PRODUCT DISCLOSURE STATEMENT
for an offer of Contracts for Difference

By HANTEC MARKETS (NEW ZEALAND) COMPANY LIMITED

Name of issuer: Hantec Markets (New Zealand) Company Limited

Date of this PDS: 4 November 2019

This document is a replacement product disclosure statement. It replaces the product disclosure statement of Hantec Markets (New Zealand) Company Limited dated 23 September 2019.

This document provides important information about Contracts For Difference offered by Hantec Markets (New Zealand) Company Limited to help you decide whether you want to enter into any of these derivatives. There is other useful information about this offer on the offer register at: https://www.disclose-register.companiesoffice.govt.nz

Many derivatives are complex and high-risk financial products that are not suitable for most retail investors. If you do not fully understand a derivative described in this document and the risks associated with it, you should not enter into it. You can also seek advice from a financial adviser to help you make your decision. You should ask if that adviser has experience with these types of derivatives.

Hantec Markets (New Zealand) Company Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013.

1. KEY INFORMATION SUMMARY

What is this?

This is a product disclosure statement (PDS) for Contracts For Difference provided by Hantec Markets (New Zealand) Company Limited (referred to hereinafter as “HMNZ”, “we” or “us”). Contracts For Difference are derivatives, which are contracts between you and us that may require you or us to make payments. The amounts that must be paid or received (or both) will depend on the price of the underlying currency, commodity, or index (as selected by you). The contract specifies the terms on which those payments must be made.

Warning

Risk that you may owe money under the derivative

If the price of the underlying currency, commodity or index changes, you may suffer losses. In particular, unlike most other kinds of financial products, you may end up owing significant amounts of money. You should carefully read section 2 of this PDS (“Key features of the derivatives”) on how payments are calculated.

Your liability to make margin payments

We may require you to make additional margin payments to contribute towards your future obligations under some of these derivatives. These payments may be required at short notice and can be substantial. You should carefully read section 2 of this PDS (“Key features of the derivatives”) about your obligations.

Risks arising from issuer’s creditworthiness

When you enter into derivatives with us, you are exposed to a risk that we cannot make payments as required. You should carefully read section 3 of the PDS (risks of these derivatives) and consider our creditworthiness. If we run into financial difficulty, the margins you provide may be lost.

About Hantec Markets (New Zealand) Company Limited

HMNZ is a provider of Contracts For Difference through online trading platforms.

For more information about HMNZ, see section 6 of this PDS ("About the Issuer").

Which derivatives are covered by this PDS?

This PDS covers Contracts For Difference. You should carefully read section 2 of this PDS ("Key features of the derivatives") for further details about the characteristics of these derivatives.

Nature of these derivatives

A Contract For Difference involves two parties entering into a contract, where one party agrees to buy an asset (for example, currency) from the other party at an agreed price for settlement after the contract is closed. When the contract is closed, the parties exchange the difference between the opening and closing prices of the underlying asset, no delivery of the underlying asset occurs, and the Contract For Difference is cash-settled.

Key benefits or main uses of these derivatives

(a) Contracts For Difference can be used to hedge your exposure to a position in an underlying asset that you currently hold. For example, a trader may hold a large amount of a foreign currency, but be concerned that the value of that currency was going to depreciate, thereby resulting in a decrease in its value against the New Zealand dollar. By entering into a Contract For Difference based on these two currencies, the trader will effectively lock in the price of the foreign currency at the time the derivatives contract is entered into without needing to worry about currency fluctuations.

(b) Contracts For Difference are "leveraged" products. This characteristic affords traders an opportunity to make significantly greater profits than would otherwise be available to them based on the value of their trading capital without the use of leverage.

(c) Contracts For Difference can be used for speculation where a contract is taken to make a profit from the market movement of the underlying asset. Note that speculation in this manner could result in traders suffering a substantial loss if the underlying market does not move in their favour.

(d) Contracts For Difference allow traders to take an exposure to a particular underlying asset without the need to buy or sell that underlying asset. Please note that you could lose large amounts of money if the price of the asset moves significantly – particularly if you choose to invest on a leveraged basis.

(e) Contracts For Difference provide traders with an opportunity to make a profit in a rising or a falling market.

You should note that the risks of loss in dealing in Contracts For Difference can be substantial and can exceed any deposit or margin that has been provided to cover the Contract For Difference.

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2. KEY FEATURES OF THE DERIVATIVES

To help you understand this PDS, a glossary of the defined terms used is included on page 28.

What are Contracts For Difference?

Under a Contract For Difference, one party agrees to buy an asset from the other party at an agreed price for settlement after the contract is closed. The purchaser does not take delivery of the underlying asset and has no legal right to, or ownership of, the asset. The purchase value of the contract is determined by the value of the underlying asset at the time the contract is entered into ("principal amount"). The principal amount is not exchanged, but the purchaser is required to maintain a deposit, referred to as "margin", with the seller. The size of the margin is proportionate to the size of the principal amount. The parties agree to renew the contract indefinitely until one of them chooses to close the contract. The profit or loss is settled between the parties at the time of closure of the contract. The seller will normally return the margin to the purchaser upon closure, unless entitled to retain it to cover some or all of the losses of the purchaser.

After you have entered into a Contract For Difference with HMNZ, the value of the contract will rise or fall with the change in the value of the underlying asset. When either you or HMNZ choose to close the contract, the profit or loss will be calculated, transferred into the Base Currency of your trading account and either credited to or debited from the balance of your trading account.

HMNZ currently offers Contracts For Difference based on Foreign Exchange ("FX") (currency pairs), Commodities (e.g. gold, silver, US-OIL and UK-OIL), and Securities Indices.

Further information on types of contracts for difference offered by HMNZ can be found at www.hantecmarketsnz.com.

Margin

If you wish to enter into a Contract For Difference with us, you must provide us with margin in the form of cleared funds.

Contracts For Difference are highly leveraged. This means that you are only required to contribute as margin a small amount (e.g. typically one per cent) of the principal value of the contract. This has the effect of amplifying your investment, meaning that you will either make or lose money much more quickly than if the investment were not leveraged.

What are the key benefits or main uses of Contracts For Difference?

Hedging	Traders can use a Contract For Difference to hedge their exposure to an underlying asset, which they currently hold. For example, a trader may hold a large amount of a foreign currency, but be concerned that the value of that currency was going to depreciate, thereby resulting in a decrease in its value against the New Zealand dollar. By entering into a Contract For Difference based on these two currencies, the trader will effectively lock in the price of the

	foreign currency at the time the derivatives contract is entered into without needing to worry about currency fluctuations. Hedging works only if the derivatives issuer can perform its obligations when the contract is closed. Under extreme market situations, there will be residual credit risks even market risks are hedged.
Speculation	Contracts For Difference can be used for speculation where a contract is taken to make a profit from the market movement of the underlying asset. It should be noted that speculation in this manner could result in traders suffering a substantial loss if the underlying market does not move in their favour.
Potentially magnified returns	Contracts For Difference are "leveraged" products. This characteristic affords traders an opportunity to hedge their exposures with small amount of margin deposit (typically 1 %) or to make significantly greater profits than would otherwise be available to them based on the value of their trading capital without the use of leverage. Under highly volatile market situations, a trader may not be able to top up additional margins on time when the market moves against him/her so that his/her positions are cut prematurely due to insufficient margin. It may also result in an over-loss. Where this occurs, the loss from the contract exceeds the margin deposit paid by the trader and the derivatives issuer may require the trader to repay the shortfall.
Diversification	As with any investment, if you enter into a number of Contracts For Difference, you will be mitigating against the risk of one of your chosen investments moving against you. Diversification, however, may limit your profit potentials.
Short selling	Contracts For Difference provide traders with an opportunity to make a profit in a rising or a falling market.

What are the amounts payable when entering into a Contract For Difference?

Before you can enter into a Contract For Difference with HMNZ, you must first set up a trading account with us. Further information on this process is set out later in this section (please see "How you may enter into a derivative"), or you can contact our Sales and Marketing Department at: sales@hantecmarketsnz.com.

You will then need to deposit an Initial Margin of a Base Currency into your newly established HMNZ trading account before you start trading. You must deposit an Initial Margin in one of two ways, depending on the type of contract. We will tell you what amount you need to deposit before you make the deposit:

1) You can deposit a percentage for FX contracts (typically between 0.5% and 1%) of the Notional Contract Amount. (The "Notional Contract Amount" is the nominal or face

amount that is used to calculate payments based on the contract. For further details, please see the Glossary at the end of this PDS.)

2) You can deposit an amount for Commodities and Indices contracts (e.g. USD 1,000 per Contract of gold).

Then, you are ready to trade. You can buy a contract, which can be any amount in multiples of 1,000 units of a particular trading currency. You can enter into a contract online (via our online trading platforms) with HMNZ at a Spot Rate of exchange that is quoted by HMNZ.

Please note that HMNZ does not make margin calls. You are responsible for monitoring your Margin Level at all times. If a trade position moves against you, you may provide additional margin to keep the position open.

Examples

This section provides hypothetical examples of how a Contract For Difference works. Each example given provides an example of one situation only and does not reflect the specific circumstances or the obligations that may arise under a derivative entered into by you.

A Contract For Difference derives its value from an underlying asset (a particular currency pair). That asset is never delivered to you, and you do not have a legal right to, or ownership of, the asset. Rather, your rights are attached to the contract itself.

- You decide the term of the contract. You choose when to sell the contract ("close out" your position) by taking an opposite position in the market, with the intention of making a profit when the asset moves in the intended direction.

- The profit or loss resulting from the trade will be credited or debited to your trading account.

- HMNZ has trading rules (including "Forced Liquidation" and an Initial Margin requirement) to protect HMNZ against loss. The trading rules also help reduce (but not avoid) the risk that you will lose more than your deposited funds (see section 3 of this PDS, entitled "Risks of the Derivatives" below). These trading rules are contained in the section headed 'Operation of Client Account' in the HMNZ Terms and Conditions.

- HMNZ usually offers settlement of trades on a T+2 basis for FX, LLG and LLS whereas other Commodities and Indices are settled on T+0 basis. This is a global standard which refers to the trade date, plus the quoted number of Business Days. When you are trading in currencies, what constitutes a Business Day depends on what currencies you are trading. See "Business Day" in the glossary for more information.

Foreign Exchange

Example of a foreign exchange trade

Client X is of the opinion that the EUR will appreciate against the USD in the near future. So he makes a deposit of USD 5,000 into his trading account with HMNZ, and buys a contract of EUR/USD at the current quoted market price of 1.1200, which has a contract value of EUR

100,000. In this example the required Initial Margin for opening one contract is 1% of the contract value, i.e. EUR 1,000 or USD 1,120.

The EUR/USD depreciates after client X buys the contract, and the EUR/USD exchange rate drops to a level of 1.0750 that day. The floating profit and loss in terms of USD in the trading account of client X will be USD -4,500. This is calculated as follows: (1.0750 - 1.1200) x 100,000.

The Margin Level of client X now drops from USD 5,000 to USD 500 (USD 5,000 – USD 4,500).

Expiration

If you enter into a Contract for Difference with us, you agree to buy, but not take delivery of, an asset from us on agreed terms at an agreed price for settlement after the contract is closed by maintaining a deposit, referred to as "margin". We both agree to renew the contract indefinitely until one of us chooses to close the contract.

Forced Liquidation

If the Margin Level in your trading account drops below a predetermined level set by HMNZ (e.g. 20% of an Initial Margin or 0.2% of the Notional Contract Amount) or if HMNZ exercises its absolute discretion, then HMNZ is entitled to close out your position at the prevailing market rate without notice to you. HMNZ could do this in order to minimise trading risk and deduct the resulting realised loss from your remaining funds held by HMNZ. Details of the applicable Initial Margin and Cut Loss Margin Level rates will be emailed to you after HMNZ opens a trading account for you. HMNZ may amend the rates from time to time, according to market conditions, after we have notified you by email and publicised any modifications of these rates on the trading platform.

Please note that you will remain liable for any negative positions which cannot be covered by the closing out of your positions.

Example of Forced Liquidation

In the above example, client X does not deposit extra funds to increase the Margin Level of his trading account. HMNZ has set a Cut Loss Margin Level of 20% of Initial Margin (US$1,120 x 20% = US$224) and the EUR/USD exchange rate keeps depreciating from 1.0750 to 1.0722.

The Margin Level of client X will drop further from USD 500 to USD 220. The floating profit and loss in client X's trading account will now be USD -4,780 ((1.0722 – 1.1200) x 100,000). The close out position is now less than the pre-set Cut Loss Margin Level of 20% of the required Initial Margin (USD 1,120), i.e. USD 224, so HMNZ will close out client X's position by selling one contract of EUR/USD at the current market rate.

If we assume the current market rate has depreciated further to 1.0720, the realised profit and loss which will be incurred in client X's trading account will be USD -4,800 ((1.0720 - 1.1200) x 100,000)). The final margin in client X's trading account will be USD 200 (USD 5,000 – USD 4,800)

Client X remains entitled to the USD 200 balance in his trading account.

Commodities

Trading in Commodities operates in the same manner as trading in Foreign Exchange, except the underlying asset is a commodity. Examples of metal commodities include Loco London Gold ("LLG") and Loco London Silver ("LLS"). Commodities often have prices quoted in US currency.

When using our services, you can only trade on the quoted Spot Rate for Commodities contracts.

In the same way as described above in relation to Foreign Exchange, we do not deliver the physical underlying asset (whether it be gold, oil, copper, grains, or livestock, for example) to you, and you have no legal right to it. Rather, settlement is made by cash based on the difference between the buy and sell rates of the contracts.

Example of commodities trading

Client X is of the opinion that the price of gold will appreciate against the USD in the near future, so he makes a deposit of USD 4,000 into his margin trading account with HMNZ, and buys two contracts of LLG at the Spot Rate gold price of USD 1,330. Each contract represents 100 ounces of LLG, and has a value of USD 133,000 (USD 1,330 x 100).

In this example, HMNZ requires an Initial Margin of USD 1,000 for buying one contract of LLG, therefore client X is required to make an Initial Margin payment of USD 2,000 in order to purchase two contracts of LLG.

Assuming that the gold price rises from USD 1,330 to USD 1,380 over the course of the day, then the floating profit or loss for client X is calculated as USD 10,000. This is calculated as follows: USD (1,380 – USD 1,330) x 100 x 2.

The leverage (gearing) ratio for this trade is calculated using the following formula:

Gearing ratio=

current gold price (USD) x contract size (ounce per contract) x number of contracts
Initial Margin deposit

Initial Margin deposit

By utilising our margin trading service and depositing USD 4,000 as the Initial Margin for the purchase of two contracts of LLG, client X has magnified his investment exposure by a ratio of 66.5. This is calculated as follows: (1,330 x 100 x 2) / 4,000.

Therefore in this instance, client X has made a relatively large profit as a result of a relatively small movement in the price of the underlying commodity. This is possible due to the magnifying effect of margin trading. Note that if the price of the underlying commodity had decreased, client X would have made a large loss.

Refer to “Example of Forced Liquidation” in the “**Foreign Exchange**” section of this PDS. If the underlying asset in this asset were a commodity, a Forced Liquidation would work in the same manner.

If you enter into a Contract for Difference with us, you agree to buy, but not take delivery of, an asset from us on agreed terms at an agreed price for settlement after the contract is closed by maintaining a deposit, referred to as “margin”. We both agree to renew the contract indefinitely until one of us chooses to close the contract.

Securities indices

Trading in securities operates in the same manner as Foreign Exchange trading, except the underlying asset is a securities index. Examples of securities indices are NAS100 and US30. Securities indices have prices quoted in the currency of their country of origin.

When using our services, you can only trade on the quoted Spot Rate for securities index contracts.

In the same way as described above in relation to Foreign Exchange, we do not deliver the physical underlying assets to you, and you have no legal right to it. Rather, settlement is made by cash based on the difference between the buy and sell rates of the contracts.

Example of securities indices trading

Client X is of the opinion that the value of the US30 will increase in the near future, so he makes a deposit of NZD 1,000 into his margin trading account with HMNZ, and buys two US30 contracts at the Spot Rate of USD 18,200.

In this example, HMNZ requires an Initial Margin of NZD 125 (USD90/Spot Rate NZD/USD = 90/0.72) for buying one US30 contract. Assuming the prevailing NZD/USD rate is 0.72, client X is required to make an Initial Margin payment of NZD 250 in order to purchase two US30 contracts.

If the value of the US30 rises from USD 18,200 to USD 18,300 over the course of the day, the floating profit or loss for client X would be NZD 277.78. This is calculated as follows: 18,300-18,200 x 2 lots = USD 200/ 0.72 = NZD 277.78.

The leverage (gearing) ratio for this trade is calculated using the following formula:

Gearing ratio=

$$\frac{\text{Current US30 value (NZD) x number of contracts}}{\text{Initial Margin deposit}}$$

By utilising our margin trading service and depositing NZD 1,000 as the Initial Margin for the purchase of two US30 contracts, client X has magnified his investment exposure by a ratio of 50.56. This is calculated as follows: 18,200/0.72 x 2/1,000.

Therefore in this instance, client X has made a relatively large profit as a result of a relatively small movement in the price of the underlying securities index. This is possible due to the magnifying effect of margin trading. Note that if the value of the US30 had decreased, client X would have made a large loss.

Dividends

Most cash indices make dividend payments that are applied as debits/credits to your trading account along with the "rollover" to your open positions (see section 4 of this PDS for an explanation of rollovers). Adjustments will apply on the eve of the ex-dividend date of the entities making up the relevant index. The adjustment will appear as a debit or credit cash entry in your trading account.

When a share goes ex-dividend, the price of that share theoretically decreases by the dividend amount. In practice, this does not always happen as there are many market forces affecting a share price. The amount of points an index cash contract for difference drops by is dependent on the weighting of the share within the index. If more than one share in an index contract for difference goes ex-dividend on the same day, the amount of points each share will theoretically cause the sector or index to drop by is added together to calculate the total amount of dividend points or "drop points".

Where an index is a Total Return Index, dividend payments will not be credited or debited.

Refer to “Example of Forced Liquidation” in the “**Foreign Exchange**” section of this PDS. If the underlying asset in this asset was a securities index, a Forced Liquidation would work in the same manner.

<u>What is the term of Contracts For Difference?</u>

There is no expiry date for Contracts For Difference. These contracts continue until closed by either you or by HMNZ.

<u>How you may enter into a derivative</u>

If you would like to trade with us, you must first complete our trading account opening formalities.

These include:

(a) Reading and agreeing to the HMNZ Terms and Conditions;
(b) Reading and understanding this PDS;
(c) Completing an account opening form; and
(d) Providing us with such identity documentation as we request so that we can verify your identity.

All of our trading account opening documents are available on our website at: www. hantecmarketsnz.com.

When we have opened a trading account on your behalf, we will provide you with the details of our client bank account. Upon receiving funds from you, we will apply those funds to your trading account. You will be able to start trading at this stage.

All trading activity you initiate is undertaken through our online trading platform (usually the MT4 platform, which is very widely used in retail margin trading).

Once you have opened a trading account, you will be able to login to the electronic trading platform using the username and password that we have provided to you.

You can only open a Contract For Difference by placing an order electronically and once you have credited your trading account with sufficient funds to purchase the Initial Margin required to enter into the desired contract. The online platform will provide you with a quote and the contract will be entered into and accepted in accordance with the HMNZ Terms and Conditions.

Once logged in, a number of windows will pop up in the platform. In order to place a trade, you first select a currency pair, commodity, asset (e.g. share) or index from the trade window.

For example, if you are choosing a currency pair, you determine which currency is going to be bought and which is going to be sold. Once you have selected a currency pair, commodity, asset or index, you need to select the amount you wish to invest by buying/selling your intended number of contracts.

The "bid" price of a currency is the price at which HMNZ has offered to buy from you a currency against the other currency in the currency pair and the "ask" price represents the price at which HMNZ has offered to sell to you a currency against the other currency. The difference between the bid price and the ask price represents the "Spread".

Once the trade has been executed, the particulars of that trade will be communicated to you electronically, either via the trading platform or by email. You can transfer money into or out of your trading account, subject to the HMNZ Terms and Conditions.

Given that the prices of currencies, commodities and indices are constantly fluctuating, and given possible transmission delays which may occur between when you send us your order and our trading server accepting your order, the price offered by us may change before we receive your order. If you place an order and the price changes before the order is received, the order will be accepted by us at the new price. This means the price at which your order is accepted may be different from the price you were quoted. We cannot predict future price movements and our quotes are not a forecast of where we believe currency prices will be at a future time. You cannot cancel the contract after the trade has been executed.

Order Acceptance

When you enter an order through the trading platform, it will automatically give you a summary of the main elements of your order. If you wish to, you may print this summary so that you can check the order is correct. The trading system will generally accept and process an order. However, we reserve the right to not accept an order if, for example, it is not reasonably practicable for us to do so, or if the underlying currency/contracts have been suspended. Once your order has been executed, you can access your trading account statement online. The account statement is your confirmation.

Risk Management: Stop Loss Orders

The online trading system provides features allowing you to place "Stop Loss" limits where possible. In determining and setting the level of Stop Loss, you should consider the amount of funds you have deposited as an Initial Margin and how much you are prepared to risk. You are responsible for ensuring there are enough funds in your trading account to cover the "Stop" level. You should understand that when you place a Stop Loss Order at a particular level:

(i) The Stop Loss Order will be executed automatically when the market trades at that price, and

(ii) We cannot guarantee that your Stop Loss limit will be executed at the level chosen (or at any other level), because the market may 'gap'. For example, this may occur where there is a difference between the closing price of one day and the opening price of the next day.

Altering or Terminating a Derivative

If you enter into a derivative contract with us, you do so according to the HMNZ Terms and Conditions. For any existing contract, these contract terms cannot be altered unilaterally by us or by you.

We do not permit the selling of your open contracts to another person. If for any reason a market becomes illiquid, we may not be able to close your contract at that time. This is something outside of our control and we will do everything possible to close your contract when market conditions exist.

We only offer Contracts For Difference where there is a current liquid market. Therefore your right to terminate, cancel, surrender or otherwise make or obtain payment can only be effected by closing your open contracts.

You will be able to close out a Contract For Difference by placing an order that is an offsetting opposite position to an existing contract and that order is accepted by us.

We reserve the right to immediately close positions in relation to which margin requirements have not been met, in order to protect against exposure to further losses in the positions. Should you wish to cancel or alter any contract you have entered into with HMNZ, it will be at our complete discretion. If, at your request, we cancel or alter your contract, you may have to pay any costs for exchange rate losses that are incurred.

If the Margin Level in your trading account drops below a predetermined level set by HMNZ or if HMNZ exercises its absolute discretion, then HMNZ is entitled to close out your position at the prevailing market rate without notice to you. See the section "Forced Liquidation" above for more information.

3. RISKS OF THE DERIVATIVES

3.1 Product risks

All derivative contracts carry a high degree of risk. The risk of loss can be substantial. Any transaction involving currencies or commodities is exposed to, among other things, changes in a country's political condition, economic climate and acts of nature, all of which may substantially affect the price or availability of a given currency or commodity.

The following risks arise from entering into the derivative:

(a) Changes in the price, value, or level of the underlying asset

(i) **Market Risk**

There is no guarantee or assurance that you will make profits, or not make losses, or that any unrealised profits or losses will remain unchanged. You could lose the entire margin that you deposit to establish or maintain a derivative contract. In the case of Contracts For Difference, there is a possibility that you may have to pay us additional sums if your margin is insufficient to cover the losses suffered by you after the contract is closed out. Information about prices or rates may be sourced from a number of service providers and may not necessarily be current when provided to you. We do not accept responsibility for this as it is impossible to guarantee prices of your open positions until they are closed out and the price is determined.

In times of high market volatility, the prices of our products may not maintain their usual relationship with the underlying currency or commodities markets. It could become difficult or impossible for you to manage the risk of open positions by entering into opposite positions in another contract or to close out existing positions.

(ii) **Market volatility**

Foreign exchange and commodities markets are subject to many influences which may result in rapid fluctuations.

In times of high market volatility, HMNZ may not be able to guarantee that your contract is closed out at the usual level. **Please note that this could mean that you could lose all of your margin, or even end up losing all of the equity in your trading account and owing us additional funds.** This is referred to as "over-loss". Given the potential levels of volatility, it is strongly recommended that you closely monitor your transactions at all times.

You can eliminate some of the downside risk by the use of Stop Loss Orders. If you use a Stop Loss Order, we will enter into a position opposite to your existing position if the exchange rate or commodities price reaches a level specified by you in advance. However, in a volatile market, there may be a substantial time lag between order placement and execution. This can mean that the entry or exit price may be significantly lower or higher than the price at which the sell (or buy) order (including a Stop Loss Order) was placed. This is known as "gapping", and HMNZ does not guarantee that the Stop Loss Order will be successful in limiting your downside risk, which may be greater than you initially anticipated.

(iii) **Liquidity**

Under certain conditions, it may become difficult or impossible for you to close out your contract. This can occur when there is a significant change in the price of the underlying asset over a short period of time. Some international markets may have a lower trading volume than other more liquid international markets, which may increase the risk that the liquidity of a currency/commodity/index is decreased or removed from the market due to unforeseen economic, political, natural disasters or catastrophic events.

(iv) **Extreme market situations**

If we are unable to perform our obligations to you due to reasons beyond our control, then we will attempt to return any money paid by you. We may also suspend our obligations to you during periods of market disturbance if it is impractical or not possible to trade in relevant financial markets. We will inform you if any of these events should occur.

(b) Other variables that lead to losses for investors

(i) Leverage risk

The use of our margin Foreign Exchange and Commodities facilities involves a high degree of leverage. You can outlay a relatively small Initial Margin, which will serve to secure a significantly larger exposure to an underlying currency/ commodity/ index. The use of margin trading facilities magnifies the size of your trade. Consequently, your potential gain and your potential loss are equally magnified. If the market moves against you and your Initial Margin deposit is diminished, we may automatically close out your position by entering into an equal and opposite position once pre-set limits are triggered.

(ii) Foreign Exchange risk

HMNZ will agree the currency in which your trading account(s) will be denominated with you when you open your trading account. Accordingly, all margins, profits, losses, interest, commission charges and rollover fees in relation to any derivative contracts which you enter into with us will be calculated in your nominated currency.

Accordingly, your profits or losses may be affected by fluctuations in the applicable Foreign Exchange rate between the time the order is placed and the time the contract is closed.

Upon closing out an open position that is denominated in a currency other than the currency of your trading account, the foreign currency balance will be converted to the currency of your trading account. Any conversion will be at the prevailing exchange rate quoted by us at the time of closing the position. Until the foreign currency balance is converted, fluctuations in the relevant exchange rate may affect the profit or loss made on the position.

(iii) Suspended/halted underlying asset risk

In certain circumstances, an underlying financial product may be placed in a trading halt or may be suspended. We may, in our absolute discretion, cancel your order in respect of a margined transaction that has not yet been opened, or close any open margined transaction, where the underlying financial product is the subject of a trading halt or suspension. When you place an order for a derivative contract with us, we will place a corresponding order to purchase or sell the relevant contract to hedge our market risk. We have the discretion as to when and if we will accept an order. Without limiting this discretion, it is likely that we will elect not to accept an order in circumstances where our corresponding order cannot be filled. Accordingly, we may determine at any time, in our absolute discretion, that we will not permit the entry into a margined transaction over one or more underlying contracts. Should you wish to transfer your position to another broker, you would need to close your position on our on-line trading platform and open it with your new broker.

(iv) Market information

We may in the future make available to you a broad range of financial information generated internally or obtained from agents, vendors or partners ("Third Party Providers"). This includes, but is not limited to, financial market data, quotes, prices, news, analyst opinions and research reports, graphs or data ("Market Information").

Market Information provided by us in person, by telephone, or through our website is not intended as advice and we do not endorse or approve the Market Information. We make it available to you only as a service for your own convenience. We and any Third Party Providers do not guarantee the accuracy, timeliness, completeness or correct sequencing of the Market Information or warrant any results from your use or reliance on the Market Information.

Market Information may quickly become unreliable for various reasons including, for example, changes in market conditions or economic circumstances. Neither we nor the Third Party Providers are obligated to update any information or opinions contained in any Market Information and we may discontinue offering Market Information at any time without notice.

(v) Third party trading

Third party trading can be risky. Third party trading services are often called "money managers", "expert advisers" or "mirror trading plugins". They may enable your trading account to mirror trades made by third party asset managers, or offer other advantages. Our platforms may allow you to plug in or otherwise connect to third parties. Some providers of third party plugins may charge you fees, and others do not. Some are approved by us, others are not. Regardless of our approval, we are not responsible for, and will not indemnify you for loss which arises out of your reliance on any statements made by their makers or promoters, or any loss incurred in connection with third party plugins that you use.

Key risks when using third party trades or software include:
(a) You can lose control of your trades and suffer financial loss.
(b) Any software may stop working and you are stuck with open positions and you suffer financial loss.
(c) You can lose more money than your initial deposit.
(d) It may result in you being called to make additional margin payments and your positions may be liquidated.
(e) Some are offered by fraudulent or illegal / underground entities in remote parts of the world.
(f) Some create or are otherwise affected by price latency which may result in significant losses on your trading account due to inaccurate pricing.

If promoters of these plugins or trading services make promises that are too good to be true, then you should avoid them. **You should never provide your trading account user name or password to a third party without our express consent – to do so would be a breach of the HMNZ Terms and Conditions. You are wholly responsible for managing the risks (including the risk of loss) associated with using third parties.**

(c) The consequences of a failure by you to make a payment

If the market moves against your position, you may be required to immediately deposit additional funds as additional margin in order to maintain your position i.e. to "top up" your trading account. Those additional funds may be substantial. If you fail to provide those additional funds, we may close out your open positions. You will also be liable for any shortfall resulting from that closure.

We have the right to set-off any amounts owing to us against any amount payable by us to you. You are not permitted to set-off any amounts owing to us against any amounts that we owe to you.

(d) The consequences of terminating a derivative

If a Contract For Difference is terminated, you will realise a loss or a gain and the amount will accordingly be added to or deducting from your trading balance.

Under the HMNZ Terms and Conditions, failure to meet any additional margin requirements is an event of default and we have the right to immediately close out your contracts. Such action is likely to result in you realising a loss, and could result in you owing us money.

3.2 Issuer risks

As you are entering into derivative contracts with HMNZ as counterparty to every transaction, you will have an exposure to a risk that if we should become insolvent, we may not be in a position to pay you amounts that are owing to you under a derivative contract. This risk is common to all "over the counter" financial market products.

HMNZ's creditworthiness has not been assessed by an approved rating agency. This means that HMNZ has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

3.3 Risks when entering or settling the derivatives

The following risks arise from the processes through which the derivatives are entered into or settled.

(a) Electronic trading platforms

We rely on technology to provide our derivative contract trading facilities to you. There are a number of risks associated with using internet-based trading platforms, such as MT4. These risks include, but are not limited to, risks related to the use of software and/or telecommunications systems, such as software errors and bugs, delays in telecommunications systems, interrupted service, data supply errors, faults or inaccuracies and security breaches. A disruption to the facility may mean you are unable to trade when you want to. Alternatively, an existing transaction may be aborted as a result of a technology failure. An example of disruption includes the "crash" of the computer systems used to operate the online facility. We manage this risk by having state-of-the-art IT systems and backup measures. Notifications you receive from us are made via the electronic platform that you use – if you do not actively use the trading platform to monitor your open positions, you may not be aware when some or all of your open positions are closed out and any related losses occur.

(b) Use and access to the website

You are responsible for providing and maintaining the means by which you access our website. These may include, without limitation, a personal computer, modem and telephone, or other access system available to you.

While the internet is generally reliable, technical problems or other conditions may delay or prevent you from accessing our website. If you are unable to access the internet and thus, our online facility, it may mean you are unable to enter into transactions when desired and you may suffer a loss as a result.

(c) Latency and price feed risk

Internet, connectivity delays and price feed errors sometimes create a situation where the prices displayed on our trading screen do not accurately reflect market rates. We are not responsible for any loss which you sustain as a result, and we may take action to recover any loss sustained by us as a result, including repairing, reversing, opening, and/or rolling over new or existing positions.

4. FEES

Type:
Spread Cost

Description:
Foreign exchange, commodities, and index transactions incur costs relating to the Spread between the bid price and ask price. The “bid price” represents the price at which we are willing to notionally buy currency or commodities from clients and the “ask price” is the price at which we are willing to notionally sell to clients. This price difference is called the “Spread”. The price difference of this Spread will depend on factors such as the size and value of the transaction and prevailing market rates. This Spread is paid by you, but is incorporated into the quoted rates and is not an additional charge or fee payable by you above those quoted rates.

Example of a Spread:
The exchange rate between the Japanese Yen (JPY) and the United States Dollar (USD) might be JPY 100.80. to USD 1. A person looking to convert JPY into USD might have to pay JPY 100.80 for each USD, while a person looking to convert USD to JPY might receive only 100.70 JPY for each USD they convert. The bid-ask spread for the currency pair is 100.80 - 100.70 = 0.10, or 10 “basis points”. In this example, if HMNZ quoted these prices to you and you proceeded to buy the currency at the ask price, then HMNZ would retain the 10 basis point Spread if there is another client who sells the currency to HMNZ at the bid price.

Type:
Commission

Description:
HMNZ does not charge commission fees for using its services.

If you use our services via a third party (see Section 6 below), HMNZ may deduct a commission fee on behalf of the third party in one of two ways:

- a fixed amount for each transaction (e.g. USD 20 per contract); or
- an amount which is added to the existing Spread (e.g. an extra 2 basis points to the Spread).

You will only be charged a fixed amount for each transaction if this is something that you have agreed in advance with the third party.

If we have agreed to pay a commission out of the Spread to the third party, this will be an arrangement between HMNZ and the third party. In this case, HMNZ will not deduct any separate commission fees from your trading account balance. However, you should be aware that the Spread might be slightly higher than would otherwise be made available to you, so as to allow the difference to be paid to the third party. The precise commission which will be payable by you will depend on a number of factors, including the volume of trading you undertake and the products and services you acquire from or through us or the third party.

Type:
Rollover interest rate

Description:
You may earn or pay interest ("rollover interest") by entering and holding a margined contract overnight. The interest rate you earn or pay depends on the type and size of products that you buy or sell, the interest rate differential between the currency pair you have bought/sold (where applicable) and the duration of the rollover period. Interest rates are calculated on an on-going basis and are subject to change due to many macroeconomics factors including but not limited to the monetary policies of central banks and the liquidity in the international banking system. HMNZ may adjust interest rates at any time based on the market conditions and its own positions in the market without notice to the client.

Example of a rollover interest rate:
You buy 100,000 EURUSD while the EURUSD price at rollover time is 1.1200. If you decide to hold this contract to the next Business Day, given that the long EURUSD overnight interest rate is -1.8% pa, the rollover interest that you would have to pay is USD5.60. This is calculated as follows: USD100,000 x (1.8%/360) x 1.12.

Type:
Conversion cost

Description:
If you instruct HMNZ to effect a transaction denominated in a foreign currency, you will need to convert your currency into the required foreign currency through a bank and deposit the money into your HMNZ trading account. The bank will charge you for this service. It is also possible that you could obtain a preferable rate of exchange through a different financial institution.

Alternatively, HMNZ may convert your funds by first quoting you a Spot Price pursuant to the HMNZ Terms and Conditions. If you choose to accept HMNZ's quoted prices, then the transaction will usually take place immediately, upon receipt of your cleared funds. The new currency will be delivered to your HMNZ trading account. We will be paid the difference between the rate at which we buy and sell to you the currency (also called the "Spread Cost" – see above).

Type:
Administrative Charges

Description:
HMNZ will charge a fee for the following administrative services when they are requested by you or people authorised to trade on your behalf:

Hard Copy duplicate statement (posted to you)	NZD 50.00 per statement
Transcripts of telephone conversation	NZD 10 per minute
Copies of telephone conversation	NZD 10 per minute
Audit certificates	NZD 100 per copy

The above administrative charges will become payable immediately after we have provided you with the service and will be deducted from your trading account shortly after the relevant event happens (e.g. if you request a particular document from us). These fees are subject to change at any time and upon notice given as described in the HMNZ Terms and Conditions.

Type:
Dormant Account Fee

Description:
If a trading account is not used for trading within a 12-month period, HMNZ will charge a dormant account fee of NZD 25 per year. The fee covers the administrative cost of maintaining your account.

This fee will be deducted from your trading account on the anniversary of the last transaction in the trading account. If your trading account balance is zero or if the fee will bring the balance to zero (or negative), HMNZ will charge such part of the fee as brings the trading account balance to zero and then close the account.

Type:
Bank Fees

Description:
When you add funds to, or withdraw funds from, your trading account, those funds will be transferred between your nominated bank account and our nominated client money bank account. These transactions are likely to incur banking transfer fees. You are responsible for paying all such banking fees.

If the bank account from which you transfer fees to us is in New Zealand

If the bank account from which you transfer funds to us is in New Zealand, the full amount received by HMNZ shall be applied to your credit balance. If the bank account we request you to transfer funds to is outside of New Zealand, we will reimburse you in full for the cross border transfer bank fees paid by you when transferring funds to or withdrawing funds from your trading account. To claim reimbursement, please provide us with a copy of correspondence from your bank that shows that banking fees were paid by you in connection with the transfer.

For further details, please contact our Sales and Marketing Department at sales@hantecmarketsnz.com

If the bank account from which you transfer fees to us is outside of New Zealand

If the bank account from which you transfer funds to us is outside of New Zealand, when you

- transfer funds to our nominated bank account for onward credit to your trading account, the full amount received by HMNZ**,** assuming that all bank transfer fees have been deducted by the banks, shall be applied to your credit balance;

- withdraw funds, you will receive the full amount less any "Telegraphic Transfer" (TT) fee charged to us by the banks involved in the transaction. The TT fee is payable by you on funds we send you. This fee is charged by our banks at their prevailing rates to affect the transfer of funds to an overseas bank account.

Credit/Debit Card Fees

We do not charge credit/debit card fees. However, you will be charged fees (both inward and outward) by the card-processing provider. We recommend that you request the fee schedule from the provider before making a transaction. HMNZ will only credit to your trading account the net amount it receives.

When are Fees Payable?

Unless stated to the contrary in this PDS, all fees are payable at time of settlement.

Right To Alter Fees

We reserve the right to alter our fees, commissions and any other charges from time to time. This will generally be based on us passing on increases of fees we are charged from our providers. If an increase is made, it will be updated on our website and in any updated version of this PDS. Notification will also be sent to all affected customers as described in the HMNZ Terms and Conditions.

5. HOW HANTEC MARKETS (NEW ZEALAND) COMPANY LIMITED TREATS FUNDS RECEIVED FROM YOU

Funding your account

You may deposit funds into your trading account using the bank account details found on our website: www.hantecmarketsnz.com. When making a deposit, please ensure that you state your trading account number on the reference to ensure timely processing to your account. Full details of this process will be provided at the time you create a trading account.

HMNZ accepts credit/debit card payments and other means of electronic payment, as specified on our website. Your funds will be credited to your trading account upon satisfaction of our customer due diligence procedures. In the event that HMNZ cannot enter into a derivative contract with you, we will return the funds to you via the same means as we received them.

HMNZ has a strict policy of not dealing in cash.

Use of your funds

Funds deposited by our clients are segregated from our own funds and are held in a designated client bank account in accordance with New Zealand legal requirements. You relinquish the right to any interest on funds deposited with HMNZ. Funds belonging to individual clients are not separated from each other but, instead, are pooled together.

HMNZ will hold your funds in our segregated client fund bank account on trust for you and will not withdraw or use any such funds without receiving a request for a return of funds by you, or where you provide us with a legal right to that money because of outstanding fees owed to us or in such other circumstances as referred to in Section 7 'Operation of Client Account' of the HMNZ Terms and Conditions. However, if you should choose to enter into a derivative contract with us, we may use your funds to hedge our exposure to you by entering into, securing, or settling offsetting derivatives with our hedging counterparty.

We have the right to set-off any amounts owing to us against any amount payable by us to you. You are not permitted to set-off any amounts owing to us against any amounts that we owe to you.

Our hedging counterparty is Hantec Markets (Australia) Proprietary Limited ("HMA"), which is regulated by the Australian Securities and Investments Commission and which holds client funds in segregated client trust accounts. Further details are available at: www.hantecmarkets.com/about-hma/regulated-env.html

When entering into, securing or settling offsetting derivatives with HMA, we may use funds not exceeding the value of the margins that you place in your trading account to enter into, secure or settle a derivative with us.

You acknowledge that we have a general lien in relation to the balance of your trading account for the purpose of discharging any obligations or liability you may have to us in relation to your trading activities.

6. ABOUT HANTEC MARKETS (NEW ZEALAND) COMPANY LIMITED

Hantec Markets (New Zealand) Company Limited ("HMNZ") is the issuer of this PDS.

HMNZ is subject to a range of legal obligations, including those set out in the Financial Markets Conduct Act 2013, the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

Under the Financial Markets Conduct Act 2013, all derivatives issuers offering to retail investors in New Zealand must obtain a derivatives issuer licence. HMNZ obtained a derivatives issuer licence from the Financial Markets Authority in New Zealand on 7 November 2018.

HMNZ is a New Zealand registered company. Its company number is 5687627. Its registration details are kept on the New Zealand Companies Register, which is maintained by the New Zealand Companies Office. The register can be searched at: https://companies-register.companiesoffice.govt.nz.

HMNZ is a registered financial service provider (FSP539286) and its details are set out on the Financial Service Providers Register. You can search the Financial Service Providers Register at: https://fsp-register.companiesoffice.govt.nz.

HMNZ offers execution only services, which means that our staff do not offer financial advice.

Should you have any queries about this document, please do not hesitate to contact us. Our contact details are:

Compliance Department	
Hantec Markets (New Zealand) Company Limited	
Postal Address:	PO Box 1338, Shortland Street, Auckland 1140, New Zealand
Office Address:	Level 2, Building A, 600 Great South Road, Ellerslie, Auckland 1051, New Zealand
Phone:	(09) 523 2770
Email:	compliance@hantecmarketsnz.com

Further information about HMNZ is available on our website: www.hantecmarketsnz.com

7. HOW TO COMPLAIN

In the event you have a complaint about HMNZ, you can contact your HMNZ Representative and discuss your complaint.

If your complaint is not satisfactorily resolved, please contact us at:

Compliance Department	
Hantec Market (New Zealand) Company Limited	
Postal Address:	PO Box 1338 Shortland Street, Auckland 1140, New Zealand
Phone:	(09) 523 2770

Upon receipt of your complaint, we will acknowledge its receipt in writing within five (5) Business Days. We will aim to investigate it and respond to you within ten (10) Business Days from the date on which we receive it.

FSP Dispute Resolution Service

If we cannot resolve your complaint to your satisfaction, you can refer the matter to HMNZ's external dispute resolution scheme, Financial Dispute Resolution Service ("FDRS").

FDRS will not charge you a fee to investigate or resolve a complaint.

FDRS can be contacted at:

Email:	enquiries@fdrs.org.nz	
Address:	Level 4, 142 Lambton Quay, Wellington Central, Wellington 6011	
Telephone:	within New Zealand:	0508 337 337 (freephone) weekdays between 8.30am and 5pm (excluding national holidays)
	outside of New Zealand: + 64 4 910 9952	

8. WHERE YOU CAN FIND MORE INFORMATION

If you require further information relating to Hantec Markets (New Zealand) Company Limited ("HMNZ") or to any of the financial products described in this PDS, you can obtain it by:

a. Looking on the offer register (please see below).

b. Contacting us directly.

c. Looking on our website: www.hantecmarketsnz.com,

d. Reading the HMNZ Terms and Conditions (available on our website: www.hantecmarketsnz.com).

Offer Register

Further information relating to HMNZ and the derivatives that we offer is available from the offer register (for example, financial statements).

A copy of the information on the offer register is available on request to the Registrar of Financial Services Providers.

You can access the offer register at:

https://www.disclose-register.companiesoffice.govt.nz

Upon request to HMNZ

For general information about trading any of our derivative contracts, opening a trading account and using the online trading platform, please contact our Sales and Marketing Department at:

Hantec Market (New Zealand) Company Limited	
Postal Address:	PO Box 1338, Shortland Street, Auckland 1140, New Zealand
Office Address:	Level 2, Building A, 600 Great South Road, Ellerslie, Auckland 1051, New Zealand
Phone:	(09) 523 2777
Email:	sales@hantecmarketsnz.com

Our team is available to assist you Monday to Friday between 9am and 6pm (in New Zealand).

There is no charge for requesting information.

Detailed information is maintained and available at: www.hantecmarketsnz.com

9. HOW TO ENTER INTO A CLIENT AGREEMENT

In order to trade with HMNZ, you must open a trading account with us. The operation of this account is subject to the HMNZ Terms and Conditions. You must complete our account opening documentation and provide us with all requested client due diligence information and supporting documentation to our satisfaction before we can open a trading account for you.

You can enter into a client agreement in one of three ways. You can either:

(1) contact our Sales and Marketing Department and request paper copies of all trading account opening documentation, which you must then complete and return to us; or

(2) visit our website at: www.hantecmarketsnz.com, download the appropriate account opening form, which you must then complete and return to us; or

(3) visit our website at: www.hantecmarketsnz.com and complete the online account opening form (please note, this option is not available for joint applicants).

You can view or download copies of these documents prior to the application process on HMNZ's website at: www.hantecmarketsnz.com

GLOSSARY

Base Currency

This is the currency in which your trading account is denominated. For example, if it is USD, you can only transfer USD into that account. The profit or loss is also converted into that currency.

Business Day

A Business Day is a day on which commercial banks are open for business (including dealings in foreign exchange) in New Zealand and the host countries of the relevant currencies, indices, commodities or other assets (eg. shares).

Contract For Difference

This is a type of derivative contract offered by HMNZ. Further details are set out in section 2 of this PDS ("Key features of the derivatives").

Cut Loss Margin Level

This is the pre-set level at which HMNZ automatically closes out your position. It is expressed as a percentage of the Initial Margin required to open the contract. HMNZ may amend the level after giving you notice. Details of changes will be announced on the trading platform.

EUR

Euro – the official currency of the European Union.

Forced Liquidation

This is described in section 4 of this PDS.

FX

Foreign Exchange

HMNZ Terms and Conditions

These are the standard terms and conditions that govern our relationship with you, to which you are required to agree before you can use the products described in this PDS. Note that these may be varied by us from time to time at our absolute discretion. You can obtain a free copy of this document by contacting us using the details at the start of this PDS, or by downloading a copy from HMNZ's website at: www.hantecmarketsnz.com.

Initial Margin

HMNZ requires an Initial Margin before you can trade. An Initial Margin is the minimum margin requirement for clients to trade and is typically 1% of the contract amount (e.g. you need to deposit NZD 1,000 for a contract with a Notional Amount of NZD 100,000) or an amount set by HNMZ, (e.g. USD 1,000 per Contract of 100,000 units of the trading currency). HMNZ will tell you what Initial Margin is required before you trade. HMNZ may vary the Initial Margin at its own discretion.

LLG

Gold

LLS

Silver

Margin Level

The equity or balance of funds in your account

Notional Contract Amount or Notional Amount

This refers to the value of your contract, which is only notional because you do not have a legal right to the full amount. For example, if your Initial Margin is USD 1,000, which is only 1% of the Contract size, then the Notional Contract Amount (or Notional Amount) is USD 100,000.

NZD

New Zealand dollar

PDS

Product Disclosure Statement

Representative

Includes a director or employee of HMNZ, and a director or employee of any company related to HMNZ, as well as any other entity that is appointed as an authorised Representative of HMNZ.

Spot Rate

The price that currency, index, commodity or other asset is quoted at, for an immediate "on the spot" transaction.

Spread

Foreign exchange, index, commodities or other asset (eg. shares) transactions incur costs relating to the Spread between the bid price and ask price. The "bid price" is the price at which we are willing to notionally buy currency, indices, commodities or other assets from clients and the "ask price" is the price at which we are willing to notionally sell to clients. This price difference is called the “Spread”. The price difference of this Spread will depend on factors such as the size and value of the transaction and prevailing market rates. This Spread is paid by you, but is incorporated into the quoted rates and is not an additional charge or fee payable by you above those quoted rates.

Stop Loss Order

An order by the client to close out a Contract when a certain profit or loss is incurred in the client’s open position.

T+2

This refers to “2 Business Days after the trade day”.

Total Return Index

This refers to an index that measures the performance of the securities in the index by assuming that all dividends are reinvested. The S&P 500 is an example of a Total Return Index.

USD

United States Dollar.