

HF Markets Ltd.
TERMS OF BUSINESS GLOSSARY

February 2013

Terms of Business Glossary

Abnormal Market Conditions - a market with a low number of buyers and sellers. Since few transactions take place in a thin market, prices are often more volatile and assets are less liquid. The low number of bids and asks will also typically result in a larger spread between the two quotes or a very Fast market.

Advisor - a program which is used to control a Trading Account.

Applicable Rate - Federal Reserve Funds rate.

Application to Open an Individual/Corporate Trading Account - the form to be completed by the Customer and accessed through the Website.

Ask - the higher price in the Quote being the price at which the Customer may buy.

Balance - the total financial result of all Completed Transactions and deposit/withdrawal operations on the Trading Account.

Bar/Candle - a graphical representation of a Quotes movement that usually contains the open, high, low and closing prices for a set period of time (for example, a minute, a day, a week).

Base Currency - the first currency in the Currency Pair.

Bid - the lower price in the Quote being the price at which the Customer may sell.

Business Day - any day between Monday and Friday, according to server time.

Chart - the graph that displays the intraday or difference period of time movements of a given Currency pair.

Client Terminal - the HF Markets MetaTrader - 4 program (can be downloaded on the Website free of charge).

Client Terminal Log-File - the file, which is created by the Client Terminal in order to record all the Customer's Requests and Instructions.

Company - HF Markets Ltd which has a Category 1 Global Business License issued by the Financial Services Commission (FSC) of the Republic of Mauritius. Its legal address is HF Markets Ltd, Suite 612, 6th Floor, St Denis Street, St James Court, Port Louis, Mauritius.

Company News Webpage - the page of the Website where the Company news is displayed. As of date of these Terms the information is displayed on http://www.hotforex.com/content/34/about_us/company_news.html.

Completed Transaction - two counter deals of the same size (opening a position and closing a position): buy then sell or vice versa.

Contract Specifications - trading terms (Spread, Lot Size, Initial Margin etc.) for each Instrument.

Currency of the Trading Account - US dollars or as specified by the Customer and agreed by HF Markets.

Currency Pair - the quotation and pricing structure of the currencies traded in the forex market: the value of a currency is determined by its comparison to another currency. The first currency of a currency pair is called the base currency, and the second currency is called the quote currency. The currency pair shows how much of the quote currency is needed to purchase one unit of the base currency.

Customer - a legal entity or an individual party to the Customer Agreements.

Customer Agreement - the agreement between the Company and the Customer.

Day Order - an Order which is automatically deleted at the end of the trading session.

Dealer - an employee of the Company who is authorized to process the Customer's Instructions and Requests.

Dispute - the conflict situation when the Customer reasonably believes that the Company as a result of any action or failure to act breaches one or more terms of the Terms of Business or the conflict situation when the Company reasonably believes that the Customer as a result of any action or failure to act breaches one or more terms of the Terms of Business.

Equity - is calculated as (Balance + Floating).

Error Quote (Spike) - The comparatively large upward or downward error movement of a price or value level in a short period.

Fast Market - Rapid movement in a market caused by strong interest by buyers and/or sellers for the short period of time often causing Price Gaps.

Floating Profit/Loss - a current profit/loss on Open Positions calculated at the current Quotes.

Force Majeure Event - greater force which essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as a war, strike, crime, or an event described by the legal term act of God (e.g. flooding, earthquake, volcano), prevents one or both parties from fulfilling their obligations under the contract.

Gap Level - criterion of Gap regime activation. In case price gap is equal or exceeds “gap level”, gap regime is activated.

Free Margin - funds on the Trading Account, which may be used to open a position. It is calculated as Equity less Necessary Margin.

GTC (Good Till Cancelled) - the Order which is valid until the Customer sends the Instruction to delete the Order.

Hedged Margin - a special low-margin for hedgers. The hedge margin is lower because of offsetting positions. The details for each Instrument are in the Contract Specifications.

Hedged Positions - two offsetting positions at the same time so that, regardless of the outcome of an event, the risk bearer is left in a no win/no lose position. Long and Short Positions of the same Transaction Size opened on the Trading Account for the same Instrument.

If-Done Order - An If Done Order is placed in conjunction with a Stop or Limit order. After the initial Stop or Limit order has been executed, the If-Done order becomes active.

Indicative Quote - a Quote at which the Company has the right not to accept any Instructions and Requests or execute any Orders.

Initial Margin - the margin required by the Company to open a position. The details for each Instrument are in the Contract Specifications.

Instant Execution - is the mode of execution that allows clients to make deals at the current market prices, which they see in Market Watch without prior Request.

Instruction - an instruction sent from the Customer to the Company to open/close a position or to place/modify/delete an Order.

Instrument - any Currency Pair or any other product.

Leverage - ratio in respect of Transaction Size and Initial Margin. 1:200 ratio means that in order to open a position the Initial Margin is two hundred times less than Transaction Size.

Limit Order - an order placed with a Company to buy or sell a set number of units at a specified price which better than current Quotes.

Long Position - The buying currency, with the expectation that the asset will rise in value.

Lot - a unit of Base Currency in the Trading Platform.

Lot Size - the number of Base Currency in one Lot defined in the Contract Specifications. Margin Level - the percentage of Equity to Necessary Margin. This ratio is calculated as $(\text{Equity} / \text{Necessary Margin}) * 100\%$.

Margin Trading - trading with money borrowed from your broker or bank for that purpose when the Customer may make Transactions having far less funds on the Trading Account in comparison with the Transaction Size.

Market Execution - this regime assumes that your order will be executed using not a price you see on a screen, but a price which exists at the market at the moment of order execution. This price can be either better or worse than the one you saw at the plot when pushing button "Buy" or "Sell".

Market Opening - the time at which the market opens after weekends, holidays etc.

Necessary Margin - the margin required by the Company to maintain Open Positions. The details for each Instrument are specified in the Contract Specifications.

Normal Market Conditions - the Quotes Flow in the Trading Platform have no fast price movements and Gaps.

Normal Market Size - the maximum number of lots that does not exceed the volume of Market Depth at the moment creation of Request.

Open Position - a Long Position or a Short Position which is not closed yet.

Order - an instruction from the Customer to the Company to open or close a position.

Order Level - the price indicated in the Order.

Payment Instructions - details for depositing funds to the Trading Account or withdrawing funds from the Trading Account.

Pending Order - an instruction from the Customer to the Company to open a position once the price has reached the level of the Order.

Point / Pip - The smallest price change. Since most major currency pairs are priced to four decimal places, the smallest change is that of the last decimal point - for most pairs this is the equivalent of 1/100 of one percent, or one basis point.

Price Gap on the Market Opening - the first Ask/Bid of the current trading session is equal or higher/lower than the last Ask/Bid of the previous session in four spreads in particular Instrument.

Quote - the current price Bid/Ask for a particular Instrument.

Quote Currency - the second currency in the Currency Pair.

Quotes Flow - the stream of Quotes in the Trading Platform for each Instrument.

Rate - the value of the Base Currency in the terms of the Quote Currency.

Request - a request from the Customer to the Company given to get a Quote.

Rollover - A charge that is incurred by Clients who move their positions to the next trading session.

Server Log-File - the file created by the Server, which records all Requests and Instructions sent by the Customer to the Company.

Server - the HF Markets MetaTrader Server version 4 program. The program is used to execute the Customer's Instructions or Requests.

Short Position - the selling currency, with the expectation that the asset will fall in value.

Spread - the difference between Ask and Bid.

Stop Out - the closing of the Customer's Open Position(s) without the prior notice in a case of insufficient funds required to maintain Open Positions.

Stop Order - there is no 100% guarantee of getting the desired entry/exit points. For instance, if a Quotes gaps down, the trader's stop order will be triggered (or filled) at the first available Quote which is presented in the Quotes Flow instantly after the Price Gap.

Take Profit - the price to close an opened position at a more profitable price than the current price.

Thin Market - a market with a low number of buyers and sellers; few transactions take place in a thin market, prices are often more volatile and assets are less liquid. The low number of bids and asks will also typically result in a larger spread between the two quotes.

Ticker - the unique number assigned to each Open Position, Pending Order or deposit/withdrawal transaction through the Trading Platform.

Trading Account - an account held at a Company and administered by a Customer that the account holder uses to employ a trading or hedging strategy rather than a buy-and-hold investment strategy for physical delivery.

Transaction - any transaction entered into or executed by the Customer.

Transaction Size - The number of Lots of any given transaction.

Trading Platform Time Zone - the time zone in which the Server Log-File records any event. At the time of the release of this document the Trading Platform Time Zone is GMT+2:00.

Written Notice - any notice which is made to the Customer by the Company via:

- a. HF Markets Platform internal mail system;
- b. email;
- c. facsimile transmission;
- d. post; or
- e. information published on the Company's News Webpage or Forum.