

prospero



WHOLESALE CLIENT QUESTIONNAIRE

Margin FX Contracts and CFDs

Issuer:

Prospero Markets Pty Ltd

ABN 11 145 048 577



WHOLESALE CLIENT QUESTIONNAIRE

CONTRACTS FOR DIFFERENCES & MARGIN FX CONTRACTS

The financial information and representations in this questionnaire are required to be provided to Prospero Markets Pty Ltd (AFSL Number: 423034) for the undersigned to qualify as an "Wholesale Client" as defined by Chapter 7 of Corporations Act 2001 (Cth) ("**Corporations Act**") in order to receive financial services from Prospero Markets in relation to contracts for differences (**CFDs**) and margin foreign exchange contracts (**Margin FX Contracts**) (together the "**Products**"). The prospective client must read, qualify under, and initial at least one of the sections below.

The undersigned prospective client represents and warrants for purposes of receiving financial services from Prospero Markets in relation to Products that the prospective client is and shall be acting for its own account and shall at all times qualify, notwithstanding any subsequent determination to the contrary, as an "Wholesale Client" as defined by Section 761G and Section 761GA of the Corporations Act because the prospective client:

Guidance:

- Check and Initial any and all that apply. Please note that all monetary figures are given in AUD; and
- Please note in accordance with the Corporations Act, the reference to person refers to a natural individual or legal entity.

<input type="checkbox"/>	<p>Sophisticated Investor Test (in accordance with s 761GA Corporations Act) – the person has satisfied Prospero Markets that they have previous experience in using <u>financial services</u> and investing in <u>financial products</u>, and the product/service is not provided in connection with a business.</p> <p><i>Note: If qualifying under this criterion, the prospective client will need to provide proof and or confirmation of its experience. Please refer to Appendix. Prospero Markets may ask for additional information to confirm as it deems necessary.</i></p>
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The undersigned prospective client represents that the information contained herein is complete and accurate and may be relied upon by Prospero Markets and its respective principals, associates and affiliates in determining the prospective client's qualification as an Wholesale Client as defined by Chapter 7 Corporations Act 2001; and that the prospective client will notify Prospero Markets immediately of any material change in any such information occurring prior to entering into any foreign currency transaction through or with such entities.

Signature of Prospective Client

Signature of Joint Account Holder
(if applicable)

Name of Client (Please Print)

Name of Joint Account Holder
(Please Print)

Applicable ID No.



Appendix A– Sophisticated Investor Form

For completion where Sophisticated Investor applicant is applying for consideration as an “Sophisticated Investor” under Section 761GA of the Corporations Act

Name:	
Address:	
Occupation	
Qualifications:	

I wish to apply using the following method of qualification:

1. Income requirement:

1.1. Have net investable asset of minimum AUD \$500,000

OR

1.2. Have net income of AUD \$100,000 in the past financial year;

We will require documentary evidence from the applicants to prove their investable asset and source of income. Examples are:

- Accountant’s Certificate (Refer to Wholesale Client Questionnaire Form)
- Copies of bank statement/ chess sponsorship statement / wealth manager or stockbroker account statement or combination for 1.1, and
- Copies of payslips/PAYG summary/ interest statement/ dividend statement/rental or lease agreement or combination for 1.2.

AND

2. Knowledge Test:

Have demonstrable knowledge of CFD or other leveraged derivatives trading by completing a short knowledge test;

This will include 20 multiple choice questions, all relatively advanced and will involve complex lot size/PnL calculations. Please refer to the attached Knowledge and Appropriateness Test Questions.

AND

3.Trading experience requirement:

3.1 Provide account/transaction statements showing minimum of 20 transactions (Including FX, indices, commodities, metals and Share CFDs) and AUD\$500,000 aggregate notional transaction value per quarter in at least 4 quarters over the past 2 years.

Please note the 4 qualifying quarters do not necessarily have to be consecutive, essentially any 4 quarters out of the last 8.

OR

3.2 Provide evidence of employment showing that the client is currently working or have previously worked for at least one year in a professional position which requires the knowledge of, and experience in, leveraged trading in FX or CFDs

OR

3.3 Investment Experience and Qualifications:

(Please include details on size of investments made or managed, frequency of investments, number of years you have been investing, unlisted investments undertaken, experience with unlisted and listed investments, and frequency of such investment activity relative to your equity investments.)



Knowledge and Appropriateness Test Questions

1. When your open positions collectively have an unrealised profit, which of the following statement is true?
 - a. Your account equity is larger than your account balance
 - b. Your free margin is larger than your margin
 - c. Your account balance is larger than your account equity
2. Which of the following is true when the spread widens?
 - a. The profit from a trade increase
 - b. The loss from a trade increase
 - c. The difference between the bid and the ask price increases
3. When are you likely to be asked the add funds to your account?
 - a. If the market moves against you, and it results in a margin call
 - b. When I have closed my position for a profit
 - c. When someone suggest adding funds because you are trading profitably
4. When you trade a share CFD, which statement is true?
 - a. You have the right to attend the annual general meeting
 - b. You take on less risk than trading physical shares
 - c. You don't own the underlying stock directly in your name
5. Which of the following best describes 'gapping'?
 - a. Gapping is the break between prices on a chart that occurs when the price of a market makes a sharp move up or down with no trading occurring between those prices
 - b. The change in your account balance after making a large deposit or withdrawal
 - c. The 'gap' is the difference between the buy and the sell price
6. Who is ultimately responsible for monitoring and managing your trading account?
 - a. The Company's risk team
 - b. It is my responsibility to monitor and manage my trading account
 - c. My trading account does not require management or monitoring
7. Which of the following is a major currency pair?
 - a. USDCAD
 - b. USDTRY
 - c. AUDNZD
8. What does it mean when a market has low volatility?
 - a. When there is little or no movement in price over a period of time
 - b. When there are large movements in price over a short period of time
 - c. Volatility is a measure of how much profit you will make on a trade
9. AUDUSD contracts have a margin requirement of 4%. You opened a position in AUDUSD with notional value of A\$100,000. What is the margin requirement?
 - a. A\$4,000
 - b. A\$40,000
 - c. A\$400

10. What does a stop loss do?
- Guarantees you will not lose money
 - Pays you a bonus if it gets activated
 - Limits your loss by closing your trade at the next available price
11. What are the risks of trading leveraged products?
- You could potentially lose more money than you deposited on your account
 - Due to the leverage element, you may suffer losses normally associated with a much larger investment
 - Highly leveraged transactions are subject to significant changes in value as a result of relatively small changes in the value or level of an underlying asset
 - All of the above
12. You decide to buy A\$100,000 of AUDUSD at 0.74000. A few weeks later the sell price stands at 0.72000. If you close your position at 0.73000, how much profit/loss will you make in USD (not counting any charges or commission payments)?
- \$100 loss
 - \$100 profit
 - \$1,000 profit
 - \$1,000 loss
13. Which of the following situations would require you to fund your account?
- When you are making a profit
 - The market is going against you and you are nearing auto close out, but you want to keep your positions open
 - Your positions have been closed and you do not want to open any more
14. When your stop-loss (SL) on a long position is triggered, at which of the below prices will the SL be executed?
- At the bid price
 - At the ask price
 - At the midpoint of the bid-ask spread
15. When trading CFD shares on margin, which of the following statements are correct?
- You will own a percentage of the company you have placed a trade on
 - Your profits and losses will be magnified relative to the margin requirement
 - The CFD trade will entitle you to take part in shareholder votes
16. You hold a 3 oz. long (buy) position in Australian dollar spot gold and the market mid-price is currently A\$2,200. If the margin requirement for this trade is 5%, what is the total margin requirement for this trade?
- A\$2,200
 - A\$330
 - A\$3,300

- d. A\$220
17. The size of one contract of Crude oil is 1000 barrels. It is currently trading at \$50 per barrel, and you decide to buy five contracts for \$250,000 (\$50 x 5000 barrels). Later, the price of Crude oil drops to \$45 per barrel and you decide to close your position. How much profit/loss have you made (ignoring any charges or commission payments)?
- a. \$50,000 profit
- b. \$25,000 loss
- c. \$50,000 loss
- d. \$25,000 profit
18. What does a 5:1 reward-to-risk ratio mean?
- a. If you risk \$250, you can lose \$1,250
- b. If you risk \$350, you have a chance of winning \$1750
- c. You stand to win \$5,000, if you risk \$25,000
19. When trading a leverage product, which statement is true?
- a. Both profits and losses can be magnified
- b. Only profits can be magnified
- c. Only losses can be magnified
20. You have a current account balance of A\$50,000, account equity of A\$40,000, and only one open position in AUDUSD with margin requirement of A\$30,000. The margin call level is 100%. Under which of the following circumstances will you receive a margin call?
- a. When your account balance is lower than \$40,000
- b. When your account balance is lower than \$50,000
- c. When your account equity is lower than \$30,000

Client Acknowledgements:

Prospero Markets holds an Australian Financial Services Licence number 400364.

I, _____ (Client Name) consider that I have the necessary previous experience in using financial services and investing in financial products that allows me to assess:

- The services offered by Prospero Markets in relation to the proposed financial products;
- The value of the services offered by Prospero Markets in relation to the financial products; and
- The adequacy of information provided to me by Prospero Markets relating to the

financial products.

I also consider that I have the necessary previous investment experience to assess:

- The merits of the product or service; and
- The value of the product or service; and
- The risks associated with holding the product; and
- My own information needs; and
- The adequacy of the information given by the licensee and the product issuer.

By completing and submitting this request, I acknowledge that if I am accepted as a client of Prospero Markets, I have not received and will not receive from *Prospero Markets* any documentation such as a product disclosure document relating to the financial products that would be required to be given to me if I was a retail client. Prospero Markets does not have any other obligation to me that it would have if I were a retail client as per section 761G of the Corporations Act.

Signature of Prospective Client

Name of Client



Appendix B – Letter from an Accountant

If the prospective client is to meet the requirements of a “wholesale” client pursuant to the Net Wealth or Income Test then the prospective client must provide Prospero Markets with a certificate from a qualified accountant confirming that the prospective client meets the definition of a “wholesale” client as per below:

(a) Australian clients

For the purposes of the Corporations Act, the “accountant’s letter” must be from a qualified accountant, being a member of the Institute of Chartered Accountants in Australia/Australian Society of Certified Practising Accountants/National Institute of Accountants.

(b) Foreign clients

An ASIC Class Order (CO 04/173) expands the scope of who may be a qualified accountant to include any member of an eligible foreign professional body (see below) who:

- A. has at least three years of practical experience in accounting or auditing; and
- B. is only providing a certificate for the purposes of section 761G(7)(c) of the Corporations Act to a person who is resident in the same country (other than Australia) as that member.

An eligible foreign professional body covers:

- the American Institute of Certified Public Accountants;
- Association of Certified Chartered Accountants (United Kingdom);
- Canadian Institute of Chartered Accountants;
- Institute of Chartered Accountants of New Zealand;
- the Institute of Chartered Accountants in England and Wales;
- the Institute of Chartered Accountants in Ireland; and
- the Institute of Chartered Accountants of Scotland.

In addition to being provided with a certificate from the prospective client’s accountant confirming the prospective client meets the definition of a “wholesale” client, Prospero

Markets must receive written confirmation from the prospective client that the product/service **is not provided in connection with a business.**

Accordingly, it is clear that prior to the commencement of a relationship with a client, Prospero Markets must confirm the client is wholesale. However, in addition, as Prospero Markets provides ongoing financial services to its clients (such as advice via its reports), s761G(7)(c) Corporations Act technically requires Prospero Markets, before the provision of the product or service, to confirm the client is wholesale and obtain an up to date accountant's certificate which is dated within the preceding 6 months.

Effectively, this means that Prospero Markets must obtain an updated accountant's letter from its clients every 6 months where the transaction in which the client is involved is receiving ongoing financial services from Prospero Markets.

ACCOUNTANT'S CERTIFICATE

(Chapter 7 of the Corporations Act)

This certificate is issued under Chapter 7 of the Corporations Act (Cth) by:

	<i>[full name of accountant]</i>
of	<i>[name of firm]</i>
	<i>[business address]</i>

am a qualified accountant within the meaning of section 9 of the Corporations Act and ASIC Regulatory Guide 154.

I confirm that I am a member of (*please tick applicable option*):

<input type="checkbox"/>	CPA Australia who is entitled to use the post-nominals "CPA" or "FCPA";
<input type="checkbox"/>	Institute of Chartered Accountants in Australia who is entitled to use the post-nominals "CA", "ACA" or "FCA";
<input type="checkbox"/>	Institute of Public Accountants who is entitled to use the post-nominals "AIPA" or "MIPA", or "FIPA";
<input type="checkbox"/>	<p>Other foreign eligible professional body for the purposes of the Corporations Act 2001 <i>(please specify professional body)</i></p> <p>_____ , and</p> <p>(i) I have at least 3 years practical experience as an accountant or auditor and;</p> <p>(ii) I am giving this certificate in respect of a resident of my country of qualification, not being an Australia resident and I am subject to and comply with the relevant body's continuing professional education requirements.</p>

I am giving this certificate at the request of and with reference to:

Name:	<i>(the Investor)</i>
Address:	
Occupation	

Having reviewed the financial position of the Investor, I certify that the Investor is a Wholesale Client as defined by section 761G(7)(c) of the Corporations Act 2001 (Cth) because the Investor has:

(Please tick applicable option)

<input type="checkbox"/>	net individual assets prior to certificate issue of at least \$0.5 million (excluding superannuation and the family home) as at _____ (insert date)
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<input type="checkbox"/>	received a gross income of \$100,000.00 or more in each of the last two financial years ending on 30 June_____ and 30 June_____
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I am aware that **Prospero Markets** or any of its related entities may rely on this certificate for such period as is permitted by the Corporations Act.

Accountant Signature

Date

Accountant Name



Office use only

Prospero Markets is satisfied on reasonable grounds the client has sufficient experience for the following reasons:

This client has been approved and accepted as a wholesale

Signed:

Name:

Position:

Date:

