

Target Market Determination – Contracts for Difference

Important Notice

This Target Market Determination (TMD) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). It sets out the class of consumers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. In addition, the TMD outlines the triggers to review the target market and certain other information. It forms part of ECN Trade Pty Ltd's (ECN Trade) design and distribution arrangements for the product.

This document is **not** a product disclosure statement and is **not** a summary of the product features or terms of the product. This document does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the Product Disclosure Statement (PDS) for Contracts for Difference before making a decision whether to buy this product.

Target Market Summary

This product is likely to be appropriate for a consumer with a short investment timeframe, high and very high risk/return profile and needs daily and weekly access to capital.

Issuer identifiers

Issuer	ECN Trade Pty Ltd
Issuer ABN	26 127 631 145
Issuer AFSL	388737
Date TMD approved	30/09/2021
TMD Version	1
TMD Status	Current

Description of Target Market

This part is required under section 994B(5)(b) of the Act.

TMD indicator key

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a red/amber/green rating methodology with appropriate colour coding:

In target market	Potentially in target market	Not considered in target market
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Instructions

In the tables below, Column 1, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. Column 2, TMD indicator, indicates whether a consumer meeting the attribute in column 1 is likely to be in the target market for this product.

Generally, a consumer is unlikely to be in the target market for the product if:

- **one or more** of their Consumer Attributes correspond to a **red** rating, or
- **three or more** of their Consumer Attributes correspond to an **amber** rating.

Definitions of terms are in the attachment or otherwise in the PDS.

Consumer Attributes [A description of the likely objectives, financial situation and needs of the class of consumers in the target market]	TMD Indicator	Product description including key attributes
Consumer's investment objective	TMD Indicator	Product description including key attributes
Capital Growth	Red	ECN Trade provides derivatives, foreign exchange contracts and securities to retail and wholesale clients. These products are high risk investments with volatile returns and the possibility of substantial losses which, in the case of wholesale clients, could total more than the initial capital invested.
Capital Preservation	Red	
Capital Guaranteed	Red	
Regular Income	Red	
		Derivatives are OTC (over-the-counter) financial products which enable consumers to leverage small margin deposits for much greater market effect in relation to the exposure of price movements of an underlying instrument. Consumers can participate in the returns from movements in such underlying instruments without owning the actual instrument.

		<p>Consumers who engage in such products will be likely trading for either speculative purposes in regard to profiting off price movements/fluctuations of the underlying instruments or for hedging exposures to underlying instruments. As such, consumers who are seeking Capital Growth via speculation or Capital Preservation via hedging will be in the target market for these instruments.</p> <p>The amount of profit/loss made on a trade may be determined by:</p> <ul style="list-style-type: none"> • the change in price of the product when the trade was opened until the trade is closed; • the units traded; • any holding costs, guaranteed stop loss order premiums or commissions relating to the CFD. <p>The strong possibility of volatile returns and losses means that these products do not guarantee consumers from losing capital. As such, consumers seeking capital guarantees will not be sought with these instruments.</p> <p>Likewise, the volatility of returns with these products are not suitable for consumers seeking regular income as expected from high dividend-yielding equities, fixed income securities and money market instruments.</p> <p>CFDs are generally not suitable for Consumers who:</p> <ul style="list-style-type: none"> • cannot afford to lose the amount of money deposited without material impact on their standard of living; • have a low risk tolerance; • do not understand the risks of CFDs; • solely derive their income from benefits and/or borrowings; or • have not passed ECN Trade’s client qualification tests.
Consumer’s intended product use	TMD Indicator	Product description including key attributes
Solution/Standalone (75-100%)	Red	Contracts for Difference are investment products with high volatility and the strong possibility of losses which could total more than the original investment of wholesale
Core Component (25-75%)	Amber	

Satellite/small allocation (<25%)	Green	<p>clients. As such, it would be extremely inappropriate and detrimental to clients' best interests if these products were a standalone component of client's total investable assets.</p> <p>On the other hand, these products are suitable to be satellite and/or core components of consumers' total investable assets given that the risk of incurring losses will not be significantly detrimental to consumers so as to leave them in essentially unsustainable positions.</p>
Consumer's investment timeframe	TMD Indicator	Product description including key attributes
Short (≤ 1 month)	Amber	<p>These products require constant margin top-ups in the form of 'margin calls' which at times must be met within minutes of sudden adverse market movements. Furthermore, holding open long positions overnight with these products incurs charges and fees which are subject to interest and/or finance charges. As such, it would be extremely costly and counter-productive to a consumer if these products were held for a significant investment timeframe.</p>
Medium (≤ 6 years)	Red	
Long (> 6 years)	Red	
Consumer's Risk (ability to bear loss) and Return profile	TMD Indicator	Product description including key attributes
Very high	Green	<p>These products provide the possibility of high returns to consumers as the cost of high risks. The volatility of the market and these products creates the tangible possibility that clients could possibly lose all of their initial investment, and in the case of wholesale clients, more than what was originally invested. Therefore, consumers who possess only low to medium risk appetites should not be seeking the volatility of the derivatives market. On the other hand, consumers with high-risk appetites and the ability to bear losses are suited to the high risk-high reward structure of these products.</p> <p>In particular, CFDs are subject to significant risks, including but not limited to:</p> <ul style="list-style-type: none"> • Leverage: CFDs are a type of leveraged product, meaning that the Consumer may input a small margin to gain a larger exposure in the financial market. This means that the possibility for both gains and losses will be greatly magnified. • Volatility: Financial markets may fluctuate rapidly and the price of CFDs will reflect this.
High	Green	
Medium	Red	
Low	Red	

		<ul style="list-style-type: none"> Counterparty risk: The Consumer is exposed to the financial and business risks of trading with ECN Trade. If the company, in unlikely circumstances, becomes insolvent, it may be unable to meet its obligations to consumers and the consumer would become an unsecured creditor of the company. Closing out: Since the consumer must have sufficient funds to cover the margin requirements at all times, any failure to do so may mean that some or all of the open positions will be closed out if the balance falls below the close-out level. <p>Further details regarding the potential risks in relation to CFDs can be found in the company's PDS.</p>
Consumer's need to withdraw money	TMD Indicator	Product description including key attributes
Daily	Green	<p>Consumers who engage in our products will have full unrestricted access to their account balances for withdrawal. There are little to no constraints preventing consumers from withdrawing from their account balances on a daily, weekly, monthly, quarterly or longer basis depending on the types of instruments being traded.</p> <p>However, given the short-term basis of these investments and the potential requirement for constant margin top-ups, it is likely that consumers who are seeking capital in the short term (daily and weekly) are most suited to these products as opposed to those seeking to build their account balances in the long term before withdrawing.</p>
Weekly	Green	
Monthly	Amber	
Quarterly	Amber	
Annually or longer	Amber	

Appropriateness

The Issuer has assessed the product and formed the view that the product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market as described above, as the features of this product in Column 3 of the table above are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

Distribution conditions/restrictions

Distribution Condition	Distribution Condition Rationale	<i>applicable</i>
There are no distribution conditions		□

Only suitable for distribution to consumers who have received personal advice		□
Other	<p>Distributor must use advertising materials, customer service prompts and all other materials that are consistent with <u>general advice only</u>. Distributors must not seek to ascertain/appeal to each customer's individual needs and requirements in contravention of general advice authorisations.</p> <p>General advice warnings must be issued by distributors in all communications with customers including advertisements and websites and must note that neither the issuer nor the distributor have considered the customer's personal objectives, financial situation and/or needs with this product. Furthermore, it should be added that customers should consider the appropriateness of the product with their personal needs and consider the relevant disclosure documents before making any decision.</p> <p>Given the high-risk nature of these products, distributors will not undertake mass market advertising to a wide range of consumers. All marketing materials must be specific to the above TMD and must emphasise that these products are of limited suitability. This is particularly crucial for distributors seeking to advertise online and/or via social media channels.</p> <p>All Distributors must comply with all requirements set out under the ASIC Corporations (Product Intervention Order – Contracts for Difference) Instrument 2020/986</p> <p>In limited instances and with specific products, the Distributor will be obliged under the AML/CTF Act to undergo Know-Your-Customer (KYC) procedures. Distributors must not distribute these products to customers who are suspected of engaging in illicit activity and/or provide false or misleading information.</p>	X

Review triggers
This part is required under section 994B(5)(d) of the Act.

Material change to key attributes, investment objective and/or fees.
Determination by the issuer of an ASIC reportable Significant Dealing
Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the product or distribution of the product.
The use of Product Intervention Powers, regulator orders or directions that affects the product.

Mandatory review periods	
This part is required under section 994B(5)(e) and (f) of the Act.	
Review period	Maximum period for review
Initial review	1 year and 3 months
Subsequent review	3 years and 3 months

Distributor reporting requirements		
This part is required under section 994B(5)(g) and (h) of the Act.		
Reporting requirement	Reporting period	Which distributors this requirement applies to
Complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution. The distributor should provide all the content of the complaint, having regard to privacy.	Within 10 business days following end of calendar quarter (eg. Within 10 business days of March 31)	All distributors
Significant dealing outside of target market, under s994F(6) of the Act. See Definitions for further detail.	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.	All distributors
To the extent a distributor is aware of dealings outside the target market these should be reported to the issuer, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	As soon as practicable and in any event, within 10 business days after becoming aware.	All distributors

Given that ECN Trade is acting as both an issuer and distributor, all distributor reporting procedures are to be conducted internally. Nevertheless, Distributors may report to ECN Trade by contacting us via support@ecntrade.com.au.