

## Hedging Policy

You deal with Direct FX Trading Pty Ltd as counterparty to every transaction you enter into on our platforms. You will have an exposure to us in relation to each transaction if we are not ready, willing or able to meet our obligations, for example, if Direct FX Trading Pty Ltd were to become insolvent. You are reliant on Direct FX Trading Pty Ltd's ability to meet its counterparty obligations to you to settle the relevant contract. Direct FX Trading Pty Ltd limits this exposure by hedging its exposure to its clients by entering into transactions as principal in the wholesale market in relation to its exposures with clients. Direct FX Trading Pty Ltd is then exposed to counterparty risk with that hedging party.

Direct FX Trading Pty Ltd does not take proprietary positions based on an expectation of market movements. Direct FX Trading Pty Ltd does not hedge all client transactions, we may have a net position in any of the markets on which we offer financial products. Hence, Direct FX Trading Pty Ltd will have exposure to market risk on any un-hedged position.

We have internal market risk procedures for setting limits for every financial market in which our clients trade. These rules limit the net exposure arising from client activities and hedging consistent with our risk appetite. In addition, Direct FX Trading Pty Ltd utilizes risk management systems to continually monitor exposure against these limits in real time basis.

On assessing agreements and entering into relationships with a new hedging counterparty DFX undertakes a due diligence process in respect of the proposed counterparty. The process takes into consideration many important factors that includes many key findings that relate to the risk of dealing with the counterparty. These include the counterparty's Credit rating, reputation, market presence, international exchange memberships, jurisdiction, Banking relationships, technological situation, trading platforms, reporting processes, fees and charges.

**At present the primary hedging counterparties used are Archer Daniels Midland (ADM), AFX Capital Markets Ltd, R J O'Brien & Associates LLC., CMS, IS Prime, CFH, and Advanced Markets**