FAIR MARKETS

HEDGING POLICY

You deal with FAIRMARKETS TRADING PTY LTD ("FAIRMARKETS") 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 FAIRMARKETS were to become insolvent. Due to the seriousness of such an event, FAIRMARKETS has stringent procedures to ensure that it is able to meet all its obligations which it is a party to.

FAIRMARKETS does not hedge your positions by entering into transactions as principal in the wholesale market. Doing so would expose FAIRMARKETS to counterparty risk with that hedging party, which in turn may expose you.

FAIRMARKETS utilizes risk management systems which continually monitor exposure. These systems calculate FAIRMARKETS' exposure in real time adjusted for correlation and covariance. The exposure is normalised into a base currency and a haircut is applied. FAIRMARKETS' risk management system calculates the expected exposure on a one sigma basis using a rolling time period of volatility within the market. These figures are compared to our risk capital and converted to risk units using Kelly Criterion. FAIRMARKETS will not risk more than 5% of its risk capital (2 risk units) on a one sigma basis.

Where FAIRMARKETS' exposure is near 2 risk units at any one time, it will seek a capital injection to lower its exposure. Where exposure exceeds 2 risk units, FAIRMARKETS may stop filling trade orders. FAIRMARKETS will immediately stop filling trade orders where risk units exceed 3.

Should FAIRMARKETS enter into an arrangement with a hedging counterparty it will perform extensive due diligence. This due diligence will include assessing the counterparty's credit rating, reputation, market presence, international exchange memberships, jurisdiction, banking relationships, technological situation, trading platforms, reporting processes, fees and charges.