



Phillip Capital Trading Pty Ltd

CFD Counterparty Risk - Hedging Policy

28 March 2018

CONTRACTS FOR DIFFERENCE (CFD)

Over The Counter CFDs Issued to Retail Investors

(Refer to ASIC Regulatory Guide 227 - Over-The-Counter Contracts For Difference: Improving disclosure for retail investors)

Phillip Capital Trading's Policy in respect of Benchmark 3 of ASIC Regulatory Guide 227

Phillip Capital Trading manages its exposure to Market risks from client positions by:

- having in place appropriate hedging strategies with counterparties that PhillipCapital has assessed as being of strong financial standing;
- where PhillipCapital is dealing on one side of a transaction, PhillipCapital will look to hedge the open position in the market in accordance with the hedging process operated by PhillipCapital;
- Under the Direct Market Access (DMA) pricing model, PhillipCapital will automatically place a corresponding order directly in the underlying equity Market and therefore PhillipCapital does not carry any Market risk from the trade; and
- taking a number of factors into consideration when selecting hedging counterparties. PhillipCapital considers financial standing, global presence and internal processes for managing risk. Additional factors include; their reputation, experience in over the counter products and prior business dealings.

ASIC Reg Guide 227.51(a)

Current Hedging Policy Applied by Phillip Capital Trading is that all CFD positions are automatically hedged by Phillip Capital Trading under the DMA/STP model. At a future point in time if Phillip Capital Trading applies a hedging policy that does not automatically and immediately hedge all positions, a formal written policy will be developed and approved by management which will include risk management of non-hedged positions.

Hedging Counterparties:

- Any non-Phillip Group hedging counterparties are approved by the Phillip Group head office in Singapore following a process assessing financial standing, global presence, reputation etc as mentioned above.
- Currently Phillip Capital Trading uses the following Hedging Counterparties:
 - Phillip Securities Pte Ltd - CFTrader.
 - Phillip Futures Pte Ltd - MT4.
 - FXCM UK - MT4.
 - King & Shaxson Capital Limited - MT4

ASIC Reg Guide 227.51(b)