Contents

1. Overview

VRGK Tech Pty Ltd., ABN 18 640 619 521, a company incorporated in Australia, whose principal place of business is at Three International Towers, Level 24, 300 Barangaroo Avenue, Sydney NSW 2000, Australia (VRGK, "**we**", "**our**" or "**us**"), operate the electronic trading platform at www.vrgkbroker.com.au (the "**Platform**") and the products and services provided therein. The policy has been developed with consideration of the ASIC Regulatory Guide 227.

This Hedging Policy is designed to:

- provide the hedging strategy to address market risk, and the credit risk associated with counterparties.
- provide the processes for managing margins lodged with hedging counterparties.
- provide a risk statement setting out how we will manage the risks associated with dealing in foreign exchange and contracts for difference.
- provide the risk management - the process of identification, assessment, risk practices and controls, how we conduct monitoring and surveillance of global markets, key risk events, and the trading behaviour of our clients and mitigation of risks,

2. Hedging

Hedging is the buying or selling of an underlying asset or instrument to mitigate market risk. We will utilise different form of dealing and hedging techniques in order to mitigate certain risks that we assume when providing financial services to our clients.

3. Dealing

We arrange trades for clients and will:

- act as a broker in these trades where we hedge the trades to our hedging counterparties.
- profit from trades transacted by taking a spread margin and in some cases a brokerage fee/commission where we immediately pass the trades to our hedging counterparties.

- at as a principal in a trade where we do not immediately pass the trade to our hedging counterparties.
- profit from trades transacted where we act as principal to the trade and do not immediately pass the trade to our hedging counterparties.

4. Position Risk

If we choose not to hedge, we may be exposed to the net outcome of a client's trade. We generally refer to this as Position Risk.

5. Internalisation

We are often in a position where we may not need to hedge immediately ('back-to-back') as large amounts of uncorrelated trade flow allow us the opportunity to offset opposing exposure efficiently. We generally refer to this as "internalisation" of trade flow. The effect of this exercise is a reduction in our requirement to hedge with its counterparties, therefore reducing cost and execution risk.

6. Back-to-back hedge

We have the capability to auto-hedge or 'back-to back' certain trades. This involves us seeking to hedge a trade before filling a client. It does so consider several factors, including but not limited to:

a) **Toxicity of flow -** Trades that are deemed to be predatory in nature by deploying techniques including but not limited to latency arbitrage, targeting high impact news events or seeking to manipulate available liquidity.

b) **Volume** - Extraordinary volume of trades or total trade size that is larger than our risk tolerance.

c) **Liquidity -** Insufficient liquidity in the underlying market.

d) **Performance -** Long term performance of a trading account or group of accounts.

e) **Cash balance -** The amount of funds deposited may indicate a need to hedge all trades given it may represent larger trade volume from an account(s) than permitted by our internal risk management policies.

7. Alternative hedging techniques

Technology Assisted Hedging: We routinely use automated trading technology to carry out hedging techniques.

Cross Hedging: We may hedge using different instruments which have the same impact as buying or selling the same instrument.

Risk based Hedging: We may also choose to trade in other currencies that more efficiently reduce our overall value at risk (**VAR**) or we may choose to hedge certain positions once an exposure threshold is reached.

8. Technology and Software

We use aggregation and connectivity solutions to multiple liquidity sources and bridging solution ('bridge') between our client trading interfaces and our access to liquidity. A bridge acts as an intermediary between us and external counterparties or liquidity providers (LPs). These solutions provide Trading, Risk Management, Reporting and Monitoring functionalities.

9. Hedging Counterparties & Credit Counterparties

Our hedging and credit counterparties are:

GO Markets Pty Ltd (regulated by the Australian Securities and Investments Commission)

CMC Markets Asia Pacific Pty Limited (regulated by the Australian Securities and Investments Commission)

The reliance of specific liquidity sources may change. We may appoint new or change our existing counterparties from time to time.

We do not use Retail Client funds for hedging purposes and are held as client segregated funds. Wholesale Client money may be used for hedging purposes.

10. Counterparty Risk

Our Counterparty Risk policy includes carefully selecting credit and hedging counterparties.

Before engaging with a counterparty, we will conduct due diligence. Prospective counterparties are subject to due diligence which addresses pertinent factors, that include but are not limited to:

a) Legal power of counterparty to enter into the contract;
b) Sufficient or enforceable legal documentation;
c) Compliance with regulatory requirements; and
d) Management and security of documents. One factor in selecting them is whether they have sufficient financial standing.
e) The firm's capital and regulatory capital requirement imposed by their regulators.
f) Is there any adverse information on the Internet that may cause concern.
g) Any other mitigating matters.

Criteria taken into account by us when determining financial standing are as follows:

a) Whether the counterparty is appropriately licensed and regulated by an independent body in the relevant jurisdiction;
b) Whether the counterparty has strong financial and compliance (including risk management) resources; and
c) Whether the counterparty has a proven track record in relation to OTC Derivative products.

The counterparty must meet at least 2 out of 3 of the criteria and all other due diligence processes must have been undertaken.

Our counterparty due diligence processes include:

a) The due-diligence process to the 'know your customer' obligations under the Anti-Money Laundering and Counter- Terrorism Financing Act 2006 (AML/CTF Act);

b) Up to date company financials including annual returns for the past 3 years and those of parent companies where applicable;

c) Obtaining credit reports from leading credit reporting agencies;

d) Our exposure limits reflect a mix of economic and financial indicators (e.g., balance sheet ratios, current and forecast profitability, industry factors; and

e) Non-financial indicators (management quality, business strategy, reputational risk and any evidence from prior business relationships).

We recognise that it is essential to have an ongoing understanding of the health of our Counterparties at all times. As such, to ensure ongoing sufficient financial standing. We undertake proactive measures, including annual due diligence on all existing Credit Counterparties. Accordingly, we have implemented controls to mitigate counterparty risk. We constantly monitor various news postings on the Internet and by doing so is aware of news of any adverse information about its counterparties. Any news of this nature is immediately escalated to the Compliance

11. Management Control & Audit

Market risk will be assessed against Value at Risk and exposure threshold by management control and audit.

Monitoring of our dealing operations occur in real time by our trading department. Trading staff conduct surveillance of our trading systems and market exposure, 24 hours, 5 days a week.

12. Our Obligations

We have an overriding obligation as an AFS licensee to provide financial services efficiently, honestly and fairly. In adhering to these obligations, we maintain internal policies and procedures.

We take all reasonable steps to obtain the best possible result when executing client orders or placing orders with (or transmitting orders to) other entities to execute.

We consider a range of execution factors in order to deliver best execution including price, costs and speed.

We maintain a Code of Conduct which sets out minimum standards for our employees when discharging their duties. Contraventions of the code, suspected contraventions or where have reasonable grounds to believe that the code may be contravened in some way in the future, must be escalated to compliance and licensee responsible manager.