



**Margin Foreign Exchange and Contracts for Difference**

# **PRODUCT DISCLOSURE STATEMENT**

Decode Capital Pty Ltd

ABN: 68 066 066 911

AFSL No: 246796

Date Issued: 03 June 2022

## **1 Introduction**

This Product Disclosure Statement (“PDS”) is dated 03 June 2022. The issuer of this PDS and margin foreign exchange contracts (“Margin FX”) and contracts for difference (“CFD” or “CFDs”) referred to in this PDS is Decode Capital Pty Ltd (“Decode Capital”, “us”, “we” or “our”). The PDS is a document that sets out the significant features of a financial product including its risks, benefits and costs. The purpose of this PDS is to provide you with sufficient information to make an informed decision in relation to Decode Capital’s financial products and services.

The information contained in this 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 financial transaction with us. This document should be read in conjunction with the Client Agreement which sets out our terms of contract.

Decode Capital will amend the PDS in the event that our policies are altered or changed. In the event that any adverse or potentially adverse changes are made to the information contained within the PDS, Decode Capital will post a new PDS on our website. You should keep a copy of the PDS, the Financial Services Guide (FSG), the Target Market Determination (TMD) and any other supplementary or replacement documents provided by Decode Capital for your reference.

This document is Decode Capital’s PDS for Margin FX and CFDs products. This PDS is available on the Internet at [www.decodecapital.com.au](http://www.decodecapital.com.au). To obtain a paper copy free of charge, please contact Decode Capital using the below contact details.

### **1.1 Company Details**

<b>Name:</b>	<b>Decode Capital Pty Ltd</b>
<b>Address</b>	Suite 25.01B, Level 25, International Tower One, 100 Barangaroo Ave, Barangaroo NSW 2000
<b>Telephone:</b>	Within Australia: (02) 8319 2338 International: +61 2 8319 2338
<b>Email:</b>	<a href="mailto:support@decodecapital.com.au">support@decodecapital.com.au</a>
<b>Website:</b>	<a href="http://www.decodecapital.com.au">www.decodecapital.com.au</a>

## 1.2 Purpose of this PDS

This PDS seeks to explain our products in a clear, concise and effective manner. To understand more about Margin FX and CFDs trading, you can refer to our glossary located at the end of this PDS or email us at [support@decodecapital.com.au](mailto:support@decodecapital.com.au) and we can assist you in understanding the terms and concepts involved in derivative trading. The terms “Decode Capital”, “we”, “us” or “our” in this PDS is in reference to Decode Capital Pty Ltd, ACN 066 066 911, AFS License No. 246796 - the issuer of the foreign exchange and derivatives products. The terms “You” or “Client” contained within this PDS refer to you or any other user or prospective user of Decode Capital’s products and services. Before trading in the products referred to in this PDS you should give consideration to your objectives, financial situation and needs.

We recommend that you take all reasonable steps to fully understand the possible outcomes of trades and strategies, and consult independent legal and financial advice in relation to doing business with Decode Capital. You should also be aware of the risks involved and be satisfied that trading in our products is suitable for you in view of your financial circumstances. For information regarding the appropriate target market, class of consumers, key attributes and other information relating to the issuance or distribution of the products, please read our Target Market Determination (“TMD”) document.

As Margin FX and CFDs are high risk and highly leveraged investments, you should only trade in these products if you understand the nature and risks of the trading and can afford losses without

adversely affecting your lifestyle. The risk factors associated with trading CFDs are set out further in section 4.

### 1.2.1 Retail Clients

This PDS is only required to be provided to Retail Clients. If you are a Wholesale Client or a Sophisticated Investor, then providing you with this PDS does not mean that we wish to treat you as a Retail Client.

## 1.3 Jurisdiction

This PDS is distributed by Decode Capital to Australian Clients. The distribution of this PDS outside Australia may be restricted by the laws of places where it is distributed and therefore prospective Clients should seek professional legal advice on local laws and regulatory restrictions regarding this type of investment.

If you are a Foreign Client dealing with Decode Capital, you should note:

- The law governing your dealings with Decode Capital is the law of New South Wales, Australia.
- Money which you deposit with Decode Capital will be regulated by the Australian Client Money Rules (refer to Section 6 for more information)
- Client’s rights against Decode Capital are restricted by our Client Dispute Resolution policies.

Further, it may be illegal to deal or trade Margin FX in your jurisdiction via the internet. If that is the case, you will not be

allowed to make any deposits to Decode Capital. It is your responsibility to comply with the national laws and regulations of your country of domicile.

It should be noted Decode Capital does not provide financial services outside of Australia. The AFS licence and Australian regulations only apply to Financial Services provided to Australian residents. Decode Capital will not open an account for Retail Clients that are not Australian Residents and/or do not have an Australian residential address

## **1.4 Information and Presentations**

Products offered by Decode Capital are done so solely on the basis of the information and representations contained in this PDS. No other information or representation is authorised nor is any person authorised by Decode Capital to provide any information to any Client or to make any representations other than the information and/or representations contained in this PDS and the FSG.

## **1.5 References**

Any references made to an Underlying Entity or Underlying Market to which a Decode Capital product relates are included solely for the purposes of identification. Such references are not to be construed as an endorsement of the CFDs or the Underlying Entity or Underlying Market. All Underlying Entities and Markets do not accept responsibility for any statement in this PDS nor undertake any liability in respect of the CFDs provided by Decode Capital.

Decode Capital does not accept any liability or responsibility for the accuracy or completeness of published public

information about any Underlying Entity, Underlying Reference Instrument, or Underlying Market.

## **1.6 Independent Advice**

Prospective Clients should seek qualified independent financial, legal, taxation and other professional advice concerning Decode Capital's PDS and FSG before conducting business with Decode Capital.

## **1.7 Decode Capital Does Not Give Personal Advice**

Decode Capital provides advice which is general in nature and does not take into account your personal circumstances, financial situation or objectives. Decode Capital will therefore never provide you with a Statement of Advice. We recommend you read this PDS carefully and obtain independent financial, taxation and other professional advice concerning this PDS.

## **1.8 Documents Issued by Decode Capital**

Documents distributed by Decode Capital, including the PDS, FSG, TMD and Client Agreement, contain general information only and do not take into account individual investment objectives, situations, or needs. Decode Capital recommends that you seek qualified independent advice regarding financial, legal, taxation and other issues that may arise regarding trading with Decode Capital.

Information contained in this PDS is subject to change from time to time and may be updated by Decode Capital. Any updated information which is not materially adverse to Clients will be available from [support@decodecapital.com.au](mailto:support@decodecapital.com.au). A paper

copy of the updated information will be available upon request. We may also issue a supplementary or replacement PDS if certain changes are made from time to time.

## 1.9 Examples

The examples utilized in this PDS are provided for educational and illustration purposes only and do not reflect the market. All examples displayed are based on margin requirements and fees disclosed in this PDS. Should you require further information on how trades work, please seek independent financial advice.

The examples use figures which attempt to demonstrate how Decode Capital's Margin FX and CFD products work. The figures are not intended to reflect possible performance of particular Margin FX or CFD products. The examples contained within this PDS do not constitute general or personal financial product advice to any person reading this PDS.

## 1.10 Anti-Money Laundering Legislation

We may require further information from you from time to time to comply with the *Anti-Money Laundering and CounterTerrorism Financing Act 2006* (Cth) ("AML/CTF Act"). By opening an account and transacting with us, you undertake to provide us with all additional information and assistance that we may reasonably require to comply with the AML/CTF Act.

You also warrant that:

- You are not aware and have no reason to suspect that:
  - The moneys used to fund your transactions have been or will be derived from or related to any money laundering or other illegal activities whether prohibited under Australian law, international law or convention or agreement;
  - The proceeds of your investment will be used to finance any illegal activities; and
  - You are not a politically exposed person or organization as the term is used in the Anti-Money Laundering and Counter-Terrorism Rules Instrument 2007 (1).

## 1.11 Warning

The financial products offered by us in this PDS are Over-The-Counter ("OTC") derivatives as defined in the *Corporations Act 2001* (Cth) ("Corporations Act").

You should not invest in Margin FX and CFD products unless you properly understand the nature of margin FX and CFD products, and are comfortable with the attendant risks. Trading in Margin FX and CFD products carries significant risks. You can incur substantial losses in excess of your initial investments. You should obtain financial, legal, taxation and other professional advice prior to entering into a Margin FX and CFD transaction to ensure that it is appropriate for your objectives, needs and circumstances.

## 1.12 Key Features of Margin FX and CFDs

- Contracts are non-deliverable. Contracts either remain open until the position is closed or when the underlying reference instrument expires.
- Contracts are traded off-exchange, between the Client and Decode Capital.
- Contracts are not transferrable; CFDs bought from Decode Capital cannot be sold to another broker, trader, or market maker.
- Contracts broadly replicate the price movement of the underlying instrument. However, prices quoted on Decode Capital's trading platform may differ from the price of the underlying instrument on the open market.
- Contracts offered by Decode Capital are not standardised. The terms of a Margin FX or CFD Contract are individually tailored to the particular requirements of Decode Capital and the client. Contracts may be subject to minimum contract size.
- Because you do not own the underlying instrument itself, you have none of the rights associated with owning the underlying instrument.

## 2. Regulatory Benchmark Disclosure

Benchmarks for OTC Margin FX and CFDs

ASIC Regulatory Guide ("RG") 227 entitled "Over-the-counter contracts for difference: Improving disclosure for retail investors" sets out seven disclosure benchmarks (**Benchmarks**) for issuers of "over the counter" margin FX and CFDs, such as Decode Capital. RG 227 requires such issuers to disclose whether they meet each of the Benchmarks, and if not, why not.

Further information about how Decode Capital does or does not meet each of the Benchmarks is set out below.

### **Benchmark 1: Client qualification**

Description — Benchmark 1 states that a CFD issuer should maintain and apply a written client qualification policy that:

- sets out the minimum qualification criteria that prospective investors will need to demonstrate they meet before the issuer will agree to open a new account on their behalf;
- outlines the processes the issuer has in place to ensure that prospective investors who do not meet the qualification criteria are not able to open an account and trade in CFDs; and
- requires the issuer to keep written records of client assessments.

How Decode Capital meets Benchmark — Please note that we do not provide personal advice regarding the suitability of trading in these products for your personal financial circumstances and objectives.

However, Decode Capital does not accept retail investors unless they are able to satisfactorily answer the questionnaire in our trading account application form which addresses the following criteria:

- Previous trading experience in financial products;
- Understanding of leverage, margins and volatility;
- Understanding of the key features of the product;
- Understanding the trading process and relevant technology;
- Ability to monitor and manage the risks of trading; and
- Understanding that only risk capital should be traded.

You should consider whether Margin FX and CFDs are appropriate investments for you, having regard to your objectives, financial situation and needs. We also recommend that you obtain advice from a licensed financial adviser as to whether Margin FX and CFDs are a suitable investment for you. You may also assess your suitability to trade these products by reading our TMD which sets out the target market for our products. You can find this document on our website.

You should also note that your Decode Capital account is self-directed, and the online platform allows you to enter trades without consulting with Decode Capital representatives.

Trading in Margin FX and CFDs is subject to risks which are discussed throughout this PDS and section 4 in particular.

Decode Capital offers prospective investors a Margin FX and CFDs

demonstration platform which allows investors to trade on a virtual basis before proceeding to open an actual account at [support@decodecapital.com.au](mailto:support@decodecapital.com.au). The demonstration platform substantially replicates the functions of the actual accounts and is offered on a non-obligatory basis.

### **Benchmark 2: Opening collateral**

Description — Benchmark 2 requires a CFD issuer to only accept cash or cash equivalents from investors when opening an account. If credit cards can be used to open accounts, an issuer should accept no more than \$1,000 via credit card to fund the account.

Decode Capital does not meet this benchmark – Decode Capital accepts numerous forms of cash equivalent deposits from clients which include electronic funds transfer and BPay. It currently does not accept credit card payments. Where a credit card facility is used to fund your account, Decode Capital does not impose a limit of \$1,000 on initial credit card deposits. Decode Capital may institute this policy if and when credit card facilities are introduced in recognition of the need to provide clients with flexible options in relation to their funding requirements.

If a client chooses to fund an account with a credit card, the client should be aware of and understand the additional risks associated with credit card deposits, including the risk of double leverage, since

money accessed via credit card represents borrowed funds which will then be used to engage in leveraged trading.

Decode Capital will only act on funds that have cleared, so we recommend that you maintain sufficient Margin in your account at all times to maintain your open positions. No other financial products or real property will be accepted as collateral to open a trading account, although we may accept such as collateral to meet subsequent Margin Calls in special agreed circumstances.

You should be aware that using a credit card as opening collateral exposes you to the risk of double leverage, being the combined effect of using a credit card to fund a leveraged trading account. Your losses can be magnified by the use of credit card.

### **Benchmark 3: Counterparty risk - hedging**

Description — Benchmark 3 requires a CFD issuer to maintain and apply a written policy to manage its exposure to market risk from client positions, which:

- includes the factors it takes into account when determining if hedging counterparties are of sufficient financial standing; and
- sets out the names of those hedging counterparties (as they stand from time to time).

How Decode Capital meets Benchmark — Decode Capital maintains and applies a written policy to manage our exposure to market risk from client positions. This includes strict risk management controls to

monitor and manage (hedge) our trading exposures on an intraday basis, and includes a process for assessing our hedging counterparty or counterparties (both present and future) (to ensure they are of sufficient financial standing, are licensed by a comparable regulator, and are of sound reputation). A summary of our policy is available on request.

You should note that the hedging arrangements do not eliminate your counterparty risk in respect of Decode Capital entirely. See Section 4 for more information on counterparty risk.

### **Benchmark 4: Counterparty risk – financial resources**

Description — Benchmark 4 requires a CFD issuer to maintain and apply a written policy to maintain adequate financial resources, which details how the issuer:

- monitors its compliance with its Australian Financial Services Licence (AFSL) financial requirements; and
- conducts stress testing to ensure it holds sufficient liquid funds to withstand significant adverse market movements.

How Decode Capital meets Benchmark — Decode Capital has a written policy to maintain adequate financial resources that includes information as to how it monitors compliance with the financial requirements under its AFSL and conducts stress testing to ensure that it maintains sufficient assets to withstand significant adverse market movements.



Please note that we have processes in place to ensure we monitor our compliance with our licence conditions and ASIC RG 166 (financial) obligations, as well as obtain a review and input from our independent external legal and accounting advisers. Furthermore, our external independent auditor conducts an audit at the conclusion of every financial year, a copy of which can be provided to you upon written request.

### **Benchmark 5: Client money**

Description — Benchmark 5 requires a CFD issuer to maintain and apply a clear policy on its use of client money, including whether it uses money deposited by one investor to meet the margin or settlement requirements of another.

How Decode Capital meets Benchmark — Decode Capital maintains and applies a clear policy with regard to the use of client money. Decode Capital keeps client money in segregated accounts with an ADI. Decode Capital's Client Money Policy can be obtained by contacting us.

We do not use Client Money for the purpose of meeting obligations incurred by us when hedging with our counterparties. Any obligations incurred by us in connection with such transactions are funded by us with our own money. Client Money can only be used or withdrawn in circumstances that are authorised by the Australian Client Money Rules, for example, to make a payment in accordance with the client's written direction.

We may invest any of your money held in any segregated trust account in the kinds of investments as permitted by the Australian

Client Money Rules and you irrevocably and unconditionally authorise us to undertake any such investment. We are solely entitled to any interest or earnings derived from your moneys being deposited in a segregated trust account or invested by us in accordance with the Australian Client Money Rules with such interest or earnings being payable to us from the relevant segregated trust account or investment account, as the case requires and when we determine.

It is important to note that holding your money in one or more segregated accounts may not afford you absolute protection. See the "Client Money" section in section 6 of this PDS for detailed information on Decode Capital's policies in respect of client money.

### **Benchmark 6: Suspended or halted underlying assets**

Description — Benchmark 6 provides that a CFD issuer should not allow new CFD positions to be opened when there is a trading halt over the underlying asset, or trading in the underlying asset has otherwise been suspended, in accordance with the rules of the relevant market Exchange.

How Decode Capital meets Benchmark — Decode Capital offers Margin FX and CFDs over gold and silver. These products are not subject to "trading halts" in the same way as, for example, securities of entities listed on the Australian Securities Exchange. Therefore, Decode Capital does not anticipate that trading in the underlying currencies and commodities for Margin FX and CFDs will be

suspended in ordinary circumstances. If for some reason trading was halted in a relevant currency or commodity, Decode Capital would not permit clients to open new positions in Margin FX or CFDs over that currency or commodity.

For our futures, commodities and Index CFD products, we will halt client trading and the use of client money in an asset or derivative when a trading halt exists for the underlying asset, or trading in the underlying asset has been suspended through an exchange or otherwise.

If trading is suspended or halted in respect of an underlying asset where a client has taken a long position in respect of that underlying asset, Decode Capital has the discretion to change the margin requirement on the position, re-price the position, and/or close out the position (if possible). Such discretionary action could have a negative effect on the value of your account and could require the deposit of additional funds and/or result in the liquidation of other open positions in the client account. If and when your Margin Level falls below 50% however, Decode Capital will, without further notice, Close Out your open positions until your equity is more than 50% of the margin requirements, or until you have no more open CFDs.

### **Benchmark 7: Margin calls**

Description — Benchmark 7 requires a CFD issuer to maintain and apply a written policy about its margining practices, which details:

- how the issuer will monitor client accounts, to ensure that it receives early notice of accounts likely to enter into margin call;

- what rights the issuer may exercise in relation to client accounts, including the right to make a margin call or close CFD positions; and
- when the issuer will exercise these rights, and what factors it will take into account in deciding whether to do so.

How Decode Capital meets Benchmark — Decode Capital has a written margining policy addressing these matters. An explanation of Decode Capital's margin policy is set forth in section 2 of this PDS.

Decode Capital takes reasonable steps to notify clients of margin calls by issuing a Margin Call Warning when the equity value of the account becomes equal to or less than 100% of the margin in use. The Margin Call Warning appears on the client's platform via a feature embedded in the trading platform which highlights the bottom account summary bar in the trade terminal window bright red. Please note: in a quickly moving market, or in the case of a weekend gap or trading suspension or halt, there may be little time between a Margin Call Warning and an actual margin call, or there may not be sufficient time to provide a Margin Call Warning at all. If a client's margin level falls below 50%, Decode Capital will automatically start closing orders as required by the ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986.

# PRODUCT DISCLOSURE STATEMENT

## PDS Summary

This summary outlines some key questions that are explained in this PDS. However, you should ensure that you read and understand this PDS in its entirety before investing in Margin FX.

Issue information,	Summary	For more see:
Who is the Issuer of this PDS?	The issuer of this PDS is Decode Capital Pty Ltd ACN 066 066 911, ("Decode Capital", "us", "we" and "our"), an Australian financial services company that is authorised to provide financial services in foreign exchange products and derivatives to retail and wholesale clients. Decode Capital, via its AFS Licence No. 246796, is authorised to conduct financial services business in Australia to deal in, make a market in, and provide general financial product advice in respect of foreign exchange contracts and derivatives.	Important Information and Disclaimer
What is a Margin FX and/or CFD?	A Margin FX, CFD and/or derivative is essentially a contract under which the parties agree to exchange, upon the closing or settlement of the contract, the cash difference between the opening price and the closing price of an underlying currency, metal, energy, or equity. The Margin FX and CFDs we offer are over the counter (OTC) financial products that give the holder exposure to an Underlying Instrument. Margin FX and CFDs allow investors to participate in the returns from movements in an Underlying Instrument, without the need to physically own it.	Section 1
What are the prices involved with Margin FX and CFDs?	Decode Capital receives live buy and sell price quote feeds from its liquidity provider. From these feeds, Decode Capital adds a small markup to the spread. These marked-up buy and sell quotes are then streamed to the client's MT4 Trading Platform.	Section 2
What fees and charges may be payable?	Decode Capital incorporates a small mark-up in the bid/ask spread offered to clients as the price at which they can buy or sell a currency pair or metal. You may also be charged a rollover fee, administration charges, conversion fees and wire fees. Decode Capital may also pay commissions or rebates to an Introducing Broker who introduces you to Decode Capital.	Section 5
What are the risks involved in trading Margin FX and CFDs?	As with all leveraged investments, trading in Margin FX or CFDs is risky and is not appropriate for everyone. There are a number of types of risk that you should be aware of before beginning to trade, including the possibility of losing more money than you invest. Some of these types of risk include: <ul style="list-style-type: none"><li>• Market Risk;</li><li>• Prices/Rates;</li><li>• Regulatory Risk;</li><li>• Counterparty Risk;</li><li>• Leverage Risk;</li><li>• Systems Risk;</li><li>• Execution Risk.</li></ul>	Section 4

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What are the benefits of investing in Margin FX and CFDs with Decode Capital?	Benefits of investing in Margin FX or CFDs with Decode Capital include low spreads, fast execution and flexible contract sizes.	Section 3
What is the Margin Policy?	Margin is the amount of money that must be maintained in your account to ensure that you have enough funds to cover against losses on all of your open contracts at any one time. Per Decode Capital's policies, clients must maintain at least 100% of the total initial margin requirements pertaining to the ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986 for all open positions.	Section 2
How do I open an account with Decode Capital?	Prior to opening an account with Decode Capital you should ensure that you have read this PDS, FSG, and the Decode Capital Client Agreement and understand the products offered through this PDS. After doing this, if you are satisfied that trading in Margin FX and/or CFDs is appropriate for you, you can open an account by completing the application form available via our website.	Section 1
How do I trade with Decode Capital?	You may trade with Decode Capital through Decode Capital's licensed electronic trading platform known as MetaTrader 4 ("MT4") or by calling Decode Capital via any of the telephone numbers listed in this document.	Section 1
How can I contact Decode Capital?	You can you contact us: <ul style="list-style-type: none"><li>• by telephone at (02) 8319 2338, 24 hours a day while the FX market is open;</li><li>• by email at <a href="mailto:support@decodecapital.com.au">support@decodecapital.com.au</a>;</li><li>• by mail at Suite 25.01B, Level 25, International Tower One, 100 Barangaroo Ave, Barangaroo NSW 2000</li><li>• and through our website at <a href="http://www.decodecapital.com.au">www.decodecapital.com.au</a></li></ul>	Important Information and Disclaimer

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### Section 1: About Margin FX and CFDs

The Margin FX and CFD contracts mentioned in this PDS are issued by Decode Capital Pty Ltd. Decode Capital offers Margin FX and CFD contracts based on the following underlying reference instruments:

- Margin Foreign Exchange Contracts;
- Precious Metals CFDs;
- Index CFDs;
- Commodity CFDs.

### What is Margin Foreign Exchange Contract?

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A Margin Foreign Exchange Contract (“Margin FX”) is an agreement under which you may make a profit or incur a loss arising from fluctuations in the price of the contract.

The price of our Margin FX is based on the price of an underlying currency. However, you do not own that underlying currency or trade it on an exchange by owning a Margin Contract. As such, Margin FX products do not result in the physical delivery of the currency but are cash adjusted or closed by the Client taking an offsetting opposite position **i.e. there is not a physical exchange of one currency for another**. Margin FX products are derivatives, not foreign exchange contracts. Positions will always be closed, and the client’s account will be either credited or debited according to the profit or loss of the trade.

By entering into a Margin FX with Decode Capital, the Client is either entitled to be paid or required to pay an amount of money based on the price fluctuations of the Margin FX. The amount of profit or loss made on a Margin FX trade will be the net of:

- The difference between the price of the Margin FX when the position is opened and the price of the Margin FX when the position is closed; and
- Any Rollover Charges and Rollover Benefits relating to the Margin FX.

See section 2, with regard to understanding realised versus unrealised profits and losses from transacting).

### What is a CFD?

A contract for difference, or CFD, is an agreement which allows Clients to make a profit or loss from fluctuations in the price of an underlying reference instrument, such as a commodity or index. CFD traders must remember that they do not own the underlying reference instrument or trade it on an exchange by owning a CFD contract.

By entering into a CFD with Decode Capital, the Client is either entitled to be paid or required to pay an amount of money based on the price fluctuations of the CFD. The amount of profit or loss made on a CFD trade will be the net of:

- The difference between the price of the CFD when the position is opened and the price of the CFD when the position is closed;
- Any adjustments made in respect of the CFD; and
- Any Rollover Charges and Rollover Benefits relating to the CFD

See section 2, with regard to understanding realised versus unrealised profits and losses from transacting.

### Over the Counter Trading

Trading Decode Capital products is done “over-the-counter” (OTC), meaning that you do not trade in a Decode Capital Margin FX or CFD through an exchange or market. Instead, the transaction is conducted solely between the Client and Decode Capital, which is the CFD provider.

## **Charges**

The common fees and charges when dealing in Margin FX or CFDs with Decode Capital may include any or all of the following:

- Rebates on executed trades paid to introducing brokers (rebates are generally paid out of Company's funds and not client trades, payment of rebate will not affect individual client spreads);
- Margin adjustments;
- Rollover Charges calculated at Decode Capital's Rollover Rates
- Overnight Financing Charges;
- Exchange fees; or
- Administration charges.

In addition, Decode Capital will apply a bid/ask spread in respect of its CFDs, which will also affect the profits or losses you make when dealing in CFDs.

## **What trading platform is offered by Decode Capital?**

Decode Capital provides trading services to its clients via the MetaTrader 4 ("MT4") Trading Platform. Decode Capital has a license from MetaQuotes enabling us to provide the MT4 Trading Platform to our clients.

## **How do I commence trading Margin FX and CFDs with Decode Capital?**

In order to trade Margin FX and CFDs with Decode Capital you must open an account. Before starting the account opening process, you must read:

- The Client Agreement;
- Target Market Determination;
- This PDS; and
- Our FSG.

The documents are available on Decode Capital's website or can be obtained by contacting us.

After reviewing these documents, you must complete an application form and be approved by us. Once approved, you will have an account and can commence trading Margin FX and CFDs, after funding your account.

The Application Form requires you to disclose personal information. You should refer to

the Privacy Policy later in this document which explains how Decode Capital collects personal information and then maintains, uses, and discloses that information.

### **What is the Client Agreement?**

The Client Agreement governs the contractual relationship between Decode Capital and the client (including but not limited to the consequences of events of default). The Client Agreement sets out the basis on which transactions will take place and the obligations of both Decode Capital and the client when accessing and trading on the MT4 Trading Platform.

However, entering into the Client Agreement does not itself constitute a trade or in any way oblige you to enter into future transactions. This is always your decision. You must confirm via the application process that you accept the Client Agreement before you can enter into transactions with us. Decode Capital's Client Agreement is incorporated by reference to this PDS and is available on our website at [www.decodecapital.com.au](http://www.decodecapital.com.au). A paper copy is available free of charge on request by contacting us.

### **Suspension and market disruption**

The nature of Underlying Entities and Margin Contract offered by us may not be constant. It could be affected by changes in market conditions or its own conditions. These include:

- (i) a monetary union resulting from an arrangement where several countries have agreed to share a single currency amongst themselves (e.g. EURO);
- (ii) a change in Underlying Entities or Underlying Market that may result in Decode Capital unable to hold, purchase or borrow any relevant underlying securities or our ability to hold, purchase or borrow such securities becomes, in our reasonable opinion and at any time, materially impaired or restricted for whatever reason;
- (iii) trading in any relevant Underlying Entity on any exchange is limited or suspended so as to restrict trading of any relevant Underlying Entity.

As a result of these changes, we may no longer be able to perform our obligations under the Margin Contract on the same economic basis as that Underlying Entity or Underlying Market that the terms of the Contract were originally entered into. In considering the circumstances, prevailing market conditions and the effects of the change on the Underlying Entity or Underlying Market, we may, at our discretion, determine and undertake the necessary actions including the following: a) closing the relevant position;

- b) informing you by notice of an amendment to the Initial Margin requirement with respect to the relevant position;
- c) reserving the right to pass on to you any additional stock borrowing costs incurred by us during exceptional market conditions, as reasonably determined by us and notified in advance to you;

- d) determining and making the appropriate adjustment, if any, to the Contract Price and/or the relevant Contract quantity as we will reasonably consider appropriate to account for the diluting or concentrative effect of the adjustment, or otherwise necessary, to preserve the economic equivalent of the rights and obligations of the parties under the relevant contracts.

## **Section 2: Trading Margin FX and CFDs with Decode Capital**

### **What account types are offered by Decode Capital?**

#### **Decode Capital Normal (trading) Account**

Decode Capital provides an online trading platform with a variety of products like Margin FX, gold, silver and crude oil CFDs.

#### **Decode Capital Trading Account Features (under normal market conditions)☞**

- Allow all the trading strategies.
- Compatible with all kinds of Experts Advisors (EA).
- 45 pairs of Forex and CFD including metal.
- Virtual server ensures your safety in trading.
- STP with market price offered via reputable counterparties, and quick execution within 0.01 seconds.
- Analysis and news about foreign exchange market updated every day.
- 24 hours online customer service support.



**PRODUCT DISCLOSURE STATEMENT**

**Decode Capital Account**

Decode Capital account is based on DECODE MT4 trading platform, provided for clients or professional traders who prefer low cost trading. The price is accurate to 5 decimal places.

Details	Decode Capital account details
Trading platform:	MetaTrader 4
Spreading:	Floating
Trading products:	Margin FX, CFDs, etc.,
The fifth decimal point:	Yes
Execution:	Market Price
Minimum volume:	0.01 lot
Minimum adding position:	0.01
Maximum volume:	50 lots for FOREX and 10 lots for Commodities
Margin rate of automatically closing the position:	50%
Mobile trading:	YES
Type of currency in account:	AUD, USD
Swap:	Yes

## **How do I open and close a Margin FX or CFD position?**

### Opening a Margin FX

A position is opened by either buying or selling a Margin FX or CFD.

- Buying: In general, most traders will buy to open a “long” position if they expect an instrument to rise in value.
- Selling: In general, most traders will sell to open a “short” position if they expect an instrument to fall in value.

Please note that the examples provided in this PDS are only provided for illustrative purposes only and do not necessarily reflect current or future market or product movements, the values that Decode Capital will apply to a trade, nor how such trades impact your personal circumstances. The figures used in the examples do not necessarily reflect your personal circumstances and do not restrict in any manner the way in which Decode Capital may exercise its powers or discretions. Those examples do not constitute general or personal financial product advice to any person reading this PDS.

### FX Example:

If the current exchange rate for the Euro against the US dollar is quoted to be EURUSD 1.0980, this means that one Euro is equal to 1.0980 US dollars (i.e. \$1.098 US dollars).

A foreign exchange quote: e.g. EURUSD 1.0980/82 represents the Bid/Offer spread (in this case for EURUSD). This quote means that you can:

- Buy Euros at 1.0982 against the US dollar; and/or
- Sell Euros at 1.0980 against the US dollar

### CFD Example:

If the current price of Gold against the US dollar is quoted to be XAUUSD 1090.25, this means that 1 oz. of gold is equal to US\$1090.25. A gold quote: e.g. XAUUSD 1090.25/1090.75 represents the Bid/Offer spread (in this case for XAUUSD). This quote means that you can:

- Buy Gold at \$1090.75 per ounce against the US dollar; and/or
- Sell Gold at \$1090.25 per ounce against the US dollar

### **Closing a Margin FX or CFD:**

You close a Margin FX or CFD by right clicking on the position and selecting “Close Order” within the MT4 Trading Platform and then confirming the close by clicking "Close" in the order window.

### **How is the price of Margin FX and CFDs determined?**

Decode Capital receives live buy and sell price quote feeds from its liquidity provider and counterparty such as IS Prime Limited. From these feeds, Decode Capital adds a small mark-up to the spread, which represents the price at which you can buy or sell the applicable currency pair or CFD. This mark-up represents a fee payable to us (refer to the paragraph headed ‘Spread’ in section 5 for further information). Prices displayed on our trading platform, usually executable, represent the spot price and therefore may be constantly changing as prices from our liquidity providers fluctuate.

### **What margin requirements apply?**

Margin refers to the minimum amount that you must have in your account to enter into a Margin FX or CFD with Decode Capital. Decode Capital requires its clients to have sufficient margin in their account to cover any losses which they might incur. Minimum margin requirements are subject to the ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986. Once your Margin Level falls below 50%, Decode Capital will, without further notice, Close Out

the open Transaction with the largest unrealised loss first and continue Closing Out open Transactions with the next highest unrealised loss until there is sufficient Equity in your Account to meet the Margin obligations of the remaining open Transactions. We will be required to continue closing your CFD positions until your Equity is more than 50% of the margin requirements, or until you have no more open CFDs.

Trading in CFDs involves the risk of losing your initial investment.

It is important to note that Decode Capital is under no obligation to send you a Margin Call. A Decode Capital account will receive a Margin Call Warning when the equity value of the account becomes equal to or less than 100% of the margin in use (i.e. the margin required to initiate all open positions). A Margin Call Warning is intended to be a signal to clients that if positions are not manually closed, or if funds are not added to the account, the clients will be in risk of having open positions automatically liquidated (i.e. a Margin Call Liquidation).

Additionally, a client who receives a Margin Call Warning will not be able to initiate new positions until the equity value of their account exceeds the threshold as determined from time to time of the margin in use. Decode Capital’s trading platform issues Margin Call Warnings via a feature embedded in the trading platform which highlights the bottom account summary bar in the trade terminal window bright red. If a client receives a Margin Call Warning from their trading platform, Decode Capital suggests that the client proactively manage their account to avoid

the automatic closing of the positions in their account (i.e. a Margin Call Liquidation).

**Decode Capital executes Margin Call Liquidations, in an effort to protect both the company and the client, if the client's account equity value falls to the level of 100% of the margin in use. You are responsible for monitoring your account to ensure you are not at risk of a Margin Call Warning or Margin Call Liquidation. Once your Margin Level falls to or below 50% however, Decode Capital will, without further notice, Close Out your open positions until your equity is more than 50% of the margin requirements, or until you have no more open CFDs.**

Please note: in a fast moving market, or in the case of a market gap, there may be little time between warnings, or there may not be sufficient time to warn you at all.

When faced with a potential Margin Call Warning or Margin Close Out, Decode Capital suggests that you take proactive measures to manage your account. For example:

- monitor the status of your account continuously;
- if necessary, close individual positions to reduce the amount of margin required;
- if necessary, transfer additional funds into your account. Note however that delays in fund transfers could cause the funds to arrive too late.

This section provides you with some trading examples of Margin FX and other related calculations. These have been

provided for illustration purposes only. Please ensure that you understand how the trades work and the calculations associated with taking different positions for different derivative products. Should you require any assistance, or are unsure about how figures are calculated for any of the products, please contact our customer service team, or use our Demo Account for practice.

### **Margin FX Example:**

Client ABC has a standard account which currently has a balance of \$8,000 and is trading on 30:1 leverage. To open a 1 lot trade in the USDJPY currency pair (1lot = \$100,000) the client needs to post margin of \$3,333.33. At the time of opening the trade, the client would have an approximate equity value of \$8,000, of which \$3,333.33 would be considered used margin and \$4,666.67 would be considered free margin or available margin. If the position subsequently moved against the client in the amount of \$1,750, the client's new equity value would be \$6,250, of which \$3,333.33 would be considered used margin and \$2,916.67 would be considered free margin or available margin.

At this time, the Client will not receive any margin call because his margin level is still more than 100%. However, if USDJPY continues to drop further and the margin level goes below 100% then, in accordance with Decode Capital's margin policy, the client would receive a Margin Call Warning because their account's equity value would be equal to or lesser than 100% of the required margin. If the client's position moved against them again, this time in the amount of an

additional \$3,000, the client's equity will be at \$3,250 (8,000 – 1750 – 3000). The margin level has fallen to 97.50%. The client would receive a Margin Call.

Once the client's equity balance falls to \$1,666.67, his margin level will have fallen to 50% (1,666.67/3,333). Their position would automatically be closed, leaving them with an equity value of \$1,666.67, less any overnight swap charges, and no open positions.

**Clients are warned not to rely solely on us issuing a Margin Call notification. It is your obligation to monitor Margin Requirements and to ensure you maintain sufficient Free Equity to meet any potential adverse movement. We do not guarantee that Margin Calls will be received or that sufficient time will be available to forward monies to avoid suffering losses.**

**CFD Margin Example:**

Client XYZ has a standard account which currently has a balance of \$10,000 and is trading on 20:1 leverage. To buy 1 standard lot trade in XAUUSD (1 lot = 100 oz.), quoted at 1,090.25/1090.75, the client needs to post margin of \$5,453.75 (1,090.75 x 100 ÷ 20). At the time of opening the trade, the client would have an approximate equity value of \$10,000, of which \$5,453.75 would be considered used margin and \$4,546.25 would be considered free margin or available margin. If the position subsequently moved against the client in the amount of \$1,750.00, the client's new equity value would be \$3,171.25 resulting the client's margin level at 58%.

At this time, in accordance with Decode Capital's margin policy, the client would receive a Margin Call Warning because their account's equity value would be equal to or lesser than 100% of the required margin. In this situation, the client is very close to the close out level of 50%. If we do not receive any margin payment and the market keeps moving against the client, the client will risk his/her position and the position will be closed automatically.

**What are pips?**

Pips in Margin FX:

In Margin FX trading, price movements are measured in pips, as opposed to ticks which are used to measure price movements in many other financial instruments.

For all currency pairs except those for which JPY is the counter-currency (second currency), the place value of a pip is the fourth digit to the right of the decimal point. For currency pairs with JPY as the countercurrency, the place value of a pip is the second digit to the right of the decimal point.

Pip Example: (xxx/JPY): A movement in the price of CHFJPY from 95.24 to 95.25 would be a change of 1 pip.

Pip Example (all other pairs): A movement in the price of EURUSD from 1.1245 to 1.1246 would be a change of 1 pip.

Pips in CFDs:

Gold (XAU/USD) and Silver (XAG/USD)

## PRODUCT DISCLOSURE STATEMENT

- The place value of a pip for Gold and Silver is the second digit to the right of the decimal point. Since Gold and Silver are quoted in US dollars and cents per 1 oz., this means that 1 pip represents \$0.01 US dollars. However, it is important to remember that 1 pip represents \$0.01 US dollars only for a 1 oz. trade size (which is the size in which both Gold and Silver are quoted).

Pip values are different depending on your trade size. Please see the following table for a representation of pip values for 1 standard lot and 1 mini lot trades of both Gold and Silver.

### Gold

1 Standard Lot

100 oz.

1 pip = \$1 US dollars

Example: 1220.25 to 1220.26 or 1220.25 to 1220.24

1 Mini Lot

10 oz.

1 pip = \$0.1 US dollars

1 Micro Lot

1 oz.

1 pip = \$0.01 US dollars

### Silver

1 Standard Lot

5000 oz.

1 pip = \$5 US dollars

Example: 25.830 to 25.831 or 25.830 to 25.829

1 Mini Lot

500 oz.

1 pip = \$0.5 US dollars

1 Micro Lot

50 oz.

1 pip = \$0.05 US dollars

## What are position rollovers?

Decode Capital will automatically rollover all open positions (Margin FX and CFDs) in your account to the following business day unless you close your position(s) prior to 16:59 New York Time. Decode Capital will charge you a fee in respect of each such position that is rolled over. Refer to the 'Rollover' heading in section 5 for further information about rollover fees.

## Phone Dealing

Phone trading is usually not available unless for emergency scenarios. In such circumstances, to place a trade over the phone, clients should contact Decode Capital during market open hours with their account information available for verification.

## 24 Hour Trading Support

Decode Capital provides client support via phone or live chat 24 hours a day during market hours.

## Order Types

### Stop Loss

A Stop-loss order is an order placed to limit the loss on an open position, and can be used for both Margin FX and CFDs. Stoploss orders must be placed a minimum distance from Decode Capital's current bid and offer prices. The minimum distance for a stop loss order for each will be advised to you upon request.

A stop order can be seen as a “resting” market order. In case of a sell stop order, the order will become a market order when our bid price reaches the stop loss price. The stop order will then be converted into a market order. In case of a buy stop order, the order will become a market order when our ask price reaches the stop loss price. The process of the fill will be precisely as described under the order type.

A stop-loss order can be placed on the online trading platform. Two forms of stoploss order are available currently, namely, a stop-loss order at a set price; and a trailing stop-loss order which enables you to link a stop-order at a set distance to the market. As the market moves away from the stop order’s strike price, the strike price will be adjusted in the steps defined when the order was placed. In case the market moves towards the stop order’s strike price, the order will remain at the initial level with the initial strike price.

For example, if you want to protect a long position in AUD/USD that you bought at 0.7020, you can place a trailing stop to sell at 0.7005, with a distance to market of 14 pips and a step of 1 pip. Then if AUD/USD moved to 0.7030, the stoploss price of the stop-order will be adjusted to 0.7016. If AUD/USD moves to 0.7040, the stoploss price will be adjusted to 0.7026 and so forth. When the price in AUD/USD moves down to 0.7026, your stop order will be triggered and routed as a market order.

Stop-loss orders placed on index CFDs will be filled if our bid price is equal to or below the price at which you have placed your stop loss order, in case of a sell stop order. If it is a buy stop order, the order will become a market order when our ask

price reaches the stop loss price, subject to there being sufficient liquidity in the underlying security. Your stop loss orders may be filled at prices below those at which you have placed your stop loss order.

Decode Capital will execute a Stop-loss order once either of the following conditions are met:

- Decode Capital’s offer price has reached the order price in the case of a buy order; or
- Decode Capital’s bid price has reached the order price in the case of a sell order.

Note that Stop-Loss Orders may not be executed at all, and the execution of the Stop-Loss Order is subject to market volatility and slippage.

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 though 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 currencies and metals market, 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 currencies or metals market to allow Decode Capital to hedge its transactions which it makes in order to completely fulfil your Stop-Loss Order. If the opening price of the underlying currencies and metals market 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.

As the markets are constantly moving 24 hours a day, you are able to place a 'stop loss' on all open positions. Whilst this allows you to control potential losses should the market move against you, in most circumstances, stop loss orders may not always limit your losses the way you anticipate. There are no guarantees in relation to stop-loss orders, and due to the speed at which prices can move, they may be effected at a different price (known as slippage) or not at all.

### **Limit Orders**

A Limit Order may be used by you to open a closed position at a predetermined price that is more favourable to you than the current market price.

We will execute your Limit Order when your offer price has reached the price of your buy-limit order or our bid price has reached the price of your sell-limit order.

### **Stop-Entry Orders**

A stop-entry order is an order placed to open a new Position or increase an existing position at a price which is inferior to the

current market price. You may use this type of order when you expect that the price will move significantly in the future from its existing trading range.

Stop-entry orders can be placed to open new Positions in all our products.

You should also note that stop-entry orders must be placed at a minimum distance from the current bid and offer prices, which is determined at our discretion.

### **Trail Stop Orders**

A Trailing Stop Order is a type of Stop Loss Order and is an instruction by you to close an Open Position at a price less advantageous than the quote at the time it is placed but it is designed to track the movement of profitable positions and move accordingly.

You may set a Trailing Stop Order at the following times:

- When you place a trade which then acts as a Trailing Stop Loss Order instruction to close the Open Position; or
- When you amend a Stop Loss Order to a Trailing Stop Order.



### **Section 3: What Are the Key Benefits of Dealing in Margin FX & CFDs with Decode Capital?**

The key benefits associated with trading in Margin FX and CFDs with Decode Capital include:

- low spreads;
- fast execution;
- multi-bank liquidity
- automated execution
- flexible contract sizes
- free trading tools and information about trading Margin FX and CFDs on our website.

Additional Benefits include:

- Hedging- you can use Margin FX to hedge foreign exchange exposures. Our foreign exchange products provide foreign exchange risk management tools to enable those with foreign currency exposures to protect their business against adverse exchange rate movements, provide certainty of foreign exchange rates, exposures and cashflow certainty.
- Speculation- you can also use these financial products for speculation or the view to profiting from exchange rate fluctuations and the rises and falls in gold, silver and oil prices.
- Leverage- the use of our financial products involves a degree of leverage. These contracts enable a user to outlay a relatively small amount (in the form of premium or initial margin) to secure exposure to the underlying currency or financial product. This leverage can work against you as well as for you. The use of leverage can lead to large losses as well as large gains

Negative Balance Protection

- We are obliged to provide negative balance protection for our retail clients on our trading platforms. With negative balance the most you can lose is the entirety of your deposited funds with us, at the time the negative balance is incurred. This means that if retail clients incur a liability trading CFDs, your compensation is limited to the money/property already in the client account.

## **Section 4: What are the Significant Risks of Dealing in Margin FX & CFDs with Decode Capital?**

You should be aware that trading Margin FX and CFDs offered by Decode Capital involves risks. It is important that you carefully consider whether dealing in Margin FX and CFDs is appropriate for you in light of your financial circumstances such as your objectives, financial situation and needs.

Decode Capital will not give you any personal financial product advice. As Decode Capital will only be providing general advice, this advice will not take into account your objectives, financial situation or needs. Accordingly, **you should obtain your own financial, legal, taxation and other professional advice as to whether Margin FX or CFDs are an appropriate investment for you.**

### **Management of Risk**

Decode Capital has a risk management framework within the MT4 Trading Platform which, assuming you meet all of your obligations to us (as fully set out in the Client Agreement), attempts to limit your potential loss to the amount of money you have deposited in your account. However, at all times, if you have open positions with us your potential loss can be substantial and is not limited to any amount.

Decode Capital recommends that you do not risk money that you are not in a position to lose and that you adopt a philosophy of capital preservation and

implement risk mitigation techniques (such as the use of stop-loss orders). Stoploss orders assist you in managing your risk by attempting to limit your account from declining below what you are prepared to lose. This type of order is designed to automatically close some or all of your open positions at the best available price once a certain price is reached. A stop-loss order can only be set at a price less favourable than the current price.

This section provides you with some trading examples and other related calculations. These have been provided for illustration purposes only. Please ensure that you understand how the trades work and the calculations associated with taking different positions for different derivative products. Should you require any assistance, or are unsure about how figures are calculated for any of the products, please contact our customer service team, or use our Demo Account for practice.

For example: If you buy the EURUSD at 1.0980 and want the position to close automatically if it moves 100 pips against you, you would enter a stop-loss order into the Trading Platform at 1.0880. (If your position was a sell, you would enter the stop-loss order above the current price i.e. 1.1080.)

Please note that your stop-loss orders may be filled at prices inferior to those at which they were originally placed. Decode Capital may execute a stop-loss order once one of the following conditions is met:

- Decode Capital's offer price has reached the stop-loss order price in the case of a buy order, or Decode Capital's Bid price has reached the stop-loss order price in the case of a sell order; or
- The price offered by Decode Capital on the MT4 Trading Platform has traded at or through the level at which the stop-loss order was placed.

In some market conditions such as Gapping in the underlying market, the price offered by Decode Capital on the Trading Platform will also Gap through your specified price (stop level), and the stop-loss order will be executed at the next available price.

**Due to the above factors, Decode Capital does not guarantee that your stop-loss order will be executed at the same price you requested.**

### Market Risk

Market risk is the risk that the value of your positions will change as a result of a movement in the underlying market price.

For Margin FX and CFDs, you will suffer a loss if the underlying instrument moves unfavourably. There is no guarantee or assurance that you will make profits, or not make losses, or that any unrealised profits or losses will remain unchanged. You should note that information about prices or rates may come from a number of sources and may not necessarily be current when provided to you. Decode Capital does not accept responsibility for this as it is impossible to guarantee prices based on

a snap shot of your open positions until they are physically closed out and the price is determined.

### Regulatory Risk

You may be exposed to the risk of a change in laws and regulations that may materially impact Decode Capital. A change in laws or regulations made by the government or a regulatory body can possibly increase the costs of operating a business, or possibly reduce the attractiveness of offering the financial product.

### Counterparty Risk

As Decode Capital issues the Margin FX and CFDs, you are dealing with Decode Capital as the counterparty to every transaction. Thus you are exposed to the financial and business risks, including credit risk, associated with dealing with Decode Capital. This is common to all OTC financial products.

You are reliant on Decode Capital's ability to meet its counterparty obligations to you to settle the relevant Margin FX or CFD. If Decode Capital were to become insolvent, then we may be unable to meet our obligations to you in full or at all. Decode Capital manages its exposure to clients under Margin FX and CFDs entered into between Decode Capital and clients by passing on the risks associated with client trades to external parties such as IS Prime Limited (hedging counterparty) for Margin FX and CFDs. Decode Capital does not use Client monies for hedging purposes. However, any funds paid by clients to Decode Capital may not be protected if there is a default in the overall client trust account. Refer to the paragraph titled

## PRODUCT DISCLOSURE STATEMENT

Client Money in section 6 of this PDS for further information.

Decode Capital employs a high level of corporate governance. We produce a range of financial reports on a monthly basis including cash flow projections, a profit and loss statement and a balance sheet. The cash flow projections are prepared for the ensuing 12 month period and updated on a quarterly basis, taking into account all the projected costs and revenues of running the business. All the assumptions made in deriving the projections are documented. The cash flow projections, the profit and loss statement calculation of net tangible asset requirements, and the balance sheet are presented at the monthly board meeting. Projections are approved and the balance sheet is considered to ensure that the company can meet its financial obligations. Additionally, Decode Capital conducts stress testing on a periodic basis. You should also refer to section 9 of the Client Agreement, where information about Decode Capital's conflicts of interest is discussed.

### **Leverage Risk**

You should be aware that trading in leveraged instruments such as Margin FX or CFDs offered by Decode Capital is one of the riskiest forms of investment available in the financial markets and may not be suitable for all investors. In deciding whether or not you wish to become involved in dealing in Margin FX or CFDs with Decode Capital, you should be aware that:

**Margin FX and CFDs are speculative products that are leveraged and carry significantly greater risk than nongear investment products such as**

**share trading and you could lose large amounts of money. You may sustain losses in excess of the Margin Requirement needed to establish and maintain a Margin FX or CFD with Decode Capital not directly related to trading activity.**

**Margin FX and CFD trading carries a high degree of risk and may not be suitable for all investors. The degree of leverage can work against you as well as for you. Before deciding to trade Margin FX or CFDs you should carefully consider your investment objectives, level of experience and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with trading in Margin FX or CFDs and seek advice from an independent financial advisor if you have any doubts.**

You must note that, on and from 29 March 2021, under the ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986, there will be new leverage ratios. Please see our website for more information.

Please also note that the below section provides you with some trading examples of leverage risk. These have been provided for illustration purposes only. Please ensure that you understand how the trades work and the calculations associated with taking different positions for different derivative products. Should you require any assistance, or are unsure about how

figures are calculated for any of the products, please contact our customer service team, or use our Demo Account for practice.

An example of leverage risk: An account with Decode Capital permits you to trade on a highly leveraged basis (up to approximately 30 times your account equity or as otherwise permitted by Decode Capital). An initial deposit of AUD\$250 may enable the trader to take a maximum position of AUD\$7,500 notional market value. In such a case, the funds in an account trading at maximum leverage can be completely lost if the position(s) held in the account has more than a 3.33% swing in value.

Given the possibility of losing an entire investment or more, speculation in financial markets should only be conducted with risk capital funds that if lost will not significantly affect your financial well-being. If you have pursued only conservative forms of investment in the past, you may wish to study financial markets trading further before commencing with an investment of this nature.

You must realise that you could sustain a total loss of all funds you deposit with us as initial margin as well as substantial amounts of additional capital should the market go against your investment or Gapping occurs in the underlying market making it impossible to execute your stop-loss order (if placed).

If you wish to commence trading, you acknowledge that the funds you have committed are purely risk capital and loss of your investment will not jeopardise your style of living nor will it detract from your future retirement program. Additionally, you fully understand the nature and risks of trading Margin FX or CFDs and your obligations to others will not be impacted should you suffer investment or trading losses.

**Double Leverage:** You should be aware that using a credit card as opening collateral exposes you to the risk of double leverage, being the combined effect of using credit card to fund a leveraged trading account.

### **Systems Risk**

Operational risks in relation to the Decode Capital's trading systems are inherent in every Margin FX and CFD. For example, disruptions in Decode Capital's operational processes such as communications, computers, computer networks, software or external events may lead to delays in the execution and settlement of a transaction.

Clients receiving a disruption on their trading platform must call a Decode Capital representative in order to open/close positions. In the event that a disruption occurs on the Decode Capital side, you may be unable to trade in a Margin FX or CFD offered by Decode Capital when you wish and you may suffer a financial loss or opportunity loss as a result.

Decode Capital does not accept or bear any liability whatsoever in relation to the operation of the Decode Capital Trading Platform, except to the extent that it is caused by the fraud or dishonesty on the part of Decode Capital or its employees, agents or representatives.

### **Execution Risk**

#### **Slippage**

Decode Capital aims to provide you with the best pricing available and to get all orders filled at the requested rate. However, there are times when, due to an increase in volatility or volume, orders may be subject to what is referred to as "slippage". This most commonly occurs during fundamental news events or Gapping underlying markets.

The volatility in the market may create conditions where orders are difficult to execute since the price might be many pips away due to the extreme market movement or Gapping. Execution is subject to available liquidity at any and all price levels. Although you may be looking to execute at a certain price, the market may have moved significantly or liquidity exhausted, in which instance your order would be filled at the next best price or the fair market value.

#### **Delays in Execution**

A delay in execution may occur for various reasons, such as technical issues with your internet connection to the Decode Capital servers, which may result in hanging orders. The MT4 Trading Platform on your computer may not be maintaining a constant connection with the Decode Capital servers due to a lack of signal strength from a wireless or dialup connection. A disturbance in the connection path can sometimes interrupt the signal, and disable the MT4 Trading Platform, causing delays in transmission of data between your trading platform and Decode Capital's servers.

#### **Reject / Requote Orders**

Market volatility creates conditions that make it difficult to execute orders at the given price due to an extremely high volume of orders and/or available liquidity and therefore may be reset. By the time orders are able to be executed, the Bid/Offer price at which Decode Capital (or its counterparties) is willing to take a position may be several pips away. For Limit Entry or Limit Orders, the order would be rejected and reset until the order can be filled.

#### **Hanging Orders**

During periods of high volume, hanging orders may occur. This is a condition where an order sits in the "orders" window after it has been executed. Generally, the order has been executed, but it is simply taking a few moments for it to be confirmed. During periods of heavy trading volume, it is possible that a queue of orders will form. That increase in

incoming orders may sometimes create conditions where there is a delay in confirming certain orders.

### **Greyed-Out Pricing**

Decode Capital does not intentionally "Grey Out" prices. However, this is a condition that occurs when liquidity decreases, and market-makers that provide pricing to Decode Capital are not actively making a market for particular currency pairs. Clients will not be able to execute trades on "Greyed Out" prices.

### **Hedging**

The ability to hedge allows you to hold both buy and sell positions in the same product simultaneously. You have the ability to enter the market without choosing a particular direction. While the ability to hedge is an appealing feature, you should be aware of the factors that may affect hedged positions. It is important to note that even a fully hedged account may suffer losses due to rollover costs, exchange rate fluctuations or widening spreads. Such losses may even trigger a Margin Call.

### **Inverted Spreads**

Unfortunately, online trading technology is not perfect and, in rare cases, this feed can be disrupted. This may only last for a short moment, but when it does occur, spreads can sometimes become inverted. The clients may not be able to trade on inverted Decode Capital spread and Decode Capital reserves the right to reverse such trades.

### **Trading Platform Closed**

Due to the dynamic nature of the financial markets, it is possible that the value of your open positions will change while the trading function of the various Trading Platforms are closed i.e. on days which are not a Trading Day. In this case you will not be able to trade in a Margin FX or CFD such as open a new transaction or close out an open transaction until the trading function re-opens. You may suffer a financial loss or opportunity loss as a result.

### **Transactions are not Transferable**

As each Margin FX and CFD you enter into with us is a transaction between you and Decode Capital and is not traded on an exchange or market, you will not be able to transfer or assign the Margin FX or CFD to any other person.

## **Section 5: Fees and Charges**

Fees and charges when dealing in Margin FX and CFDs may incorporate any or all of the following:

- Spreads;
- Rollover (or “Swap”);
- Commission and Rebates;
- Administration Charges;
- Conversion Fees;
- Wire Fees

These fees and charges are explained in further detail below.

Fees and charges may change from time to time. Accordingly, you should ensure that you refer to this PDS for further details, and check our website for updates.

This sections below provides you with some trading examples relating to fees and charges. These have been provided for illustration purposes only. Please ensure that you understand how the trades work and the calculations associated with taking different positions for different derivative products. Should you require any assistance, or are unsure about how figures are calculated for any of the products, please contact our customer service team, or use our Demo Account for practice.

### **Spread**

Decode Capital earns its income from the spreads that are embedded in the currency rates quoted on the MT4 Trading Platform. The spread is the difference between the bid and ask price for any currency pair. You will incur a mark-up within the spread that is variable and is dependent upon the currency pair, market conditions and prevailing market rates. A mark-up is incurred each time you buy or sell a Margin FX or CFD.

Spread example:

If the bid/ask spread available to you on the GBPUSD is 1.5000/1.5005, it means you may sell the pair for 1.5000 or buy the pair at 1.5005. In this case, if the mark-up was 2 pips or 0.02% the price that is actually executable by Decode Capital with its liquidity providers would be GBPUSD 1.5001/1.5004.

Rollover / Swap

Positions that are held open from one ‘day’ through until the next ‘day’ will attract an automatic adjustment known as swap to account for the interest rate differential between the



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currencies being traded. By convention, one FX trading ‘day’ ends and another begins at 16:59 New York Time. Current swap rates can be found by right-clicking any of the prices in the Market Watch window on the MT4 platform, then selecting ‘Symbols’ from the pop-up menu. The next step is to click on the symbol (currency pair) you are interested in then click on ‘Properties’. This will open the Contract Specification window for that pair. Rates are given for long positions, “Swap long” - and short positions, “Swap short”. These rates expressed in terms of the base currency (the one on the left) of the pair being traded (as indicated by the “Swap type”) and apply per lot being traded. The swap rates are subject to change. Mini-accounts have a swap rate that is one-tenth the size of swap rates for a standard size account. When a position is rolled over at 16:59 New York Time on a Wednesday, the amount of swap is three times greater than usual due to spot FX settlement needing to account for the weekend.

### Rollover Calculation:

Calculating the amount of swap to be either credited or debited is simply a matter of multiplying the lot size of the relevant trade by either the swap long or the swap short rate, depending on whether the trade being rolled over is long

### Example 1.

or short. This will give you the swap amount in the same currency as the base currency (the one on the left) of the position that is being rolled over. If this is the same as the currency in which the account is denominated (the deposit currency), there is nothing else to do. However, if the base currency and the deposit currency are not the same, the swap amount needs to be converted into the deposit currency.

Account type	Standard: 1 lot = 100,000
Deposit currency	AUD
Pair being rolled	AUDUSD
Position size	2.0 lots
Long or Short	Long
Swap Long	US\$2.0
Swap Short	US\$-1.8

Because the deposit currency the calculation of swap is converted from USD to AUD:

$$\begin{aligned}\text{Swap} &= \text{Swap Long} * \text{Position size} / \text{AUDUSD rate} \\ &= 2 * 2.0 / 0.7350 \\ &= \text{AUD}5.44\end{aligned}$$

**PRODUCT DISCLOSURE STATEMENT**

So when this position is rolled over, the account will receive a credit of AUD \$5.44

Example 2

Account type	Standard: 1 lot = 100,000
Deposit currency	EUR
Pair being rolled	EURUSD
Position size	1.5 lots
Long or Short	Short
Swap Long	US\$-2.5
Swap Short	US\$-1.7

In this instance the base currency of your account is EUR. Because of this the swap figure calculated by multiplying the swap rate (-1.7) with the position size (1.5) will need to be converted into EUR.

$$\begin{aligned}
 \text{Swap} &= \text{Swap Short} * \text{Position size} \\
 &= -1.7 * 1.5 \\
 &= \text{US\$-2.55 or EUR-2.32}
 \end{aligned}$$

This is converted to USD at the relevant price at the time of the rollover. If we assume that EUR/USD at the time was 1.0980 the result is a rollover debit of EUR2.32.

Example 3.

Account type	Standard: 1 lot = 100,000
Deposit currency	AUD
Pair being rolled	EURJPY
Position size	0.3 lots
Long or Short	Short
Swap Long	JPY-2.5
Swap Short	JPY-1.7

In the third example, the deposit currency (AUD) is different to both the base currency (EUR) and the terms currency (USD) of the pair being rolled over. As in example 2, the first step is to calculate the swap in terms of the base currency, EUR. This is then converted into the deposit currency and this will be the figure that is either debited from or credited to the account.

$$\begin{aligned} \text{Swap} &= \text{Swap Short} * \text{Position size} \\ &= -1.7 * 0.3 \\ &= \text{JPY}\yen-0.51 \text{ or A\$-0.56} \end{aligned}$$

This debit is converted to the deposit currency (AUD). If we assume an AUDJPY rate of 0.9035, the AUD equivalent is -0.56.

### **Commissions and Rebates**

Decode Capital does not, under normal circumstances, charge clients any commission. However, some clients may choose to engage with a third party Introducing Broker or intermediary who may be compensated for introducing a client to Decode Capital or managing a client per their specific request. The decision for a client to engage with a third-party Introducing Broker or intermediary is a decision of their own.

When a client does have a relationship with an Introducing Broker, the compensation charged/collected by the Introducing Broker may be on a per trade basis in the form of a commission. These commissions are directly debited

from the appropriate client account by Decode Capital and paid to the Introducing Broker. Commission charges are viewable in the client's account statement at any given point in time.

Decode Capital may also provide additional compensation, in the form of rebates, to Introducing Brokers who introduce clients to Decode Capital. Decode Capital may choose to compensate certain Introducing Brokers with a rebate, particularly ones who bring significant business to Decode Capital.

However it is very important to understand that the rebate paid to Introducing Brokers is not deducted from the client's account and is NOT built-in to the cost of the transaction (i.e. a wider spread) or a cost to the client. If Decode Capital chooses to pay a rebate to a certain Introducing Broker, there will be no resulting detrimental monetary effect to any client.

### **Administration Charges**

Where an account is dormant with no transactions for at least 9 months and with an account balance of \$50 US dollars or less, you will be subject to a dormant account management fee. This fee will be equal to or the lesser of \$50 US dollars or the remaining balance in your account. Upon the imposition of this fee, your account will automatically be closed.

Administration charges are subject to change from time to time and are

deducted from your account on or shortly following occurrence of the relevant event.

### **Conversion Fees**

**Deposits or Withdrawals:** When depositing or withdrawing funds into your Decode Capital account, Decode Capital strongly encourages you to transact in the same currency as the base currency of your Decode Capital account. In the case that you deposit or withdraw funds in a currency different than the base currency of your Decode Capital account, your bank will often convert your funds for a nominal charge. If Decode Capital is required to perform a currency conversion on a deposit or withdrawal on your behalf, Decode Capital will perform the conversion at the prevailing rate shown on the Decode Capital trading platform at the time the transaction is completed, plus a 3% premium.

**Fund Transfers Between Trading Accounts With Different Base Currencies:** When transferring funds between one trading account and another with different base currencies, Decode Capital will perform the conversion at the prevailing rate shown on the Decode Capital trading platform at the time the transaction is completed, plus a 3% premium.

### **Wire Fees**

Decode Capital does not charge a fee in order to setup your account or deposit funds. However, there are

wire fees charged by your bank in association with making withdrawals from your account. Wire fee charges are shown below:

USD Denominated Accounts - \$25.00  
AUD Denominated Accounts - \$30.00

### **Credit Card Fees**

Decode Capital does not charge a fee for credit card deposit or withdrawal transactions.

### **GST and Other Taxes**

You are responsible for any stamp duty, transaction duty, GST or similar goods and services or value added tax payable in respect of services provided to you or any transaction made.

### **Trading Examples**

This section provides you with some trading examples and other related calculations. These have been provided for illustration purposes only. Please ensure that you understand how the trades work and the calculations associated with taking different positions for different derivative products. Should you require any assistance, or are unsure about how figures are calculated for any of the products, please contact our customer service team, or use our Demo Account for practice.

#### **Buying AUD/USD with a profit**

You decide to go long of the AUD against USD, and ask for a quote for 1 lot, the equivalent of AUD\$100,000. We

quote you 0.7018/0.7020 and you buy 1 lot at 0.7020.

**Swap Adjustments** While the position remains open, an overnight adjustment is debited or credited to your account using the applicable swap rate.

In this example, the credit for one day might be US\$7.89.

Closing one week later, AUD/USD has risen to 0.7112/0.7140, and you take your profit by selling 1 lot at 0.71120. Your gross profit on the trade is calculated as follows:

$$\begin{aligned} & \text{A\$100,000 (1 lot) X (0.7112-0.7020)} \\ & =\text{US\$920} \end{aligned}$$

To calculate the overall or net profit, you also have to take account of the interest credit. In this example, you might have held the position for 7 days, earning a total interest credit of US\$55.23.

$$\begin{aligned} & \text{Net profit=} \\ & (\text{US\$920}+\text{US\$55.23})/0.7112=\text{A\$1371.25} \end{aligned}$$

**Buying AUD/AUD with a loss**

You decide to go long of the AUD against USD, and ask for a quote for 1 lot, the equivalent of AUD\$100,000. We quote you 0.7000/0.7020 and you buy 1 lot at 0.7020.

**Swap Adjustments** While the position remains open, an overnight adjustment is debited or credited to your account using the applicable swap rate.

In this example, the credit for one day might be US\$7.89.

Closing one week later, AUD/USD has weakened to 0.6912/0.6914, and you take your loss by selling 1 lot at 0.6912. Your gross loss on the trade is calculated as follows:

$$\begin{aligned} & \text{A\$100,000 (1 lot) X (0.7020-0.6912)} \\ & =\text{US\$(1,080)} \end{aligned}$$

To calculate the overall or net loss, you also have to take account of the interest credit. In this example, you might have held the position for 7 days, earning a total interest credit of US\$55.23.

$$\begin{aligned} & \text{Net loss in AUD} \\ & =(-\text{US\$1,080}+\text{US\$55.23})/0.6912 =- \\ & \text{AUD1,482.60} \end{aligned}$$

**Section 6: Additional Information**

**Client Money**

Decode Capital will handle all client money it receives in accordance with, and subject to, the requirements of Part 7.8 of Division 2 the *Corporations Act 2001* (Cth). Client money will be paid into a segregated account maintained by Decode Capital with an Australian bank.

The purpose of segregated accounts is to segregate customer monies from our own company funds. Please note that individual client accounts are not separated from each other, but may be comingled into one segregated account (which is separate to Decode Capital’s monies/assets). It is important to note that holding your moneys in one or more

segregated accounts may not afford you absolute protection.

Please note that according to the Australian Client Money Rules, monies provided by you will not be used to meet margins, deposits, fees, transaction settlements obligations.. Client monies which are held pending future transactions and payments, are held in our segregated account in accordance with the Corporations Act. Retail and Sophisticated Investor monies are not used in connection with the margining, guaranteeing, securing, transferring, adjusting or settling in dealings in derivatives by Decode Capital or on behalf of people other than the client.

Decode Capital does not pay interest on any balances in your account. Any interest earned on these funds will accrue to Decode Capital. The rate of interest earned by Decode Capital on this account is determined by the provider of the deposit facility.

Under the Australian Client Money Rules, we are required to comply with various record-keeping, reconciliation and reporting obligations in relation to the retail and sophisticated client money held in the client money trust. Under these rules, Decode Capital must:

- Keep records of retail and sophisticated client money received and retain such records for 7 years;
- Perform a daily and monthly reconciliation of the retail and sophisticated client money on

Decode Capital's accounts with the actual retail and sophisticated client money held in the client money trust;

- Notify ASIC within 5 business days if Decode Capital identifies a breach of the ASIC Client Money Reporting Rules or if a discrepancy is identified by the reconciliation;
- Lodge with ASIC an annual director's declaration and an external auditor's report on Decode Capital's compliance with the ASIC Client Money Reporting Rules within 4 months of the end of Decode Capital's financial year; and
- Establish, implement and maintain policies and procedures designed to ensure Decode Capital's compliance with the ASIC Client Money Reporting Rules.

Please see the Client Agreement for more information on Client Money.

### **Protections Afforded by the Corporations Act**

The Corporations Act provides that in the event that Decode Capital loses its AFS License, becomes insolvent, merges with another AFS Licensee or ceases to carry on some or all of the activities authorised by the AFS License, client money held by Decode Capital, and client money invested, will be dealt with as follows.

Money in the trust accounts is held in trust for the persons entitled to it, and is payable in the order set out below:

- if money in the trust accounts is invested, the investment is likewise held in trust for each person entitled to money in the trust account.
- money in the trust accounts is to be paid in the following order:
- money that has been paid into the accounts in error;
- payment to each person who is entitled to be paid money from the accounts.
- if the money in the accounts is not sufficient to be paid in accordance with the above, the money in the accounts must be paid in proportion to the amount of each person's entitlement.
- if there is money remaining in the accounts after payments made in accordance with the above paragraphs, the remaining money is payable to Decode Capital.

### **Warning about Segregated Accounts**

It is important to note that our holding your moneys in one or more segregated accounts may not afford you absolute protection.

The purpose of segregated accounts is to segregate our customers' money, including your moneys, from our funds. However, individual customer's money are comingled into one or more segregated customer accounts.

Furthermore, segregated accounts may not protect your moneys from a default in the segregated customer accounts. Should

there be a deficit in the segregated accounts and in the unlikely event that we become insolvent before the topping up of the segregated accounts in deficit, you will be an unsecured creditor in relation to the balance of the moneys owing to you.

**What is an unsecured creditor?** In the event you become an unsecured creditor of us, you will need to lodge a proof of debt with the liquidator for the amount of moneys that are owing to you as evidenced by your account statements. The liquidator then assesses all proofs of debts to determine which creditors are able to share in the assets of the company, and to what extent depending on the amounts owing to them and any priority they may have to be paid.

### **Withdrawal of Money from your Account**

You may withdraw money from your Account by instructing Decode Capital to process such a transaction and specifying your personal details, Account number, the amount you wish to withdraw and the method of payment. If you do not wish to close your Account, you will need to maintain a minimum balance of AUD\$50 or foreign currency equivalent.

Further, Decode Capital may at its discretion withhold any payments if:

- open positions on your Account show unrealised losses and the withdrawal would result in the Account having insufficient funds to meet Margin Requirements;

- Decode Capital reasonably considers that funds may be required to meet any current or future Margin Requirement on open positions;
- you have any contingent liability to Decode Capital or to any of its associates in respect of any other Account you have opened with them;
- Decode Capital reasonably determines that there is an unresolved dispute between you and Decode Capital; and/or
- Decode Capital considers it necessary or desirable to enable Decode Capital to comply with regulatory/legal obligations.

Decode Capital will not pay funds to any third party account. Funds requested for withdrawal will only be paid to an account in the same name as the Account held with Decode Capital.

### Conflicts of Interest

In entering into Margin FX and CFDs, you will be trading directly with Decode Capital and not on any financial market. Decode Capital acts as principal and not agent for its own benefit for all Margin FX and CFDs it enters with its clients.

### Dispute Resolution

If you have a complaint about any aspect of your dealings with Decode Capital, please contact Decode Capital's

Complaints Officer by emailing [complaints@decodecapital.com.au](mailto:complaints@decodecapital.com.au). All internal dispute resolution processes are compliant with ASIC Regulatory Guide 271. We will acknowledge your request within 1 business day and will attempt to resolve your complaint within 30 calendar days of receipt. If we require more time, we will advise you of the reasons for delay.

We are a member of and participate in the Australian Financial Complaints authority ("AFCA"), an independent complaints resolution organisation. If you feel your complaint has not been satisfactorily resolved, you are entitled to make a complaint to AFCA at:

Australian Financial Complaints  
Authority  
GPO  
MELBOURNE, VIC 3001  
Telephone: 1800 931 678  
Fax: +61 3 9613 6399

### How We Deal with Disputes

Any dispute or difference whatsoever in connection with this Agreement must be dealt with by you in Australia as follows in the event the dispute or difference is unable to be resolved by us to your satisfaction in accordance with our internal complaints handling system:

- a. You may refer the dispute or difference to the Australian Financial Complaints authority



- ("AFCA") for determination in accordance with their rules; or
- b. If the dispute or difference does not fall within AFCA rules, the dispute or difference may be submitted by us to arbitration in accordance with and subject to the institute of arbitrators and mediators of Australia expedited commercial arbitration rules, and to the extent permitted under those rules, the arbitrator will be a person recommended by the New South Wales chapter of the Institute of Arbitrators and Mediators of Australia; or
  - c. If the dispute or difference does not fall within the rules of AFCA, you may request us to refer the dispute to arbitration in accordance with Paragraph (b) above, and we may decide in our absolute discretion whether to agree to any such request;
  - d. Without agreement by us in accordance with this paragraph, you will not be able to refer the dispute or difference to arbitration, but will have to submit for the benefit of us only the dispute or difference to the exclusive jurisdiction of the courts of New South Wales.
  - e. You and we agree to accept any determination of the arbitrator under Paragraph (b) or above as final and binding and submit for the benefit of us only, to the exclusive jurisdiction of the courts in New South Wales for the

enforcement of any such determination.

## **Taxation Considerations**

### 1.1 Introduction

This is a summary of the main Australian income tax issues relevant to an Australian resident taxpayer who enters into a Margin FX or CFD in the course of carrying on a business or otherwise with the intention of making a profit (an "Investor"). The taxation issues relevant to other investors are not addressed in this summary.

This tax summary is of a general nature only, does not purport to be legal or tax advice and it does not take into account the specific circumstances of any particular Investor, or any elections that might be available to an Investor under the Income Tax Assessment Act 1936 ("ITAA 1936") or Income Tax Assessment Act 1997 ("ITAA 1997"). As the taxation profile of each potential Investor is different, all Investors should seek their own independent advice in relation to the taxation implications of acquiring Margin FX or CFDs.

This summary is based on the Australian income tax laws and administrative practice applicable as at the date of this PDS.

### 1.2 Taxation ruling

Australian Taxation Office (ATO) Taxation Ruling 2005/15 describes the income tax and capital gains tax consequences of trading in financial contracts for difference, such as Margin FX and CFDs. A summary of Taxation Ruling 2005/15 is set out below. A copy of Taxation Ruling 2005/15 is available at [ato.gov.au](http://ato.gov.au), as is the ITAA 1997. This ruling is a public ruling for the purposes of the Taxation Administration Act 1953 and therefore, if the ruling applies to an 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 the taxation ruling is not followed and the Investor has a tax shortfall.

### 1.3 Gains and losses from trading in Margin FX and CFDs.

The ATO's view is that any gain you make from trading in a Margin FX or CFD will be assessable income while any loss you make from trading in a Margin FX or CFD will be an allowable deduction provided that:

- (a) the Margin FX or CFD transaction is entered into as an ordinary incident of carrying on a business; or
- (b) the profit is obtained, or the loss is incurred, in a business operation or commercial transaction for the purpose of profit-making; or

- (c) the Margin FX or CFD was entered into in carrying on, or carrying out, a profit-making undertaking or scheme.

The amount of any profit or loss should take into account the difference between the closing price and the opening price (translated into AUD as necessary under the foreign currency translation rules in the ITAA 1997).

Investors should generally not be taxed on Variation Margins paid to them by Decode Capital, given that Investors have not derived that amount as income.

Other items that may be recognised separately as deductions or which may enter the calculation of profits or losses include: interest paid by Investors on any unpaid amount due to Decode Capital; rollover fees and other fees and commissions paid by Investors. Investors would generally be unable to deduct any Initial Margin or Variation Margin paid by them to Decode Capital, as these amounts are provided by Investors as collateral in respect of a Margin FX or CFD.

### 1.4 Capital gains tax (CGT)

A Margin FX or CFD will also be a capital gains tax asset for the purposes of applying the capital gains tax ("CGT") provisions of the ITAA 1997. However to the extent that a capital gain arising as

a result of a CGT event in relation to the Margin FX or CFDs is included in an Investor's assessable income under a nonCGT provision, the capital gain resulting from that CGT event should generally be reduced by the amount of the assessable income. Similarly, to the extent that any loss under the Margin FX or CFDs is deductible, this amount will not also contribute to a capital loss.

### 1.5 Taxation of financial arrangements

Division 230 of the ITAA 1997 operates to tax gains and losses (including foreign exchange gains and losses) arising from certain "financial arrangements" on revenue account and in some cases on a compounding accruals basis.

Investors that are individuals should be exempt from the application of Division 230 of the Act unless they make an election for it to apply. Other entities, including superannuation funds, managed investment schemes and financial entities, which are considered small, may be exempt from the application of Division 230 of the Act unless they make an election for it to apply. As the application of Division 230 of the Act is dependent on the facts and circumstances of the Investor, Investors should obtain their own advice in relation to the potential applicability of Division 230 of the Act, in light of their own individual facts and circumstances.

If Division 230 of the ITAA 1997 applies to you, then the consequences of trading in financial contracts for difference such as Margin FX or CFDs may be different from that outlined in this section. You should consult your own taxation adviser before trading in Margin FX or CFDs.

### 1.6 Foreign Exchange Gains and Losses

In general terms, the foreign exchange provisions of the ITAA 1997 tax gains or losses arising due to differences in exchange rates. Therefore, the foreign exchange provisions should be relevant where the base currency or underlying currency (or both) is in foreign currency or an amount payable to an Investor or payable by an Investor is otherwise calculated by reference to foreign currency.

A foreign exchange gain or loss can arise when a foreign exchange realisation event ("FRE") occurs. The main FREs include:

- (a) the disposal of foreign currency or a right to receive it;
- (b) ceasing to have a right to receive, or an obligation to receive, foreign currency; and
- (c) ceasing to have an obligation to pay, or a right to pay, foreign currency.

Foreign exchange gains should generally be assessable, and foreign exchange losses should generally be deductible, to Investors unless they are made in gaining or producing income which is exempt from tax (e.g. if an Investor used a Margin FX or CFD to hedge exempt income). With some exceptions, foreign exchange gains and losses should generally not have any capital gains tax consequences.

A foreign exchange gain or loss may arise if, for example, foreign currency is credited to, or debited from, an Investor's account as a result of transactions under a Margin FX or CFD.

Foreign exchange gains and losses recognised under the foreign exchange provisions of the ITAA 1997 are generally in addition to any assessable profit or income or deductible loss or expenses recognised under other provisions of the ITAA 1997 referred to in sections 1.2 above. To the extent that the same gain or loss would be included under more than one provision of the ITAA 1997, it should only be included once as a foreign exchange gain or loss under the foreign exchange provisions of the ITAA 1997.

The tax rules dealing with foreign exchange gains and losses are complex and there are a number of elections and methods which can be utilised by taxpayers to calculate foreign exchange gains and losses. Accordingly, Investors should obtain their own advice in

relation to the application of these rules to their individual circumstances.

### 1.7 The impact of the general antitax avoidance provisions

The question of the applicability of the general anti-avoidance provisions in Part IVA of the ITAA 1936 (which can operate to cancel certain tax benefits) is something which can only be conclusively determined on a case-by-case basis in light of the relevant facts and circumstances arising for a particular taxpayer.

Investors should not be affected by the general anti-tax avoidance provisions contained in Part IVA of the ITAA 1936, provided that all Margin FX or CFDs have not been entered into as part of a scheme with the dominant purpose of obtaining a tax benefit.

An Investor may be taken to have obtained a tax benefit if, very broadly, the tax outcomes under the scheme entered into by the Investor are more favourable than that which would, or might reasonably be expected to, have been the tax outcome if the scheme had not been entered into. However even if a tax benefit has been obtained by an Investor, Part IVA can only apply if the scheme was entered into for the dominant purpose of obtaining that tax benefit. The existence of the dominant purpose should be determined on an objective basis, having regard to the list

of relevant factual circumstances contained in Part IVA.

## Privacy Policy

We are committed to protecting your privacy in accordance with the Privacy Act 1988 and the Australian Privacy Principles. We consider protecting and safeguarding the privacy of our clients and website visitor's personal and financial information of the utmost importance. At Decode Capital we respect each individual's right to privacy. The following policy demonstrates how we collect, maintain, use and protect the personal information we obtain from you.

References to "Decode Capital" in this Privacy Statement will include all Decode Capital's related entities and divisions.

## Personal Information

When you apply for or maintain a live account with Decode Capital, we collect personal information about you for business purposes, such as confirming your identity, processing your requests and transactions, informing you about products and services that may be of interest to you, and providing client service. Such information may include:

- **Application information:** Information you provide to us on applications and other forms, such as your name, address, birth date, government identification number, occupation, assets, and income and occupation;

- **Transaction information:** Information about your transactions with us. Examples include your account balances, trading activity, your inquiries, and our responses;
- **Verification information:** Information necessary to verify your identity, such as a passport or driver's license. Examples also include background information about you we receive from public records or from other entities not affiliated with Decode Capital;
- **Australian Anti Money Laundering and Counter Terrorism Financing Regulations** require us to collect information and take actions necessary to verify your identity.

You directly provide to us the majority of information we collect. You do this by completing the account application and related documentation, by placing a trade, by sending us an e-mail, or by submitting information in response to a promotion or special offer. Other ways we obtain information are by (1) observing your usage of the web site, and (2) providing products and services to you.

Please be aware that Decode Capital has regulatory obligations to keep your Personal Information on record for a period of five years in the case you wish to terminate your working relationship with us.

## Cookies

Cookies are small files containing information that a web site uses to track

its visitors. Decode Capital may set and access Decode Capital cookies on your computer, enabling us to learn which advertisements and promotions bring users to our web site. Cookies may be used on some pages of the web site for us to provide website users a more customized web browsing experience. Cookies are not used to determine the personal identity of anyone merely visiting the web site. Such information that we collect, and share would be anonymous and not personally identifiable.

If you do not wish to receive cookies, most web browsers will permit you to decline cookies and, in most cases, will still allow you fully browse our web site.

### **Decode Capital Affiliates and Partners**

We may share personal information described above with our affiliates for business purposes, such as, but not limited to, providing the product or service you requested, servicing client accounts and informing clients about new products and services, or to aid in the trading activity of the company, its affiliates, or employees, and as permitted by applicable law. The information we share with affiliates may include any of the information described above, such as your name, address, and trading and account information. Our affiliates maintain the privacy of your information to the same extent Decode Capital does in accordance with this Policy.

### **Non-Affiliated Third Parties**

Decode Capital may also provide your personal information to an unrelated third party in the event that Decode Capital sells its business assets, or engages a third party service provider to provide services to Decode Capital (such as software services).

Decode Capital reserves the right to share personal information to third parties as required by law to regulatory, law enforcement or other government authorities. Except as described in this privacy policy, we will not use your personal information for any other purpose, unless we describe how such information will be used at the time you disclose it to us, or we obtain your permission.

### **Notification of Changes**

You are not required to supply any of the personal information that we may request; however, failure to do so may result in our being unable to open or maintain your account or to provide services to you. While we make every effort to ensure that all information we hold about you is accurate, complete, and up to date, you can help us considerably in this regard by promptly notifying us if there are any changes to your personal information.

### **Security of Information**

Decode Capital employs security software, systems, and procedures to offer you a safe and secure trading

environment and protect your personal, financial and trading information.

When you open an account with us, you are issued a unique account number, login and a password. Only Decode Capital employees and employees of affiliated companies who have a need to know this information will have access to your account number and login. Remember: you are ultimately responsible for maintaining the confidentiality of your account number, login, and password. We strongly recommend that you do not disclose this information to anyone else. Employees do not have access to client passwords.

### **Access**

You may access the personal information we hold about you, upon making a written request. We will try to acknowledge your request within 14 days of its receipt, and to provide you with access to the information requested within 30 days. We may charge you a reasonable fee for processing your request.

We may decline a request for access to personal information in circumstances prescribed by relevant legislation. If, upon receiving access to your personal information or at any other time, you believe the personal information we hold about you is inaccurate, incomplete or out of date, please notify us immediately. We will take reasonable steps to correct the information so that it is accurate, complete and up to date.

### **Feedback**

If you have any queries or concerns about our privacy policy or the way we handle your personal information, please contact our privacy officer by phone on (02) 8319 2338, by email at [support@decodecapital.com.au](mailto:support@decodecapital.com.au) or via post at: Suite 25.01B, Level 25, International Tower One, 100 Barangaroo Ave, Barangaroo NSW 2000 Australia.

### **Superannuation Funds**

Complying superannuation funds are subject to numerous guidelines and restrictions in relation to their investment activities. These guidelines and restrictions are contained in the Superannuation Industry (Supervision) Act 1993, known as the Superannuation Industry (Supervision) Regulations 1994 and circulars issued by past and present regulators of superannuation funds, including the Insurance and Superannuation Commission, the Australian Prudential Supervisory Authority and the Australian Taxation Office (SIS Law).

Listed below are some issues that should be considered by trustees of complying superannuation funds; these issues are non-exhaustive. Furthermore, Decode Capital does not give any personal financial product advice in relation to your dealings in Margin FX or CFDs. In giving general advice, Decode Capital does not take into account your objectives, financial situation or needs. Accordingly, before applying to deal in Margin FX or CFDs, you must in

conjunction with your adviser(s), give consideration to your objectives, financial situation and needs.

We recommend you seek advice from your financial or legal adviser as to the issues that we raise below.

**Investment Strategy:** Trustees of complying superannuation funds are required by SIS Law to consider the appropriateness of dealing in Margin FX and/or CFDs in the context of the fund's whole investment strategy and their fiduciary duties and obligations under the SIS Law and the fund's trust deed.

**Risk Management:** Trustees of complying superannuation funds are required by SIS Law to be familiar with the risks involved in dealing in Margin FX and/or CFDs, and if they decide to deal in such products, must have in place adequate risk management procedures to manage the risks associated with dealing in Margin FX and CFDs before doing so.

### **Cooling-Off Arrangements**

There are no cooling-off arrangements for the Margin FX or CFDs offered by Decode Capital.

This means that when you enter a transaction with Decode Capital you do not have a right to return the product and you do not have the right to request Decode Capital to repay the money you have paid to acquire the product. Should

you change your mind after entering into a Margin FX or CFD Contract with Decode Capital, you should close out your position as described elsewhere in this PDS.

### **Recording of Telephone Calls**

As a matter of common industry practice, we may electronically record your telephone discussions with us. When you open an account with us, you give us consent to make such recordings, with or without an automatic tone warning device, and to use recordings or transcripts from such recording for any purpose, including, but not limited to, their use as evidence by either you or us in any dispute.

### **Labour Standards and Environmental, Social and Ethical Considerations**

We do not take labour standards or environmental, social or ethical considerations into account when offering the financial products under this PDS.

### **Other Information**

Other information about Decode Capital and its products may be obtained by accessing our website at [www.decodecapital.com.au](http://www.decodecapital.com.au) or by contacting us using the contact information found in this document.



**Glossary**

In this PDS the following terms and expressions have, unless the context otherwise requires, the following meanings:

<b>Account</b>	means an account you have with us;
<b>ADI</b>	Authorised Deposit-Taking Institution
<b>AEST</b>	means the time in Sydney, New South Wales, Australia;
<b>Client Agreement</b>	means the client agreement, as amended, varied, or replaced from time to time;
<b>AFCA</b>	means the Australian Financial Complaints Authority;
<b>AML/CTF Act</b>	means the Anti-Money Laundering and Counter-Terrorism Financing Act and all regulations, rules and instruments made under that Act;
<b>Application Form</b>	means the application form and account opening documentation, including documentation required to be returned for the purposes of complying with Anti-Money Laundering and Counter-Terrorism Financing legislation, completed by you and submitted to us whether electronically or in hard copy;
<b>ASIC</b>	means the Australian Securities and Investments Commission;
<b>AUD or \$</b>	Australian dollars;
<b>Australian Client</b>	a client who is a resident within Australia (based on the address in their Application Form or as notified by the Client to us from time to time);

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<b>Australian Client Money Rules</b>	means the provisions in Part 7.8 of the Corporations Act and the Corporations Regulations made under those provisions that specify the manner in which financial services licensees are to deal with client moneys and property as modified by ASIC for Decode Capital;
<b>Decode Capital Exchange Rate</b>	the foreign exchange rate as we may reasonably determine from time to time having regard to current market rates and which is available to the client from us on request. This rate may be different to the price quoted by us for a Margin FX;
<b>Decode Capital Rollover Rate</b>	the rate as we may determine from time to time having regard to Interbank Rates for rollovers;
<b>Decode Capital Spread</b>	means the difference between the bid and offer prices of a Contract quoted from time to time by us and; where appropriate; expressed as a percentage of the relevant price;
<b>Base Currency</b>	means the currency selected by you under the Client Agreement and which, in the absence of a selection will be AUD dollars;
<b>Bullion CFDs</b>	A CFD whose value fluctuates by reference to the fluctuations in the Underlying Instrument which relate to gold or silver;

<b>Business Day</b>	means: (a) in relation to services other than CFDs on a Security, Basket or Index, any day (other than a Saturday, Sunday or public holiday) on which banks are open for business in Sydney, New South Wales, Australia; and  (b) in the case of services relating to CFDs on a Security, Basket or Index to which Limited Hours Trading applies, any day on which the exchange on which the relevant Security or each constituent Security has its primary listing, or the exchange on which the Index operates, whichever is applicable, is open for trading, and will exclude any day on which all trading on the relevant exchange is closed or suspended;  (c) in the case of services relating to CFDs on a Security, Basket or Index to which Limited Hours Trading does not apply, any day on which any relevant exchange is open for trading;
<b>CFDs</b>	the contracts for difference that we offer to our clients from time to time under this PDS and the terms and conditions of the Client Agreement;
<b>Cleared Funds</b>	funds that have been deposited with Decode Capital and are immediately available to us;
<b>Closing Price</b>	means the price determined by us, from time to time, having regard to the last traded or mid close price and our Spread as may be appropriate for the Underlying Instrument;
<b>Commodity CFDs</b>	a CFD whose value fluctuates by reference to the fluctuations in the value of an Underlying Instrument relating to oil or gas;

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<b>Contract</b>	means any contract, whether oral or written, including any derivative, option, future, contract for difference or other transaction relating to such financial products entered into by us with the Client or any back to back agreement which we enter into to enable us to enter into or fulfil our obligations under any such contract;
<b>Contract Price</b>	means the price we offer you to trade in our financial products from time to time and which is calculated by us according to the Client Agreement;
<b>Electronic Service</b>	means a service provided by us, for example an internet trading service offering clients access to information and trading facilities, via an internet service, a WAP service and/or an electronic order routing system and including relevant software provided by us to enable you to use an electronic trading service;
<b>Equity</b>	means the liquidating value of an Account and is calculated by deducting any unrealised losses from, and adding any unrealised profits to, the balance of the Account;
<b>Exceptional Market Conditions</b>	means an exceptional market condition as we may in our reasonable opinion determine exists, including but not limited to, a Force Majeure Event;
<b>Expiry Date</b>	the day on which the Margin Contract or CFD expires;
<b>Event of Default</b>	has the meaning given to it in clause 18 of the Client Agreement;
<b>Financing Benefit</b>	the amount that you receive CFD positions that remain open overnight, calculated using the Financing Rate;
<b>Financing Charge</b>	the amount that you pay on CFD positions that remain open overnight, calculated using the financing rate;
<b>Force Majeure Event</b>	has the meaning given to it in clause 22.7 of the Client Agreement;

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<b>Foreign Client</b>	a Client who is a resident outside Australia (based on the address in their Application Form or as notified by the Client to Decode Capital from time to time);
<b>Free Equity</b>	is your Total Equity less your Margin Requirement;
<b>FSG</b>	means our relevant financial services guide, including a supplementary and replacement financial services guide;
<b>Gapping</b>	Gapping is the exposure to loss from failure of market prices or rates to follow a "smooth" or continuous path due to external factors such as world, political, economic and specific corporate events;
<b>Initial Margin</b>	means the amount which you are required to deposit with Decode Capital to enter a Transaction any given time. Please see our website for the initial margin requirements, or refer to the ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986.
<b>Limited Trading Hours</b>	Trading hours for Margin FX are 5:00 pm American EST Sunday and close at 5:00 pm American EST Friday. In all other cases, the hours which the Underlying Market actively trades;
<b>Interbank Rate</b>	the mid interbank rate calculated by us with reference to the bid and offer prices for the Underlying Instrument most recently quoted by any one or more third party banks;
<b>Liquidation Level</b>	The minimum Total Equity balance specified under What Margin Requirements Applies in section 1 of this PDS;
<b>Long Party</b>	means, in relation to a Margin Contract or CFD other than a Margin FX Option, the party that has notionally bought the relevant Underlying Instrument;
<b>Margin</b>	means the amount that you must have in your Account to maintain your open positions;

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<b>Margin Adjustment</b>	means an adjustment to the amount of Margin you need to have in your Account to maintain a Position, due to changing the Margin Percentage or making a variation of margin or Margin Call;
<b>Margin Call</b>	a call on you normally made via the Trading Platform, requiring you to top up the amount of money you have in your Account as Margin in order to maintain your Margin Percentage where the market has moved against you, and where the additional payment is required in order to maintain your open Positions;
<b>Margin Contract</b>	means any contract, whether oral or written or concluded electronically entered into between you and us and includes Margin FX Contracts, Margin FX Option Contracts and Margin Commodity Contracts;
<b>Margin FX</b>	means a contract between you and us for the taking of spot Positions in a foreign currency as described in Section 1 of this PDS;
<b>Margin Percentage</b>	means, such percentage of the Contract Value as specified by us as described in the current PDS, and as amended by us under the Client Agreement from time to time;
<b>Margin Requirement</b>	is the amount of Margin you are required to have in your Account from time to time in order to enter into a Margin Contract or CFD, or to maintain your Position/s;
<b>Market Order</b>	an order placed to buy or sell a CFD at our current price;
<b>Mid-Price</b>	the price at the midpoint between our bid and offer prices;
<b>PDS</b>	means our product disclosure statement, including a supplementary and replacement product disclosure statement;
<b>Position</b>	means the long or short position you have taken in your Margin Contract with us;
<b>Related Body</b>	has the meaning given to it by the Corporations Act, with any

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<b>Corporate</b>	necessary modifications for companies incorporated outside Australia;
<b>Rollover Rate</b>	means the rate determined by us, from time to time, having regard to Interbank Rates for rollovers;
<b>Short Party</b>	In relation to a Margin Contract or CFD, the party that has sold a Margin Contract or CFD in opening a Margin Contract or CFD position;
<b>Short Party</b>	means, in relation to a Margin Contract or CFD other than a Margin FX Option, the party that has notionally sold the relevant Underlying Instrument;
<b>Spread</b>	means the difference in the bid and offer prices of a Margin Contract or CFD quoted from time to time by us and, where appropriate, expressed as a percentage of the relevant price;
<b>Stop Loss Order</b>	as described in paragraph titled “Order Types” in Section 2 of this PDS;
<b>Total Equity</b>	means the aggregate of the current cash balance in your Account and your current unrealised profits and losses;
<b>Trading Platform</b>	means the Trading Platform in the Electronic Service we make available to you by which you may trade with us online in our Margin FX Contracts and Margin Commodity Contracts;
<b>Total Margin Requirement</b>	means the sum of your Margin Requirements for all of your open Positions;
<b>Underlying Entity</b>	an entity that is the issuer of an Underlying Instrument;
<b>Underlying Instrument</b>	means the underlying asset, security, commodity, futures contract, index or sector, the reference to which the value of a Margin Contract or CFD is determined;
<b>Underlying market</b>	means the underlying market in which the Underlying Instrument is traded;

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**We/us** means Decode Capital Pty Ltd (ACN 066 066 911), holder of AFS licence number 246796