

BLACKWELL GLOBAL INVESTMENTS LIMITED (NZ)

PRODUCT DISCLOSURE STATEMENT

This document gives you important information about the derivatives we offer. There is other useful information on our products and services at www.blackwelltrader.co.nz. Many derivatives are complex and high-risk financial products that are not suitable for most retail investments. If you do not fully understand a derivative described in this document and the risks associated with it, you should not enter into it. You can also seek advice from a financial adviser to help you make your decision. You should ask if that adviser has experience with these types of derivatives.

KEY INFORMATION SUMMARY

What is this?

This is an offer of contracts for difference provided by Blackwell Global Investments Limited (“**Blackwell**”) or “**us**” or “**we**” or “**our**” (as applicable). Contracts for difference are derivatives, which are contracts between you and us that may require you or us to make payments. The value of the contract will depend on value of the underlying currency or index. The contract specifies the amounts and conditions under which those payments must be made.

Warning

Risk that you may owe money under the derivative

If the value of the underlying currency, or index changes, you may suffer losses. In particular, unlike most other kinds of financial products, you may end up owing significant amounts of money. You should carefully read paragraphs 1.18 to 1.29 of this PDS on how payments and returns are calculated.

Your liability to make margin payments

These derivatives require you to make additional payments (margins) to contribute towards your future obligations under the derivative. These payments may be required at short notice and can be substantial. You should carefully read about your obligations.

Risks arising from issuer’s creditworthiness

When you enter into derivatives with us, you are exposed to a risk that we cannot make payments as required. You should carefully read section 3 of the PDS (risks of these derivatives) and consider our creditworthiness. If we run into financial difficulty, the margin we provide may be lost.

About Blackwell Global Investments Limited

Blackwell Global Investments Limited is a provider of contracts for difference through online trading platforms. See section 5 for more information about us and the methods for contacting us.

Which derivatives are covered by this PDS?

This PDS covers contracts for difference (“CFDs”). Under CFDs the prices are based on the prices of various foreign currency pairs (or exchange rates), stock indices and commodity prices.

These products are over-the-counter derivatives. They are not exchange-traded derivatives (which are traded on a stock exchange (such as, for example, the futures and options traded on the NZX Derivatives Market)).

The economic effect of entering into a CFD with us is that we will be obliged to pay you an amount of money or you will be obliged to pay us an amount of money based on the movements in the price of the relevant underlying asset (being either a currency exchange rate, stock index or commodity price). The number of units traded will also be a factor in determining the profit or loss for a particular trade.

CFDs may allow you to manage risk associated with exposure to currency fluctuations and fluctuations in stock markets and commodity prices. Hedging the risk of these price fluctuations by entering into CFDs also means that you may not receive the benefits of price movements in your favour.

CONTENTS

1. KEY FEATURES OF THE DERIVATIVES

- Effect of CFDs
- Uses of CFDs
- CFDs offered by Blackwell
- Currency exchange pairs
- Stock indices / Commodities
- Contract size
- Currency pair CFDs
- Stock index and commodity CFDs
- Amounts payable by you to us
- Initial deposit
- Margin Requirement
- Margin Call
- Stop Out Level
- Amounts payable to you
- Key factors that determine returns
- Order execution
- Process for meeting payment obligations
- Worked examples
- How you may enter into a CFD
- Rights to alter the terms of a CFD
- Funding your account
- Trader Platform

2. RISKS OF THESE DERIVATIVES

- Product risks
- Issuer risk
- Risks when entering or settling the derivatives

3. FEES

- Rollover interest
- Currency pair CFDs
- Stock index and commodity CFDs

4. HOW BLACKWELL GLOBAL INVESTMENTS LIMITED TREATS FUNDS AND PROPERTY RECEIVED FROM YOU

5. ABOUT BLACKWELL GLOBAL INVESTMENTS LIMITED

6. HOW TO COMPLAIN

7. WHERE CAN YOU FIND MORE INFORMATION?

8. HOW TO ENTER INTO CLIENT AGREEMENT

1. KEY FEATURES OF THE DERIVATIVES

Effect of CFDs

- 1.1 A CFD is an over-the-counter derivative product (as opposed to an exchange-traded derivative product) under which the customer may make a profit or loss depending on fluctuations in the price of an underlying asset. Rather than buying or selling the underlying asset on which your contract is based, you simply place a trade with us, the CFD provider. The price of your CFD will fluctuate with the price of the underlying asset giving you a profit or loss as the price of the underlying asset moves. Neither party actually owns or is required to transfer an amount of the underlying asset, but the price is derived from that asset.
- 1.2 The underlying assets that we offer include:
- (a) currency exchange pairs (the exchange rate between two currencies);
 - (b) stock indices (including the S&P 500, the Dow Jones and the Nikkei 225); and
 - (c) commodities (including gold and silver).
- 1.3 You can go “short” (sell) and gain if the price of the CFD falls or lose if the price of the CFD increases, or go “long” (buy) and gain if the price of the CFD increases or lose if the price of the CFD falls. The amount of profit that one party makes is the equivalent loss that the other party makes in respect of a particular trade. This amount is determined by calculating:
- (a) the difference in price of the CFD when it is opened and when the position is closed, multiplied by the number of lots traded; and
 - (b) any adjustments for rollover interest payable by either party in relation to the CFD.

Uses of CFDs

- 1.4 The CFDs that we offer may be used for the following:
- (a) Global exposure without physical investment - CFDs provide you with exposure to global currency, equities and commodities markets without having to physically trade the underlying currencies, equities or commodities.
 - (b) Hedging - CFDs allow you to hedge your exposure to risk. For example, a New Zealand manufacturer that exports its products to Japan and is paid in yen is exposed to foreign currency risk. Its New Zealand dollar revenues may drop if the value of the yen depreciates against the New Zealand dollar (or, in other words, if the New Zealand dollar appreciates or strengthens against the yen). In that case, a set number of yen will be converted into fewer New Zealand dollars. Entering into currency pair CFDs can mitigate this risk.
 - (c) Speculation / leverage - CFDs provide you the opportunity to speculate on the movement of global markets and use leverage to potentially increase your returns (although leverage also increases your risk of loss). The ability to use leverage on your trades allows you to trade in large contract sizes, while providing relatively small amounts of initial capital.
 - (d) Diversification - CFDs allow you to diversify your portfolio by offering easy access to a variety of world markets. From one platform you can gain access to global stocks, including stocks in the United States, Japan and Europe, all of the world's major currencies, precious metals and oil.

CFDs offered by Blackwell

Currency exchange pairs

1.5 A currency exchange pair (or exchange rate) is the price of one currency in terms of another currency, such as the price of New Zealand dollars in United States dollars. The prices of currency pair CFDs are quoted using their official abbreviations, such as:

USD/NZD = 1.2000

1.6 This example shows how many NZD (the quoted currency) would be required to purchase one unit of USD (the base currency). So here, for example, 1.2 NZD is required to purchase 1 USD.

1.7 As at the date of this PDS and under normal market conditions, we offer CFDs based on the following currency pairs:¹

AUD/CAD	CHF/JPY	EUR/SGD	NZD/JPY
AUD/CHF	CHF/SGD	EUR/USD	NZD/USD
AUD/JPY	EUR/AUD	GBP/AUD	SGD/JPY
AUD/NZD	EUR/CAD	GBP/CAD	USD/CAD
AUD/SGD	EUR/CHF	GBP/CHF	USD/CHF
AUD/USD	EUR/GBP	GBP/JPY	USD/JPY
CAD/CHF	EUR/JPY	GBP/SGD	USD/SGD
CAD/JPY	EUR/NZD	GBP/USD	

¹ The CFDs that we offer are listed on our website (www.blackwelltrader.co.nz) and may be changed from time to time.

1.8 The symbols used in the above table stand for:

Symbol	Currency
AUD	Australian dollar
CAD	Canadian dollar
CHF	Swiss franc
EUR	Euro
GBP	Great British pound
JPY	Japanese yen
NZD	New Zealand dollar
SGD	Singapore dollar
USD	United States dollar

1.9 All currency pairs are quoted to five decimal places or points (except for currency pairs that include Japanese yen, which will be quoted to three decimal points). The fourth decimal point is called a "pip". So, for example, if the price of USD/NZD increases from 1.20000 to 1.20120, it would mean that this currency pair has increased by 12 pips.

- 1.10 Currency pair CFDs are quoted as both an “ask” and a “bid” price. An “ask” price is the price that you can buy the particular currency pair CFD for and the “bid” price is the price that you can sell the particular currency pair CFD for. The difference between the “ask” price and “bid” price is called the spread. For example:

USD/NZD bid = 1.20000

USD/NZD ask = 1.20020

Spread = 2 pips

- 1.11 Please see paragraphs 0 to 0 below for a worked example of a currency pair CFD trade.
- 1.12 Currency pair CFDs can be traded from Monday morning to Saturday morning (New Zealand time) 24 hours a day (for more information on trading hours, please see www.blackwelltrader.co.nz).

Stock indices / Commodities

- 1.13 For CFDs based on stock indices and commodities, instead of the underlying asset being a currency pair, it will be one of the following stock indices or commodity prices:²

CFD Symbol	Underlying Asset
#ES	S&P 500 (E-mini) ³
#YM	Dow Jones (E-mini)
#NQ	NASDAQ 100 (E-mini)
#NKD	Nikkei 225
#FDX	Dax Index
#FFI	FTSE 100
#CL	Light Sweet Crude Oil
#DX	US Dollar Index
XAUUSD	Gold
XAGUSD	Silver

² Current as at the date of this PDS. The CFDs that we offer are listed on our website and may be changed from time to time.

³ The reference to E-mini refers to the lot size in which a particular stock index CFD may be traded. See paragraphs 1.16 and 1.17 below.

- 1.14 Like currency pair CFDs, both an “ask” and a “bid” price are offered for stock index and commodity CFDs. These CFDs can only be traded between certain hours. The trading hours for the various stock index and commodity CFDs are set out on our website (www.blackwelltrader.co.nz).
- 1.15 Whereas currency pair CFDs compare the exchange rate between two currencies at the time the trade commences (or opens) with the exchange rate at the time the trade terminates (or closes), stock index and commodity CFDs compare the index level or commodity price (as the case may be) when the trade opens with the index level or commodity price when the trade closes. The “difference” in each case will be the amount payable by or to you (depending on the type of CFD you have entered into) in respect of that trade.

Contract size

Currency pair CFDs

- 1.16 A standard lot size for a currency pair CFD is 100,000 units. So, for example, if you place an order to buy 1 lot of a USD/NZD CFD at 1.2000, the size of the contract will be \$120,000 (ie 100,000 x 1.2000). However, you can enter into contracts as small as 0.01 of a lot (in which case, using the above example, the contract size will be \$1,200).

Stock index and commodity CFDs

1.17 The table below sets out the standard lot sizes for stock index and commodity CFDs:

Name	Number of units per lot
S&P 500 (E-mini)	50
Dow Jones (E-mini)	5
NASDAQ 100 (E-mini)	20
Nikkei 225	5
Dax Index	25
FTSE 100	10
Light Sweet Crude Oil	1000
US Dollar Index	1000
Gold	100
Silver	5000

Amounts payable by you to us

Initial deposit

1.18 You must open an account and deposit funds with us (which we will hold in the Segregated Account, as discussed further at section 4 below) before you can begin trading in CFDs with us. You must deposit a minimum of NZ\$2,000 (although we have a discretion to accept smaller deposits if we so choose).

Margin Requirement

1.19 The amount of money that you deposit with us will determine the number and size of the trades you can enter into. This is because you must provide a certain amount of margin ("**Margin Requirement**") before we will allow you to enter into CFDs. The Margin Requirement is the minimum level of cleared funds that you are required to maintain in your account with us at any particular time. The Margin Requirement is calculated by the following formula:

$$\frac{\text{Trade size} \times \text{Price}}{\text{Leverage}}$$

1.20 In the formula:

- (a) Trade size = the number of lots multiplied by the size of the lot (this will be unique to each CFD type). The smallest trade size is 0.01 lots.
- (b) Price = the price of the relevant CFD. For currency pair CFDs, the price will be the exchange rate for the relevant currency pair. For other CFDs, it will be the level of the relevant index or price of the relevant commodity.
- (c) Leverage = a maximum leverage ratio of 100:1.

1.21 By way of an example, if you were to enter into a trade to buy one lot of a USD/NZD CFD at 1.2000 with a leverage ratio of 100:1, you would have to satisfy a Margin Requirement of \$1,200 $((100,000 \text{ units} \times 1.2) / 100)$.

Margin Call

1.22 You may also be required to deposit money into your account with us if the funds in your account with us (also known as your equity) drop to 120% of the Margin Requirement ("**Margin Call Level**"). When the Margin Call Level is reached, the "trade" tab function on the Trader Platform will become pink ("**Margin Call Alert**"). You will be responsible for monitoring your own trading positions and providing the required level of margin should you want to continue holdings positions without breaching the Stop Out Level (which is 80% of the Margin Requirement, as discussed in more detail below).

1.23 Consider the example given at paragraph 1.21 above, but assuming that the customer in that scenario provided \$5,000 as a margin amount, rather than the minimum \$1,200. The Margin Call Level for this trade will be \$1,440, being 120% of the Margin Requirement of \$1,200. Therefore, if the trade performs poorly for the customer in this example and the margin amount in the customer's account drops to \$1,440, the Margin Call Alert will appear on the Trader Platform.

1.24 The margin call alert is important, as it gives you a chance to top-up your account before your trades are closed out in the event that the Stop Out Level is reached.

Stop Out Level

1.25 If the margin amount in your account drops to 80% of the Margin Requirement for all of your open positions at any particular point in time, we will close out all of your open positions. Once your positions are closed, you cannot lose or gain any more on those trades. To continue trading, you will either need to deposit further funds into your account or enter into smaller trades with correspondingly smaller margin requirements. If any of your trades are closed, your account with us will still remain open. We encourage you to adopt appropriate risk management practices, such as placing "stop loss" orders (discussed below), to reduce the possibility of breaching the Stop Out Level in respect of your open trading positions.

1.26 In regard to the example given at paragraph 1.21, above, that particular trade will be closed when the customer's equity drops to \$960, being 80% of the Margin Requirement of \$1,200.

1.27 The purpose of the Margin Requirement, Margin Call Level and Stop Out Level is to ensure that your account does not go into default. In other words, provided these three measures operate effectively, you will not be in the position where the amount you owe us is more than the margin amount in your account at any given time.

Amounts payable to you

1.28 You may withdraw money from your account (which we hold for you in the Segregated Account) at any time, provided that the amount you seek to withdraw will not result in your account breaching the Margin Requirement for your open positions at the time of withdrawal. The process from withdrawing money from your account is set out in section 4 below.

Key factors that determine returns

1.29 The key factors that determine the returns that may be payable to you (or the amounts that may be payable by you) in respect of a CFD are:

- (a) **Performance of the relevant exchange price, index or commodity price** - when you enter into a trade you will do so on the basis of your view as to whether the level or price of a particular underlying asset (or the exchange rate, in the case of a currency pair CFD) will rise or fall. How the underlying asset performs as against your view will impact your results. For example, if you buy (or take a long position on) one lot of a USD/NZD CFD then you will make a profit on the trade if the USD appreciates as against the NZD (or in other words, the price of this CFD increases). Conversely, you will make a loss if the USD depreciates as against the NZD. How the relevant currencies, indices and commodities perform depends on a number of micro and macro economic factors.
- (b) **Number of lots purchased or sold** - the greater the contract size of the CFD that you enter into the greater the amount payable under that CFD (either to or by you). The greater the size of the CFD means the greater the potential size of the loss. You should understand your own investment limits and stick to those limits when trading.

- (c) **Leverage ratio** - we offer a maximum leverage ratio of 100:1. The higher the leverage ratio is on your account, the lower the Margin Requirement is (so the lower the margin or equity requirement is to trade contracts with larger sizes).

For example, consider a customer that enters into one lot (\$100,000) of a USD/NZD CFD at \$1.2000 with a leverage ratio of 100:1. For this customer, the required margin is \$1,200 $((100,000 \text{ units} \times \$1.2) / 100)$. If the leverage ratio is 10:1, the Margin Requirement would be \$12,000 $((100,000 \text{ units} \times \$1.2) / 10)$ and if the leverage ratio is 200:1, the Margin Requirement is \$600 $((100,000 \text{ units} \times \$1.2) / 200)$. Operating with higher leverage increases your potential returns and losses on the basis of a set amount of margin.

Operating with a higher leverage ratio increases your risk. Your equity can be rapidly reduced if you enter into leveraged trades and you should always be conscious of the effect leverage can have on your equity level. Whilst you can lose your equity quickly if you have entered into highly leveraged trades that perform poorly, the Margin Call and Stop Out mechanisms are designed to stop your account from going into default.

Order execution

1.30 We will provide you with live streaming prices or “quotes” (including an “ask” and a “bid” quote) as received from our liquidity providers. You can enter into a trade by placing one of the following types of orders:

- (a) Market order (open) - an order to buy (“go long”) or sell (“go short”) immediately at the price available at the time of placing the order. This order will normally be executed at the price that you see on the Trader Platform. However, the order may be executed at a different price if the market moves in the time it takes you to place the order.
- (b) Pending order - an order to buy (“go long”) or sell (“go short”) in the future once a certain price that you specify is reached. The specified price can be above or below the price at the time you place the pending order. The types of pending orders that can be placed include:
- (i) Buy limit - an order placed to buy at a price specified below the current quoted price.
 - (ii) Buy stop - an order placed to buy at a price specified above the current quoted price.
 - (iii) Sell limit - an order placed to sell at a price specified above the current quoted price.
 - (iv) Sell stop - an order placed to sell at a price specified below the current quoted price.

1.31 You can cancel a trade by placing one of three possible orders:

- (a) Market order (close) - an order to close-out a trade immediately at the price available at the time of placing the order. Similarly to the market order (open), this order will normally be executed at the price that you see on the Trader Platform, but may, in some circumstances, be executed at a different price if the price moves in the time it takes to place the order.
- (b) Take profit - an order placed, either at the time or after a market (open) or pending order is placed, to automatically close-out a trade once the price of the CFD reaches a specified price that is favourable to you. A “take profit” order is used when the market moves in your favour and you wish to close-out your trades and realise your profits at a certain price.
- (c) Stop loss - an order placed, either at the time or after a market (open) or pending order is placed, to automatically close-out a trade once the price of the CFD reaches a specified price in order to limit your losses. A “stop loss” order is used when the market moves against you and you wish to cap your losses at a certain price.

- 1.32 Certain of the CFDs that we offer under this PDS (being the currency pair CFDs and gold and silver commodity CFDs) do not have a fixed maturity. Rather, these CFDs will remain open until either one of three possible things occurs:
- (a) the CFD is closed out by us as a result of your account reaching the Stop Out Level;
 - (b) you place an order with us to close the CFD; or
 - (c) we close out a CFD if exceptional, unusual or emergency market conditions occur which prevent us from performing any or all of our obligations to you (ie a force majeure event).
- 1.33 Other CFDs (including stock index or commodity CFDs other than gold and silver) have a fixed maturity. Each of these CFD contracts is open for trading for a period of roughly three months. At the end of this three month period in respect of a particular CFD, a new CFD contract becomes available for trading for a further three months. Customers with open positions in an expiring CFD are given a further three business days in order to close out their open positions. If you do not do close out your open positions before or within this period, we will close out all open positions in relation to the expiring CFDs at the final price upon expiry.
- 1.34 You may continue to trade in these CFDs by entering into new trades under new trading symbols. Please see www.blackwelltrader.co.nz for more information on trading symbols and expiry dates. These CFDs may also be closed by any of the means described in 1.32 above.

Process for meeting payment obligations

- 1.35 We have an obligation to pay you if you have money in your account in an amount that exceeds your aggregate Margin Requirement for all open positions and you request a withdrawal of funds from that account. The process for withdrawing money from your account is described more fully at section 4 below.

Worked examples

- 1.36 The following provide examples of one situation only and do not reflect the specific circumstances or obligations that may arise under a CFD entered into by you. In all of these worked examples we have assumed that the customer has sufficient equity in their account to cover their Margin Requirements.
- 1.37 “Going long” - and making a profit

A customer believes that the price of DOW will increase and decided to buy 1 lot at market price.

The current market bid and ask price is 16900/16920

Type of contract	Lot	Units Per lot	Ask Price	Contract Value	Leverage	Required Margin
Buy	1	5	16,920	\$84,000 (USD)	100:1	\$846 (USD)

The contract value is calculated by multiplying the ask price by the units per lot, multiplied by the number of lots: $16,920 * 5 * 1 = \text{USD}\$84,600$.

The Margin Requirement is calculated by dividing the contract value by the leverage ratio: $\$84,600/100 = \846 .

The next day, the bid price for the DOW rises to 16950. The customer places a market order to immediately close-out this trade at this price:

Type of contract	Lot	Units Per lot	Ask Price	Contract Value	Leverage
Sell	1	5	16,950	\$84,750 (USD)	100:1

The customer has made a profit from this transaction, calculated as the difference between the contract value upon close and the contract value when the trade was opened: $\$84,750 - \$84,600 = \text{USD}\$150$.

1.38 “Going long” and making a loss

A customer believes the S&P 500 will rise and decided to buy 1 lot at market price.

The current market bid and ask price is 1950/1955

Type of contract	Lot	Units Per lot	Ask Price	Contract Value	Leverage	Required Margin
Buy	1	5	1955	\$97,750 (USD)	100:1	\$977.50

The contract value is calculated by multiplying the ask price by the units per lot, multiplied by the number of lots: $1955 * 50 * 1 = \text{USD}97,750$.

The Margin Requirement is calculated by dividing the contract value by the leverage ratio: $\$97,750/100 = \text{USD}977.50$.

The next day, the bid price for the S&P drops to 1920. The customer places a market order to immediately close-out this trade at this price:

Type of contract	Lot	Units Per lot	Ask Price	Contract Value	Leverage
Sell	1	50	1920	\$96,000 (USD)	100:1

The customer has made a loss from this transaction, calculated as the difference between the contract value upon close and the contract value when the trade was opened: $\$96,000 - \$97,750 = -\text{USD}1750$.

1.39 “Going short” - and making a profit

A customer believes the price of a NZD/USD CFD will increase slightly before steadily decreasing shortly thereafter. Accordingly, he places a “sell limit” pending order to sell 1 lot of this CFD if and when the bid price rises to 0.7810:

The current market bid and ask price is 0.7790/0.7795

As the customer expects, the bid rises to 0.7810 and the pending order is executed.

Type of contract	Lot	Units Per lot	Bid Price	Contract Value	Leverage	Required Margin
Sell	1	100,000	0.7810	\$100,000 (NZD) \$78,100 (USD)	100:1	\$781 (USD)

By the next day, the ask price for NZD/USD CFD has dropped to 0.7795, in line with the customer’s prediction. At this point, the customer decides to close the trade by doing a ‘buy’:

Type of contract	Lot	Units Per lot	Ask Price	Contract Value	Leverage
Buy	1	100,000	0.7795	\$100,000(NZD) \$77,950(USD)	100:1

The customer has made a profit on this trade, calculated as the difference between the initial USD contract value and the closing USD contract value:

Initial ‘Sell’ order: $0.7810 * 100,000 = \text{USD}78,100$

Closing ‘Buy’ order: $0.7795 * 100,000 = \text{USD}77,950$

Hence, the Profit = $\text{USD}78,100 - \text{USD}77,950 = \text{USD}150$

1.40 “Going short” - and making a loss

A customer believes that the price of USD/JPY will decrease and decided to sell 1 lot at market price.

The current market bid and ask price is 108.00/108.10

Type of contract	Lot	Units Per lot	Ask Price	Contract Value	Leverage	Required Margin
Sell	1	100,000	\$108.00	\$100,000(USD) 10,800,000(JPY)	100:1	\$1000.00 (USD)

The contract value is calculated by multiplying the units per lot, multiplied by the number of lots:
\$100,000 * 1 lot = USD100,000.

The Margin Requirement is calculated by dividing the contract value by the leverage ratio:
\$100,000/100 = \$1000.

To limit his/her potential losses, the customer also places a “stop loss” order at \$108.60, so that his/her trades will automatically be closed out if the ask price of USD/JPY rises to 108.60. By the next day, the price of USD/JPY has in fact rises (against the customer’s trade view) to 108.50/108.60. The trade is automatically closed-out according to the stop loss order:

Type of contract	Lot	Units Per lot	Ask Price	Contract Value	Leverage
Stop Loss	1	100,000	\$108.60	\$100,000(USD) 10,860,000(JPY)	100:1

The customer has made a loss on this trade, calculated as the difference between the initial JPY contract value and the closing JPY contract value:

Initial ‘Sell’ order: $108.00 * 100,000 = \text{JPY}10,800,000$

Closing ‘Buy’ order: $108.60 * 100,000 = \text{JPY}10,860,000$

Hence, the Loss = $\text{JPY}10,800,000 - \text{JPY}10,860,000 = -\text{JPY}60,000$

Conversion to USD: 108.60

$\text{JPY}60,000 / 108.60 = -\text{USD}552.49$

How you may enter into a CFD

- 1.41 In order to enter into CFDs with us, you must first apply for a CFD trading account. To open an account, you must, among other things, fill out, sign and submit the applicable application form, read and accept our Terms of Business, read this PDS and provide proof of your identity. By opening an account with us, you agree to the Terms of Business (including the terms on which the account will operate as set out in this PDS).
- 1.42 Trading in the CFDs that we offer may not be suitable for all investors due to the risks that trading in CFDs involves. We will only accept customers who confirm (through the application process) that they understand the risks involved in trading in CFDs and are able to bear any losses that such trading may involve. If you have any questions or doubts about your understanding of the risks or ability to bear losses, you should contact your financial advisor.

Rights to alter the terms of a CFD

- 1.43 We reserve the right to alter the terms of a CFD, by written notice to you in advance.

Funding your account

- 1.44 Once your application has been approved, you may deposit funds into your account in a number of ways:
- (a) credit card payment;
 - (b) wire transfer; or
 - (c) e-wallet transfer.
- 1.45 Once paid into your account, we may use the funds to satisfy Margin Requirements for your open positions.
- 1.46 You are able to make deposits in currencies other than the base currency of your account with us. Your deposit will be converted to that base currency at the bank exchange rate when the funds are cleared.

Trader Platform

- 1.47 In order to trade in CFDs with us, you must download the Blackwell Global Trader Platform (“**Trader Platform**”). The Trader Platform can be downloaded onto any compatible device, which includes PCs, laptops, tablets and smartphones and must be accessed using your unique personal username and log in details, which we will help you set up when you open an account with us.
- 1.48 Once you are logged onto the Trader Platform, you will be able to view our bid and ask price quotes for the various CFDs that we offer. You can place orders to execute trades on the Trader Platform at the quoted prices, in the manner described above. The Trader Platform is a straight through processing system, meaning that when a customer executes a trade order, the trade is not sent to a Blackwell dealing desk and does not need to be executed manually by a Blackwell employee, but is rather executed automatically by the Trader Platform software.
- 1.49 The Trader Platform is also a useful tool for tracking your trades and researching the historical prices of the CFDs that we offer.

2. RISKS OF THESE DERIVATIVES

- 2.1 Leveraged currency trading is one of the riskiest forms of investment available in the financial markets and is only suitable for sophisticated individuals and entities. Please consider carefully your investment objectives, experience levels, financial resources and appetite for risk before deciding to invest in CFDs. You should not enter into CFDs unless you fully understand their nature and the extent of your potential exposure. If you are in any doubt as to the suitability of any investment you should seek independent professional advice.
- 2.2 In considering whether to enter into CFDs, please consider the following specific risks. However, please note that this does not disclose every possible risk of trading in CFDs.

Product risks

This section considers the risks that arise from the contractual terms of the CFD and the client agreement.

- (a) **Leverage:** We offer a maximum leverage ratio of 100:1. This means that providing an initial margin of \$10,000 will allow you to take a maximum open position of \$1,000,000 notional market value. A relatively small movement in the underlying market can have a disproportionately high effect on CFDs, so much so that the funds in an account trading at maximum leverage can be completely lost if the position held in the account has a 2% swing in value. Given the possibility of losing an entire investment, you should only use funds that, if lost, would not significantly affect your personal or your entity’s financial wellbeing.

- (b) **Changes in value of the underlying assets:** The prices of the CFDs we offer are based on underlying currency exchange rates, commodities prices and certain stock indices which can be highly volatile. This rapid fluctuation in the markets may be a result of unforeseen events beyond your control, such as the political environment, economic climate, acts of nature, changing supply and demand characteristics, inflation rates and prevailing interest rates. If particular exchange rates move in a way that is detrimental to your portfolio, you run the risk of receiving a Margin Call (and subsequently having to provide more margin) or having your open positions closed. If your positions are closed, you will be left with nothing but 80% of the Margin Requirement, which could be a significant loss in your particular situation.
- (c) **Slippage:** Slippage refers to the situation where there is a difference between the expected price of the trade and the actual execution price of the trade. This may be because the particular exchange rate, commodity or stock index has become unusually volatile for a period of time or there may be specific market conditions (such as illiquidity, political event, etc) that make it impossible to execute a trade at a declared price. The particular underlying assets may have stopped trading at a particular price, but may recommence trading at a different price (or in other words, market gapping may occur). Two possible consequences of slippage are:
- (i) a stop loss order may not be able to be executed at the specified price; and
 - (ii) the price of certain CFDs may have slipped so that a customer's trades cannot be closed out at the Stop Out Level.

Where this happens, the particular customer's open positions will be closed at the best available price, but this may result in the customer losing their remaining equity, or even being in the position where they owe us money.

- (d) **Loss caused by spread:** If you open a position and close it before the market has moved you may incur a loss to the extent of the spread payable at that time. The amount of the spread will vary depending on market conditions, streaming prices and liquidity that we receive from our liquidity providers. Accordingly, the spread may be larger at the time you close the position than when you opened it.
- (e) **Weekend risk:** Developments or events that have an impact on various markets may arise over the weekend when markets are generally closed. This may cause the markets to open on Monday morning at a significantly different price from where they closed on Friday afternoon. You will not be able to execute trade orders over the weekend and at other times when markets are generally closed. There is a risk that market gapping may occur.
- (f) **Deregulated market:** The CFDs that we offer are "over-the-counter" derivative products and are not traded on a recognised exchange. Accordingly, these products are not regulated by any exchange, and you are not protected by the controls and protections available to participants in those markets.

Issuer risk

- (g) **Insolvency:** As you will be dealing with us as counterparty to each CFD, you will have exposure to us. In other words, you are relying on us being able to meet our obligations to you under the terms of each trade. If we were to go into liquidation, you would be an unsecured creditor, except to the extent that funds are held on trust for you in our Segregated Account.

We limit the risk of our failure by entering into back-to-back transactions with our liquidity providers. When you enter into a trade with us, we will enter into an equal and opposite trade with our liquidity providers, meaning that we will, effectively, never hold any open positions.

We will also comply with the Client Funds Regulations, which provide for the segregation of funds that you provide us.

- (h) **Credit rating:** Our creditworthiness has not been assessed by an approved rating agency. This means that we have not received an independent opinion of our capability and willingness to repay our debts from an approved and well- recognised source.

Risks when entering or settling the derivatives

- (i) **Technology risk:** Stop loss orders, intending to limit losses to certain amounts, and closing out trades at the Stop Out Level may not always be affected because technological limitations may make it impossible to execute such orders. Technology risks including, but not limited to, disruptions to communications, computers, networks, or external events may lead to delays in execution and settlement of a transaction.

3. FEES

- 3.1 We derive the majority of our profits by applying a spread to the prices that we offer to buy and sell CFDs. Essentially, our profits are derived from the difference between the buy/sell prices offered to us by our liquidity providers, and the buy/sell prices that we offer our customers for equivalent products. This margin or spread is calculated by us in our sole discretion. The factors that can affect the amount of margin or spread that we apply to a price feed include:
- (a) the size of trades - trades of greater value can reduce the spread;
 - (b) the number of trades - the spread can be reduced if there is greater volume;
 - (c) currency popularity - a smaller spread is generally applied to currencies that are subject to more trading activity; and
 - (d) volatility - a greater spread is generally applied to more volatile currencies.
- 3.2 We are entitled to retain any interest amount derived from money held by us in the Segregated Account on your behalf. Our policy is to retain this money, but we may, in our absolute discretion, pay this money to you if we choose.

Rollover interest

Currency pair CFDs

- 3.3 We charge or pay rollover interest (or swaps) on currency pair CFD positions held overnight. Rollover interest is charged or paid due to the difference in the interest rates of the base currency and the quoted currency. If the interest rate on the currency that you buy is higher than the interest rate on the currency that you sell, you will earn the difference as interest when you hold the position overnight. Conversely, if the interest rate on the currency that you buy is lower than the interest rate on the currency that you sell, you will pay the difference as interest when you hold the position overnight.
- 3.4 Open positions held from Wednesday to Thursday will pay or earn three times the rollover interest (to account for the interest that would have been paid or earned on Saturday and Sunday when the markets are closed).

Stock index and commodity CFDs

- 3.5 Rollover interest is charged on stock index and commodity CFDs at the long and short rates set out on our website (www.blackwelltrader.co.nz). Like currency pair CFDs, open positions held from Wednesday to Thursday will pay or earn three times the rollover interest.

4. HOW BLACKWELL GLOBAL INVESTMENTS LIMITED TREATS FUNDS AND PROPERTY RECEIVED FROM YOU

- 4.1 We will only accept money from you for the purposes of satisfying margin requirements and will only accept money deposited through the means outlined at paragraph 1.44 above.
- 4.2 Money deposited with us for the purposes of satisfying margin requirements will immediately be paid into a segregated client bank account ("**Segregated Account**"), established in alignment with the Financial Market Conduct Regulations 2014 ("**Client Funds Regulations**"). Customer funds held in the Segregated Account are kept separate from our business funds. Customer funds held in the Segregated Account are held on same day call.
- 4.3 Withdrawals from the Segregated Accounts will only be made in accordance with Client Funds Regulations.
- 4.4 However, when you enter into a trade and provide margin for that particular trade, we become entitled to the margin amount applicable to that trade. We will withdraw the margin amount from the Segregated Account for the purposes of satisfying our margin requirements with our liquidity providers.
- 4.5 You can withdraw money, which we hold in the Segregated Account, through either our back office online system (to which you will receive unique log in details) or by filing out a Funds Withdrawal Notification Form and delivering it to us. We will not accept verbal withdrawal requests. To withdraw funds using our online system, you must log on (using your unique log in details) and click on the "Funding Management > Withdrawal" tab, which will prompt you to enter the following details:
- (a) withdrawal amount;
 - (b) trading account number;
 - (c) account type; and
 - (d) personal account details.
- 4.6 Upon receipt of your withdrawal request, our online system will automatically generate an email alert to us who, upon receipt of the email alert, will withdraw the requested amount from the Segregated Account and deposit the amount in your nominated bank account, after the review process.
- 4.7 You must provide the same information as stated in 4.5(a) to 4.5(d) when withdrawing funds using a Funds Withdrawal Notification Form. The form must be delivered to us at our registered address. We will then action the form by withdrawing the requested amount from the Segregated Account and depositing the amount in your nominated bank account.
- 4.8 For all withdrawals, we will check that you hold sufficient equity in the Segregated Account before transferring the requested amount. This includes ensuring that your account will not be in breach of the Margin Requirement, the Margin Call level or Stop Out level upon withdrawal due to any trades ordered but not executed. We will also check that the account nominated by you to which the withdrawn money will be paid matches the account from which you deposited money with us originally. If the accounts do not match, we will contact you seeking confirmation that the withdrawal is to be made to a different account. If you have sufficient equity in the Segregated Account to withdraw the requested amount without breaching the limits mentioned and the accounts match (or we receive confirmation) we will process the withdrawal.

5. ABOUT BLACKWELL GLOBAL INVESTMENTS LIMITED

5.1 The issuer of CFDs under this PDS is Blackwell Global Investments Limited (company number 3038690). We may be contacted by the following:

- (a) Physical address: Level 17, Crombie Lockwood Tower 191 Queen Street
Auckland 1010
NEW ZEALAND
- (b) Postal address: PO Box 2428 Shortland Street, Auckland 1140
- (c) Website: www.blackwellglobal.co.nz
- (d) Email: info@blackwellglobal.com
- (e) Phone: 09 307 6868

5.2 For every CFD you enter into with us we will enter into an equal and opposite trade with our liquidity providers, meaning that, effectively, we do not hold open positions. We do not hold the market risk for the CFDs that we offer and we do not profit at your expense by taking an opposite position on a CFD.

6. HOW TO COMPLAIN

6.1 If you have any problems or concerns about the products and services that we provide, we want to know about them. Please contact us, via the means listed above, outlining your problems or concerns and we will endeavour to resolve the issues through our internal dispute resolution procedures. You may request a copy of these procedures by writing to us at the address above.

6.2 If our internal dispute resolution procedures have been exhausted and you have unresolved problems or concerns, you have the right to raise a complaint with our external dispute resolution provider, the Financial Dispute Resolution Service (“FDRS”). We are registered as a financial services provider on the Financial Service Providers register (FSP No. 3061) and are a member of the FDRS scheme. A complaint may be made to the FDRS, through the following:

- (a) **Online:** www.fdr.org.nz
- (b) **Writing:** Freepost 231075, PO Box 5730, Wellington 6145
- (c) **Freephone:** 0508 337 337

6.3 The FDRS will not charge a fee to any complainant to investigate or resolve a complaint.

7. WHERE CAN YOU FIND MORE INFORMATION?

7.1 Further information relating to us and the CFDs we offer is available on our website and on request.

7.2 A request for information should be made by contacting us by any of the means stated at 5.1 above.

7.3 Please note that the information in this PDS is current as of the date it was prepared. All of the information in this PDS is subject to change from time to time. Any updated information will be found on our website or by contacting us. We will not issue an updated PDS, unless the changes to the information contained in this PDS are material.

8. HOW TO ENTER INTO CLIENT AGREEMENT

8.1 You may enter into a client agreement with us by filling out an application form (www.blackwelltrader.co.nz/application-forms).