

CFDs

Product Disclosure Statement

MF GlobalSM

Domestic

11 January 2008



IMPORTANT NOTICES / DISCLAIMERS

This is a Product Disclosure Statement (**PDS**) prepared by MF Global Australia Limited (**MFGA**). The date of this PDS is 11 January 2008. This PDS relates to contracts for difference in respect of underlying instruments or securities which are quoted on an Australian Stock Exchange.

WARNING

Contracts for difference (CFDs) are speculative products that are highly leveraged and carry significantly greater risk than non geared investments such as share trading. You should not invest in CFDs unless you are experienced in equity derivatives and understand and are comfortable with the risks of investing in CFDs.

You should obtain your own financial, legal, taxation and other professional advice as to whether CFDs are an appropriate investment for you.

This PDS is important and should be read in its entirety. Investors should ensure they read and understand this PDS, in particular section 4 “Significant Risks” and determine whether this product is suitable for them, before deciding whether to open a CFD account with MFGA and invest in CFDs.

This PDS also contains other important information about the costs of CFDs and the significant characteristics, features and benefits of CFDs.

ABOUT MFGA

MF Global Australia Limited ABN 50 001 662 077 is the holder of an Australian Financial Services Licence number 230563.

MFGA is a subsidiary of the broker, MF Global Ltd, which can trace its origins back 200 years and is today one of the world’s largest futures broking organisations. The group employs over 1,000 people in 15 countries, with key centres in London, Chicago, Hong Kong, New York, Paris, Singapore, Sydney and Taipei.

MFGA is a trading participant of both the Sydney Futures Exchange (**SFE**) and the Australian Securities Exchange (**ASX**) and a clearing participant of their respective clearing and settlement facilities, SFE Clearing Corporation Pty Limited (**SFE Clearing**) and Australian Clearing House Pty Limited (**ACH**) and ASX Settlement and Transfer Corporation Pty Limited (**ASTC**).

MFGA’s registered office in Australia is located at:

Level 21, Grosvenor Place
225 George Street,
Sydney NSW 2000

Telephone: (02) 8273 8933

Facsimile: (02) 9247 3765

Mail: PO Box N699

Grosvenor Place NSW 1220

Internet: www.mfglobal.com.au

Email: sydney@mfglobal.com.au

Our office locations are:

Level 21, 225 George Street
Sydney NSW 2000

Level 27, 1 Eagle Street
Brisbane QLD 4000

REPRESENTATIONS

MFGA does not guarantee the performance, return of capital from, or any particular rate of return of, a CFD. Investment products are always subject to investment risk. **Customers may lose more than the amount of funds in their CFD account.**

Investments in CFDs involve significant investment risk, including possible delays in payment and loss of income or capital invested. Customers should note that historical financial performance of any CFD or any underlying instrument or security is no assurance of future financial performance.

The information contained in this PDS is general advice only. In preparing the PDS, MFGA has not taken into account your investment objectives, financial situation or particular needs. You should consider the appropriateness of opening a CFD account and entering into CFDs having regard to your objectives, financial situation and need and should obtain your own financial, legal, taxation or other professional advice.

No aspect of this product has been endorsed or approved by Australian Stock Exchange Limited or the Australian Securities & Investments Commission or any party or market referred to in this PDS.

Use of examples in this PDS are provided for illustrative purposes only and do not necessarily reflect MFGA’s actions or determinations or your personal circumstances.

UPDATE OF INFORMATION

Information in this PDS may be updated from time to time where that information is not materially adverse to customers. MFGA may provide updated information on the MFGA website: www.mfglobal.com.au. A copy of the updated information is also available upon request free of charge by contacting MFGA. MFGA may be required to issue a supplementary PDS as a result of certain changes, in particular where the changes are materially adverse from the point of view of a reasonable person deciding as a retail client whether to open a CFD account or invest in MFGA CFDs. This PDS and any supplementary PDS is available in paper form and in electronic form from our website at www.mfglobal.com.au or you can call (02) 8273 8933.

CONSENTS

Blake Dawson Waldron has given and has not withdrawn its consent to be named in this PDS in the form and context in which it is named and to the inclusion of the letter on the Australian taxation implications of CFDs in section 6.

FOREIGN JURISDICTIONS

The distribution of the PDS in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession those documents come should seek advice on and observe any such restrictions. Failure to comply with relevant legislation may violate those laws. This PDS does not constitute an offer or invitation in relation to a CFD in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The financial products offered under this PDS have not been and will not be lodged or registered under the United States Securities Act of 1933, as amended and may not be offered or sold directly in the United States.

OPENING A CFD ACCOUNT

Before you begin dealing through MFGA, you must complete, sign and return the CFD client agreement and then have your account approved by MFGA. The offer or invitation to open a CFD account and entering into MFGA CFDs is only available to persons receiving the PDS (whether in paper or electronic form) within Australia who are Australian residents and who provide an Australian address for service when making their application to open a CFD account. CFD client agreements which do not specify an Australian address for service (or which are accompanied by payment drawn from a foreign bank account) may be rejected and returned.

PRIVACY

If you enter into the CFD client agreement and complete the information required by the CFD client agreement, you will be supplying us with personal information in relation to which we will be bound by the *Privacy Act 1988 (Cth)*.

You can contact us by phone, fax or email, including to request access to your information. In normal circumstances, we will give you full access to your information subject to any legal or administrative restrictions. There may be a charge to provide you with full access where your request requires the compilation of archived or voluminous information.

We may collect and use your information for the following purposes:

- accessing your application;
- assessing the credit and other exposures that the MF Global Group has to you;
- marketing of products and services of a similar type;
- determining future product and business strategies and to develop MFGA services;
- communicating with you in relation to your holding and all transactions relating to the holding.

Your personal information may be disclosed to other entities in the MF Global Group for these purposes. It may also be disclosed to any financial institution nominated by you and may be disclosed to your financial adviser. You can, by contacting us, instruct us not to disclose personal information to companies related to us.

While the information we ask you to supply is not required by law, we may not be able to assess your application if the information is not supplied.

Our full privacy policy is available from our website: www.mfglobal.com.au.

DISPUTE RESOLUTION

MFGA has a formalised client complaint resolution procedure. All complaints are reviewed and investigated by the Compliance Manager based in Sydney. If you make a complaint, our first response will be to contact you to discuss the complaint and to register a formal record of such complaint. We will try to resolve your complaint quickly and fairly. If, despite our best efforts, you believe your complaint has not been satisfactorily dealt with, we offer clients the use of an independent industry arbiter, namely, the Financial Industry Complaints Service (**FICS**). MFGA has agreed not to contest a final resolution from FICS.

You can contact FICS by writing to:

Financial Industry Complaints Service
PO Box 579, Collins Street West
Melbourne VIC 8007

Toll Free: 1300 780 808

Facsimile: (03) 9621 2291

Website: www.fics.asn.au

ETHICAL CONSIDERATIONS

We do not take labour standards, or environmental, social or ethical considerations into account when offering CFDs.

DEFINED TERMS

Defined terms used in this PDS are defined in the Glossary in section 9 or elsewhere in this PDS, unless the context otherwise requires.

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Key Features

Who is the issuer of this PDS and CFDs?

This PDS and the CFDs are issued by MF Global Australia Limited (**MFGA**).

MFGA's contact details are:

MF Global Australia Limited
Level 21, 225 George Street
Sydney NSW 2000
Australia

(02) 8273 8933

MFGA's Australian Financial Services Licence number is 230563.

What is a CFD?

A contract for difference or CFD is an agreement which allows you to make a profit or loss from fluctuations in the price of an underlying listed instrument or security without actually owning that instrument or security.

You are either entitled to be paid an amount of money, or required to pay an amount of money, depending on movements in the price or value of the underlying instrument or security. The amount of any profit or loss made on a CFD will be equal to the difference between the price of the underlying instrument or security when the CFD is opened and the price of the underlying instrument or security when the CFD is closed multiplied by the number of underlying instruments or securities to which the CFD relates. Any profit or loss will also be affected by other payments applying to the CFD such as fees, commissions, stock borrowing charges and interest.

The CFD is issued "over the counter". What does this mean?

The CFD is a contract between you and MFGA. You cannot trade in the CFD through a stock exchange; rather it is a private transaction between you and MFGA. Accordingly, you can only enter into the transaction by contacting MFGA. Once a CFD is entered into, it can only be closed by contacting MFGA; it is not possible to close the CFD by giving instructions to another broker or Australian financial services licensee.

How do I open a CFD account?

You open a CFD account by completing and signing the CFD client agreement and returning it to MFGA or your adviser. Your client adviser can provide you with a copy of this document. MFGA reserves the right to refuse to open a CFD account for any person.

Is there a minimum CFD account balance?

In order to activate your CFD account you must deposit at least \$5,000 into your CFD account. Once the CFD account has been activated there is no minimum account balance required. However, if you enter into a CFD you must ensure that the amount in your CFD account is sufficient to meet all payments when due. In addition, if the Gross Liquidation Value of your CFD account falls below \$1,000 MFGA may require the payment of Additional Margin. See section 2.5.

How do I enter into a CFD?

You may do so by contacting MFGA either electronically via our electronic trading platform, by phone, fax or by email. See section 2.4 for further information.

What are "long" and "short" positions?

If you enter into a "**long**" CFD position it is similar to borrowing funds from MFGA to buy the underlying instruments or securities, and posting an amount of cash margin with MFGA. If you take a long position you generally profit from a rise in the underlying instrument's or security's price during the term of the CFD and you generally make a loss if the underlying instrument's or security's price falls during the term of the CFD.

If you enter into a "**short**" CFD position it is similar to borrowing the underlying instrument or securities from MFGA, selling them on the market with a view to repurchasing them at a future date, and in the meantime investing the proceeds of the initial sale in a bank account, with a proportion of these proceeds being held as cash margin by MFGA. If you take a short position, you generally profit from a fall in the underlying instrument's or security's price during the term of the CFD, and you make a loss if the underlying instrument's or security's price rises during the term of the CFD.

Examples of CFDs

Some examples of CFDs in respect of Australian shares are set out in section 8.

What margin is required?

In respect of each CFD you will be required to pay Initial Margin. In addition, you may also be required to pay (or be entitled to receive from MFGA) Variation Margin, which is the unrealised profit or loss on your open position. You may also be required to pay Additional Margin, including, without limitation, if the Gross Liquidation Value in your account falls below \$1,000 or if the amount in your CFD account is not sufficient to meet all payments when due.

Initial Margin

The amount of Initial Margin which is payable in respect of a CFD will fluctuate daily depending on the Contract Value of the CFD and will be debited from your CFD account. Initial Margin rates are generally set at 10% of the Contract Value of the CFD, however, these rates may vary depending on the volatility of the market for the relevant underlying security and may go up to 100% of the Contract Value. MFGA may determine the Initial Margin rate in its sole discretion and may vary the Initial Margin rate at any time. If MFGA varies the Initial Margin rate it will notify you of the new rate by telephone, SMS or email. Any additional Initial Margin resulting from an increase in the Initial Margin rate is payable within 24 hours.

Daily Payment of Differences / Variation Margin

Following the close of business on each Business Day during the term of a CFD, MFGA will determine the Contract Value of the CFD as at the time at which the market of the exchange on which the underlying instrument or security to which the CFD applies is quoted normally closes on a Business Day (**Business Close**) based on the value of the underlying instrument or security at Business Close. This will normally be the closing price quoted by the relevant exchange on which the underlying instrument or security is listed. See section 2.6 for further details.

Based on this determination, either you will be required to make a payment to MFGA or MFGA will be required to make a payment to you.

If you hold a long position and the Contract Value at Business Close is greater than the Contract Value determined on the previous Business Day, MFGA will pay you an amount equal to the increase in value. If the Contract

Value at Business Close is less than the Contract Value determined on the previous Business Day, you will pay MFGA an amount equal to the decrease in value.

If you hold a short position and the Contract Value at Business Close is greater than the Contract Value determined on the previous Business Day, you will pay an amount equal to increase in value to MFGA. If the Contract Value at Business Close is less than the Contract Value determined on the previous Business Day, MFGA will pay you an amount equal to the decrease in value.

Amounts payable under this provision by you to MFGA or to you by MFGA are referred to as Variation Margin.

Additional Margin

MFGA will determine the amount of any Additional Margin required in its sole discretion and will notify you of the requirement to pay Additional Margin by telephone, SMS or email. The amount of Additional Margin called will generally be the amount required to make the Free Equity in your CFD account positive. Additional Margin is payable within 24 hours, or such lesser time as MFGA may require.

See sections 2.5 and 2.6 for further information.

How are amounts paid by me?

All amounts payable by you to MFGA, including Initial Margin, Variation Margin, Additional Margin, interest and fees, will be debited from your CFD account. You must ensure that the amount in your CFD account is sufficient to meet all required payments when due.

If the amount in your CFD account is insufficient to cover any margin called, including for example Additional Margin, you must transfer the required amount into your CFD account.

How are amounts paid to me by MFGA?

All amounts payable by MFGA to you, including Variation Margin payable by MFGA to you and interest, will be credited to your CFD account.

Can I withdraw money from my CFD account?

You may request a withdrawal from your CFD account by contacting MFGA either electronically or by telephone. If MFGA receives a withdrawal request, it will determine in its absolute discretion whether to agree to such withdrawal.

Do I receive dividends on CFD positions?

If a dividend or distribution is paid in respect of an underlying instrument or security while you hold a long position in a CFD in respect of the underlying instrument or security you will receive an amount equal to any cash dividend or distribution paid on such underlying instrument or security (if any) (without franking credits, if applicable) based on the number of instruments or securities to which the CFD relates on the Business Day immediately preceding the ex-dividend or distribution date, as applicable.

If a dividend or distribution is paid in respect of an underlying instrument or security while you hold a short position in a CFD in respect of the underlying instrument or security you must pay cash equal to the value of the dividend or distribution paid on such underlying instrument or security (if any) (plus, in some circumstances, the value of any franking credits applicable to that dividend or distribution) to MFGA based on the number of instruments or securities to which the CFD relates on the Business Day immediately preceding the ex-dividend or distribution date, as applicable.

See section 2.9 for further information.

When do I receive interest / funding rates?

You will receive interest on funds in your CFD account to the extent that those funds are not used to cover the Initial Margin, any Variation Margin and any Additional Margin.

If you hold an open short position in a CFD overnight, MFGA will pay a funding rate to you on the CFD Contract Value of that open position.

See section 5.4 for further information, including the applicable interest/funding rates.

When do I pay interest / funding rates?

If your CFD account is in debit, MFGA will charge you interest on the debit balance of your CFD account.

If you fail to pay any amount payable when it is due you will be charged interest on the overdue amount at the default rate set out in section 5.

If you hold an open long position in a CFD overnight you will be charged a funding rate on the CFD Contract Value of that open position.

See section 5.4 for further information, including the applicable interest/funding rates.

What fees are payable?

Commission is charged on each CFD transaction when you enter into the CFD and when you close your CFD position. The rate at which commission is charged is agreed between you and your adviser but will not be more than 35 basis points (ie 0.35%) of the Contract Value of the CFD at the time the CFD is entered into (in respect of commission payable when you enter into a CFD) and 35 basis points of the Closing Value of the CFD (in respect of commission payable when you close a CFD). See the example set out in section 5.1.

If you choose to use MFGA's CFD electronic trading platform eMPower you may be charged a monthly fee not exceeding \$100 per month. However, if you are able to access prices on any foreign stock exchanges through this platform, additional fees may be payable.

If you enter into a "short" CFD position you may also be charged a stock borrowing fee relating to the stock borrowing charges incurred by MFGA in hedging its exposure to your CFD.

You must ensure that the amount in your CFD account is sufficient to meet all required payments when due.

Closing a CFD position

CFDs do not have an expiry date. You may close a CFD at any time during the trading hours of the Relevant Exchange by instructing MFGA to close your open CFD position.

See section 2.7 for further information.

What are the risks of CFDs?

CFDs can be highly leveraged and carry a high level of risk. You should seek independent advice and consider carefully whether CFDs are appropriate for you given your experience, financial objectives, needs and circumstances. See section 4 of this PDS for further information on significant risks of investing in CFDs.

What are the taxation implications of entering into CFDs?

The taxation implications of CFDs depend on your personal circumstances. MFGA recommends that you consult your tax adviser in relation to the taxation consequences of CFDs.

The general Australian taxation implications of CFDs offered by MFGA are set out in section 6.

What if I need further information?

Contact your financial, legal, taxation or other professional adviser or contact MFGA on (02) 8273 8933.

1. Introduction

1.1 What is a Contract for Difference?

A contract for difference (CFD) is an agreement which allows you to make a profit or loss from fluctuations in the price of an underlying listed instrument or security without actually owning that security. Under the CFD, one party is entitled to be paid an amount of money, or is required to pay an amount of money, depending on movements in the price or value of the underlying instrument or security. This transaction, also commonly referred to as a swap transaction, concludes with the parties settling the difference between the value of the underlying instrument or security at the time the CFD was entered into and the value of the underlying instrument or security at the time the CFD is closed. During the term of the CFD transaction, the price of the underlying instrument or security will be marked-to-market daily so that at the end of each Business Day during the term of the CFD transaction, a payment will generally have to be made by you to MFGA, or to you by MFGA, to reflect any changes in the value of the underlying instrument or security during such Business Day. More information can be found in section 2.6 below under the heading “Daily Payment of Differences”.

CFD trading allows you to take leveraged “long” or “short” positions without having to take or make delivery of the underlying instrument or security. Instead, you provide a cash deposit, the amount of which fluctuates daily depending on the Contract Value of the CFD (known as the “Initial Margin”) as collateral.

Although a CFD generally replicates the price movement of the underlying instrument or security, you have no right or obligation to acquire or deliver the instrument or security itself and no other rights of shareholders of the underlying instruments or securities, such as voting rights. You are not entitled to receive any dividends or other distributions which may be paid in respect of the underlying instrument or security. However, certain cash adjustments may be made to your CFD account on or as a result of a dividend or other distribution in respect of the underlying instrument or security (see further sections 2.9 and 2.10).

MFGA deals in CFDs in respect of underlying instruments and securities traded on a number of exchanges including ASX (Australian Stock Exchange), NYSE (New York Stock Exchange), LSE (London Stock Exchange), TSE (Tokyo Stock Exchange), among others. However, this PDS only relates to CFDs in respect of underlying instruments or securities which are quoted on an Australian stock exchange.

1.2 Who trades in CFDs and why?

People trade in CFDs for a variety of reasons. Some trade to **speculate** with a view to profiting from fluctuations in the price or value of the underlying instrument or security. For example, share CFD traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the underlying shares. CFD traders may not wish to sell or purchase the underlying shares themselves, but may instead be looking to profit* from market movements in the shares concerned.

Others trade CFDs to **hedge** their exposures to the underlying instrument or security. For example, CFDs can be used as a risk management tool to enable those with existing holdings of underlying shares to lock in an effective sale price for the shares concerned by taking a “short” CFD position. If the price of the underlying shares the investor holds falls, the short CFD positions will wholly or partly offset the losses incurred on the physical holdings.

CFDs also allow people to trade on a **leveraged** basis. You are able to outlay a relatively small amount (in the form of Initial Margin) to secure an exposure to the underlying security.

***Note: the risk of loss in trading in derivatives and/or leveraged products can be substantial. A client should carefully consider whether trading such products is appropriate for them in light of their objectives, financial situation and needs.**

2. Description of CFDs issued by MFGA

2.1 The Issuer

The CFDs referred to in this PDS are issued by MFGA.

2.2 Key Features

The key features of MFGA's CFDs are set out below:

Minimum CFD account opening balance

AUD 5,000.

Underlying instruments/securities

Shares, or any other financial products quoted on ASX or any other market or exchange in Australia approved for CFD trading by MFGA.

CFD Contract Value

As at any Business Day, the Contract Security Price multiplied by the Contract Quantity. The Contract Quantity per CFD will be one (unless that number is adjusted by MFGA in accordance with the CFD client agreement).

CFD profit or loss

The difference between the CFD Contract Value when the CFD is entered into and CFD Contract Value when the CFD is closed. Whether you make a profit or loss will depend on whether you take a short or long position and the movement of the value of the underlying instrument or security. Any profit or loss will also be affected by other payments applying to CFDs such as dividends, fees, commissions, stock borrowing charges and interest.

Initial Margin

Initial Margin rates are determined by MFGA and are generally set at 10% of the Contract Value of the CFD, however, these rates may vary depending of the volatility of the market and may go up to 100% of the CFD Contract Value. MFGA may determine the Initial Margin rate in its sole discretion and may vary the Initial Margin rate at any time.

Daily payment of differences (Variation Margin)

An amount will be payable by you to MFGA or by MFGA to you on each Business Day based on the difference between the Contract Value at Business Close on such Business Day valued against the Contract Value at Business Close on the previous Business Day. Any such amounts payable by you or to you are referred to as **Variation Margin**.

Interest rates or funding rates

There are 5 interest rates or funding rates applicable to a CFD as follows. Each is set by MFGA and communicated to you by your adviser when you open your CFD account and at any time MFGA varies any of the rates applicable to you.

- Interest rate paid by MFGA to you on CFD account credit balances - the overnight cash rate published by the Reserve Bank of Australia (**RBA**) minus a maximum of 3.5% per annum (see section 5.4.1).
- Interest rate charged by MFGA to you on CFD account debit balances - the overnight cash rate published by the RBA plus a maximum of 4% per annum (see section 5.4.1).
- Funding rate paid by you to MFGA on long open positions - the overnight cash rate published by the RBA plus a maximum of 3% per annum (see section 5.4.3).
- Funding rate paid by MFGA to you on short open positions - the overnight cash rate published by the RBA less a maximum of 3% per annum (see section 5.4.3).
- Default interest rate paid by you to MFGA on any unpaid amount due by you to MFGA - the overnight cash rate published by the RBA plus a maximum of 8% per annum (see section 5.4.2).

Contract expiry

CFDs have no set expiry date.

Closing out a CFD by you

CFDs can generally be closed at any time during the trading hours of the market on which the underlying instrument or security is quoted, subject to MFGA giving you a quote for the Closing Price of the CFD and you agreeing to accept that Closing Price. See section 2.7.1.

Closing out a CFD by MFGA

MFGA has the right to close out a CFD in certain circumstances. This includes the occurrence of certain events in relation to the underlying instrument or security (see sections 2.7.2 and 2.8), or if an amount payable by you in relation to a CFD exceeds 50% of the Initial Margin in respect of that CFD, or if a default event occurs in relation to you, as set out in section 2.15. You should refer to the CFD client agreement for further information.

2.3 Opening a CFD Account

Before you enter into any CFD with MFGA you will be required to enter into the standard terms and conditions for CFD trading (please refer to the CFD client agreement) and open a CFD account. You open a CFD account by completing and signing the CFD client agreement and returning it to MFGA or your adviser. Your client adviser can provide you with a copy of those documents. MFGA reserves the right to refuse to open a CFD account for any person. You must deposit at least \$5,000 into your CFD account to activate your CFD account.

2.4 Establishing a CFD Position

To enter into a CFD transaction (ie to open or establish a CFD position), you can contact MFGA either electronically, by phone, fax or by email to determine the price of an underlying instrument or security. You select the relevant underlying instrument or security in relation to which you want to enter into a CFD. The total CFD Contract Value is then determined by multiplying the number of underlying instruments/ securities to which the CFD applies by the price of the underlying instrument or security quoted on the Relevant Exchange. MFGA will inform you of the relevant price and the Initial Margin rate and you may make an offer to enter into a CFD transaction with MFGA based on that price. You must confirm with us that offers sent via email or fax have in fact been received by us. MFGA will confirm any CFD transaction it enters into with you.

Under the CFD client agreement, MFGA has sole discretion whether or not to accept an offer from you to enter into a CFD. MFGA may refuse to enter into a CFD for a variety of reasons, including, for example, where you have exceeded limits imposed by MFGA on your CFD account or where MFGA does not hold sufficient cleared funds from you for the amount of the Initial Margin.

You can take both “long” and “short” CFD positions. If you take a long position, you profit from a rise in the underlying instrument or security’s price, and you will make a loss if the underlying instrument or security’s price falls. Conversely, if you take a short position, you profit from a fall in the underlying instrument or security’s price, and you make a loss if the underlying instrument or security’s price rises.

You will be charged commission on establishing a CFD position. See section 5.1.

MFGA may at anytime notify you of an exposure limit beyond which you may not be authorised to enter into further CFDs.

2.5 Margins

Entry into CFDs involves the payment of margin. There are three components of margin that you may be required to pay in connection with each CFD: **Initial Margin, Variation Margin and Additional Margin.**

The **Initial Margin** which is payable in respect of a CFD will fluctuate daily depending on the Contract Value of the CFD and will be debited from your CFD account. The Initial Margin represents the security deposit that you are required to provide to MFGA when you first open a CFD position and throughout the term of a CFD. The Initial Margin rate applicable to each CFD is determined by MFGA in its sole discretion. It is typically 10% of the Contract Value of the CFD but may be as low as 5% or as high as 100% of the Contract Value depending on the volatility of the relevant market and the liquidity of the underlying instrument or security. MFGA may vary the Initial Margin rate at any time and will notify you of the new Initial Margin rate by telephone, SMS or email. Any additional Initial Margin resulting from an increase in the Initial Margin rate is payable within 24 hours.

An indication of the Initial Margin which may apply to certain types of CFD transactions can be obtained from MFGA’s website (www.mfglobal.com.au), MFGA’s electronic trading platform or from your adviser.

The **Variation Margin** is the unrealised profit or loss on your open position. See section 2.6 for further information.

The **Gross Liquidation Value (GLV)** is the amount of money you would have in your CFD account were you to close out all positions at the current market price (less any transaction charges or adjustments).

The **Free Equity** balance is the GLV less the Initial Margin, Additional Margin and any commission, fees and interest amounts payable by you to MFGA in connection with a CFD. Free Equity can be utilised to enter into further CFD positions or can be withdrawn from your CFD account, if MFGA consents in its discretion to such withdrawal.

MFGA may require the payment of additional margin during the term of the CFD contract, in addition to the Initial Margin and Variation Margin, including, without limitation, if the GLV in your account falls below \$1,000 (as determined by MFGA in its sole discretion) or if the amount in your CFD account is not sufficient to meet all payments when due.

This is referred to as **Additional Margin** (see example 8.1.3). MFGA will determine the amount of any Additional Margin required in its sole discretion and will notify you of the requirement to pay Additional Margin by telephone, SMS or

email. The amount of Additional Margin called will generally be the amount required to make the Free Equity in your CFD account positive. Margin calls for Additional Margin must be met within 24 hours of MFGA making the margin call. In some situations MFGA may require payment within a shorter time period (for example when there is unusual volatility). If you fail to make margin payments in respect of Additional Margin within the time specified by MFGA, MFGA may close out open CFD positions without further notice to you. Alternatively, MFGA may partially close out an open CFD position by closing it out in respect of some (but not all) of the underlying instruments or securities to which the CFD applies without further notice to you. For example, if you have an open long position in respect of a CFD where the underlying security is 1,000 shares in XYZ Ltd, MFGA may close out your position in relation to 500 of the underlying shares in XYZ Ltd and the CFD will remain open in respect of the remaining 500 shares in XYZ Ltd.

2.6 Daily Payment of Differences / Variation Margin

Following the close of business on each Business Day during the term of a CFD, MFGA (as the calculation agent) will determine the Contract Value of the CFD as at Business Close on such Business Day. This will ordinarily be the closing price quoted by the Relevant Exchange. Where MFGA determines that the closing price cannot be determined on that basis it will determine the value in its discretion. Where trading in the underlying instrument or security is suspended or halted by the relevant exchange, the CFD position will be valued and a closing price will be determined by MFGA.

If the Contract Value at Business Close on a Business Day is greater than the Contract Value determined at Business Close on the previous Business Day, and you hold a “short” position in the CFD, MFGA will debit the difference between the values from your CFD account. If the Contract Value is less than the Contract Value at Business Close on the previous Business Day and you hold a “short position” MFGA will credit the difference between the Contract Values to your CFD account.

If the Contract Value at Business Close on a Business Day is greater than the Contract Value determined at Business Close on the previous Business Day and you hold a “long” position in the CFD, MFGA will credit the difference between the Contract Values to your CFD account. If the Contract Value is less than the Contract Value as at Business Close on the previous Business Day, MFGA will debit the difference between the Contract Values from your CFD account.

Any such amounts debited or credited to your account are referred to as Variation Margin.

When a payment for difference is made MFGA will credit to your CFD account any amount payable by MFGA. If an amount is payable by you, MFGA will debit such amount from your CFD account. If the funds in your CFD account are insufficient to cover any amount payable by you, you must pay to MFGA the specified amount in cleared funds within 24 hours (or such lesser time as MFGA may determine) of being advised of that amount so payable.

2.7 Closing a CFD

CFDs do not have an expiry date. Rather, they remain open until they are closed in accordance with the terms of the CFD client agreement.

2.7.1 You wish to close a CFD

Since the CFDs are issued by MFGA “over the counter” and not through a stock exchange, the CFD is a contract between you and MFGA and can only be closed in accordance with the terms of the CFD client agreement or as otherwise agreed between you and MFGA. It is not possible to close the CFD by giving instructions to another broker or Australian financial services licensee. To close a CFD position you should contact MFGA, either electronically, by telephone, fax or by email, to determine the current market price quoted on the Relevant Exchange for the underlying instrument or security. MFGA will confirm the current market price and you will then decide whether to accept the price, and if so, you will instruct MFGA to close your open position on the basis of that price. You must confirm with us that instructions sent via email or fax have in fact been received by us. The total closing value is then determined by multiplying the number of underlying instruments or securities to which the CFD applies by that price of the underlying instrument or security.

You may not be able to close out a CFD if there is a suspension of trading or a trading halt in respect of the underlying instrument or security to which a CFD applies. In such a circumstance, MFGA may decide in its absolute discretion not to close a CFD. See further section 2.11.

2.7.2 MFGA wishes to close a CFD

MFGA has the right to close out a CFD in certain circumstances. This includes the occurrence of certain events in relation to the underlying instrument or security, see for example section 2.8, or if the aggregate amount of Variation Margin payable by you in relation to a CFD exceeds 50% of the Initial Margin in respect of that CFD, or if a default event occurs in relation to you, as set out in section 2.15, or if you have breached any exposure limit set by MFGA.

In addition, if MFGA enters into a CFD transaction or other instrument with a third party to hedge its exposure under a CFD entered into with you (**Hedge Position**) and that third party unwinds or closes out the Hedge Position or for any other reason MFGA is no longer able to maintain the Hedge Position (for example, in the case of short CFDs, where MFGA has entered into a stock lending agreement, if it is no longer possible to borrow stock or the lender recalls the stock under the relevant stock lending agreement) MFGA has the right to close out the CFD with you to which such Hedge Position relates, at any time.

You should refer to the CFD client agreement for further information.

2.7.3 Consequences of closing a CFD

As at Business Close on the day that the CFD is closed out, MFGA will calculate the remaining payment rights and obligations of you and MFGA based on the difference between the Closing Value of the CFD and the Open Contract Value of the CFD. The amount payable by you to MFGA or by MFGA to you on close out of the CFD will be determined by MFGA after taking into account the Initial Margin, any Variation Margin and any Additional Margin which has already been debited from or credited to your CFD account in respect of that CFD.

Under the terms of the CFD client agreement MFGA will credit to your account any amounts payable by MFGA to you. In the event there is a corporate action affecting the underlying security at the time you close a CFD, there may be a delay in MFGA crediting your account until the effect of the corporate action is determined.

If an amount is payable by you to MFGA it will be debited from your CFD account. If the funds in your CFD account are insufficient to cover such payment, you must pay such amount to MFGA, within 24 hours of being so advised (or within such lesser period as MFGA may determine in its discretion) and in such currency as MFGA may require, the amount owing. You should note that MFGA may set off any money owed to you under the CFD client agreement or any other agreement against any money owed by you to MFGA.

The determination of the date on which a CFD is closed and the Closing Value of a CFD may be affected by certain events including but not limited to:

- if the CFD is over shares in a company which becomes externally administered, MFGA has broad discretion in relation to the CFD and may choose to close the CFD at any time. MFGA's decision as to whether to close the CFD may differ depending on whether you hold a short

or a long position. If MFGA elects to close the CFD it will determine the Closing Price having regard to any factors it considers appropriate including the last traded price of the underlying instrument or security. If you hold a long position, the Closing Price determined by MFGA may be zero. If the Closing Price is zero, through payment of the Initial Margin, Variation Margin and payments due on close out of the CFD, you will be required to pay MFGA an amount representing the Contract Value of the CFD at the time you opened the CFD. In effect, this is substantially equivalent to having paid the full purchase price of the underlying security or instrument to MFGA for the position, which would then be worthless, that is, valued at zero. If you hold a short position and MFGA elects to close the CFD, the Closing Price will be determined by MFGA in its sole discretion and, if the underlying instrument or security has been suspended from trading, may have regard to the Contract Security Price of such instrument or security at the time it was suspended;

- if MFGA has entered into a Hedge Position in relation to the CFD, MFGA may take into account whether its counterparty under the Hedge Position closes the CFD and the Closing Price of the Hedge Position in determining whether to close the CFD with you and the Closing Price of your CFD;
- if the CFD is over an instrument or security which ceases to be quoted on the Relevant Exchange or are suspended from quotation for 5 consecutive Business Days, (or such lesser period as may be agreed with you), MFGA may elect to close the CFD and/or call Additional Margin as determined by MFGA. If MFGA elects to close the CFD, MFGA will determine the Closing Price and in making such determination, will, in its discretion, have regard to a number of factors including the last traded price of the underlying instrument or security on the Relevant Exchange;
- if the CFD is over shares in a company which becomes the subject of a take over offer, MFGA may give notice of its intention to close the CFD. If this happens, MFGA will determine the Closing Price in its discretion. The Closing Price will usually be determined based on the terms of the take over offer;
- if the CFD is over an instrument or security in respect of which there is a suspension of trading or a trading halt on the Relevant Exchange, MFGA will determine the Closing Price in its discretion. If you hold a long position, the Closing Price determined by MFGA may be zero. If the Closing Price is zero, through payment of the Initial Margin, Variation Margin and payments due on close out of the CFD, you will be required to pay

MFGA an amount representing the Contract Value of the underlying instrument or securities at the time you opened the CFD; and

- if an amount payable by you in relation to a CFD exceeds 50% of the Initial Margin in respect of that CFD, MFGA may close out the CFD as if a default event has occurred. For further information on default events, see section 2.15.

2.8 Adjustments / Corporate Actions

When an underlying security is affected by a corporate action (such as a special dividend, subdivision, consolidation, bonus issue of shares, or any analogous event which dilutes or concentrates the value of the underlying security), or if any other event occurs in respect of which MFGA determines in its discretion that an adjustment is appropriate, MFGA has a broad discretion to deal with your orders and CFD positions and may vary the terms of your orders and CFDs. Under the terms of the CFD client agreement MFGA shall determine the appropriate adjustment (if any) to the Contract Value of an underlying security which is affected by a corporate action or other adjustment event and/or to the related quantity of securities to which the CFD relates. Any determination MFGA makes in relation to corporate actions is binding on you.

You should note that MFGA may have regard to any adjustments to its Hedge Position in determining adjustments to the terms of your CFDs or orders. Certain corporate actions or other adjustment events may not apply to MFGA's Hedge Position, for example if a particular corporate action is only available to retail clients (MFGA is not a retail client under its Hedge Position) or to investors who hold a particular amount of the relevant underlying security. Accordingly, as a general principle if a corporate action or other adjustment event occurs in respect of an underlying security to which your CFD relates, but MFGA's Hedge Position is not adjusted, MFGA will not adjust your CFD or order (for both long and short positions).

You should be aware that if MFGA determines that it is not reasonably practicable in the circumstances to make an adjustment to the CFD, MFGA may give you notice of its intention to close the CFD.

2.9 Dividends / Distributions

Holders of long positions receive from MFGA the value of cash dividends or distributions (without franking credits, if applicable) paid to holders of the underlying instrument or security based on the number of securities to which the CFD relates on close of business on the Business Day immediately preceding the ex-dividend or distribution date. Holders of short CFD positions must pay to MFGA cash equal to the value of the dividend or distribution (plus, in some

circumstances, the value of any franking credits applicable to that dividend or distribution) paid to the holders of the underlying instrument or security based on the number of securities to which the CFD relates on close of business on the Business Day immediately preceding the ex-dividend or distribution date.

2.10 Imputation Credits On Dividends

Where you hold a short CFD position in relation to an Australian-based underlying instrument or security, MFGA will seek on a reasonable endeavour basis to borrow stock from an offshore lender who is not a resident of Australia for Australian tax purposes to facilitate the hedging of MFGA's exposure to that short position. However, if offshore borrowing is unavailable and an Australian-based underlying instrument or security pays a franked dividend or a distribution which includes a franked dividend, the relevant dividend amount debited to your CFD account will include the value of any related franking credit, as well as the value of the cash dividend.

2.11 Trading Halts, Suspensions And Delistings

An underlying instrument or security may be placed in a trading halt on the Relevant Exchange in various circumstances. Additionally, a security may be suspended or delisted in certain circumstances. MFGA may, in its absolute discretion, cancel your order in respect of a CFD transaction which has not yet been opened, or close any open CFD, where the underlying instrument or security is the subject of a trading halt, or a suspension, or is delisted. In addition, as set out in section 2.7 above, if the CFD is over an instrument or security which ceases to be quoted on the Relevant Exchange or is suspended from quotation for 5 consecutive Business Days on that exchange, or such lesser period agreed between you and MFGA, MFGA may elect to close the CFD.

2.12 Stock Bans

MFGA may at any time determine, in its absolute discretion, that it will not permit the entry into CFDs over one or more underlying financial instruments or securities.

2.13 Contingent Orders

Contingent Orders are orders that you can create that will be placed when specific market conditions are met. For example, you can create a contingent order to close out a long CFD position when the Contract Security falls to a certain price. This is known as a "Stop Loss" order, and may be used to help manage your CFD positions. You must be aware,

however, that contingent orders are **not guaranteed**. In other words, MFGA does not guarantee that it will be able to close out the CFD at the price specified in the contingent order. If the price of the Contract Securities moves suddenly, your order may not be filled, or may be filled at a different price to that specified by you, and you may suffer losses as a result.

You should note that where you place contingent orders on eMPower, there may be a number of reasons (including technical reasons or restrictions or requirements which may apply in a particular jurisdiction) which may mean that your contingent order is not processed even though the parameters of the order may have been met. Accordingly, you should monitor whether your contingent order is processed and contact MFGA if you believe that the parameters of your order have been met but the order has not been processed. MFGA will not be liable for any contingent orders which are not processed.

2.14 Voting Rights

CFDs do not entitle you to any voting rights in connection with the underlying instrument or security.

2.15 Default Powers

MFGA has extensive powers under the CFD client agreement to take action in a range of “default event” situations. It is a default event if:

- any money owing by you under the CFD client agreement, any other agreement or on any other account you hold with MFGA is not paid to MFGA when it is due;
- you fail to duly and punctually perform and observe any obligation under the CFD client agreement, any other agreement or any obligation you have on any account you hold with MFGA;
- you make a misleading or incorrect representation;
- you stop payments of your debts or cease or threaten to cease to carry on a business;
- you enter into or propose to enter into any scheme of arrangement or compromise with your creditors or call a meeting to discuss a contemplated scheme of arrangement or compromise;
- you become insolvent or, if you are a corporate client, a receiver or a receiver and manager or administrator is appointed to you or any of your assets;
- if you are a corporate client, a resolution is passed or a petition is presented or an order is made for your winding up or liquidation;
- you die or become unsound of mind or a bankruptcy notice is issued against you;
- any security created by any mortgage or charge binding upon you or your assets becomes enforceable and the mortgagee or chargee takes steps to enforce the security;
- any guarantee of or security for your obligations is, without the consent of MFGA, withdrawn or becomes defective or insufficient;
- any of your indebtedness becomes immediately due and payable, or becomes capable of being declared due and payable, before its stated maturity, by reason of your or any other person’s default; or
- in the absence of your making alternative arrangements, you are not contactable by telephone for twenty four hours in order for MFGA to obtain instructions with respect to a CFD;
- you are in breach on any exposure limit set by MFGA.

If any default event occurs in relation to you, MFGA has the right and power (but not the obligation) to do any one or more of the following without the necessity to give prior notice to you:

- terminate the CFD client agreement;
- close out all or any of your CFD positions;
- treat all or any CFDs as having been closed out by you;
- terminate any other agreement or any account between you and MFGA;
- cancel any outstanding orders in order to close your CFD account or other account(s);
- satisfy any obligation you have to MFGA out of any property, money or security belonging to you in MFGA’s control or custody;
- satisfy any obligation you have to MFGA by transferring funds from your other accounts with MFGA; or
- exercise any other power or right which MFGA may have under the CFD client agreement or in law or in equity or take such other action as a reasonably prudent financial services licensee would take in the circumstances.

2.16 Rights of MFGA

In order to discharge any obligations you have under the terms of the CFD client agreement, MFGA may at any time, without notice to you, apply all or part of any monies in any currency held by MFGA in your CFD account in such manner as MFGA thinks fit. MFGA may also combine or consolidate all of any of your accounts held with MFGA and it may convert any currency held by you into a currency in which a payment is due by you in order to settle any payments that are due.

2.17 Termination of the CFD Client Agreement

Either you or MFGA may terminate the CFD client agreement on 2 Business Days notice. The CFD client agreement will continue to apply in relation to any open CFDs, but you must notify MFGA within 5 Business Days of the date of termination of the CFD client agreement that you wish to close all existing CFDs. If any CFDs are not closed out within such 5 Business Day period, MFGA may close out that CFD as if a default event had occurred.

3. Significant Benefits

Potential benefits of CFDs may include:

- **Hedging:** You can use CFDs to hedge exposure to a position in the underlying instrument or security.
- **Speculation:** You can use CFDs for speculation with a view to profiting from market fluctuations. CFDs allow you to take a position with an exposure to a particular underlying instrument or security without the need to buy or sell the underlying instrument or security.
- **Market positions and strategies:** You can potentially profit (and lose) from both rising and falling markets depending on the strategy you have employed. Strategies may involve “pairs trading”; that is, taking a position in CFDs over two securities to take an exposure to their relative market movements. Strategies may be complex and may have different levels of risk associated with each strategy.
- **Leverage:** CFDs involve a high degree of leverage. CFDs enable you to outlay a relatively small amount of money (in the form of Initial Margin) to secure an exposure to the underlying instrument or security.

For example, if you have a positive view about the prospects of XYZ Ltd, you can either buy 10,000 XYZ Ltd shares at \$1.00 and pay your broker \$10,000 (plus costs) or you could buy the XYZ Ltd CFD and pay an Initial Margin at the time the CFD is entered into of eg. \$1,000 (plus costs) (although note that the amount of Initial Margin will fluctuate depending on the Contract Value of the CFD and could increase or decrease). For the experienced investor, this leverage provides an attractive means of gaining exposure to the performance of the underlying instrument or security without the need to invest in the physical product.

This leverage can work against you as well as for you. The use of leverage can lead to large losses as well as large gains. See section 4 for further information on risks.

4. Significant Risks

Investment in CFDs is speculative, carries a high level of risk and returns are volatile. You should seek independent advice and consider carefully whether CFDs are appropriate for you given your experience, financial objectives, needs and circumstances.

Some of the significant risks involved in trading CFDs include:

- **Credit risk:** You are subject to MFGA's credit risk. If MFGA were to become insolvent it may be unable to meet its obligations to you.
- **Operational risk:** Operational risk is inherent in every CFD transaction. For example, disruptions in MFGA's operational processes such as communications, computers, computer networks or external events may lead to delays in the execution and settlement of a transaction.
- **External market forces:** Financial markets can change rapidly. Prices of instruments and securities including shares depend on a number of factors including interest rates, demand and supply, actions by the company or issuer concerned and actions of government. In some cases underlying instruments or securities may be suspended from trading or have their quotations withdrawn from the exchange where they are traded. These factors will directly affect a CFD's value.
- **Loss of margin:** You could sustain a loss greater than the Initial Margin required to establish and maintain a CFD position. In addition you could be required to pay further funds representing losses and other fees on your open and closed CFD positions. For example, if the Initial Margin payable at the time a CFD is opened for a CFD position you have in respect of shares in XYZ Ltd is \$1000 and the market moves against your position you could lose much more than the initial \$1000 you outlaid to open the position.
- **Payment of losses and Variation Margin:** If the underlying instrument or security price moves against your CFD position you may be required, at short notice, to deposit a Variation Margin with MFGA in order to maintain your position. The amount of the Variation Margin may be substantial. If you fail to provide those additional funds when required, your position may be liquidated at a loss and you will be liable for any shortfall in your CFD account resulting from that failure. Positions are marked to market on a daily basis with payments being settled daily to account for market movements.
- **Additional Margin:** MFGA may require the payment of Additional Margin during the term of a CFD, in addition to the Initial Margin and Variation Margin. Additional Margin must be paid to MFGA within 24 hours or such lesser time as required by MFGA.
- **Leverage:** The high degree of leverage that is involved in CFDs because of small margin requirements can work against you as well as for you. **The use of leverage can lead to large losses as well as large gains.**
- **MFGA's powers on default, indemnities and limitations on liability:** If you fail to pay, or provide security for, amounts payable to MFGA or fail to perform any obligation included in the CFD client agreement, MFGA has extensive powers to take steps to protect its position. These powers include the power to close out positions and the power to charge default interest. See section 2.15 for further information. Under the CFD client agreement you also indemnify MFGA and its employees, agents and representatives against certain losses and liabilities. Further, MFGA's liability to you is expressly limited. You should read the CFD client agreement carefully to understand these matters.
- **Liquidity:** Under certain conditions, it may become difficult or impossible for you to close out a position. This can happen when there is a significant change in the underlying share price over a short period. Also, if you close a CFD while the underlying security is subject to a corporate action, there may be a delay before any proceeds are credited to your account.
- **Contingent Orders:** Contingent orders such as Stop Loss orders are not guaranteed. If the price of the Contract Security moves suddenly, your order may not be filled, or may be filled at a different price to that specified by you, and you may suffer losses as a result. In addition, due to technical reasons or other restrictions which apply in a particular jurisdiction, a contingent order you place on eMPower may not be processed even where the parameters of the contingent order have been met. See section 2.13 above.

- **Involuntary close out:** MFGA has the right to close out a CFD without your agreement, in a number of circumstances. See section 2.7.2 for further information. Accordingly, you may not be able to anticipate or control the time at which a CFD position is closed out. It is possible that close out may occur at a time when you do not have sufficient funds in your CFD account to cover payment of any amounts required to be paid by you based on the difference between the Closing Value of the CFD and the Contract Value of the CFD at Business Close on the previous Business Day (including interest and any other credits and debits).

This is only a summary of the significant risks involved in trading CFDs. MFGA strongly recommends that you obtain independent advice before proceeding with a transaction. You should also consider seeking independent advice before entering into the CFD client agreement, as it is an important legal document.

5. Amounts Payable And Interest Payments

If you instruct MFGA that you wish to enter into a CFD with MFGA you must pay all transaction fees, commissions, margins, settlements, interest and any other amounts due under the CFD client agreement on demand by MFGA in cleared funds or as otherwise required under the terms of the CFD client agreement. All payments made by you are to be made without any set off by you, counter claim or condition and without any deduction or withholding for any tax or any other reason unless the deduction or withholding is required by applicable law. If you are required to make a deduction or withholding in respect of tax from any payment to MFGA, or if MFGA is required to pay any tax in respect of any payment made to you at your request, you indemnify MFGA against that tax and you must pay MFGA an additional amount to ensure MFGA receives an amount that is equal to the amount that MFGA would have received had a deduction or withholding, or payment of tax, not been made.

All amounts due to MFGA or payable by MFGA to you are payable in Australian dollars.

The CFD client agreement governs all payments made in respect of CFDs. You should also be aware that MFGA may set off any money owed to you under the CFD client agreement against any money owed by you to MFGA under the CFD client agreement or any other agreement that you have in place with MFGA.

5.1 Commission

Commission is charged on each CFD transaction when you enter into a CFD position and when you close your CFD position, in much the same way as if you were buying or selling shares. The rate at which this commission is charged is agreed between you and your adviser but will not be more than 35 basis points (ie 0.35%) of the Open Contract Value (in respect of commission payable when you enter a CFD) and 35 basis points of the Closing Value of the CFD transaction (in respect of commission payable when you close a CFD). If you enter into CFD transactions with MFGA on a frequent basis, a discount to the commission charged may be offered. You should contact your adviser if you wish to discuss this.

For example, where you agree with your adviser that the commission rate on your CFD account in respect of a CFD will be 25 basis points and you enter into a CFD with an Open Contract Value of \$100,000, the commission payable when you enter into the CFD will be \$250.00 and that amount will be debited from your CFD account. When you close your CFD position, if, for example, the Closing Value remains at \$100,000, the commission payable on close will also be \$250.00 and will be debited from your CFD account.

5.2 Electronic Trading Charges

Under the terms of the CFD client agreement if you have access to an electronic trading platform MFGA is permitted to deduct any charges associated with that platform from your CFD account. The monthly fee will not exceed \$100 per month. However, if you are able to access prices on any foreign stock exchanges through this platform, additional fees may be payable.

5.3 Stock Borrowing Fee

If you enter into a “short” CFD position you may also be charged a stock borrowing fee relating to the stock borrowing charges incurred by MFGA in hedging its exposure to your CFD.

5.4 Interest

The applicable interest rates are equal to the overnight cash rate published by the Reserve Bank of Australia from time to time, referred to as the “**MFGA Base Rate**”, plus or minus a margin, as set out below. You can find the current overnight cash rate published by the Reserve Bank of Australia at www.rba.gov.au or by contacting your adviser. The actual interest rate margins payable will be set by MFGA and communicated to you by your adviser when you open your CFD account and at any time MFGA varies any of the rates applicable to you.

5.4.1 Interest on CFD account balances

The rate of interest paid by MFGA in respect of a credit balance of the Free Equity in your CFD account is the MFGA Base Rate minus a maximum of 3.5% per annum. The rate of interest charged by MFGA in respect of a debit balance of the Free Equity in your CFD account is the MFGA Base Rate plus a maximum of 4% per annum. The actual interest rate margin is set by MFGA in its discretion and MFGA reserves the right to adjust the margin. Interest is calculated daily and posted monthly.

If you do not bring your CFD account to nil or credit by the time required under the CFD client agreement, default interest is payable instead of debit balance interest (see section 5.4.2).

5.4.2 Default interest

MFGA is entitled under the terms of the CFD client agreement to charge interest on any amount which you fail to pay when it is due to be paid to MFGA. Default interest will be charged from the date the amount becomes due until the date the amount together with interest is paid in full and is calculated daily and compounded monthly at a maximum rate of the MFGA Base Rate plus 8% per annum. The actual default interest margin is set by MFGA in its discretion.

5.4.3 Funding Rates on Contract Value of long and short open positions

The funding rate you must pay MFGA in the event you hold a long position is the MFGA Base Rate plus a maximum of 3% per annum of the Contract Value of such long position.

The funding rate MFGA must pay you if you hold a short position overnight is the MFGA Base Rate less a maximum of 3% per annum of the Contract Value of such short position.

The applicable funding rate for open positions at the close of the trading day is set out below. This is calculated as the number of underlying instruments or securities to which a CFD applies multiplied by the closing price multiplied by the applicable funding rate divided by 365.

No funding rate is paid or received if you open and close a position in the same day.

The funding rate is usually calculated daily and debited and credited to your CFD account on daily basis. The funding rate payable by you is in addition to any Variation Margin, debit interest or any other amounts which you are required to pay (see sections 2.5 and 2.6).

Long Positions

If you hold a long CFD position overnight you will pay interest at the funding rate on the open position Contract Value.

The interest amount you will pay is calculated daily and is the quantity of CFDs you hold multiplied by the closing market price for the underlying share on that day. For example, if you were paying a long CFD funding charge of 3% over the MFGA Base Rate (say, 5.25%) you would be paying a funding rate of 8.25% per annum. If the contract was for 10,000 XYZ Ltd CFDs and the closing price was \$2.00 per share, the open position value would be \$20,000 AUD. The funding charge would be approximately \$4.52* for every day the contract is maintained ($\$20,000 \times 8.25\% = \$1,650$ divided by 365).

*The exact amount of the interest paid will vary each day, depending upon such factors as the closing price of the underlying instruments or securities in your CFD portfolio, changes to the holdings within your CFD portfolio and/or movements in the MFGA Base Rate and changes by MFGA to the margin that is applied to the MFGA Base Rate.

Short Positions

If you hold a short CFD position overnight, MFGA will pay you interest at a funding rate on the open position at market value. This is usually paid at the MFGA Base Rate less 3%. For example, if you were being paid a short CFD funding rate of 3% under the MFGA Base Rate (say, 5.25%) you would be paid a funding rate of 2.25% per annum. If the contract was for 10,000 XYZ Ltd CFDs and the closing price was \$2.00 per share, the open position value would be \$20,000 AUD. The funding rate you would receive would be approximately \$1.23* for every day the contract is maintained ($\$20,000 \times 2.25\% = \450.00 divided by 365).

*The exact amount of interest paid will vary each day, depending upon such factors as the closing price of the underlying instruments or securities in your CFD portfolio, changes to the holdings within your CFD portfolio and/or movements in the MFGA Base Rate and changes by MFGA to the margin that is applied to the MFGA Base Rate.

6. Taxation

CFDs may have tax implications. Taxation law is complex and its application will depend on your circumstances. MFGA recommends that you consult your tax adviser when determining if a product is suitable for you.

The main taxation consequences of CFDs offered by MFGA are set out in the following letter of Blake Dawson included in this section 6.

Blake Dawson

The Directors
MF Global Australia Limited
Level 21
Grosvenor Place
225 George Street
SYDNEY NSW 2000

T 61 2 9258 6000
F 61 2 9258 6999
DX 355 Sydney

Locked Bag No 6
Grosvenor Place
Sydney NSW 2000
Australia

www.blakedawson.com

29 November 2007

The Directors

MF Global Australia Limited – Contract for Difference – Tax Summary

This letter has been prepared for the purposes of inclusion in the product disclosure statement dated on or about 11 January 2008 (**PDS**) inviting participation in MF Global Australia Limited (**MFGA**) Contracts for Difference (**CFDs**). The tax information set out in this letter is based on the terms (as set out in the PDS) of the CFDs which will be entered into by MFGA and an investor.

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

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

1. Overview

The Australian Taxation Office (**ATO**) has issued Taxation Ruling (**TR**) 2005/15 outlining its views on the taxation treatment of contracts for difference. This ruling is a public ruling for the purposes of the Taxation Administration Act 1953 (Cth) and therefore, if the ruling applies to an Investor, the Commissioner of Taxation is bound to assess that Investor on the basis outlined in the ruling. Penalties may apply where the treatment outlined in the taxation ruling is not followed and the Investor has a tax shortfall.

In TR 2005/15, the ATO states that a gain from a CFD could give rise to assessable income and a loss from a CFD could be an allowable deduction, if:

- (a) the investor entered into the CFD as an ordinary incident of carrying on a business; or

- (b) the investor entered into the CFD as part of a business operation or as a commercial transaction for the purposes of profit making or more generally as part of a profit making scheme.

The paragraphs below are relevant to taxpayers in the above two categories. It is important to note that the comments in the paragraphs below have not been endorsed by the ATO and their interpretation of the tax law as applying to a CFD could be different. Accordingly we recommend all Investors to seek independent advice on the taxation implications associated with the CFD.

In the ruling, the ATO noted that investors will generally be entering into and closing out CFDs within relatively short periods of time. It has been assumed in this letter that the Investor will enter and close out the CFD within a short period of time and therefore the timing of assessable income and allowable deductions will not generally have a material impact on the Investor.

2. Taxation treatment of profits and income from a CFD

If you are a business investor, profits from a CFD (**profits**) will be assessable if you entered into the CFD as an ordinary incident of carrying on a business, or as part of your business operations. If you are an individual (or other non-business) investor, your profits will be assessable if you entered into the CFD as a commercial transaction for the purpose of making a profit. Your profits will be assessed when you close out the CFD.

The amount of any profit should take into account the difference between the Closing Value and the Open Contract Value (translated into AUD as necessary). Other items of assessable income may include: cash payments by MFGA equal to dividends or distributions paid in respect of underlying securities; and interest paid by MFGA on CFD account credit balances. You should generally not be taxed on Variation Margins paid to you by MFGA, given that you had not derived that amount as income.

3. Taxation treatment of losses and deductions from a CFD

If you are a business investor, generally speaking, losses from a CFD (**losses**) will be deductible if you entered into the CFD as an ordinary incident of carrying on a business, or as part of your business operations. If you are an individual (or other non-business) investor, your losses will generally be deductible if you entered into the CFD as a commercial transaction for the purpose of making a profit. Your losses will be deductible when you close out the CFD.

The amount of any loss should take into account the difference between the Closing Value and the Open Contract Value (translated into AUD as necessary). Other items that may be recognised separately as deductions or which may enter the calculation of losses include: interest paid by you on CFD account debit balances; funding interest paid by you on long open positions; fees paid by you on the CFD; and default interest paid by you on unpaid amount due to MFGA. Depending on the particular circumstances of an Investor and the type of Contract Security, amounts of funding interest, debit balance interest, fees and default interest may not be separately deductible in the year in which they are incurred, but rather may be factored into the calculation of a profit or loss realised on closing out a CFD. You would generally be unable to deduct the Initial Margin, the Additional Margins or the Variation Margins paid by you to MFGA, given that you had not incurred those amounts as expenses.

4. Capital gains tax

The CFD will also be a capital gains tax asset for the purposes of applying the capital gains tax (**CGT**) provisions. However, to the extent that a capital gain arising as a result of a CGT event in relation to the CFD is included in an Investor's assessable income under a

non-CGT provision, the capital gain resulting from that CGT event should generally be reduced by the amount of the assessable income. Similarly, to the extent that any loss under the CFD is deductible, this amount will not also contribute to a capital loss.

5. Impact of proposed legislation on the taxation of financial arrangements

The Australian Government recently released a legislative bill containing the proposed rules on the taxation of financial arrangements (**TOFA**). The bill lapsed when the Federal Parliament was prorogued for the elections held in November 2007 and will need to be reintroduced into Parliament if it is ultimately to be enacted as law. The bill therefore does not represent current law and the final legislation may not necessarily be consistent with the proposals outlined in the bill.

If the TOFA measures are enacted as currently proposed and an Investor falls within the class of taxpayers to which the provisions apply, the Investor may be required to recognise estimated gains and losses from holding a CFD, at the end of each tax year. This contrasts with the current rules, which require your profits (or losses) to be assessed (or deducted) when the CFD is closed out. The actual amount of assessable gains and deductible losses will be calculated according to the various timing methods contained in the TOFA proposals.

If you are an individual, or if you have an aggregated annual turnover of less than AUD 100 million, you may be excluded from the TOFA proposals.

The TOFA proposals will apply to all income years commencing on or after 1 July 2009. They should not apply to a CFD which was entered into before this date, unless you specifically elect for the TOFA proposals to apply.

You should seek independent advice from your tax adviser on how the TOFA proposals will apply in your circumstances if a new legislative bill is introduced into Parliament.

6. The impact of the general anti-tax avoidance provisions

You should not be affected by the anti-tax avoidance provisions contained in Part IVA of the Act, provided that you have not entered into any CFD as part of a scheme with the dominant "purpose" of obtaining a tax benefit. The existence of the dominant "purpose" should be determined on an objective basis, having regard to the list of relevant factual circumstances contained in Part IVA of the Act.

Blake Dawson

7. Other Important Information

7.1 Contractual Terms

The relationship between you and MFGA is governed by the CFD client agreement that you are required to enter into before you open a CFD account. MFGA will send you a CFD client agreement to be executed by you and returned to MFGA. You should note that the CFD client agreement provides an indemnity by you to MFGA and its employees, agents and representatives in respect of the execution of your instructions, the occurrence of a default event, MFGA exercising any of its rights or powers upon the occurrence of a default event, any amount payable by you under the terms of the CFD client agreement and anything lawfully done by MFGA. For a copy of the CFD client agreement at any time please contact MFGA. Contact details are set out in this PDS.

7.2 Trading

Once you have opened your CFD account and deposited the minimum account balance into your CFD account, you can request quotes via an online trading platform operated by MFGA, over the phone, by fax or email or a combination of these methods.

7.3 Confirmations and Statements

Confirmations, trading statements and month-end summary statements are sent via e-mail. You must review any confirmation or statement MFGA sends to you immediately upon receipt to ensure its accuracy and report any discrepancies to us.

MFGA will charge you for the following administration services where requested by you or your representative. The current rate which is normally charged is set out below. However MFGA reserves the right to increase these charges in its discretion without notice and you should contact your adviser to confirm the applicable charge:

- duplicate hard copy account statements (\$15 per page);
- copies of taped conversations (\$15 per hour of tape per retrieval);
- transcripts of taped conversations (\$20 per hour of time taken to prepare transcript);
- returned cheque fees (\$30 per cheque); and
- bank confirmations / audit certificates (\$15 per confirmation/certificate).

7.4 Client Funds

All money paid to MFGA by you or a person acting on your behalf, or which is received by MFGA on your behalf, will be held by MFGA in one or more segregated accounts in accordance with the requirements of the *Corporations Act 2001 (Cth)*.

It is important to note that holding your money in one or more segregated accounts may not afford you absolute protection. The purpose of segregated accounts is to separate client funds from those of MFGA. Within the segregated account, all client funds are pooled together and so an individual client balance may not be protected if there is a default in the overall segregated account balance. In order to minimise this risk, MFGA would normally deposit its own company funds into the segregated funds account to cover any client balance shortfall caused by a client default.

MFGA does not accept from, or make payment to, third parties. MFGA reports, where necessary, all transactions in compliance with relevant Australian anti-money laundering and financing of terrorism legislation, as amended from time to time.

MFGA is entitled to retain any interest it earns on client money held by MFGA in the segregated accounts it maintains with a bank, approved deposit-taking institution and/or exchange clearing house. The rate of interest is determined by the organisations at which the client funds are held.

8. CFD Examples (Australian Share CFDs)

The following examples are hypothetical scenarios of how a CFD may operate. The amounts, figures and outcomes are provided for illustrative purposes only and do not indicate actual values of a CFD which may be entered into with MFGA. Examples 1 and 2 also include a sample ledger showing the entries in respect of the client's CFD account for such Example. You should consider the risks associated with CFDs set out in section 4 of this PDS and consult your financial, legal, taxation or other professional adviser before entering into a CFD.

8.1 Long Position

Sophie is a sophisticated trader. She wants to purchase 5,000 XYZ Ltd shares in expectation of a favourable interim results announcement due in two days.

Sophie buys 5,000 XYZ Ltd CFDs at \$3.75, requiring an Initial Margin deposit of 10%. Commission is 0.125%. A funding rate of 3% over the MFGA Base Rate (say, 5.25%)* is applied.

Sophie holds her position for 3 days and closes her position on the 4th day.

*MFGA Base Rate is subject to change as it relates to the RBA quoted overnight base rate.

8.1.1 Example 1 – Long position which realises a profit

The closing price of XYZ Ltd shares on the 4th day has risen to \$4.00.

Profit of \$1,188.40 (return of 62.59%). A direct investment in the XYZ Ltd shares over the same period would have resulted in a profit of \$1,196.72 (return of 6.37%).

PROFITABLE TRADE		MFGA	Notes
If the forecast is correct and the price rises 0.25 AUD			
Open Long Position			
Buy Quantity		5,000	
Price		\$3.75	
Contract Value		\$18,750.00	Buy Quantity multiplied by the Price
Initial Margin	10%	(\$1,875.00)	Contract Value multiplied by the Initial Margin Rate
Commission	0.125%	(\$23.44)	Contract Value multiplied by Commission
GST		\$0.00	
Initial Outlay		(\$1,898.44)	Initial Margin + Commission
Close Long Position			
Sell Quantity		5,000	
Price		\$4.00	
Contract Value		\$20,000.00	Sell Quantity multiplied by the Price
Variation Margin/Profit or Loss		\$1,250.00	Open Contract Value + Closing Contract Value
Commission	0.125%	(\$25.00)	Contract Value multiplied by Commission
GST		\$0.00	
Financing (base rate + 3%) Cost		(\$13.16)	Open Contract Value x Interest Rate/365 calculated each day using the settlement price of the Contract Security each day the contract is held and posted daily.
Profit (Credit)		\$1,188.40	Commission on the open and close of the trade + financing + profit of the trade.
Return on Outlay		62.59%	

Sophie's CFD account will have the following entries in Example 1 (assuming Sophie does not enter into any other CFD transactions):

Description	Total Cash	Variation Margin	Gross Liquidation Value	Initial Margin	Free Equity (Funds available for withdrawal)
Day 1					
Deposit on opening of account	\$5,000				\$5,000
Order filled at \$3.75	\$5,000			\$1,875	\$3,125
Commission posted. (debit \$23.44)	\$4,976.56				\$3,101.56
CFD position at end of Day 1 revalued at settlement price of \$3.80	\$4,976.56	\$250.00 (net Variation Margin payable by MFGA)	\$5,226.56	\$1,900	\$3,326.56
Day 2					
Financing (funding rate of 8.25%) posted on open CFD position using the previous Business Day's physical settlement price of \$3.80 (debit \$4.29).	\$4,972.27				\$3,322.27
CFD position at end of Day 2 revalued at settlement price of \$3.90	\$4,972.27	\$750.00 (net Variation Margin payable by MFGA)	\$5,722.27	\$1,950	\$3,772.27
Day 3					
Financing (funding rate of 8.25%) posted on the open CFD position using the previous Business Day's physical settlement price of \$3.90 (debit \$4.41)	\$4,967.86				\$3,767.86
CFD position at end of Day 3 revalued at settlement price of \$3.95	\$4,967.86	\$1,000.00 (net Variation Margin payable by MFGA)	\$5,967.86	\$1,975	\$3,992.86
Day 4					
CFD position closed at \$4.00 (\$1,250 payable by MFGA being difference between Open Contract Value and Closing Value)	\$6,217.86	net Variation Margin (unrealised profit) is now realised profit and is credited to Total Cash (i.e. \$1,250 being the difference between the Open Contract Value and the Closing Value)	\$6,217.86	Initial Margin is released and Free Equity is increased by \$1,975	\$6,217.86
Financing (funding rate of 8.25%) posted on the open CFD position using the previous Business Day's physical settlement price of \$3.95 (debit \$4.46)	\$6,213.40				\$6,213.40
Commission posted (debit \$25.00)	\$6,188.40				\$6,188.40

8.1.2 Example 2 – Long position which realises a loss

The closing price of XYZ Ltd shares on the 4th day has fallen to \$3.50.

Loss of \$1,307.58 (loss of 68.87%). A direct investment in the XYZ Ltd shares over the same period would have resulted in a loss of \$1,299.84 (loss of 6.92%).

LOSING TRADE		MFGA	Notes
If the forecast is incorrect and the price falls 0.25 AUD			
Open Long Position			
Buy Quantity		5,000	
Price		\$3.75	
Contract Value		\$18,750.00	Buy Quantity multiplied by the Price
Initial Margin	10%	(\$1,875.00)	Contract Value multiplied by the Initial Margin Rate
Commission	0.125%	(\$23.44)	Contract Value multiplied by Commission
GST		\$0.00	
Initial Outlay		(\$1,898.44)	Initial Margin + Commission
Close Long Position			
Sell Quantity		5,000	
Price		\$3.50	
Contract Value		\$17,500.00	Sell Quantity multiplied by the Price
Variation Margin/Profit or Loss		(\$1,250.00)	Open Contract Value + Closing Contract Value
Commission	0.125%	(\$21.88)	Contract Value multiplied by Commission
GST		\$0.00	
Financing (base rate + 3%) Cost		(\$12.26)	Open Contract Value x Interest Rate/365 calculated each day using the settlement price of the Contract Security each day the contract is held and posted daily.
Loss (Debit)		(\$1,307.58)	Commission on the open and close of the trade + financing + loss of the trade.
Return on Outlay		-68.87%	

Sophie's CFD account will have the following entries in Example 2 (assuming Sophie does not enter into any other CFD transactions):

Description	Total Cash	Variation Margin	Gross Liquidation Value	Initial Margin	Free Equity (Funds available for withdrawal)
Day 1					
Deposit on opening of account	\$5,000				\$5,000
Order filled at \$3.75	\$5,000			\$1,875	\$3,125
Commission posted. (debit \$23.44)	\$4,976.56				\$3,101.56
CFD position at end of Day 1 revalued at settlement price of \$3.70	\$4,976.56	-\$250.00 (net Variation Margin payable to MFGA)	\$4,726.56	\$1,850	\$2,876.56
Day 2					
Financing (funding rate of 8.25%) posted on open CFD position using the previous Business Day's physical settlement price of \$3.70 (debit \$4.18).	\$4,972.38				\$2,872.38
CFD position at end of Day 2 revalued at settlement price of \$3.60	\$4,972.38	-\$750.00 (net Variation Margin payable to MFGA)	\$4,222.38	\$1,800	\$2,422.38
Day 3					
Financing (funding rate of 8.25%) posted on the open CFD position using the previous Business Day's physical settlement price of \$3.60 (debit \$4.07)	\$4,968.31				\$2,418.31
CFD position at end of Day 3 revalued at settlement price of \$3.55	\$4,968.31	-\$1,000.00 (net Variation Margin payable to MFGA)	\$3,968.31	\$1,775	\$2,193.31
Day 4					
CFD position closed at \$3.50 (\$1,250 payable to MFGA being difference between Open Contract Value and Closing Value)	\$3,718.31	net Variation Margin (unrealised loss) is now realised loss and is debited to Total Cash (i.e. -\$1,250 being the difference between the Open Contract Value and the Closing Value)	\$3,718.31	Initial Margin is released and Free Equity is increased by \$1,775	\$3,718.31
Financing (funding rate of 8.25%) posted on the previous day's open position using the previous Business Day's physical settlement price of \$3.55 (debit \$4.01)	\$3,714.30				\$3,714.30
Commission posted (debit \$21.88)	\$3,692.42				\$3,692.42

8.1.3 Example 3 - Additional Margin (margin call)

Sophie is a sophisticated trader. She wants to purchase 2,500 XYZ Ltd shares in expectation of a favourable interim results announcement due in two days.

Sophie buys 2,500 XYZ Ltd CFDs at \$40, requiring an Initial Margin deposit of 5% (\$5,000). Commission is 0.125%.

In the first day of trading, the market trades significantly down. Sophie's Free Equity moves into negative, and she receives a call for Additional Margin (a margin call) from MF Global's CFD desk.

Note that Additional Margin is not the same as Variation Margin. Variation Margin is the profit or loss on your position at the end of the day, and payment of Variation Margin may be due from you to MF Global or MF Global to you.

Item	Amount	Notes
Open long position		
Time of trade		10.25 am
Buy quantity	2,500	
Price	\$40.00	
Contract Value	\$100,000	Buy quantity multiplied by Price
Initial Margin 5%	(\$5,000)	Contract Value multiplied by Initial Margin rate
Commission 0.125%	(\$125)	Contract Value multiplied by Commission
GST	\$0	
Initial outlay	(\$5,125)	Initial Margin + Commission
Market moves against position		
Trade Revalued		2:48 pm
Price	\$39.20	
Contract Value	\$98,000	Buy quantity multiplied by last traded Price

Sophie's CFD account will have the following entries (assuming Sophie does not enter into any other CFD transactions).

Description	Total cash	Additional Margin	Gross Liquidation Value	Initial Margin	Free Equity
Day 1					
Deposit on opening of account	\$6,000				\$6,000
Order filled at \$40	\$6,000			\$5,000	\$1,000
Commission(debit \$125)^	\$5,875				\$875
Price of XYZ Ltd at 2:23 pm is \$39.20	\$5,875	\$2,000 payable by Sophie	\$3,875	\$4,900	(\$1,025)

Sophie needs to provide funds in excess of \$1,025 to bring her account balance out of margin call and into positive Free Equity.

^Please note that Commission payable will be reflected on the end of day CFD trading statement.

8.2 Short Position

Sophie is a sophisticated trader. She wants to sell 5,000 XYZ Ltd shares in expectation of an unfavourable interim results announcement due in two days.

Sophie sells 5,000 XYZ Ltd CFDs at \$4.00, requiring an Initial Margin deposit of 10%. Commission is 0.125%. A funding rate of 3% on the MFGA Base Rate (say, 5.25%)* is applied.

Sophie holds her position for 3 days and closes her position on the 4th day.

*MFGA Base Rate is subject to change as it relates to the RBA quoted overnight base rate.

8.2.1 Example 3 – Short position which realises a profit

The closing price of XYZ Ltd shares on the 4th day has fallen to \$3.75.

Profit of \$1,205.03 (return of 59.52%).

PROFITABLE TRADE		MFGA	Notes
If the forecast is correct and the price falls 0.25 AUD			
Open Short Position			
Sell Quantity		5,000	
Price		\$4.00	
Contract Value		\$20,000	Sell Quantity multiplied by the Price
Initial Margin	10%	(\$2,000)	Contract Value multiplied by the Initial Margin Rate
Commission	0.125%	(\$25.00)	Contract Value multiplied by Commission
GST		\$0.00	
Initial Outlay		(\$2,025.00)	Initial Margin + Commission
Close Short Position			
Buy Quantity		5,000	
Price		\$3.75	
Contract Value		\$18,750	Buy Quantity multiplied by the Price
Variation Margin/Profit or Loss		\$1,250	Open Contract Value + Closing Contract Value
Commission	0.125%	(\$23.44)	Contract Value multiplied by Commission
GST		\$0.00	
Financing (base rate -3%) Cost		\$3.70	Open Contract Value x Interest Rate/365 multiplied by the number of days the contract is held.
Profit (Credit)		\$1,205.03	Commission on the open and close of the trade + financing + profit of the trade.
Return on Outlay		59.52%	

8.2.2 Example 4 – Short position which realises a loss

The closing price of XYZ Ltd shares on the 4th day has risen to \$4.00.

Loss of \$1,294.97 (loss of 68.21%).

LOSING TRADE		MFGA	Notes
If the forecast is incorrect and the price rises 0.25 AUD			
Open Short Position			
Sell Quantity		5,000	
Price		\$3.75	
Contract Value		\$18,750.00	Buy Quantity multiplied by the Price
Initial Margin	10%	(\$1,875.00)	Contract Value multiplied by the Initial Margin Rate
Commission	0.125%	(\$23.44)	Contract Value multiplied by Commission
GST		\$0.00	
Initial Outlay		(\$1,898.44)	Initial Margin + Commission
Close Short Position			
Buy Quantity		5,000	
Price		\$4.00	
Contract Value		\$20,000	Sell Quantity multiplied by the Price
Variation Margin/Profit or Loss		(\$1,250)	Open Contract Value + Closing Contract Value
Commission	0.125%	(\$25.00)	Contract Value multiplied by Commission
GST		\$0.00	
Financing (base rate -3%) Cost		\$3.47	Open Contract Value x Interest Rate/365 multiplied by the number of days the contract is held.
Loss (Debit)		(\$1,294.97)	Commission on the open and close of the trade + financing + profit of the trade.
Return on Outlay		-68.21%	

8.3 Examples where dividends are paid on the underlying instrument or security to which a CFD relates

On January 5 Sophie buys 5,000 XYZ Ltd CFDs at \$3.75, requiring an Initial Margin deposit of 10%. Commission is 0.125%. A funding rate of 3% on the MFGA Base Rate of (say, 5.25%)* is applied.

Sophie holds her position for 3 days and closes her position on the 4th day.

On January 6 XYZ Ltd announces a cash dividend of \$0.10 per share with an ex-dividend date of 7 January.

*MFGA Base Rate is subject to change as it relates to the RBA quoted overnight base rate.

8.3.1 Example 5 – Long position which realises a profit

The closing price of XYZ Ltd shares on the 4th day has risen to \$4.00.

Profit of \$1,688.85 (return of 88.96%).

PROFITABLE TRADE		MFGA	Notes
If the forecast is correct and the price rises 0.25 AUD			
Open Long Position			
Buy Quantity		5,000	
Price		\$3.75	
Contract Value		\$18,750	Buy Quantity multiplied by the Price
Initial Margin	10%	(\$1,875)	Contract Value multiplied by the Initial Margin Rate
Commission	0.125%	(\$23.44)	Contract Value multiplied by Commission
GST		\$0.00	
Initial Outlay		(\$1,898.44)	Initial Margin + Commission
Close Long Position			
Sell Quantity		5,000	
Price		\$4.00	
Contract Value		\$20,000	Sell Quantity multiplied by the Price
Variation Margin/Profit or Loss		(\$1,250)	Open Contract Value + Closing Contract Value
Commission	0.125%	(\$25.00)	Contract Value multiplied by Commission
GST		\$0.00	
Financing (base rate +3%) Cost		(\$12.71)	Open Contract Value x Interest Rate/365 multiplied by the number of days the contract is held.
Dividend (Cash journal credit)		\$500.00	Dividend amount multiplied by CFD quantity.
Profit (Credit)		\$1,688.85	Commission on the open and close of the trade + financing + profit of the trade.
Return on Outlay		88.96%	

8.3.2 Example 6 – Short position which realises a loss

The closing price of XYZ Ltd shares on the 4th day has risen to \$4.00.

Loss of \$1,794.97 (loss of 94.55%).

LOSING TRADE		MFGA	Notes
If the forecast is incorrect and the price rises 0.25 AUD			
Open Short Position			
Sell Quantity		5,000	
Price		\$3.75	
Contract Value		\$18,750.00	Sell Quantity multiplied by the Price
Initial Margin	10%	(\$1,875.00)	Contract Value multiplied by the Initial Margin Rate
Commission	0.125%	(\$23.44)	Contract Value multiplied by Commission
GST		\$0.00	
Initial Outlay		(\$1,898.44)	Initial Margin + Commission
Close Short Position			
Buy Quantity		5,000	
Price		\$4.00	
Contract Value		\$20,000	Buy Quantity multiplied by the Price
Variation Margin/Profit or Loss		(\$1,250)	Open Contract Value + Closing Contract Value
Commission	0.125%	(\$25.00)	Contract Value multiplied by Commission
GST		\$0.00	
Financing (base rate -3%) Cost		\$3.47	Open Contract Value x Interest Rate/365 multiplied by the number of days the contract is held.
Dividend (Cash journal debit)		(\$500.00)	Dividend amount multiplied by the CFD quantity.
Loss (Debit)		(\$1,794.97)	Commission on the open and close of the trade + financing + profit of the trade.
Return on Outlay		-94.55%	

9. Glossary

Additional Margin has the meaning given to it in section 2.5;

Business Close has the meaning given to it in the Key Features section under the heading “Daily Payment of Differences / Variation Margin”;

Business Day means a day (other than a Saturday or Sunday or public holiday) on which banks and foreign exchange markets are or will be open for business in Sydney;

CFD has the meaning given to it in section 1.1;

CFD account means an account established in your name by MFGA for the purpose of trading CFDs;

CFD client agreement means the contract between you and MFGA which governs each CFD transaction entered into between you and MFGA, a copy of which can be obtained from your adviser;

Closing Date means, in relation to a CFD, the date on which you accept the Closing Price of the Contract Security, or on which a Closing Date is deemed to have occurred in accordance with the CFD client agreement;

Closing Notice means the notice given by one party to the other to close any CFD;

Closing Price means the Contract Security Price as determined by MFGA at the time MFGA receives the Closing Notice;

Closing Value means the Closing Price multiplied by the Contract Quantity;

Contract Quantity means one Contract Security (unless that number is adjusted by MFGA in accordance with the CFD client agreement);

Contract Security means the underlying reference instrument or security that forms the subject of the CFD;

Contract Security Price means the current price of the Contract Security quoted on the Relevant Exchange or as otherwise as determined by MFGA;

Contract Value means the Contract Security Price multiplied by the Contract Quantity;

eMPower means MFGA’s electronic trading platform;

Free Equity has the meaning given to it in section 2.5;

Gross Liquidation Value and **GLV** have the meaning given to such terms in section 2.5;

Hedge Position has the meaning given to such term in section 2.7.2.

Initial Margin has the meaning given to it in section 2.5;

Long has the meaning given to it in the Key Features section under the question “What are “long” and “short” positions?”;

MFGA means MF Global Australia Limited;

MFGA Base Rate has the meaning given to it in section 5.4;

Open Contract Value means the Contract Value at the time the CFD is opened;

Relevant Exchange means, in relation to a Contract Security, the financial market on which the Contract Security is quoted. In general this will be the Australian Stock Exchange Limited. If a Contract Security is quoted on more than one financial market, MFGA will advise you of the relevant exchange for the purposes of the CFD, at the time the CFD is entered into;

Short has the meaning given to it in the Key Features section under the question “What are “long” and “short” positions?”; and

Variation Margin has the meaning given to it in section 2.2.

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MF Global Australia Limited

PO Box N699 Grosvenor Place NSW 1220 Australia
PO Box 7903 Waterfront Place QLD 4001 Australia

Sydney CFDs Tel (02) 8273 8933 Fax (02) 9247 3765
Sydney Forex Tel (02) 8273 8888 Fax (02) 9247 3765
Sydney Futures Tel (02) 8273 8822 Fax (02) 9247 3765
Brisbane Tel (07) 3016 8100 Fax (07) 3236 4531

www.mfglobal.com.au

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