



# TradeMax Australia Limited

## Risk Disclosure

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Trading in financial products always involves a risk. As a general rule, you should therefore only trade in financial products if you understand the products and the risks associated with them. We have endeavoured in the following sections to cover the key leveraged products that TradeMax Australia offers to its clients as well as the risks associated with these particular products.

### **Foreign Exchange (Forex) Trading**

When trading in foreign exchange, the investor takes a view on the development of the price of one currency relative to another, where one is sold and the other is purchased. By way of example, an investor may sell Australian Dollar (AUD) against the US dollar (USD) if he expects that the USD will increase relative to the AUD.

Foreign exchange is traded as a leveraged product, which means that for a small outlay, you can open and trade larger positions in the market. Foreign exchange may be traded as FX Spot, FX Forward or FX Options. FX Spot is the purchase of one currency against the sale of another for immediate delivery.

The currency exchange market is the world's largest financial market with 24 hour trading on working days. It is characterised, among other things, by a relatively low profit margin compared to other products. A high profit is therefore subject to a large trading volume, which is achieved for instance by margin trading as described above. When trading in foreign exchange, a gain realised by one market player will always be offset by another player's loss. Foreign exchange transactions are always made with TradeMax Australia as counterparty, and TradeMax Australia quotes prices on the basis of prices that can be obtained in the market.

Please note that as foreign exchange is margin traded, it allows you to take a larger position than you would otherwise be able to base on your funds with TradeMax Australia. As such, a relatively small negative or positive market movement can have a significant effect on your investment. Foreign exchange trading therefore involves a relatively high level of risk. This makes the potential gain quite high, even if the deposit is relatively small. If your total exposure on margin trades exceeds your deposit, you risk losing more than your deposit. Please also note that for margin trades, TradeMax Australia has the right to amend the margin requirements at any time and you will be required to either top up funds or reduce positions (which may be at a loss) in such an instance, to avoid being forced closed out automatically by the trading platform.

## Contract for Differences (CFD) Trading

A CFD - or Contract for Difference - is an agreement between two parties to exchange the difference between the purchase and sale price of a financial instrument or security. The product allows you to take a view on the future increases or decreases in the value of a specific asset, for instance a share. If your view proves to be correct, you will make a profit from the difference in value (less costs). If the view you took turns out to be wrong, you will have to pay the difference in value (plus costs). Being tied to an underlying asset, the value of a CFD depends on that asset. CFDs are always margin traded (see the above paragraph on foreign exchange transactions). CFDs are normally traded with TradeMax Australia as the counterparty, but some CFDs may be traded on a regulated market. However, the price always moves with the price of the underlying product, which is in most cases traded on a regulated market. The price and liquidity of CFDs on individual financial instrument mirror the price and liquidity of the instrument on the market in which it is admitted for trading, whereas, for instance, FX CFDs are over-the counter (OTC) products with a price fixed by TradeMax Australia on the basis of the price and liquidity of the FX Spot, the foreign exchange market, the effects of economic and political factors, etc.

Please note that as CFDs are margin traded, it allows you to take a larger position than you would otherwise be able to base on your funds with TradeMax Australia. As such, a relatively small negative or positive movement in the underlying instrument can have a significant effect on your investment. CFD trading therefore involves a relatively high level of risk. This makes the potential gain quite high, even if the deposit is relatively small. If your total exposure on margin trades exceeds your deposit, you risk losing more than your deposit. Please also note that for margin trades, TradeMax Australia has the right to amend the margin requirements at any time and you will be required to either top up funds or reduce positions (which may be at a loss) in such an instance, to avoid being forced closed out automatically by the trading platform.