



XM

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**TARGET MARKET
DETERMINATION**

TARGET MARKET DETERMINATION DOCUMENT

Issuer	Trading Point of Financial Instruments Pty Ltd ("XM", "we", "us", "our")
Product	Contracts for Difference ("CFDs")
Date of TMD	5 October 2021
Introduction	This is a target market determination ("TMD") for the purposes of section 994B of the Corporations Act 2001 (Cth) ("Corporations Act") in respect of CFDs issued by XM.
Client Type	This target market determination applies to retail clients only ("Clients"). This document is not to be considered a full summary of the product's terms and conditions and is not intended to provide financial product advice. This document is not a Product Disclosure Statement ("PDS") and Clients should read the PDS which outlines the relevant terms and conditions of the CFDs to ensure they fully understand the risks involved, and consider seeking independent advice before making a decision about trading CFDs.
Product Overview	<p>CFDs are leveraged derivative products which enable Clients to indirectly benefit from the price movement of a range of underlying assets such as indices, shares, commodities, future contracts and foreign exchange currency pairs ("Underlying Instruments"). They are not traded on an exchange, but are traded 'over-the-counter' ("OTC"). This means that XM is the product issuer and is the counterparty with whom the Client deals.</p> <p>A CFD is an agreement to exchange the difference in the value of an underlying asset from the time a contract is opened until the time at which it is closed. A client does not take physical delivery of the underlying asset and there is no exchange of one currency or underlying asset for another.</p> <p>CFDs are subject to significant risks, including:</p> <ul style="list-style-type: none"> Leverage: CFDs are leveraged products. Leverage enables an investor to gain larger exposure to a financial market while only tying up a small amount of capital. Trading with leverage means that even a small change in the market could magnify the scope for both profits and losses. Risk Capital: You could lose all the Initial Margin that you deposit to establish or maintain a position. All OTC Transactions including derivatives involve risk and there is no trading strategy that can eliminate it. XM follows a 'no negative balance' policy which means that you cannot lose more than your contributed capital.

	<ul style="list-style-type: none"> • Market Volatility: Markets are subject to high volatility which may result in rapid fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility. This affects prices and spreads of CFDs (i.e. the gap between the buy and sell price is wider), in some cases it may even be difficult to obtain a price. • Counterparty risk: XM is the issuer of CFDs subject to this TMD. This means that the client is dealing with XM as the counterparty to every transaction. Accordingly, the client is exposed to the financial and business risks of trading with XM. • Holding Costs: Depending on the positions held and how long they are held for, an investor may incur holding costs. In some cases, the sum of these holding costs may exceed the amount of any profits, or they could significantly increase losses. • Risk of Close Out: An investor must meet margin requirements to trade CFDs with us. This means the investor will need to deposit enough money into their account as margin for new and existing positions and monitor their margin requirements for any open positions. An investor risks being closed out if they don't have enough margin on their account. <p><u>Refer to our PDS for further details in relation to risks associated with CFDs.</u></p>
Positive Target Market for CFDs	<p>Given the diverse nature of Underlying Instruments and the different strategies that may be associated with trading CFDs, we consider that the target market for CFDs is a Client that falls within one (or more) of the following categories, noting there may also be some overlap between categories:</p> <ul style="list-style-type: none"> • Clients who understand the risks of CFDs and their Underlying Instruments; • Clients who have relevant industry experience, an academic degree in a financial related field, or have attended suitable relevant trading courses; or • Clients with prior experience in financial markets and experience in trading leveraged financial products such as CFDs, including demonstration accounts on XM's trading platform.
Negative Target Market for CFDs	<p>CFDs will generally not be suitable for investors outside the target market. Potential categories would include investors who:</p> <ul style="list-style-type: none"> • cannot afford to lose the amount of money required to trade the CFDs without a material impact on their standard of living; • do not want to accept any losses or to invest in a negative trading scenario; • do not understand the risks of trading in CFDs; • have borrowed money to transact; • who have not passed XM's Client Qualification Test; or • have a low risk tolerance, other than those who wish to use CFDs to hedge existing investments.

<p>Likely objectives, financial situation and needs of retail clients in the target market</p>	<p>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).</p> <ul style="list-style-type: none"> • Likely objective: To grow capital over the short to medium term to seek higher returns while accepting higher risks • Likely financial situation: Have disposable capital to use without causing distress or material impact to their living standards • Likely needs: Clients who want to use disposable capital to make enhanced returns <p>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.</p> <ul style="list-style-type: none"> • Likely objective: To protect previous gains or mitigate against future losses • Likely financial situation: Clients who have existing or upcoming investments or exposures they wish to hedge • Likely needs: Loss or profit protection
<p>Explanation of why OTC Derivatives are likely to be consistent with the likely objectives, financial situation and needs of the target market</p>	<p>We expect that trading in CFD will likely be consistent with the likely objectives, financial situation and needs of investors who appreciate and understand the higher risk of trading with leverage and in potentially volatile market conditions and/or investors who want to use the product for risk mitigation given the varied ways and purposes for which CFDs can be traded.</p> <p>CFDs can be a cost-effective way for investors to speculate on the price movement of an underlying asset which might otherwise not be available to them.</p> <p>CFDs are also highly regulated and have many protections for Clients, including:</p> <ul style="list-style-type: none"> • Client qualification criteria • Leverage restrictions • Mandatory negative balance protection • Prohibited incentives • Margin close out protection
<p>Distribution conditions, restrictions, and reasons why these are appropriate</p>	<p>Distribution and promotion of CFDs can only take place where the distribution criteria have been overlaid to be reasonably likely to only reach Clients in the target market. In any event, CFDs should only be distributed to Clients where they meet the eligibility requirements determined by XM and the Client is reasonably likely to fall within the target market.</p> <p>XM has internal processes in place to assess the eligibility criteria of Clients from different distribution channels. The distribution criteria ensure that only Clients who fall within the target market of this TMD can access the products offered including CFDs. We ascertain whether a client has knowledge and experience in CFDs by requiring each client to demonstrate his/her understanding and experience by taking a Client Qualification Test.</p> <p>In addition, distribution conditions are reviewed regularly to ensure their adequacy.</p>

<p>Review triggers</p>	<p>The review triggers that may suggest that the TMD is no longer appropriate, such that a review of the TMD should be undertaken, include:</p> <ul style="list-style-type: none"> • XM becomes aware of a significant issuance of CFDs to Clients outside the target market; • material changes to CFDs as a result of new or amended functionality, whereby the key attributes are no longer consistent with the likely objectives, financial situation and needs of Clients in the target market; • material changes to the business of XM; • material changes to law or regulation affecting CFDs; • XM becomes aware of a significant volume of complaints from Clients using CFDs; • XM becomes aware of an occurrence of a significant dealing; • XM becomes aware of significant losses by Clients using CFDs where it has caused a distress or material impact to their living standards; • changes to liquidity of the Underlying Instruments; or • any other event or circumstance that would materially change a factor taken into account in making this TMD for CFDs. <p>Where a review trigger has occurred, this TMD will be reviewed, and updated where required, within 10 business days.</p>
<p>Periodic reviews</p>	<p>The first review of this TMD will occur no later than 12 months from the date of this TMD. Subsequent reviews of the TMD will occur every 12 months, or more frequently if a review trigger occurs.</p>