

**TARGET MARKET DETERMINATION  
CONTRACTS FOR DIFFERENCE (CRYPTOCURRENCY)**



**FTX Australia Pty Ltd trading as FTX Australia**

**ABN 84 129 217 812 AFSL number 323193**

**Date: 21 March 2022**

**TARGET MARKET DETERMINATION**

## Contracts For Difference (Cryptocurrency)

<b>Product</b>	Contracts for Difference (Cryptocurrency)
<b>Issuer</b>	FTX Australia Pty Ltd ABN 84 129 217 812, AFSL number 323193
<b>Version Number</b>	1.03
<b>Date Made</b>	16 March 2022
<b>Last Review Date</b>	16 March 2022
<b>Ceased date</b>	In Use

### Introduction

1. FTX Australia Pty Ltd (**FTX Australia, we, us, or our**) is a product issuer and issues over-the-counter (**OTC**) derivative products to retail and wholesale clients through the FTX trading platform made available on our website (**Trading Platform**).
2. This Target Market Determination (**TMD**) has been specifically prepared in relation to our Contracts for Difference (**CFD**) referencing cryptocurrency as the underlying instrument (**Products**). Part 7.8A of the Corporations Act 2001 (Cth) (**Corporations Act**) stipulates that design and distribution obligations are applicable to the issue and distribution of the Product, and accordingly, we are required to prepare a TMD. This TMD only applies to retail clients (**Clients**) and does not apply to wholesale clients (including sophisticated and professional investors).
3. This TMD strives, and has been designed to, provide consumers, distributors and staff with an understanding of the class of consumers for which the Product has been designed. In designing the TMD, we have had regard to the objectives, financial situation and needs of our target market. Our TMD sets out the following matters:
  - 3.1 the class of consumers that constitute our target market for the Products (**Target Market**);
  - 3.2 the class of consumers that are automatically excluded from the Target Market;
  - 3.3 the conditions and restrictions that apply in relation to the retail distribution of our Products (**Distribution Conditions**);
  - 3.4 the events and circumstances that would reasonably suggest that this TMD is no longer appropriate; and
  - 3.5 the reporting obligations for distributors under the TMD.
4. Please note, the TMD is not a Product Disclosure Statement (**PDS**), Financial Services Guide (**FSG**), or our terms and conditions (**T&Cs**). It does not consider any person's individual objectives, financial situation or needs, and does not provide financial advice. Persons interested in investing in our Products should consider the PDS, FSG and T&Cs, and other documents on the FTX Australia website before making a decision to invest in our Products.

### Our Financial Product

5. FTX Australia issues CFDs referencing cryptocurrency as the underlying asset. CFDs, futures contracts and options are leveraged, complex, sophisticated and high-risk financial products.

For further information in relation to the Products (including the specific types of CFDs, futures and options we offer) please refer to our PDS.

## Target Market Methodology

6. In this section we explain the methodology used to formulate the Target Market.
7. We consider the relevant objectives, financial situation and needs of consumers (**Consumer Attribute**) and whether it corresponds with a key attribute of our Products (**Products' Attribute**). The degree to which the Consumer Attribute and Products' Attribute are related will indicate whether the Client is in the Target Market. Accordingly, we have created indicators in green, orange or red to indicate whether or not the particular Consumer Attribute is befitting of a Client in the Target Market (**Target Market Indicator**). A sample of the Target Market Indicators is provided below:

In target market	Potentially in target market	Not considered in target market
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8. Clients are not within the Target Market if:
- 8.1 one or more of their Consumer Attributes correspond to a Target Market Indicator with a **red rating**; or
- 8.2 three or more of their Consumer Attributes correspond to a Target Market Indicator with an **orange rating**.
9. Where 8.1 and 8.2 do not apply, Clients are considered **within the Target Market**. Being within the Target Market does not mean that the Products offered by us are suitable for you. You must refer to our disclosure documents and consult your professional advisers before deciding whether investing in our Products is suitable for you in light of your personal circumstances, financial situation or needs.

## Target Market

Consumer Attribute	Target Market Indicator	Products' Attribute
<b>Investment Objective</b>		
High Returns or Speculation	In target market	Our products are CFDs which reference cryptocurrency as the underlying instrument. The prices of cryptocurrency (even the most established cryptocurrencies) are more volatile than the prices of assets like shares. This volatility, coupled with the leverage of the Products, means that investment can result in significant gains and losses.
Capital Growth	Potentially in target market	
Capital Appreciation	Not considered in target market	The possibility of realising significant gains are attractive to investors who are speculating or seeking high returns, and therefore investors with these investment objectives align with the Target Market. Clients with a capital growth mindset may be willing to tolerate potential losses that can emerge from investing in the Products, and in certain circumstances, may be within the Target Market. However, the risks associated with the Products mean Clients with investments objectives of capital appreciation (long-term growth), capital preservation (ensuring a certain portion of the
Capital Preservation or Income	Not considered in target market	

Consumer Attribute	Target Market Indicator	Products' Attribute
<b>Investment Objective</b>		
		investment is secure) and income (stable flow of funds) are not in the Target Market.
<b>Investment Risk Appetite</b>		
Very High	In target market	Our products are CFDs which reference cryptocurrency. The prices of cryptocurrency (even the most established cryptocurrencies) are more volatile than the prices of assets like shares. This volatility, coupled with the leverage of the Products means that investment can result in significant gains and losses.
High	In target market	
Moderate	Potentially in target market	In addition, cryptocurrency is a novel form of currency. As a result, in the coming years there may be significant changes to taxation and other laws, as well as government, fiscal, monetary and regulatory policies. Certain cryptocurrencies may be bolstered or collapse as a result of new regulations. Also, the performance of contracts with FTX Australia is not 'guaranteed' by a clearing house or exchange.  In light of the above, we consider Clients with a high, or very high risk appetite are appropriate for the Target Market. Clients who have a moderate investment risk appetite may be able to tolerate some risk, and therefore may be situated in the Target Market. If clients have a low or very low risk appetite they are not considered in the Target Market.
Low	Not considered in target market	
Very Low	Not considered in target market	
<b>Knowledge and Experience</b>		
Sophisticated	In target market	CFDs (especially those referencing cryptocurrency as the underlying asset) are leveraged, complex, sophisticated and high-risk financial products.
Medium - High	In target market	When a client starts the Account opening process with us online, they may be required to conduct a Client Suitability Assessment or equivalent quiz which assesses their trading objectives, source of income, profession and basic knowledge.
Medium	Potentially in target market	If the client does not meet the minimum qualification criteria (after completing a Client Suitability Assessment) FTX Australia may not open or may suspend the client's an Account. In the event that a client does not meet the minimum qualification criteria, they can visit our website for useful articles, FAQs and walkthroughs to assist in learning about our Products, leverage, margin, volatility and trading in CFDs (amongst other information). Clients may re-take the Client Suitability Assessment 24 hours after a previous
Low	Not considered in target market	

Consumer Attribute	Target Market Indicator	Products' Attribute
<b>Investment Objective</b>		
		<p>attempt (or such shorter period of time as we determine).</p> <p>The Client Suitability Assessment is used to assess whether a client is eligible to qualify for a Professional Account. Clients which qualify for a Professional Account are eligible to be considered a 'sophisticated investor' as defined under section 761GA of the Corporations Act. Prospective clients will need to score sufficiently highly on the Client Suitability Assessment and once FTX Australia is satisfied of such assessment, agree to the 'Sophisticated Investor Acknowledgment' and 'Wholesale Client Information Statement', in order to use a Professional Account and to be considered a sophisticated investor. This is not an automatic process and further evidence may be sought to demonstrate that the client meets the necessary requirements.</p> <p>Retail client are only allowed access to 2:1 leverage whereas wholesale clients are entitled to access greater than 2:1 leverage and FTX Australia currently sets the limit as 20:1.</p>
<b>Financial Situation</b>		
High tolerance to financial losses from trading CFDs	In target market	CFDs are leveraged products, carrying a high level of risk to the Client's capital and may result in losses larger than initial investments. The risk of losses is enhanced as cryptocurrencies generally carry significant price volatility.
Medium tolerance to financial losses from trading CFDs	Potentially in target market	Accordingly, Clients in the Target Market will have a high tolerance to losses that may emerge from trading CFDs. Clients with a medium tolerance to losses may be able to appropriately trade CFDs by executing certain orders (for instance stop loss orders). Clients who have a low tolerance to losses (where losses cause financial distress) are not in the Target Market.
Cannot tolerate financial losses from trading CFDs – losses cause financial distress or material impact to living standards	Not considered in target market	
<b>Wants Exposure to the Cryptocurrency Market?</b>		
Yes	In target market	Currently, our CFDs only reference cryptocurrency as the underlying instrument.

Consumer Attribute	Target Market Indicator	Products' Attribute
<b>Investment Objective</b>		
No	Not considered in target market	Therefore, Clients will indicate that they are situated in the Target Market if they are seeking exposure to the cryptocurrency market.  If clients are not seeking exposure to the cryptocurrency market, they will not be in the Target Market.
<b>Monitoring Trades</b>		
Daily	In target market	The price volatility of cryptocurrency and the ability to trade CFDs with leverage means that there may be significant price fluctuations affecting trades. Accordingly, Clients should monitor their trades on a frequent basis.  FTX Australia considers that the Clients in the Target Market should be monitoring their trades on a weekly (or less than weekly) basis. Clients who monitor their trades infrequently, for instance on a monthly or yearly basis are not considered to be in the Target Market.
Twice a Week	In target market	
Weekly	In target market	
Monthly	Not considered in target market	
Yearly	Not considered in target market	

### Clients Automatically Excluded from the Target Market

10. FTX Australia recognises that trading CFDs is not suitable for everyone. Accordingly, Clients will be automatically excluded from the Target Market where the following applies:
  - 10.1 Clients under 18 years of age; or
  - 10.2 Clients are suffering a vulnerability (for instance, mental illness, cognitive impairment, disability or gambling addiction) or are undischarged bankrupt.

### Distribution Conditions and Restrictions

11. FTX Australia is the issuer and distributor of the Products.
12. The Products will be advertised on by us on our website, webpages, social media pages and television.
13. The Products are distributed to the Clients directly through the Trading Platform.
14. We have established Distribution Conditions for our Products so they are directed to Clients in the Target Market. FTX Australia will apply the following Distribution Conditions:
  - 14.1 the distribution of Products will be restricted to Clients who have been asked to, and have passed, the Suitability Questionnaire. The Suitability Questionnaire will assess (amongst other matters):
    - (a) the Clients' knowledge and experience in relation to CFDs (and trading) including an understanding of concepts of leverage, margin call and volatility;
    - (b) interest/knowledge in cryptocurrency markets;

- (c) financial status;
- (d) risk appetite; and
- (e) investment objectives; and

14.2 we may also restrict the Client's use of their account (and access to the Products) where they are failing to meet margin requirements, indicating that the Products are not appropriate for the Client's financial situation.

## Reviewing the TMD

15. We will review this TMD in accordance with the table below:

Reviewing the TMD	
<b>Initial Review</b>	The initial review will occur within 12 months after the commencement date of this TMD.
<b>Periodic Review</b>	FTX Australia will review this TMD at least every 12 months after the first review.
<b>Review Triggers</b>	<p>When a review trigger has occurred, this TMD will be reviewed with 10 business days. The following events or circumstances would reasonably suggest that the TMD is no longer appropriate and will trigger a review:</p> <ul style="list-style-type: none"> <li>• there are more than 6 Client complaints relating to the suitability of the Products within a 2 month period (where complaints proceed through FTX Australia's internal dispute resolution (IDR) channels or external dispute resolution (EDR) channels);</li> <li>• there are material changes to the Products (or new products offerings for Clients);</li> <li>• there is a material change to the PDS, FSG or T&amp;Cs;</li> <li>• there is a material change in the Distribution Conditions associated with the Products;</li> <li>• there are material changes to laws and regulatory guidance that affect the Products;</li> <li>• legal or regulatory action commenced against FTX Australia in relation to the Products;</li> <li>• more than 5% of Clients' accounts are liquidated for failing to comply with the maintenance margin requirement within a 2 month period;</li> <li>• more than 15% of Clients' with active trades have not logged into their accounts (via the App or website) in the past 7 days (thereby not monitoring their trades);</li> <li>• FTX Australia becomes aware of significant dealings of the Products outside the Target Market;</li> </ul>

### Reviewing the TMD

	<ul style="list-style-type: none"> <li>there are adverse findings from an external auditor or independent review in relation to the Products; or</li> <li>any other event or circumstance that would materially change a factor taken into account in making this TMD.</li> </ul>
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### Information Reporting

16. The following table sets out the information which we required to reported to us in respect of the Product by persons who engage in retail distribution conduct in respect of the Products.
17. Unless otherwise stated, the first reporting period commences on the date this TMD is made and each subsequent reporting period commences at the end of the prior reporting period.

Information required to be reported	Who is required to report?	How frequently is a report required?	How will the report be made?
The number of IDR and EDR complaints received in relation to the Products during the reporting period relating to the suitability of the Products (which may be 0)	Compliance Analyst of FTX Australia	Every 2 months	By email to the Compliance Officer
The number of Clients' accounts that are liquidated for failing to comply with the maintenance margin	Compliance Analyst of FTX Australia	Every 2 months	By email to the Compliance Officer
The percentage of Clients with active trades logging into the Trading Platform at least every 7 days	Compliance Analyst of FTX Australia	Weekly	By email to the Compliance Officer
There is a material change(s) made to any of the following: <ul style="list-style-type: none"> <li>Products</li> <li>PDS</li> <li>FSG</li> <li>FTX Australia T&amp;Cs</li> <li>Distribution Conditions</li> </ul>	The person who makes the change	As soon as practicably possible after the change is made	By email to the Compliance Officer

### Revision Management

Date	Action	Current version	Approved by	Additional comments
10 March 2022	TMD Created	1.01	Chris Chen – FTX Australia Compliance	N/A
16 March 2022	Amendments	1.03	Chris Chen – FTX Australia Compliance	N/A