



Target Market Determination

Over-the-Counter Options (“OTC Options”)

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Issuer:	easyMarkets Pty Ltd., ABN 73 107 184 510, AFSL 246566
Product:	Over-the-Counter Options (“OTC Options”)
Date of TMD:	5 October 2021

1. About this document

This document is a target market determination (“**TMD**”) for the purposes of section 994B of the Corporations Act 2001 (Cth) (“**Corporations Act**”) in respect of Over-the-Counter Options (“**OTC Options**”) issued by **easyMarkets Pty Ltd**, ABN 73 107 184 510 AFSL 246566 (“**easyMarkets**”).

This document applies to retail clients only (“**Clients**”).

This document is not to be considered a full summary of the product’s terms and conditions and is not intended to provide financial product advice. This document is not a Product Disclosure Statement (“**PDS**”) and Clients should read the PDS which outlines the relevant terms and conditions of the OTC Options to ensure they fully understand the risks involved, and consider seeking independent advice before making a decision about trading OTC Options.

This TMD seeks to offer Clients, staff of easyMarkets and distributors with an understanding of the class of Clients for which this product i.e., OTC Options has been designed, having regard to the objectives, financial situation and needs of the target market.

2. About OTC Options – description and key attributes

easyMarkets offers three types of OTC Options:

- (i) Foreign exchange OTC Options;
- (ii) Commodities OTC Options; and
- (iii) easyTrade - a proprietary product offering a simplified, intraday OTC Option

An OTC Option can be either a ‘Call’ or a ‘Put’.

A Call OTC Option deal **gives the buyer the right — but not the obligation** — to buy the underlying asset at an agreed price (referred to as the ‘strike price’) on or before a certain date (referred to as the ‘expiry date’).

A Put OTC Option deal **gives the buyer the right — but not the obligation** — to sell the underlying asset at an agreed price on or before a certain date.

Clients use OTC Options for income, to speculate and to hedge risk.

The main characteristics of a ‘vanilla’ OTC Option are as follows:

- (i) it is not traded on a regulated exchange;

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- (ii) it is either a Call (bought when the underlying asset is expected to increase in price) or Put (bought when the underlying asset is expected to decrease in price);
- (iii) when buying an OTC Option, the buyer (Client) pays a 'premium' on opening and this is collected from the Client's account balance.
- (iv) it has a strike price i.e. the agreed price to be reached or surpassed by the time of expiry or when the Client exercises it);
- (v) it can be closed before the expiry date by selling the OTC Option to easyMarkets;
- (vi) it can be exercised before the expiry date or held to expiry; and
- (vii) it has an expiry date.

Thus, an OTC Option ends when the Client either materialises (or exercises) the OTC Option at the strike price, sometime during the "open" period, or at the end of the period being the expiry date.

easyMarkets Call and Put OTC Options are all cash-settled. Actual physical delivery of assets (currency or commodities) never occurs. Instead, at the OTC Option's expiry, cash is credited or debited to the Client's account balance in the amount of the difference between the strike price and the current market value of the underlying asset.

If an OTC Option deal has no value on closing the position or at expiry, no cash will be credited to the Client's account free balance.

easyTrade offers a 1, 3 or 6 hour OTC Option for short term traders who want to trade intraday market movements, with a fixed upfront risk (premium). The position, once opened, can be closed at any time before it expires. easyTrade is offered across foreign exchange currency pairs, commodities, metals, indices and cryptocurrencies.

3. Target market for easyMarkets' OTC Options

Given the complex nature of OTC Options, we consider that the target market for OTC Options is a Client that falls within one (or more) of the below categories, noting there may also be some overlap between categories:

- **Experienced investors** – Clients who understand the risks when trading options (exchange traded or OTC Options).
- **Clients with medium to high-risk tolerances** – trading OTC Options is considered medium to high risk. This needs to be within a Client's reasonable means i.e. since OTC Options are considered risky financial products, money used to trade in OTC Options should be money that the Client is willing to lose. Clients attracted to trading OTC Options often do so for speculative purposes.
- **Clients with good investment knowledge** - This includes Clients who have relevant industry experience, an academic degree in a financial related field, or have attended suitable relevant trading courses.

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- **Clients with prior trading experience** - Clients with prior experience in financial markets and experience in trading options, including demonstration accounts on easyMarkets' trading platform.
- **Risk mitigation investors** – Clients seeking to forecast the movement of an underlying asset of the OTC Option.
- **Clients who pass the easyMarkets' Suitability Test** - easyMarkets requires Clients to achieve a score of 60% or above to pass the Suitability Assessment.

4. Likely objectives, financial situation and needs of Clients in target market

Overall, OTC Options have been designed for Clients who have the following characteristics:

Objectives:

- Clients seeking to forecast the movement of the underlying asset of the OTC Option to generate a return whilst limiting their risk to the amount of the premium (amount paid for the OTC Option).
- Clients seeking to hedge a proposed transaction, whilst accepting the risks associated with trading OTC Options.
- Clients seeking to use a sophisticated proprietary online trading platform with unique features to transact in OTC Options.

Financial situation:

- Clients who have disposable income or capital to invest. There is a risk of Clients losing some or all of their capital when trading OTC Options.
- Clients must be able to withstand losses from trading without causing distress or material impact to their living standards.

Needs:

- Clients who want to mitigate and manage risk.
- When using OTC Options to speculate, Clients who require or desire a higher return than that available from risk-free investments while accepting the returns are not guaranteed.

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5. Why trading OTC Options is likely to be consistent with the likely objectives, financial situation and needs of the target market

There are many reasons why Clients may trade in OTC Options offered by easyMarkets. Some of these include the following (and for many Clients more than one of the following will apply):

1. Speculative reasons – OTC Options can offer a lower-cost way to go ‘long’ or ‘short’ the underlying asset with limited downside risk.
2. Hedging purposes – OTC Options can provide Clients with risk-reduction strategies.
3. Trading strategy – OTC Options give Clients more flexible and complex strategies such as spread and combinations that can be potentially profitable under different market scenarios.
4. Lock-in prices – where Clients identify an opportunity, but do not necessarily have the funds on hand to buy immediately, they can lock in a purchase price by buying a Call OTC Option now and exercising the right to purchase later (or buying a Put OTC Option and exercising the right to sell later).
5. Educational reasons – easyMarkets products are specifically designed to simplify the experience of trading derivatives, as such they are a good fit for students learning the about the financial markets.

5.1 Excluded classes of Clients

Many Clients will be outside the target market for OTC Options. easyMarkets OTC Options have **not** been designed for Clients who:

1. do not want to include OTC Options in their portfolio;
2. are under 18 years of age;
3. cannot afford to lose the amount of money required to trade the OTC Options without a material impact on their standard of living;
4. do not want to accept any losses;
5. do not understand the risks of trading in OTC Options;
6. have borrowed money to transact;
7. solely derive their income from benefits and/or borrowings;
8. require that their capital is guaranteed to not decrease;
9. have not passed easyMarkets' Suitability Assessment; or
10. have a low risk tolerance, other than those Clients who wish to use OTC Options to hedge existing investments.
11. have indicated, directly or indirectly, that they may not be of sound mind or judgement or that they are suffering from an addiction or impairment that could prevent their clear comprehension of the associated risks when transacting OTC Options.

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6. How this product is distributed

easyMarkets both issues and distributes all of the financial products and services it offers including OTC Options.

Any person wanting to use the financial services and financial products offered by easyMarkets must be a direct Client. Although easyMarkets may market or promote its financial products through distributors, ultimately the issuer is easyMarkets and any prospective Client must satisfy easyMarkets' suitability criteria before that Client will be permitted access to the OTC Options it issues.

6.1 Promotion and distribution channels

This product is designed to be promoted or distributed through the following means:

1. Online Advertising

Products promoted through websites, online financial channels and appropriate social media.

2. Other Advertising

Products promoted through print media such as magazines, newspapers, television, radio, cell phones, various kinds of software and the Internet.

3. Public Relations & Sponsorship

Products or services promoted via public relations channels (including external service providers), providing content or running targeted events.

4. easyMarkets Representatives

Utilising existing networks and garnering referred business from active clients.

6.2 Distribution conditions

Distribution and promotion of OTC Options can only take place where the distribution criteria have been overlaid to be reasonably likely to only reach Clients in the target market.

In any event, OTC Options should only be distributed to a Client where they meet the eligibility requirements determined by easyMarkets and the Client is reasonably likely to fall within the target market.

6.3 Adequacy of distribution conditions and restrictions

easyMarkets has internal processes in place to assess the eligibility criteria of Clients from different distribution channels. The distribution criteria ensure that only Clients who fall within the target market of this TMD can access the products offered including OTC Options. Distribution conditions are reviewed regularly to ensure their adequacy.

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7. Reviewing this TMD

easyMarkets will review this TMD in accordance with the below:

Initial review	Within 12 months of the effective date i.e. prior to 5 October 2022.
Periodic reviews	At least each year from the initial review.
Review triggers or events	<p>The review triggers that may suggest that the TMD is no longer appropriate, such that a review of the TMD should be undertaken, include:</p> <ul style="list-style-type: none"> ● easyMarkets becomes aware of a significant issuance of OTC Options to Clients outside the target market; ● material changes to OTC Options as a result of new or amended functionality, whereby the key attributes are no longer consistent with the likely objectives, financial situation and needs of Clients in the target market; ● material changes to the business of easyMarkets; ● material changes to law or regulation affecting OTC Options; ● easyMarkets becomes aware of a significant volume of complaints from Clients using OTC Options; ● easyMarkets becomes aware of an occurrence of a significant dealing; ● easyMarkets becomes aware of a significant losses by Clients using OTC Options where it has caused a distress or material impact to their living standards; ● changes to liquidity of the underlying asset; or ● any other event or circumstance that would materially change a factor taken into account in making this TMD for OTC Options.

Where a review trigger has occurred, this TMD will be reviewed, and updated where required, within 10 business days.

8. Reporting and monitoring this TMD

The following information must be provided to easyMarkets by distributors (including easyMarkets and its staff) who engage in product distribution conduct in relation to easyMarkets OTC Options:

Complaints

Distributors will report all complaints in relation to the product covered by this TMD i.e., OTC Options, on a quarterly basis. This includes the number and substance of complaints, including all details about the complaint, excluding personally identifiable information.

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Significant dealings

Distributors will report if they become aware of a 'significant dealing' in relation to this TMD within 10 business days. This includes the date or date range of the significant dealing and a description of the significant dealing (e.g. why it is not consistent with the TMD). Whether or not a dealing is significant is a matter to be determined in the circumstances of each case. Notwithstanding, a number of factors should be considered such as:

- (i) the proportion of Clients who are not in the target market;
- (ii) the actual or potential harm to Clients, including the amount of any financial loss, resulting from Clients who are not in the target market acquiring the product;
- (iii) the nature and extent of the inconsistency of distribution with the TMD;
- (iv) the proportion of gross income obtained from the product in respect of Clients who are not in the target market acquiring the product; and
- (v) the time period in which these acquisitions outside the target market occurred.

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Trade Responsibly: easyMarkets Pty Ltd (AFSL 246566, ABN 73 107 184 510) makes no recommendations as to the merits of any financial product referred to in this advertisement, emails or its related websites and the information contained does not take into account your personal objectives, financial situation and needs. Therefore, you should consider whether these products are appropriate in view of your objectives, financial situation and needs as well as considering the risks associated in dealing with those products. easyMarkets Pty Ltd recommends that you read the PDS, the Client Agreement and the FSG (visit: www.easyMarkets.com.au) before making any decision concerning easyMarkets Pty Ltd financial products. Derivative trading involves substantial risk of loss. Do not invest money you cannot afford to lose.

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