

Matchbook FX Holdings Inc.

TRADING POLICIES

As Amended 5/1/99

1.0. These Matchbook FX Trading Policies supplement and constitute a vital part of your Customer Agreement. **It is your responsibility as Customer to carefully read these Matchbook FX Trading Policies, and to inform Matchbook FX of any questions or objections which you may have regarding them before entering each and every trade order. In entering your trading orders with Matchbook FX, you affirm and warrant your thorough understanding and acceptance of these Policies, as they are set forth here and as may be amended from time to time by Matchbook FX. Before any trade orders may be entered, you must sign, date, tear off and return the Acknowledgment (last page).**

2.0. COMMON TRADING TERMS

- 2.1. **Balance** The actual amount of U.S. Dollars in a Customer account, plus the theoretical marked-to-market value of any Open Positions in the account.
- 2.2. **Business Day** Any day which commercial banks are open for business in the principal financial center of the country in whose currency a position is taken.
- 2.3. **Closed Positions** Exposures in Foreign Currencies which have been extinguished by expiration, settlement or offset (e.g. Long Positions which have been fully offset by a corresponding Short Position in the same Foreign Currency and for the same Value Date).
- 2.4. **Daily Cut-off** The point in time selected each Business Day by Matchbook FX which shall signify the end of that Business Day. The Trade Date of any Contract entered into after the Daily Cut-off shall be considered the next Business Day. The Daily Cut-off will occur at a time selected solely by Matchbook FX and may vary from day to day.
- 2.5. **Day-Only Order** An Order which cancels automatically at or before the close of the Business Day, unless previously Filled or canceled.
- 2.6. **Fill** A deal executed on behalf of a Customer's account pursuant to an Order. Once filled, and Order cannot be canceled, amended or waived by the Customer.
- 2.7. **Foreign Currency** Generally, the relationship between two national currencies which are freely and legally tradable on international (interbank) markets and which Matchbook FX, in its sole discretion, may agree from time to time to buy from, or sell to its Customers, but EXCLUDING any exchange listed or off-exchange regulated commodity futures contract or option. Tradable "**U.S. Dollar-based Currency Pairs**" include USD/EUR (U.S. Dollar against European Euro), USD/JPY (U.S. Dollar against Japanese Yen), Sterling/USD (Pound Sterling against U.S. Dollar), and USD/CHF (U.S. Dollar against Swiss Francs). Popular "**Cross-Currency Pairs**" include EUR/JPY, EUR/CHF and EUR/GBP.
- 2.8. **GTC Order** An Order "**Good Till Canceled**" – i.e., permanently valid unless and until filled or canceled. GTC orders do *not* automatically cancel at the end of the Business Day.

- 2.9. Limit Entry Order** An Order to establish an Open Position by selling or buying at a specified Spot Rate level. Although a Spot Rate level is specified upon entry of Limit Entry Orders, market conditions may often prevent the execution of an individual Customer's Limit Entry Order despite other dealing activity at that price level, and/or may require such Orders to be Filled at a substantially different Spot Rate, and customer agrees to accept the best rate which Matchbook FX, in its discretion, may assign to the Fill. The Customer acknowledges that Matchbook FX shall accept such Orders only on a best-efforts basis. Matchbook FX shall have no liability for failure to fill such Orders, and makes no guarantee of their priority over the Orders of other Matchbook FX customers, principals or associates, or Matchbook FX.
- 2.10. Margin** The minimum account Balance necessary, at the sole discretion of Matchbook FX, to establish a new Open Position ("**Opening Margin**") or maintain an existing Open Position ("**Maintenance Margin**").
- 2.11. Margin Call** The demand by Matchbook FX for the immediate remittance of additional money from the Customer to restore the account Balance to a level equal to or greater than the Opening Margin level.
- 2.12. Market Order** An order to sell or buy Foreign Currency (or Options) "at market" – i.e. immediately and at the next Spot Rate available for Customer dealing. No Spot Rate is specified when entering a Market Order, and the Customer agrees to accept the best price which Matchbook FX, in its discretion, may assign to the Fill.
- 2.13. Marking to Market** The process of recalculating the theoretical value of Open Positions in a Foreign Currency trading account assuming all Open Positions were liquidated at current market rates. Customer accounts must be marked to market at a specified time and Spot Rate in order to estimate and report the Balance in U.S. Dollars.
- 2.14. Open Positions** Exposures in Foreign Currencies (and/or Options) which have not been extinguished by expiration, settlement or offset, resulting normally either from a purchase ("**Long Position**") or a sale ("**Short Position**").
- 2.15. Order** Generally, an instruction by the Customer (or Customer's authorized agent) to Matchbook FX to attempt to execute a trade for the Customer's account.
- 2.16. P/L (Profit / Loss)** The actual gain or loss in U.S. Dollars resulting from trading activities on Closed Positions, plus the theoretical gain or loss on Open Positions that have been marked to market.
- 2.17. Point ("Pip")** The smallest unit of price for any Foreign Currency (eg. for USD/CHF one point (or pip) equals .0001 Swiss Francs. For USD/JPY one point (or pip) equals .01 Japanese Yen.)
- 2.18. Spot Rate** The rate of exchange between two (2) Foreign Currencies for "**Spot**" value (normally settlement in two Business days), generally quoted either in "**U.S. Terms**" (price of one unit of Foreign Currency expressed in U.S. Dollars and Cents) or in "**European Terms**" (price of one U.S. Dollar expressed in units and decimals of the Foreign Currency). Spot Rates change rapidly. Published rates represent rates for deals between large commercial bank participants in the interbank market, and will normally differ from Spot Rates available for dealing to Matchbook FX customers.
- 2.19. Stop Loss Order** An Order to sell or buy a currency pair at a specified Spot Rate for the purpose of liquidating an Open Position during market conditions in which the Open Position has declined in value. Although a Spot Rate is specified upon entry of Stop Loss Orders, market conditions may often require such Orders to be Filled at a substantially different Spot Rate, and customer agrees to accept the best rate which Matchbook FX, in its discretion, may assign to the Fill.

2.20. Take-Profit Order An Order to sell or buy a currency pair at a specified Spot Rate for the purpose of liquidating an Open Position during market conditions in which the Open Position has increased in value. Although a Spot Rate is specified upon entry of Take Profit Orders, market conditions may often prevent the execution of an individual Customer's Take-Profit or Limit Entry Order despite other dealing activity at that price level. The Customer acknowledges that Matchbook FX shall accept such Orders only on a best-efforts basis. Matchbook FX shall have no liability for failure to fill such Orders, and makes no guarantee of their priority over the Orders of other Matchbook FX customers, principals, associates, associated companies, or Matchbook FX.

3.0 CUSTOMER ACCOUNTS

3.1. Currency. All initial deposits to customer accounts will be accepted in only U.S. Dollars, and, unless settlement and delivery of a foreign currency have taken place, all Balances shall be computed and reported only in U.S. Dollars.

3.2. Minimum Initial Deposit. To open a Matchbook FX trading account, a minimum deposit of \$15,000 by check or wire transfer is required.

3.3. Recognition of Deposits. No deposit shall be recognized until the wire or check has been fully cleared and collected by Matchbook FX's bank or depository institution.

3.4. Withdrawals. Payments from a customer account require a Notice of Withdrawal signed by all required parties, and require a minimum of Four (4) Business Days from receipt of the Notice of Withdrawal for issuance of a check or wire transfer.

3.5. Fees. All banking fees shall be charged to the Customer's account at Matchbook FX's discretion, including a \$25.00 Matchbook FX fee, over and above any bank fees, for each returned check.

4.0 MARGIN REQUIREMENTS

4.1. Opening Margin. Current Opening Margin requirements are as follows, and are subject to change:

	Daylight Margin(EST)	Overnight Margin(EST)
U.S. Dollar-Based Pairs	4.0% of Open Position value	5.0% of Open Position value
Cross-Currency Pairs	4.0% of open Position value	5.0% of Open Position value

4.2. Maintenance Margin. For most accounts under standard market conditions, and subject to all rights of Matchbook FX to vary such requirements at its discretion pursuant to the Customer Agreement, the Maintenance Margin level shall be set at Seventy-five Percent (75%) of the Opening Margin level.

- 4.3. Margin Calls.** In the event that, in the opinion of Matchbook FX, and in accordance with Matchbook FX's reasonable best estimate of then prevailing obtainable market spot dealing rates, the account Balance should fall below the Maintenance Margin level for an individual Open Position, or for a group of netted Open Positions, or for the Customer's account in aggregate, Matchbook FX shall, at its discretion, make one attempt to contact the Customer by telephone at a maximum of one (1) designated telephone number, which may, at the Customer's option, be a pager or an automated answering or voice recording system. In the course of such attempt, Matchbook FX shall indicate, to the extent reasonably possible, that a Margin Call is being issued on the subject account. Following completion of the attempt, the Customer shall have Three (3) hours to remit, by wire transfer to the coordinates shown on the Matchbook FX Wire Transfer Instructions Sheet, sufficient money in U.S. Dollars to raise his/her Balance to the Opening Margin levels. In the event the Customer fails to remit the required Margin within the specified time, Matchbook FX shall, at its discretion, have the right, but not the obligation, to liquidate any or all Open Positions in the Customer's account, and the Customer shall remain liable for any resulting deficit balances. Once issued, the Customer must comply in full with the Margin demand regardless of subsequent price action and irrespective of any recovery in market value of the subject Open Positions. Customer trading is prohibited while any Margin Call remains unsatisfied.
- 4.4. Lockout Level.** Subject to all additional rights of Matchbook FX under the Customer Agreement, in the event that, in the opinion of Matchbook FX and in accordance with Matchbook FX's reasonable best estimate of then prevailing obtainable market spot dealing rates, and regardless of whether or not prior Margin Calls have been issued or met, the account Balance should *at any time* fall below Fifty Percent (50%) of the Opening Margin level for an individual Open Position, or for a group of netted Open Positions, or for the Customer's account in aggregate, Matchbook FX shall have the right, but not the obligation, to liquidate any or all Open Positions in the Customer's account, and the Customer shall remain liable for any resulting deficit balances.
- 4.5. Confirmation and Re-entry Opportunity.** Should Matchbook FX decide pursuant to this Paragraph 4 to liquidate any Open Position in the Customer's account, or otherwise in accordance with its rights under the Customer Agreement, Matchbook FX shall make one attempt to contact the Customer by telephone at each of a maximum of One (1) designated telephone number which may, at the Customer's option, be a pager or an automated answering or voice recording system, for the purpose of attempting to confirm such liquidation and, at the discretion of Matchbook FX, offering the customer the opportunity to post sufficient Margin and reestablish any of the liquidated positions at then prevailing and obtainable market dealing rates. Matchbook FX shall have no liability to the Customer whatsoever for any decision Matchbook FX may make to liquidate, or not to liquidate, any Open Position, nor for any failure of customer to receive Margin Calls or confirmations.

5.0. TRADING HOURS

- 5.1. **General.** All references to Matchbook FX hours of trading are in EST (U.S. Eastern Standard Time) using 24-hour format. Matchbook FX normally provides access to O.T.C. Foreign Exchange quotes from 19:00 on Sunday to 15:45 on Friday, but Matchbook FX reserves the right to suspend or modify its trading hours at any time. O.T.C. Foreign Currency markets operate 24 hours a day. It is the sole responsibility of the Customer to remain available for Margin Calls, Order and Fill confirmations, and other communications regarding the Customer's Matchbook FX account at any time.
- 5.2. **Daylight Trading Hours.** Daylight Trading Hours are 08:00 - 15:00 U.S. EST on any given Business day.
- 5.3. **Overnight Trading Hours.** Overnight Trading Hours are 15:00 – 08:00 on the following business day, U.S. EST, and represent the period between the close of the New York (interbank) market and the re-opening of the (interbank) market in New York on the following business day. Due to sharply reduced liquidity and commensurately higher risk of holding Open Positions during this period, Overnight Margin rates are normally higher than Daylight rates. Matchbook FX reserves the right to close out any Open Position carried by a customer into Overnight Trading Hours without an associated Stop/Loss Order, or to set a Stop/Loss Order on such positions at Matchbook FX's discretion.

6.0. TRADE ORDERS

- 6.1. **Order Entry / "Execution Only".** All orders shall be placed through the Matchbook FX Online Order Entry System or by telephone through the Matchbook FX Order Desk in New York. While Matchbook FX, as the principal counter party to its Customers, enjoys distinct market advantages and works diligently to fill all its Customers' orders quickly and at the best rate possible, all Orders shall be accepted on a strict "**Execution Only**" basis – i.e. regardless of market levels or Spot Rates quoted, reported price action, or erroneous oral confirmations, no trade Order shall be deemed Filled, and Matchbook FX shall have no liability whatsoever for any Order accepted, until and unless such Order is (1) actually executed, covered and offset with another Matchbook FX customer or one or more of Matchbook FX's clearing counterparties; or (2) accepted by and offset against Positions of Matchbook FX, its associated principals, officers, directors, affiliates, associates, employees, banks, bank employees, dealers or Matchbook FX affiliated institutions, and confirmed in writing by Matchbook FX.
- 6.2. **Order Recording / Confirmation.** Any and all conversations with Matchbook FX principals, agents or associates, including the Matchbook FX Order and Operations Desks may, at the option of Matchbook FX, be tape recorded to enhance the quality of service, ensure fairness to all parties, and resolve potential disputes. Orders entered with a Matchbook FX Associate or the Matchbook FX Order-Desk may, at Matchbook FX's option, be confirmed via telephone by the Matchbook FX Operations Desk. In the event that Matchbook FX is unable, for any reason, to reach the Customer and confirm an Order, Matchbook FX shall have the option to cancel such order without liability. **Unless otherwise specified, any Order entered with Matchbook FX shall be accepted on a *Good Till Canceled* basis.**

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