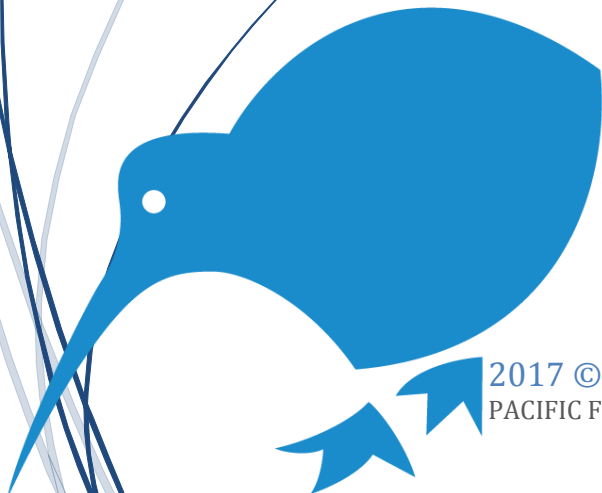


23/06/2017

PRODUCT DISCLOSURE STATEMENT

For Margin Foreign Exchange and
Contracts for Difference



2017 © PFD Ltd.
PACIFIC FINANCIAL DERIVATIVES LIMITED

decreased or removed from the market due to unforeseen economic, political, natural disasters or catastrophic events.

Electronic On-line Trading System

You shall be responsible for providing and maintaining the means by which to access the electronic on-line trading system, which may include without limitation a personal computer and internet access. While the Internet is generally reliable, technical problems or other conditions may delay or prevent access. If you are unable to access the Internet and thus, the electronic on-line trading system, it will mean you may be unable to trade in Margin Foreign Exchange and Contracts for Difference contracts offered by Pacific Financial Derivatives Ltd and you may suffer a loss as a result. Furthermore, in unforeseen and extreme market situations, such as an event like September 11 or a global catastrophe, Pacific Financial Derivatives Ltd reserves the right to suspend the operation of its electronic on-line trading system or any part or sections of it. In such an event, Pacific Financial Derivatives Ltd may, at its sole discretion (with or without notice), close out your open contracts at prices it considers fair and reasonable at such a time. Pacific Financial Derivatives Ltd may impose volume limits on client accounts at its sole discretion. Please note that such measures would only be implemented in extreme market conditions, and such discretion only reasonably exercised in the best interests of the client.

4. Fees

Spread & Interest

Pacific Financial Derivatives Ltd does not charge you fees or commissions to enter into a contract. We earn our revenue from the difference (the Spread) between the price paid to buy or sell the Base Currency expressed against the Term Currency.

The Spread is incorporated into the price of the currency or metal quoted by us on the trading system and is not an additional fee or charge payable by you. The Spread will vary depending upon the size of the transaction, currencies or metals being bought and sold, the composition and prevailing market conditions.

Pacific Financial Derivatives Ltd also earns revenue from any interest received on funds held in the Trading Account or in the Trust Accounts.

Swap Credits and Charges

Where a contract is held at the close of the Trading Day (5 pm New York Time (EST)), that contract will be rolled over to the next Trading Day and a Swap Credit or Charge will be made with respect to the contract. The Swap Credit or Charge is a premium or discount that represents the net interest due to you or payable by you in respect of interest received on the bought (long) side of a contract and interest payable on the sold (short) side of a contract, in each case determined using LIBOR/LIBID interest rates or Metal Lease Rates, due to the settlement date being extended (Rolled Over).

The LIBOR/LIBID rate is the average interest rate estimated by leading banks in London that the average leading bank would be charged if borrowing from other banks. The Metal Lease Rates are the rates published by the London Bullion Market Association that contributors would be prepared to lend metals on a swap against US dollars. Pacific Financial Derivatives Ltd uses these interest and lease rates as its reference rate to determine the applicable Swap Credit or Charge on every contract held at the close of each trading day.

Whether you are credited or debited depends on two factors:

- 1) If you are holding a long or short position; and

2) The interest or lease rate differential between the Currency Pair or Metal you are trading.

Interest is paid on the currency or metal that is borrowed, and earned on the one that is bought. In effect, you earn or pay interest depending on the direction of your contract.

Example of Rollover calculation formula:

Contract notional value x (base currency interest rate – terms currency interest rate) / 360 days per year x current base currency rate = daily Rollover interest debit/credit

Example:

You buy 100,000 EURUSD while the EURUSD price at rollover time is 1.1000. If you decide to hold this contract to the next Trading Day, the following rollover calculation is applied:

EURUSD price at 5pm EST: 1.1000

Euro overnight interest rate: 0.17643% pa USD overnight interest rate: 0.12100% pa

Therefore: $\$100,000 \times (0.17643\% - 0.12100\%) / 360 \times 1.1000$

Further: $\$100,000 \times 0.05543\% / 493.20 = +\0.1123

(The examples above are for demonstration purposes only. They do not reflect any specific circumstances or the obligations that may arise under a derivative entered into by the investor.)

Bank Fees

A “Telegraphic Transfer” (TT) fee of \$25 is payable by you on funds we send you. This amount is charged by our banks to affect the transfer of funds to an overseas account.

Local transfers are not charged Transfer fees.

All fees are charged in New Zealand dollars or equivalent in the foreign currency being transferred.

When are Fees Payable

All fees are payable at time of settlement.

Right to Alter Fees

Pacific Financial Derivatives Ltd reserves the right to alter fees from time to time. This will generally be based on passing on increases of fees we are charged from our providers. If an increase is made, we will update this Product Disclosure Statement and issue notification to you.

5. How Pacific Financial Derivatives Treats Funds and Property received from You

Pacific Financial Derivatives Ltd only accepts money and does not accept property.

Money paid by you to Pacific Financial Derivatives Ltd for margin and fees is held in separate trust accounts for client funds. This money is not regarded as a part of the assets of Pacific Financial Derivatives Ltd and cannot be accessed by Pacific Financial Derivatives Ltd except to pay for hedging contracts with counterparties, fees and margin calls as described in the contract between us. When money is moved from the client trust account to a counterparty it is no longer afforded the protection of being held in trust.

You agree that Pacific Financial Derivatives Ltd may transfer from your Trading Account, moneys to be used for authorised hedging activities. Money may be transferred to a hedging counterparty as is reasonably required for entering into derivatives with the hedging counterparty or for settling or securing those derivatives with the hedging counterparty in accordance with the Act. You agree to such transfers and transactions under our General Terms and Conditions.

Pacific Financial Derivatives Ltd maintains a balance in the client trust account to meet its obligations such as client withdrawals etc. The remaining funds are forwarded to our counterparties and applied against your margin, fee and settlement obligations. It is important to note that holding your money in one or more segregated accounts with our counterparties may not afford you absolute protection.

Pacific Financial Derivatives Ltd enters into arrangements with third party counterparties for the facilitation of transactions and settlements, and uses money received for margin calls and settlements to such providers for this purpose. Accordingly clients are indirectly exposed to the financial risks of our counterparties and organisations with whom Pacific Financial Derivatives Ltd holds client funds. If the financial condition of Pacific Financial Derivatives Ltd or assets of our counterparties or the parties with which we hold client assets deteriorate, then clients could suffer loss because the return of the client capital could become difficult.

Client trades can only be placed when there are cleared funds in the client's account. Accordingly, no scenario is anticipated which would result in a shortfall in the client trust account, and in the event that there was, Pacific Financial Derivatives Ltd would immediately deposit its own funds to meet this shortfall.

In accordance with Pacific Financial Derivatives Ltd's Derivatives Issuers License Pacific Financial Derivatives Ltd fully hedges all contracts entered into by its clients. The hedging counterparties that Pacific Financial Derivatives Ltd hedges with are:

1. CFH Clearing Limited - <https://www.cfhclearing.com/>
2. Forex Capital Markets Ltd - <https://www.fxcm.com/uk/>
3. Squared Financial Services Ltd - <https://squaredfinancial.com/>
4. MB Trading Futures Inc. - <http://www.mbtrading.com/>
5. RJO Brien (UK) Ltd - <https://www.rjobrien.com/>
6. LMAX Limited - <https://www.lmax.com/>
7. Velocity Trade International - <http://www.velocitytrade.com/>
8. Advanced Markets LLC. - <http://advancedmarketsfx.com/>
9. TF Global Markets (Aus.) Pty Ltd t/a ThinkForex - <http://www.thinkforex.com/>
10. JFD Brokers Ltd - <https://www.jfdbrokers.com/>
11. Global Prime Pty Ltd - <https://www.globalprime.com.au/>
12. Invast Financial Services Pty Ltd - <http://www.invast.com.au/>

No interest is paid to you on money held in your Trading Account.

6. About Pacific Financial Derivatives Limited

Pacific Financial Derivatives Limited is a New Zealand registered company and a licensed Derivatives Issuer pursuant to the Financial Markets Conduct Act 2013. The Financial Markets Authority has regulatory oversight over Pacific Financial Derivatives Ltd. The contact details are:

Pacific Financial Derivatives Limited Level 8, 12-26 Swanson St Auckland Central 1010 New Zealand Telephone: +64 9 632 0010 Email: compliance@pfd-nz.com	Financial Markets Authority P O Box 106 672 Auckland 1143 New Zealand T 0800 434 567 Website: www.fma.govt.nz
--	---

7. How to Complain

What should you do if something goes wrong?

In the event that you wish to make a complaint, you should first make the complaint in writing detailing the nature of the complaint and send it to Pacific Financial Derivatives Ltd's Risk & Compliance Manager. On receipt of your complaint, Pacific Financial Derivatives Ltd will confirm to you that it has received the same and will endeavour to investigate it and respond to you within 10 days.

Our contact details are:

Office Address: Level 8, 12-26 Swanson St Auckland Central 1010 New Zealand Mailing Address: P O Box 105108 Auckland 1143 New Zealand	Telephone: +64 9 632 0010 Risk & Compliance Manager: John Gifford Email: John@pfd-nz.com Website: www.pfd-nz.com
--	---

Dispute Resolution

In the first instance the Risk & Compliance Manager will try and resolve the dispute between the parties. However, if a satisfactory outcome cannot be achieved, you should refer the matter to Financial Dispute Resolution and follow the instructions set out at <http://www.fdr.org.nz/making-complaint/make-complaint>

Financial Dispute Resolution is an approved dispute resolution scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. Our participant details are set out at:

http://www.fdr.org.nz/member_search/scheme_member/FM0312

Financial Dispute Resolution will not charge you any fee to investigate or resolve your complaint.

Financial Dispute Resolution contact details:

Financial Dispute Resolution P O Box 5730 Wellington 6145 New Zealand	Telephone: +64 4 910 9952 or Freephone: 0508 337 337 Email: enquires@fdr.org.nz Website: www.fdr.org.nz
--	---

8. Where you can find more Information

Further information relating to Pacific Financial Derivatives Ltd and Margin Foreign Exchange and Contracts for Difference contracts as described in this Product Disclosure Statement can be obtained on the offer register (for example, financial statements) at <http://www.business.govt.nz/disclose>. A copy of the information on the offer register is available on request to the Registrar of Financial Services Providers.

The offer register contains a link to Pacific Financial Derivatives Ltd's financial statements, together with a link to an auditor's report on those statements. Those financial statements are prepared in accordance with the Financial Markets Conduct Act 2013 for the most recently completed accounting period.

Upon Request to Pacific Financial Derivatives Ltd

For general information about Margin Foreign Exchange and Contracts for Difference contracts, opening an account and placing orders etc., please contact a Pacific Financial Derivatives Ltd Representative by making a request by telephone or emailing us as follows:

Telephone: +64 9 632 0100
 Email: info@pfd-nz.com

No charge will be made for any information requested.

9. How to Enter into a Client Agreement

Establish an Account

In order to transact with us you will first need to establish an Account by completing Pacific Financial Derivatives Ltd's Account application form.

By opening an Account, you agree to our Client Services Agreement, which consists of the Client Information Form, General Terms & Conditions and this Product Disclosure Statement (Agreement). These are important legal documents containing the terms and conditions which govern our relationship with you.

We recommend that you consider seeking independent legal advice before entering into the Agreement, as the terms detailed therein are important and affect your dealings with us.

If you wish to enter into a Margin Foreign Exchange or Contract for Difference contract with Pacific Financial Derivatives Ltd you must indicate your consent to Pacific Financial Derivatives Ltd's Terms and Conditions before you can open a trading account with us.

To open an account, please complete the account opening forms located on our website:

<https://signup.pfd-nz.com/signup/logon>

Pacific Financial Derivatives Ltd's Terms and Conditions can be viewed on our website:

https://www.pfd-nz.com/downloads/PFD_General_Terms_and_Conditions.pdf

