will be 0.5825.

## **7 Using TorFX**

### **7.1 How to Enter a Transaction**

Once your TorFX Account has been fully activated you can enter a transaction in one of the following ways;

**Online** – the majority of TorFX transactions are executed via the online portal. You will need to log on using your Username and Password set up at registration. This is the quickest and easiest way to exchange.

**Email** – You can email us instructions to execute a transaction on your behalf. The details of the transaction will be final once we have processed your email. You need to note that emails may not be processed immediately and you acknowledge that you are bound by the details we send you on confirmation of the transaction.

**Telephone** – You can also request a transaction by phone. TorFX will execute the transaction for you and advise the terms via email.

Foreign exchange rates can be booked on the website 24 hours a day 5 days a week. Please check the website for market opening hours.

### **7.2 Pre Funded Accounts**

TorFX only allows you to exchange funds that have been cleared to our respective Client Accounts. You need to send us the funds you wish to exchange in advance of being able to execute a transaction. We will advise you of where to send the funds either by email or via the website. Once your funds are received we send you an email to let you know the funds are available for you to exchange.

As per the terms and conditions you are not paid interest on any balances held in our Client Accounts.

### **7.3 Confirmation of Transactions**

In respect of each FX contract, you will receive a transaction confirmation. You must check the details on the confirmation and if any discrepancies are evident, inform TorFX immediately.

## **8 Fees and Charges**

### **8.1 Spread**

TorFX does not charge any direct fees, except as per below, for a FX contract. TorFX derives a financial benefit by offering a rate to clients which applies a spread. The spread may be considered to be the difference between the Interbank or Wholesale Rate and the rate we quote you. The spread will vary from currency to currency and from time to time. We will not usually be able to tell you what the spread is, but you are always free to compare the exchange rate we quote you with other providers to ensure that we are offering you a good rate.

### **8.2 Transaction Fees**

TorFX may charge a small fixed transaction fee, but only on transactions under AUD\$10,000 (or foreign currency equivalent). This is a separate fee, the amount of which is unrelated to the exchange rate. You must factor this fee into the cost of the transaction as well. If you are comparing rates, you should bear in mind that an attractive exchange rate may be offset by a high transaction fee (or vice versa).

The fee is quoted in the currency you are transferring however you have the option to pay in a different currency, provided you have enough funds available on your account, in that currency. The Transaction Fee is applied when you request your funds to be transferred to your chosen beneficiary, and is deducted from the amount of available funds you have to send.

### **8.3 Third Party Fees and Charges**

Although TorFX aims to avoid having additional third party fees deducted from your funds in some cases it is unavoidable. This may result in an amount less than you transferred arriving

at the Beneficiary Account. TorFX does not levy or receive these fees and will not be liable of payment of such.

**Charges to Deposit to TorFX**– In most currencies TorFX operate local bank accounts so sending your deposit into us is free (or next to free) via your internet or phone banking. Where we do not have local accounts your bank may charge you for depositing funds to our Client Accounts.

**Correspondent Bank Fees** – in some jurisdictions for some currencies financial institutions used as intermediaries may deduct an amount from the funds you are sending. This is beyond our control and we are not aware of who will charge and how much. We have done our best to cut out these charges by holding our bank accounts in the country you are sending funds.

**Receiving Bank Charges** – In some jurisdictions some banks and financial institutions may charge the beneficiary for receiving the transferred funds. We will try and alert you if we are aware but generally we will not know in advance. You should bear this in mind if you are paying the precise amount of an invoice or personal payment.

If you have any questions regarding the likelihood of third party fees being levied by intermediary banks or receiving banks, please contact us.

## **9 Benefits of Using TorFX**

- Secure, convenient way to send your funds internationally.
- Highly competitive exchange rates.
- Low transaction fees.
- Simple execution.
- Access to real time pricing.
- Full transaction records.
- Excellent Customer Service and dedicated staff (no call centres).
- Control over your exchanges.
- Transparency.

## **10 Significant Risks**

In deciding whether or not to enter into an FX contract you should be aware of the risks set out below. However, this section does not purport to disclose all of the risks associated with FX contracts. TorFX recommends that you obtain independent financial, legal and taxation advice before you enter into FX contracts.

### **10.1 Opportunity Cost**

By entering into an FX contract today to set a rate for settlement in the future, you are obliged to deliver under that FX contract even if the exchange rate improves prior to

settlement. You may therefore forego any benefit of a favourable movement in the exchange rate between the time you enter into the FX contract and the settlement date.

## **10.2 Market risk**

Market risk is the risk that the value of your FX position will change as a result of a movement in the underlying market price. If you enter into an FX contract without an underlying currency cash flow you should be aware that you will be exposed to changes in the market price. You will suffer a loss if the underlying foreign exchange rate moves unfavourably.

## **10.3 Counterparty Risk**

When you deposit funds to a TorFX Client Account to prefund your account in order to exchange you are taking the risk that TorFX will be able to fulfil its obligations to you. This is known as Counterparty Risk.

FX contracts are not traded on a regulated exchange. Clients must deal directly with TorFX to open and close positions. Given you are dealing with TorFX as counterparty to every transaction, you will have an exposure to us in relation to each transaction. This is common to all over-the-counter financial market products.

The obligations of TorFX to make payments in respect of the contracts are unsecured obligations of Tor FX, which means that you are subject to our credit risk. If we were to become insolvent, we may be unable to meet our obligations to you. If we default on our obligations, Clients may become unsecured creditors in an administration of liquidation and will not have recourse to any underlying assets in the event of our insolvency.

TorFX may choose to limit this exposure by entering into opposite transactions as principal in the wholesale market in relation to its exposures with clients. In addition, TorFX must comply with the financial requirements imposed under its AFS Licence.

TorFX constantly monitors the credit worthiness of its banking providers seeking to ensure the protection and safety of client funds. We do not speculate on foreign exchange or invest funds for proprietary purposes. All client funds are held in highly liquid banking deposits. If our banking partners experience financial difficulty and can no longer return the funds when requested, TorFX may not be able to meet its obligations to you.

When you send your deposit to TorFX you accept the risk that TorFX can meet our obligations to you at the terms of the transaction.

Counterparty risk is limited as your funds are in most cases, exchanged and transferred to a beneficiary within a short space of time, usually 1-3 business days, depending on your requirements.

## **10.4 Client Moneys**

TorFX holds all client deposits in segregated Client Accounts at highly rated financial institutions. This means that client funds are held separately to our own. Please note that money you deposit into our Client Accounts is co-mingled with other client money in our client trust accounts (which is separate to Tor FX's monies/assets). Such monies are only applied to client trades/settlement obligations and to pay agreed fees etc, in line with the Corporations Act requirements.

Client monies which are held pending future transactions and payments are held in our segregated account in accordance with the Corporations Act. It is important to note that holding your money in one or more segregated accounts may not afford you absolute protection.

TorFX is entitled to retain all interest earned on client moneys held in segregated accounts with a bank or approved deposit-taking institution. The rate of interest earned by TorFX on this account is determined by the provider of the deposit facility.

## **10.5 Foreign Exchange Risk**

Once you have entered into a Spot Contract or a Forward Contract with us, you will have locked in an exchange rate, so your transaction will not be affected by subsequent exchange rate movements; you will be protected from adverse exchange rate movements and, equally, you will be precluded from benefitting from favourable exchange rate movements. However, in deciding whether or not to enter into a Spot Contract or a Forward Contract, you need to appreciate the risk of not doing so.

Foreign exchange currency markets are subject to many influences which may result in rapid currency fluctuations. Those influences are unpredictable and often entirely unforeseen. They include such things as changes in a country's political condition, changes in the global economic climate and natural disasters, all of which may substantially affect the price or availability of a given currency.

## **10.6 Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed technological systems, internal processes or external events.

We employ the latest and most sophisticated technological security measures, and also have in place physical risk reduction processes and procedures. However, there are significant risks associated with using and relying on a web-based, electronic trading platform. Such risks include, but are not limited to, risks related to the use of software and/or telecommunications systems such as software errors and bugs, delays in telecommunications systems, interrupted service, data supply errors, faults or inaccuracies and security breaches.

While we will use all reasonable efforts to ensure uninterrupted access to the website at all times, we cannot guarantee that such access will never be interrupted as a result of technical or other unforeseen problems as these are matters largely outside our control. We therefore reserve the right to suspend or terminate access to the website at any time and



without prior notice and we can't accept any liability for any loss caused by lack of access to our system or for any errors in the software and/or related information systems.

There are important provisions relating to the use of the trading platforms on our website in our Website Use Agreement and in our Client Agreement. **You must ensure that you fully understand these provisions and the risks involved in relying on an on-line, electronic trading system and the limitations in the service that TorFX can provide in relation to the trading platforms.**

There is also the risk that our banking providers may make an error or have unscheduled delays in crediting your funds to our Client Accounts or transferring them to your Beneficiary Account. We chose our partners carefully and are confident that they can provide services to a standard of service as would be expected from our clients. While we constantly monitor our partners there is always the risk associated with payment processing due to system failures or errors.

There are important provisions to which you agree in relation to using our services in the Terms & Conditions agreed on registration.

## **10.7 No Cooling Off**

No cooling off period applies to FX contracts.

## **11 Suspending or Closing Accounts/Transactions**

TorFX retains the right to suspend or cancel your TorFX Account without prior notification as set out in the Terms & Conditions. We can also refuse to facilitate the execution of any transaction or Close Out a transaction without prior notice to you. This may be necessary in circumstances such as;

- Breaching one or more of the Terms & Conditions of use.
- Failure to make a payment due.
- A dispute between us.
- Failure to provide material information, or in our opinion the information is inaccurate or misleading.
- We believe you are involved in unlawful or illegal activities.
- In the event of your death or loss of mental capacity.
- If bankruptcy or winding up proceedings are commenced against you.
- If we are no longer able to supply the services detailed in this PDS.

## **12 Privacy Policy**

Information collected from you at registration or in subsequent communications is used to manage your account, comply with our regulatory obligations and for us to determine your suitability as a client. TorFX ensures that it complies with all applicable privacy laws including the Privacy Act 1988 (Cth). We have in place policies and procedures to ensure we remain compliant.

Full details of our privacy policy are available from our website [www.torfx.com.au](http://www.torfx.com.au).

We will retain information obtained from you only as long as required by our regulatory obligations. This includes information required in order for us to comply with applicable laws and regulations for the prevention of money-laundering and counter-terrorism financing.

The law allows you (subject to permitted exceptions) to access your personal information. You can do this by contacting us using our contact details set out in this PDS.

Where necessary TorFX will correct personal information where that information is found to be inaccurate, incomplete or out of date. We will not charge an individual for reasonable access and correction requests.

### **13 AML/CTF**

By accepting our Terms & Conditions at registration you undertake that activity related to your TorFX Account is in no way associated with unlawful or illegal activity. TorFX is compliant with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth.)* and associated laws. By registering with TorFX you undertake to notify us of anything that may put us in breach of this legislation and associated regulations.

You must supply personal details to us and where necessary documentation to assist us verify your identity. This may also be necessary for additional authorised signatories and directors and beneficial owners of corporate entities. From time to time we may be required to obtain further information to assist with ongoing obligations.

We may be required to provide the relevant authorities with information we have collected from you or any transaction records we hold. We will be unable to notify you of any such requests. We may also be required to suspend or cancel your accounts or delay the processing of transactions or payment requests. If this occurs, we are not liable to you for any consequences or losses whatsoever and you agree to indemnify us if we are found liable to a third party in connection with the freezing or blocking of your account.

### **14 Tax Implications**

Tax implications may arise from any transaction or transfer of funds you enter into with us. Tax rules change from time to time and individual circumstances are different. When determining whether or not this product is suitable for you, you should consider the impact it will have on your own taxation position and seek professional advice on the tax implications it may have for you. We recommend that you seek independent taxation advice before entering into transactions.

You should be aware of the *New Business Tax System (Taxation of Financial Arrangements) Act 2003 (Cth)* (the “**Act**”) that introduced foreign exchange tax rules from 1 July 2003. Broadly, this has a significant impact on the time foreign exchange gains are brought to tax,

foreign exchange gains are claimed as a tax deduction and the measurement of the foreign exchange gains and losses for income tax purposes.

The foreign exchange rules under the Act may apply if you:

- dispose of foreign currency;
- dispose of a right to receive foreign currency;
- cease to have a right or obligation to receive foreign currency; or
- cease to have a right or obligation to pay foreign currency.

The impact of the Act, subject to some exceptions, is generally:

- if you make a gain from a foreign currency arrangement and part of that gain is attributable to a currency exchange rate fluctuation, that part of the gain is included in your assessable income as a foreign exchange realisation gain;
- if you make a loss from a foreign currency arrangement and part of that loss is attributable to a currency exchange rate fluctuation, that part of the loss is deducted from your assessable income as a foreign exchange realisation loss.

## **15 Goods and Services Tax**

No GST should be payable in relation to your FX contracts. This is on the basis that they are considered to be 'financial supplies' under the A New Tax System (Goods and Services Tax) Act 1999. Consequently, they are input taxed and no GST is payable on their supply. However, independent advice should be sought from your accountant or financial adviser confirming this, before acting in reliance thereon.

GST is not payable on any fees or charges associated with your transactions.

## **16 Disclosure of interest**

We do not have any relationships or associations which might influence us in providing you with our services. However, TorFX may share fees and charges with its associates or other third parties or receive remuneration from them with respect to your dealings with us.

In particular, TorFX is a market maker, not a broker, and accordingly will always act as principal for its own benefit in respect of all transactions with you.

## **17 Dispute Resolution**

TorFX has an internal dispute resolution process in place to resolve any complaints or concerns you may have, as quickly and fairly as possible in the circumstances. Any complaints or concerns should be directed to the General Manager (by telephone, facsimile, or letter) at the address and telephone/fax numbers provided in section 2 of this PDS. We will seek to resolve your complaint within 7 days or such further time period that may reasonably be required given the nature of the complaint. We will investigate your complaint, and provide you with our decision, and the reasons on which it is based, in writing.

If you are dissatisfied with the outcome, you have the right to lodge a complaint with the Australian Financial Complaints Authority [contact details below], an approved external dispute resolution scheme, of which TorFX is a member.

Australian Financial Complaints Authority  
GPO BOX 3  
Melbourne VIC 3001  
Telephone: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

You can also complain directly to ASIC via their info line 1300 300 630.

## 18 Glossary of Terms

<b>Advance Payment</b>	Means a part payment of the final amount due on settlement in such sum as TorFX deems necessary to cover its Settlement Risk.
<b>Beneficiary Account</b>	The bank account to which you request your funds be sent.
<b>Client or you</b>	The person or entity that holds an account with TorFX.
<b>Client Account</b>	Segregated accounts held by TorFX that are used to separate client funds from that of TorFX itself.
<b>Close Out</b>	Means cancelling the transaction and selling back the currency we have bought for you when you entered into the transaction.
<b>Currency Pair</b>	The two currencies that are being exchanged in the transaction.
<b>Exchange Rate</b>	Represents the value of one currency in terms of another.
<b>Forward Contract</b>	Means an agreement where one currency is sold or bought against another currency at an agreed exchange rate for settlement on a specified date in the future.
<b>Forward Rate</b>	Means the Spot Rate adjusted to a future date having regard primarily to the interest rates prevailing in the two countries in the Currency Pair.
<b>FX contract</b>	Is a transaction that involves a contract for the exchange of one currency for another at an agreed Exchange Rate.
<b>Interbank or Wholesale Rate</b>	The rates that are quoted for exchanges between large banks and financial institutions.
<b>Maturity Date</b>	Means the agreed Settlement Date which may be brought forward or extended by TorFX at its discretion.
<b>PDS</b>	Product Disclosure Statement
<b>Spot</b>	Refers to a foreign exchange contract that must be settled within 2 days (48 hours), sometimes referred to as T+2.
<b>Settlement Date</b>	Means the date on which the funds that are being exchanged must be received by us.
<b>Settlement Risk</b>	Means the risk we assume that you fail to settle a transaction in accordance with its terms and that a loss will be realised by us as a consequence of exchange rate fluctuations.
<b>Spot</b>	Refers to a foreign exchange contract that must be settled within 2 days (48 hours), sometimes referred to as T+2.
<b>Spot Contract</b>	Means an agreement to exchange one currency for another at an agreed exchange rate within 2 days of the transaction being booked.
<b>Spot Rate</b>	Means the exchange rate for settlement within 2 business days from the date the transaction was booked.
<b>Spread</b>	Means the difference between the exchange rate we pay our provider, which we access through the wholesale foreign exchange market, and the rate that we quote to you.
<b>TorFX Account</b>	Refers to your account opened with TorFX that you access via the website using your username and password.
<b>Transaction Fee</b>	Means a fixed fee charged on smaller transactions to cover administrative costs.
<b>Value Today</b>	Refers to a foreign exchange contract that must be settled on the day it is entered into.