

## **SCHEDULE 2      TERMS AND CONDITIONS APPLICABLE TO FX TRANSACTIONS**

### **1.      APPLICATION OF THIS SCHEDULE**

- 1.1      The clauses in this Schedule 2 shall apply (in addition to all other terms and conditions under the General Terms and Conditions) to FX Transactions and to the trading and other services, in connection with Spot FX Contracts and/or FX Options, provided by Orient Futures to the Client ("**FX Transactions Services**").
- 1.2      For the avoidance of doubt, the clauses in this Schedule 2 shall not apply:
- (a)      to any CFD; or
  - (b)      to any contract for the sale and purchase of Currencies on a "forward" or "deferred settlement" basis.
- 1.3      The Client shall also comply with all other rules, guidelines, notices and documents of Orient Futures pertaining to FX Transactions as Orient Futures may issue from time to time (together with the clauses in this Schedule 2, the "**FX Transactions Terms**").
- 1.4      In the event of any conflict or inconsistency between:
- (a)      the clauses in this Schedule 2 and the FX Transactions Terms, the clauses in this Schedule 2 shall prevail to the extent of such conflict or inconsistency;
  - (b)      the clauses in this Schedule 2 and the terms of any Confirmation, the terms of that Confirmation shall prevail with respect to the FX Transaction to which that Confirmation relates.
- 1.5      Unless otherwise stated, references to numbered clauses in this Schedule 2 are references to the clauses of this Schedule 2.

### **2.      DEFINITIONS FOR THIS SCHEDULE**

- 2.1      All terms used in this Schedule 2 which are defined in the General Terms and Conditions shall, unless otherwise defined here, have the same meanings ascribed to them in the General Terms and Conditions.
- 2.2      In this Schedule 2, unless the context otherwise requires:
- "Buyer"**, in respect of a FX Option, means the owner of such FX Option;
- "Call Currency"** means the Permitted Currency agreed to as such at the time a FX Option is entered into, as evidenced in the Confirmation;
- "Currency Obligation"** means any obligation of a party to deliver a Permitted Currency pursuant to:
- (a)      a Spot FX Contract; or
  - (b)      an exercised FX Option (other than one which is to be settled at its In-the-Money Amount under Clause 5.11);

**“Currency Pair”** means the two Permitted Currencies which may be exchanged in connection with a Spot FX Contract or upon the exercise of a FX Option, one of which shall be the Put Currency and the other the Call Currency;

**“European Style Option”** means a FX Option for which Notice of Exercise may be given only on such FX Option’s Expiration Date up to and including the Expiration Time, unless otherwise agreed in writing by Orient Futures;

**“Exercise Date”**, in respect of a FX Option, means the day on which a Notice of Exercise received by the Seller becomes effective pursuant to Clause 5.6;

**“Expiration Date”**, in respect of a FX Option, means the date agreed to as such at the time such FX Option is entered into, as evidenced in the Confirmation;

**“Expiration Time”** in respect of a FX Option, means the date agreed to as such at the time such FX Option is entered into, as evidenced in the Confirmation;

**“FX Call”** means a FX Option entitling, but not obliging (except upon exercise), the Buyer to purchase from the Seller at the Strike Price a specified quantity of the Call Currency;

**“FX Option”** means a FX Put or FX Call, as the case may be, which is or shall become subject to this Agreement;

**“FX Put”** means a FX Option entitling but not obliging (except upon exercise) the Buyer to sell to the Seller at the Strike Price a specified quantity of the Put Currency;

**“FX Transaction”** means any Transaction in a Spot FX Contract or FX Option as Orient Futures may from time to time permit to be carried out under the Account;

**“In-the-Money Amount”** means:

- (a) in the case of a FX Call, the excess of the Spot Price over the Strike Price, multiplied by the aggregate amount of the Call Currency to be purchased under the FX Call, where both prices are quoted in terms of the amount of the Put Currency to be paid for one unit of the Call Currency; and
- (b) in the case of a FX Put, the excess of the Strike Price over the Spot Price, multiplied by the aggregate amount of the Put Currency to be sold under the FX Put, where both prices are quoted in terms of the amount of the Call Currency to be paid for one unit of the Put Currency;

**“Local Banking Day”**, with respect to a Permitted Currency, means a day on which commercial banks effect deliveries of such Permitted Currency in accordance with the market practice of the relevant foreign exchange market, provided, however, that neither Saturday nor Sunday shall be considered a Local Banking Day;

**“Notice of Exercise”**, in respect of a FX Option, means telephonic or other electronic notification providing assurance of receipt (excluding facsimile transmission), given by the Buyer to the Seller prior to or at the Expiration Time, of the exercise of such FX Option, which notice shall be irrevocable;

**“Permitted Currency”** means such currencies as may be designated by Orient Futures from time to time for the FX Transactions Services or for any particular FX Transaction;

**“Premium”**, in respect of a FX Option, means the purchase price of such FX Option as agreed upon by the Buyer and Seller at the time such Option is entered into, as evidenced in a Confirmation, and payable by the Buyer to the Seller;

**“Premium Payment Date”**, in respect of a FX Option, means the date on which the Premium is due and payable, as agreed upon by the Buyer and Seller at the time such FX Option is entered into, as evidenced in the Confirmation;

**“Put Currency”** means the Permitted Currency agreed to as such at the time a FX Option is entered into, as evidenced in the Confirmation;

**“Seller”**, in respect of a FX Option, means the party granting such FX Option;

**“Settlement Date”** in respect of a European Style Option, means the Spot Date of the Currency Pair on the Expiration Date of such option, and where market practice in the relevant foreign exchange market in relation to the two Permitted Currencies involved provides for delivery of one Permitted Currency on one date which is a Local Banking Day in relation to that Permitted Currency but not to the other Permitted Currency and for delivery of the other Permitted Currency on the next Local Banking Day in relation to that other Permitted Currency (**“Split Settlement”**), **“Settlement Date”** means such 2 Local Banking Days;

**“Split Settlement”**, has the meaning ascribed to it in the definition of Settlement Date;

**“Spot Date”** means the spot delivery day for the relevant Currency Pair as determined by Orient Futures based on general usage in the relevant foreign exchange market;

**“Spot FX Contract”** means a contract entered into by Orient Futures with the Client pursuant to this Schedule 2 to buy or sell against one Permitted Currency, agreed between the Client and Orient Futures, an amount of another Permitted Currency, agreed between the Client and Orient Futures, for spot settlement;

**“Spot Price”** means the rate of exchange at the time at which such price is to be determined for foreign exchange transactions in the relevant Currency Pair for value on the Spot Date, as determined in good faith by Orient Futures;

**“Strike Price”** in respect of a FX Option, means the price at which the Currency Pair may be exchanged, as agreed to at the time the FX Option is entered into and as evidenced in a Confirmation; and

**“Value Date”**, with respect to any Currency Obligation, means the Local Banking Day upon which the obligation to deliver Permitted Currency pursuant to such Currency Obligation is to be performed.

### 3. FX TRANSACTIONS SERVICES

- 3.1 The Client acknowledges that quotes provided by Orient Futures to the Client may differ from quotes provided to other customers of Orient Futures.

- 3.2 The Client acknowledges that FX Transactions may be subject to measures which affect their convertibility and/or liquidity and hereby agrees that Orient Futures is not obliged to provide quotes for any FX Transaction but if Orient Futures chooses to do so, it shall not be obliged to ensure that such quote is in line with the market as then prevailing.

Margin

- 3.3 Without prejudice to the generality of Clause 13 of the General Terms and Conditions, the Client is required to provide and maintain such Margin specified by Orient Futures and advised to the Client from time to time in order to create and/or maintain the Client's position(s) in respect of Futures Transaction(s).

Cash settlement only

- 3.4 Notwithstanding anything in this Schedule 2, Orient Futures will not arrange delivery of any Currency unless Orient Futures deems it necessary or if otherwise agree in writing with the Client and, accordingly, unless such arrangements have been made by Orient Futures with the Client any currency positions that settle shall do so by credit or debit to the Account.

**4. SPOT FX CONTRACTS**

Entering into a Spot FX Contract

- 4.1 Subject to the terms and conditions of this Agreement, the Client may, on any Business Day during Orient Futures' business hours, place an Order with Orient Futures to enter into one or more Spot FX Contract at the exchange rate quoted by Orient Futures.
- 4.2 Each Order shall be irrevocable and shall specify the amount of Permitted Currency which the Client wishes to buy or sell against another Permitted Currency.

Settlement

- 4.3 Payment or delivery, as the case may be, for a Spot FX Contract shall be required 2 Business Days after the Spot FX Contract is concluded.

**5. FX OPTIONS**

Purchase or sale of FX Option

- 5.1 The Client may, on any Business Day, place an Order with Orient Futures to purchase from or sell any FX Option (whether a FX Put or FX Call) to Orient Futures:
- (a) for such Premium;
  - (b) with such Expiration Date and Expiration Time;
  - (c) at such Strike Price; and

(d) for the purchase or sale of such quantities of such Permitted Currencies,

as may be agreed subject to the terms and conditions of this Agreement. For the avoidance of doubt, Orient Futures may (but shall not be obligated to) comply with any such Order.

- 5.2 Each FX Option shall be governed by the terms and conditions in this Agreement and in the Confirmation relating to such FX Option.

#### Payment of Premium

- 5.3 Unless otherwise agreed in writing by the Buyer and Seller, the Buyer shall be obliged to pay the Premium related to an FX Option to the Seller no later than its Premium Payment Date.

- 5.4 If any Premium is not received on or before the Premium Payment Date, the Seller may elect to:

- (a) accept a late payment of such Premium; or
- (b) give written notice of such non-payment and, if such payment shall not be received within 2 Local Banking Days of such notice, treat the related FX Option as void, and

the Buyer shall pay all out-of-pocket costs and actual damages incurred in connection with such unpaid or late Premium or void FX Option, including without limitation, interest on such Premium from and including the Premium Payment Date to but excluding the late Payment Date in the same Permitted Currency as such Premium at such overnight rate as the Bank may determine and any other losses, costs or expenses incurred by the Seller in connection with such terminated FX Option, for the loss of its bargain, its cost of funding, or the loss incurred as a result of terminating, liquidating, obtaining or re-establishing a delta hedge or related trading position with respect to such FX Option.

- 5.5 Without prejudice to any other right or remedy of Orient Futures under this Agreement (including, without limitation, under Clause 5.4 of this Schedule), any other agreement or otherwise at law, if any Premium which the Client is obliged to pay Orient Futures is not received by Orient Futures on or before the Premium Payment Date, Orient Futures may elect to give written notice of such non-payment and, if such payment shall not be received within 2 Local Banking Days of such notice, treat such non-payment as a Default.

#### Exercise of FX Options

- 5.6 The Buyer may exercise a FX Option by delivery to the Seller of a Notice of Exercise. Subject to Clause 5.9, if a Notice of Exercise with respect to a FX Option has not been received by the Seller prior to or at the Expiration Time, such FX Option shall expire worthless and become void and of no effect. Any Notice of Exercise shall (unless otherwise agreed in writing by Orient Futures), in respect of a European Style Option, if received on or, if the parties have so agreed, before the Expiration Date, prior to or at the Expiration Time, be effective upon receipt thereof by the Seller.

- 5.7 Unless otherwise agreed in writing by Orient Futures, a FX Option may be exercised only in whole.

- 5.8 An exercised FX Option shall be treated as a Currency Obligation (unless it is to be settled at its In-the-Money Amount pursuant to Clause 5.11), and for this purpose the relevant Settlement Date shall be treated as the Value Date of the Transaction.

Automatic exercise of FX Options

- 5.9 Unless Orient Futures agrees otherwise in writing, if a FX Option has an In-the-Money Amount at its Expiration Time, then the FX Option shall be deemed automatically exercised. In such case, Orient Futures may elect to settle the FX Option either in accordance with Clause 5.10, or by payment to the Client or, by requiring from the Client payment, on the Settlement Date for such FX Option of the In-the-Money Amount, as determined at the Expiration Time or as soon thereafter as practicable. In the latter case, the sole obligation of Orient Futures and the Client with respect to settlement of such FX Option shall be to deliver or receive the In-the-Money Amount of such FX Option on the Settlement Date. Orient Futures shall notify the client of the method selected by it for settlement of an automatically exercised FX Option as soon as practicable after the Expiration Time.

Settlement of FX Options

- 5.10 An exercised FX Option shall settle on its Settlement Date. Subject to Clauses 5.9 and 5.11, the Buyer shall deliver the Put Currency to the Seller for value on the Settlement Date and the Seller shall deliver the Call Currency to the Buyer for value on the Settlement Date.

Settlement of FX Options at In-the-Money Amount

- 5.11 A FX Option shall be settled at its In-the-Money Amount if so agreed by Orient Futures and the Client at the time such FX Option is entered into. In such case, the In-the-Money Amount shall be determined based upon the Spot Price at the time of exercise or as soon thereafter as practicable. The sole obligation of Orient Futures and the Client with respect to the settlement of such FX Option shall be to deliver or receive the In-the-Money Amount of such FX Option on the Settlement Date.

Termination and discharge of FX Options

- 5.12 Any FX Call or any FX Put written by Orient Futures or the Client will automatically be terminated and discharged, in whole or in part, as applicable, against a FX Put or a FX Call, respectively, written by the other party, such termination and discharge to occur automatically upon the payment in full of the last Premium payable in respect of such FX Options; provided that such termination and discharge may only occur in respect of FX Options:

- (a) each being with respect to the same Put Currency and the same Call Currency;
- (b) each having the same Expiration Date and Expiration Time;
- (c) each being of the same style, i.e., both being European Style Options;
- (d) each having the same Strike Price; and
- (e) neither of which shall have been exercised by delivery of a Notice of Exercise;

and, upon the occurrence of such termination and discharge, neither Orient Futures nor the

Client shall have any further obligation to the other party in respect of the relevant FX Options or, as the case may be, parts thereof so terminated and discharged. Such termination and discharge shall be effective notwithstanding that either party may fail to record such termination and discharge in its books.

- 5.13 In the case of a partial termination and discharge of FX Options (i.e. where the relevant Options are for different amounts of the Currency Pair) pursuant to Clause 5.12, the remaining undischarged portion of such FX Options shall continue to be FX Options for all purposes of this Agreement.

## **6. SETTLEMENT NETTING**

- 6.1 If, on any date, more than one delivery of a particular Permitted Currency under Currency Obligations is to be made between Orient Futures and the Client then, Orient Futures may, at its absolute discretion require that each of them shall aggregate the amounts of such Permitted Currency deliverable by it and only the difference between these aggregate amounts shall be delivered by the party owing the larger aggregate amount to the other party, and, if the aggregate amounts are equal, no delivery of the Permitted Currency shall be made.

## **7. TITLE TRANSFER IN RELATION TO COLLATERAL AND MARGIN**

- 7.1 The provisions of this Clause 7 of Schedule 2 shall only apply where the Client is not a Retail Client.
- 7.2 Unless Orient Futures otherwise specifies, all cash or other property provided to Orient Futures as Margin or other Collateral in respect of one or more FX Transactions shall be provided on a title transfer basis so that all right, title and interest in and to such cash or other property shall vest in Orient Futures free and clear of any liens, claims, charges or encumbrances or any other interest of the Client or of any third party (other than a lien or other security interest routinely imposed on the type of property (other than cash) so provided in a relevant clearing system).
- 7.3 The Client acknowledges and agrees that:
- (a) Orient Futures shall be the sole owner of all such Margin and other Collateral so provided to Orient Futures as aforesaid;
  - (b) Orient Futures shall have the right to transfer, use or apply the same in such manner as Orient Futures may deem fit without notice or accounting to the Client, free and clear of any security interest, lien, encumbrance or other restriction (other than a lien or other security interest routinely imposed on the type of property (other than cash) so provided in a relevant clearing system), including but not limited to, onward transferring or paying such Margin and other Collateral to third parties as margin or other credit support on an absolute title transfer basis in respect of any one or more Hedging Transactions; and
  - (c) such Margin and other Collateral will accordingly not be held on trust nor segregated from Orient Futures' cash or other property notwithstanding anything to the contrary in this Agreement.

- 7.4 Subject to all rights of Orient Futures under this Agreement, and save where Clause 13.11 of the General Terms and Conditions applies, all payments and distributions, whether of cash or other property, received by Orient Futures in respect of any Margin or other Collateral, shall be received by Orient Futures as Margin or other Collateral in accordance with this Agreement (and in particular, the provisions of Clause 13 of the General Terms and Conditions and this Clause 7).
- 7.5 To the extent that the cash or other property so provided to Orient Futures as Margin or other Collateral as aforesaid (or any part thereof) is in excess of all obligations and liabilities of the Client under this Agreement and is not otherwise required by Orient Futures in respect of any FX Transaction or OTC Transaction or the exercise of Orient Futures' rights in respect thereof under this Agreement:
- (a) in the case of cash so provided as Margin or other Collateral, Orient Futures shall pay to the Client, by way of crediting to the Account, an equivalent cash amount in the same Currency or in such other Currency as Orient Futures may determine; and
  - (b) in respect of other property (not being cash) so provided as Margin or other Collateral as aforesaid, Orient Futures shall transfer or deliver to the Client, by way of crediting to the Account, equivalent property of the same type, nominal value, description and amount.

## 8. DEFAULT

- 8.1 This Clause 8 shall be without prejudice and in addition to Clauses 18 to 20 of the General Terms and Conditions. For the avoidance of doubt, any action(s) taken by Orient Futures under this Clause 8 shall not prejudice any other right or remedy which Orient Futures may have under this Agreement (including, without limitation, under Clauses 18 to 20 of the General Terms and Conditions) or otherwise at law.
- 8.2 For the purpose of this Clause 8 and Clauses 18 to 20 of the General Terms and Conditions, any of the following events shall be considered to be a "Default":
- (a) Orient Futures has reasonable concerns that the Client does not have a sufficient understanding of the nature of, or the risks of, FX Transactions;
  - (b) the Client fails to meet any Margin requirement in relation to any FX Transaction;
  - (c) the Client breaches any provision of the Applicable Laws, this Schedule 2 and/or the FX Transactions Terms.
- 8.3 In the event that Orient Futures determines in its judgement that a Default has occurred, Orient Futures shall be entitled, by oral or written notice to the Client, in Orient Futures' sole and absolute discretion:
- (a) to do one or more of the following, in relation to the FX Transactions Services:
    - (i) suspend or cease (whether indefinitely or otherwise) providing to the Client the FX Transactions Services and/or terminate any Account or Orient Futures' relationship with the Client;
    - (ii) require the Client to immediately repay or deliver all monies and property



under the Account with Orient Futures whereon such repayments and deliveries shall immediately become due, owing, payable and deliverable, interest thereon, commission and other fees or costs payable to the Client;

- (iii) require the Client to immediately satisfy and perform any and all other liabilities and obligations in respect of any of the Account held by the Client with Orient Futures;
  - (iv) liquidate all FX Transactions in any of the Account held by the Client with Orient Futures (with all resulting Losses therefrom being borne solely by the Client);
  - (v) hedge and/or offset all or any of the Client's FX Transactions at the Client's sole risk;
  - (vi) sell, dispose or realise in any manner Orient Futures deems fit anything, including all Margin or other Collateral belonging to or deposited by the Client and in Orient Futures' possession or control or held by Orient Futures in respect of one or more FX Transaction, and apply the proceeds thereof to extinguish or diminish the Client's obligations towards Orient Futures including the payment of interest, commission and other costs and expenses; and
  - (vii) take such other action as Orient Futures deems appropriate; and/or
- (b) to exercise one or more of the rights set out in Clause 20.1 of the General Terms and Conditions.

8.4 Where Orient Futures, in its sole and absolute discretion:

- (a) decides to take any of the actions or exercise any of Orient Futures' rights referred to in Clause 8.3, the Client shall repay upon demand any deficiency that may thereafter remain in the Account with Orient Futures.
- (b) decides not to take any of the actions or exercise any of Orient Futures' rights referred to in Clause 8.3, Orient Futures shall nevertheless be entitled to demand the immediate payment of all amounts, and the immediate delivery of all property, due to Orient Futures.