



# FINANCIAL SERVICES GUIDE

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## PURPOSE OF THE FINANCIAL SERVICES GUIDE AND OTHER DISCLOSURE DOCUMENTS

This Financial Services Guide, dated 21<sup>st</sup> July 2008 is issued by Kinetic Securities Pty Ltd (ABN 83 120 225 149) ("Kinetic Securities"), whose contact details appear at the top of this Guide.

The purpose of the Financial Services Guide is to:

- Provide brief details of the financial products and services Kinetic Securities provides in order to assist prospective and new retail clients decide whether to obtain financial services from Kinetic Securities;
- Provide information on remuneration paid to Kinetic Securities; and
- Provide details on how we deal with complaints.

Retail clients should be aware that the Financial Services Guide is one of three disclosure documents that retail clients **may** be entitled to receive, the other two being a Statement of Advice and a Product Disclosure Statement, although Kinetic Securities is only obliged to provide these two latter documents in certain specific circumstances.

## Statement of Advice

Retail Clients who commence using Kinetic Securities **General Advice** service will not be provided with a Statement of Advice (SOA).

Retail Clients who commence to use Kinetic Securities' **Specific Advice** service for the first time and who seek personal financial product advice will be asked to provide details of their financial situation, particular needs and investment objectives. Clients will be provided with a written SoA that will summarise the advice, the basis of the advice, any fees or charges and any potential conflict of interest on the first occasion that advice is provided.

## Product Disclosure Statement

If Kinetic Securities recommends a financial product to a Retail Client, other than a financial product that is a listed security, then Kinetic Securities will provide the Retail Client with a Product Disclosure Statement (PDS). The PDS contains information about the particular product including the features, benefits, fees and risks associated with that product so that the Retail Client can make an informed decision.

If Kinetic Securities provides an existing Retail Client or a new Retail Client receiving subsequent advice with what is referred to as Further Market Related Advice (see Further Market Related Advice section in this document) then Kinetic Securities may rely on the information that it already holds and the Retail Client will not automatically receive a Statement of Advice. However, the retail Client has the right to call for a copy of Kinetic Securities' record of such Further Market Related Advice within 90 days of the date of the advice. A Retail Client can do this by making a written request directed to their Advisor.



Further Market Related Advice can only be given in relation to financial products that are traded on a live market such as the ASX, LSE or other international stock markets.

This Financial Services Guide will provide details of the following:

- Kinetic Securities' authorisation;
- The financial products and services to which Kinetic Securities authorisation extends;
- The licensed market or clearing and settlement facility of which Kinetic Securities is a participant;
- Responsibility for the advice given by Kinetic Securities;
- How Kinetic Securities and its associates are paid for the services that it provides;
- Any potential conflicts of interest that Kinetic Securities may have;
- The Statement of Advice;
- Further Market Related Advice; and
- The Dispute Resolution procedures that Kinetic Securities has in place.

### **KINETIC SECURITIES' AUTHORISATION**

Kinetic Securities holds an Australian Financial Services License (AFSL) no. 309743. Kinetic Securities is responsible for the advice given by its representatives. Kinetic Securities is a member of the Financial Ombudsman Service (FOS).

Kinetic Securities' licensee status allows it to carry on a financial services business to provide advice and deal in a range of financial products to retail and wholesale clients.

The financial products Kinetic Securities is authorised to advise and deal in, include the following:

- Securities;
- Derivatives;
- Cash Management Trusts (CMT);
- Margin Loans;
- CFD Products;
- Structured Products;
- Geared Investments;
- Term Deposits;
- Foreign Exchange Products (Forex);
- Managed Investment Schemes inc. IDPS

### **KINETIC SECURITIES' FINANCIAL PRODUCTS AND SERVICES**

Kinetic Securities offers a comprehensive range of financial products and services to both wholesale and retail investors however not all services or products may be available to all clients.

Products and Services include:

- Direct trading in equities, options, warrants and loan securities on ASX;
- Direct trading in futures contracts & options on futures on global markets;
- Direct trading in some international listed securities ;
- Trading in foreign exchange products (Forex);
- CFD products;
- Investor Directed Portfolio Services' (IDPS);
- Access to new floats (IPO's), new issues and placements;
- Research on a range of listed companies/trusts and some international securities;
- Investment strategies and ongoing wealth management;
- Cash Management Accounts;
- Margin lending;
- Self managed super funds (SMSF's)



Advice is provided on:

- Securities, including domestic, fixed interest and income yielding securities and some international listed securities;
- Derivatives including Exchange Traded Options, Warrants & futures;
- Saving and wealth creating strategies'
- CFD products including the buying & selling of these instruments.
- Foreign exchange products

#### **TYPES OF ADVICE AVAILABLE:**

General Advice:

- Unless otherwise arranged with your advisor, Kinetic Securities provides **General Advice** only. Clients who receive **general** securities advice should be aware that the advice is **general** and therefore does not take into consideration their individual investment needs, objectives or requirements.
- When receiving **general** securities advice you are required to take this advice and determine on your own whether or not it is consistent with your investment objectives. Kinetic Securities is therefore not responsible for providing or evaluating this advice. In both instances, Kinetic Securities will make reasonable endeavours to ensure the accuracy and quality of any advice which is provided. Kinetic Securities however makes no warranties or guarantees in respect of the performance of any individual taking our advice.

Specific Advice:

- If arranged with your advisor, Kinetic Securities may provide **Specific Advice**. If you are receiving **specific** securities advice, or other financial product advice, your adviser will be responsible for the advice that is provided to you. In giving this advice however you are required to provide your adviser with sufficient information to allow them to adequately determine your financial needs and investment objectives.
- If you are arranging for your advisor to provide **Specific Advice**, you will be provided with a written Statement of Advice that will summarise the advice, the basis of the advice, any fees or charges and any potential conflict of interest on the first occasion that advice is provided.

#### **RESPONSIBILITY FOR KINETIC SECURITIES' ADVICE**

To ensure that Clients have an effective relationship with Kinetic Securities, advisors will be allocated to each private client. This can vary from one individual Advisor to a number of Advisors depending on the Clients circumstances. These Advisors will be primarily responsible for providing each Client with advice. Once a Client has been allocated an Advisor the Client will be provided with the Advisor's contact details. Kinetic Securities' Advisors are representatives of Kinetic Securities and as such Kinetic Securities is responsible for all financial product advice provided by them to Clients as a representative of Kinetic Securities.

Each Advisor is responsible to the Directors of Kinetic Securities and their performance is reviewed quarterly to ensure a high level of service and advice is adhered to.

#### **KINETIC SECURITIES' REMUNERATION FOR THE SERVICES PROVIDED**

Kinetic Securities may charge brokerage, commission or a fee depending upon the services that are provided.

Any charges will be discussed and agreed with the Client and fully disclosed in relation to specific services and transactions. A schedule of Kinetic Securities' current standard charges is available on the website. Some charges are negotiable and therefore it is important that Clients agree to brokerage fees with their Advisor prior to transacting any business. Fees from third parties will be separately disclosed to Clients.

Kinetic Securities may rebate brokerage and or fees to third parties who introduce business to it.

Advisors may receive a salary, salary and a discretionary bonus or a proportion of the brokerage/fees charged by Kinetic Securities. Advisors can receive 0 - 100% of all fees and charges generated from their Clients depending on the level of salary and the aggregate revenue that they earn for Kinetic Securities.



Kinetic Securities may receive interest on any Trust Account balance maintained in conjunction with its Financial Services business. Kinetic Securities will retain all such interest received on the Trust Account for the benefit of Kinetic Securities.

A detailed description of Kinetic Securities charges for brokerage and fees is set out below:

## 1. BROKERAGE

Brokerage is payable on all local and international securities, options, warrants, futures contracts, CFDs and forex transactions, both purchases and sales, and as a payment for services such as brokerage attracts GST.

Brokerage and GST are added to the purchase price of a Buy transaction and are deducted from the proceeds of a Sale that has been executed for a Client's Account. As a result Brokerage and GST are settled on the usual settlement terms of the market.

Subject to minimum Brokerage amounts per transaction detailed below Brokerage is usually calculated as a percentage of total consideration of each transaction.

Brokerage rates are subject to negotiation by the Client with the Advisor and may be a rate applicable to all transactions or a rate applicable to a single transaction.

The brokerage rate will depend on the type and level of service required and provided along with the size and the frequency of the transaction.

The maximum Brokerage that a Client will be charged is 3% plus GST, depending on the level of service agreed between the Client and the Advisor. It is essential that Clients discuss brokerage rates with their Advisor.

The brokerage charged on direct Australian shares & options will generally be between:

- Stocks - 0.1% of trade value and 3% of trade value.
- Exchange Traded Options - AUD\$2.99 per contract and 3% of trade value.
- Warrants - 0.1% of trade value and 3% of trade value.

The brokerage charged on futures contracts will typically be between:

- Minimum USD \$2.50 per side / contract - Maximum USD \$50.00 per side / contract .

The brokerage charged on CFDs will typically be between:

- 0.1% of trade value and 3% of trade value on equity CFDs
- USD\$5 minimum to USD\$50 maximum on commodity CFDs

The brokerage charged on futures contracts, US stocks and options and forex traded through 'Kinetic Global Trader' will typically be between:

- Futures Contracts - Minimum USD \$2.00 per side - Maximum USD \$20.00 per side.
- US Stocks - Minimum USD \$5.00 per transaction - Maximum 3% of trade value.
- US Stock Options - Minimum USD \$5.00 per transaction - Maximum 3% of trade value.
- Forex –Minimum of USD \$5.00 per transaction – Maximum 3% of trade value.

The brokerage charged on forex traded through 'Dealbook360' will typically be between:

- Forex – 0.1 pips / side and 0.10 pips / side.

The brokerage charged on international stocks cleared through Penson Financial Services Ltd will typically be between:



- Stocks - 0.1% of trade value and 3% of trade value. (charged in GBP)

## 2. FLOATS/NEW ISSUES/PLACEMENTS

From time to time Kinetic Securities may be involved with IPO's, placements and other capital market activities across all market sectors. Kinetic Securities may receive a handling fee/underwriting fee from the Issuer, generally between 0% to 80%. The exact fee will be disclosed in the documentation relating to the issue. If an issuer offers any other incentive then it will be disclosed to the Client, this may include stock and/or options in the company for Kinetic Securities, its directors and advisors.

## 3. OTHER BENEFITS FROM PRODUCT ISSUERS

A particular product issuer may pay volume bonuses to brokers however this does not relate to any particular client and varies from one product issuer to another. Similarly a product issuer may on rare occasions offer other incentives. If there is any possibility that any such incentive could influence the advice being provided to Clients then the incentive will be disclosed. The most common incentive provided by product issuers relates to trails been paid to Kinetic Securities for funds under management with various financial institutions.

Product issuers that Kinetic Securities may receive a commission from include:

- BWA Managed Investments – Trail on Cash Management Accounts may be between 0% - 5%
- BankWest – Trail on Money Market Accounts may be between 0% - 5%
- Macquarie Investment Lending - Trail on Margin Loan balances may be between 0% - 2%
- Macquarie Investment Management Ltd - Trail on Cash Management Accounts may be between 0% - 2%

## 4. FAIL FEES/INTEREST

Clients are obliged to settle transactions by the specified times either by the delivery of payment or securities and failure to effect settlement on time could result in the case of Australian securities in fail fees imposed by the ASX being incurred. Fail fees range from \$110 per day, up to \$5500 per day, including GST, depending upon the size of the transaction. In respect of overseas securities, this may result in the Client's overseas broker having the right to use any other money or assets held by the overseas broker to settle these transactions.

In addition, failure to pay for purchased securities by the specified settlement date may result in interest being charged by Kinetic Securities on the outstanding balance and such interest will be charged at a rate which is six percentage points above the Reserve Bank's Cash Rate calculated and payable daily from the date due for payment until the amount is paid.

## 5. EDUCATION SERVICES

Kinetic Securities also provides education services to its Private Clients and highly recommends that each and every investor learn more about investing and growing their wealth.

Fees for education services are available on request.

## 6. SERVICE FEES

A Fee for Service may be paid and is based on the time spent on the preparation of the Statement of Advice (SoA) you receive. The hourly rate is \$330.00 per hour up to a maximum of \$440.00 per hour, charged at a minimum of 4 hours, or by negotiation dependent on size of portfolio. Each new client to open an account with Kinetic Securities and wishing to receive **Specific Advice** will have their first SoA prepared free of charge.

## 7. TRADING PLATFORMS

Kinetic Securities may charge fees to clients that wish to use online trading platforms to execute their trades through. Fees may be payable depending upon the monthly volume traded by the client. Fees will generally range between \$30.00 per



month to \$100.00 per month for various packages. Extra add-ons are be available at a cost, please consult your advisor for information.

#### **ADVISORS AND OTHERS PARTICIPATING IN KINETIC SECURITIES' REMUNERATION**

Kinetic Securities receives all Brokerage, Commission and Fees in the first instance and, depending on the service provided, Client Advisors may receive a proportion of the Brokerage, Commission and Fees. Advisors may receive a salary, salary and a discretionary bonus or a proportion of the brokerage fees charged by Kinetic Securities. Advisors receive 0 - 100% of all fees and charges generated from their Clients depending on the level of salary and the aggregate revenue that they earn for Kinetic Securities. This does not impact on, or increase, the Brokerage, Commission or Fees payable by Clients for services received.

Where you have been referred to us by a third party such as a financial planner who is not an authorised representative of Kinetic Securities, we may pay an introductory fee or commission rebate in relation to the referral. The fee or commission paid in relation to the referral varies depending on the particular circumstances of the arrangement with the third party. However, all such referral fee arrangements will be fully disclosed to the Client.

#### **INSTRUCTING AN ADVISOR IN RELATION TO INVESTMENTS IN FINANCIAL PRODUCTS**

In accordance with general market practice within the financial services sector clients will be asked to complete an Account Opening Form which is designed to administer and regulate the arrangements for Kinetic Securities to provide financial services to its Clients. Also in accordance with general financial services sector practice clients will be asked to verify their identity.

The Account Opening Form makes provision for the supply of all the necessary details to open a securities trading account, the personal financial details required to assist Kinetic Securities in the provision of appropriate investment recommendations as well as Kinetic Securities' trading terms and conditions and CHESSE sponsorship terms and conditions. Separate account opening forms must be completed to trade in Exchange Traded Options or Warrants.

Accounts opened in the name of a company need to be guaranteed by an individual, which is usually the director who receives advice and instructs all trading in relation to the account.

Telephone is the usual method of instructing Kinetic Securities in relation to a securities or derivatives trading account, although instructions can also be given in person or by mail, facsimile or e-mail. Instructions by mail, facsimile and e-mail will only be effected once Kinetic Securities has acknowledged receipt of those instructions in writing. Any instructions other than in person or by phone are strictly taken on a not-held basis. Similarly instructions for the acquisition or disposal of other financial products may be made in writing or electronically provided such instructions are acknowledged in writing.

All instructions to buy or sell listed equities and warrants are automatically accepted on a "good till cancelled" (GTC) basis unless alternate instructions are provided. All instructions to buy or sell exchange traded options are automatically accepted on a "good for the day only" (GFD) basis unless alternate instructions are provided. Stop-loss orders are only ever accepted on equities and are automatically accepted on a GTC basis unless alternate instructions are provided. Stop-loss orders are only ever accepted on a non-guaranteed basis.

All accounts are handled on a non-discretionary basis. Notwithstanding that an account is conducted on a non-discretionary basis Clients can give their Advisor discretion as to price and the time of execution of a transaction that the Client has instructed in all other respects.

It is important to note that ASX has the power to cancel a Market Transaction that has been executed on its market. Any such instruction to Kinetic Securities to cancel a trade will automatically result in cancellation of the transaction by Kinetic Securities with the Client irrespective of whether or not the trade has previously been confirmed to the Client.

For clients who wish to trade in overseas securities Kinetic will open on their behalf a separate account in the relevant jurisdiction. Terms relating to this account are set out in Kinetic Securities Client Agreement.

#### **STATEMENT OF ADVICE**



A Statement of Advice is a document setting out the Advice provided to the Client, the basis on which it was given, the remuneration that the provider of the Advice and its associates will receive as a result of providing the Advice and any relevant interests, associations or relationships that may influence Kinetic Securities and its Advisors in providing the Advice.

You will only be issued a Statement of Advice if you wish to receive **Specific Advice**.

Accordingly, if a Client is dealing with Kinetic Securities for the first time and the Client is a retail client and wishes to obtain **Specific Advice**, then it will be necessary for Kinetic Securities to ascertain and record certain information regarding the Client's financial position, particular needs and investment objectives. This information will then be confirmed to the Client along with details of the initial advice and other mandatory disclosures regarding the basis of the advice and the approximate cost of providing it.

#### **FURTHER MARKET RELATED ADVICE**

If a Client receives Further Market Related Advice (FMRA) as an existing Client then Kinetic Securities may rely on the information that it already holds in relation to the Client's investment objectives, financial position and particular needs and the Client will not receive a Statement of Advice in relation to that advice so long as that information has been confirmed

within the last 12 months. However should the client wish to receive a record of the advice that was given the Client may, within 90 days of the date of the advice being provided, request that such record is provided. Any such request should be in writing and should be directed to the Client's Advisor. There may be a charge associated with this. If a Client receives advice in relation to a financial product and the advice is not time critical then a Statement of Advice will be issued prior to any action being taken.

This would generally be the case where the Client is requesting a comprehensive review of an existing Plan or Portfolio. Similarly the Client will receive a Statement of Advice where the advice relates to an unlisted financial product such as an unlisted Managed Investment.

#### **RISKS WHEN INVESTING IN SECURITIES OR DERIVATIVES**

Securities, in common with all other assets classes (e.g. real property), can decline in value as well as appreciate. The measure of this relative change in value is often referred to as volatility. Securities are generally more volatile than other asset classes. In general, the risks of investing in securities can be categorised in the following manner:

NOTE: This list is not exhaustive - it is not feasible to list all the possible risks in each category.

##### **Overall Market Risks**

The risk of loss by reason of movements in the market generally, may be caused by any number of factors including political, economic, taxation or legislative factors. Specific examples are changes in interest rates, changes of government, changes in taxation or superannuation laws, international crisis or natural disasters. Debt securities may fall materially in value if interest rates increase. Securities issued by companies may change in price or at worse become of no value if the company encounters solvency difficulties. International securities may be affected by foreign exchange movements, taxation factors and overseas economies.

##### **Sector Specific Factors**

These would include but are not limited to demand for the type of product or service the company produces or provides, commodity prices, the economic cycle of industry, shifts in consumer demands, lifestyle changes or advances in technology.

##### **Stock Specific Factors**

These would include but are not limited to issues relating to the company's directors, the quality of the company's management and the significance of any key personnel, its profit history, the company's tangible asset base, debt level and fixed cost structure, litigation, profits or losses on particular contracts and competition from within the sector. Mining companies and start up enterprises, including technology and biotechnology companies are affected by the success or otherwise of their exploration or product development programs. The risks set out above are general risks associated with



investing in equity securities. At the time of making a recommendation, we shall explain any significant risks associated with the particular investment. If we do not do so, you should ask us to explain those risks to you.

## **Derivatives**

You should have a high risk tolerance when dealing in warrants and exchange traded options (ETOs). Derivatives provide you with an opportunity to profit from your view of the short term direction of the market. But because they are a leveraged investment, your potential losses and gains are multiplied in relation to movements in the price of the underlying assets. Please be aware that when trading in ETOs you will be required for uncovered positions to meet margin requirements which may be large when there are swings in the underlying asset. Before investing in warrants or ETOs you must fully understand and accept the risks involved. You must read and ensure you understand and sign the appropriate agreement form and read the explanatory trading booklet given by your adviser. Please be fully informed before trading in derivatives warrants or options. Given the inherent risks, in no way does Kinetic Securities guarantee, underwrite or otherwise imply that investments you make through us will provide you with a positive return.

## **Small-Cap Investing**

There is an extra risk of losing money when shares are bought in some smaller companies including 'Penny Shares'. There is a big difference between the buying price and the selling price of these shares. If they have to be sold immediately, you may get back much less than you paid for them. Past performance is not a guide to future performance. The price may change quickly and it may go down as well as up. Small-Cap shares can be very illiquid. You could lose everything put into a particular small-cap share.

## **CLIENTS RIGHTS AND RESPONSIBILITIES**

Retail Clients of Kinetic Securities have the right to receive advice that is appropriate to their investment objectives, which is in turn appropriate having regard to the Client's financial situation and particular needs on the one hand, and the circumstances of the security that is the subject matter of the advice, on the other hand.

While Clients have the right not to divulge personal financial information if they do not wish to do so, if Clients do not provide sufficient information to their Advisor, Kinetic Securities is obliged to warn Clients about the possible consequences of not having a Client's full personal financial information.

In the event that Retail Clients do not provide full information they must understand that they may receive advice that is inappropriate for the Client, as it does not take into account the Client's financial situation, particular needs and investment objectives. In such circumstances it is the Client's responsibility to assess whether the advice is appropriate for them.

These warnings relate to any personal financial product advice provided by an advisor with limited knowledge of a Client's personal financial circumstances whether such advice is provided verbally or in writing. If no information is provided then only general advice may be provided and the client is responsible for assessing whether the advice is suitable for them.

Kinetic Securities' published Research is general financial product advice only and does not constitute advice to any particular person and therefore cannot be considered as personal advice.

General advice is prepared without consideration of any specific Client's financial situation, particular needs and investment objectives. Accordingly, in the event of receiving general advice Clients should consult their Advisor before any investment decisions are made based on such general advice.

In order to preserve the integrity of the personal financial information that Kinetic Securities holds, Retail Clients should maintain regular contact with their Advisors at Kinetic Securities and keep them abreast of any material changes in their financial circumstances.

Clients have the right to give instructions as to the way their account with Kinetic Securities is conducted, so long as those instructions comply with regulatory requirements and Kinetic Securities is prepared to accept the instructions.



Clients have the right to be advised about any interest that Kinetic Securities, or the Client's Advisor, may have in a security that may reasonably be expected to influence their recommendation to the Client.

The mere existence of an account with Kinetic Securities or the acquisition of a financial product through Kinetic Securities does not mean that Kinetic Securities or one of its Advisors is responsible for monitoring a Client's portfolio. Similarly the fact that an Advisor may contact Clients with recommendations is not an indication that the account is being managed by the Advisor. Clients remain responsible for monitoring their own portfolios and contacting their Advisor if they have any queries relating to their investments.

## **PRIVACY**

Client privacy is important to Kinetic Securities. The Privacy Policy is available from the Kinetic Securities website.

## **INSURANCE**

In line with ASIC requirements, Kinetic carries professional indemnity (PI) insurance. Our Insurance company is Vero Insurance Limited and our product is 'Enterprise Professional Services Insurance'. Kinetic Securities' Policy Number is SMX010998898.

## **COMPLAINT RESOLUTION PROCEDURES**

As part of its commitment to customer service Kinetic Securities has in place a complaints handling procedure consistent with the Australian Standard. In the first instance Clients should raise any complaint that they have with their Advisor.

However if Clients have not received a satisfactory resolution to their complaint they can also contact Kinetic Securities' Compliance department via email [compliance@kineticsecurities.com.au](mailto:compliance@kineticsecurities.com.au) . If the complaint is not resolved internally to the Client's satisfaction then the Client is entitled to refer the complaint to the external complaints scheme of which Kinetic Securities' licensee is a Member, the contact detail of which are as follows:

Financial Ombudsman Service Limited (member #12493)  
GPO Box 3  
MELBOURNE VICTORIA 3001  
Toll Free: 1300 780 808  
Facsimile: (03) 9613 3699  
Email: [info@fos.org.au](mailto:info@fos.org.au)

ASIC also provides a free info-line service on 1300 300 630.