Pepperstone

Wholesale Client Information Statement

Pepperstone Group Limited

Company:	Pepperstone Group Limited
ACN:	147 055 703
AFSL:	414530
Review:	Annual
Version:	2.0
Date Updated:	March 2021

Risk Warning: Trading leveraged products like Margin FX and CFDs puts your capital at risk and if you're a Wholesale Client, losses can exceed deposits. You should consider whether you can afford to take the high risk of losing your money.

1. Introduction

1.1. This Wholesale Client Information Statement is provided to you, as a Wholesale Client (referred to as Pepperstone Pro or Professional Client), with a non-exhaustive overview of the key risks and other important information that you should consider when deciding whether to open an account and trade with Pepperstone Group Limited ("Pepperstone", the "firm", "us", "we" and "our"). This statement doesn't explain all the risks involved in trading or how the risks relate to your personal circumstances. It's important that you read the relevant legal documents to fully understand the risks involved and consider whether you understand how CFDs work and whether you can afford the high risk of losing your money before deciding to trade with us.

1.2. Trading leveraged derivative products like Margin FX Contracts and CFDs involves many risks. You don't own, or have any rights to, the underlying assets. The markets you're exposed to can be very volatile. Trading isn't suitable for everyone and may result in losses that are greater than your deposits. You should only trade with money you can afford to lose.

1.3. You should also be aware that as a Wholesale Client you won't receive the same protections that are offered to Retail Clients in Australia. We recommend that you seek independent advice if you're unsure of the risks of trading our products or if you need more information about what it means to be classified as a Wholesale Client in Australia.

1.4. Our products aren't intended for distribution in jurisdictions outside of Australia where to do so would be unlawful. If you don't live in Australia, it's your responsibility to make sure that there aren't any laws or regulations in your jurisdiction that restrict you from trading with us.

2. Wholesale Categorisation

2.1. The financial products and services that we'll provide to you as a Wholesale Client don't necessarily have the same investor protection and disclosure requirements as the products and services that we make available to Retail Clients.

2.2. As a Wholesale Client you won't receive certain disclosures from us or benefit from certain protections which you may have been given in the past. In particular, we're not required to provide you with a Product Disclosure Statement or Financial Services Guide and our external dispute resolution scheme, the Australian Financial Complaints Authority, will have the discretion to exclude complaints from you.

2.3. We may not have any other obligations to you under Chapter 7 of the Corporations Act that we would have if we provided the product or service to you as a Retail Client.

2.4. We may voluntarily provide some of the Retail Client protections to you from time to time, at our absolute discretion. If we provide these protections to you at any particular time, this doesn’t create any entitlement for you to continually receive the protections and doesn't affect our right to treat you as a Wholesale Client.

2.5. We may withdraw your status as a Wholesale Client, and treat you as a Retail Client, at any time at our absolute discretion.

3. Appropriateness

3.1. As a Wholesale Client you acknowledge that you have the necessary levels of experience and knowledge to transact with us on a CFD account.

3.2. We don’t monitor whether the amount of money you have sent to us or your profits or losses are consistent with that information on your behalf.

3.3. It’s up to you to assess whether your financial resources are adequate to support your trading activities with us and your risk appetite in the products and services you use.

3.4. Additionally, you’re responsible for informing us if you no longer meet the criteria to be considered a Wholesale Client.

4. Nature of CFDs

4.1. CFDs are OTC, or “off-exchange”, derivative products. While some OTC markets are highly liquid, transactions in OTC or “non- transferable” derivatives may involve greater risk than investing in on-exchange derivatives because there’s no exchange market on which to close out an open position. It may not be possible to liquidate an existing position, to assess the value of the position arising from an OTC derivative transaction or to assess the exposure to risk. Bid and offer prices don’t need to be quoted, and, even if they are, they’ll be established by dealers in these instruments. Consequently, it may be difficult to establish what a fair price is.

4.2. A CFD derives its value from the value of an underlying asset – for example, the value of one currency against another, the price of a share, a market index or a particular commodity.

4.3. We offer a number of different types of CFDs, including Margin FX Contracts and CFDs based on indices, shares, precious metals, energy, soft commodities and cryptocurrencies. For full details of the CFDs that we offer, please visit our website.

4.4. CFDs can be traded in many currencies, so you should check the CFD description within the platform before you trade.

4.5. When you trade CFDs, you're taking a position on the change in value of the relevant underlying asset over time. In other words, you're speculating on whether the value of the underlying asset is going to rise or fall in the future, compared to when you opened (or executed) your Contract. You don't own or have any rights in the underlying asset associated with a particular CFD.

4.6. The amount of profit or loss that you experience when you trade a CFD will be the difference between the price when you open the Contract and the price when it's closed-out (adjusted to reflect holding costs, where these apply). If the value of the CFD has moved in your favour, we'll pay money into your trading account. If it moves against you, we'll deduct money from your trading account.

4.7. While you have open Contracts, you may also attract financing costs or Swap Charges after each rollover (5pm New York (EST)). The costs you'll incur depends on the underlying asset that you're trading and are subject to change. We explain our fees and other costs in more detail on our website.

5. Prices and Costs

5.1. Our dealing costs are set out in writing on our website.

5.2. Certain types of accounts are charged a commission. You'll be charged as a percentage, or basis points, of the total position size trade - your costs aren't relative to the deposit or margin you've used. We'll charge you where indicated on a per transaction basis.

5.3. Minimum charges can be relevant for smaller trade sizes and there are also charges associated with overnight financing of positions. Costs may be included in the transaction price of margin FX products. In this situation, we'll stipulate the size of the bid/offer spread quoted depending on the product(s) that you want to trade.

5.4. The costs associated with your transactions will show up separately on your Contract notes and statements.

5.5. We use pricing that has been sourced from multiple, external, third party liquidity/price provider(s) which is derived from the prices of the relevant underlying instruments. The prices of CFDs that you trade with us may include a fixed mark-up from those raw spreads but we do not make any other alterations to the pricing.

5.6. If you have any queries about costs or our pricing, please contact us by email at pro@pepperstone.com.

5.7. We offer several different Accounts that feature different fees and costs.

Spreads

5.8. We may charge spreads (the difference between the bid and the ask price) on your Contracts. We'll charge this fee in the quote currency of the instrument that you're trading, which you can then convert into the base currency of your Account to determine your cost of trading.

Contract roll fee

5.9. Certain instruments work on an ongoing basis and derive their prices from underlying futures contracts. Because futures contracts expire, when one futures contract ends, we need to change the underlying Contract that we derive our price from. To avoid profit and loss discrepancies, we'll issue a balance adjustment on your account (either a Rollover Charge or Rollover Benefit) to take into account the difference in prices between the two Contracts as well as the cost of Closing-Out your original Contract and re-opening it in a new Contract.

Swap Rates

5.10. Our Swap Rates on our instruments vary and the amount we charge depends on the funding costs of the Underlying Asset or Contract and the rates of our Liquidity Providers. Please check the Platform for the Swap Rates that may apply to your Contracts.

5.11. The Swap Rate that applies to your Contract may be tripled on a specific day depending on the traded symbol's underlying instrument. For example, if your Contract is based on FX or metals and is held on the Wednesday – Thursday Rollover the swap rate will be tripled. Because of the settlement structure within the spot market, trades that are open on Wednesday will be settled on the Monday after, so there's a need to account for interest earned / charged over this period.

5.12. Please check the symbol specifications within the Platform to see when the triple Swap Rate occurs, as this can vary based on the instrument that underlies your Contract.

Administration Fees (Swap Free only)

5.13. Swap Free Accounts aren't charged or paid the usual Swap Charges or Swap Benefits that are associated with Contracts held through the rollover period. Instead, if you have a Swap Free Account, you'll be charged an Administration Fee for Contracts that you hold beyond a certain period of time.

5.14. We set an Administration Fee for each product that we offer on a Swap Free Account on a per-lot open basis. The structure and amount of the Administration Fee varies depending on the Platform you're using, the Contract you're trading, the rates set by our Liquidity Providers and the currency that your Account is in. For more information on the Administration Fee that we charge for each product that we offer, please visit the Swap Free Account page on our website.

5.15. The Administration Fee Interval is a period of days between the times that we'll charge you the relevant Administration Fee for your Contract. For each Administration Fee Interval that your Contract stays open, we'll deduct your Administration Fee from your Account. Your Administration Fee will be charged in proportion to the size of your open Contract.

5.16. We can change our Administration Fees and Administration Fee Intervals at any time, at our discretion.

Commissions

5.17. We may charge commissions on your Account, which will be reflected when you open a Contract.

<u>MetaTrader</u>

(a) Our commission charges will vary based on the currency of your Account and will increase/decrease in proportion to the size of the Contract you're trading. For more information on our commission rates, please visit our website.

<u>cTrader</u>

(b) Our commissions on cTrader Accounts are based on 0.0035% of the base currency that's being traded.

Index and equity CFD dividends

5.18. Index CFDs

(a) When an individual stock which is a constituent of a cash stock index goes ex-dividend, this will have a weighted effect on that cash index, known as the "index dividend". We'll credit long Contracts and debit short Contracts held in these markets with a cash adjustment on the ex-dividend date.

(b) We calculate the rate applied as an “index dividend” in our absolute discretion. The rate that we’ll calculate will reflect Underlying Market conditions.

(c) Futures indices aren’t affected as anticipated future dividends are already priced in to the market.

5.19. Equity CFDs

(a) When the stock that an equity CFD derives its pricing from goes ex-dividend, we’ll credit long Contracts and debit Short Contracts held on the relevant symbols.

(b) We calculate the rate applied as an “equity dividend” in our absolute discretion. The rate that we’ll calculate will reflect Underlying Market conditions and the value of any withholding tax amounts on the stock.

5.20. Corporate actions

(a) We don’t look to take advantage of corporate actions for profit purposes, and we’ll always pass on adjustments made by our Liquidity Providers to you. In some cases, the treatment of corporate actions such as consolidations, rights issues, takeovers, stock splits and share distributions may be less advantageous than if you were holding the Underlying Asset.

(b) In certain situations, we may ask you to make a decision about whether a corporate action should be reflected in your Account, before the ex-date.

(c) When reflecting rights issues on limited risk Contracts, our aim will always be to reflect the same monetary equivalent of the previously risked amount, when taking into account the new ex-rights position.

(d) We’ll attempt to cancel relevant Orders on CFDs where a corporate action has taken place. We won’t re-enter your Orders for you after a corporate action has taken place. It’s your responsibility to re-enter working Orders once this has happened.

6. Leverage and Required Margin

6.1. Trading CFDs enables you to use leverage to open a Contract by depositing a fraction of the total Contract value. This means that a relatively small market movement may lead to a proportionately much larger movement in the value of your Contract. You can trade Margin FX Contracts and other CFDs with a high degree of leverage because of the small margin requirements. Please also be aware that we pay commission, if it applies, on a pro rata basis, based on the notional size of your Contract.

6.2. As a Wholesale Client, if the market moves against you, your use of leverage means that you could incur losses that may be far greater than the money you've deposited in your trading account.

6.3. It's your responsibility to monitor the required margin of your open Contracts and you may have to fund your account in order to avoid a stop-out. You are able to monitor your positions (and margin requirements) on your Platform.

6.4. If your equity (balance plus running profit/loss) falls below the margin ratio required to maintain your open positions they will be automatically closed:

(a) For Metatrader this is 20%
For cTrader this is 50%

6.5. You should also note that any changes made to your leverage level, on an already traded account, can immediately affect your open Contracts and may require you to provide additional funding to support those Contracts.

7. Volatility

7.1. Derivative markets generally can be highly volatile (i.e. they move up and down in value quite quickly) so the risk that you'll incur losses when you trade in derivative Contracts can be substantial.

7.2. High volatility means the markets can be very difficult to predict. This means that you shouldn't consider any Contract offered by us or any other financial services provider to be a "safe" trade.

7.3. In times of extreme volatility, pricing of Contracts can be impacted as the source of that pricing (liquidity) dries up. This can mean, for example:

(a) the market "gaps" and jumps past the price that you want or expect;
(b) the underlying bid/ask spread widens (i.e. the gap between the buy and sell price is wider); and
(c) you could even find it difficult to obtain a price for particular Contracts.

7.4. We pass on any pricing re-quotes from our liquidity providers directly to you, without any bias towards the direction the pricing has moved in.

7.5. Highly volatile market conditions can make it difficult for us to execute orders at the given price, due to an extremely high volume of orders and/or available liquidity. By the time we're able to execute orders, the bid/offer price may be reset. This may mean that certain orders at this time are rejected.

7.6. "Hanging Orders" can also occur during periods of high volume. A Hanging Order is when an order sits in the "orders" window of the platform after it's been executed.
Generally, the order has been executed, but it's simply taking a few moments for it to be confirmed. During periods of particularly heavy volume, it's possible for a queue of orders to form, and the increase in incoming orders can sometimes create a delay in confirming certain orders.

7.7. There are times when orders may be subject to what's known as "slippage", because of an increase in volatility or volume. This happens most often during fundamental news events or "gapping" in the markets, which create conditions where orders are difficult to execute because of extreme price movements.

7.8. The execution of your order always depends on the liquidity that's available at all price levels. Although you may be looking to execute at a certain price, even if that price appears on the Platform, the market may have moved significantly or liquidity may be exhausted, in which case your order would be filled at the next best price or the fair market value.

7.9. When you're considering an order, please be mindful that all Contracts that you have open at 4:59pm New York (EST) will be subject to rollover. Your Contracts will be rolled over by debiting or crediting your account with a rollover charge or rollover benefit. During the rollover period, trading may be disabled for 2 to 5 minutes and there may be widened spreads as liquidity reduces, which could cause you to experience losses or gains. We're not liable for any losses that you incur during the rollover period.

8. Stop losses not guaranteed

8.1. You're responsible for monitoring your account and taking steps to limit your losses. We encourage you to employ "stop-loss orders" to minimise your risk, but it's important for you to note that stop-losses aren't guaranteed. If there are instances of illiquidity, slippage or the market gaps up or down, your exit price will be the next available price, which could deviate significantly from your intended stop-loss price.

9. Foreign Exchange Risks

9.1. If you're trading in a product that is denominated in a currency other than the currency of your trading account, you'll be impacted by foreign exchange movements. Please refer to our Terms and Conditions for more information on how we treat different currencies.

10. System Risks

10.1. We run the platform in an online environment (the internet). This means there may be issues with you placing orders or with your Contracts being executed due to internet, system or network issues on your end. Because we can't promise that the internet will work error-free, we can't accept liability for the risks associated with the operation of our platform. For this reason, you need to be mindful that platform risks are inherent in every Contract that you trade with us.

10.2. For example, a technical issue with your internet connection to our servers, may result in a Hanging Order and a delay in executing your Contract. A disturbance in the connection path can sometimes interrupt the signal and disable the platform, causing delays in transmission of data between the platform and our servers.

10.3. Disruptions to our operational processes such as communications, computers, computer networks, software or external events could also lead to delays in the execution and settlement of your contract, meaning that you might be unable to trade in a particular Contract that we offer and you could suffer a financial loss or opportunity loss as a result.

10.4. If you experience a disruption to our Platform, you can contact our Support team directly at support@pepperstone.com to open\close your positions.

11. Need to Monitor Positions

11.1. It's important that you monitor your account and all of your open Contracts closely.

12. Client Money

12.1. We'll keep any money that we hold on your behalf in one or more segregated accounts with an Australian ADI, separated from our own money and held in compliance with the client money provisions of the Corporations Act.

12.2. Your client money won't be kept separate from other client's money in this account, so in the unlikely event of our or the bank's insolvency, you won't have a claim against a specific sum in a specific account. Instead, your claim may be against the client money held in our segregated account.

12.3. You shouldn't fund your trading account using money obtained from any credit facility (including bank loan or otherwise). It's important for you to note that your overall risks will be significantly increased if you do this. For instance, if you incur a loss on your trades, you'll still have to repay the amount you borrowed plus any interest or other costs.

13. No Advice

13.1. We provide you with our products and services on an execution-only basis – which means that you're solely responsible for any decisions that you make in relation to our products and services.

13.2. We're not a financial advisor and we don't provide any regulatory, tax or legal advice. Sometimes we'll provide you with general factual information about the market and how our various products and services work. Any information and analysis that we provide you is general in nature and doesn't take into account your or your client's personal objectives, financial situation or needs. You shouldn't regard any of the information that we provide to you as an investment recommendation or an offer to make a transaction.

13.3. Tax benefits are subject to change and depend on your individual circumstances. We recommend that you seek specialist advice if you're unsure about any of these matters.

14. Regulatory and Legal Risks

14.1. Changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in OTC derivative products. We'll do our best to let you know whenever a change in legislation will impact the way that you deal with us.

15. Past Performance

15.1. Past performance, simulation or prediction of CFDs doesn't guarantee future results. You should note that the value of your investment can decrease (as well as increase) as the market price of the underlying asset may fluctuate downwards (or upwards).

16. What to do if you have a complaint

16.1. We want to know about any problems or concerns that you have with our services so that we can take steps to resolve them.

16.2. We have formal internal and external dispute resolution procedures to resolve complaints. You can ask for a copy of these procedures by emailing support@pepperstone.com.

16.3. If you have a complaint about the financial services that we've provided to you can tell us about your complaint by phone, email or letter using the details below:

Pepperstone Group Limited
Level 16, Tower 1
727 Collins Street
Melbourne VIC 3008
Phone: 03 9020 0155
Email: support@pepperstone.com

16.4. We'll handle and investigate your complaint internally in the first instance. You may also be able to escalate your concerns to an external body for a resolution. Please note that while you can still access the external dispute resolution provider Australian Financial Complaints Authority ('AFCA') as a Wholesale Client, you may be treated differently given your status as an experienced wholesale investor and your matter may be excluded at AFCA's discretion. Our AFCA membership number is 28689. You can contact AFCA using these details:

Online: www.afca.org.au
Email: info@afca.org.au
Phone: 1800 931 678
Mail: Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3000.

16.5. You can also make a complaint to and obtain information about your rights from ASIC. You can contact ASIC on 1300 300 630. This is a local call information line.

17. Words that we use in this Wholesale Client Information Statement

"**Account**" means your trading account with us.

"**Administration Fee**" means the fee that we charge for Contracts held beyond a certain period of time on Swap Free Accounts, as set out in section 5 of this Wholesale Client Information Statement.

"**Administration Fee Interval**" is the period of days between when we'll charge you an Administration Fee on a Swap Free Account, as set out in section 5 of this Wholesale Client Information Statement.

"**AFS Licence**" means Australian Financial Service Licence.

"**Agreements**" means this Wholesale Client Information Sheet,, our Terms and Conditions, Application Form, Confirmations and any information on our Platform or website which governs our relationship with you.

"**AML Laws**" means our obligations under the Anti- Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and the Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1).

"**Application Form**" means the online form that you complete on our website to open an Account.

"**ASIC**" means the Australian Securities and Investments Commission.

"**Australian Client Money Rules**" means the rules set out in Part 7.8 of Division 2 of the Corporations Act.

"**CFD**" means a contract-for-difference, a type of OTC derivative product that we offer.

"**Client Money**" means the money that you and our other clients deposit with us, which we hold in compliance with the Australian Client Money Rules.

"**Cryptocurrency**" means a digital asset that's subject to significant volatility and risks.

"**Contract**" means an OTC derivative Contract between you and us, which is an agreement to pay or receive the difference in value of an Underlying Asset.

"**Corporations Act**" means the Corporations Act 2001 (Cth).

"**Hanging Order**" has the meaning given to it in section 7.6 of this Wholesale Client Information Statement.

"**Liquidity Provider**" means a counterparty that we pass trades to, to manage our risk, also known as a hedging counterparty.

"**Margin**" means the amount of money that you need to deposit into your Account to enter into or maintain a Contract with us under the Agreements.

"**Margin FX Contract**" means a leveraged foreign exchange Contract, a type of OTC derivative product that we offer.

"**Order**" means an offer that you make to enter into a Contract with us under the Agreements.

"**Pepperstone", "we" "us" and "our"** means Pepperstone Group Limited, ACN 147 055 703, AFSL 414530.

"**Platform**" means any online software that we make available to you for entering into Margin FX Contracts and CFDs under the Agreements.

"Retail Client" has the same meaning given by sections 761G and 761GA of the Corporations

Act.
“**Rollover Charge**” means a charge that you may incur on a future based CFD that you hold overnight, as described in sections 5 and 7 of this Wholesale Client Information Statement.
“**Rollover Benefit**” means a benefit that you may receive on a future based CFD that you hold overnight, as described in sections 5 and 7 of this Wholesale Client Information Statement.
“**Swap Benefit**” means a benefit that you could incur for holding a Contract through 5pm New York Time.
“**Swap Charge**” means a charge that you could incur for holding a Contract through 5pm New York Time.
“**Swap Rate**” means the rate at which we’ll apply a Swap Charge or Swap Benefit to you. This rate may change from day to day.
“**Terms and Conditions**” means the current version of our Terms and Conditions, which form part of our legal relationship with you, as available on our website..
“**Underlying Asset**” means the instrument or asset that underlies your Order or Contract and determines the value of that Contract – for example ana stock market index, commodity, currency pair, futures contract, equity, crypto currency or any other instrument or asset.
“**Underlying Market**” means the market in which an Underlying Asset is traded. For example, the Australian Securities Exchange.
“Wholesale Client” has the same meaning as under section 761G of the Corporations Act.

Pepperstone

Level 16, Tower One
727 Collins Street
Melbourne VIC 3008
AUSTRALIA

Local Call 1300 033 375
Phone +61 3 9020 0155

www.pepperstone.com
support@pepperstone.com