

HEDGING POLICY

TradeTech Markets (Australia) Pty Ltd

AFSL 424008

This Hedging Policy is effective from 17 December 2019 and shall remain effective until a more recent version is released. TTMAU reserves the right to amend or supplement this Policy at any time. This Policy does not replace our Product Disclosure Statement and Terms and Conditions which we ask that you read carefully before you enter into any trading. The prevailing version of this Policy is always available on our website www.markets.com.

The Policy described below has been developed considering the ASIC RG 227 benchmarks.

This document outlines the procedures TradeTech Markets (Australia) Pty Ltd (“TTMAU”) uses to manage market risk and TTMAU’s exposure limits for hedging counterparties and prime brokers.

The client is dealing with TTMAU as counterparty to every transaction.

The client opens positions and have, an exposure to TTMAU in relation to each transaction. The client is exposed if TTMAU is not ready, willing or able to meet our obligations, for example, if TTMAU were to become insolvent. If TTMAU defaults on its obligations, clients will become unsecured creditors in an administration or liquidation and will not have recourse to any underlying assets in the event of TTMAU’s insolvency. The client is reliant on TTMAU’s ability to meet its counterparty obligations to the client to settle the relevant contract. TTMAU limits this exposure by hedging its exposure to its clients.

For all CFD products, TTMAU hedges each individual client transaction as it comes through, on a back to back basis.

This is also known as straight through processing.

TTMAU does not hold risk on its own books, however this does not entirely eliminate the counterparty risk to investors.

TTMAU maintains and applies a risk management system to assess the hedging counterparties and prime brokers that TTMAU deals with. The assessment takes into account:

- the risks involved when dealing with a hedge counterparty;
- the hedge counterparty’s financial standing;
- whether the hedge counterparty is licensed by a comparable regulator in their home jurisdiction;
- whether the hedge counterparty has a demonstrated risk management system; and
- whether they are of sound reputation.

TTMAU’s hedge counterparties include (but are not limited to):

- Safecap Investments Limited which is regulated by the Cyprus Securities and Exchange Commission (‘CySEC’) under license no. 092/08 (“Safecap”).
- CFH Clearing Limited which is regulated by the UK Financial Conduct Authority (‘FCA’), FRN. No. 481853 (“CFH Clearing”)
- TradeTech Alpha Limited which is regulated by the UK Financial Conduct Authority (‘FCA’), FRN. No. 607305 (“TradeTech Alpha”)

TTMAU, Safecap, CFH Clearing and TradeTech Alpha are part of the TradeTech Group, the financial division of Playtech plc. Playtech is traded on the London Stock Exchange’s Main Market and a constituent of the FTSE 250 Index.

It should be noted that TTMAU’s hedge counterparties have no contractual and/or any other relationship with the clients of TTMAU. TTMAU is the only party contractually responsible towards its clients with respect to their trading and financial services provided to them at all times. TTMAU also has responsibility in selecting its hedging counterparties.

It is possible that TTMAU's hedge counterparties may become insolvent or it is possible that other clients of the hedge counterparty may cause a default which reduces the financial resources or capacity for the hedge counterparty to perform its obligations owed to TTMAU under the hedge contracts.

It is therefore possible that TTMAU might not fully recover money lodged with hedge counterparties due to reasons not arising from you, or that it may incur costs in seeking recovery or choose to terminate recovery efforts early, thereby reducing the proceeds available to TTMAU to allocate to you. It is important to understand that you have no rights or beneficial interests in any contract which TTMAU has with the hedge counterparties and you cannot force TTMAU to make recovery. TTMAU will act honestly, fairly and efficiently in deciding if and how to pursue that recovery action.

TTMAU is required to prepare and lodge with ASIC within 4 months of the end of the year an annual director's report and an audited annual financial report.

The credit risk which you have with TTMAU depends on its solvency generally as well as the amount (and kind) of its capitalisation, its cash flow, all of its business risks, its clients and financial product concentration risks, its counterparty risks for all of its business and Transactions (not just the hedge contracts), its risk management systems and actual implementation of that risk management.

You should take into account all of these factors and not rely only on past financial statements since that could be materially incomplete information for your purposes, not current and therefore potentially misleading as a guide to the current solvency and credit-worthiness of TTMAU.