



VANTAGE PRIME

Counterparty Risk – Hedging Policy

Issued by Vantage Global Prime Pty Ltd  
ACN 157 768 566 AFS Licence No. 428901

## 1. Introduction

Vantage Global Prime Pty Ltd (“**VGP**”, “**us**” and “**we**”) has robust risk management and compliance systems in place to manage its risks including but not limited to financial, operational and credit risks.

The Australian Securities & Investments Commission (“**ASIC**”) released Regulatory Guide 227– *Over the-counter contracts for difference: Improving disclosure for retail investors* (“**RG 227**”) in August 2011. RG 227 identifies seven disclosure benchmarks for over-the-counter contracts for difference and equivalent products, such as margin foreign exchange (“**OTC CFDs**”). These disclosure benchmarks are intended to help retail investors understand the risks associated with investing in these products, assess their potential benefits and decide whether investment in these products is suitable for them.

Benchmark 3 of RG 227 relates to Counterparty Risk – Hedging. This policy (“**Counterparty Risk – Hedging Policy**”) addresses Benchmark 3 of RG 227 by explaining:

- the practices utilised by VGP in mitigating its market risk through the use of hedging;
- who our hedging counterparties are; and
- what factors we take into account when choosing our hedging counterparties.

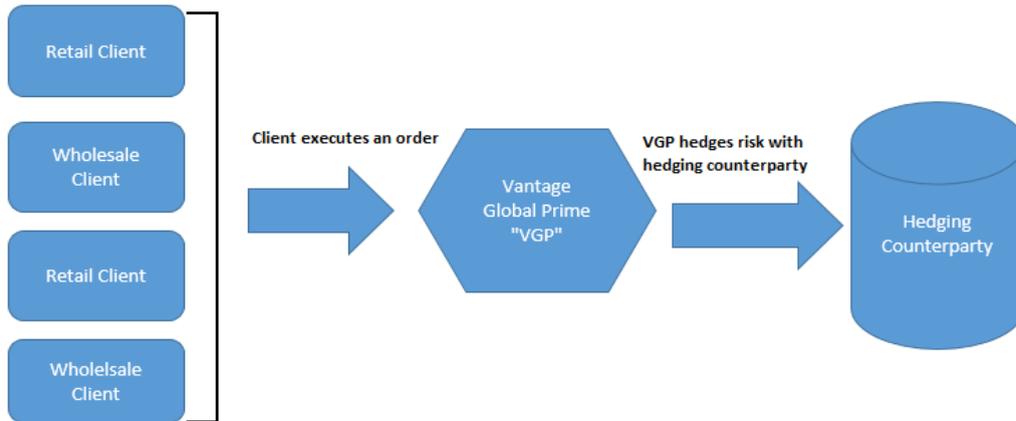
VGP understands that OTC CFDs are complex and risky products and that they are not suitable for everyone. We ensure that only those investors who have a sound understanding of the features and the risks of these products can open an account and begin trading in our products.

## 2. Hedging and market risk mitigation

VGP’s clients rely on us taking appropriate measures to reduce the risk that we will not be able to meet our liabilities as they arise. These measures include having in place appropriate hedging and risk mitigation strategies with counterparties (“**Hedge Counterparties**”) that are of strong financial standing.

Clients (“**You**” and “**Your**”) deal with us as counterparty to every transaction you enter into on our trading platforms. VGP acts as a market maker and may face exposure to its clients’ positions. You are reliant on our ability to meet our counterparty obligations to you to settle the relevant contract. We do not hedge all client positions by entering into back-to-back positions with a Hedge Counterparty, and our hedging strategies do not eliminate counterparty risk to investors. However, we may enter into arrangements with Hedge Counterparties in order to mitigate market and client risk. The degree to which client positions are hedged is determined by VGP’s risk management personnel and company management, in consultation with our Hedge Counterparties.

When required, VGP may pass on some or all of its client exposure to its Hedge Counterparty. In doing so, VGP is able to reduce its overall risk to market fluctuations. The diagram below may help you better understand how our hedging strategies operate in practice:



### 3. Choosing our Counterparties

We take a number of factors into consideration when selecting our Hedge Counterparties, and determining whether they are of sufficient financial standing.

These factors include, but are not limited to:

- Market presence and track record of the Hedge Counterparty with respect to OTC CFD products;
- The current financial position of the Hedge Counterparty (as demonstrated through current financial statements and reports);
- Adequate financial licence in their jurisdiction;
- A Hedge Counterparty's reputation in the marketplace;
- Fees and charges;
- Clients funds are held in a reputable bank; and
- Prior business dealings we may have had with a Hedge Counterparty.

### 4. List of our Current Hedging Counterparties

VGP currently has an ongoing Hedge Counterparty arrangement with:

- IS Prime Limited;
- FXOpen Ltd;
- CMC Asia Pacific Pty Ltd;
- Invast Financial Services Pty Ltd;

### 5. Compliance with RG227

The table below demonstrates VGP's compliance with Benchmark 3 of RG 227.

No	RG227 Reference	Requirement	Has VGP met this requirement?
1	227.51 (a)	Include the factors VGP takes into account when determining if hedging counterparties are of sufficient financial standing.	Yes. See Paragraph 3.
2	227.51 (b)	Set out the names of those hedging counterparties (as they stand from time to time).	Yes. See Paragraph 4.