

Financial Service Guide (FSG) Product Disclosure Statement (PDS)



Australia's Leading Foreign Currency Exchange Specialists

Contents

1. Financial Services Guide

- a. Who are we?
- b. What services are Forex Group authorised to provide?
- c. Our Products
- d. Are there any risks
- e. What happens if a problem occurs.
- f. How is my privacy protected?
- g. Who do we act for?
- h. How does Forex Group generate income?
- i. Are there external relationships that favour Forex Group dealing with me or my company?

2. Product Disclosure Statement

- a. Spot Contract and Forward Exchange Contract
- b. What is the purpose of using Spot or Forward Exchange contracts?
- c. What are the features of a Spot contract?
- d. Key Risks of Spot contracts
- e. Key Benefits of Spot contracts
- f. What are the features of a Forward Exchange Contract?
- g. Key Risks of a Forward Exchange Contract
- h. Key Benefits of a Forward Exchange Contract
- i. What sets us apart from the rest?
- j. What fees can I expect?
- k. How does Forex Group generate income?
- l. Who should I speak to if I have a complaint about your provision of financial services?
- m. Contact Details

Financial Services Guide (FSG)

Issue Date: 10 February 2011 V2.0

In accordance with legislation which governs the provision of products and services within the financial services sector, we are required to provide you with a Financial Services Guide ("FSG"). This document summarises the way Forex Group Australia Pty Ltd ("Forex Group") conducts its business and provides you with material information about our services, including the following:

- ▷ *Who we are*
- ▷ *Our contact details*
- ▷ *Our authorised services and products*
- ▷ *Our remuneration*
- ▷ *Any conflicts of interest*
- ▷ *Your privacy; and*
- ▷ *Our dispute resolution process.*

Who are we?

Forex Group Australia Pty Ltd [ABN 71 091 532 946] is a specialist foreign currency exchange provider. Trading since 2000 Forex Group has been instrumental in creating a competitive rate environment for importers and exporters alike.

Forex Group Australia Pty Ltd

Level 12, 37 Bligh Street
Sydney NSW 2000 Australia

Telephone: +61 1300 722 214

Website: www.forexgroup.com.au

Email: forex@forexgroup.com.au

What services is Forex Group authorised to provide?

Forex Group Australia Pty Ltd ("Forex Group") holds an Australian Financial Services Licence [Number: 247 017] and is authorised to make a market, to buy and sell foreign currency on spot or forward exchange terms and to give product advice regarding the specific foreign exchange transactions, and telegraphic transfer products.

Forex Group provides:

- ▷ A service to buy and sell foreign currency.
- ▷ General and personal product advice concerning the foreign currency products and markets.
- ▷ Telegraphic transfers in foreign currency.
- ▷ An interactive website with morning commentary and opening exchange rates.
- ▷ A rate watch system during Australian trading hours and an overnight ordering system for after hours orders.

Forex Group dealers are authorised to provide foreign exchange services to you, on behalf of Forex Group. You will liaise with a dealer directly who is a skilled, representative of Forex Group, and has satisfied ASIC training requirements. We are authorised to buy and sell foreign currency on spot or forward exchange terms and to give advice regarding the specific foreign exchange transactions, or telegraphic transfer products.

Our Products

Forex Group are authorised to deal and provide product advice, and to make a market in relation to Foreign Exchange Spot Contracts and Foreign Exchange Forward Contracts. Our Product Disclosure Statement is available and contains general information about the terms and conditions; risks and benefits; and fees and charges applicable to our products.

Are there any risks?

Whenever Foreign Currency is purchased there is a risk. This is because the exchange rate is constantly on the move. You could purchase it now and in a few short moments, it could rise or fall significantly. It is important that you take steps to properly understand the risks and outcomes involved in foreign exchange transactions.

Forex Group only provide limited personal advice in relation to foreign exchange transactions. If you are a retail client, you will receive a Statement of Advice when we provide personal advice to you, recording the advice you have received and the information on which it is based. We do not collect nor do we consider information about your financial needs and circumstances except to the extent it relates to such transactions. We recommend that you obtain independent advice prior to entering into a foreign exchange transaction to ensure it is appropriate in terms of your financial objectives.

What happens if a problem occurs?

In the event of a problem arising, your dealer will be the first point of contact. If they cannot resolve your complaint within a reasonable time frame it will be escalated to the Forex Group Resolution Manager. You can contact the Resolution Manager by phone or send an email to resolutions@forexgroup.com.au. It will then be presented to senior management for a decision.

Alternatively if we cannot resolve your complaint to your satisfaction, you may complain to the Financial Ombudsman Service [Tel: 1300 78 08 08], which is an ASIC approved dispute resolution scheme, of which Forex Group is a member.

How is my privacy protected?

Forex Group is committed to protecting the confidentiality of your private information. We only use Banks to send transfers internationally and only the information required to enable the Bank to complete this task is given to them.

This information is given to you on a confirmation receipt for every telegraphic transfer that you ask us to send. If you have any concerns over this process Forex Group is happy to assist. Please contact us if you would like a copy of our privacy policy or visit our website at www.forexgroup.com.au.

Who do we act for?

Forex Group will always be your counterparty (not agent) in all transactions and their Authorised Representatives act on our behalf, executing client orders.

How does Forex Group generate income?

Our treasury operation is based upon a small spread-large turnover principle, enabling Forex Group to offer competitive rates in the Australian market. We buy and sell currency in accordance with client instructions and generate income in the spread between the purchase cost and sale cost. We do not charge a commission for any foreign exchange purchases. We do charge a flat disclosed fee for telegraphic transfers, investigations and extensions (due to late payment).

Authorised Representatives and employees of Forex Group are remunerated, and are offered performance incentives based on their ability to manage their client transactions and generate sales.

Are there external relationships that favour Forex Group dealing with me or my company?

Forex Group acts independently from any other party and markets directly to its preferred clients. Forex Group does not pay for referral business nor works for or on behalf of any other company or Bank or institution.

Product Disclosure Statement (PDS)

Spot Contract And Forward Exchange Contract

Issue Date: 10 February 2011

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What is the purpose of using Spot or Forward Exchange Contracts?

The purpose of foreign exchange products such as Spot and Forward Exchange contracts, is to facilitate management of foreign exchange risk for those with foreign currency exposure, such as importers and exporters, to protect against adverse exchange rate movements. These products enable future exchange risk to be hedged, and provide certainty of foreign exchange rates and exposures.

What are the features of a Spot contract?

A Spot Contract is the most basic and popular foreign exchange product. It is a binding obligation to buy or sell a certain amount of foreign currency at the current market rate, for settlement in two business days time. To settle a Spot contract on time, you need to make payment on the first day so we can remit your funds on the second.

Key Risks of Spot contracts

Although the spot market lets you buy or sell currency as you need it, spot exchange rate movements are highly unpredictable and volatile, even during a single trading day. Relying on the spot market for future foreign exchange requirements is a high risk strategy. It can expose your company's cash flow to the risk of unfavourable changes in foreign currency values.

Key Benefits of Spot contracts

- ▷ Payments in advance, open account settlements and letters of credit all can be handled by Spot contracts.
- ▷ It is a simple but effective means of making payments internationally.
- ▷ A Spot contract can be settled in less than two days if we receive cleared funds early.
- ▷ Enables you to take advantage of favourable rates, and settle your accounts quickly.

What are the features of a Forward Exchange Contract?

A Forward Exchange Contract lets your company buy or sell one currency against another, for settlement at a future date. Unlike Spot contracts, a Forward Exchange Contract almost eliminates the uncertainty of fluctuating exchange rates by locking in a price today. This hedging instrument is ideally used for protecting your future cash flow against negative currency fluctuations and also eliminates some of the uncertainty of doing business abroad.

One of the features of a Forward Exchange Contract is that it is a bilateral contract between us and your company. This means each party is responsible for assessing the credit standing and capacity of the other party.

To take out a Forward contract you need to advise us of the amount, both currencies involved and the expiry date you would prefer. Pricing of the contract will depend on a number of factors, including the expiry date chosen, the current spot exchange rates and, in each currency pair, the current interest rates and current forward exchange rate (comprised of the interbank, professional market rate plus credit, risk and liquidity premiums).

If you go ahead with the Forward Exchange Contract, you will need to return a signed copy of the agreement, which sets out your rights and obligations, and also be required to pay 10% of the value of the AUD side of the contract immediately, as a pre-payment deposit, which will be deposited with our Bank in a segregated account. The remaining 90% will be payable upon settlement of the contract.

Key Risks of a Forward Exchange Contract

- ▷ Although a Forward Exchange Contract lets your company buy or sell currency to be settled at a future date, foreign exchange movements are highly unpredictable, even during a single trading day.
- ▷ During the term of a Forward Exchange Contract you may be required to increase your pre-payment deposit. This would occur if the exchange rate changes to such a degree that the pre-payment deposit would not cover your potential losses on the contract.
- ▷ As a Forward Exchange Contract is a bilateral agreement, credit risk is taken on the other party to the contract. In entering this transaction, you are accepting the risk of non-payment due to the credit default of Forex Group.

- ▶ Entering into a Forward Exchange Contract locks in the exchange rate for the future delivery date, which precludes any potential financial benefit (or loss) resulting from subsequent exchange rate movements.
- ▶ If the underlying purpose for entering into the transaction changes, and you seek to change or cancel the contract, loss may be incurred.

Key Benefits of a Forward Exchange Contract

- ▶ Is a simple method of covering exchange risk, without having to worry about unfavourable movements in exchange rates.
- ▶ Overcomes the problems in budgeting as you can now budget at a guaranteed rate of exchange.
- ▶ No premium required so you save in charges.
- ▶ You can choose to settle the whole amount of the contract on one date, or you can take parts of the amount throughout the contract period.
- ▶ Allows you to set your pricing and rest assured that your costs will not increase.

What sets us apart from the rest?

We know from our customers that there are five fundamentals that a business looks for in dealing with a foreign exchange company. They are;

- ▶ Flexibility (willing to look outside the square)
- ▶ Speed and responsiveness
- ▶ Error free service
- ▶ Cost competitiveness
- ▶ Availability of someone accountable to talk to when you need them.

We believe that the personal contact that our Dealers provide is the cornerstone to our success in providing these fundamentals.

What fees can I expect?

You'll be happy to know that we have no establishment or management fees for Spot Contracts or for Forward Exchange Contracts. However there are some associated fees that may apply:

- ▶ Telegraphic Transfer fee \$25.00. Standard charge for sending currency to a foreign destination.
- ▶ Investigation fee \$35.00; When a payment is investigated after remitting funds.

- ▷ Extension fee \$25.00: If we don't receive your payment the next business day the contract will need to be extended, which could impact positively or negatively on the contract rate.
- ▷ In addition to the late payment fee, there are potential costs resulting from predelivery or extension of the contract.

Please note that overseas banks on the other side of the transaction may deduct a small processing fee prior to releasing funds to the designated beneficiary.

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Alternatively if we cannot resolve your complaint to your satisfaction, you may complain to the Financial Ombudsman Service [Tel: 1300 78 08 08], which is an ASIC approved dispute resolution scheme, of which Forex Group is a member.

Important Note:

Please note that this Product Disclosure Document should not be relied upon as a recommendation, advice or opinion. Prior to entering into a foreign exchange transaction or product, you should seek independent advice to ensure this is appropriate for your particular financial needs, objectives, and circumstances; and to ascertain the tax and accounting implications for your foreign exchange gains and losses.

If you require further information or clarification with regard to any part of this Product Disclosure Statement, please contact Forex Group by telephone on 1300 722 214 or by email on forex@forexgroup.com.au.

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