

Target market determination Contracts for Difference

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Target market determination

Contracts for Difference

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Issuer	First Prudential Markets Pty Ltd
Product	OTC Derivatives - Contracts for Difference ('CFDs')
Date of TMD	February 2025
Introduction	<p>First Prudential Markets Pty Ltd (hereinafter 'FP Markets', 'we', 'us', 'our' or 'our organisation') operates as an Over-the-Counter ('OTC') Derivatives Dealer.</p> <p>This Target Market Determination (TMD) has been issued by FP Markets in relation to its offering of OTC Derivatives for the purposes of section 994B of the Corporations Act 2001 (Cth; 'Corporations Act').</p> <p>This document applies to Retail Clients only ('Clients').</p> <p>This TMD does not contain all the required information that a Retail Client may require prior to making a decision to acquire or hold a financial product issued by FP Markets. This document does not provide financial advice and does not contain a full summary of the financial product's features, applicable fees, benefits, and risks.</p> <p>Clients will be required to refer to the Product Disclosure Statement ('PDS'), Financial Service Guide ('FSG'), and any other legal documents listed on FP Markets' website: www.fpmarkets.com/legal-documents.</p>
Product Summary and Key Attributes of CFDs	<p>FP Markets issues OTC Derivatives in the form of Contracts for Difference (CFDs).</p> <p>CFDs are agreements to exchange the difference in the value of a specific underlying asset between the opening and closing of a position. CFDs allow investors to gain exposure to various assets without taking physical ownership of the said asset.</p> <p>It is important to note that CFDs are leveraged instruments and therefore are subject to significant risks including:</p> <ul style="list-style-type: none"> ▪ Leverage: Trading with leverage allows for smaller investment amounts to be deposited by Clients for larger levels of exposure, which can result in larger profits and/or losses for the Client. ▪ Market Conditions and Volatility: Derivatives can be highly volatile, which can result in Clients incurring significant returns or losses in short periods of time (losses can be up to the value of a Client's total deposited value). ▪ Auto Liquidation: FP Markets reserves the right to liquidate all or some of a Client's positions if the Client fails to maintain the required Margin. ▪ Counterparty Risk: FP Markets is the issuer of OTC Derivatives, meaning it is the counterparty to all transactions the Client enters. Accordingly, the Client is exposed to the financial and business risks of trading with FP Markets.

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- **Holding Costs:** Subject to the positions and the length of positions held, a Client may incur holding costs. In some cases, the sum of these holding costs may exceed the amount of any profits or could significantly increase losses for the Client.
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Refer to FP Markets' PDS for further details in relation to risks associated with OTC Derivatives.

Investors For Whom This Product May Be Unsuitable

CFDs will generally not be suitable for Clients outside the Target Market, including:

- Individuals who are below the age of 18.
 - Individuals who reside in a country which restricts or prohibits trading in OTC Derivatives.
 - Individuals who do not fulfil FP Markets' Client Eligibility Criteria.
 - Individuals who seek regular or otherwise predictable returns on their investments.
 - Individuals who have a medium- or long-term investment horizon.
 - Individuals who do not have the ability and willingness to lose their invested capital without this having a material impact on their standard of living.
 - Individuals who do not understand the risks of CFDs.
 - Individuals with a low or medium risk tolerance, other than those who wish to use OTC Derivatives to hedge existing investments.
 - Individuals who primarily derive their income from benefits and/or borrowings.
 - Individuals who have low levels of literacy or numeracy, financial literacy, and technological literacy.
 - Individuals who are experiencing financial hardship or going through bankruptcy.
 - Vulnerable individuals, including those persons who are vulnerable for any of the following reasons:
 - Elderly or suffering from any age-related impairment.
 - Suffering from any physical or mental illness which affects their overall capacity.
 - Any forms of addiction.
 - Any other personal or financial circumstances causing significant detriment.
 - Individuals who are unemployed or recently experienced job loss and are unable to meet their day-to-day financial needs.
 - Individuals who do not satisfy FP Markets' income and/or asset thresholds
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Individuals who fall into any of the categories set out immediately above are not in the Target Market for CFDs issued by FP Markets.

FP Markets Target Market for OTC Derivatives

OTC Derivatives can be traded for different reasons relevant to the Client. FP Markets has deemed the Target Market for OTC Derivatives to be suitable for Clients that fall within one (or more) of the below categories:

High Risk Tolerance Investors: Individuals who appreciate, understand, and are willing to take on the high risk of trading leveraged products in potentially volatile markets.

Such individuals are typically characterised by a higher risk appetite, and their financial situation reflects their ability to withstand the potentially adverse impact of market volatility. These individuals are likely to be in an employment position that provides a stable income, possess significant assets, and can sustain losses totalling their invested capital without this having a material impact on their existing standard of living.

- Vulnerability factors, such as financial instability or physical or mental illness affecting capacity, would likely disqualify a person from being categorised under this group.

Diversification and Risk Mitigation Investors: Such individuals aim to hedge or offset potential risks associated with their other investments or assets. They understand the high risk involved in trading leveraged products in a volatile market.

Typically, these individuals hold stable employment, including a steady income, and possess substantial assets. While these individuals' primary goal is risk mitigation, they are aware that CFDs carry inherent risk and are financially prepared to absorb any potential losses resulting from their trading activity.

- Vulnerability factors such as financial instability or physical or mental health challenges that affect a person's ability to make informed decisions would likely disqualify them from being categorised in this group.

Likely Objectives, Financial Situation and Needs of the Target Market

1. Investors who appreciate and understand the high risk of trading in potentially volatile markets with leveraged products:

a) **Likely objectives:** To use leverage to seek higher returns whilst accepting higher corresponding risk.

b) **Likely financial situation:** Have sufficient capital to trade CFDs in a manner which would not materially impact their standard of living should they lose these funds.

c) **Likely needs:** Investors using excess capital to generate enhanced returns.

2. Investors seeking to hedge

a) **Likely objectives:** Hedging (including the mitigation of exposure to underlying assets or hedging positions related to other CFDs) to mitigate against potential future losses or protect previous gains from investments in other financial products.

b) **Likely financial situation:** Have sufficient capital to trade CFDs which would not materially impact their standard of living should they lose these funds.

c) **Likely needs:** Loss or profit protection.

Explanation of Why OTC Derivatives Are Likely to be Consistent with the Likely Objectives, Financial Situation and Needs of the Target Market

FP Markets expects that trading in CFDs will likely be consistent with the likely objectives, financial situation and needs of **High-Risk Tolerance Investors** as leveraged CFD trading offers the potential for enhanced returns. This class of Clients will likely understand the high risk of leveraged trading and should be able to sustain any losses without material hardship.

Additionally, FP Markets expects trading in CFDs will likely be consistent with the objectives, financial situation and needs of **Diversification and Risk Mitigation Investors** since CFDs allow investors to protect previous or forthcoming profits from exposure to an underlying financial instrument and/or protect against future losses.

CFDs are also highly regulated and have many protections for investors including:

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- Client qualification criteria
 - Leverage restrictions
 - Mandatory negative balance protections
 - Prohibited incentives

Distribution Conditions and Restrictions, and Reasons Why These Are Appropriate

Any distribution of FP Market products will be in accordance with procedures that we have determined are reasonably likely to ensure that CFDs are issued to investors who are reasonably likely to be within our identified Target Market.

These processes include the following:

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- Considering the Target Market and the proposed distribution as part of any new product proposal.
 - Ensuring any marketing strategy or project considers and aligns with a distribution practice that is likely to result in the distribution of our products to persons within the Target Market.
 - A Client Qualification process that considers the experience and knowledge of a potential Client during the onboarding process, which must be completed successfully prior to the Client being able to place a trade.
 - Ensuring any third-party distributors are of good character, are knowledgeable about our product (including their risks and key features), are fully aware of our Target Market, and maintain appropriate procedures, processes and controls with a view to ensuring that OTC Derivatives are distributed in accordance with this TMD.

FP Markets believes these distribution conditions, in conjunction with our organisation's overarching compliance policies and business procedures, will effectively align the distribution of our financial products with our designated Target Market.

Ongoing Monitoring

FP Markets maintains a robust system for ongoing monitoring and review to ensure continued alignment with the Target Market. The ongoing monitoring system is designed to detect material changes in Clients' circumstances. If such changes are identified, and our products are no longer deemed suitable for certain Clients, appropriate procedures will be initiated to ensure FP Markets does not provide its products outside of the outlined Target Market. Our monitoring includes, but is not limited to:

1. Regular monitoring of key departments' operations.
 2. Client communication and feedback reviews.
 3. Compliance audits.
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Marketing Strategy Risk Controls

FP Markets will take reasonable steps to ensure its marketing strategy is targeting Clients who are reasonably likely to fall within Target Market. The following processes have been implemented by FP Markets:

- Marketing campaigns are reviewed and approved by FP Markets prior to publication.
 - Conducting a monthly compliance review on a sample of phone recordings and correspondence from client facing staff.
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Compliance Training

Training on Target Market is integral to our onboarding process, woven into day-to-day interactions, and updated in case of relevant regulatory changes. This training encompasses the identification and response to potential Client unsuitability or vulnerability.

Periodic Review

Reviews of the TMD will be conducted annually, or more frequently, if a review trigger occurs and will finish within four (4) months of that date.

Review Triggers

FP Markets will review the TMD if and when any event or circumstance arises which suggests that the TMD is no longer appropriate including:

- Material changes to the key attributes of the Financial Product.
 - Material changes to law or regulation affecting OTC Derivatives.
 - The occurrence of a significant dealing, including when distribution occurs outside the Target Market on multiple occasions.
 - Significant changes in metrics, including but not limited to:
 - Receipt of a large volume of complaints by FP Markets or a distributor indicating issues relating to CFDs from Clients who many fall outside of the TMD;
 - or any other relevant event or circumstance that would materially change a factor considered in making this TMD for OTC Derivatives.
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Distributor Reporting Requirements

In relation to this TMD, Distributors who engage in retail product distribution conduct are required to provide FP Markets with:

- **Complaints:** FP Markets distributors must report all complaints in relation to the Financial Product covered by this TMD within five (5) business days from the date the complaint was received.
- **Significant Dealings:** FP Markets distributors must report if they become aware of a significant dealing in relation to this TMD within ten (10) business days.
- **Feedback:** FP Markets distributors must report all other relevant Retail Client feedback not previously reported in relation to the Financial Product covered by this TMD.

Disclaimer

FP Markets provides services globally, in accordance with the regulatory requirements of the respective customer jurisdiction and in accordance with the license conditions of each licensed entity in FP Markets group of companies.

Some payments may be processed by our group entity, Blenioso Ltd, an entity registered under the laws of the Republic of Cyprus, with registration number HE 451818, having its registered address at Aiolou & Panagioti Diomidous, 9 Katholiki, 3020, Limassol, Cyprus

Risk Warning:

Derivative products are highly leveraged, carry a high level of risk and may not be appropriate for all investors. The legal documents should be considered before entering into transactions with us. The information on this website is not intended for residents of certain jurisdictions and are not intended for distribution to, or use by, any person or entity in any jurisdiction where such distribution or use may be contrary to any local laws or regulations of that jurisdiction. Those who access this website do so on their own initiative. The release does not constitute any invitation to trade.

We do not offer our services to residents of certain jurisdictions such as Afghanistan, Cuba, Iraq, Islamic Republic of Iran, Liberia, Libya, Myanmar, Palestine, Russian Federation, Somalia, Syrian Arab Republic, Sudan, Yemen, United States and to jurisdictions on the FATF and EU/UN sanctions lists.

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