

Target Market Determination

Issuer:	easyMarkets Pty Ltd, ABN 73 107 184 510, AFSL 246566
Product:	Over-the-Counter Options Deals (“OTC Options”)
Date of TMD:	18 th October 2023

1. Introduction

easyMarkets Pty Ltd (referred to as **easyMarkets**, **us**, **our** or **we**) is a product issuer and issues OTC Options to clients, including retail clients. We hold an Australian Financial Services License, number 246566.

2. 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 Deals (“**OTC Options**”) issued by easyMarkets. The design and distribution obligations set out in Part 7.8A of the Corporations Act (“**DD Obligations**”) apply to the issue and distribution of OTC Options to retail clients only (“**Clients**”) from 5 October 2021. The DD Obligations aim to assist Clients to obtain appropriate financial products by requiring product issuers and distributors to have a consumer-centric approach to the design and distribution of financial products.

The purpose of this document is to describe the target market of Clients for our OTC Options and to address the DD Obligations that apply to TMDs. If you are a retail client, you should refer to the relevant Product Disclosure Statement (“**PDS**”) before deciding whether to acquire or continue to hold the relevant product. You can get a copy of the PDS from our website. You should not base any decision to trade on the contents of this TMD, and this document is not suitable for the purposes of deciding whether to open a trading account or trade in OTC Options.

3. About OTC Options – description and key attributes

easyMarkets offers two types of OTC Options:

- (i) Foreign exchange OTC Options;
- (ii) Commodities OTC Options; and

easyMarkets also offers easyTrade Deals which are a proprietary product offering that is a simplified, intraday OTC Option these are covered separately as a standalone product, in the easyTrade TMD.

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

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

A Put OTC Option **gives the holder the right — but not the obligation** — to sell the underlying instrument at an agreed upon price (referred to as the ‘strike price’) on or before a certain date (referred to as the ‘expiry date’).

The main characteristics of our OTC Options are as follows:

- (i) they are not traded on a regulated exchange;
- (ii) they are either a Call (bought when the underlying instrument is expected to increase in price) or Put (bought when the underlying instrument 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. While the Client holds an OTC Option, the premium value changes depending on changes in the underlying instrument';
- (iv) they have 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) they can be closed before the expiry date by selling the OTC Option to easyMarkets;
- (vi) they can be exercised before the expiry date or held to expiry; and
- (vii) they have an expiry date.

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 has no value on closing the position or at expiry, no cash will be credited to the Client's trading account free balance.

4. Target market for easyMarkets' OTC Options

The target market for our OTC Options includes clients who satisfy each of the following criteria:

- over the age of 18; and
- who wish to trade OTC Options for one of the following purposes:
 - speculative trading; or
 - hedging purposes; or
 - gaining exposure to price movements in the underlying instrument; and.
- who have a high investment risk appetite.
- who can accept losses that equal the premiums paid; and
- who have a short to mid-term investment horizon.

5. Why trading our OTC Options, including their key attributes, are likely to be consistent with the likely objectives, financial situation and needs of Clients in the target market

Further details regarding easyMarkets’ target market determination for OTC Options is set out below.

Criteria	Scope and key attributes
Client type	Retail Clients. This target market determination does not apply to wholesale clients, including sophisticated investors and professional investors.
Ability to bear losses	Clients who are prepared to lose amounts equal to the premium paid for an OTC Option.
Tolerance to risk	OTC Options are suitable for clients with a high investment risk tolerance. Clients risk losing the amount of the premiums paid for each OTC Option.
Client needs	<p>Our OTC Options and their key attributes, are likely to be consistent with the objectives, financial situation and needs of those Clients who:</p> <ol style="list-style-type: none"> 1. have short to mid-term term investment horizon; 2. wish to: <ol style="list-style-type: none"> (a) trade in OTC Options including for speculative or hedging purposes; or (b) to gain exposure to price movements in the underlying instrument; 3. have a high-risk tolerance; and 4. can afford to bear losses. <p>Our OTC Options are designed to be suitable only for Clients with the likely objectives, financial situation and needs described above. This is because our OTC Options:</p> <ul style="list-style-type: none"> • may not deliver any return. This is because if an OTC Option has no value on closing the position or at expiry, no cash will be credited to the Client’s trading account free balance; • Clients can lose the amount of the premiums paid for each OTC Option; • are short to mid-term contracts measured in hours, days, weeks or months rather than years for OTC Options; • allow Clients to speculate on (and gain exposure to) movements in the value of the underlying instrument without having to purchase an interest in it.

5.1 Excluded classes of Clients

Many Clients will be outside the target market for our OTC Options. easyMarkets OTC Options are not compatible with the needs of Clients who:

1. do not want to include OTC Options in their investment portfolio;
2. are under 18 years of age;
3. cannot afford or are not willing to lose the premium(s) paid;
4. primarily derive their income from social security payments and/or borrowings or have borrowed money to trade;
5. require that their capital is guaranteed to not decrease;
6. have a low risk tolerance or even a medium risk tolerance
7. are vulnerable including Clients who are vulnerable for any of the following reasons:
 - a. elderly or suffering an age-related impairment
 - b. suffering from elder abuse or financial abuse
 - c. suffering from mental or other forms of serious illness affecting capacity
 - d. suffering from any form of addiction
 - e. any other personal or financial circumstances causing significant detriment;
8. Clients who reside in a country which restricts or prohibits trading in OTC Options;
9. are in financial hardship or going through bankruptcy;
10. are seeking medium to long term investments;
11. wish to buy and hold assets for capital protection or stability; or
12. are seeking regular or otherwise predictable returns on their investments.

6. How this product is distributed

Our OTC Options are distributed by us, easyMarkets Pty Ltd.

We will take reasonable steps to ensure that both we and any Distributors we may appoint, distribute the financial product to the identified target market.

To ensure that the distribution strategy is consistent with the identified target market, we have several processes in place to determine whether the Clients who are potential clients fall within the identified target market.

6.1 Our onboarding process

easyMarkets will assess whether potential clients fall within the identified target marketing during the onboarding process, before approving them and allowing them to trade OTC Options on the trading platform and thereafter on a periodic basis.

Our onboarding process includes a questionnaire designed to assess a prospective client's:

- knowledge and experience

- financial situation and ability to bear losses
- risk tolerance
- likely objectives and needs.

6.2 Marketing process

We will also take reasonable steps to ensure that our marketing strategy and the marketing strategy of any Distributors we may appoint is targeting potential clients who fall within the identified target market. No Distributor may release marketing materials without obtaining our prior written consent.

The Promotion of our OTC Options can only take place where the promotion channel and the promotional material has been assessed by the easyMarkets compliance team to be reasonably likely to only reach Clients in the identified target market.

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

1. Online Advertising: Products promoted through appropriate websites and digital 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.

7. Reviewing and maintaining this TMD

easyMarkets will review this TMD in accordance with the below:

Initial review	The first review of this TMD occurred 22 nd May 2023.
Periodic reviews	Subsequent reviews of the TMD will occur on each anniversary of the initial review date.
Review triggers or events	<p>We will also review the TMD where the following triggers occur as these triggers may suggest that the TMD is no longer appropriate:</p> <ul style="list-style-type: none"> • Where there are significant dealings (issuing OTC Options) in easyMarkets' OTC Options, which are not consistent with the target market. This trigger occurs where significant distribution is occurring outside the target market, and does not refer to any one particular dealing in OTC Options; • material changes to our OTC Options as a result of new or amended features or trading functionality, such that the key attributes of OTC Options are no longer consistent with the likely objectives, financial situation and needs of Clients in the target market;

- there are material changes to the business of easyMarkets;
- there are material changes to the law or regulations affecting OTC Options;
- easyMarkets has received relevant complaints or noted any relevant complaint trends;
- where a Distributor has reported relevant complaints or noted any relevant complaint trends;
- 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;
- where easyMarkets has detected significant issues with the distribution of its OTC Options through its monitoring of its own day-to-day activities, or the monitoring and supervision of its Distributors;
- changes to liquidity of the underlying asset;
- any other event or circumstance that would materially change a factor taken into account in making this TMD for OTC Options;
- whenever a new product, platform or technology is brought to market by easyMarkets.

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

8. Distributors – information collecting and reporting

As part of the process for monitoring and reviewing the TMD to determine whether it is still appropriate, each Distributor must provide us with the following on a quarterly basis, within 10 business days of the end of each calendar quarter – 31 March, 30 June, 30 September and 31 December, each year:

Complaints data	Distributors will report all complaints in relation to the product covered by this TMD i.e. OTC Options, on a quarterly basis. This includes information about the complaints received including the number and substance of the complaints (but only where the Distributor received complaints in relation to the product during the reporting period).
Other data	<ul style="list-style-type: none"> • Client feedback, including regarding performance of the product (but only where such feedback was received during the reporting period); • Requests for information that the Distributor has received from clients (but only where such requests were received during the reporting period); • Percentage of sales to clients who are not in the target market (but only where such sales occurred during the reporting period); • Volume of sales (but only where such sales occurred during the reporting period).
Significant dealings	<p>In addition to the reporting requirements above, each Distributor must report:</p> <ul style="list-style-type: none"> • any ‘significant dealings’ outside of the TMD, as soon as practicable and in any event within 10 business days of such dealing. 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).

- Any individual complaints received as soon as practicable and in any event within 5 days of receiving such a complaint.

We reserve the right to amend the TMD at any time if such amendment is needed as a result of any changes to the law or regulations, regulatory guidance, or for any reason we consider as a proper reason to amend the TMD.

9. Contact

For more information about this Target Market Determination – OTC Options please contact:

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