

## **Velocity Trade Capital Ltd. Relationship Disclosure**

Velocity Trade Capital Ltd. (Velocity) and our Registered Representatives (Representatives) believe that the best way to help you meet your financial goals, and for us to keep serving you as a valued client, is to provide you with the account type(s), information and access to investments in a way that best suits your needs. We want to help you save and invest in the way you are most comfortable and informed with the changing environment in which we live. We think we can do this most successfully if we both know what to expect from each other. For this reason, we would like you to have a good understanding of the products and services we offer; the features of your account(s) and how it/they operate(s); and our responsibilities to you. Also covered in the disclosure is how investment suitability is assessed and how we are compensated for our services to you. Our Representatives are the primary point of contact with our clients. Velocity's Representatives have an obligation to deal with you in an ethical and professional manner. This includes, among other things, keeping your personal information confidential, having written procedures to ensure that you receive a proper level of service and ensuring employee and advisor activities adhere to applicable regulatory and compliance rules.

We also want you to understand how your input through the "Know Your Client" (KYC) information contained within our New Client Application Form (NCAF) you complete is critical to our meeting your expectations. Securities regulators have recommended that we promote active client participation for a mutually successful relationship. Regulatory guidance (National Instrument 31-103: Registration Requirements, Exemptions and Ongoing Registrant Obligations) requires us to ask you to:

### **Keep us up to date.**

Provide full and accurate information to the firm and the registered individuals acting for the firm. Promptly inform your Representative of any change to your information that could reasonably result in a change to the types of investments appropriate for you, such as a change to your income, investment objectives, risk tolerance, time horizon or net worth. Until you provide complete and/or up to date (KYC) account information our regulators require that we not complete any account transaction other than to complete liquidating transactions, transfer, or make payment or deliveries of funds or securities until we have received the required information from you.

### **Remain informed.**

Understand the potential risks and returns on investments. Carefully review sales literature provided by Velocity. Where appropriate, consult professionals, such as a lawyer or an accountant, for legal or tax advice. Ask questions and request

information from your Velocity Representative to resolve questions about your account, transactions or investments, or their relationship with the firm or a registered individual acting for the firm. Stay on top of your investments and pay for purchases by the settlement date. Make sure you understand the use of margin and the impact such leverage can have on your investments. Review all account documentation provided by your Representative and the firm and regularly review your holdings and performance.

Velocity will update this Relationship Disclosure when there are material changes to it. If you have any questions related to the contents of this document, or need to change your (KYC) account information please contact your Representative. You will be provided with a copy of the information on your account application that we received from you at the time of your account-opening and when there are material changes to the information.

### **Introducing/Carrying Broker Arrangement**

Velocity Trade Capital has entered into an Introducing Broker/Carrying Broker agreement with Fidelity Clearing Canada ULC (Fidelity) in order to provide back office trade execution, settlement and client reporting services to you. Velocity pays Fidelity for its Carrying Broker services.

### **The Role of Velocity Trade Capital**

Velocity Trade Capital is a member of the Investment Industry Regulatory Organization of Canada (IIROC) and the Canadian Investor Protection Fund (CIPF). We are your investment dealer and are considered to be an introducing broker on the account. Velocity, as the introducing broker is responsible for, among other things, supervisory oversight, obtaining know-your-client (KYC) information and determining the suitability of trades.

### **The Role of Fidelity Clearing Canada**

All client accounts are held in custody by Fidelity. All investments shown on your statement are held by Fidelity in segregation from all other brokerage firms that Fidelity clears for. All trades executed on your behalf are settled by Fidelity. All money is deposited and withdrawn through the Fidelity banking and back office systems at the direction of Velocity. Fidelity reports all account trade activity to you and Velocity on a daily basis. Fidelity is also responsible for tax reporting (except for tax forms relating to mutual fund distributions on non-registered accounts, which will be issued to you directly by mutual fund companies where applicable). Fidelity does not give investment advice, determine the suitability of your investments and is not responsible for and does not supervise any investment advice given to you by Velocity Trade Capital. Also, Fidelity is under no duty to

evaluate the appropriateness, accuracy or quality of any instructions received from you or Velocity. If, under any circumstance, any transaction for your account is not reported to you on a trade confirmation and on your monthly statement it should be reported to your Representative or Velocity Trade Capital's Compliance department. As an investment dealer, we are a financial intermediary. It is common practice in the investment industry that at times an investment dealer may be the party on the other side of a client's transaction in acting for itself (principal trading) or another of its clients. However Velocity's business model is to act primarily as an agent for clients such as you.

## **Our Affiliates**

Velocity Trade Capital Ltd. is wholly owned by Velocity Trade Holdings Ltd. (VTH). VTH is the parent company to the following other companies:

Velocity Foreign Exchange Services Ltd. (Canada)  
Velocity Trade International Limited. (UK)  
Velocity Trade Ltd. (Australia/New Zealand)  
VTC Europe B.V. (Netherlands)  
Velocity Trade Capital PTY Ltd. (South Africa)  
Velocity Trade Financial Services PTY Ltd. (South Africa)  
Velocity Empowerment Holding PTY Ltd. (South Africa)  
Velocity Nominees (RF) PTY Ltd. (South Africa)

## **Shared Premises Disclosure**

As required by IIROC Rule 2400, we hereby indicate to you that Velocity Trade Capital Ltd. shares premises with its affiliate, Velocity Foreign Exchange Services Ltd. While these companies share the same parent company, Velocity Trade Holdings Ltd., they operate as separate entities.

## **The Services and Products we Offer**

Here is a brief summary of the services and products we offer you:

### **Services**

Velocity provides advisory accounts for trading Futures contracts and Exchange Listed Options on Futures contracts (hereafter "Futures") for its clients. Ordinarily, an advisory account is an account where the client is responsible for investment decisions but is able to rely on advice given by a Registered Representative, where the Registered Representative is responsible for the advice given, and in providing this advice, the Registered Representative must meet an appropriate standard of care, *provide suitable investment recommendations*, and provide unbiased investment advice. In consideration of the inherent sophistication required to first qualify and then transact in Futures, Velocity's Representatives will not be offering

investment recommendations to you but may provide investment advice if you request it. Suitability to transact in Futures will be determined by a pre-qualifying process which takes into consideration your financial standing and investment sophistication in regard to the Futures market. If it is determined that you are qualified to open a Futures trading account, you will acknowledge or have acknowledged the inherent risks involved in trading Futures and in doing so we will undertake to perform a suitability review of your transactions on a trade-by-trade basis, in consideration of the information we collect from you in regard to your provided KYC information. Our Futures traders and Supervisors will review all activity on a daily and monthly basis to continuously verify that our pre-qualifying suitability process remains accurate (ie: that the investment decisions made and strategies deployed are demonstrative of sophistication in Futures trading), and that each of your transactions are in fitting with your established profile

## **Products**

We offer investment in Futures contracts and Exchange Listed Options on Futures contracts.

For more information in regard to these products, you can read plain-language investment explanations in Investments at a Glance, a booklet prepared by the Canadian Securities Administrators for financial consumers such as yourself. This can be obtained via the internet using a search engine with the keyword "csa investments at a glance" or can be provided in printed form if requested of your Representative.

## **Benchmarks**

A benchmark is a point of reference that is commonly used to compare and assess the performance of an investment. It is usually an index of securities of the same or similar asset class and geography. For example, if a fund invests mainly in Canadian stocks, the benchmark might be the S&P/TSX Composite Index, which tracks companies trading on the Toronto Stock Exchange. A benchmark's performance represents the returns over time of the select group of securities that forms its index. Benchmark indices are typically owned by specialized firms (for example, Standard & Poor's) that receive real-time and historical data from the source exchange. By comparing a fund to an appropriate benchmark, you can see how the investments held by the fund performed compared to the market or sector in general.

## **Your Personal Information**

Velocity Trade Capital Ltd. understands that trust is an important factor in our relationship, and we take this very seriously. Protecting your privacy and the confidentiality of your personal information is a fundamental part of our responsibility to you. Clients of Velocity Trade Capital are entitled to a high degree

of care in the handling of their confidential information through our policies and procedures as well as state-of-the-art equipment and computer security measures, we ensure that your privacy and the confidentiality of your information are protected. The personal information you provide to Velocity Trade Capital (or which Velocity collects with your consent) with respect to your account application will be protected and maintained in a client investment file with Velocity. The key components of Velocity's policy are as follows:

The client's knowledge and consent is required before an Employee/Agent may collect, use or disclose a client's personal information;

If any of the personal information collected is sensitive, such as health information, Velocity must obtain additional written or oral consent from the client before, using or disclosing the information;

Velocity shall use care when storing or destroying client's personal information in order to prevent unauthorized access.

## **The Fees You Will be Paying and How they are Calculated**

Velocity is compensated for the distribution of investment products and services. All fees are disclosed as required by regulation and vary depending on the accounts and services you use.

For Futures contracts and Exchange Listed Options on Futures contracts:

Based on an agreed upon commission rate (between client and trader) per contract and noted on the Futures client's NCAF at account opening.

## **Interest Charges**

If any account you have with Velocity is in a debit position, we will deduct an interest charge from the account. Interest rate charges are available upon request. Velocity and our carrying broker Fidelity share in these charges. Interest is calculated on a Settlement Date basis based on the cash credit or debit balance in the account. The interest period is from the 16th to the 15th of each calendar month. Interest is paid or charged on or around the 23rd of each calendar month.

## **Foreign Currency Exchange**

For transactions in currencies other than that of the currency of your account, a conversion of currency may be required and will be carried out by Velocity. Velocity maintains a foreign exchange market spread. In performing foreign currency transactions, we may act as agent or principal. We attempt to make a profit on providing foreign exchange transactions. Rates depend on the size, currency and timing of the transaction. If you are initiating a transaction that will require an

accompanying foreign exchange component, ask your Representative about the available rates. Unless otherwise specified or agreed to, the currency conversion will take place at our applicable bid and ask spread, based on the prevailing currency rates.

## **Other Fees and Charges**

Transactions in Futures involves the requirement to pay for execution, exchange and regulatory (NFA) fees on a trade by trade basis which are fully disclosed on daily and monthly account statements.

## **Notice of Fee and Charge Price Changes**

We will provide you with at least 60 days' written notice of any new fees or changes in charges. Note: Interest charged on accounts and commissions for executing trades are excluded from this notice. Interest charges are typically charged on the 15<sup>th</sup> day of the month and will show on your monthly statement.

## **Leverage Disclosure**

Risk of borrowing to invest:

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by the loan's terms remains the same even if the value of the securities purchased declines. Before borrowing to invest, you should consider, among other things:

your level of comfort in respect of taking risk whether you are investing for the long term or short term, the use of a borrowing-to-invest strategy could result in far greater losses than an investment strategy that does not involve the use of borrowed money, consider the cost of borrowing (i.e., interest payments) and whether you will be able to repay the loan.

Your Representative should discuss with you the risks of borrowing to invest.

## **How We Will Assess the Suitability of an Investment**

### **Advisory Accounts:**

We reiterate that while Velocity will not offer to you an investment recommendation in regard to your Futures trading account(s), Velocity will still conduct an assessment as to whether your investment decision is suitable for you, according to our understanding of the KYC information you have provided to us when you completed your NCAF.

The suitability factors that will guide us in our decision as to an investment's suitability include what we understand to be your current:

## **Financial Situation**

What financial assets (deposits, investments) and liabilities (debt, mortgage) you have and the sources and amount of your income – we would consider the size of any transaction compared to the overall value of your net financial assets (assets minus liabilities).

## **Investment Knowledge (Experience)**

As trading in Futures requires a sophisticated knowledge of the product and strategies associated with it, in qualifying to open a Futures trading account at Velocity, it will be assumed that that your investment knowledge is Sophisticated.

## **Investment Objectives:**

What you tell us are your specific financial goals: this will help us determine how to balance the desire to increase your assets while understanding the risks. Certain investments would not be considered appropriate for certain objectives. Objectives might include to earn income; to speculate; or to hedge an underlying commodity.

## **Time Horizon/Age:**

When you expect to need your financial assets, for example, to buy a house, pay for education or enter retirement – in retirement, this may also include consideration of tax requirements to withdraw minimum amounts. Time horizon plays an important role in setting return objectives and defining liquidity constraints. When do you need these funds for another objective?

## **Risk Tolerance:**

As trading in Futures is an inherently high-risk enterprise, in qualifying to open a Futures trading account at Velocity, it will be assumed that that your appetite for risk will be deemed as High.

## **High Risk**

I am willing to accept increased risk with my invested capital, including high volatility to seek higher returns either over time or in the short term. I understand that I could lose large portions or possibly all of my money invested.

## **Suitability Process:**

If, when you place an order, what you would like to invest in is not consistent with what your profile suggests to us, we might advise against proceeding with the order,

ask you to sign a letter recognizing we advised against it, we may accept the order if the amount is not material, or require a review to update your account information based on your changing objectives and appetite for higher risk Futures trading strategies. Delays to processing the order might occur and Velocity would reserve the right to reject any order deemed unsuitable at its discretion.

## **Suitability Review Timing**

When accepting each of your orders or proposed strategy, your Representative would review each order or strategy in the context of the six KYC suitability factors described above.

Velocity would also conduct a suitability determination when:

1. The Representative responsible for the account changes; and/or
2. There has been a material change in your personal or financial circumstances or objectives and a change notice or account KYC update has been received.

If during the suitability determination we identify any concerns, we would discuss them with your Representative, and they would discuss the situation with you. We might be required by our regulators or good business practice to document our discussions and, if we are strongly concerned with your decision to maintain unsuitable investments or proceed with unsuitable strategies, we might refuse to execute the transaction and or terminate our relationship by restricting your account to liquidating transactions only and requesting that you transfer your account to another dealer.

To ensure that the position(s) held in your account or accounts is/are suitable for you as time passes, we would review the suitability of the investments in your account(s) and your holdings altogether.

Given the long-term nature of investing for most clients, we would not automatically review the suitability of the investments held in your account(s) when there are market fluctuations. Also, please note that changes in individual investments caused by market or management fluctuations might result in changes required to be made to the suitability determination.

## **Conflicts of Interest**

The ways we will avoid, manage or disclose conflicts of interest that may arise as we serve your and others' interests. Actual, potential and perceived conflicts of interest arise where an action or decision by someone has the effect of benefiting others at that person's expense. Such conflicts exist in almost all human interactions and, as we are an intermediary, acting for both buyers and sellers, conflicts will arise from time to time:



- Between you and our firm, as well as between you and your Representative;
- Between you and our other clients: we act for many clients and must allocate investment opportunities among all of them fairly, so as not to intentionally favour one client over another;
- Between us and our related or associated companies.

We have policies and procedures in place to address the handling of conflicts of interest.

- **We avoid** conflicts prohibited by law as well as conflicts that we cannot effectively control. In situations that we do not or cannot avoid, where our interests may compete with yours, your interest is always given priority by our acting in one of two ways:
- **We control** or manage acceptable conflicts by attempting to physically separate different business functions, restricting the internal exchange of information in person or through systems, reducing the possibility of one part of our organization unsuitably influencing another, removing the financial incentive of an employee to favour a particular product or service over another that may be more suitable, and setting up and testing our operational review and approval processes.
- **We disclose** information about any remaining conflicts to you so that, when you evaluate our recommendations and actions, you can assess independently if conflicts are significant for you. Any conflicts, where not avoidable as indicated above, will be disclosed to you as they arise.

## Outside Business Activities

A Velocity Representative may be permitted to have outside business activities with conditions. These conditions are:

- That the activity is in compliance with any condition set out by IIROC;
- Velocity has approved the outside business activity and reported it to our regulator;
- That the Representative follows the policies and procedures in place at Velocity to ensure continuous service and that potential conflicts of interest have been identified and addressed;
- That the activity is not one which would bring the securities industry into disrepute

## The Reports We Will Provide

### For Futures Trading Advisory Accounts: Account Statements

You will receive your Futures trading confirmations and statements directly from our carrying broker Fidelity on a daily basis via email. Every statement sent by Fidelity provides an independent confirmation of your holdings. Your daily account statement outlines trade confirmations, a listing of offsetting transactions and the resulting profit/loss information (purchase and sales), open positions, cash balances, all account activity including deposits and withdrawals (cash adjustments), account values and positions costs, margin excess/deficits, and execution fees/transaction costs. As well, all relevant financial reporting tools within the statement will be summarized in both CAD and USD (including the spot conversion rate between the two currencies). You will also receive a monthly Futures statement via email that summarizes all activity in your account, which will be delivered via email on the first business day following the prior month-end. Velocity will not provide percentage return information, in consideration of the inherent nature of Futures trading.

These statements are deemed to have been acknowledged as correct (and approved by you) unless we have received a prompt written notice to the contrary.

As well, you will receive an independent monthly statement per the "For Securities Trading Advisory Accounts" section above. This monthly statement (quarterly if there is no activity in your account) will reflect the monies deposited into an account that our carrying broker Fidelity is required to set up to enable receipt and delivery of wire transfer deposits and withdrawals and will show the movement of monies into your Futures account to fund the trading activity to take place there and, as well, it will show monies moved out from your Futures trading account and into this account for further remittance back to you at your request.

### **Complaint-handling procedures:**

We hope to enjoy a long and successful relationship with you and look forward to serving you.

We think that open communication is the best way to achieve this, however, misunderstandings can arise, and mistakes can occur. If you have complaints, please let us know.

Client complaints can be submitted to the:

Chief Compliance Officer  
Velocity Trade Capital Ltd.  
Suite 1800, 100 Yonge St.  
Toronto, Ontario  
M5C 2W1

You will receive an acknowledgement letter within 5 business days of the receipt of your complaint. You will receive a substantive response within 90 days of the receipt

of your complaint which will provide a summary of your complaint, results of the investigation, and an explanation regarding the decision.

A copy of the IIROC approved complaint handling brochure will be provided to you at the time of account opening (please see below).

**Checklist of documents to be provided to you at account-opening:**

A copy of your New Client Application Form

An Investor's Guide to making a Complaint brochure

Canadian Investors Protection Fund Brochure

This Relationship Disclosure Document

Commodity Futures and Commodity Futures Options Trading Agreement

Futures and Commodity Risk Disclosure and Information Statement

Futures Options Summary Disclosure Statement