

ROYAL OTC CONTRACTS PRODUCT DISCLOSURE STATEMENT

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SECTION 1 – IMPORTANT INFORMATION

1.1 THIS PDS

This Product Disclosure Statement (PDS) is prepared by **Royal ETP LLC (Royal)**, as the issuer of its over-the-counter Royal Contracts (Royal Contracts or “contracts”) referred to in this PDS.

This PDS is designed to help you decide whether the contracts described in this PDS are appropriate for you. You may also use this PDS to compare this financial product with similar financial products offered by other issuers.

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

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

1.2 ROYAL

This PDS covers OTC contracts in respect of:

- shares (referred to as Share Contracts);
- indices (referred to as Index Contracts);
- commodities (referred to as Commodity Contracts).
- Foreign Exchange (referred to as FX Contracts);
- Bullion (referred to as Bullion Contracts)

The Royal Contracts covered by this PDS are those traded on the Royal Electronic Trading Platform. These OTC contracts are derivative products issued by Royal and are not exchange traded products.

1.3 YOUR POTENTIAL LIABILITY

Please especially read the Key Information in Section 2 and the Significant Risks in Section 4 for important information about your potential liability.

We recommend that you contact us if you have any questions arise from this PDS or the Account Terms prior to entering into any transactions with us. Royal recommends that you consult your advisor or obtain independent advice before trading.

1.4 ROYAL DOES NOT GIVE PERSONAL ADVICE

Royal will not give you personal financial advice about Royal Contracts. This PDS does not constitute a recommendation or opinion that the Royal Contracts are appropriate for you.

The information in this PDS is general only and does not take into account your personal objectives, financial situation and needs.

1.5 YOUR SUITABILITY TO TRADE THE ROYAL CONTRACTS

If we ask you for your personal information to assess your suitability to trade Royal Contracts and we accept your application to trade these contracts, this is not personal advice or any other advice to you. You must not rely on our assessment of your suitability since it is based on the information you provide and the assessment is only for our purposes of deciding whether to open an Account for you. You may not later claim you are not responsible for your losses merely because we have opened an Account for you after assessing your suitability. You remain solely responsible for your own assessments of the features and risks and seeking your own advice on whether the Royal Contracts are suitable for you.

We will assess wholesale client or retail client status from time to time. If you satisfy the criteria to be classified as a wholesale client, we may classify you as such. We are under no obligation to inform you if we classify you as a wholesale client.

1.6 CURRENCY OF PDS

The information in this PDS is up to date at the time it was prepared but is subject to change at any time. Any updates will be posted on our website www.oneroyal.com/vc. A copy of this PDS and the Account Terms can be downloaded from the website or you can call Royal to request that a paper copy of them be provided to you free of charge. If the new information is information which is materially adverse to you, we will issue either a new PDS or a supplementary PDS containing the new information. If the new information is not materially adverse to you, you will be able to find updated information on our www.oneroyal.com/vc or by calling us using the contact details given below. If you ask us, we will send you without charge a paper copy of the information.

1.7 CONTACT

Royal can be contacted at:

Telephone: **+1 (844) 885 3159**

or by emailing us at info@oneroyal.com/vc

SECTION 2 – KEY INFORMATION

2.1 KEY FEATURES OF OUR ROYAL CONTRACTS

- Royal Contracts are over-the-counter derivatives issued by Royal. They are not exchange-traded.
- They are for investing indirectly in a range of currency, gold or silver, securities and index movements around the world without having to own and pay full value of the Underlying Security or any underlying exchange traded contract in relation to the index.
- You must fund your Account before Royal Contracts are issued to you. You do this by paying at least the Initial Margin (plus other fees and charges detailed in Section 5).
- You remain liable to pay later Margins and to maintain the required amount of Margin. If you do not maintain the required Margin or you do not pay the required Margin call by the required time, the contract can be Closed Out and you remain liable to pay us any remaining shortfall.
- Unlike contracts traded on an exchange, the Royal Contracts are not standardised. The terms of a contract are individually tailored to the requirements of the parties to the contract – you and Royal.
- In the case of Royal Contracts, you have no right or obligation to acquire the Underlying Security itself. See the comparison table in this Section which outlines the key differences between Royal Contracts and dealing directly in the Underlying Security.
- There is leverage in the Royal Contracts because you pay to Royal only Margin, not the full value. All payments to Royal are paid as Margin (or for the relevant fees and charges). The more Margin you pay, the less leverage.

2.2 KEY BENEFITS OF OUR CONTRACTS

- Our Royal Contracts enable you to take a trading position with an exposure to a particular Underlying Security without needing to buy or sell the actual Underlying Security.
- You can use the Royal Contracts for speculation, with a view to profiting from market fluctuations in the Underlying Security. You may take a view of a particular Underlying Security and so invest in Royal Contracts intending to make a profit.
- You can use Royal Contracts to hedge your existing exposure to an Underlying Security.
- You can deal in Royal Contracts with a view to profiting in both rising and falling markets.
- Royal Contracts involve a high degree of leverage.

Our contracts potentially let you invest a relatively small amount (in the form of the Initial Margin) to have an exposure to the Underlying Security without having to pay the full price of the Underlying Security. This leverage gives you the potential to take a greater level of risk for a smaller initial outlay, so this increases the potential risks and rewards. Leverage can magnify losses (see Section 4 – Significant Risks and, in particular, the paragraph “Loss from Leverage”).

- Your moneys paid as Margin are kept in the Royal client moneys trust account until either paid back to you or paid to Royal for fees, costs and charges.

2.3 KEY RISKS OF OUR CONTRACTS

The key risks of investing in Royal Contracts are outlined below. Please see Section 4 for further information in the description of the significant risks.

- **Leverage** – Royal Contracts are leveraged when the amount you pay (i.e., the total Margin and fees and charges) to Royal is less than the full face value of the underlying investment.

Royal Contracts are typically a low margin, high leveraged investment.

You should be prepared for greater risks from this kind of leveraged derivative, including being liable to pay Royal more Margin and those Margin requirements changing rapidly in response to changes in the market for the Underlying Security.

- **Loss of your moneys** – Your potential losses on (long or short) Royal Contracts may exceed the amounts you pay (as Margin) for the Royal Contract or amounts we hold on trust for you.
- **Unlimited loss** – Your potential loss on positions may be unlimited – more than the amount you pay Royal for them.
- **Trust moneys are withdrawn to pay for the Royal Contracts** – The money which you pay into the Royal client moneys trust account are not kept there but are withdrawn to pay Royal for the Royal Contracts.
- **Margin requirements** – You are liable to pay Margin before the Royal Contract is issued and you may be required to pay more Margin before the Royal Contract is Closed Out. Margin requirements can change rapidly. If you do not meet Margin requirements, including at little or no notice, all or a portion of your Royal Contract position may be Closed Out without notice to you and the positions are usually (but need not be) liquidated on a first in/first out (FIFO) basis.
- **Foreign Exchange** – Royal Contracts which are denominated in foreign currency can expose you to fast and large changes to the value of your Account, potentially triggering the need for more Margin to be paid by you, including at short or no notice.
- **Counterparty risk** – you have the risk that Royal will not meet its obligations to you under the Royal Contract. Royal Contracts are not Exchange-traded so you need to consider the credit and performance risk you have on Royal. This is further explained in Section 3 under “Your Counterparty Risk on Royal”.

2.4 YOUR SUITABILITY

We may make an initial assessment of your suitability to invest in Royal Contracts based on the information you give us through Royal’s client on-boarding and ongoing due diligence. You should always make your own assessment of your suitability to trade our Royal Contracts. You should carefully consider the features of Royal Contracts and their significant risks before investing in them.

Some key suitability considerations for you are:

- whether you have experience in trading in the Underlying Security;
- whether you understand the terms of Royal Contracts and how they work;
- whether you accept a high degree of risk in trading in these contracts;
- whether you can monitor your investments and manage them in a volatile market;
- whether you have financial resources to provide more Margin, especially on little or no notice; and
- whether you can bear substantial losses that might arise from trading in these contracts, especially the potential for unlimited losses.

Our assessment of your suitability is based on your information and any other information we ask and you give us. To the extent permitted by law we do not accept liability for your choice to invest in any Royal Contracts so you should read all of this PDS carefully, consider your own needs and objectives for investing in the Royal Contracts and take independent advice as you see fit.

2.5 NATURE OF ROYAL CONTRACTS

Royal Contracts are sophisticated over-the-counter financial products which allow you to make a profit or loss from changes in the market price of the Underlying Security (or, if that is an index, changes in the index level), without actually owning the Underlying Security or having any direct interest in the Underlying Security. In simple terms, the amount of profit or loss made on the Royal Contract will be equal to the difference between the price of the Royal Contract when the contract is opened and the price when the Royal contract is closed, multiplied by the number of Royal Contracts held.

The calculation of profit or loss is also affected by other payments, including payments relating to Transaction Fees, Finance Charges and any other charges (for more information, see Section 5).

The value can also be affected by fluctuations in foreign exchange if you effect a Transaction denominated in a currency different from the denomination of your Account currency.

You can take both "long" and "short" positions. If you take a long position, you profit from a rise in the Underlying Security, and you lose if the price of the Underlying Security falls. Conversely, if you take a short position, you profit from a fall in the price of the Underlying Security and lose if the underlying price or level rises.

You can also deal in Royal Contracts on many indices in respect of leading Exchanges. Go short if you think the market index is going to fall, or go long if you think the index is going to rise. This can be useful if you want to follow a specific market trend rather than individual shares.

The value can also be affected by fluctuations in foreign exchange if you effect a Transaction denominated in a currency different from the denomination of your Account currency.

You can take both "long" and "short" positions. If you take a long position, you profit from a rise in the Underlying Security, and you lose if the price of the Underlying Security falls. Conversely, if you take a short position, you profit from a fall in the price of the Underlying Security and lose if the underlying price or level rises.

You can also deal in Royal Contracts on many indices in respect of leading Exchanges. Go short if you think the market index is going to fall, or go long if you think the index is going to rise. This can be useful if you want to follow a specific market trend rather than individual shares.

Unlike direct investments made by trading on an Exchange, Royal Contracts are not standardised. The terms of Royal Contracts are based on the Account Terms with Royal, which apply to your Account and your Transactions.

Royal Contracts do not give you any beneficial interest in the Underlying Security nor any right to acquire the Underlying Security. You have none of the rights of a holder of that financial product. This is different from direct trading in the Underlying Security where you acquire a beneficial interest in the actual financial product.

2.6 TYPES OF CONTRACTS

2.6.1 SHARE CONTRACTS

Share Contracts allow you to receive many of the economic benefits of owning the Underlying Security on which the Royal Contract is based without physically owning it (for more information on key benefits of trading in Royal Contracts see Section 2). For more information on which Share Contracts Royal provides quotes on, please download a demonstration trading platform located on our website or contact Royal.

Share Contracts are valued based on the price of the Underlying Security.

Share Contracts derive their price from the real time changes in of the price of the Underlying Security on the relevant exchange or market.

Prices are only quoted for Share Contracts and can only be traded during the open market hours of the relevant exchange on which the Underlying Security is traded.

Open hours of the relevant exchanges are available by viewing the relevant Exchange website. In addition, Royal will not quote for a Royal Contract on a particular Underlying Security if that Underlying Security is illiquid or is in suspension (for more information on potential external disruptions see Section 4). Royal will not quote Share Contracts if the contract is over shares in a company which becomes externally administered.

For example, if you bought 1000 Share Royal Contracts and the price of the Underlying Security was quoted as 15.70/15.71 then the Share Contract would have a value of \$15,710 (being 15.71 x 1000).

Refer to the Section 3 under "Rolling over or swapping" for more details and for the relating fees and charges refer to the Section 5 under "Finance Charge Adjustment/ Finance Credit Adjustment".

2.6.2 INDEX CONTRACTS

Index Contracts allow you to trade anticipated market trends rather than individual shares. Margin requirements for Index Contracts may differ and may be lower than of other Royal Contracts.

Index Contracts are valued based on the number of units per index point of the underlying index. For example, if the S&P™/ ASX 200™ is valued at 4600 then trading 10 Index Royal Contracts would mean the face value of the trade was \$46,000. Index Contracts derive their price or value from the real time changes in the value of an underlying index as calculated by the relevant exchange or Royal's valuation. Similar to Share Contracts, Index Contracts prices are only quoted and can only be traded during the open market hours of the relevant exchange on which the underlying index is determined (or within any more limited hours set from time to time by Royal). Open hours of the relevant exchanges are available by viewing the relevant exchange website. Refer to the Section 3 under "Rolling over or swapping" for more details and for the relating fees and charges refer to the Section 5 under "Finance Charge Adjustment/ Finance Credit Adjustment".

2.6.3 COMMODITY CONTRACTS

Commodity Contracts operate in the same way as Share Contracts and Index Contracts except their Underlying Security is the value or price of a Commodity Transaction.

Commodity Contracts are an easy way to gain access indirectly to commodity markets and underlying commodities such as oil and gas. Commodity Contracts give traders and investors indirect exposure to the underlying commodity without physical delivery.

Commodity Contracts may be based on Underlying Futures contracts which have set expiry dates or settlement terms. However Commodity Contracts cannot be settled by the physical or deliverable settlement of the underlying commodity. Rather these products can be rolled or swapped indefinitely until you decide to close out the transaction.

Refer to the Section 3 under "Rolling over or swapping" for more details and for the relating fees and charges refer to the Section 5 under "Finance Charge Adjustment/ Finance Credit Adjustment.

2.6.4 FX CONTRACTS

FX Contracts are leveraged products which derive their prices from the real time changes in the price of the Underlying Security. Prices are only quoted for FX Contracts and can only be traded during the open market hours on which the Underlying Security is traded.

Open hours of the market are available by viewing the relevant FX market website. FX Contracts allow you to receive many of the economic benefits of owning the full value of the Underlying Security on which the FX Contract is based without physically owning it (for more information on key benefits of trading in FX Contracts see Section 2.2). For more information on what Royal provides quotes on, please download a demonstration trading platform located on Royal's website www.oneroyal.com/vc or contact Royal directly.

FX Contracts are valued based on the price of the Underlying Security. For example, if you bought 100,000 units of one currency against another and the price of the Underlying Security was quoted as 1.25505/1.25525 then the FX Contract would have a value of \$125,525 (being 1.25525 x 100,000).

2.6.5 FORWARD FX CONTRACTS

Forward FX contracts are particular kinds of FX Contracts which derive their price or value from the real time changes in the value of a currency for settlement in the future as calculated by Royal.

Similar to FX Contracts, prices are only quoted by Royal and can only be traded during the open market hours (or within any more limited hours set from time to time by Royal).

2.6.6 BULLION CONTRACTS

Bullion Contracts are very similar to FX Contracts in that they are an over-the-counter financial product which allow you to make a profit or loss from changes in the market price of an Underlying Security, in this case gold or silver to the extent they are reflected in price movements in Bullion Contracts, without having to own the Underlying Security. Bullion Contracts cannot be settled by physical delivery on their Value Date, rather these products can be rolled or swapped indefinitely until you decide to Close Out the Transaction i.e. Bullion Contracts do not have set expiry dates

and will remain open until Closed Out. Refer to Section 3.14 under “Rolling over or swapping” for more details and for the relating fees and charges refer to the Section 5 under “Finance Charge Adjustment/ Finance Credit Adjustment”.

2.7 COMPARISON

This summary table compares the Royal Contracts offered by this PDS with direct investments in shares. As a summary, it cannot cover all features, risks and terms of all the financial products and services.

2.8 BENCHMARK DISCLOSURE

Royal has chosen to apply the benchmarks set out by FSA to all of the Royal Contracts, which include OTC contracts for differences and margin foreign exchange financial products.

It is important to note that the benchmarks are not mandatory and are not law. Not meeting the benchmarks is not an indication of breaches or failures.

The following table summarises the benchmarks as Royal applies them to our Royal Contracts, whether Royal meets them and, if not, why not.

The table that follows below also refers you to other Sections of this PDS for more information on relevant topics (to avoid duplicating the information in this PDS).

Feature	Direct investments in shares	Royal Contracts
Beneficial interest in Underlying Security	Investor has beneficial interest.	Holder of Royal Contracts has no beneficial interest in Underlying Security.
Dividends and distributions	Investor has entitlement to available dividends and distributions, typically paid some days after the ex-date for the Underlying Security.	Holder has no right to dividends or distributions, though adjustments are made to the Account in respect of the gross cash value of the dividends. See Section 3.8.
Dividend imputation credits	Investor has entitlement to available dividend imputation credits.	Holder has no right to dividend imputation credits or value of them.
Shareholder benefits (e.g., voting, participation in corporate actions, receiving company reports or purchase plans or shareholder discounts).	Investor has entitlements (subject to custodian’s rules) and must manage responses to them.	Holder has no right to shareholder benefits or purchase plans or to direct Royal to act in respect of them. Royal may make adjustments in its discretion to Royal Contracts to reflect corporate actions.
Rights as a Client of an Exchange-regulated broker.	Investor has rights imposed by operating rules of Exchange and any other regulatory rules	Investor has no rights under Exchange rules; all rights come from Royal Contracts. Royal Contracts are not subject to any market rules.

Pricing changes	The price of an Exchange-traded share changes according to market.	The price of Royal's Royal Contracts change according to a range of variables, including the market price of Underlying Security (except in cases of a market disruption).
Leverage	No leverage.	Leveraged by way of the investor paying Margin which is less than %100 of the cost of directly buying and holding the Underlying Security.
Further Margining	No Margining.	Further margining occurs.
Short positions	Direct investments are long positions. Short positions may be possible with separate orders where the long position has been closed.	Short Royal Contracts are possible, depending on availability and regulations.
Custody	Shares are held in custody according to investor's wishes (could be directly held or indirectly held through a nominee).	Holder has direct ownership of the Royal Contracts; but no interest in Underlying Securities or in any moneys paid to Royal. Margin remains in Royal client moneys trust account.
Recourse	No need for recourse except to cover the risk of a custodian default or broker fraud. Investor has the benefit of any exchange guarantee fund, depending on rules for that fund.	Holder has benefit of Margin retained in Royal client moneys trust account but otherwise is an unsecured creditor of Royal (see Section 3).
Trading	As permitted by broker.	According to Royal's Electronic Trading Platform.
Finance Charges	None	Finance Charge imposed on value of Royal Contracts position (see Section 5).

Regulatory Benchmark	Royal
<p>1. Client qualification If an issuer meets this benchmark, the PDS should clearly explain:</p> <ul style="list-style-type: none"> that trading in CFDs [or other applicable products] is not suitable for all investors because of the significant risks involved; and how the issuer's client qualification policy operates in practice. <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described in RG 227.40, it should disclose this in the PDS and explain why this is so.</p>	<p>Royal believes that it meets this benchmark. Please see Section 2 under "Your Suitability".</p>

Regulatory Benchmark	Royal
<p>2. Opening collateral If an issuer meets this benchmark, the PDS should explain the types of assets the issuer will accept as opening collateral. If an issuer accepts non-cash assets as opening collateral (other than credit cards to a limit of 1000\$), the PDS should explain why the issuer does so and the additional risks that using other types of assets (e.g. securities and real property) as opening collateral may pose for the investor. This includes, for example, the risks of 'double leverage' if leveraged assets are accepted as opening collateral.</p>	<p>Royal does not meet this benchmark because it accepts as collateral for opening the account payments by credit card for more than 1,000\$.</p> <p>The additional risks of paying by credit card are described in Section 6 under "Applications".</p> <p>Royal otherwise meets this benchmark.</p>
<p>3. Counterparty risk- Hedging If an issuer meets this benchmark, the PDS should provide the following explanations:</p> <ul style="list-style-type: none"> • a broad overview of the nature of hedging activity the issuer undertakes to mitigate its market risk, and the factors the issuer takes into account when selecting hedging counterparties; and • details about where investors can find the issuer's more detailed policy on the activities it undertakes to mitigate its counterparty and market risk, and the names of any hedging counterparties. • If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so. <p>The PDS must include information about the significant risks associated with the product: s1013D(1)(c). The PDS should also provide a clear explanation of the counterparty risk associated with OTC CFDs [or other applicable products]. The PDS should explain that, if the issuer defaults on its obligations, investors may become unsecured creditors in an administration or liquidation and will not have recourse to any underlying assets in the event of the issuer's insolvency.</p>	<p>Royal meets this benchmark due to:</p> <ul style="list-style-type: none"> • Royal disclosing in its PDS that it operates a modified market making model and broadly describing its hedging activity (see Section 3.19). • This PDS complies with the requirements to include information about the significant risks associated with the contracts (see Section 3.19) and also provides an explanation of the counterparty risk associated with Royal Contracts (see Section 3 under "Your Counterparty Risk on Royal"). <p>This PDS explains that, if Royal defaults on its obligations, investors may become unsecured creditors in an administration or liquidation.</p> <p>However, this PDS does not name Royal's hedge counterparties for the reasons set out in section 3.19.</p>
<p>4. Counterparty risk— Financial resources If an issuer meets this benchmark, the PDS should explain how the issuer's policy operates in practice. If an issuer does not meet the requirement on stress testing, it should explain why and what alternative strategies it has in place to ensure that, in the event of significant adverse market movements, the issuer would have sufficient liquid resources to meet its obligations to investors without needing to have recourse to client money to do so. An issuer should also make available to prospective investors a copy of its latest audited annual financial statement, either online or as an attachment to the PDS.</p>	<p>Royal would meet this benchmark except that:</p> <ul style="list-style-type: none"> • Royal makes available copies of its latest audited annual financial statement only by inspection at the office of Royal. • Royal have sufficient financial resources including meeting minimum Net Tangible Asset requirements to conduct its financial services business. <p>This PDS includes information about Royal's policy on maintaining adequate financial resources see Section 3.19 under "Your Counterparty Risk on Royal".</p>

Regulatory Benchmark	Royal
<p>5. Client money If an issuer meets this benchmark, the PDS should clearly:</p> <ul style="list-style-type: none"> • describe the issuer’s client money policy, including how the issuer deals with client money and when, and on what basis, it makes withdrawals from client money; and • explain the counterparty risk associated with the use of client money for derivatives. <p>If an issuer does not have such a policy in place, or one that does not incorporate all of the elements described above, it should disclose this in the PDS. If an issuer’s policy allows it to use money deposited by one client to meet the margin or settlement requirements of another client, it should very clearly and prominently explain this and the additional risks to client money entailed by this practice. An issuer’s client money policy should be explained in the PDS in a way that allows potential investors to properly evaluate and quantify the nature of the risk, if any, to client money.</p>	<p>Royal believes it meets this benchmark in all respects.</p> <p>See sections 3.19 ,3.13 and the risks described in section 4.</p>
<p>6. Suspended or halted underlying assets If an issuer meets the benchmark, the PDS should explain the issuer’s approach to trading when underlying assets are suspended or halted. If an issuer does not meet this benchmark, it should disclose this in the PDS and explain why this is so, as well as the additional risks that trading when underlying assets are suspended may pose for investors. To provide a full explanation of this aspect of the product, an issuer should explain any discretions it retains as to how it manages positions over halted or suspended assets, and how it determines when and how it uses these discretions. This should include disclosure of any discretions the issuer retains to:</p> <ul style="list-style-type: none"> - change the margin requirement on a position; - re-price a position; or close out a position. 	<p>Royal believes it meets this benchmark in all respects.</p> <p>Royal’s approach to trading when underlying assets are suspended or halted is described in Section 3 under “Dealing”.</p> <p>Royal’s discretions and how it manages its positions are described in Section 6 under “Discretions”.</p>
<p>7. Margin calls If an issuer meets this benchmark, the PDS should explain the issuer’s policy and margin call practices. If an issuer does not have such a policy in place, or one that does not incorporate all of the elements prescribed by regulatory guide, it should disclose this in the PDS and explain why this is so. To provide full and accurate information about this aspect of trading in CFDs [or other applicable products], the PDS should clearly state that trading in CFDs [or other applicable products] involves the risk of losing substantially more than the initial investment. This will ensure the issuer meets its obligation to include in the PDS information about the significant risks associated with the product: s1013D(1)(c).</p>	<p>Royal does not meet this benchmark in certain respects. Royal describes its margin policy at Section 3 under “Payments and Client Moneys” subheading “Margin Policy” and the risks associated at Section 4. Royal does not commit to taking any reasonable steps to notify investors before making a Margin call because that is contrary to the Account Terms and, if it applied, would tend to have a worse financial effect for all Clients generally, since they could all suffer adverse price movements while waiting for an undefined reasonable notice period, that may only later be decided after lengthy and costly legal proceedings. Royal might attempt to contact Clients, but the Account Terms clearly require the Client (i) to maintain the required minimum Margin Cover as well as (ii) to meet any Margin call. A Client must meet the Margin Cover requirements whether or not the Client is aware of the current Margin Cover. A Client must meet a Margin call even if they have not actually received the Margin call made to the address they gave Royal.</p>

SECTION 3 – HOW TO TRADE

3.1 YOUR ACCOUNT

You need to establish your Account by completing Royal's Account application form, which will be made available for you online or by contacting Royal directly. After Royal accepts your application, your Account will be established. Your Account covers all of the services and products which you apply for in your application form and which is accepted by Royal. Your trading in Royal Contracts is within your Account which is for your trading on the trading platform known as Royal Electronic Trading Platform. By opening an Account, you agree to the Account Terms. The legal terms governing your Account and your dealing in Royal Contracts are set out in the Account Terms. The Account Terms also have the legal terms for your dealings with us for other financial products which are not covered by this PDS.

3.2 OPENING A ROYAL CONTRACT

The particular terms of each contract are agreed between you and Royal before entering into the Transaction. Before you enter into a contract, Royal will require you to have sufficient Account Value (see the Glossary in Section 7) to satisfy the Initial Margin requirements for the relevant number of contracts. The payments you make to Royal are either held as Margin or withdrawn to pay the fees and charges which you owe. The fees and charges of transacting with Royal are described in Section 5 of this PDS. A position is opened by buying a Royal Contract, corresponding with either buying (going long) or selling (going short) the Underlying Security. You go "long" when you buy a contract corresponding with buying the Underlying Security in the expectation that the price of the Underlying Security to which the contract is referable will increase, which would have the effect that the price of the contract to Close Out would increase.

You go "short" when you sell a contract corresponding with selling the Underlying Security in the expectation that the price of the Underlying Security to which the contract is referable will decrease, which would have the effect that the price of the contract will decline.

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

3.3 CLOSING A ROYAL CONTRACT

Most Royal Contracts do not have an expiry date. They remain open until they are Closed Out. With most Royal Contracts you can hold the position for as long as you like. This may be for less than a day, or for months. Commodity Contracts and Index Contracts whose Underlying Security is a Futures Contract will have an expiry date.

All Contracts whose Underlying Security is a Futures Contract will expire at a specified date in the expiry month for them. These Royal Contract positions need to be closed or rolled into the next available contract month by the Client since Royal does not support the automatic rolling of these Royal Contract Open Positions.

Please take note of and monitor the expiry and first notice dates of any Futures Contracts which are the underlying Futures Contract of the Commodity Royal Contracts which you invest in and ensure that you have Closed Out your Royal Contract position before the Royal Contract's expiry date, otherwise it will be Closed Out.

If you do not close a Royal Contract position before the Royal Contract's expiry date which generally is always two days prior to the underlying Futures Contract expiry date or notice date (whichever is first), Royal will normally automatically Close Out your Commodity Contract position for you at the first opportunity available to Royal at the prevailing market price. Any resulting costs, gains or losses will be passed on to you. If you wish to close a Royal Contracts position before it expires, you enter into a Royal Contract which is equal and opposite of the open Royal Contract. To close a 'bought' or 'long' Royal Contracts you sell, and to close a 'short' or 'sold' Royal Contracts you buy. To implement this, you contact Royal, either directly or via the online trading platform, to determine the current market value of the Underlying Security for the Royal Contracts, with the view to closing the Royal Contracts position (or part of it). Royal will confirm the current market value and you will then decide whether to accept the value, and if so, you would instruct Royal to Close Out your Open Position in accordance with your instructions.

At the time that the Royal Contracts are closed, Royal will calculate the remaining payment rights and obligations to reflect movements in the Contract Value since the previous business close (including other credits/debits). Because you enter into a Royal Contracts to Close Out the existing Royal Contracts, there may be a Transaction Fee on the Royal Contracts, used to close the position – see Section 5 on "Costs, Fees and Charges".

Royal has discretion in determining closing prices. In general, without limiting Royal's discretion, it should be expected that Royal will act reasonably and have regard to a range of relevant factors at the time, such as the value of the hedge contract taken by Royal to hedge its Royal Contracts issued to you, the closing price of the Underlying Security for the Royal Contracts, any foreign currency exchange rates which are relevant due to the denomination of the Royal Contracts or Accounts and any suspension or halt in trading of the Underlying Security. In the worst case, it is possible that the closing price determined by Royal maybe zero. Royal also has the right to decide to make an adjustment in any circumstance if Royal considers an adjustment is appropriate. Royal has a discretion to determine the extent of the adjustment so as to place the parties substantially in the same economic position they would have been in had the adjustment event not occurred.

Royal may elect to close a position (without prior notice to you) if an adjustment event occurs and it determines that it is not reasonably practicable to make an adjustment. Although there are no specific limits on Royal's discretions, Royal must comply with its obligations as a financial services licensee to act efficiently, honestly and fairly. The amount of any profit or loss you make on a Royal Contracts will be based on the difference between the amount paid for the Royal Contracts when it is issued (including fees and charges) and the amount credited to your Account when the Royal Contracts is Closed Out (including allowance for any fees and charges).

3.4 DEALING

Quotes for prices for dealing in our products are indicative only and so are subject to the actual price at the time of execution of your Transaction. There is no assurance that the position will actually be dealt with at the indicative quote. Quotes can only be given and Transactions made during the open market hours of the relevant Market/Exchange on which the Underlying Securities are traded. The open hours of the relevant Markets/Exchanges are available by viewing the relevant Exchange website or by contacting Royal. Royal may at any time in its discretion without prior notice impose limits on our products in respect of particular Underlying Securities. Ordinarily, Royal would only do this if the market for the particular Underlying Security has become illiquid or its trading status has been suspended or there is some significant disruption to the markets, including trading facilities. You should be aware that the market prices and other market data which you view through Royal's online trading platforms or other facilities which you arrange yourself may not be current or may not exactly correspond with the prices for our products offered or dealt by Royal.

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

3.5 PRICING - BID/ASK SPREAD

Royal quotes a lower price and a higher price at which you can place your Order. This may be referred to as the Bid/Ask spread. The higher quoted price is the indication of the price you can buy the Royal Contracts at. The lower quoted price is the indication of the price at which you can sell the Royal Contracts at. Royal's Bid/Ask prices are set by Royal and so these prices may not be the same as those quoted in the relevant underlying market. Royal aims to give competitive pricing but please be aware that the quotes offered may not be the best price. When your Order is executed, for you to break even or realise a profit, putting aside for the sake of simple illustration any fees or charges, the price at which you exit your position needs to be at least equal to the original Bid or Ask price that you started the position (depending on whether you went long or short); if you trade at the Ask, the price needs to reach the Bid and vice versa. Also, the available pricing may be limited by minimum steps, depending on the Exchange rules for trading the Underlying Security or its hedge, so, depending on the product you choose, your Order to exit your position might have to be in minimum increments of pricing before it can be accepted and executed.

3.6 PRICING MODEL

You may only trade in and out of the Royal Contracts by using Royal's prices. Royal offers prices based on a modified market making pricing model where the price available to Royal is derived from its Hedge Counterparty. Royal might make hedge contracts at or around the same time as it issues the Royal Contracts to you by making a corresponding hedge contract with its Hedge Counterparty (not by placing orders directly into the market).

Royal understands that Royal's Hedge Counterparty usually takes the other side of the transaction and so Royal's Hedge Counterparty may choose not to place its hedge contracts directly in the market or it might hedge directly into the market, without Royal being aware of the Hedge Counterparty's choice.

Royal's Bid and Ask prices to you are based on the corresponding prices offered by the Hedge Counterparty to Royal, which generally are derived from the underlying markets (but are not limited to that). Generally the prices of Royal Contracts are set on the Royal Electronic Trading Platform to give competitive pricing but you should be aware that Royal is responsible for setting the prices of opening and closing the Royal Contracts and Royal does not guarantee to find you the best prices.

3.7 ROYAL ELECTRONIC TRADING PLATFORM

Your Account gives you access to Royal Electronic Trading Platform, which is a multi-product multi-currency on-line trading platform.

Most of the Royal Contracts will use the Royal Electronic Trading Platform. Even if you telephone Royal to place an Order, your Order will be placed using the Royal Electronic Trading Platform.

You must carefully read and follow the operational rules for the online trading platform. The online trading platform may impose special operating rules regarding:

- posting Margin (such as when payment is effective);
- how Margins are calculated (such as automatic adjustments outside of trading hours, including at the weekend); or
- how Orders are managed.

We recommend that prior to engaging in live trading you open a “demo” account and conduct simulated trading. This enables you to become familiar with the Royal Electronic Trading Platform attributes.

There is also online help available Royal Electronic Trading Platform which has a wealth of information relating to the operation of the Royal Electronic Trading Platform.

3.8 CONFIRMATIONS OF TRANSACTIONS

If you transact in our Royal Contracts, the confirmation of that Transaction, as required by the Corporations Act, may be obtained by accessing the daily statement online, which you can print. Once you have entered an Order into an online trading platform, the system may report the main features of your Transaction in a “pop-up” window. This is a preliminary notification for your convenience and is not designed to be a confirmation as required by the Corporations Act. If you have provided Royal with an e-mail or other electronic address, you consent to confirmations being sent electronically, including by way of the information posted to your Account in the online trading platform. It is your obligation to review the confirmation immediately to ensure its accuracy and to report any discrepancies within 48 hours.

3.9 SHARE CONTRACTS – DIVIDENDS

If you hold a long Royal Contract, you will be credited with an amount equal to the cash dividend on the relevant number of the Royal Contracts’ Underlying Securities as soon as practical, typically on the business day after the ex-dividend date (Royal Contracts do not confer rights to any dividend imputation credits). Please be aware that delays might occur for reasons outside of Royal’s control, including delays by the issuer which is paying the dividend, time zones or banking payment systems.

Conversely, if you hold a short Royal Contract, your Account will be debited an amount equal to the cash dividend on the Underlying Securities on the ex-dividend date and may be debited any imputation credits of the Underlying Security. The dividend and cash adjustments reports given by Royal record the adjustments made to your Royal Contracts for dividends or other corporate actions affecting the Underlying Securities (they do not refer to actual dividends paid by the issuer of the Underlying Security).

If the Royal Contracts relate to an index and then a share that is a constituent of the index goes ex-dividend, then an adjustment may be made to the index level to reflect this dividend. An amount for the weighted proportion of the dividend will be credited to your Account in respect of your long positions and debited from short positions.

3.10 SHARE CONTRACTS – CORPORATE ACTIONS

If there is a corporate action by the company which issues the Royal Contracts’ Underlying Security to which the Royal Contracts relates, Royal may in its discretion make an adjustment to the terms of the Royal Contracts in accordance with the terms of the Account. For example, an adjustment will ordinarily be made for: subdivisions; consolidations; reclassifications of shares; bonus issues; other issues of shares for no consideration; rights issues; buy backs; in specie distributions; takeovers, schemes of arrangement or similar corporate actions; a corporate action event that has a dilutive or concentrative effect on the market value of the shares. You may not direct Royal how to act on a corporate action or other shareholder benefit. Royal has a discretion to determine the extent of the adjustment and aims to place the parties substantially in the same economic position they would have been in had the adjustment event not occurred.

Royal may elect to close a position (without prior notice to you) if an adjustment event occurs and it determines that it is not reasonably practicable to make an adjustment. Royal may also elect to close a Royal Contract if the Royal Contract's Underlying Securities are the subject of a take-over offer, scheme of arrangement or other mechanism for change in control, prior to the closing date of the offer.

Royal Contracts do not entitle you to direct Royal on how to exercise any voting rights in connection with the Royal Contract's Underlying Security such as shares.

Clients should be aware that some Exchanges purge orders in securities that undergo corporate actions. You should seek confirmation from Royal of any action for specific corporate actions that might affect your Royal Contracts

3.11 SHARE CONTRACTS – NO SHAREHOLDER BENEFITS

If the Royal Contracts relates to an Underlying Security which is an Exchange-traded security, you do not have rights to vote, attend meetings or receive the issuer's reports, nor can you direct Royal to act on those rights. Other benefits such as participation in shareholder purchase plans or discounts are unavailable.

3.12 SHARE CONTRACTS AND INDEX CONTRACTS- ROLLING OVER OR SWAPPING

Some Index Contracts and Commodity Contracts are not automatically 'rolled over' to a new value date and are closed out by Royal according to the standard terms of the Underlying Security which may be an Exchange Traded Futures Contract. Alternatively some open Royal Contracts are never allowed to reach their Value Date but instead are 'rolled over' to a new Value Date. Open Positions held at the end of a trading day at 17:00 New York local time will be rolled over to a new Value Date on a spot basis being TOM/NEXT rollover basis (i.e. rolled from tomorrow to the next day) immediately after the change of the trading day. For example, a position opened on Monday which is still open on Tuesday will be automatically Closed Out then reopened again immediately with the new Value Date of Thursday.

This will ensure that if a Closed Out Spot Commodity Contract is entered into, the Value Date of the Close Out Spot Commodity Contract has the same Value Date as the rolled Spot Commodity Contract so the position can be matched and Closed Out on the Value Date.

The rollover (or swap) points is reflected in the price at which the Open Position is rolled forward i.e. it is added to or deducted from the original traded rate and debited or credited to your Account balance on Value Date (and so is not an additional fee or charge).

When a position is rolled over to a new Value Date, any unrealised profit or loss on the position being rolled is also subject to a Finance Charge credit or debit on the profit or loss. This finance charge or finance credit is included in the rollover/swap points.

Details of the rollover (or swap) pricing are included in your rollover history statement. This is an online report that you can access and print upon demand and can be accessed via the Electronic Trading Platform.

You should see the Trading Conditions for roll-over or swap depending on the Electronic Trading Platform you have chosen and the Underlying Security.

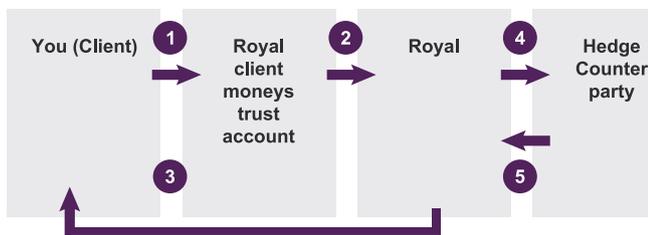
3.13 PAYMENTS AND CLIENT MONEYS

Here is an explanation of payments when you invest in our Royal Contracts.

A. Establishing a Position

Before you transfer any money to Royal, you should carefully consider how your money will be held and used and the risks to you of paying money to Royal. This is a simplified diagram and outline of steps of flows of payment for establishing a position in a contract. Please see the entire description which follows.

Steps:



Step 1 You (as our Client) pay money into the Royal client moneys trust account for Margin and for fees, charges and costs. You need to do this to fund your Account before trading.

Step 2 Royal’s general policy is that it will immediately withdraw from the client moneys trust account all of your money which you had deposited there, on your direction

and in accordance with the Account Terms, from the client moneys trust account to pay as Margin to Royal for your Royal Contracts (including for any other fees or charges or other payments which you owe, according to your Account Terms or for other amounts for your Account). This will allow for your Account to be credited in order for you to trade in the Royal Contracts.

Step 3 Royal Contracts are issued to you.

Step 4 shows that the money is used to pay Hedge Counterparty.

Steps 3 and 4 are virtually simultaneous:

If Royal hedges some or all of Client’s Royal Contracts with Hedge Counterparty, then step 5 shows the hedge contracts held by Royal for its own account. In certain instances Royal may not hedge, this may include where another Royal customer enters into a trade which is opposite to the trade you enter. Royal may not hedge where in the reasonable opinion of Royal having regard to various factors, is satisfied that hedging is not required.

(See more detail later in this PDS):

1. Royal withdraws moneys from the client moneys trust account only for:

- paying Clients;
- amounts, fees and charges due to Royal on the Royal Contracts or other products you choose to trade in); or
- to pay the Hedge Counterparty for managing Royal’s Margin obligations on the hedge contracts for those Clients.

2. You do not satisfy your payment obligations to Royal merely by having your moneys in the Royal client moneys trust account.

For so long as your money's remain in the Royal client moneys trust account, they are held in trust for you and, pursuant to the Account Terms, cannot be counted as payment for or credit for your Account (unless Royal chooses to waive this) until Royal acts on the direction given by the Client (each time the Client deposits funds into the Royal client moneys trust account) to withdraw the funds from the Royal client moneys trust account. **However, Royal's general policy is to make the withdrawals from the Royal client moneys trust account in the ordinary course of business to allow you to trade.**

3. Royal may choose to credit your Account with payment to Royal before it withdraws the funds you have paid into the Royal client moneys trust account. This may be done as an advantage to Clients to facilitate dealing in Royal Contracts having regard to available banking payment procedures, but if that is done by Royal it should not be expected or be relied upon as always going to be done by Royal. However, as explained earlier in this PDS, the general policy of Royal is to credit your Account once Royal has withdrawn the funds which you have paid into the Royal client moneys trust account.

Detailed explanation of Client moneys when establishing a position

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

Royal client moneys trust account Moneys paid by you to Royal for Royal Contracts are initially deposited into a trust account maintained by Royal, which is referred to in this PDS as the "Royal client moneys trust account".

The moneys paid by you into the Royal client moneys trust account are held for you and are segregated from Royal's own funds. This means those funds are not available to pay general creditors in the event of receivership or liquidation of Royal (unless a court orders differently).

You should be aware that, generally, for trust accounts such as the Royal client moneys trust account:

- Individual Clients do not have separate or segregated accounts.
- All Clients' moneys are combined into one account.
- Moneys and other assets in the trust account (e.g., the Royal client moneys trust account) which belong to non-defaulting Clients are potentially at risk of being withdrawn and not being re-paid to the Client even though they did not cause the default. This is because the licensee (e.g., Royal) is permitted by law to use the moneys to pay itself for its hedge of the Client's position (i.e., the contract) (see "Your Counterparty Risk on Royal" in Section 3). Also, a licensee (e.g., Royal) is permitted by law to use Client moneys in these trust accounts (e.g., the Royal client moneys trust account) to meet obligations incurred by the licensee (i.e., Royal) in connection with margining, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives.
- Royal is entitled to retain all interest earned on the money held in the Royal client moneys trust account.

You make your deposit by using the unique client reference number we give to you for your Account.

This deposit also serves as confirmation of your direction to Royal to tell us that these moneys should be withdrawn as payment for which we are entitled for any contract you wish to enter into using the Royal Electronic Trading Platform (not just Royal Contracts). If you do not use the client reference number when making your deposit, Royal may ask you to confirm your direction before we can credit your Account to enable you to enter into a Transaction.

In practical terms, when you make a payment which is deposited into the Royal client moneys trust account, you are making payments which will be withdrawn to be used only for the fees and charges in respect of your Royal Contracts (or other OTC Transaction) and the balance that is withdrawn will be used as Margin, being part payment for your Royal Contracts (or other OTC Transaction) (because you take the benefit of the leverage from Royal only requiring an amount of Margin which is less than the full risk-free value of the Royal Contracts or other OTC Transaction).

Use of Client moneys

Pursuant to your Account Terms, you cannot make a payment into the Royal client moneys trust account without also directing that all of those funds may be withdrawn to pay Royal amounts to which it is entitled. Therefore you should only pay into the Royal client moneys trust account the amount which you are prepared to have withdrawn to pay Royal.

Client moneys are held in the Royal client moneys trust account until Royal carries out the Client's direction to withdraw the funds. The timing of the funds being held in the Royal client moneys trust account might be for a short time, as little as the same day as your deposit or as much as a few days depending on whether the payment has been correctly referenced with the unique client reference number we give to you when you make your deposit or subsequently allocated manually.

Your moneys are withdrawn from the Royal client moneys trust account because you direct those payments in order for your Royal Contracts (or other OTC Transaction) to be issued and to pay for your Royal Contracts trading (or other trading on your Account). You make those directions by your Account Terms and each time you make a deposit into the Royal client moneys trust account by using the unique client reference number we give to you when you make your deposit in an amount of at least the minimum required Margin amount. Your moneys have to be withdrawn from the Royal client moneys trust account to pay Royal for the Royal Contracts.

Royal's general policy is that it will immediately withdraw from the Royal client moneys trust account all of the funds you deposit for your Account, even if it is more than the required minimum Margin. If it is not withdrawn from the Royal client moneys trust account, then, pursuant to the Account Terms, the credit is not posted to your Account for that amount remaining in the Royal client moneys trust account and so you cannot trade with the benefit of credit for that amount (unless Royal exercises its discretion, as explained below).

Royal may, in its discretion, choose to credit your Account before it withdraws your money from the Royal client moneys trust account. This may be done as an advantage to Clients to facilitate dealing in Royal Contracts (or other trading on your Account) having regard to available banking payment procedures, but if that is done by Royal it should not be expected or relied upon as always going to be done by Royal.

You are free to decide that it is more prudent for you to pay more than the required minimum Margin in respect of Royal Contracts to reduce your risks from leveraging or to avoid any future time limits for meeting later Margin requirements that you cannot meet. Also, you need to pay Royal before you trade (holding moneys in a Royal client moneys trust account is not payment to Royal). Your Account Terms and your directions give Royal its entitlement to withdraw your funds from the Royal client moneys trust account to pay itself all of the funds you deposit.

So, all of the funds withdrawn by Royal from the Royal client moneys trust account are payments for your Royal Contracts and the amount paid to Royal is credited to your Account (not held on deposit for you).

This general policy of immediately withdrawing all of your funds will not apply if:

- you have given other written instructions, such as to credit other specific Accounts you have with Royal; or
- the moneys are held in the Royal client moneys trust account while waiting instructions from you.

Withdrawal Authority

Margin is part payment by you to Royal for the Royal Contracts and is not held on deposit for you. You must pay Margin to Royal for the Royal Contracts. You must pay Margin in an amount of at least the minimum required Margin amount, though you can choose to pay more than the required minimum amount (and it may be prudent for you to do so).

Since you must pay Margin for the Royal Contracts and you control when you place Orders, Royal requires that all of your moneys for payment for your Royal Contracts must first be deposited into the Royal client moneys trust account and then all of it be withdrawn to pay Royal to credit your Account. Royal only accepts your payment into the Royal client moneys trust account on the basis that it is authorised and directed by you to withdraw all of those funds to pay Royal to your Account, even if it is before you have traded any Royal Contracts or, after you have traded, you have paid more Margin than the minimum required Margin. Your acceptance of the Account Terms and your payment to the Royal client moneys trust account serves as confirmation of your direction to Royal to withdraw all of your funds.

Royal uses the Account Terms, policies and procedures to ensure each Client's payments for Royal Contracts are promptly and fully allocated to that Client's Account.

Consequences of withdrawals from the Royal client moneys trust account

Moneys are withdrawn from the client moneys trust account either to pay Royal (being moneys to which it is entitled) or to pay you.

When moneys are withdrawn to pay Royal they are from the time of withdrawal from the Royal client moneys trust account Royal's own moneys (and are not held for you).

The law allows Royal (as for any other licensee with a similar trust account) to use any Client's moneys in the Royal client moneys trust account for meeting margin and settlement obligations of any other Client's derivatives and to pay Royal moneys to which it is entitled.

However, since Royal operates a modified market making model and chooses to give you the benefit of systematic, regular payments into the Royal client moneys trust account for your benefit, this legal right (and its risk to you) is diminished. You should be aware that as from the time of withdrawal from the Royal client moneys trust account:

- You lose the protections given to a trust account of that kind.
- You are an unsecured creditor of Royal for its obligations on the Royal Contracts. This includes your exposure to Royal as an unsecured creditor for payment to you of the net account balance (if any) after closing all of your Royal Contracts positions.
- You are not beneficially entitled to any moneys paid by Royal to hedge its obligations to all or any Clients nor do you have any beneficial interest in those hedge contracts.

Royal reduces the risks to you arising from the withdrawals from the Royal client moneys trust account by managing all Clients' Margin requirements under a policy designed to reduce risk to Royal and therefore benefit all of its Clients.

B. Margin Call payments

This is a simplified diagram and outline of steps of flows of payment for Margin for a contract. Please see the entire description which follows.

Steps:



Step 2 Royal's general policy is that it will promptly withdraw all of your money which was deposited, on your direction in accordance with the Account Terms, from the Royal client moneys trust account to pay as Margin to Royal.

Step 3 shows that the money is used to pay Hedge Counterparty for any hedging. At or around the same time as step #2, Royal posts to your Account the Margin.

Detailed explanation of Margining on contracts

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

- Margin is your payment of moneys to be held in the Royal client moneys trust account before a Royal Contract is issued to you and, after that, to maintain the required minimum Margin cover or to meet a Margin call.
- The amount of Margin you hold in the Royal client moneys trust account is credited to your Account
- When you have Open Positions, you are also liable to meet all calls for Margin and to maintain the required minimum margin cover – they are two separate obligations.
- Required Margin amounts change with the value of your Account. It is based on all Open Positions (not just contracts described in this PDS). Just as the value of your Open Positions can be volatile, so too can the Margin requirements be volatile.
- Once payments are withdrawn from the Royal client moneys trust account to pay Royal they are no longer Margin and so you do not own them nor are they beneficially held for you.

Margin Call obligation

- You are also liable to meet all calls for Margin for your Account.
- There is no limit as to when you need to meet Margin calls, how often you may be called or the amount of the Margin calls.
- The timing and amount of each Margin call for your Account will depend on movements in the market price of the Open

- Positions, and the changes to the Account Value.
- You have an obligation to meet the Margin call even if Royal cannot successfully contact you.
- You have a risk of all of your contracts being Closed Out if you do not meet the requirement to meet a Margin call.
- This obligation (to meet Margin calls) is in addition to your obligation to maintain positive Free Margin for your account **Maintaining minimum Margin obligation**
- Apart from your Margin call obligations, it is your obligation to monitor the minimum amount of Margin required for your Account.
- It is your obligation to maintain the minimum required Margin at all times for so long as you have an Open Position in a Royal Contract, which means you must ensure that the Free Margin amount is positive at all times.
- Royal is not obliged to notify (outside of the Royal Electronic Trading Platform) you about the amount of your Free Margin, though we may do so by email, telephone call or otherwise, as a courtesy.
- You have a risk of your Royal Contracts (and all other products held in your Account) being Closed Out if you do not have in your Account sufficient Margin credited to it, regardless of whether you have checked your Account's requirement for minimum Margin or whether you have tried to make a payment but it has not been credited to your Account.

Margin policy

Royal applies the following main Margin principles:

- Each Client is required to pay a minimum required amount of Margin before issuance of contracts (or any other product traded on the Royal Electronic Trading Platform).

The minimum amount is determined by Royal based on a number of factors, including the market price of the underlying market, the Margin required to hedge the underlying market, any margin which Royal is required to pay its Hedge Counterparty (if any) and Royal's risk assessment of the Client at any point in time.

- Each Client is required to pay Margin before issuance of the contracts (or any other product traded on the Royal Electronic Trading Platform) in order to minimise credit risk to Royal and that therefore benefits all Clients.
- Each Client is required to pay the minimum required Margin in order to minimise the risk of any one Client benefiting from other Clients.
- Each Client's Account is promptly adjusted for Margin requirements according to market movement so that no Client is intentionally benefited from other Clients' trading. This could occur if, for example, the Client's Margin requirements are not adjusted in line with market changes or the credit risk on the Client.
- Each Client is required to pay Margin calls promptly and that is managed within the requirements of the Margin policy, so that no Client receives any substantial benefit or waiver which imprudently jeopardises Royal and therefore increases the risks of other Clients to Royal.

Paying Margin

As explained earlier in this PDS, you must pay the Initial Margin before the Royal Contract is issued to you. You must then maintain the minimum amount of Margin required by us. Separately, you must pay any further Margin when we call for it.

Your payment to Royal is effective only when cleared funds are withdrawn from the Royal client moneys trust account.

Royal's general policy is that it does not accept as payment a copy of your payment instructions into the Royal client moneys trust account and will only credit your account once the funds are cleared. However, Royal may, in its discretion, choose to credit your Account before it withdraws your money from the client moneys trust account.

Royal is authorised to withdraw all of the funds including Margin payments which you deposit due to the Account Terms and due to your payment into the Royal client moneys trust account serving as confirmation of your direction for the withdrawal. Do not make any payment into the client moneys trust account unless you agree that all of those funds will be withdrawn in payment to Royal (for Margin and for fees and charges).

How Margin is calculated

Royal sets the amount of the Initial Margin and, at any later time, may require more Margin to maintain the required amount of Margin.

The minimum Initial Margin will be set by Royal and calculated as a percentage of the full face value at the Current Market Price (market exposure) of the Royal Contracts.

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

Here is an example of calculating Margin Cover: You deposit \$10,000 and you pay Royal in order for your Account to be credited with \$10,000. You enter into a Royal Contract and Royal requires you to pay Initial Margin of \$8,000. A short time later, there are fluctuations in the market such that your unrealised loss on your Account is \$2,000. As a result, your Margin Cover is fully utilised and therefore you have no capacity to enter into further Transactions (except to close your Open Position) and you are at risk of being Closed Out if there are further adverse movements in the pricing.

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

You might (but need not) receive notice about Margin requirements by email, SMS message or, when you access your Account online, by pop-up messages on your screen, but you need to provide the Margin whether or not you receive notice or even log into your Account.

The value of your Royal Contract positions is ordinarily marked to market on a continuous basis, which automatically leads to corresponding changes in Free Margin requirements for your Account. (Note of course that if the underlying market is not trading then the value might not change until the market re-opens and there might be a gap in prices/values at the time of re-opening.)

Margin calls

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

If no time is stipulated, payment is required within 24 hours of the Margin call being made. Sometimes, however (such as in unusually volatile market conditions or rapidly falling market prices), little or no time may be stipulated for paying a Margin call (that is, immediate payment is required) or more than one Margin call may be made on the one day including at weekends or outside of local business hours.

If you do not answer the telephone on the number you give us, or you do not read the emailed Margin call which was sent to them email address you gave us, you remain liable to meet the Margin call. That is why you need to be contactable 24 hours a day, 7 days a week.

Your Margin defaults

If you do not ensure that you maintain the required level of Margin or meet your obligation to pay Margin calls (even those requiring immediate payment), all of your positions may be Closed Out. Any losses resulting from Closing Out your Open Positions will be debited to your Account and you may be required to provide additional funds to Royal to cover any shortfall. If you do not comply with your obligations, all of your Open Positions can be Closed Out automatically.

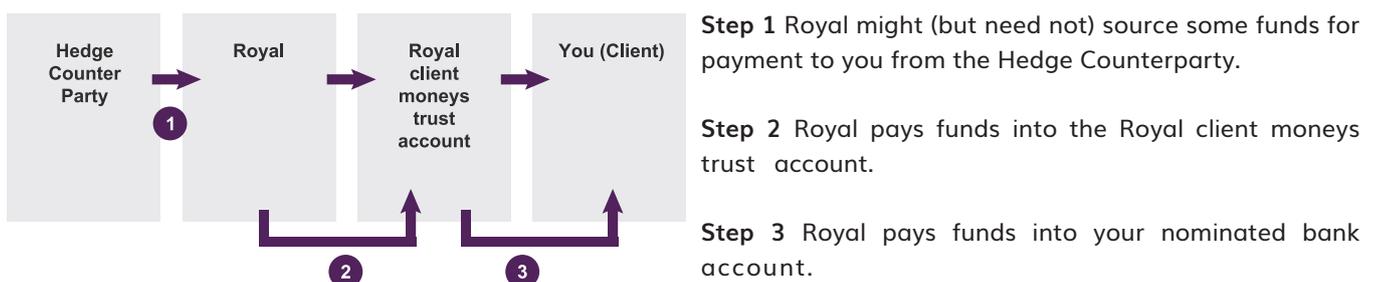
It is your responsibility to pay your Margin and also to meet Margin call payments on time and in cleared funds, so please keep in mind the possibility of delays in the banking and payments systems. If your payment is not credited by Royal by the time you are required to have the necessary Margin or to meet the Margin call, you could lose some or all of your positions. Royal may but need not give you any grace period but you should never rely on that being possible. You should maintain a prudent level of Margin and make payments in sufficient time to be credited to your Account. Please see "Margin risks" in Section 4.

Accounts can be funded by credit card, electronic funds transfer, and cheque.

C. Free Margin

This is a simplified diagram and outline of steps of flows of payment to the Client when a position in a contract has excess Margin over the required Margin. Please see the entire description which follows.

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



Step 1 Royal might (but need not) source some funds for payment to you from the Hedge Counterparty.

Step 2 Royal pays funds into the Royal client moneys trust account.

Step 3 Royal pays funds into your nominated bank account.

D. Close Out and return of surplus funds

This is a simplified diagram of flows of payment for Closing Out a position in a Royal Contract.

Essentially there is no difference from "C. Free Margin" above – if there is any Free Margin after Closing Out your contract, then surplus moneys held as Margin in the Royal client moneys trust account will, on request, be withdrawn to pay you.

3.14 VALUATION

During the term of our Royal Contracts, Royal will determine the value of your entire Account, based on the value of the contracts and all other Open Positions in your Account (not just the contracts described in this PDS). The value of your contract positions is ordinarily adjusted on a continuous basis, reflecting the values being marked to market on a continuous basis when the market or Exchange for the relevant Underlying Security is open. (After the Exchange trading ends for the day, the Royal Contract pricing uses the last closing price or index level in the regular trading session not any closing price auction.)

If trading in the Underlying Security is suspended or halted by the relevant Exchange, the Royal Contract position will be re-valued by Royal for your Account.

Please be aware that valuations may therefore suddenly change (or "gap") if underlying markets or Exchanges open with prices that differ from previous closing prices. This can lead to sudden changes in Margin requirements or your Orders not being met (see next section).

3.15 ORDER TYPES

Different types of Orders are available on the Royal Electronic Trading Platform. You will be able to find out information about Orders that apply on the Royal Electronic Trading Platform when you log in. The following are examples of Order types that may be available to you. If you have any questions, please contact Royal.

Important notice about this section

When you request to place one of the types of Orders described in this section, we have discretion whether or not to accept and execute any such request. We will, at our discretion, accept or reject any Orders. The price at which we accept an Order to trade will generally be on the basis of filling the full volume of the Order in one Transaction if possible and partially filled Orders will be filled as soon as the opportunity arises. The type of Orders and how they may be filled, if at all, might depend on the rules of the Exchange where the Underlying Securities are being traded. For some contracts that you choose to trade, there may be a minimum trade value or other restrictions (e.g., pricing) that relate to a particular market.

Limit Orders & Stop Limit Orders

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

Steps

You (as our Client) Close Out the Royal Contracts, realising a gain. Your Account has a net credit balance above any remaining minimum required Margin (if any remains).

You request payment of the Balance on your Account.

Step 1 Royal might source some funds for payment to you from the Hedge Counterparty.

Step 2 Royal pays funds into the Royal client money's trust account.

Step 3 Royal pays funds into your nominated bank account.

Please note that this describes the flows of payment.

Limit orders to buy are placed below the current market price and are executed when the Ask price hits or breaches the price level specified. If placed above the current market price, the order is filled at the best available price below or at the limit price.

- Limit orders to sell are placed above the current market price and are executed when the Bid price breaches the price level specified. If placed below the current market price, the order is filled at the best available price below or at the limit price.

When a limit order is triggered, it is filled as soon as possible at the price obtainable on the market. Note that the price at which your order is filled may differ from the price you set for the order if the opening price of the market is better than your limit price. In the case of Derivatives Contracts, the order will be filled if possible, and any remaining volume will remain in the market as a limit order; however, see the Trading Conditions for any particular variations depending on the pricing model you have chosen and the Underlying Security.

A Stop Limit order is a variation of a Stop-Loss order, with a lower/higher limit price to suspend trading if the price falls/rises too far before the order is filled. This effectively restricts trading to a defined price range.

A Stop Limit order means that the Order will not get filled at all beyond the limit of the Order. This means that if the new or opening price gaps beyond your Stop Limit order, your Order will not be filled at all.

Market Order

A market order is an order to buy or sell at the current market price as soon as possible, i.e., if the market is closed, the order may not be accepted or may be executed when the market opens if accepted by the Royal Electronic Trading Platform. The end of the Trading day is 17:00 EST/EDT depending on whether Daylight Savings time needs to be considered.

For daylight saving, 17:00 EST is considered the beginning and end of the trading day. Any positions that are open at 17:00 EST sharp are considered to be held overnight, and are subject to a Finance Charge. A position opened at 17:01 EST is not subject to a Finance Charge until the next day, while a position opened at 16:59 EST is subject to a Finance Charge at 17:00 EST.

For off daylight saving, 17:00 EDT is considered the beginning and end of the trading day. Any positions that are open at 17:00 EDT sharp are considered to be held overnight, and are subject to a Finance Charge. A position opened at 17:01 EDT is not subject to a Finance Charge until the next day, while a position opened at 16:59 EDT is subject to sway at 17:00 EST.

Stop-Loss or Take-Profit Orders

Royal may, in its discretion, accept an Order from you to close a position if the price moves to or beyond a level specified by you. This is known as a "stop-loss order" or a "take-profit order". You would generally choose to place a stop-loss order to provide some risk protection. Stop-loss orders are commonly used to exit positions and to protect investments in the event that the market moves against an Open Position. For example, if your Open Position moves towards making a loss based on a level chosen by you, the stop-loss order would be triggered in order to try to close your Open Position or to open a position, depending on the Transaction you have.

Stop-loss orders to sell are placed below the Current Market Price and your stop-loss order would be executed i.e. triggered if our Bid price (for a stop-loss order that requires an Order to sell a contract) moves against you to a point that is beyond the level specified by you (and accepted by us). Conversely, Stop orders to buy are placed above the Current Market Price and your stop-loss order would be executed i.e. triggered if our offer price (for a stop-loss order that requires an Order to buy a contract) moves against you to a point that is beyond the level specified by you (and accepted by us).

You would generally choose to place a take-profit order to close an open position. Take-profit orders are commonly used to exit positions and to close a profitable trade at a predetermined price level.

For example, if your Open Position moves towards making a profit based on a level chosen by you, the take-profit order would be triggered in order to try to close your Open Position or to open a position, depending on the Transaction you have. Take-profit orders to sell are placed above the Current Market Price and your take-profit order would be executed i.e. triggered if our Bid price (for a take-profit order that requires an Order to sell a contract) moves in your favour to a point that is beyond the level specified by you (and accepted by us). Conversely, Stop orders to buy are placed below the current market level and your take-profit order would be executed i.e. triggered if our offer price (for a take-profit order that requires an Order to buy a contract) moves in your favour to a point that is beyond the level specified by you (and accepted by us).

All orders are subject to agreement by us, so you cannot be assured that you will always be able to have a stop-loss or take profit order. While Royal has absolute discretion whether to accept an order, it will generally try to do so, subject to market conditions and the reasonableness of your stop-loss or take-profit order. Your Order may be unreasonable if, for example, the level you have specified is beyond the level allowed for Orders for the Underlying Security or trading in the Underlying Security is too far away from the market, has been halted or suspended on the market. Even if we accept your order, market conditions may move against you in a way that prevents execution of your stop-loss or take-profit order. For example, in volatile markets, our quoted prices might gap through your stop-loss order level, so that the closing level of quotes may be beyond the exact level specified by you. A gap in market prices reflects the market for the contracts, so can occur for any reason, without any apparent reason or at any time. Additionally, it may be that not all of the order can be fulfilled because the underlying market does not have enough buyers and sellers in the volume of the Underlying Security to allow Royal to hedge its transactions which it makes in order to completely fulfil your stop-loss or take-profit order. If the opening price of the Underlying Security is beyond the level of your stop-loss order, your Order will be filled at the opening level, not at your stop-loss order level.

Trailing Stop Order

A sell trailing stop Order sets the stop price below the Current Market Price with an attached trailing amount. As the market price rises, the stop price rises by the trail amount, but if the price falls, the stop-loss price does not change, and a market order is submitted when the stop price is hit. This technique is designed to allow an investor to specify a limit on the maximum possible loss, without setting a limit on the maximum possible gain.

"Buy" trailing stop Orders are the mirror image of sell trailing stop Orders, and are most appropriate for use in falling markets.

When setting the stop price you should be careful not to set it too close to the current market price being the price available to Royal from its Hedge Counterparties, especially in a volatile market, since the stop price might be hit before the price starts to go up/down as you expect. On the other hand you should carefully consider how much you can afford to lose, if your prediction does not hold.

In any case, the Stop-loss Order of any kind is not a guarantee that it will actually be made. This is the case with any Order you place (and which is accepted by Royal) as long as it is made in accordance with the Account Terms.

3.16 LIQUIDATION

We may manually or automatically Close Out some or all of your Open Position(s) when your Account Value falls below the Liquidation Level (by placing Orders to Close Out your Open Positions, also referred to as liquidating your positions). This will change unrealized losses into realized losses and any Transaction Fees may be incurred on the Orders to Close Out those positions.

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

It is your responsibility to pay Margin and meet Margin call payments on time and in cleared funds, so please keep in mind the possibility of delays in the banking and payments systems. Please contact Royal for further information on the current Liquidation Level that applies to you. Royal may change the Liquidation Level at any time without notice to you.

3.17 MARKET CONDUCT

All market participants have a legal obligation to ensure that the markets are fair, orderly and transparent. Royal Clients should be aware that some practices in placing Orders can constitute market manipulation or creating a false market. It is the Client's responsibility to be aware of unacceptable market practices and the legal implications. The Client may be liable for penalties to regulators or be liable to Royal for costs to Royal arising out of those trading practices of the Client which lead to the Client, Royal or any other person suffering loss or penalty.

3.18 SHORT ROYAL CONTRACTS (SHARES)

When dealing in short Royal Contract share positions, you are highly likely to be affected by the laws and Exchange rules in the country as they apply to short selling of the Underlying Security.

For example:

- Royal Contracts with Underlying Securities traded on the ASX: you may experience limitations on the amount of Royal Contracts you can short trade in a single day, due to limited borrowing availability for the Underlying Security in the underlying market (see also "Auto-Liquidation" in Section 3.14).

When dealing in short Royal Contracts, you can experience forced closure of a position if your Royal Contracts get recalled (which is a common way of referring to early Close Out of your Royal Contract due to the hedge contract for your Royal Contract being Closed Out early due to a Hedge Counterparty being required to deliver the Underlying Security to its own counterparty). The risk is particularly high if the stock becomes hard to borrow due to take-overs, dividend announcements, rights offerings, other merger and acquisition activities, or increased hedge fund selling of the Underlying Security.

Since the rules of each Exchange are considerable and may change, you should obtain a copy of the rules of the Exchange relevant to you by accessing the Exchange's website or you can contact Royal for assistance in identifying the relevant rules.

3.19 YOUR COUNTERPARTY RISK ON ROYAL

When you deal in Royal Contracts, you have a counterparty risk on Royal. An element of counterparty risk is "credit risk", so you should consider your credit risk on Royal having the financial resources at the time to pay you the amounts it owes you. Your potential risk on Royal is affected by Royal not always or not fully hedging its contracts as part of its modified market making model.

Your Counterparty Risk on Royal

You have credit risk on Royal when your Account has a net credit balance made up from; the amounts credited as Margin, the unrealised value of the Royal Contracts, other amounts credited to your Account (from closed positions or Finance Charges credited to your Account), other positions posted to your Account (from your other trading using the Royal Electronic Trading Platform), less fees and charges and the minimum required Margin.

Your credit risk on Royal depends on the overall solvency of Royal, which is affected by Royal's risk management.

Your credit risk on the overall solvency of Royal, which is affected by Royal's risk management.

Your credit risk on Royal is managed and reduced by Royal making the payments into the Royal client moneys trust account for your Account and by Royal applying its risk management policy and margin policy designed to reduce risk to Royal and therefore benefit all of its Clients.

The amounts you pay

Once an Order for a Royal Contract is received, the trading platform will, in the ordinary course, accept and process the Order. The amounts you have previously paid as Margin will be required for the Royal Contract issued to you.

Since the Royal Electronic Trading Platform is a multi- product, multi-currency trading platform, you and other Clients of Royal using the Royal Electronic Trading Platform may choose to pay money to Royal to trade in Royal's Royal Contracts or in other products issued or dealt by Royal through the Royal Electronic Trading Platform. This is an

essential feature of the Royal Electronic Trading Platform which gives you significant benefits as well as potential risks from trading different financial products on the same trading platform.

Risks from Royal's Hedge Counterparties

Royal operates a modified market making model, which means it may at any time choose to hedge or not to hedge any of its positions and change that at any time. Any of those hedge positions will have Hedge Counterparties who potentially owe a net amount to Royal.

Since Royal operates a modified market making model, it might not use any Hedge Counterparty or it might use several at any time and not for specifically hedging any particular contract. Royal is therefore not able to specify in this PDS any particular Hedge Counterparty and does not intend to be limited to using only Hedge Counterparties named in a PDS or on its websites since that would limit the capacity of Royal to hedge on a timely basis and to react to its assessment of Hedge counterparties and the relevant markets and might also be misleading because whether or not any hedging occurs will constantly change throughout any day.

You should note that:

- No Hedge Counterparty has been involved in the preparation of this PDS or authorised any statement made in this PDS relating to it.
- A Hedge Counterparty has no contractual or other legal relationship with you as holder of Royal Contracts. A Hedge Counterparty is not liable to you and you have no legal recourse against any Hedge Counterparty (because Royal acts as principal to you and not as agent) nor can you require Royal to take action against a Hedge Counterparty.
- Royal gives no assurance as to the solvency or performance of any Hedge Counterparty. Royal does not make any express or implied statement about the solvency or credit rating of any Hedge Counterparty.
- The regulation of a Hedge Counterparty is no assurance of the credit quality of the Hedge Counterparty or of any regulated or voluntary scheme for meeting the claims of creditors of the Hedge Counterparty.
- The credit quality of a Hedge Counterparty can change quickly. Royal is not able to make assessments of the credit quality of its Hedge Counterparties which it can disclose and reports by independent credit rating agencies may not be available because of their lack of consent or because they are not licensed to allow such reports to be cited in PDS given to retail clients.

Royal is not authorised to set out in this PDS any further information published by any Hedge Counterparties and Royal takes no responsibility for third-party information about those Hedge Counterparties which may be available to you. Royal is not able to tell you whether any particular Hedge Counterparty is used to hedge partly or fully your Royal Contracts because Royal operates a modified market making model.

Solvency of Royal

It is possible that any of Royal's Hedge Counterparties, or the custodian used by a Hedge Counterparty, may become insolvent or it is possible that other clients of that Hedge Counterparty may cause a default which reduces the financial resources or capacity for that Hedge Counterparty to perform its obligations owed to Royal under the hedge contracts. Since Royal is liable to you as principal on the contract, Royal could be exposed to the insolvency of its Hedge Counterparties or other defaults which affect the Hedge Counterparties.

The risks you have by dealing with Royal (due to it being paid all of your moneys deposited into the Royal client moneys trust account and Royal then managing if and to the extent it makes a corresponding hedge transaction with counterparties funded by those payments) cannot be simplistically assessed by reference to historical financial information about Royal or its Hedge Counterparties or general statements of principle.

The credit risk you have on Royal depends on whether it systematically manages all Client's Accounts on the same basis, its solvency generally, as well as on the amount (and kind) of its capitalisation, its cash flow, all of its business risks, its Client and investment concentration risks, its counterparty risks for all of its business and transactions (not just the contracts), its risk management systems and actual implementation of that risk management.

Your credit risk on Royal will fluctuate throughout the day and from day to day, including due to the implied credit risk on Hedge Counterparties, whose credit risk to Royal (and so indirectly to you) cannot be assessed or verified on a continuous basis or perhaps at all.

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

The Royal annual directors' report and an annual financial report will be available free of charge only by inspection at the office of Royal from the time they are first produced.

Payments to you in Royal Insolvency

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

- Your moneys in the Royal client moneys trust account should be paid to you, after deduction for any amounts properly payable to Royal for the Royal Contracts or other the Royal Electronic Trading Platform financial products or which you have otherwise agreed are payable to Royal (and subject to any court orders and legislative mandated priorities to the contrary).
- Royal will owe you any remaining net amount after paying to you your moneys from the Royal client moneys trust account (in accordance with the statutory requirements, such as the priority of payments and the criteria for making payments).
- Royal will need to assess the amounts prudently available to pay Royal Electronic Trading Platform Clients and may choose to pay out interim amounts from any available funds.
- The precise amounts and timing of any further required payments will not be known until the net position with all Hedge Counterparties are known.
- Royal will need to assess whether it can feasibly sue to recover anything owed by a Hedge Counterparty.
- Royal will need to assess fair and reasonable allocation to Royal Electronic Trading Platform Clients having regard to, for example, any amounts paid from the Royal client moneys trust account, Account balances and amounts recovered from Hedge Counterparties.

SECTION 4 – SIGNIFICANT RISKS

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

4.1 KEY RISKS

You should consider these key risks involved in our offering:

Significant Risks	Important Risks
<p>Loss from Leverage:</p>	<p>Royal Contracts have leverage which can lead to large losses as well as large gains. The high degree of leverage in our products can work against you as well as for you. The leveraging in a position gives a moderate to high risk of a loss larger than the amounts you pay Royal as Margin. It can also cause volatile fluctuations in the Margin requirements. You can minimise the risk of losses on positions by monitoring your Open Positions and Closing Out the positions before losses arise.</p>
<p>Unlimited loss on long or short positions:</p>	<p>There is a moderate to high risk of your potential loss on short positions being unlimited – more than the amount you pay Royal for the positions. You can minimise the risk of losses on positions by monitoring your Open Positions and Closing Out the positions before losses arise.</p>
<p>Client moneys are withdrawn to pay Royal:</p>	<p>The money which you pay into the Royal client moneys trust account is withdrawn to pay Royal moneys to which it is entitled. This includes amounts for any fees, charges and costs and Magin. Those moneys withdrawn to pay Royal are Royal's moneys (and are not held for you), reducing the amount of moneys held in the Royal client money trust account held beneficially for you. There is also the risk that money is not properly deposited into the Royal client moneys trust account. This risk is minimised by policies and procedures set by Royal to ensure that this does not occur.</p>
<p>Margin risk:</p>	<p>You must be able to pay to Royal the amount of required Margin as and when required, otherwise all of your Transactions may be Closed Out without notice to you. Margin requirements are highly likely to change continuously, in line with market movements in the Underlying Security. You should consider there is a high risk of Margin requirements changing and at times very rapidly. There is a moderate to high risk that if the market value of the Underlying Security moves rapidly against you, you will be required to pay more Margin on little or no notice. You can minimise your risk of losing your positions after failing to meet Margin requirements by carefully selecting the type and amount of Royal Contracts to suit your needs, monitoring the positions, maintaining a prudent level of Margin Cover in your Account and providing sufficient Margin within the time required by Royal. Please see Section 3 for further information about Margin.</p>
<p>Foreign exchange risk:</p>	<p>Foreign currency conversions required for your Account (see section 6.1 for a further description) can expose you to foreign exchange risks between the time the Transaction is entered into and the time the relevant conversion of currencies occurs. Foreign exchange markets can change rapidly. This exposes you to adverse changes in the value of your Account which can be large (depending on foreign exchange rates) and volatile. This will directly affect the value of a position.</p>

Significant Risks	Important Risks
Counterparty risk on Royal:	<p>You have the risk that Royal will not meet its obligations to you under the Royal Contracts. Royal Contracts are not Exchange traded so you need to consider the credit and related risks you have on Royal.</p> <p>Royal believes that your counterparty risk on Royal is low to moderate, especially due to its Margin policy and risk management which it implements for the benefit of Clients; however, the potential adverse outcome of this risk is very significant to you since, if it occurs, you could lose all or some of your investment (after you are paid any moneys in the Royal client moneys trust account to which you are entitled).</p> <p>You can minimise your counterparty risk on Royal by limiting the amount you pay Royal, trading prudently and requesting payment to you of any surplus in your Account which is not required for prudent Margin management, however, this may increase your Margin risk resulting in all of your positions being Closed Out. Please see heading "Your Counterparty Risk on Royal" in Section 3.</p>

4.2 OTHER SIGNIFICANT RISKS

You should consider these significant risks involved in our products:

Significant Risks	Important Risks
Market risk:	<p>Financial markets can change rapidly; they are speculative and volatile. Prices even of securities depend on a number of factors including, for example, commodity prices, index levels or central bank decisions, interest rates, demand and supply and actions of governments. Our products are highly speculative and volatile. There is a high risk that market prices will move such that the Contract Value of the position on closing can be significantly less than the amount you invested in them.</p> <p>There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged.</p> <p>You can reduce your risk by understanding the market relevant to the Royal Contracts, monitoring your positions carefully and closing your Open Positions before unacceptable losses arise.</p>
OTC market:	<p>The products offered by Royal are derivatives and are not covered by the rules for Exchange-traded contracts.</p> <p>Over-the-counter contracts, such as the Royal Contracts, by their nature may not at times be liquid investments in themselves. If you want to exit the position, you rely on Royal's discretion and ability to Close Out at the time you wish, which might not match the liquidity or market price of the Underlying Security. You can reduce your risk by carefully reading this PDS, the Account Terms and taking independent advice on the legal and financial aspects relevant to you.</p>
Market disruptions:	<p>A market disruption may mean that you may be unable to deal in our products when desired and you may suffer a loss as a result of that. This is because the market disruption events which affect the Underlying Security will also affect the positions on the same or very similar basis. Common examples of disruptions include the "crash" of a computer-based trading system, a fire or other Exchange emergency, or an Exchange regulatory body declaring an undesirable situation has developed in relation to particular series of contracts or a particular trade, and suspends trading in those contracts or cancels that trade. You can attempt to minimise the effect of market disruptions by obtaining information released by the Exchange relevant to the position and taking action after the event as appropriate (if any) to the position held, such as Closing Out because the values have significantly changed since before the event.</p>

Significant Risks	Important Risks
<p>Orders and gapping:</p>	<p>It may become difficult or impossible for you to Close Out a position. This can happen for example, when there is a significant change in the Contract Value over a short period. There is a moderate to high risk of this occurring.</p> <p>Royal's ability to Close Out a position depends on the market for the Underlying Security. Stop-loss orders may not always be filled and, even if placed, may not limit your losses to the amount specified in the Order, since they are not guarantees that there will be no loss. You should consider placing stop-loss or other Orders that limit your losses but also closely monitor your Account and the relevant market in case the stop-loss order is not fully filled or filled at all and you need to take further action to limit your losses. For further information, see section on "Stop-Loss Orders".</p>
<p>Liquidation:</p>	<p>Royal may without prior notice to you liquidate all or some of your Open Positions if the Account Value balance falls below the Liquidation Level applicable to your Account. This can generate realised losses in your Account. Royal does not assure you that Royal will actually act on this right, at any time or in respect of all or any of your Open Positions. It is not something that you should rely upon to manage your risk and your obligation to maintain Margin cover.</p> <p>The more basic risks to you are that you fail to manage your own Account by maintaining adequate Margin cover, you fail to meet any Margin call, you fail to monitor your Open Positions, you (wrongly) rely on Royal liquidating your Open Positions or you fail to manage your Open Positions before the Account Value balance falls below the Liquidation Level applicable to your Account.</p> <p>You can manage the risk of Royal liquidating some or all of your Open Positions, or the risk of you wrongly relying on Royal to do this, by carefully monitoring your Open Positions, placing and maintaining prudent Orders (including stop loss orders) and managing your Open Positions before the Account Value balance falls below the Liquidation Level applicable to your Account.</p>
<p>Online trading platform:</p>	<p>You are responsible for the means by which you access the online trading platform or your other contact with Royal. If you are unable to access the online trading platform, it may mean that you are unable to trade in our products (including Closing Out those positions) or you might not be aware of the current Margin requirements and so you may suffer loss as a result.</p> <p>There is the risk that there is an IT systems failure and you are not able to either Close Out or Open a Position. This may lead to loss. Royal ensures that it has update software and maintains its IT systems including backup to reduce the likelihood of this occurring.</p> <p>Royal may also suspend the operation of the online trading platform or any part of it, without prior notice to you. Although this is considered to be a low risk since it would usually only happen in unforeseen and extreme market situations, Royal has discretion in determining when to do this. If the online trading platform is suspended, you may have difficulty contacting Royal, you may not be able to contact Royal at all, or your Orders may not be able to be executed at prices quoted to you. There is a moderate to high risk that Royal will impose volume limits on Client Accounts or filters on trading, which could prevent or delay execution of your Orders, at your risk. You have no recourse against Royal in relation to the availability or otherwise of the online trading platforms, nor for their errors and software. Please review the terms and any guidance material for any particular online trading platform.</p>
<p>Market:</p>	<p>The rules of the relevant market (if any) or Exchange govern the trading in the Underlying Security and so will (if they exist) indirectly affect the dealing in the products. All of the rules (if any) of each relevant Exchange may be relevant to Royal Contracts, so you should consider those rules. The details of those rules are outside the control of Royal and they may change at any time and without notice to you.</p>

Significant Risks	Important Risks
<p>Operational risk:</p>	<p>There is always operational risk in the Royal Contracts. For example, disruptions in operational processes such as communications, computers and computer networks, or external events may lead to delays in the execution and settlement of a transaction. We are not liable to you if losses arise owing to delays, errors or failures in operational processes outside our control, in particular, due to faults in the online trading platform or in the provision of data by third parties.</p>
<p>Conflicts:</p>	<p>Trading with Royal for its products carries an automatic risk of actual conflicts of interests because Royal is acting as principal in its positions with you and Royal sets the price of the Royal Contracts and also because it might be transacting with other persons, at different prices or rates, or Royal might be trading with market participants.</p> <p>The policy used by Royal is that as principal it issues the Royal Contract to you based on the price it gives you, not by acting as broker to you. Royal obtains its price from its own Hedge Counterparties. You can reduce the risks to you of unfavourable pricing or opaque pricing (meaning it is unclear how it relates to the underlying market) by monitoring Royal's Royal Contracts pricing and by monitoring the underlying market.</p> <p>The other trading activities of Royal, such as acting as broker to its Clients, are conducted without reference to Royal's dealing in our products with you. Royal will make those transactions as principal or as agent, and will do so to hedge its position and with the intention of making a profit.</p>
<p>Valuations:</p>	<p>The Royal Contracts are valued by Royal. Typically this is by direct reference to (but not automatically solely derived from) the market value (or, if relevant, index level) of the relevant Underlying Security on the relevant market which in turn affects the price quoted by any relevant Hedge Counterparty to Royal. Royal does not commit to providing prices directly from a market.</p> <p>If the Exchange fails to provide that information (for example, due to a failure in trading systems or data information service) or trading in the Underlying Security is halted or suspended, Royal directly decides its value.</p> <p>Due to the nature of our Royal Contracts, in common with industry practice for such financial products, Royal's discretion is unfettered and so has no condition or qualification. While there are no specific limits on Royal's discretions, Royal must comply with its obligations as a financial services licensee to act efficiently, honestly and fairly. You therefore have the risk of relying on whatever value is determined by Royal in the circumstances permitted by the Account Terms.</p>
<p>Regulatory bodies:</p>	<p>A Client may incur losses that are caused by matters outside the control of Royal. For example, actions taken by a regulatory authority exercising its powers during a market emergency may ultimately result in losses to the Client by reason of the effect of those actions on the Underlying Security and so the terms of the Client's Royal Contract. A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled, which might affect the Underlying Security for the Client's position.</p> <p>Royal's powers on default, indemnities and limitations on liability: If you fail to pay, or provide security for, amounts payable to Royal or fail to perform any obligation under your Transactions, Royal has extensive powers under the Account Terms to take steps to protect its position. For example, Royal has the power to Close Out positions and to determine the rates of interest it charges. Additionally, under the Account Terms you agree to indemnify Royal for certain losses and liabilities, including, for example, in default scenarios.</p> <p>You should read the Account Terms carefully to understand these matters.</p>

SECTION 5 – COSTS, FEES & CHARGES

5.1 COSTS, FEES & CHARGES

Royal derives a financial benefit by entering into transactions with clients and counterparties; at different rates from those charged to the Client. Transactions may not always be for hedging purposes.

5.2 ROYAL CONTRACTS - TRANSACTION FEES

Royal charges a Transaction Fee which may be described as commission on each Royal Contract that is executed. Our Transaction Fees may vary depending on the type and level of service required, the frequency and size of Transactions.

There are different types of Transaction Fee charging models that can be applied depending on the individual Royal Contract.

1. FIXED OR PERCENTAGE

The greater of:

- the amount that is calculated by multiplying the Transaction Fee rate by the Contract Value of the Royal Contract; and
- a minimum ticket fee depending on the ticket size for the Royal Contract under our pricing model.

The standard fee for our Royal Contracts you will be charged per Transaction is typically between 0.01% and 0.1% of the value of the Transaction. This is up to a maximum of 1%. We may charge a transaction fee per share or per contract.

Where Royal charges a percentage; the rate is typically 0.1% of the Contract Value with a minimum of \$10 calculated in the currency of the transaction and converted to the base currency of your Account. Below is an example of how we calculate our commission.

You decide to go long a Share (XYZ) and ask for a quote for 1,000 XYZ Share Contracts, the equivalent of 1,000 shares of the underlying security. (Lot sizes are set out in the trading details and on the Royal Electronic Trading Platform). We quote you 1.32/1.35 and you buy 1,000 Contracts at 1.35. The currency of your account is Australian Dollars.

An example of how our fixed or percentage fee is calculated as per the example below:

XYZ Share Contract

1.32/1.35 USD

Contract Value = [quantity of Share Contracts x price] [1,000 x 1.35] = \$1,350

Commission = [Contract Value x commission rate] [1,350 x 0.1%] = \$1.35

Transaction Fee charged = [0.1% or a minimum \$10] (\$10)

2. DEALING SPREAD

Royal may charge a fee in terms of a spread added to the spread received per contract over and above price received from Royal's Hedging Counterparty price. This is added by way of widening the price you receive.

The spread is the difference between the Buy/Sell or Bid/Ask process and should be factored into when entering into transaction with Royal. Although not a direct cost this is a feature of the product that should be considered prior to trading.

Royal will typically charge you a commission amount. However Royal may apply a dealing spread to the prices quoted. The spread is applied to the price shown to you by adding an amount to the natural market spread in the Underlying Security over which the Contract is based. Spreads can vary according to the volatility of the Underlying Security. We may charge our spreads at any time. Certain instruments may have wider spreads outside of conventional market hours. Information regarding the spreads that we quote is available from us directly or through the online service (if applicable).

An example of how our dealing spread fee is calculated as per the example below:

WTI Crude Commodity Contract

45.60/45.62

Spread = (Bid price-Ask price) (45.60/45.62) = \$2

Cost = (quantity in barrels x spread) (1000 x \$0.02) = \$20

The Transaction Fee that you will be actually charged is disclosed on the Royal Electronic Trading Platform under the Trading Conditions.

The fee accrues immediately upon execution of the Transaction, i.e. when you open or Close the Royal Contract. The Transaction Fee will either be reflected in the execution price as an additional spread fee and/or separately i.e. not included in the spread, in accordance with the Account Terms. Refer to the Section 3 relating to Bid/Ask spread pricing and pricing models.

All Transaction Fees are charged in the currency in which the Royal Contract is denominated unless otherwise specified and then converted at the relevant Royal markets exchange rate into the Base Currency of your Account, refer to Section 6 "accounts denominated in foreign currency"

Details of the Transaction Fees are included in your daily statement. This is an online report that you can access and print upon demand and can be accessed via the Royal Electronic Trading Platform.

Please remember that because you are required to enter into one Royal Contract to Close Out the existing Royal Contract there may be a Transaction Fee on the Royal Contract used to close the position.

5.3 ROYAL CONTRACTS- FINANCING CHARGES/ CREDIT

The Royal Electronic Trading Platform is a multi-product, multi-currency trading platform. The finance charges and credits calculated on your Account may include Transactions on that account which have Royal Contracts covered by this PDS, as well as other kinds of products covered by our other PDSs, and other dealings on your Account. This PDS explains only Royal Contracts.

1. FINANCING CHARGE ON LONG POSITIONS

If you hold a long or short position overnight you will pay a Finance Charge or you may receive a credit on the Royal Contract. Some Royal contracts may not incur any overnight Financing Charge. Royal may factor these charges in to the spread pricing. The calculation for an overnight Finance Charge (including if a credit) for each day that a long or short Royal Contract is held overnight is as follows:

$CV \times (BR) / 360$ or 365^*

(* 360 or 365, depending on your chosen Underlying Security – check your Trading Conditions) Where:

CV is Contract Value of the Royal Contract Open Positions, at the time the Royal Contract is established, held overnight.

BR is the Base Rate as defined in the Glossary in Section 7.

A Finance Charge will be credited for the short Royal Contract position held overnight may be applied to your Account when the Base Rate is positive. A Finance Charge on the short Royal Contract position held overnight may be debited to your Account when the Base Rate is negative.

By way of example, using the calculation for a short Share Contract position held overnight for a share whose currency has a relevant interest rate of 0.5% used for the Base Rate with a mark-down of 3% (see definition of "Base Rate" in the Glossary in Section 7), the charge you may incur would be illustrated:

$\$2,000 \times (2.5\%) / 365 = (\$0.14)$ Where:

CV is \$2,000

BR is -2.5% p.a. (i.e., 0.5% minus 3% p.a.)

No Finance Charge/credit is paid or received if you open and close a Royal Contract position on the same day.

2. FINANCING CREDIT ON SHORT POSITIONS

If you hold a short Royal Contract position overnight, you may receive (or pay) a Finance Charge on the Royal Contracts Open positions held overnight.

The Finance Charge may be expressed as a percentage and will be charged on a daily basis.

3. ROLL OVER/SWAP POINTS

The Financing Charges for some IndexContracts and Commodity Contracts are expressed as "roll-over" (or swap) points.

This finance charge or finance credit is included in the rollover/swap points.

The calculation for finance charge is expressed as: $F = S * L * P$

Where S = Swap rate; L = Lots; P = Pip/Point Value

FX Examples:

If you hold a short 200,000 EUR/USD position overnight and the Account currency is USD, then the daily Finance Charge is -2.80 USD = -0.14 (Swap Rate) * 2 (Lots) * 10 USD (Pip Value)

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

4. ACCOUNT BALANCE

Royal may, in its discretion choose to either pay or not pay a finance credit on your Account if your Balance is positive. The Finance Charge debited to your Account will be calculated using the Base Rate (see the Glossary) applied to the negative (or positive) amount of Withdrawable Funds.

For example;

If the Withdrawable Funds is negative A\$80,000 for 10 days and assuming the Base Rate is 5.5% p.a., then the Finance Charge will be calculated as $A\$80,000 \times (5.5\%/365 \text{ days} \times 10 \text{ days}) = A\164.38 (rounded up) or A\$16.44 per day.

An additional Finance Charge may be imposed if you have not paid Royal any amount you are required to pay, such as an overdue payment to close an Account. The rate of Finance Charge for such shortfall is the Base Rate plus 4% p.a.

For example;

If you owe us \$2,000 on a debt and the Base Rate stays at 5.5%, the Finance Charge on that will be 9.5% p.a., accruing daily. Royal may at any time without prior notice apply different Base Rates according to different tiers of volume of trading and may choose not to credit any Finance Charge at all or not if the amount of Withdrawable Funds falls below limits set by Royal from time to time.

5.4 CONVERSION FEE

You will be charged a "conversion fee" when converting currencies to the currency of your Account. This occurs each time there is a conversion from a transaction in Royal Contracts in a currency other than the currency of your Account. The conversion fee charged is up to a maximum of 100 basis points (1.00%) of the Transaction's full face value being converted, so the conversation fee is actually reflected in the exchange rate at which the Transaction is converted and is not an additional fee or charge.

5.5 EXTERNAL FEES, TAXES AND CHARGES

You are responsible for any stamp duty, transaction duty, GST or similar goods and services or value added tax payable in respect of trading in Transactions (except for any income tax payable by Royal). Bank charges and fees imposed on Royal to clear your funds or in respect of your payments will also be charged to your Account.

The Account Terms may allow Royal to impose other fees or charges from time to time which do not relate directly to Transactions (and so are not costs, fees or charges for acquiring or later dealing in the Royal Contract itself). For example, you may be required to pay royalty or similar charges set by data providers for your use of information feeds or for online transaction services. Royal may debit these amounts to your Account.

5.6 MARGIN

The Margin amount that you would be charged may be disclosed on your order ticket prior to the Order being placed. (Please note that if you delay submitting your Order, the Margin amount could change from the amount in the order ticket. The actual amount applying at the time of executing your Order will be applied.)

5.7 ROYAL CONTRACT TRADING EXAMPLES

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

EXAMPLE 1: FX TRANSACTION

The market price AUD/USD is currently trading at \$1.03596/1.03626 i.e. one Australian Dollar = \$1.03626 US Dollars. You think that the Australian Dollar is undervalued and will increase so you decide to buy 100,000 units by way of an FX Contract at an exchange rate \$1.03626 (being the price at which Royal is willing to enter into the contract with you).

One day later, the Australian Dollar has appreciated and you can enter into a FX Contract at \$1.04196/1.04226. You decide to realise your gain by Closing Out your position.

The Royal Electronic Trading Platform quotes you a price of \$1.04196 (being the price at which Royal is willing to buy your 100,000 units of the Australian Dollar). Remember, you are buying a new FX Contract to Close Out your Open Position. The amount of profit you have made, before adjustments and tax, on the Transaction is \$570.00 (difference between 1.04196 and 1.03626) \times 100,000 = \$570 expressed in USD).

Adjustments

Contracts may be subject to a Transaction Fee on the opening and closing of Transactions (based on the Closing Value). Royal may charge a percentage, fixed fee or dealing spread. In this example, the Transaction Fee would be charged as a dealing spread and incorporated in the dealing price.

Since you hold an FX Contract overnight, interest is applicable (by way of the Finance Charge) and is calculated on your positions by applying the applicable interest rates (i.e. Base Rates) for those Finance Charges to the daily Closing Value of the position. The formula and steps for calculating the rate will be the same as the example shown previously in this PDS.

In this example you have decided to hold your Open Position overnight so you will incur a daily Finance Charge, which is calculated according to the overnight Swap Rate in the interbank market, which fluctuates daily and represents the difference between the interest differential of the two currency pairs involved. The Finance Charge is variable according to currency pairs.

This Finance Charge may be credited/debited in your base currency daily or at a time determined by Royal. The Overnight Financing Charge reflects a simultaneous buy and sell transaction and is displayed in the Royal Electronic Trading Platform as "Swap Long/ Short" or "Rollover Charge". This Charge is quoted in USD.

In this example the AUD is the higher yielding currency and you are long AUD, so your account is credited with USD 6.8 per lot [$0.00068 \times 100,000 = \text{USD } 6.80$]

This amount will be booked in your base currency, which is AUD at 1.04226 = AUD 7.09

Opening the position

Number of FX Contracts in Australian dollars	100,000
Exchange rate	\$1.03626
Base Currency	100,000
Term Currency value	\$103,626
Initial Margin	\$1,036.26(1% of Contract)

Closing the position

Number of FX Contracts in Australian dollars	100,000
Exchange rate	\$1.04196
Base Currency	100,000
Term Currency value	\$104,196
Gross Profit (Loss)	\$570

Adjustments

There is an interest adjustment as the position was held overnight. Movements on your Account for the period of this transaction: (This example assumes that you have paid \$20,000 as Margin for your Account).

Description	Amount	Balance	Free Margin
Opening Balance			\$0.00
Initial payment (all is Free Equity)	20,000.00	20,000.00	\$20,000.00
Margin (i.e. minimum required)	(1,036.26)	20,000.00	\$18,963.74
Interest (Finance Charge) debited	7.09	20,007.09	\$18,970.83
Realised profit on closing	\$570.00	20,577.09	\$19,540.83
Simultaneously	+		+
Initial Margin Return	1,036.26		\$1,036.26
Closing Balance			\$20,577.09

EXAMPLE 2: FX TRANSACTION

The market price AUD/USD is currently trading at \$1.03596/1.03626 i.e. one Australian Dollar = \$1.03626 US Dollars. You think that the Australian Dollar is overvalued and will decrease so you decide to sell 10,000 units by way of an FX Contract at an exchange rate \$1.03596 (being the price at which Royal is willing to enter into the contract with you). One day later, the Australian Dollar has actually appreciated and you can enter into a FX Contract to exchange it at \$1.04196/1.04226. You decide to realise your loss by Closing Out your position.

The Royal Electronic Trading Platform quotes you a price of \$1.04226 (being the price at which Royal is willing to buy back your 100,000 units of the Australian Dollar). Remember, you are buying a new FX Contract to Close Out your Open Positions. The amount of loss, before adjustments and tax, on the Transaction is \$600.00 (difference between 1.04196 and \$1.03596) x 100,000 = \$600 expressed in USD).

Adjustments

Contracts may be subject to a Transaction Fee on the opening and closing of Transactions (based on the Closing Value). Royal may charge a percentage, fixed fee or dealing spread. In this example, the Transaction Fee would be charged as a dealing spread and incorporated in the dealing price. Since you hold an FX Contract overnight, interest is applicable (by way of the Finance Charge) and is calculated on your positions by applying the applicable interest rates (i.e. Base Rates) for those Finance Charges to the daily Closing Value of the position. The formula and steps for calculating the rate will be the same as the example shown previously in this PDS. In this example you have decided to hold your Open Position overnight you will incur a daily Finance Charge, which is calculated according to the overnight Swap Rate in the interbank market, which fluctuates daily and represents the difference between the interest differential of the two currency pairs involved. The Finance Charge is variable according to currency pairs. This Finance Charge may be credited/debited in your base currency daily or at a time determined by Royal. The overnight Finance Charge reflects a simultaneous buy and sell transaction and is displayed in the Royal Electronic Trading Platform as "Swap Long/ Short" or "Rollover Charge".

In this example the AUD is the higher yielding currency and you are short AUD, so your account is debited with USD 9.2 per lot [0.00092 x 100,000 = USD 9.2]

This amount will be booked in your base currency, which is AUD at 1.04226 = AUD 9.59

Opening the position

Number of FX Contracts in Australian dollars	100,000
Exchange rate	\$1.03596
Base Currency	100,000
Term Currency value	\$103,596
Initial Margin	\$1,035.96(1% of Contract)

Closing the position

Number of FX Contracts in Australian dollars	100,000
Exchange rate	\$1.04196
Base Currency	100,000
Term Currency value	\$104,196
Gross Profit (Loss)	(\$600)
Adjustments	

There is an interest adjustment as the position was held overnight.

Movements on your Account for the period of this transaction: (This example assumes that you have paid \$20,000 as Margin for your Account).

Description	Amount	Balance	Free Margin
Opening Balance			\$0.00
Initial payment	20,000.00	20,000.00	\$20,000.00
Margin (i.e. minimum required)	(1,035.96)	20,000.00	\$18,964.04
Interest (Finance Charge) debited	(9.59)	19,990.41	\$18,954.45
Realised profit on closing	(600)	19,390.41	\$18,354.45
Simultaneously	+		+
Initial Margin Return	1,035.96		\$1,035.96
Account value on close of position		19,390.41	\$19,390.41

EXAMPLE 3: BULLION

Transaction

Assumptions: The base currency of the Account is USD. There is no brokerage or Transaction Fee charged on the Account. The leverage on the Account is 1:100 for Bullion Contracts i.e. Initial Margin is set at 1%; and 1 Lot is equivalent to 100 ounces of gold or silver.

You consider that gold is undervalued and wish to speculate the price will go higher, you decide to buy gold, and ask for a quote for 1 lots, the equivalent of 100 ounces. We quote you \$1,324.65/1325.15 and you buy 1 lot at 1325.15.

Initial Margin

The Initial Margin required to open your position was $1\% \times \$1,325.15 \times 100 = \$1,325.15$

Finance Charge Adjustment

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

This Finance Charge may be credited/debited in your base currency daily or at a time determined by Royal. The overnight Finance Charge reflects a simultaneous buy and sell transaction and is displayed in the Royal Electronic

Trading Platform as "Swap long/ short" or "Rollover Charge".

In this example Bullion Contracts have a debit Swap for Long positions and a credit Swap for short positions, so your account is debited with USD 5.7 per lot [0.00057 x 100,000 = USD 5.7] per day. This amount will be booked in your base currency, which is USD 5.7 per day.

Closing the position

Later, the price of gold has risen to 1,350.00/1,350.05, and you take your profit by selling 1 Lot at 1,350. Your gross profit on the Transaction is calculated as follows:

Closing level: \$1,350.00
 Opening level: \$1,325.15
 Difference: \$24.85
 Gross profit on Transaction: \$24.85 x 100 = \$2,485

Calculating the overall result

To calculate the overall or net profit, you also have to take account the Finance Charge adjustment. In this example, you might have rolled the position for 10 days, charging a total a Finance Charge adjustment of \$250:

Gross profit on trade: \$2,485.00
 Finance Charge adjustment: (\$250.00)
 Net profit: \$2,235.00

Opening the position

Ounces in 1 Bullion Contract	100
Base Currenc	USD
Initial Margin	\$1,325.15
Opening level	\$1,325.15

Closing the position

Ounces in 1 Bullion Contract	100
Base Currency	USD
Closing level	\$1,325.15
Gross Profit (Loss)	\$2,235

Adjustments

There is a Finance Charge adjustment as the position was rolled overnight.

Movements on your Account for the period of this transaction:

(This example assumes that you have paid \$20,000 as Margin for your Account).

Description	Amount	Balance	Free Margin
Opening Balance			\$0.00
Initial	20,000.00	20,000.00	\$20,000.00
Margin (i.e. minimum required)	(1,325.15)	20,000.00	\$18,674.85
Interest (Finance Charge) debited	(250.00)	19,750	\$18,424.85
Realised profit on closing	2,235.00	2,235	\$20,659.85
Simultaneously	+		+
Initial Margin Return	1,325.15		\$1,325.15
Account value on close of position		21,985.00	\$21,985.00

EXAMPLE 4: SHARE CONTRACT

Transaction

The market price for shares in company ABC on the relevant exchange is currently trading at \$10.00/10.02. You think that the company's shares are undervalued and will increase so you decide to buy 300 Royal Contracts at \$10.02 each (being the price at which Royal is willing to enter into the Royal Contract).

Two weeks later, shares in company ABC have increased and are now selling at \$10.52. You decide to realise your gain by closing out your Royal Contract position.

The Royal Electronic Trading Platform quotes you a price of \$10.52/Royal Contract (being the price at which Royal is willing to buy your 300 Royal Contracts). The amount of profit you have made, before adjustments and tax, on the Transaction is \$150.00 (difference between 10.02 and 10.52) x 300 = \$150).

Adjustments

Company ABC paid a dividend of 10 cents per share while your position was open. Therefore you are entitled to a positive dividend adjustment of \$30 (300 x 10 cents) (this amount is posted to your Account).

Share Royal Contracts are subject to a commission charge (we also call it a Transaction Fee) on the opening and closing Transactions (based on the Closing Value). The standard Royal charge is 0.1% or a minimum fee is applied if applicable. Please remember that this is an illustration only and the actual Royal charge or minimum fee applicable to you may be different and it also may later change.

In this example, the Transaction Fee would be charged on the opening Transaction as follows:

$300 \text{ Royal Contracts} \times \$10.02 \times 0.1\% = \$3.006$

Since this figure is below the minimum charge, you will be charged the minimum fee of \$10.

Since you hold a long share Contract position, interest costs are charged (that is, the Finance Charge) and are calculated on your positions by applying the applicable Base Rate to the daily Closing Value of the position. The formula for calculating the rate for a share Contract will be the same as the example shown previously this PDS. In this example, for instance if the applicable rate is 8.0% p.a. and the Closing Price of the Royal Contract on a particular day is \$10.20, then the overnight interest charge is then calculated as follows:

$300 \times \$10.20 \times 8\% / 365$

The interest cost (in this PDS called the Finance Charge) on this particular day would therefore be \$0.67.

Opening the position

Number of Royal Contracts	300
Contract Price	\$10.02
Opening Value	\$3,006 (Contract Price x number of Royal Contracts)
Initial Margin	\$300.60 (10% of Contract Value x Royal Contracts)

Closing the position

Number of Royal Contracts	300
Contract Price	\$10.52
Closing Value	\$3,156 (Contract Price x number of Royal Contracts)
Gross Profit (Loss)	\$150 (Closing Value – Opening Value)

Adjustments

Dividend \$50 (credit)

Commission (i.e., the Transaction Fee) \$20 (debit) Minimum fee applies on opening and closing

Interest approx. \$18.76 (debit)

Overnight interest (i.e., Finance Charge) calculated daily and based on Closing Value for the 14 days the position is held.

This example simplifies the calculation to illustrate the adjustments.

Net profit (loss) \$161.24 after adjustments

Movements on your Account for the period of this transaction:

(This example assumes that you have paid \$10,000 as Margin for your Account).

Description	Amount	Balance	Free Margin
Account Value		\$0.00	\$0.00
Initial payment	10,000.00	\$10,000.00	\$10,000.00
Initial Margin	(300.60)	\$10,000.00	\$9,699.40
Transaction Fees	(10.00)	\$9,990.00	\$9,689.40
Interest (Finance Charge) debited	(18.76)	\$9,971.24	\$9,635.64
Dividend adjustment credited	10.00	\$9,981.24	\$9,645.64
Realised profit on closing	150.00	\$10,131.24	
Simultaneously			
Return of Margin	+ 300.60		\$10,131.24
Transaction Fees debited	(10.00)	\$10,121.24	\$10,121.24
Account Value		\$10,121.24	\$10,121.24

EXAMPLE 5: INDEX CONTRACT – LONG POSITION
Transaction

You think that a leading Australian share index will strengthen so you therefore buy 10 S&P™/ ASX 200™ Index Royal Contracts at 4,800, with exposure of \$1.00 per Royal Contract per index point move. This position therefore gives you an effective exposure to the S&P™/ ASX 200™ Index of \$48000.00 (Index value x number of Royal Contracts). The position requires an Initial Margin of 5%. Royal does not charge commission (i.e., Transaction Fees) on Index Royal Contracts, but instead derives its remuneration from the spread between the bid and offer prices (which is therefore included in the opening price of 4,800 for each Royal Contract).

The S&P™/ ASX 200™ Index moves upwards over the next week to leads to a Contract Value of 4,900 each. As a result, if you decide to close your position you will make a gross \$1,000 profit on this Transaction ((10 x 4800)-(10 x 4900) = \$1000) (before adjustments and tax).

Adjustments

Since you hold a long Royal Contract position, interest costs (by the Finance Charge) are charged and calculated on your positions by applying the applicable Base Rate to the daily Closing Value of the position. The formula for calculating the interest cost in this example is as follows. The applicable rate might be 8.0% p.a. and the Closing Price of the Royal Contract on a particular day is \$4850.00.

The overnight interest charge is then calculated as follows: $10 \times \$4850 \times .08 / 365$

The interest cost (i.e., Finance Charge) on this particular day would therefore be \$10.63.

Opening the position

Number of Royal Contracts	10	
Contract Price	\$4800	Index @ \$1.00 per point
Opening Value	\$48000	Contract Price x number of Royal Contracts
Initial Margin	\$2400	5% of Contract Value x Royal Contracts

Closing the position

Number of Royal Contracts	10	Index @ \$1.00 per point
Contract Price	\$4900	
Closing Value	\$49000	Contract Price x number of Royal Contracts
Gross Profit (Loss)	\$1000	Closing Value – Opening Value

Adjustments

Interest Approx. \$74.41 (debit)

Overnight interest calculated daily and based on closing value for the 7 days the position is held. This example simplifies the calculation to illustrate the adjustments.

Net profit (loss) \$925.59 after adjustments

Movements on your Account for the period of this transaction:

(This example assumes that you have paid \$10,000 as Margin for your Account).

Description	Amount	Balance	Free Margin
Account Value		\$0.00	\$0.00
Initial payment	10,000.00	\$10,000.00	\$10,000.00
Initial Margin	2,400.00	\$10,000.00	\$7,600
Transaction Fees debited	(0.00)	\$10,000.000	\$7,600
Interest (Finance Charge) debited	(74.41)	\$9,925.59	\$7,525.59
Dividend adjustment credited*	0.00	\$9,925.59	\$7,525.59

Realised profit on closing	1,000.000	\$10,925.59	\$8,525.00
Simultaneously	+		+
Return of Margin	2,400.00		\$2,400.00
Transaction Fees debited	(0.00)	\$10,925.59	\$10,925.59
Account Value		\$10,925.59	\$10,925.59

* For the purposes of this example it is assumed that no company whose securities are comprised in the S&P™/ ASX 200™ Index paid a dividend during this period.

EXAMPLE 6: INDEX CONTRACT – SHORT POSITION TRANSACTION

This is an example of buying Royal Contracts to take a short position, and incurring a loss because the market did not move as you expected.

You think that the index will weaken so you therefore sell 20 S&P™/ ASX 200™ Index Royal Contracts at 4,900, with exposure of \$1.00 per contract per index point move. This position therefore gives you an effective exposure to the S&P™/ ASX 200™ Index of \$98,000.00 (Index value x number of Royal Contracts). The position requires an Initial Margin of 5%. Royal does not charge commission (i.e., Transaction Fees) on Index Royal Contracts, but instead derives its remuneration from the spread between the bid and offer prices (which is therefore included in the opening price of 4,900 for each Royal Contract).

The S&P™/ ASX 200™ Index moves upwards over the next 10 days to a Contract Value of 4,950 each. As a result, if you decide to close your position you will make \$1,000 loss on this Transaction Loss $(20 \times 4900) - (20 \times 4950) = (\$1000)$.

Adjustments

Since you hold a short Royal Contract position, you receive/pay interest calculated on your positions by applying the applicable rate to the daily Closing Value of the position. The formula for calculating the interest cost in this example is as follows. The applicable rate might be 2.0% p.a. and the Closing Price of the Royal Contract on a particular day is \$4900.00.

The overnight interest credit (i.e., the amount of the Finance Charge is credited to your account) is then calculated as follows: $20 \times \$4900 \times 0.02 / 365$

The interest amount credited to your Account for this particular day would therefore be \$5.37.

In addition, assume in this example that some of the companies whose securities comprise the S&P™/ ASX 200™ have paid dividends during the period. The dividends paid are equivalent to 5 index points. Since you have “sold the position” (i.e., bought Royal Contracts reflecting a short position) your Account will be debited for an adjustment to reflect dividends paid to buyers of the position (i.e. if you had bought the Index Contract to go long during the period your Account would receive this adjustment as a credit).

The adjustment is calculated as follows: 20x \$1 x 5

Therefore your Account would be debited for an adjustment of \$100 during the period of holding your position.

Opening the position

Number of Royal Contracts	20	
Contract Price	\$4900	Index @ \$1.00 per point
Opening Value	\$98000	Contract Price x number of Royal Contracts
Initial Margin	\$4900	5% of Contract Value x Royal Contracts

Closing the position

Number of Royal Contracts	20	Index @ \$1.00 per index point
Contract Price	\$4950	
Closing Value	\$99000	Contract Price x number of Royal Contracts
Gross Profit (Loss)	\$1000	Closing Value – Opening Value

Adjustments

Interest credit approx. \$53.70 (debit) Overnight interest calculated daily and based on the Closing Value for the 10 days the position is held.

Dividend adjustment \$100 (credit) Dividends paid during period Net profit (loss) \$1046.30 after adjustments

Movements on your Account for the period of this Transaction:

(This example assumes that you have paid \$10,000 as Margin for your Account).

Description	Amount	Balance	Free Margin
Account Value		\$0.00	\$0.00
Initial payment	10,000.00	\$10,000.00	\$10,000.00
Initial Margin	(4,900.00)	\$10,000.00	\$5,100.00
Transaction Fees debited	(0.00)	\$10,000.000	\$5,100.00
Interest (Finance Charge) debited	(53,70)	\$9,946.30	\$5,046.30
Dividend adjustment credited	(100.00)	\$9,846.30	\$4,946.30
Realised profit on closing	(1000.000)	\$8,846.30	\$3,946.30
Simultaneously	+		+
Return of Margin	4,900.00		\$4,900.00
Transaction Fees debited	(0.00)	\$8,846.30	\$8,846.3
Account Value		\$8,846.30	\$8,846.3

EXAMPLE 7: OPENING AND CLOSING A 'LONG' COMMODITY CONTRACT**Opening the position**

WTI Crude Oil Commodity Royal Contracts are quoted at \$102.85/\$104.85 and you believe that their price will rise. You decide to 'buy' 1,000 Commodity Royal Contracts that represent 1000 Barrels of Oil at \$104.85, the offer price. While your WTI Crude Oil Commodity Royal Contracts position remains open, your Trading Account is debited to reflect interest adjustments. The Account Currency selected is United States dollars with a starting balance of \$50,000 Dollars. Brokerage, Dealing Spread, commission or Transaction Fee is charged when the position is opened and closed at \$0.10 per 1 contract. The Initial Margin is set at 10% of the Contract. The Finance Rate for a Contract held Overnight for an USD WTI Crude Oil Commodity Derivative is negative 5% for 'long' positions. The price of the WTI Crude Oil Commodity Contract moves in line with the market price of WTI Oil Futures quoted on an exchange.

Initial Margin

The Initial Margin required to open your position was $10\% \times \$104.85 \times 1,000 = \$10,485$.

Closing the position

One day later, WTI Oil Futures has risen to \$112.85/114.85 on the exchange and you decide to take your profit. You sell 1,000 Contracts at \$112.85, the bid price. Your profit on the Transaction is calculated as follows:

Closing level: \$112.85 Opening level: \$104.85

Difference: \$8

Gross profit on Transaction: $\$8 \times 1000 = \$5,000$

Finance Charge Adjustment

Interest costs (imposed by way of the Finance Charge Adjustment) are calculated daily on positions held Overnight by applying the applicable interest rate (Finance Rate) to the Contract Value of the Positions, at the time the Royal Contract is established. For example, if the applicable Finance Rate is negative 5% p.a., then the Finance Charge Adjustment for a particular day would be \$14.36. Finance Charge Adjustments are calculated and reflected on your Account on a daily basis which is taken into account in your Equity or Account Value amount.

Transaction Fee

For WTI Crude Oil Commodity Royal Contracts, a Transaction Fee is payable by way of the Transaction Fee on the opening and closing of the Transaction. In the above example the Transaction Fee payable would be:

of Equity Royal Contracts = $1,000 \times \$0.1 = \100.00

Calculating the overall result

To calculate the overall or net profit, you have to take into account the Transaction Fees you have paid and the Finance Charge Adjustment.

Gross profit on Transaction: \$8,000 Total Transaction Fees: (\$200.00) Finance Charge Adjustment: (\$14.36) Net profit on Transaction: \$ 7,785.64

Description	Amount	Balance	Free Margin
Account Value		\$0.00	\$0.00
Initial payment	50,000.00	\$50,000.00	\$50,000.00
Initial Margin	(10,485)	\$50,000.00	\$39,515.00
Transaction Fees debited	(100.00)	\$49,900.00	\$39,415.00
Interest (Finance Charge)	(14.36)	\$49,885.64	\$39,400.64
Realised profit on closing	7,785.64	\$57,671.28	
Realised profit on closing	(1000.000)	\$8,846.30	\$3,946.30
Simultaneously			
Return of Margin	+10,485.00		\$57,671.28
Transaction Fees debited	(100.00)	\$57,571.28	\$57,571.28
Account Value		\$57,571.28	\$57,571.28

EXAMPLE 8: OPENING AND CLOSING A 'SHORT' OR 'SOLD' COMMODITY CONTRACT

Opening the position

WTI Crude Oil Commodity Royal Contracts are quoted at \$102.85/\$104.85 and you believe that their price will fall. You decide to 'sell 500 Commodity Royal Contracts that represent 500 Barrels of Oil at \$102.85, the Bid price. While your WTI Crude Oil Commodity Royal Contracts position remains open, your Trading Account is be credited to reflect interest adjustments. The Account Currency selected is Australian dollars with a starting balance of \$50,000 Australian Dollars. Brokerage, Dealing Spread, commission or Transaction Fee is charged when the position is opened and closed at \$2 spread. The Initial Margin is set at 10% of the Contract. The Finance Rate for a Contract held Overnight for an USD WTI Crude Oil Commodity Derivative is zero or 0% for 'short' positions. The price of the WTI Crude Oil Commodity Contract moves in line with the market price of WTI Oil Futures quoted on an exchange.

Initial Margin

The Initial Margin required to open your position was $10\% \times \$102.85 \times 500 = \2571.25 .

To calculate the overall Initial Margin Requirement Royal converts Margin to the Currency of the Account. When the position is opened the USD/AUD rate is 1.05

USD $\$2,571.25 / 1.05 = \text{AUD } 2,448.81$

Closing the position

Two weeks later, WTI Oil Futures has risen to $\$122.35/124.35$ on the exchange and you decide to take your loss. You Buy 500 Contracts at $\$124.35$, the offer price. Your loss on the Transaction is calculated as follows:

Closing level: $\$124.35$

Opening level: $\$102.35$ Difference: $\$22$

Gross loss on Transaction: $\$22 \times 500 = \$11,000$

Finance Charge Adjustment

Interest costs (imposed by way of the Finance Charge Adjustment) are calculated daily on positions held Overnight by applying the applicable interest rate (Finance Rate) to the Contract Value of the Positions, at the time the Royal Contract is established. For example, if the applicable Finance Rate is 0% p.a., then the Finance Charge Adjustment for a particular day would be zero. No Finance Charge Adjustments are credited on your Account on a daily.

Transaction Fee

For WTI Crude Oil Commodity Royal Contracts, a Transaction Fee is payable by way of the Transaction Fee on the opening and closing of the Transaction. In the above example the Transaction Fee which is incorporated in a Dealing Spread would be: # of contracts = $500 \times \$2 = \$1,000$

Calculating the overall result

To calculate the overall or net profit or loss on your Transaction you have to take into account the conversion of net profit or loss in the Currency of the Account. When the position is closed the USD/AUD rate is 1.05

Description	Amount	Balance	Free Margin
Account Value	0.00	\$0.00	\$0.00
Initial payment	50,000	\$50,000.00	\$50,000.00
Initial Margin (i.e., min required)	(2,448.81)	\$50,000.00	\$47,551.19
Transaction Fees debited	(0.00)	\$50,000.00	\$47,551.19
Interest (Finance Charge)	(0.00)	\$50,000.00	\$47,551.00
Realised loss on closing	(10,476.19)	\$39,523.81	\$37,075.00

Simultaneously	+		
Return of Margin	2,448.81		\$39,523.81
Transaction Fees debited	(0.00)	\$39,523.81	\$39,523.81
Account Value		\$39,523.81	\$39,523.81

Notes to all examples in this PDS:

1. The above examples are to illustrate the impact of key variables on the outcome of a Transaction. They are not forecasts or projections of any particular Transaction.
2. The worked examples illustrate in dollar terms how trading incurs fees (including fees charged by Royal), charges or other payments. These examples are not intended to be exhaustive and document every trading strategy.
3. The examples use simplifying assumptions by not taking into account an investor's tax rate or overall tax position, potential changes in interest rates charged to or earned on the Account or the time value of money. While these variables will undoubtedly change the outcome of a Transaction, they are normal market variables which cannot now be predicted and so must be taken into consideration by a potential investor in Transactions.
4. Margin requirements, interest rates and external charges may change at any time and are hypothetical only. Please refer to Trading Conditions prior to trading.
5. Royal's Auto-Liquidation feature has been ignored in the scenarios in order to show the potential impact of changes. The scenarios assume that Royal has manually Closed Out these positions. You are reminded that Royal may set a lower Liquidation Level without telling you and so you should also not assume that Royal will apply an automatic Close Out if its internal Liquidation Level is exceeded. You should decide your own Close-Out levels and monitor your positions.

SECTION 6 – GENERAL INFORMATION

6.1 ACCOUNTS DENOMINATED IN FOREIGN CURRENCY

Your Account and each Account may be denominated in United States Dollars (USD) or any other currency permitted by Royal from time to time.

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

The foreign currency conversions can expose you to foreign exchange risks between the time the Transaction is entered into and the time the relevant conversion of currencies occurs. This will immediately impact on the Margining of your Account, so you must be careful to understand and to monitor the effect of trading in products denominated in foreign currencies.

Foreign exchange markets can change rapidly. Exchange rates depend on a number of factors including for example, interest rates, currency supply and demand and actions of government. In some situations, exchanges of currency may be suspended. These will impact on the rates of conversion set by Royal.

6.2 DISCRETIONS

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

When exercising our discretions we will comply with our legal obligations in accordance with Saint Vincent & the Grenadines laws and regulations. We will have regard to our policies and to managing all risks (including financial, credit and legal risks) for ourselves and all of our Clients, our obligations to our counterparties, market conditions and our reputation. We will endeavour to act reasonably and in good faith in exercising our discretions

Our significant discretions are:

- whether to accept your Order (including to Close Out a position) or to amend it;
- any risk limits or other limits we impose on your Account or your trading;
- determining Margin requirements, especially the amount of Initial Margin, minimum Margin requirements, the time to meet any changed Margin requirement;
- determining values of Underlying Securities (for opening and closing positions and for determining Margin);
- whether to cancel your order where in Royal's reasonable opinion you have engaged in scalping, arbitrage, market manipulation, insider trading or any other fraudulent, deceitful or nefarious behaviour;
- where, in the reasonable opinion of Royal, a Black Swan event has occurred or is occurring, Royal reserve the right in its absolute discretion to re-adjust contract prices;
- setting Bid prices and Ask prices; and
- closing your positions and setting the Closing Value.

You should consider the significant risks that arise from Royal exercising its discretions – see Section 4. Our other discretions include:

- setting our fees and interest rates (i.e. Base Rates);
- adjusting our positions for adjustments made by the market or an Exchange to the Underlying Security;
- setting foreign exchange conversion rates;
- opening and closing your Account;
- giving you a grace period for full compliance in paying by cleared funds any amount you owe; and
- interpretation, variation and application of our policies.

Please note that while we have discretions, the Trading Conditions typically are set or applied for automatic outcomes, such as Closing Out all of your Open Positions if you do not maintain the required minimum Margin cover.

6.3 POLICIES

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

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

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

Our key policies relevant to our products currently are:

- client suitability policy;
- client moneys policy;
- margin call policy;
- conflicts of interests management policy; and
- Hedging Policy.

6.4 ANTI-MONEY LAUNDERING LAWS

Royal is subject to anti-money laundering and counter- terrorism financing laws (AML laws) hat can affect the contracts. If your Account is established, Royal may disclose your personal information or stop transactions on your Account for the purposes of the AML laws or under Royal's AML laws procedures, without liability to you for any loss that arises due to that occurring. By opening an account with us, you warrant and represent that your trading activities do not contravene the AML Laws.

6.5 ABOUT ROYAL

Royal is a limited liability company that provides financial services to their clients.

6.6 APPLICATIONS

You apply for an Account by returning to Royal a completed application form or by applying online. The application form and Account Terms are available online or by contacting Royal directly.

Accounts can be funded by credit card, electronic transfer, and cheque. Further details are available by contacting Royal or on its website at: www.oneroyal.com/vc

Please be reminded that funding your Account by credit card has additional risks and costs for you. By using these payment methods you effectively would be doubling your leverage by taking credit from your credit card account and trading with leverage on your Account. This can add to the risks and volatility of you positions as well as incurs higher interest costs on your credit card account.

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

Although Royal accepts payments of more than \$1,000 from credit card accounts to fund your Account and to meet later

Margin payments, please carefully consider whether this payment method is suitable for your trading and limit it to what you can afford.

Please be aware that in some instances Royal may conduct a credit reporting check, this occurs where Royal enquires with a creditreporting agency such as Veda about your creditworthiness.

6.8 TAXATION IMPLICATIONS

Our products will have taxation implications for Clients, depending on the current tax laws and administration, the nature of the Client for tax laws, the terms of the transactions and other circumstances. These are invariably complex and specific to each Client. You should consult your tax advisor before trading in these financial products.

The following summary assumes that the Client will hold the Royal Contract on revenue account, i.e., the Client will be carrying on a business of either trading or investing in these types of financial products or the Client will enter into the financial products for profit making purposes (or both). This summary does not consider the taxation position if you enter into the financial products detailed in this PDS for the purposes of hedging risks associated with other investments held by the Client on capital account, or for the purpose of non-business gambling.

If you are entering into a Royal Contract for the purposes of hedging, then the taxation consequences will depend on the nature of the underlying transaction or the asset or liability which is being hedged. It is recommended that you obtain your own professional taxation advice for this scenario.

PROFITS AND LOSSES ON OUR ROYAL CONTRACTS

Any realised gains derived or losses incurred by you in respect of a contract such as a Royal Contract ordinarily should be included in your assessable income. Realisation will generally occur when the right or obligation to receive or pay on the contract ceases.

When calculating the amount of profit or loss, you need to consider the difference between the Closing Value and the Contract Value on commencement of the position and any fees on Open Positions paid or received by you.

The availability of tax deductions or losses incurred as a result of entering into these Royal Contracts to offset current and future year income will depend on your personal circumstances and you will need to seek advice from your tax adviser in this regard.

Tax file number withholding rules

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

Other fees, charges or commissions

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

Goods and Services Tax

With the exception of fees and charges as set out in this PDS, amounts payable for or in respect of positions are not subject to goods and service tax. Clients should seek their own independent advice.

6.9 COOLING OFF

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

6.10 ETHICAL CONSIDERATIONS

Our Royal Contracts do not have an investment component. Labour standards or environmental, social or ethical considerations are not taken into account by Royal when making, holding, varying or Closing Out the Royal Contracts.

6.11 JURISDICTIONS

The distribution of this PDS in jurisdictions outside Saint Vincent and Grenadines may be subject to legal restrictions. Any person who gains access to this PDS should comply with any such restrictions and failure to do so may constitute a violation of financial services laws. The offer to which this PDS relates is not available to investors in the USA.

6.12 LIMITATIONS ON LIABILITY

If you fail to pay or provide security for amounts to us, or fail to perform any obligation under your contracts, we have extensive powers under the Client Agreement with you to take steps to protect our position including for example, power to close-out positions and to charge default interest. Under the Client Agreement you also indemnify us for certain losses and liabilities. Further, our liability to you is expressly limited.

6.13 REFERRAL BENEFITS FOR OTHER SERVICE PROVIDERS

You may have been referred to us by a service provider who may receive financial or non-financial benefits from us. These should have been disclosed to you by the services provider in question. Please note that such benefits will not impact transaction fees or the rate you will be offered.

6.14 GOVERNING LAW

This PDS, the Account Terms and all transactions with us will be governed and construed in accordance with the laws of Saint Vincent & the Grenadines and be subject to the jurisdiction of the Courts of Kingstown.

6.15 DISPUTE RESOLUTION

Royal wants to know about any problems you may have with the service provided to you so we can take steps to resolve the issue. If you have a complaint about the financial product or service provided to you, please see the document "the complaints handling procedure", available by:

1. Contacting a Royal representative on – **(+1 (888) 705-9006)** and outlining the details of your complaint.
2. If your complaint is not satisfactorily resolved through your adviser, within three Business Days of receipt of your complaint, please contact the Compliance Department on **compliance@oneroyal.com.vc**

Royal will try to resolve your complaint quickly and fairly. Complaints received in writing will be acknowledged as soon as possible with a written receipt of your complaint and we will use our best endeavours to try to resolve your complaint within 45 days of receipt of your written complaint.

6.16 PRIVACY

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

Royal has procedures in place to ensure its compliance with, GDPR rules; these include the following:

1. Collecting personal information

In collecting personal information, Royal is required to:

- collect only information which is necessary for the purpose described above;
- ensure that collection of the information is by fair and lawful means; and
- take reasonable steps to make you, the individual, aware of

If necessary, Royal also collects information on directors of a corporate client or agents or representatives of the Client. Royal may be required by law to collect information, such as for taxation purposes or to identify persons who open or operate an account.

Royal may take steps to verify information given to it, such as consulting registries, referees, employers or credit agencies. This information will not be disclosed to any other person although Royal may disclose this information to its related bodies corporate if you intend to use the services of any of those related bodies corporate.

2. Using the personal information

Once Royal has collected the information from you, Royal will only use the information for the purposes described above unless you consent otherwise.

Personal information may be disclosed to:

- any person acting on your behalf, including your advisor, accountant, solicitor, executor, attorney or other representative whether in Saint Vincent & the Grenadines or overseas;
- related bodies corporate of Royal if you use, or intend to use, services of those other corporations;

- any organisations to whom Royal outsources administrative functions;
- brokers or agents who refer your business to Royal (so that we may efficiently exchange information and administer your account);
- regulatory authorities;
- as required or permitted by law or by court order.

This information will not be disclosed to any other person without your consent.

You may access your personal information held by Royal (subject to permitted exceptions), by contacting Royal. We may charge you for that access.

As Royal is obliged by law to take reasonable steps to ensure that the personal information used is accurate, up to date and complete, please inform us immediately if any of the information provided in this section changes.

3. Retaining personal information

Royal has implemented and maintains secure protection of all personal information obtained from misuse, loss, unauthorised access, modification or disclosure. The information will be destroyed or de-personalised if Royal no longer requires the information for the purpose referred to above. All of the information collected by Royal, in the application form or otherwise, is used for maintaining your Account and for the purpose of assessing whether you would be suitable as a Client. Royal has obligations under, and has procedures in place to ensure its compliance with GDPR rules.

SECTION 7 – GLOSSARY

Account means your account with Royal established under the Account Terms, including all Transactions recorded in them, for using the Royal Electronic Trading Platform.

Account Currency is the currency that your Account is denominated in. This may be Australian dollars or U.S. dollars or any other currency permitted by Royal from time to time.

Account Terms means the terms of your Account with Royal for all of your Accounts by which you deal in Transactions (as amended from time to time). Variations or additional terms may be notified to you from time to time in accordance with your current Account Terms.

Account Value means the current value of your Account which is calculated by Royal by combining:

- the equivalent balance of your Account in the Royal client moneys trust account;
- indicative costs to Close (Transaction Fees, Finance Charges); and
- the values of Transactions not yet booked. This is also known as "Equity" or "Gross Liquidation Value" (GLV).

AML Laws means the Anti-Money Laundering and Counter Terrorism Financing laws and any related regulations, rules and instruments.

Ask means the price which Royal as the seller is willing to accept i.e., the price at which you can buy the Royal Contract. This is also known as the "buy price" or "offer price".

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

Balance means the current value of your Trading Account in the Account Currency. This is calculated by Royal as the Balance of the account being the deposit, withdrawals and closed/ realised profit and loss and fees incurred. Balance does not include open trades, fees or charges. This is also known as "Cash".

Base Currency is the first currency quoted when requesting a quote for a Royal Contract, for example in the quote AUD/USD, the AUD is the Base Currency.

Base Rate means the rate nominated by Royal for this term from time to time, as notified to you (including through the online trading platform) or posted on its website.

Bid means the price which Royal as the buyer is willing to accept i.e., the price at which you can sell the Royal Contract. This is also known as the "sell price".

Black Swan Event means an event or occurrence with reference to the Underlying Security which deviates beyond what is normally expected of a situation and that would be extremely difficult to predict and which has in the opinion of Royal has a material impact on the Royal Contract.

Business Day means a weekday which is not a gazetted public holiday in Saint Vincent & the Grenadines.

Client refers to the person who has an Account with Royal.

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

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

Closing Value means the value determined by Royal by multiplying the number of your Royal Contracts by the price (or, if an index, the level) of the Royal Contract at the Closing Date.

Commodity Contract means a Royal Contract (issued by Royal) whose Underlying Security is a Commodity Transaction or Futures Contract.

Commodity Transaction means transaction to buy or sell a specific quantity of a described commodity or to make a payment calculated by reference to changes in the level of a commodity; today or at an agreed date in the future, whether or not it is physically settled or capable of being physically or cash settled, and includes an option for such a transaction.

Contract Value means the face value of the Royal Contract, and is calculated by Royal by multiplying the applicable price (or, if an index, the level) of the Royal Contract by the number of Royal Contracts.

Current Market Price is the Bid prices for the Royal Contracts, which may be a delayed price depending on whether you have subscribed for live pricing.

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

Free Equity means Free Margin or the value of funds that are available for opening and maintaining a position. It is calculated by Royal by subtracting from the Account Value the required Margin.

Please remember that this is a value – no funds are held on deposit for you.

Futures Contract means an Exchange traded transaction to buy or sell a specific quantity of a described commodity or index to make a payment calculated by reference to changes in the level of an index or commodity, at an agreed date in the future, whether or not it is physically settled or capable of being physically or cash settled, and includes an option for such a transaction.

Hedge Counterparty means a person with whom Royal enters into a hedge contract to hedge Royal's exposure to Royal Contracts.

Index Contract means a Royal Contract whose Underlying Security is Futures Contract or an index comprised of securities of issuers listed on an Exchange, typically an index sponsored or promoted by an Exchange. The S&P™/ ASX 200™ is an example, so a S&P™/ ASX 200™ Share Index Contract is a Royal Contract whose Underlying Security is the S&P™/ ASX 200™ and the values are based on the index levels of the S&P™/ ASX 200™. The index sponsor has no involvement in the Royal Contract.

Initial Margin means the amount which you are required to pay to Royal as the initial Margin for any Transaction which you propose to enter into.

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

Margin means the amount of cash or other assets paid to Royal and credited to your Account as Margin

Margin Cover means the amount of Margin available for margin trading on your Account. It is calculated by Royal by subtracting from the Account Value:

- (i) the required Margin; and
- (ii) a percentage of the value of Open Positions.

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

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

OTC means over-the-counter.

OTC contract means an over-the-counter contract for a financial product, including the Royal Contracts.

Share Contract means a Royal Contract whose Underlying Security is a financial product traded on an Exchange. This covers Exchange traded equities, units in listed funds, stapled securities, exchange traded funds (known as ETFs).

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

Trading Conditions means the operating rules and conditions for your trading on the Royal Electronic Trading Platform from time to time.

Transaction means any of the kinds of Royal Contracts which are traded under the Account Terms.

Transaction Fee means the fee or commission from time to time specified by Royal to be the amount payable by you to Royal in respect of each Transaction as set out in this PDS or as later varied in accordance with the Account Terms and this PDS.

Underlying Security means the thing which is used as the basis for the calculations of prices for your Royal Contracts, in this case; shares, foreign exchange, indices, futures and commodities.

Value Date means the theoretical date of delivery if the Royal Contract could be settled by physical or deliverable settlement.

Royal means Royal ETP LLC (CR No: 149 LLC 2019)

Royal Contract means a contract for the parties to pay in cash the difference in prices/index level of securities on the terms of the Account Terms, whose term continues until the Closing Date.

Royal client moneys trust account means the bank account (or any one of several of them) maintained by Royal as a trust account. The moneys held in it beneficially for you are credited to your Account.

Royal Electronic Trading Platform means Royal's online trading platforms for trading in our Royal Contracts (and other products not covered by this PDS).

Withdrawable Funds means the amount of cash which would be paid to you from the Account if requested. There are Withdrawable Funds only if your Free Margin is a positive amount.

The amount of the Withdrawable Funds is the lesser of the cash balance of your Account and the Free Margin. If your Free Margin is not positive, there will be no Withdrawable Funds. Please remember that this is a value – no funds are held on deposit for you.