

KVB Trading (Hong Kong) Limited

Foreign Exchange

Product Disclosure Statement (PDS)

March 2021



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1. Introduction

This Foreign Exchange Product Disclosure Statement (“PDS”) outlines information on the FX services KVB Trading (Hong Kong) Limited (“KVB” or “We”) offers you. It is designed to:

- give you information you need in order to understand the foreign currencies exchange services provided by KVB;
- explain the terms and conditions of our services; and
- help you compare KVB financial products with those of other providers and to provide you with information to enable you to make an informed decision whether the financial products described herein is appropriate for you.

You should read and consider all sections of this PDS carefully before making any decisions. Should you have any queries, please contact us. Contact details are provided under Section 22.

When the term “you” or “Customer” is used, we mean you, as the user of our FX services and the person transacting in FX Transactions.

This PDS is an important document and is designed to provide you with sufficient information in deciding whether to acquire the financial products offered by KVB. However, nothing contained herein shall be treated as or constituted the giving of general or personal advice, opinion or recommendation concerning or relating to the entering into by you with us any agreements or FX Transactions.

If you have entered into a Master Agreement with us, this PDS shall be read in conjunction with the Master Agreement. Unless otherwise specified, terms and abbreviations used in the Master Agreement are adopted in this PDS. If you have not yet entered into a Master Agreement with us, you may visit our website at www.kvbgc.com for the specimen of the Master Agreement.

Please note that the information contained in this PDS does not take into account your personal objectives, financial situations or needs. It does not constitute a

recommendation, advice or opinion.

KVB declares and you understand and acknowledge that KVB is not a leveraged foreign exchange trader, bond broker, bond dealer, securities dealer, stock dealer, stockbroker, futures broker, futures dealer, securities adviser, securities consultant, stock adviser, futures adviser, futures consultant, corporate finance adviser, corporate finance consultant, automated trading service provider, margin lender or securities margin financier. Therefore it will not participate in the activities of leveraged FX Transactions, trading, dealing in or advising on securities and futures contracts or advising on corporate finance securities margin financing, credit rating services or asset management. By reason thereof, KVB will not accept any instructions (and you shall not instruct) relating to leveraged FX Transactions, trading and any of the aforesaid transactions.

For the avoidance of doubt, notwithstanding anything contrary contained in this PDS or in the Master Agreement, KVB makes it clear to you that it will not undertake or provide you with the following services:

- (a) make an adjustment between KVB and you or another person according to whether a currency is worth more or less (as the case may be) in relation to another currency;
- (b) pay an amount of money or to deliver a quantity of any commodity determined or to be determined by reference to the change in value of a currency in relation to another currency to you or another person; or
- (c) deliver to you or another person at an agreed future time an agreed amount of currency at an agreed consideration.

Before entering into a FX Transaction, you should obtain independent advice to ascertain whether it is appropriate for your particular financial objectives, needs and circumstances. We recommend that you take all reasonable steps to fully understand the outcomes and the risks exposures of specific FX Transactions, trades and strategies adopted in relation to utilising the financial products provided by us. Independent taxation and accounting advice should also be sought in relation to the impact of foreign exchange gains and losses on your particular financial situation. If you do not



understand any part of this PDS, please contact us.

This PDS is intended for the Customers in Hong Kong only. Distribution of this PDS in jurisdictions other than Hong Kong may be restricted by laws.

2. Who We Are

KVB Trading (Hong Kong) Limited is a Hong Kong based entity (Company Number 1692855), and the issuer of financial products. KVB is part of the KVB Group which operates financial services business throughout the world, including Sydney, Melbourne, Toronto, Hong Kong, Auckland and Beijing (representative office only).

In Hong Kong, KVB offers 3 FX services – Spot FX, Same Day Value FX and Market Order FX.

3. Foreign Exchange Transactions

A FX Transaction is an agreement between two parties to exchange one currency for another currency at an agreed exchange rate on a transaction date, which can be either spot value or same day value quoted by KVB. The agreement between the parties is not transferable to other parties or entities (third parties). Neither KVB nor you have the right to sell or transfer an interest in a foreign exchange contract and/or transaction.

The rate of exchange used in a FX Transaction is the price of one currency (the base currency) in terms of another (the other currency), such as the price of the New Zealand dollar in terms of the US dollar, which is expressed as NZD/USD 0.57 meaning one New Zealand dollar is equal to, or can be exchanged for 57 US cents (the example quoted above is not intended to be indicative of future performance or the present value).

FX Transactions are available in all major currencies.

KVB cannot predict future exchange rates or give you advice in respect of them. Our rate

quotations are not a forecast of where we believe foreign exchange rates will be at a future date. We calculate foreign exchange rates taking into consideration the current wholesale (interbank) “spot” exchange rates and the value and currency that you wish to purchase or sell and our profit margin. The decision to transact at a particular rate will always be your own decision without KVB’s or our representatives’ influence or participation.

We will not open, or maintain any anonymous account or account in a fictitious name for any Customer.

4. Spot Orders

A Spot FX Transaction is a type of Spot FX contract/transaction for foreign exchange for you to purchase one currency by the use of another currency (currency that you sold) at an exchange rate quoted by KVB under the terms of which the settlement of the transaction is scheduled to be made on or before the second (2nd) Business Day falling the transaction date (being the ‘Value Date’, that is the date on which funds change hands). Therefore, a Spot FX contract/transaction has a Value Date (settlement date) of two (2) Business Days from the transaction date. That means that the currency that you have sold must be received in KVB’s Nominated Account one (1) Business Day before the Value Date of the transaction, and the currency that you have bought will be paid to your nominated bank account on or before the Value Date conditional upon in receipt of the full amount of the currency that you have sold. The exchange rate quoted will be the current inter-bank spot rate (depends on value and currencies) plus our profit margin. The profit margin will vary depending on the value of the FX Transaction and currencies – see Section 10 “How We Are Paid and Conflict of Interest”.

5. Same Day Value Transactions

When you need to exchange one currency for another with immediate value payment, KVB can provide you with this payment option at a competitive quote. Some conditions apply.



Please discuss with our representatives.

6. Market Orders

Market Orders allow you to establish the exchange rate (quoted by KVB) at which you would like to transact. KVB will place the order in our system at your desired rate, and a FX Transaction will be created once the rate is reached.

In normal market conditions, the Customer can minimise downside risk by the use of stop loss orders where KVB will sell a currency for the Customer if the currency reaches a particular level. In abnormal market conditions, however, no assurance can be given as to whether a stop loss order is filled.

The Customer may also use limit orders which allow them the opportunity to benefit from favourable upside market movements. KVB cannot commit to the execution of limit orders since this will depend on the prevailing market conditions.

Stop loss orders and/or limit orders placed by the Customer are subject to KVB's acceptance. KVB may accept or refuse to accept those orders at its own discretion.

Further, certain types of orders may not be accepted by KVB. Please contact our representatives for further information. As KVB is not a leveraged foreign exchange trader, therefore it cannot accept any forward orders or margin trading.

7. How to Execute a Foreign Exchange Transaction

You need to undertake the following steps to effect orders with KVB:

- (a) Read this PDS.
- (b) Read the Master Agreement provided to you by KVB and return the completed application form together with necessary identification documents. When the application is received and accepted by KVB, the Master Agreement acts as an agreement between

us. Prior to entering into any FX Transactions you have to undergo our customer due diligence measures.

- (c) A copy of the Master Agreement is available on our website at www.kvbkunlun.com.
- (d) Contact your KVB representative to discuss your FX Transaction requirements. We record telephone conversations at all times, which is a standard market practice, so as to ensure that instructions can be verified in the event of a dispute.
- (e) Based on the quotations offered by KVB, you may enter into a FX contract with KVB.
- (f) Once you have instructed KVB to purchase or sell a currency at an agreed rate you have entered into a FX contract. You are legally bound from the time a transaction is agreed between you and KVB. The FX Transactions are valid and binding even without written confirmation of its terms.

A Transaction Confirmation is sent to you to confirm the FX Transaction. The Transaction Confirmation provides details (particularly economic details) of the FX Transaction including the amount of currencies purchased and sold, the exchange rate, and the Value Date (which is the settlement date) (in case of Spot FX Transactions) / the transaction/settlement date (in case of Same Day Value FX Transactions). If any information shown on the Transaction Confirmation is incorrect, please advise your KVB representative immediately.

You must then provide us with details of your onward payment instructions to enable your currency to go direct to your nominated bank account.

8. Settlement

Spot FX Transactions: On the day that you enter into a Spot FX Transaction KVB will advise you of the full amount required for settlement on the Value Date. Due to standard banking and currency cut off times, this amount should be deposited to KVB's Nominated Account no later than the Business Day immediately preceding the Value Date.



When your Spot FX Transaction reaches the Value Date, and KVB has received your cleared settlement funds, KVB will instruct its bank to send your purchased currency (after the deduction of all bank charges, costs and fees charged and levied by both the remittance and recipient banks) via international payment systems in accordance with your instructions. All FX Transactions are effected electronically and KVB retains detailed records of all settled FX Transactions.

Same Day Value FX Transactions: In order for Same Day Value FX Transactions to effectively settle prior to close of business on the transaction/settlement date, your settlement amount must be received by KVB within standard banking and currency cut off times. If cleared settlement funds are not received by the standard banking and currency cut off times, settlement will occur on the next Business Day.

In order for Spot FX Transactions to be effectively settled on or before the Value Date, the full amount of your sold currency must be received one (1) Business Day before the Value Date. Onward payment of the purchased currency shall be sent to you by KVB upon in receipt of the full amount of the sold currency.

In normal circumstances, KVB will only receive your sold currency from and instruct its bank to send your purchased currency to a bank account of which you are the sole account holder. Acceptance of the sold currency from and/or request for sending the purchased currency to a third party's bank account or an account jointly held by you with others is subject to KVB's own discretion which shall be exercised by its senior management in accordance and strict compliance with Financial Services, Anti Money Laundering and Countering of Terrorist Financing and other applicable laws, regulations, by-laws and guidelines.

9. Close out of Foreign Exchange Transactions

A FX Transaction can be closed out before and up to the Value Date (which shall be the settlement date) in the following circumstances:

- (a) as agreed in the Master Agreement; or
- (b) by agreement between you and KVB.

Close out events under the Master Agreement include, *inter alia*, a breach of a term or condition by you, your insolvency or bankruptcy or a winding up petition is presented against your company or your failure to comply with an obligation to KVB.

In the event that KVB closes out your FX Transaction we may also terminate the Master Agreement between us.

10. How We Are Paid and Conflict of Interest

KVB earns its revenue from the spread between its wholesale price (the quote of which is obtained from its counterparties) and the price offered to you, therefore you do not trade/transact in a regulated exchange market. The spread varies in accordance with the size of the FX Transactions and the type of financial products. When you agree on an exchange rate and confirm the amount of currency you wish to transact, the total amount payable by you to KVB will be based upon the agreed exchange rate.

All FX Transactions requiring electronic transfers incur a fee of approximately between HK\$100 and HK\$200 per FX Transaction. Recipient banks may also charge transactional costs for receipt and payment of funds. Such costs are outside the control of KVB and shall be borne by you and be deducted from the receiving account.

For a full list of fees charged by KVB, please contact our representatives. Please note KVB has its own discretion to change the fees without notification to the Customer in advance.

KVB transacts/acts as principal in FX Transactions (not as your broker) with you and it may transact with other persons at a different quoted rates. It, therefore, gives rise to actual or potential conflicts of interests between KVB and the Customer.



11. Significant Risks

11.1 Market Volatility

Foreign exchange currency markets are subject to many influences (such as political instability and economic crisis) which are highly speculative and may result in rapid currencies fluctuations (market volatility). There is no guarantee or assurance that there will be profits or you will not make any losses or there will not be any depreciation of value.

As market exchange rates are vulnerable to fluctuations (volatility) resulted from various influences, therefore FX Transactions can sometimes result in a loss if, for example, the underlying foreign exchange rate moves unfavourably against you. You should understand these risks and other risks before entering into any FX Transactions and monitor your positions closely. Past performance of markets is not an assurance or indication of future performance. KVB does not guarantee any profit and shall not be liable for your losses due to market volatility or whatever cause.

11.2 Counterparty Risk

Given you are dealing with KVB as counterparty to every FX Transaction, you will have an exposure to us in relation to each FX Transaction. You are reliant on KVB's ability to meet its obligation to settle the relevant financial product with you. You should satisfy yourself that KVB is able to meet its obligations to you.

11.3 Systems Risk

KVB relies on a number of technology solutions to provide you with efficient FX services.

In this regard KVB relies on third party international settlement system providers to assist in currency transfers between accounts. KVB cannot control the activities of third parties. KVB shall not be liable to you for any failures, hindrances or delays in performing its obligations where such failure, hindrance or delay arises directly or indirectly from circumstances beyond its reasonable control.

Such events shall include technical difficulties such as telecommunication failures or disruptions due to maintenance, downtime, civil

unrest, terrorism, war, natural disasters, strikes, lock-outs, fire or such at KVB's premises, notwithstanding that KVB is a party to the conflict and including cases where only part of KVB's functions are affected by such events.

11.4 Communication Risks

There are risks inherent in providing electronic instructions. Fraudulent or other unauthorised instructions may be transmitted by electronic communications. Facsimile instructions may be transmitted to incorrect numbers, may never reach KVB and may become known to third parties.

You should not give electronic instructions unless you understand and accept these risks.

11.5 Sophistication in FX Transaction

You should be experienced and sophisticated in FX Transactions and understand and accept the risks in FX Transactions. By entering into any FX Transaction, you acknowledge and declare that you accept all risks occasioned by and relating to the FX Transaction (including the risks mentioned hereinabove), despite your acknowledgment you still desire to enter into the FX Transaction. KVB assumes no liability for any risks mentioned hereinabove. If you do not understand the risks you should not enter into or engage in any FX Transactions.

12 Significant Benefits

12.1 Protect an Exchange Rate

KVB offers the Customer the ability to purchase and sell foreign currencies via Same Day Value FX Transactions or Spot FX Transactions. This facility enables the Customer to protect themselves against adverse market swings in a short timeframe.

13 Terms & Conditions

Our Terms & Conditions for FX Transactions for one time retail customers are outlined on the Transaction Confirmation deal ticket, which you accept at the time of transacting with KVB.



Terms & Conditions for FX Transactions for recurring retail and commercial customers are outlined in the Master Agreement. The Master Agreement governs the relationship between you and KVB. The Master Agreement must be signed before you can transact in FX Transactions with us which sets out the basis on which FX Transactions will take place.

14 Complaints

KVB has internal dispute resolution processes in place. If you have a complaint about the FX services or financial products provided to you by KVB, you should take the following steps:

- (a) contact your KVB representative and discuss your concerns;
- (b) if your complaint is not satisfactorily resolved, contact our Business Development Manager (please see contact under Section 22) about your complaint. You may do this by telephone, facsimile, email or letter.

15 Investment Brokers & Investment Advisors Disclosure

KVB does not provide advice, recommendations or warnings to you in relation to the FX Transactions or other transactions. Therefore, you will not receive an Investment Brokers Disclosure (KVB does not act as a broker) from KVB or our staff.

If any of our representatives says, indicates or implies anything to you, you must not rely on it and KVB or any of its related companies or affiliates shall not be liable for it if it is wrong. Similarly, neither KVB nor any of its related companies or affiliates shall be liable if we do not give you advice recommendations or warnings.

16 Tax Implications

By entering into a FX Transaction, the Customer acquires rights to either purchase or sell foreign currencies. A foreign exchange gain or loss may arise by reason of differences in exchange rates of foreign currencies.

We advise that you should obtain independent tax advice, as the implications may be complex and will relate to your specific financial circumstances.

17 Cooling Off

There is no cooling off period (i.e. you do not have the right to return the FX Transactions, nor do you have the right to request any refund of money paid to KVB for such FX Transaction) or arrangement for any FX Transactions nor are they transferable to other parties or entities (third parties).

18 Ethical Considerations

Labour standards or environmental, social or ethical considerations are not taken into account by KVB when making, holding, varying or ending FX Transactions.

19 Privacy

In making an application pursuant to this PDS you consent to KVB disclosing in connection with Financial Services ("FS") and Anti Money Laundering ("AML") and Countering of Terrorist Financing ("CTF") laws, any of your personal information (as defined under Section 2 of the Personal Data (Privacy) Ordinance (Cap. 486)) and the details of any transactions to any applicable regulatory authority (particularly the Joint Financial Intelligence Unit) as required by laws (including Organized and Serious Crimes Ordinance (Cap. 455), the Drug Trafficking (Recovery of Proceeds) Ordinance (Cap. 405), United Nations (Anti-terrorism Measures) Ordinance (Cap. 575) and Anti-Money Laundering and Counter Terrorist (Financial Institutions) Ordinance (Cap. 615).



In certain circumstances we may be obliged to freeze or block an account where it is being used in connection with illegal activities or suspected illegal activities. Freezing or blocking can arise as a result of the account monitoring that is required by the FS, AML or CTF laws.

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Principal contact: Business Development
Manager

20 Currency of this PDS

The information in this PDS is up to date as at its issue date, and is subject to change from time to time.

If the new information is materially adverse to your relationship with KVB, we will either issue a new PDS or a supplementary PDS with the new information. If the new information is not materially adverse to you, we will not issue a new PDS or a supplementary PDS to you, but you will be able to find the updated information and the contents of the current PDS on our website at www.kvbqc.com, or you may call us using the contact details provided.

21 Translated Version

This PDS contains Chinese translation to the English version and may be translated to other languages. The Chinese translation and other translated versions (if any) are for reference only and do not form part of this PDS, nor shall them be treated or construed as any representations made by KVB to the Customer. Should there be any discrepancy, inconsistency or ambiguity between the English version and any translated versions, the English version of this PDS shall prevail.

22 Product Provider Contact Details

Financial Products referred to in this PDS, and additional information on the services that KVB provides, are available from:

23 Communications

In order to have the FX Transactions properly and efficiently processed, KVB is entitled to rely upon and act in accordance with any communications received from or purportedly sent by you or an Authorised Signatory. Communications can be given in any form agreed between KVB and the Customer, provided that, in KVB's conclusive view, any such communication is clear and unambiguous as to its terms.

KVB is not bound to make any enquiry as to the accuracy of the information contained in any communications and are entitled to assume that any communications given by an Authorised Signatory has been authorised by you.

To help improving the services provided by KVB, and in the interests of security, KVB may monitor and/or record any telephone conversations with you or any Authorised Signatory. Such recording may be used as evidence in the event of any disputes.