1. TMD - Contracts for Difference

Issuer	CMC Markets Asia Pacific Pty Ltd ABN 11 100 058 213 AFSL 238054 ("**CMC Markets**").
Product	Contracts for Difference (**"CFDs"**).
Date of TMD	14 February 2024
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 CMC Markets. This document applies to retail clients only (**"Clients"**). It is not a product disclosure statement (**"PDS"**) and does not take into account any particular Clients' objectives, financial situation or needs. CFDs are suitable for Clients who have sufficient experience and understanding of the product. Prospective Clients should refer to our Product Disclosure Statement, Financial Service Guide and Terms and Conditions at cmcmarkets.com.au as well as any other relevant CMC Markets documents to ensure that they fully understand the risks involved, and consider seeking independent advice before deciding to trade CFDs.
Overview of CFDs	CFDs are leveraged derivative products which enable Clients to trade on the price movement of underlying financial assets such as shares, indices, currencies, commodities, futures contracts, treasuries and cryptocurrencies (**"Underlying Reference Instruments"**). With a CFD, Clients never own the Underlying Reference Instrument Clients have chosen to trade. A CFD is an agreement to exchange the difference in the value of an asset from the time the contract is opened until the time at which it's closed. The amount of any profit or loss made on a trade may be determined by: • the change in the price of the product from when Clients open the trade until the trade is closed; • the units traded; • any adjustments made in respect of the product, for example where a dividend is paid on an underlying share; and • any holding costs, guaranteed stop loss order premiums or commissions relating to the CFD. The balance of accounts held by Clients will also be affected by other amounts Clients must pay to us in respect of their account, such as market data fees. Clients' percentage return (profit or loss) on any trade will also be affected by any applicable margin rate for the trade. There are five main reasons why Clients may trade CFDs: • to speculate on the rising or falling prices of Underlying Reference Instruments. Clients can take long or short positions on a number of units for a particular Underlying Reference Instrument depending on whether they think prices will go up or down;

- to trade without buying or selling the actual Underlying Reference Instrument;

- to trade on margin. Clients only need to deposit a small percentage of the full value of the trade as margin in order to open a position;

- to reduce risk by hedging against an existing investment (e.g. acquiring a CFD over shares the Clients already hold); and/or

- to reduce the risk of forthcoming exposures in future investments (e.g. acquiring a CFD over shares Clients plan to buy or sell).

CFDs are subject to significant risks, including but not limited to:

- Leverage: CFDs are a leveraged product whereby both gains and losses can be magnified. For example, this means that any move in the market will have a greater effect on capital than if Clients had purchased the same value of Underlying Reference Instruments;

- Non-transferability: When a trade is entered with us through the platform, Clients will be entering into an off-exchange derivative, which is non-transferable. This involves greater risk than investing in a financial instrument such as a share which is transferable, or dealing in an exchange-traded derivative, because Clients' ability to open and close trades is dependent on the Platform being in a position to accept orders from Clients and to execute them;

- Holding Costs: Depending on the positions held and how long they are held for, Clients may incur holding costs. In some cases, particularly if positions are held for a long time, the sum of these holding costs may exceed the amount of any profits, or they could significantly increase losses;

- Risk of Close-out: Sufficient funds are required to cover total margin requirements at all times. Failure to do so may mean that some or all of Clients' positions are closed out if the balance of the account falls below the close-out level;

- Volatility: Financial markets may fluctuate rapidly and the price of CFDs will reflect this. "Gapping" may also occur, i.e. when the prices of CFDs suddenly shift from one price to another and there may not always be an opportunity for Clients to place an order or for the platform to execute an order between the two price levels. Note: Mandatory negative balance protection ensures Clients cannot lose more than the amount deposited;

- No Cooling Off Period: As there is no cooling off regime associated with CFDs, Clients are not able to cancel a trade once it has been entered into;

	• Counterparty Risk: CMC Markets is the issuer of CFDs subject to this TMD. This means that the Clients are dealing with CMC Markets as the counterparty to every CFD transaction. Accordingly, the Clients are exposed to the financial and business risks of trading with CMC Markets. If CMC was to become insolvent, it may become unable to meet its obligations to Clients. In such circumstances, the Clients could become an unsecured creditor of CMC Markets. For further details in relation to risks associated with CFDs, refer to our PDS.
Clients for whom CFDs are unsuitable	CFDs are not suitable for Clients outside the target market. Categories would include: • Consumers below the age of 21 or above the age of 70 years; • Consumers who have longer term investment timeframes; • Consumers whose investment objective is targeted for capital preservation or appreciation, or targeted for seeking stable or predictable income cashflows; • Consumers who invest in CFDs for standalone or core investment purposes; • 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; • Clients who have not passed CMC Markets' Client Qualification testing criteria; • Clients who have liquid capital <AU$39,999 (equivalent to HK$239,999 or US$29,999) and who have annual income < AU$39,999 (equivalent to HK$239,999 or US$29,999); and • Clients who have a low risk tolerance, other than those Clients who wish to use CFDs to hedge existing investments.
Target Market for CFDs (s994B(5)(b))	Given the diverse nature of CFDs and different strategies that may be associated with trading CFDs, we consider that the target market for CFDs are Clients that fall within one (or more) of the below categories, noting there may also be some overlap between categories: • **High Risk Tolerance Traders –** Clients seeking to make a profit via speculation. • **Risk Mitigation Investors –** Clients seeking to hedge potential risks from other investments in or exposures to Underlying Reference Instruments.

	Note it is not necessary for Clients to fall within both categories; it is sufficient for Clients to fall within one of the above categories to be within the target market for CFDs.
Likely objectives, financial situation and needs of Clients in the target market	**High Risk Tolerance Investors** are Clients likely to have a higher risk appetite and who are seeking higher returns through riskier strategies and are prepared to suffer material losses (and able to withstand such losses). • Likely objectives: Use existing assets to support leverage in order to seek higher 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. Are able to withstand losses from trading CFDs without causing distress or material impact on living standards. • Likely needs: Wish to use spare capital to make enhanced returns. **Risk Mitigation Investors** are 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 Reference Instruments. • Likely financial situation: Have existing or forthcoming investments or exposures which the Clients wish to hedge. • 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))	CMC Markets 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 enhanced returns, and this class of Clients should be able to bear any potential losses without 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 or forthcoming profits from exposure to an Underlying Reference Instrument and/or protect against future losses. For example, by taking a short position in CFDs over an Underlying Reference Instrument, Clients can attempt to make a profit from any downtrend to offset any loss from Clients' existing long exposure to the same Underlying Reference Instrument.

Distribution Conditions (s994B(5)(c))	Any distribution of CFDs by CMC Markets directly to Clients will be in accordance with procedures CMC Markets determine are reasonably likely to ensure that CFDs are only issued to Clients who are reasonably likely to be within the target market. Third party distribution of CFDs issued by CMC Markets must only occur in accordance with the Clients suitability and understanding procedures specified by CMC Markets. No third party distributor is permitted to distribute CFDs issued by CMC Markets to Clients unless CMC Markets considers on reasonable grounds that relevant Clients are likely to be within the target market. Third party distributors must establish, implement and maintain appropriate procedures, processes and controls with a view to ensuring that CFDs are distributed in accordance with this TMD. CMC Markets selects its distribution criteria depending on the medium used. The criteria selected for each medium allow CMC Markets to demonstrate that the audience targeted has or is highly likely to have an interest and/or prior experience trading on financial markets. CMC Markets performs a risk assessment on each medium of distribution to ensure that CMC Markets will or is reasonably likely to make distribution consistent with the target market. The factors that are taken into consideration include: 1. Risk – the likelihood of the distribution being inconsistent with the TMD 2. Harm – the nature and degree of harm that might result from the financial product being distributed otherwise than in accordance with the TMD and 3. Mitigation steps – steps that can be taken to eliminate or minimise the likelihood of the distribution being inconsistent with the TMD and the harm that might result. CMC Markets ensures that it is reasonably likely that its products will not be distributed to customers who are in lower income and savings categories as it is not likely that they would be within CMC's Target Market as a High Risk Tolerance investor or a Risk Mitigation Investor.

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<tr><td>Review Triggers (s994B(5)(d))</td><td>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 or distribution 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; or
any other event or circumstance that would materially change a factor taken into account in making this TMD for CFDs.
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<tr><td>Review Periods (s994B(5)(e), (f))</td><td>This TMD must be reviewed at least every 12 months from the date of this TMD, and more frequently if a review trigger occurs.</td></tr>
<tr><td>Distributor Reporting Requirements (s994B(5)(g), (h))</td><td>The following information must be provided to CMC Markets by distributors who engage in retail product distribution conduct in relation to CFDs:
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<tr><th>Type of information</th><th>Description</th><th>Reporting period</th></tr>
<tr><td>Complaints</td><td>Complaints related to CFDs are required to be reported to us within 5 days of receiving the complaint.</td><td>As received.</td></tr>
<tr><td>Significant dealing(s) outside the target market</td><td>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).</td><td>As soon as practicable, and in any case within 10 business days after becoming aware.</td></tr>
<tr><td>Feedback</td><td>Distributors may report Clients feedback (including performance) in relation to the Financial Product covered by this TMD.</td><td>As received.</td></tr>
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