Hedging Counterparties Policy

1. Introduction

This policy document explains the methodologies used by CapitalFX Pty Ltd to manage market risk and to decide upon the size of our exposure limits for our hedging counterparties. The policy has been developed with consideration of the ASIC Regulatory Guide 227.

Market risk is the risk that adverse price changes result in financial loss, while credit risk is the risk that a counterparty to GP fails to perform its obligations which results in financial loss for GP. GP's management of credit risk is intended to protect the company and clients from any sudden changes in the liquidity, credit quality or solvency of our banks or brokers.

CapitalFX Pty Ltd (GP) is 100% owned by Gleneagle Securities Pty Ltd (GES) and hedges all trades on a 1:1 basis with GES. As such, this policy has been prepared with respect to both GP and GES (the "Group"), since GES facilitates the prime broker relationships which enable GP clients to execute their trades.

2. Market Risk Mitigation, Monitoring and Reporting

When a client executes a trade with GP, GP will execute a back to back trade with GES. GES will execute a similar trade with one of its hedge counterparties.

For client trades below the markets minimum size, the trade will be accumulated with other sub-market size trades until the minimum size is attained and then executed with the GES hedge counterparty. Where a trade is below the market minimum, GES will hold that market risk until the minimum trade size is exceeded and then hedge that risk automatically.

All GP trades above the respective market minimum trade sizes are executed via GES on a back to back basis with a GES hedge counterparty

Any amendments to GP's market risk procedures require approval by the GP Board of Directors.

3. Credit Risk Mitigation and Reporting

GP has internal counterparty credit risk procedures for assessing credit risk and setting credit risk limits. These procedures are reviewed once every six months, and presented to the Board for approval should any changes be proposed.

The credit quality of the Group's major counterparties is reviewed on an on-going basis, with a formal risk review for each counterparty performed at a minimum on an annual basis and more frequently if there is a significant change in market conditions or relevant news.

It is the Group's policy to reduce the risk of losses from counterparty failure through diversification and by setting each counterparty a risk-assessed exposure limit.

CapitalFX

4. Criteria for Accepting Hedging Counterparties

Banks and brokers used for hedging are selected on the basis of a risk assessment and the following criteria:

» The capital position of the bank and the amount of client money placed as a proportion of this, and the bank's total deposit base

» The financial statements of the bank and its subsidiaries

» Whether the bank is considered systemic

» The level of government or parental ownership

» The credit rating and CDS of the bank

» Where available, the level of risk undertaken by the bank in its investment and loan activities, and

» The Groups proposed use for the bank hedging

Where possible the Group will also seek to hold its account at the hedging counterparty on a segregated basis.

5. List of Current Hedging Counterparties

The Group's market access and liquidity is extremely comprehensive and not limited to the hedge counterparties below. The hedging counterparties listed below clear trades for the Group, and thus these are the institutions with whom the Group has counterparty risk.

» BNP

Paribas; »

ABN Amro;

» CFH Clearing;

» LMAX Limited;

» CMC Asia Pacific Pty Ltd;

and » Exante Ltd.

If you require any additional information, please feel free to contact us at support@capitalfx.io