



RISK DISCLOSURE STATEMENT

July 2017

IMPORTANT – PLEASE READ CAREFULLY

Potential investors should carefully consider the significant risks involved in trading in over-the-counter leveraged derivatives, and understand and accept the risks of investing in our Contracts. Trading in our Contracts is not suitable for all investors because of the significant risks involved. Your potential liability is not limited to the amount you pay AAS or we keep in trust for you. We may ask you to pay amounts in excess of those amounts to cover any shortfall. Your liability on Contracts can be unlimited. You should carefully consider the risks of our Contracts and your capacity to meet your liability before investing in our Contracts.

This statement does not explain all of the risks involved in trading, and it is important that you read the relevant legal documentation to fully understand the risks involved, AAS recommends that you consult your advisor or obtain independent advice before trading with us.

1. Products

The financial products offered by Ayers Alliance are Margin FX Contracts and Contract For Difference (**CFDs**), which are over-the-counter (**OTC**) derivatives and are not covered by the rules for Exchange-Traded Contracts. OTC derivatives, such as the Contracts, by their nature may not at times be liquid investments in themselves. If you want to exit the position, you rely on Ayers Alliance's ability to Close Out at the time you wish, which might not match the liquidity or market price of the Underlying Security.

You can reduce your risk by carefully reading our core legal documentations, including the PDS, the FSG, the Account Terms and taking independent advice on the legal and financial aspects relevant to you.

2. Margin Requirements

OTC derivative products such as Margin FX Contracts and CFDs are leveraged products, which means that you can open a position (also known as a Contract) without having to fund the whole position. Instead you will be required to pay Ayers Alliance an Initial Margin. You will then need to maintain sufficient Margin Cover to keep your positions open (the "Margin Requirements").

You should be aware that there is a high risk of Margin Requirements changing and at times, very rapidly. There is a moderate to high risk that if the market value of the Underlying Security moves rapidly against you, you will be required to pay more substantial additional Margin without Ayers Alliance actually giving you notice of that. If you fail to do so within the time required, your position may be automatically liquidated at a loss and you will be liable for any resulting deficit.

You can minimise your risk by closely monitoring your open positions or maintaining a prudent level of Margin Cover in your Account.

3. Leverage

OTC derivative products involve a high level of leverage. The amount of Initial Margin is small relative to the value of the OTC Contracts so that transactions are "leveraged" or "geared". A small market movement will have a proportionally larger impact on your position and this may work against you as well as for you. The possibility exists that you could sustain a total loss of Initial Margin and any additional deposits made to maintain your position. Additionally, you may lose more than this and need to make additional deposits to cover your losses.

You can minimise the risk of losses on positions by monitoring your Open Positions and Closing Out the positions before losses arise.

4. Auto Liquidation (Close-Out)

Ayers Alliance may without prior notice to you liquidate some or all of your Open Positions if the Account Value balance reaches or falls below the Margin Closeout level applicable to your Account. This can generate fees and realised losses in your Account. Ayers Alliance does not assure you that Ayers Alliance will actually act on this right, at any time or in respect of all or any of your Open Positions.

The more basic risks to you are that you fail to manage your own Account by maintaining adequate Margin Requirement, you fail to monitor your Open Positions, you (wrongly) rely on Ayers Alliance liquidating your Open Positions or you fail to manage your Open Positions before the Account Value balance reaches or falls below the Margin Closeout level applicable to your Account.

5. Past Performance

Past performance of any investment cannot be used as a guide or indication to future performance.

6. Foreign Exchange Risk

Foreign currency conversions required for your Account can expose you to foreign exchange risks between the time the Transaction is entered into and the time the relevant conversion of currencies occurs.

Foreign exchange markets can change rapidly. This exposes you to potentially adverse changes in the value of your Account which can be large (depending on foreign exchange rates) and volatile. This will directly affect the value of a position.

7. Volatility

Financial markets can change rapidly. Movements in the price of underlying markets can be volatile and unpredictable. There is a high risk that market prices may move such that the Contract value of the position on closing can be significantly less than the amount you invested in them.

There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged. You can reduce your risk by understanding the market relevant to the Contracts, monitoring your positions carefully and closing your Open Positions before unacceptable losses arise.

8. Market Disruptions

A market disruption may lead to you being unable to deal in our financial products when you wish, and you may suffer a loss as a result of that. This is because the market disruption events which affect the Underlying Security will also affect the Contract positions on the same or very similar basis.

9. Orders, Slippage and Gapping

You are responsible for closely monitoring your Account and you are encouraged to place Stop Loss Orders or other Orders that might limit your losses.

Ayers Alliance's ability to Close Out a position depends on the market for the Underlying Security. Stop Loss Orders (and other Order types) might not always be filled and, even if placed, might not limit your losses to the amount specified in the Order, so it is important for you to note that Stop Loss Orders (and other Order types) are not guaranteed.

Orders may be subject to slippage. This most commonly occurs during fundamental news events or gapping in the markets. The volatility in the market may create conditions where orders are difficult to execute, since the price might be many pips away due to the extreme market movement or gapping. Execution is subject to available liquidity at any and all price levels.

10. Counterparty risk on Ayers Alliance

You have the risk that we may not meet its obligations to you under the Contracts. The Contracts are not Exchange traded so you need to consider the credit and related risks you have on us.

Ayers Alliance believes that your counterparty risk on Ayers Alliance is low, especially due to its feature of paying moneys into the Ayers Alliance client moneys trust Account if there is any Realised/Unrealised Profit on your Account and due to its Margin policy and risk management which it implements for the benefit of Clients.

Ayers Alliance also believes that your counterparty risk is reduced by the additional feature of Ayers Alliance not using client moneys to hedge any of its positions with its Hedge Counterparty. Those positions are funded from Ayers Alliance's operating Account.

11. Operational risk

There is always operational risk in the Contracts. For example, disruptions in operational processes such as communications, computers and computer networks, or external events may lead to delays in the execution and settlement of a Transaction.

If you are unable to access the Electronic Trading Platform, you will be unable to trade in our Contracts (including Closing them Out) or you might not be aware of the current Margin Cover and Margin Requirement and so you may suffer loss (and liable to pay fees) as a result.

Ayers Alliance may also suspend the operation of the Electronic Trading Platform or any part of it, without prior notice to you. If the Electronic Trading Platform is suspended, you might have difficulty contacting us, or your Orders may not be able to be executed at prices quoted to you.

We might not be liable to you if losses arise owing to delays, errors or failures in operational processes outside our control, including but not limited to faults in the Electronic Trading Platform or in the provision of data by third parties.

12. Regulatory and Legal

Changes in laws and regulations, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealing in OTC derivative products. For example, actions taken by a regulatory authority exercising its powers during a market emergency may ultimately result in losses to the Client by reason of the effect of those actions on the Underlying Security.

About Us

Ayers Alliance, we, us and **ours** means Ayers Alliance Securities Pty Ltd, ACN 149 475 105, AFSL No. 403070.