



FTX Australia Pty Ltd - Hedging Policy

ABN 84 129 217 812

AFSL 323193

Date: 21 March 2022

FTX Australia Hedging Policy

1. This hedging policy (**Hedging Policy**) is prepared and administered by FTX Australia Pty Ltd trading as FTX Australia, ABN 84 129 217 812 (referred to in this document as **FTX Australia, we, us or our**) in connection with the over-the-counter derivative products (CFDs) that we issue through the FTX trading platform (**Trading Platform**). We have put in place a risk management framework which is intended to manage the credit risk and market risk and to protect us and our clients from sudden changes in the liquidity, credit quality or solvency of our hedging counterparties
2. FTX Australia is the counterparty to every trade made by a client on the Trading Platform. Clients will have an exposure to us in relation to every trade. As a result, clients will be reliant on our ability to meet our counterparty obligations to you to settle the relevant contract. If we default on our obligations, clients may become an unsecured creditor in an administration or liquidation and will not have recourse to any underlying instruments in the event of our insolvency.
3. 100% of FTX Australia's positions are hedged with FTX Trading Ltd (**FTX Trading**). FTX Trading is a company incorporated and registered in Antigua and Barbuda (company number 17180) and is different company to FTX Australia. We are exposed to the financial risks of FTX Trading and accordingly, clients are indirectly exposed to the financial risks of FTX Trading. If the financial condition of us or assets of our counterparties or the parties that the holds the Cryptocurrency (FTX Trading) deteriorates, then clients could suffer loss because the return of the Cryptocurrency could become difficult.
4. Within our risk management framework, we have assessed the market risk and counterparty risks arising from entering into transactions with clients and hedge counterparties and applied controls to mitigate those risks. Those controls include:
 - 4.1 the enforcement of leverage limits based on the total equity of clients digital wallet and the instruments being traded; and
 - 4.2 the enforcement of market risk limits on our net exposure and daily loss limits.
5. Our selection of FTX Trading, as our hedging counterparty, is based on the following factors:
 - 5.1 the relationship between the parties, as FTX Trading is FTX Australia's parent company;
 - 5.2 the jurisdiction/country of the counterparty, and whether the counterparty holds (or is required to hold) a financial services license;
 - 5.3 the authority that regulates the counterparty;
 - 5.4 the provisions of any license;
 - 5.5 the paid capital of the counterparty;
 - 5.6 the net assets of the counterparty;
 - 5.7 the net tangible assets of the counterparty;

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5.8 the liquidity ratios of the counterparty; and

5.9 the counterparty's business history and reputation.

It is important to note that FTX Australia may add, replace or change the hedging counterparty from time to time, and similar criteria will be used to select such hedging counterparties.