Product Sensitisation Framework

Pepperstone Markets Kenya Limited

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Risk Warning: Margin trading products are complex instruments and come with a high risk of losing money rapidly due to leverage. Between 74-89% of retail investor accounts lose money when trading on margin with this provider. You should consider whether you understand how margin trading works and whether you can afford to take the high risk of losing your money.

1. Introduction

1.1 This Product Sensitisation Framework ("**PSF**") sets out important information about the Margin FX and CFD products that we offer to help you decide whether you want to trade with us.

1.2 Pepperstone Markets Kenya Limited provides the products covered by this PSF. ("**Pepperstone**", "**we**", "**us**", **our**").

1.3 You can also get a copy of the latest version of this PSF on our website. If you have any questions or feedback on things we can do better, please contact us using the details below.

1.4 Our contact details are:

Pepperstone Markets Kenya Limited
2nd Floor, The Oval, Ring Road Parklands
P.O Box 2905 – 00606
Nairobi

Email: support@pepperstone.com

Call: +254 20 389 3547/8/9

Live Chat:www.pepperstone.com/en-af/

1.5 We're a Kenyan financial services provider, licensed by the Capital Markets Authority ("CMA") under Licence Number 128. The CMA doesn't endorse specific financial products or contracts, and its regulations apply to our financial services activities in Kenya only. Our products and this PSF aren't intended for distribution in jurisdictions outside of Kenya, where to do so would be unlawful. If you don't live in Kenya, it's your responsibility to ensure that there aren't any laws or regulations in your jurisdiction restricting you from trading with us.

1.6 Before you decide to trade with us, it's important that you read and understand:

(a) this PSF –provides you with the material information that you need to know about us and the products we offer;

(b) our Risk Disclosure Notice – which provides more information on the key risks associated with our products and services; and

(c) our Terms and Conditions – which set out the terms that apply when you open an account and trade with us.

1.7 The contents of this PSF is general information only and doesn't take into account your personal situation, financial objectives or needs. It's up to you to make sure the products we offer suit your specific needs. You shouldn't trade with us unless you understand the features and risks of the products that we offer. This means that you might need to seek independent advice before you start trading with us.

1.8 Trading leveraged derivative products like Margin FX Contracts and CFDs involves many risks, and we strongly advise you to only trade with money that you can afford to lose.

1.9 The key risks to keep in mind when you're account deciding whether to trade these types of products are:

(a) the products that we offer are leveraged products – depositing a small amount of money will give you greater exposure to an Underlying Asset;

(b) the markets you're exposed to can be very volatile (i.e. they can move up and down in value quickly) and hard to predict;

(c) you won't own or have any rights in the Underlying Asset when you invest in a product based on that asset (for example, a CFD based on Apple US shares doesn't mean you own Apple shares);

(d) it's possible for you to lose the money that you've deposited into your account if the market moves against your open Contracts. We'll provide you with Negative Balance Protection, which limits your maximum losses (including any costs that you incur) to the value of your Account equity, preventing your Account from going into deficit or negative balance; and

(e) if you don't have enough money in your account to support an open Contract, you may be closed out of that Contract before you're ready.

1.10 We explain these and other risks in more detail in our Risk Disclosure Notice on our website.

2. CMA Regulation

2.1 We're authorised and regulated by the CMA under Licence Number 128 and are subject to the CMA regulations. The CMA is an independent institution tasked with the licensing and supervising of market intermediaries in Kenya's capital markets.

3. About our products

3.1 We offer Margin FX Contracts and CFDs, which are OTC derivatives. OTC derivatives aren't traded directly on an exchange or a regulated market.

3.2 Trading OTC derivatives allow you to make a profit or loss based on changes in the price or value of an Underlying Asset. When you trade OTC derivatives, your Contracts are cash adjusted or Closed-Out in compliance with our Agreements. You don't take physical delivery of the Underlying Asset (e.g. you don't get voting rights in shares), and there's no exchange of one currency or Underlying Asset for another.

What is Margin FX?

3.3 A Margin FX Contract is a leveraged OTC derivative Contract that allows you to try and make a profit by speculating on the value of one currency compared to another. Margin FX Contracts are leveraged products because to purchase one ; you only need to deposit a fraction of the Contract's total value in your Account as collateral (or Margin) rather than paying the full value of the currency.

3.4 There are two currencies represented in every quote for a Margin FX Contract, a "**base currency**" against another currency, known as the "**term currency**" (also known as a "quote" currency). For example, the price of the British Pound (GBP) in terms of the US Dollar (USD).

Example: Base and term currencies
*The British Pound ("**GBP**") as against the US dollar ("**USD**") is GBP/USD 1.2980, this means that one British Pound is equal to, or can be exchanged for, 1.25 US Dollars.*

What is a CFD?

3.5 A CFD is another type of OTC derivative contract which derives its value from the value of an Underlying Asset – for example, the price of a share, a market index or a particular commodity.

3.6 We offer a number of different types of CFDs, including CFDs based on indices, shares, precious metals, energy, and soft commodities. Please visit our website for a full list of the CFDs that we offer.

3.7 CFDs can be traded in several currencies, so you should check the CFD description within the Platform before you trade.

3.8 When you trade CFDs, you're taking a position on the change in the value of the relevant Underlying Asset over time. In other words, you're speculating on whether the value of the Underlying Asset is going to rise or fall in the future compared to when you opened (or executed) your Contract. Like Margin FX Contracts, you don't own or have any rights in the Underlying Asset associated with a particular CFD.

3.9 The amount of profit or loss that you experience when you trade a CFD will be the difference between the price when you open the Contract and the price when it's Closed-Out (adjusted to reflect holding costs, where these apply). If the value of the CFD has moved in your favour, we'll pay money into your Account. If it moves against you, we'll deduct money from your Account.

3.10 While you have open Contracts, you may also attract financing costs or Swap Charges after each server rollover (5 pm New York time). The costs you'll incur depend on the underlying asset you're trading and are subject to change. We explain our fees and other costs in section 8 of this PSF in more detail.

CFDs over Underlying Assets with set expiry dates

3.11 Some CFDs will be over Underlying Assets that have set expiry dates.

3.12 Once the relevant Underlying Asset has expired, your Contract will be automatically "rolled over" to a new one. We'll either debit or credit your

Account with the price difference between the two contracts, in one of these ways:

The price of your new Contract relative to your expired Contract	Status of your expired Contract at the time of expiry	Adjustment we'll apply to your Account
A higher price/premium	Long	Debit (Rollover Charge)
	Short	Credit (Rollover Benefit)
A lower price/discount	Long	Credit (Rollover Benefit)
	Short	Debit (Rollover Charge)

3.13 Contract Rollover will keep positions open indefinitely until they're Closed Out.

Example: Rollover adjustment
You've bought 2 lots of a cocoa CFD which expires. The last traded bid price for the underlying futures Contract is $2,924 USD and the next front running bid price is $2,914 USD. This means that we'll credit your Account $7 USD, calculated as follows: (Expired Contract Bid Price – New Front Month Bid Price) – Average Spread = (2924–2914)-3=$7USD

4. Appropriateness

4.1 We try to ensure that our products are only distributed to people with suitable knowledge and experience to trade them.

4.2 We have a written policy that sets out the Account opening process and the minimum level of knowledge and experience that you'll need to prove to us before you can open an Account with us. We update this policy from time to time to improve its effectiveness.

4.3 Before you're able to trade, you may need to pass our qualification test, which contains questions about some of the key features and risks of our products. If you fail the qualification test, you won't be able to re-take the test for a period of time.

4.4 While we don't provide personal advice, we do ask you some general questions about your experience and your financial strength in addition to the qualification test.

4.5 We offer a "demo" trading system that we strongly encourage you to use before opening a "live" Account. We also have education information freely available on our website to help you improve your understanding of our products.

4.6 We also do our best to explain many of the risks you need to be aware of when you trade with us before you open an Account.

4.7 Once you have an Account with us, we'll continue to provide you with information about upcoming market events so that you're up to date with matters that may be relevant to your trading decisions.

4.8 If you need more information, please contact our support team at support@pepperstone.com.

4.9 If we assess that you may not be suitable for trading with us, we may, at our discretion, exercise our rights to terminate our agreement with you. See Section 15 of our Terms and Conditions for more information.

5. Trading with us

What happens when you trade?

5.1 Contracts are also known as positions. You open a Contract by either buying ("going long") or selling ("going short") a Margin FX Contract or CFD:

(a) you go "long" when you buy a Margin FX Contract or CFD in the expectation that there'll be an increase in value of the Underlying Asset, which will result in an increase in the price of the Margin FX Contract or CFD; and

(b) you go "short" when you sell a Margin FX Contract or CFD in the expectation that there'll be a decrease in the value of the Underlying Asset, which will result in a fall in the price of the base currency of the Margin FX Contract or CFD.

5.2 A Contract is open until it's Closed-Out. We calculate the amount of profit or loss to you when your Contract is Closed-Out. You can instruct us to Close-Out your Contract, and we can also exercise our right to Close-Out your Contract under the Agreements.

5.3 There are no cooling-off arrangements for Margin FX Contracts and CFDs. This means that once we execute your Order, you don't have the right to return the Contract or ask for a refund of the money you've paid to buy the Contract.

Margin

Margin Obligations

5.4 You must meet our Margin requirements to trade Margin FX Contracts and CFDs with us. This means that you'll need to deposit money into your Account as Margin.

5.5 Our Margin Requirements fall into two categories - Initial Margin and Continuing Margin:

(a) **Initial Margin** is the deposit we require from you when you open a Contract; and

(b) **Continuing Margin** is the money you need to pay us to ensure that your Account balance is sufficient to keep your Contract open, taking into account all realised and/or unrealised profits and losses ("P&L") on your Account for all of your open Transactions.

5.6 You need to deposit Initial Margin into your Account in full before your Contract can be opened. The amount of Initial Margin that we'll require will depend on the Contract you're trading, market exposure and the volatility of the market at the time. In times of increased volatility, the risk of trading a particular product also increases. During these times, we may require you to deposit more Initial Margin in your Account to help protect both you and us from the additional risk. You should refer to the Initial Margin schedule within the Platform to confirm the Initial Margin required for the particular Contract that you want to open.

5.7 You're required to keep enough money in your Account to meet our Margin requirements for as long as your Contract is open.

5.8 When the market moves against you, and if your equity falls below your Margin requirement, we may require you to cover the adverse price movement by depositing more money in your Account as Continuing Margin. We'll also credit Margin to you when a Contract moves in your favour.

5.9 We'll let you know when we need you to deposit Continuing Margin in your Account by making a Margin Call via the Platform. Margin Calls are made on a net Account basis, i.e. if you have several Contracts open under one trading Account, then Margin Calls are netted across all of your open Contracts under that Account. In other words, the unrealised profits of one of your open Contracts can be used or applied as Initial Margin or Continuing Margin for another Contract, provided those Contracts are under the same Account.

Example: Margin Requirements
You've opened a buy Contract on GBP/USD for 1 lot. You've selected 100:1 leverage, so your Initial Margin Requirement on this Contract is $1,000 GBP (100,000 / 100 = $1,000 GBP).
The market moves in your favour as GBP/USD appreciates, which results in a floating profit of $200 GBP. This means that your Contract now has a Margin of –$200 GBP. Once this Margin credit is taken into account, your net Margin requirement is $800.

5.10 It's important that you monitor this and ensure that you've got enough money in your Account as Margin to cover market movements, so that your Contract can stay open during periods of volatility.

Knowing your Margin Requirements

5.11 We'll make Margin Calls to you via the Platform.

5.12 While we'll do our best to get in touch with you when your Account is approaching or has reached a Margin Call, we can't guarantee that this will happen in every case. Market movements may be too great, and your Contract may have already reached an Order Close-Out level before your Margin Call is made.

5.13 For this reason, you're responsible for ensuring that you meet your Margin requirements and are aware of any Margin Calls. You're also responsible for ensuring that you're up to date with any changes to your Margin requirements, which can vary in times of high volatility or because of upcoming market events. You can do this by regularly logging into the Platform to actively monitor and manage your open

Contracts and check for Margin Calls and any Margin changes.

5.14 We operate Margin Call and Margin stop-out systems designed to minimise your losses and to take action before the market moves further against your open Contracts.

5.15 Each type of Platform that we offer has a different Margin Call and stop-out system.

5.16 There may be differences between the way Margin is calculated on an Account basis between the Platforms. Before using any of the Platforms, we recommend that you make yourself aware of the specific Margin requirements by visiting our website.

5.17 Each trading Platform we offer has its own Margin Call notification system. We encourage you to review all options open to you in terms of how those systems work or reach out to us at support@pepperstone.com for more information.

Meeting Margin Calls

5.18 When we make a Margin Call, you must immediately deposit the requested money into your Account.

5.19 We hold and manage any money that we receive from you in compliance with the Corporations Act and our Agreements.

MetaTrader 4 and MetaTrader 5

5.20 If your Account equity falls below the Margin requirement for any one of your Accounts, the MetaTrader 4/MetaTrader 5 Platform will automatically trigger a Margin Call at 90% of Margin requirement. A Margin Call will be displayed via the Platform and the area that displays your Account balance and equity will flash red.

cTrader

5.21 If your Account equity falls below the Margin requirement for any one of your Accounts, the cTrader Platform will automatically trigger a Margin Call at 100% of Margin requirement. The Platform will send you an internal email to inform you of the Margin Call, providing an audible notification.

Pepperstone Platform

5.22 If your Account equity falls below the Margin requirement for any one of your Accounts, the app and Webtrader will automatically trigger a Margin notification under 150% and a Margin Call will occur below 100% of the Margin requirement. A Margin Call will be displayed via the Platform in the area that displays your Account balance. The equity may flash red.

5.23 If your Account equity falls below the Margin requirement while you're on Margin Call, our automated Close-Out system or our support team may, at their discretion, delete working Orders, partially Close-Out or Close-Out some or all of your Contracts to reduce your Margin requirement until it's fully covered by your Account equity.

5.24 Any open Contracts are deemed to be at risk of being Closed-Out as soon as your Account enters into a Margin Call.

IMPORTANT: what happens when you don't meet a Margin Call

5.25 If you fail to meet any Margin Call, then we may decide to Close-Out some or all of your open Contracts and deduct the resulting realised loss from any excess money in your Account. We can do this at our discretion without giving you notice.

5.26 When your Account equity falls below 50% of the Margin requirement, then we will automatically Close-Out some or all of your open Contracts and deduct the resulting realised loss from any excess money in your Account. We can do this at our discretion without giving you notice.

5.27 The Close-Out process is designed to minimise your losses and to take action before the market moves further against your open Contracts. It's in your interest to ensure that you have enough cleared funds deposited in your Account to meet your changing Margin requirements, i.e. deposit more money in addition to meeting the Margin requirements as a buffer against any adverse Variation Margins that arise to avoid your Contracts being Closed-Out.

Stop-Loss Orders and Limit Orders

5.28 You can place a Stop Loss or a Limit Order within the Platform, but we can't guarantee that these mechanisms will be effective. This is because markets can be volatile and unforeseen events can occur, which may result in your Stop Loss or Limit Loss Orders not being accepted or instead activating at a next available price that's worse than the price you originally set.

Example: Stop Loss Order
You speculate that the price of US30 will decrease, and you only want to lose USD 200 if you're incorrect. To try and limit your risk, you can open a 1 lot Contract at the price of USD 19,871 and set the Stop Loss Order at USD 20,071 (i.e. 19871 + 200).
The price of US30 doesn't fall as you thought it would but continues to appreciate. The market moves rapidly at the time of closing, meaning that your Stop Loss Order isn't accepted at your set price of USD 20,071 and is instead closed at USD 20,074. As a result, you incurred a loss of USD 203 - $3 more than your $200 maximum.

Example: Limit Order
You speculate that the price of AUD/USD will decrease after hitting parity with the USD. Instead of waiting for the market to reach this price, you place a 'sell' Limit Order at 1.00000 AUD/USD. This Order will trigger a sell trade once the price of AUD/USD reaches 1.00000 or higher.
The price of AUD/USD immediately changes from 0.99980to1.00050. The price movement triggers your sale trade, and you receive a fill price of 1.00050 instead of 1.00000.

Calculating Profit and Loss

Margin FX Contracts

5.29 The profit or loss from a Margin FX Contract is calculated by keeping the units of the base currency constant and working out the difference in the number of units of the term currency.

5.30 The profit or loss that you make on a Margin FX Contract will be the net of:

(a) the difference between the prices that you bought and sold the Margin FX Contract for;

(b) the costs of daily financing or swaps (including any Swap Charges or Swap Benefits relating to the Margin FX Contract);

(c) any commission charges relating to the Margin FX Contract; and

(d) any other fees or benefits relating to the Margin FX Contract.

CFDs

5.31 The profit or loss that you make on a CFD will be the net of:

(a) the difference between the prices that you bought and sold the CFD for;

(b) the costs of daily financing or swaps (including any Swap Charges or Swap Benefits relating to the CFD);

(c) any Rollover Charges or Rollover Benefits relating to the CFD;

(d) any commission charges relating to the CFD; and

(e) any other fees or benefits relating to the CFD.

Example: Profit from a CFD
The AUS200 index CFD is currently trading at a price of 5464. You expect that the index will rise by 20 points during the week, so you buy one Contract of AUS200 at 5464.
Four days later, the AUS200 index has risen to a price of 5484, as you expected, meaning you made a profit. You Close-Out the Contract to take your profits by selling the Contract of AUS200 at 5484.
Your profit from this trade is calculated from these factors:

- *the difference between the prices that you bought and sold the Contract for: 5484 – 5464 = 20 points. One Contract has a fixed value per point of AUD 1, so this equates to 20 * 1 = AUD 20*
- *the cost of daily financing or swaps: Benchmark interest rate of 2.0% + 2.5% = 4.5% (the benchmark interest rate is the relevant 1 month interbank rate for the currency of the Contract)*

*Swap Charges: [5464 * (0.045/365)] * 4 = $2.69 AUD*

The net profit you've made on this trade is: 20 – 2.69 = $17.31 AUD

5.32 Please refer to section 8 of this PSF for more information on our fees and costs, as well as our Terms and Conditions for the specific terms that govern your trading relationship with us.

The Platform

5.33 You can trade our products by opening and Closing-Out Contracts using our online platform, which means any of these systems:

(a) MetaTrader 4 and MetaTrader 5 - provided by MetaQuotes. Please visit www.metaquotes.net for relevant information on how to use these systems.

(b) cTrader - provided by Spotware. Please visit www.spotware.com for relevant information on how to use this system.

(c) The Pepperstone Platform – provided by Pepperstone. Please visit www.pepperstone.com/en-af for relevant information on how to use this system.

5.34 We source some Platforms from third party providers, so, when using those Platforms, we're relying on them to ensure that the relevant systems and procedures are regularly updated and maintained.

5.35 We recommend that you open a "demo" Account on your chosen Platform and practice trading in a simulated environment before you engage in "live trading". This will help you to become familiar with the features and functionality of the Platform that you're using.

Trading hours

5.36 The Platform opens on Sunday at 5.01 pm New York (EST) time and closes at 4:55 pm New York (EST) time Friday. You can view live prices and place live Orders during these hours except during a server rollover from 4:59 pm to 5:01 pm New York time when trading is disabled. You can still access the Platform and view your Account, market information, research and our other services outside of these hours, but you won't be able to trade or access any live prices.

5.37 We'll provide services to you outside of these hours at our sole discretion. Trading times for each Contract may vary within these times; please check our website for further information on trading sessions for your Contract.

6. Key Benefits of trading Margin FX Contracts and CFDs

General benefits

6.1 Margin FX and CFDs are useful products when you want to:

(a) hedge risks from your other investments; or

(b) speculate on market movements.

Market access

6.2 The products that we offer allow you to gain exposure to an Underlying Asset without actually having to purchase it. This enables you to invest in particular products or a group of products that you might not otherwise be able to access easily or in one place.

Trade in small amounts

6.3 The products that we offer are leveraged products, so you only have to deposit a small amount of money in your Account as a Margin to get a large exposure.

Profit potential from market movements

6.4 Because entering into a Margin FX Contract involves trading one currency against another, you have the ability to make money when you think one particular currency is going to drop.

6.5 You also have the ability to both buy and sell CFDs and benefit from the movement of those markets in either direction. For example, if you think a particular stock index will fall, you might choose to sell a stock index CFD and benefit from the fall in the price of that index.

7. Key risks of trading Margin FX Contracts and CFDs

Not trading on a formal exchange.

7.1 Trading with us is different to trading on a formal exchange. Unlike the Nairobi Securities exchange (NSE), London Stock Exchange (LSE) and other exchanges, there's no clearing house for Margin FX Contracts and CFDs, and the performance of a CFD and/or Margin FX Contract by us isn't "guaranteed" by an exchange or clearing house.

7.2 You're also not buying the Underlying Asset (like a share or the currency), you're investing in an interest in that Underlying Asset

Suitability risk

7.3 The products that we offer are high risk and can be complex to understand. It's critical that you consider your own current circumstances to make sure that these products are suitable for you. If you don't understand the key features and risks of the products that we offer, you should seek independent financial advice before you start trading with us.

Volatility risk

7.4 Margin FX and CFDs are derivatives. Derivative markets generally can be highly volatile (i.e. they move up and down in value quite quickly), so the risk that you'll incur losses when you trade in derivatives Contracts can be substantial.

7.5 High volatility means the markets can be very difficult to predict. This means that you shouldn't consider any Contract offered by us or any other financial services provider to be a "safe" trade.

7.6 If the market moves against you, you can find yourself in a position where the money you have on deposit in your Account isn't enough to maintain your Contract, and you'll be required to immediately deposit additional money as Margin to keep your Contract Open, i.e. to "top up" your Account. If you don't pay the additional money when we require you to, and your Margin drops below 50% of the Margin required to maintain your current Open Contracts, we may Close- Out your Contracts.

7.7 In times of extreme volatility, pricing of Contracts can be impacted as the source of that pricing (liquidity) dries up. This can mean, for example:

(a) the market "gaps" and jumps past the price that you want or expect;

(b) the underlying bid/ask spread widens (i.e. the gap between the buy and sell price is wider); and

(c) you could even find it difficult to obtain a price for particular Contracts.

7.8 We pass on any pricing re-quotes directly to you without any bias towards the direction the pricing has moved in.

7.9 Highly volatile market conditions can make it difficult for us to execute Orders at the given price due to an extremely high volume of Orders and/or available liquidity. By the time we're able to execute Orders, the Bid/Offer price may be reset. This may mean that certain Orders at this time are rejected.

7.10 Hanging Orders can also occur during periods of high volume. A Hanging Order is when an Order sits in the "orders" window of the Platform after it's been executed. Generally, the Order has been executed, but it's simply taking a few moments for it to be confirmed. During periods of particularly heavy volume, it's possible for a queue of Orders to form, and the increase in incoming Orders can sometimes create a delay in confirming certain Orders.

Leverage risk

7.11 You can trade Margin FX Contracts and CFDs with a high degree of leverage because of the small Margin requirements. Trading with leverage means that even a slight change in the market could lead to a proportionately much larger movement in the value of your investment. Example: Trading with leverage

EUR/USD is trading at 1.12000, and your Account equity is EUR 10,000. You believe that the price of EUR/USD will fall, so you sell 1 lot (100,000 EUR) of EUR/USD at 1.12000. Leverage on this trade relative to your Account equity is 10:1; in other words, the size of your trade is 10 times larger than your Account equity. Your losses *won't be limited by your equity, and you could lose more than the leveraged amount that you traded.*

*Five days later, the EUR/USD has risen to 1.12500 and you choose to close your Contract at this price by buying 1 lot (100,000 EUR) of EUR/USD at 1.12500. The net movement for EUR/USD has been 0.44%: (1.12500 – 1.12000) /1.12000 * 100 = 0.44%.*

Because you traded using 10: 1 leverage, the loss you incurred from the price movement of EUR/USD is amplified by 10 times.

*Your loss on this trade, ignoring any other fees and charges, is €444.44 EUR at the time the trade is closed: 100,000 * 0.00500 = $500 USD or 500 / 1.12500 = €444.44 or an equity loss of 4.44% on your Account: 444.44 / 10,000 * 100.*

Market risk

7.12 Markets for currency and other Underlying Assets can be influenced by a number of things, including:

(a) interest rate fluctuations;

(b) changes in asset valuations; and

(c) suspensions in trading in the Underlying Market, Underlying assets or reduced liquidity in the financial products.

7.13 These influences reflect unforeseen events or changes in conditions and are very hard to predict. They inevitably result in rapid price fluctuations and market volatility.

7.14 For this reason, it's important that you closely monitor your open Contracts and the relevant markets at all times.

7.15 While you have the ability to hedge your risk when you trade with us (in that you can hold both buy and sell positions in the same or similar Contract at the same time), hedged Contracts still carry risk. You will be charged interest on both sides of the Contract, and you can incur losses because of rollover costs, exchange rate fluctuations or widening spreads. These losses could also trigger a Margin Call.

Counterparty risk

7.16 We're the issuer of every derivative Contract that we offer and the counterparty to each trade. We also manage the Platform that handles your trading activity. For this reason, we're the main counterparty that you're exposed to.

7.17 To help you consider this risk, please note that we take our legal and regulatory compliance obligations very seriously. We have many policies, systems and processes in place to monitor our business practices and ensure that we remain compliant with our various regulatory obligations. These obligations include holding adequate financial resources to provide financial services, dealing with any potential or actual conflicts of interest, handling Client Money, monitoring and dealing with various risks we may be exposed to and having comprehensive record keeping and reporting processes.

7.18 We also have a robust counterparty assessment process in place to ensure that we're not vulnerable to third parties that we use, including our Liquidity Providers, when providing our products and services to you.

System risk

7.19 We run an online Platform in an environment (the internet) that by nature, can't be guaranteed. This means there may be issues with you placing Orders or with your Contracts being executed due to internet, system or network issues on your end. Because we can't promise that the internet will work error-free, we can't accept liability for the risks associated with the operation of our Platform. For this reason, you need to be mindful that Platform risks are inherent in every Contract that you trade with us.

7.20 For example, a technical issue with your internet connection to our servers may result in a Hanging Order and a delay in executing your Contract. A disturbance in the connection path can sometimes interrupt the signal and disable the Platform, causing delays in transmission of data between the Platform and our servers.

7.21 Disruptions to our operational processes such as communications, computers, computer networks, software or external events could also lead to delays in the execution and settlement of your Contract, meaning that you might be unable to trade in a particular Contract that we offer and you could suffer a financial loss or opportunity loss as a result.

7.22 If you experience a disruption to the Platform, please call our support team on +61 3 9020 0155 as soon as possible to open\Close-Out your Contracts.

Execution risk

7.23 We aim to provide you with the best pricing available and to fill all Orders at the rate you've requested. But there are times when Orders may be subject to what's known as "slippage", because of an increase in volatility or volume. This happens most often during fundamental news events or "gapping" in the markets, which create conditions where Orders are difficult to execute because of extreme price movements.

7.24 The execution of your Order always depends on the liquidity that's available at all price levels. Although you may be looking to execute at a certain price, the market may have moved significantly or liquidity may be exhausted, in which case your Order would be filled at the next best price or the fair market value.

7.25 When you're considering executing an Order, please be mindful that all Contracts that you have open at 4:59pm New York time will be subject to a server rollover. Your Contracts will be rolled over by debiting or crediting your Account with a Swap Charge or Swap Benefit. During the server rollover period, trading may be disabled for 2 to 5 minutes and there may be widened spreads as liquidity reduces, which could cause you to experience losses or gains. We're not liable for any losses that you incur during the server rollover period.

Automated Trading Risk

7.26 While you're able to connect to and use third party trading tools and systems with the Platform (such as automated trading strategies/expert advisors, copy traders and robot traders), using these tools and systems is high risk and could lead to you incurring significant financial losses.

7.27 We don't have any control over the logic or code that these third party providers use when developing their tools and systems, and we're not responsible or liable for their operation in connection with the Platform.

7.28 We don't endorse any third party provider and you should take steps to ensure that any third party tools or systems that you use to trade with us have been developed by reputable providers that, where relevant, are appropriately licensed or permitted to provide the relevant services to you.

7.29 Your use of automated trading strategies such as EAs is solely at our discretion. We reserve the right to restrict access to your Account by automated trading strategies where we consider that the level of activity or server messages generated is unreasonable relative to your trading activities.

This may require us to temporarily change the password to your Account until the automated strategy or EA is modified or deactivated. We'll attempt to contact you before taking this action, but we reserve the right to change your password immediately to support the proper functioning of our servers.

Client money risk

7.30 Because we're an issuer of financial products, we'll hold your money and other Clients Money as part of the financial service we provide to you and other clients.

7.31 Any money that you deposit with us for trading will be held in a trust account that we maintain with a bank licensed under the Banking Act and held by the relevant Client Money regulations.

7.32 Your money may be co-mingled into one or more trust accounts with other Client Money, which is also held on trust.

7.33 We don't use Client Money for meeting our hedging obligations with our liquidity providers or for meeting trading obligations with other clients. We fund any obligations regarding these transactions from our own money.

7.34 We hold Client Money separately from our own operational money, and we don't deposit our operational money into our Client Money trust account. We periodically remove any money from the trust account that becomes ours as a result of trading, to ensure that our operational money doesn't become mixed with Client Money.

7.35 We'll only withdraw your Client Money from our trust account to:

(a) process a withdrawal for you;

(b) withdraw fees charged as part of a deposit or withdrawal transaction;

(c) pay money to us that we're entitled to as a result of you trading with us; and

(d) make a payment that's otherwise permitted by law or in compliance with the operating rules of a licensed market.

7.36 You should be aware that we're solely entitled to any interest or earnings derived from Client Money being deposited in a trust account or invested in compliance with the Client Money Rules.

Regulatory risk

7.37 Changes to law, government, fiscal, monetary, and regulatory policies may have a material adverse effect on your dealings in Margin FX Contracts and CFDs.

7.38 We'll do our best to let you know whenever a change in legislation will impact the way that you deal with us.

Foreign exchange risks

7.39 If you're trading in a product that is denominated in a currency other than the currency of your trading account, you'll be impacted by foreign exchange movements.

8. Fees and Costs

8.1 We offer several different Accounts that feature different fees and costs. Details can be found on our website.

Spreads

8.2 We may charge spreads (the difference between the bid and the ask price) on your trades. We'll charge this fee in the quote currency of the instrument that you're trading, which you can then convert into the base currency of your Account to determine your cost of trading.

Example: Spread charge
A 1 pip spread mark-up in EUR/USD is worth USD$10. If you're trading on an GBP based Account, the cost for this trade would be USD$10 converted into GBP at the spot rate.

Payment of Margin

8.3 Margin is the amount of money you need to deposit in your Account to open and maintain a Contract. The way that we calculate Margin varies based on the Contract you're trading and the leverage settings on your Account. We recommend that you check the specifications of your particular Contract in the Platform to understand the amount of Margin required.

8.4 For a Margin FX Contract, you can use this formula: (Contract Size x Volume (in lots)) / Leverage = Margin required.

8.5 For your convenience, we have a Margin calculator available in your Secure Client Area, which you can access via this link: https://secure.pepperstone.com/tools/calculators.

Example: Margin payment
You want to open a Contract for 0.1 lots (1 lot = 100,000 base currency, so 0.1 lot = 10,000 base currency) of EUR/USD with a leverage level of 200:1. Your Margin Requirement for this Contract is USD$50: (100,000 x 0.1) / 200 = USD$50.

Contract roll adjustment

8.6 Certain instruments work on an ongoing basis and derive their prices from underlying futures contracts. Because futures contracts expire, when one futures contract ends, we need to change the underlying contract from which we derive our price. To avoid profit and loss discrepancies, we'll issue a balance adjustment on your Account (either a Rollover Charge or Rollover Benefit) to take into account the difference in prices between the two Contracts as well as the cost of Closing-Out your original Contract and re-opening it in a new Contract. Please see section 3.11 to 3.13 for more information.

Swap Rates

8.7 Our Swap Rates on our instruments vary, and the amount we charge depends on the funding costs of the Underlying Asset or Contract and the rates of our Liquidity Providers. Please check the Platform for the Swap Rates that may apply to your Contracts. Please note for the Pepperstone Platform, this is only available on Webtrader and not on the mobile app.

Example 1: Swap Rates

If you have a long Australian Dollar / US Dollar (AUD/USD) Contract and hold it over the 5 PM American EST time (Close of Business) and interest rates are higher in AUD than in USD, then we may pay you a Swap Benefit.

This is because you are long the highest yielding currency. On the other hand, if you were short AUD/USD in the above scenario, then you may incur a Swap Charge at our Swap Rate.

In circumstances where the two interest rates are near parity (almost equal to each other), we may impose a Swap Charge for both long and short open Contracts. A double negative Swap Rate implies that there's no interest advantage gained by borrowing in one currency to then invest in the other.

8.8 The Swap Rate that applies to your Contract may be tripled on a specific day depending on the traded symbol's underlying instrument. For example, if your Contract is based on FX or metals and is held on a Wednesday – Thursday server rollover, the swap rate will be tripled. Because of the settlement structure within the spot market, trades that are open on Wednesday will be settled on the Monday after, so there's a need to account for interest earned/charged over this period.

8.9 Please check the symbol specifications within the Platform to see when the triple Swap Rate occurs, as this can vary based on the instrument that underlies your Contract. For the Pepperstone Platform, please use Webtrader to see when the triple Swap rate may occur.

Example 2: Swap Rates

A Contract for 1 lot of EUR/USD (long) with a EUR based Account has a swap of -8.54 (points).

1 lot has a pip value of 10 units of base currency, so 8.54 points is equal to 8.54 units of base currency on a 1 lot trade.

1 lot = 100,000 units of base currency, Swap rate = -8.54, Number of nights = 1, Swap fee = (10 x -8.54 x 1) / 10 = $-8.54.

Administration Fees (Swap Free only)

8.10 Swap Free Accounts aren't charged or paid the usual Swap Charges or Swap Benefits that are associated with Contracts held through the server rollover period. Instead, if you have a Swap Free Account, you'll be charged an Administration Fee for Contracts that you hold beyond a certain period of time.

8.11 We set an Administration Fee for each product that we offer on a Swap Free Account on a per-lot open basis. The structure and amount of the Administration Fee varies depending on the Platform you're using, the Contract you're trading, the rates set by our Liquidity Providers and the currency that your account is in. For more information on the Administration Fee that we charge for each product that we offer, please visit the Swap Free Account page on our website.

8.12 The Administration Fee Interval is a period of days between the times that we'll charge you the relevant Administration Fee for your Contract. For each Administration Fee Interval that your Contract stays open, we'll deduct your Administration Fee from your Account. Your Administration Fee will be charged in proportion to the size of your open Contract.

8.13 We can change our Administration Fees and Administration Fee Intervals at any time, at our discretion.

Commissions

8.14 We may charge commissions on your Account, which will be reflected when you open a Contract.

MetaTrader

8.15 Our commission charges will vary based on the currency of your Account and will increase/decrease in proportion to the size of the Contract you're trading. For more information on our commission rates, please visit our website or refer to the commissions and charges information we have sent you.

Example: Commissions – MetaTrader

The commission charge for USD is USD3.76 (7.53 per round turn). If you have a USD denominated MetaTrader 4 Account and open a Contract of 2 lots of EURGBP, you would be charged USD15.06 to open the Contract (being USD7.53 x 2 lots).

cTrader

8.16 Our commissions on cTrader Accounts are based on 0.0035% of the base currency that's being traded.

Example: Commissions – cTrader
If you're trading 100,000 of EUR/USD the commission charge will be €3.50 EUR to open the Contract and €3.50 EUR to Close-Out the Contract.

Pepperstone Platform

8.17 Our commissions on Pepperstone Accounts are a flat USD value which will be converted to your account base currency. For more information on our commission rates, please visit our website or refer to the commissions and charges information we have sent you.

Example: Commissions – Pepperstone

The commission charge for USD is USD3.50 (7.00 per round turn). If you're trading 100,000 of EUR/USD the commission charge will be USD$3.50 to open the Contract and USD$3.50 to Close-Out the Contract.

Index and equity CFD dividends

Index CFDs

8.18 When an individual stock which is a constituent of a cash stock index, goes ex-dividend, this will have a weighted effect on that cash index, known as the "index dividend". We'll credit long Contracts and debit short Contracts held in these markets with a cash adjustment on the ex-dividend date.

8.19 We calculate the rate applied as an "index dividend" in our absolute discretion. The rate that we'll calculate will reflect Underlying Market conditions.

8.20 Futures indices aren't affected as anticipated future dividends are already priced into the market.

Equity CFDs

8.21 When the stock that an equity CFD derives its pricing from goes ex-dividend, we'll credit long Contracts and debit Short contracts held on the relevant symbols.

8.22 We calculate the rate applied as an "equity dividend" in our absolute discretion. The rate that we'll calculate will reflect Underlying Market conditions and the value of any withholding tax amounts on the stock.

Corporate actions

8.23 We don't look to take advantage of corporate actions for profit purposes, and we'll always pass on adjustments made by our Liquidity Providers to you. In some cases, the treatment of corporate actions such as consolidations, rights issues, takeovers, stock splits and share distributions may be less advantageous than if you were holding the Underlying Asset.

8.24 In certain situations, we may ask you to make a decision about whether a corporate action should be reflected in your Account, before the ex-date.

8.25 When reflecting rights issues on limited risk Contracts, our aim will always be to reflect the same monetary equivalent of the previously risked amount, when taking into account the new ex-rights position.

8.26 We'll attempt to cancel relevant Orders on CFDs where a corporate action has taken place. We won't re-enter your Orders for you after a corporate action has taken place. It's your responsibility to re-enter working Orders once this has happened.

9. Conflicts of Interest

9.1 Trading with us carries unavoidable risk of conflict of interest because we're acting as principal in our transactions with you. Because of the nature of the financial products that we provide, we can sometimes have residual long or short Contracts as a result of total client volume in one particular direction.

9.2 We get our pricing from independent sources so the way that we work isn't designed to negatively impact you, even though we're on the other side of your trades.

9.3 We also have policies in place and actively monitor our employees' personal trading activities and their interactions with clients, to ensure that they're not using information that we obtain in the process of operating our business or interacting with clients in an inappropriate way.

10. What to do if you have a complaint

10.1 We want to know about any problems or concerns that you have with our services so that we can take steps to resolve them. We have formal internal and external dispute resolution procedures to resolve complaints. You can ask for a copy of these procedures by emailing support@pepperstone.com

10.2 We'll handle and investigate your complaint internally in the first instance. If you're not satisfied with the outcome, you've got the ability to escalate your concerns to an external body for a resolution.

10.3 If you have a complaint about the financial services that we've provided to you, please take these steps:

(a) tell us about your complaint by phone, email or letter using the details below:

Pepperstone Markets Kenya Limited
2nd Floor, The Oval
Ring Road Parklands
PO Box 2905-00606
Nairobi
Kenya

Phone: +254 20 3893547/8/9

Email: support@pepperstone.com

(b) if you're not satisfied with the outcome, you have the right to make a complaint to the CMA. The CMA can be contacted at:

The Chief Executive
Capital Markets Authority

PO Box 74800, 00200
Embankment Plaza, 3rd Floor
Longonot Rd, Upperhill
Nairobi
Kenya

Phone: +254 20 2264400 / 2264900 / 2221910 / 2221869

Email: corporate@cma.or.ke

Website: www.cma.or.ke

11. Tax implications

11.1 Trading our products can have tax implications, depending on the current tax laws and administration, whether you're an individual or an entity (and your type of entity) for tax purposes, the terms of the Contracts you trade in and other circumstances.

11.2 The tax implications of your trading activities can be complex and will be specific to you. If you're unsure of how your tax position will be impacted, we recommend that you speak with your tax advisor before you trade with us.

12. AML requirements

12.1 Sometimes we may need you to provide us with information, including identity documents, so that we can comply with AML Laws. By submitting an Application Form, opening an Account and trading with us, you agree to provide us with any information and assistance that we may need comply with AML Laws.

12.2 We may pass on information that we've collected from you or about your trading activities to government agencies and regulators in compliance with AML Laws or other applicable laws and regulations without letting you know. We may also carry out anti-money laundering and other checks on you (including restricted lists, blocked people and countries lists) that we consider to be necessary or appropriate. We reserve the right to take any action regarding these checks without any liability to you.

12.3 You warrant that:

(a) you're not aware, and have no reason to suspect, that the money you use to fund your Account has been or will be derived from or related to any money laundering, terrorism financing or other illegal activities, whether prohibited under Kenyan law, international law or convention or by agreement; and

(b) the proceeds of your investment won't be used to finance any illegal activities.

13. Your privacy

13.1 Depending on the type of service that you ask for, we may ask you to provide certain personal information to us, either in writing or verbally, so that we can provide you with that service. For example, as a financial service provider, we have an obligation under the AML Laws to verify your identity and the source of your funds. We'll keep this information strictly confidential and use it only for the primary purpose of providing our services to you.

13.2 Your privacy is important to us and we're committed to compliance with prevailing law on Privacy and Data Protection in the way that we handle your personal information. For more information, please refer to our Privacy Policy under the 'Legal Documents' section of our website.

Public Holidays

13.3 We're not obliged to quote prices or accept Orders or instructions on a public holiday in any jurisdiction which, in our reasonable opinion, affects the relevant Underlying Markets.

Out of Hours Trading

13.4 Although we're open 24 hours a day, we're not obliged to quote prices or accept Orders or instructions for any markets, where Out of Hours Trading applies during any time when the relevant exchange is closed for business. We'll designate the markets to which Out of Hours Trading applies on our website from time to time. It's your responsibility to monitor the Trading Hours of any Product that you wish to trade.

Communication

13.5 If you've been dealing with us in a language other than English, for example, communicating with some of our foreign language speakers, then please note that we offer these services at our discretion and don't guarantee that they'll always be provided to you. There may be occasions where you must take action regarding your Account, and a foreign language speaking representative isn't available.

13.6 English is the primary language in which we provide our Products and services and the binding language for all our contractual documents. You're responsible for monitoring your open Contracts and your Account at all times.

14. Words that we use in this PSF

"**Account**" means your trading account with us.

"**Administration Fee**" means the fee that we charge for Contracts held beyond a certain period of time on Swap Free Accounts, as set out in section 6 of this PSF.

"**Administration Fee Interval**" is the period of days between when we'll charge you an Administration Fee on a Swap Free Account, as set out in section 6 of this PSF.

"**Agreements**" means this PSF, our Terms and Conditions, Application Form, Risk Disclosure Notice, Confirmations and any information on our Platform or website which governs our relationship with you.

"**Application Form**" means the online form that you complete on our website to open an Account.

"**CFD**" means a contract-for-difference, a type of OTC derivative product that we offer which is described in more detail in section 3 of this PSF.

"**Client Money**" means the money that you and our other clients deposit with us, which we hold in compliance with the Client Money Rules.

"Client Money Rules" means Capital Markets Act, Capital Markets (Online Foreign Exchange Trading) Regulations, 2017 and the Capital Markets (Conduct of Business) (Market Intermediaries) Regulations 2011.

"**Close-Out**" means the termination of part or all of a Contract in compliance with the Agreements.

"**Continuing Margin**" means the money you need to pay us to ensure your Account balance is enough to keep your Contract open, taking into account all realised and/or unrealised P&L.

"Cryptocurrency" means a digital asset that's subject to significant volatility and risks.

"**CMA**" means the Capital Markets Authority.

"**Contract**" means an OTC derivative Contract between you and us, which is an agreement to pay or receive the difference in value of an Underlying Asset, resulting in a long or short exposure.

Expiry Date means the date determined by Pepperstone which a Contract referencing an Underlying Asset with a set expiry will automatically expire, as specified on the Platform.

"**Limit Order**" means a pending Order to enter or Close-Out a Contract at a trigger price that's either the same or better than the price that's currently available in the market.

"**Liquidity Provider**" means a counterparty that we pass trades to, to manage our risk, also known as a hedging counterparty.

"**Margin**" means the amount of money that you need to deposit into your Account to enter into or maintain a Contract with us under the Agreements, which varies depending on the Underlying Asset and other factors.

"**Margin Call**" means a notification sent to you, usually via the Platform, requesting you to top up the amount of money that you have in your Account as Margin.

"Margin FX Contract" means a leveraged foreign exchange Contract, a type of OTC derivative product that we offer, which is described in more detail in section 3 of this PSF.

"**Order**" means an offer that you make to enter into a Contract with us under the Agreements.

"**OTC derivatives**" means over-the-counter derivatives, which include Margin-FX Contracts and CFDs, as described in section 3 of this PSF.

"**PSF**" means this Product Sensitisation Framework.

"**Pepperstone**", "**we**" "**us**" and "**our**" means Pepperstone Markets Kenya Limited.

Pepperstone Platform means Pepperstone's proprietary trading platform accessible via a mobile app or over the internet.

"**Platform**" means any online software that we make available to you for entering into Margin FX Contracts and CFDs under the Agreements including the Pepperstone Platform, described in more detail in section 5 of this PSF.

"**Risk Disclosure Notice**" means the current version of our Risk Disclosure Notice, which form part of our legal relationship with you, as available on our website.

"**Rollover Benefit**" means a benefit that you may receive on a Contract referencing an Underlying Asset with a set expiry that you hold at the Expiry Date, as described in section 3 of this PSF.

"**Rollover Charge**" means a charge that you may incur on a Contract referencing an Underlying Asset with a set expiry that you hold at the Expiry Date, as described in section 3 of this PSF.

"**Stop Loss Order**" means a pending order to exit a Contract if the set trigger price is reached.

"**Swap Benefit**" means a benefit that you could incur for holding a Contract through 5pm New York Time.

"**Swap Charge**" means a charge that you could incur for holding a Contract through 5pm New York Time.

"**Swap Rate**" means the rate at which we'll apply a Swap Charge or Swap Benefit to you.

"**Terms and Conditions**" means the current version of our Terms and Conditions, which form part of our legal relationship with you, as available on our website.

"**Underlying Asset**" means the instrument or asset that underlies your Order or Contract and determines the value of that Contract – for example a stock market index, commodity, currency pair, futures contract, equity or any other instrument or asset.

"**Underlying Market**" means the market in which an Underlying Asset is traded. For example, the Australian Securities Exchange.

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