MEX Exchange

TARGET MARKET DETERMINATION

MEX AUSTRALIA PTY LTD | ACN 155 084 058 | AFSL 416279
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MEX Australia Pty Ltd Target Market Determination (“TMD”) – Contracts for Difference

Issuer	MEX Australia Pty Ltd ABN 15 155 084 058 AFSL 416279 (“**MEX**”).
Product	Contracts for Difference (**“CFDs”**).
Date of TMD	5 October 2021
Overview of this document	This document is a target market determination for the purposes of section 994B of the *Corporations Act 2001* (Cth) (**“Corporations Act”**) in respect of CFDs issued by MEX. This document applies to retail clients only (**“Clients”**). It is not a product disclosure statement (**“PDS”**) and does not take into account any particular Client’s objectives, financial situation or needs. You should refer to our PDS at mexexchange.com/client-services/client-resources and consider seeking independent advice before deciding to trade CFDs.
Overview of CFDs	CFDs are leveraged OTC (over-the-counter) derivative products through which Clients either make a profit or loss from fluctuations in the price of underlying assets, including shares, commodities and index futures contracts (**"Underlying Instruments”**). By entering into a CFD, Clients are entitled to be paid an amount of money, or may otherwise be required to pay an amount of money, depending on movements in the price of the Underlying Instruments to which the CFD relates. Relevantly, Clients do not own the Underlying Instruments or trade them on an exchange by owning a CFD. There are four main reasons why Clients may trade CFDs: • to speculate on the prices of the Underlying Instruments with a view to making a profit based on whether the price will rise or fall; • to gain exposure to one or more of the Underlying Instruments without owning the Underlying Instruments themselves (e.g. a physical share, currency pair or commodity); • to gain exposure to price movements in the Underlying Instruments with leverage, meaning that Clients need only outlay a small amount (in the form of initial margin) to secure an exposure to the Underlying Instrument; and/or

	• to use as a risk management tool by hedging against their exposures in the Underlying Instruments (e.g. acquiring a Share CFD in respect of a share to which the Client is already exposed). The amount of profit/loss made on a trade may be determined by: • the change in price of the product when the trade was opened until the trade is closed; • the number of lots traded; and • any holding costs, guaranteed stop loss order premiums or commissions relating to the CFD. CFDs are subject to significant risks, including but not limited to: • Leverage: CFDs are a leveraged product through which Clients may sustain losses up to the entirety of the initial margin requirement need to establish and maintain an open position. For example, this means that any price movements in the Underlying Instruments will expose Clients to a greater risk of financial loss in comparison to the losses that would have been realised if it owned the Underlying Instruments outright (e.g. a Client purchased shares on an exchange and the price dropped). • Fees and charges: Depending on the positions held and how long they are held for, a Client may incur various fees and charges. In some cases, particularly if positions are held for a long time, the sum of these fees and charges, including any Administration Fees and interest charges applied to debit balances in a Client Account, may exceed the amount of any profits, or they could significantly increase losses; • Risk of Close-out: Clients are required to maintain sufficient funds in their accounts to meet margin requirements in respect of their open positions. A Client's open positions may be automatically closed out where these requirements are not met and may continue to be closed out until the funds in the account exceed the minimum requirements or where the Client has no more open CFD positions; • Volatility: The prices of CFDs are derived from the prices of the Underlying Instruments in their respective markets. Where certain market conditions cause the value of the Underlying Instruments to fluctuate, this will also be reflected in the price of CFDs. For example, "gapping" may occur where market prices or rates do not follow a continuous path due to external factors and Clients may therefore be unable to open or close out positions at the desired price (however, negative balance protection is imposed on Client Accounts meaning that losses will be limited to the amount that has been deposited into the client account). The market for CFDs can also be particularly volatile and the price of these products may not maintain the usual relationship with the Underlying Instruments.

	- No Cooling Off Period: There are no cooling-off arrangements for CFDs, meaning that Clients do not have the right to return the product or request a refund of the money paid to acquire the product upon entering into a CFD transaction; - Counterparty Risk: As the market maker (i.e. the issuer of CFDs subject to this TMD), MEX is the counterparty to each CFD transaction that a Client enters into. Clients are therefore exposed to the financial and business risks, including credit risk, associated in dealing with MEX and are reliant on MEX's ability to settle open positions with Clients. For further details in relation to risks associated with CFDs, refer to our PDS.
Target Market for CFDs (s994B(5)(b))	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. Clients with high-risk appetites and the ability to bear losses are suited to the high risk-high reward structure of these products. In particular, MEX considers that its CFDs will generally be suitable for a Client that falls within one or more of the below categories: **High Risk Tolerance Traders –** Clients speculating on the prices of the Underlying Instruments with a view to making a profit. **Risk Mitigation Investors –** Clients seeking to use CFDs as a risk management tool in order to hedge potential risks relating to their investments in, or exposures to, the Underlying Instruments. Clients who possess only low to medium risk appetites should not be seeking the volatility of the derivatives market. CFDs are suitable for those who have risk capital. CFDs 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 other 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. It is important note that it is sufficient for a Client to fall within one of the above categories to be within the target market for CFDs. In other words, a Client need not satisfy each of the criteria outlined above.
Likely objectives, financial situation and	**High Risk Tolerance Investors** are retail clients who have a higher risk appetite and who are less risk averse. These Clients are those who will be seeking

needs of Clients in the target market	enhanced returns through riskier trading strategies and are prepared, and able to, withstand any material losses which may arise. • Likely objectives: Use existing assets to support leverage in order to seek enhanced returns with corresponding higher risk. • Likely financial situation: Have a relatively high and regular disposable income and/or substantial holdings of spare capital available for trading CFDs, noting the minimum balance to open an account is AUD$1,000 for Australian clients. These Clients must also be able to withstand losses from trading CFDs without causing distress or material impact on living standards. • Likely needs: Wish to use disposable income and/or spare capital to generate additional income or make enhanced returns. **Risk Mitigation Investors** are retail clients who may be more risk averse than High Risk Tolerance Investors looking to protect previous gains, or mitigate against potential future losses. • Likely objectives: Protect previous gains or mitigate against potential future losses and/or lower the cost of acquiring an economic exposure to underlying Instruments. • Likely financial situation: Have existing investments or exposures which the Client wishes to hedge. These Clients must also have sufficient funds to meet the minimum account opening requirements and be able to withstand losses from trading CFDs without causing distress or material impact on living standards. • Likely needs: Loss or profit protection.
Explanation of why CFDs are likely to be consistent with the likely objectives, financial situation and needs of the target market (s994B(8))	MEX expects that trading in CFDs will likely be consistent with the likely objectives, financial situation and needs of **High Risk Tolerance Investors** because, through trading on leverage, CFDs offer the potential for these Clients to achieve enhanced returns, and this class of Clients should be able to withstand any potential losses without experiencing material hardship. We also expect that trading in CFDs will likely be consistent with the likely objectives, financial situation and needs of **Risk Mitigation Investors** because these products offer the ability to economically protect any previous profits from exposure to an Underlying Instrument and/or protect against future losses. For example, by taking a short position in CFDs over an Underlying Instrument, a Client can attempt to make a profit from any downtrend to offset any loss from an existing long exposure to the same Underlying Instrument.

Retail clients for whom CFDs are unsuitable	CFDs will generally not be suitable for Clients outside the target market. Potential categories would include: • Clients who cannot afford to lose the amount of money deposited without material impact on their standard of living; • Clients who do not understand the risks of CFDs; • Clients who solely derive their income from benefits and/or borrowings; or • Clients who have either failed to pass MEX's suitability assessment that is performed when opening an account or who do not satisfy the client qualification policy; and • Clients who have a low risk tolerance, other than those Clients who wish to use CFDs to hedge existing investments.
Distribution Conditions (s994B(5)(c))	Any distribution of CFDs by MEX directly to Clients will be in accordance with procedures MEX determines are reasonably likely to ensure that CFDs are only issued to Clients who are reasonably likely to be within the target market. CFDs must only be distributed by third parties where this is done so in accordance with the client suitability and understanding procedures specified by MEX. MEX will permit third parties to distribute the CFDs it issues where MEX considers, on reasonable grounds, that each relevant Client that the Client to whom the third party is distributing CFDs is likely to be within the target market. In any event, CFDs should only be distributed to Clients where they meet the eligibility requirements determined by MEX and where these persons are reasonably likely to possess the needs, objectives and financial situation required to fall within the target market.
Review Triggers (s994B(5)(d))	The review triggers that may suggest that the TMD is no longer appropriate, such that a review of the TMD should be undertaken, include: • we become aware of a significant issuance of CFDs to Clients outside the target market; • material changes to the CFD product as a result of new or amended functionality, whereby the key attributes of CFDs are no longer consistent with the likely objectives, financial situation and needs of Clients in the target market; • material changes to law or regulation affecting CFDs;

	• we become aware of a significant volume of complaints from Clients who are trading CFDs; • a "significant dealing" in the product is determined to have occurred outside the target market; • a Product Intervention Order is introduced which directly affects the issuance or distribution of CFDs; or • any other event or circumstance that would materially change a factor taken into account in making this TMD for CFDs.
Review Periods (s994B(5)(e), (f))	This TMD must be reviewed within 12 months from the date of this TMD and each subsequent review. In addition, further reviews of the TMD must be undertaken if a review trigger occurs.
Distributor Reporting Requirements (s994B(5)(g), (h))	The following information must be provided to MEX by distributors who engage in retail product distribution conduct in relation to CFDs:

Type of information	Description	Reporting period
Complaints	Number and substance of complaints including all details about the complaint excluding personally identifiable information.	Quarterly
Significant dealing(s) outside the target market	Date or date range of the significant dealing(s) and description of the significant dealing (e.g. why it is not consistent with the TMD).	As soon as practicable, and in any case within 10 business days after becoming aware

		Distributor aware of dealings outside of target market	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.	Within 10 business days following the end of the reporting period	