



Target Market Determination

Pepperstone Group Limited

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Pepperstone Group Limited Target Market Determination for OTC Derivatives

Issuer	Pepperstone Group Limited
Product	OTC Derivatives
Date of TMD	27 September 2021
Introduction	This is a target market determination (“ TMD ”) for the purposes of section 994B of the <i>Corporations Act 2001 (Cth)</i> (“ Corporations Act ”) in respect of over-the-counter derivatives (“ OTC Derivatives ”) issued by Pepperstone Group Limited (“ Pepperstone ”, “ we ”, “ us ”, “ our ”).
Product Summary	Pepperstone issues OTC Derivatives in the form of contracts for difference (“ CFDs ”) and margin foreign exchange (“ Margin FX ”) contracts. Collectively, these are referred to as OTC Derivatives in this TMD.
Investor Types	<p>This target market determination applies to retail clients only (“Investors”).</p> <p>You should also refer to the relevant Product Disclosure Statement (“PDS”) and any other legal documents on our website before deciding whether to acquire or continue to hold OTC Derivatives. You may also consider seeking independent advice before deciding to trade OTC Derivatives.</p> <p>The contents of this TMD are general information only and it's up to you to make sure the products that we offer suit your specific needs.</p>
Product Overview	<p>OTC Derivatives are leveraged financial products which are traded over-the-counter and not through a regulated market.</p> <p>An OTC Derivative 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. An Investor does not take physical delivery of the underlying asset and there is no exchange of one currency or underlying asset for another.</p> <p>OTC Derivatives are subject to significant risks, including:</p> <ol style="list-style-type: none"> 1. Leverage: OTC Derivatives 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. 2. Volatility: Derivative markets generally can be highly volatile (i.e. they move up and down in value quite quickly) so the risk that an Investor will incur losses when they trade OTC Derivatives can be substantial. <i>Note: mandatory negative balance protection ensures that retail clients cannot lose more than the amount deposited.</i> 3. Risk of Close Out: An Investor must meet margin requirements to trade OTC Derivatives 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>4. 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.</p> <p>5. Counterparty Risk: Pepperstone is the issuer of OTC Derivatives subject to this TMD. This means that the Investor is dealing with Pepperstone as the counterparty to every transaction. Accordingly, the Investor is exposed to the financial and business risks of trading with Pepperstone.</p> <p>Refer to our PDS for further details in relation to risks associated with OTC Derivatives.</p>
Target Market for OTC Derivatives	<p>OTC Derivatives are often traded for different purposes and with different strategies. We consider that the target market for OTC Derivatives is an Investor who falls into one (or more) of the categories below, noting there may also be some overlap between categories:</p> <ul style="list-style-type: none"> ● Investors who appreciate and understand the higher risk of trading with leverage and in potentially volatile market conditions: seeking to make a profit via speculation and willing to accept losses up to their invested capital. ● Investors who use the product for risk mitigation: seeking to hedge potential risks from other investments. <p>It is sufficient for an Investor to fall within one of the categories to be within the target market for OTC Derivatives.</p>
Investors for whom this product may be unsuitable for	<p>OTC Derivatives will generally not be suitable for:</p> <ul style="list-style-type: none"> ● Investors who have not passed Pepperstone’s Client Qualification criteria; ● Investors seeking regular or otherwise predictable returns on their investments; ● Investors who cannot afford losses up to their invested capital without a material impact on their standard of living; or ● Investors who have a low risk tolerance other than those who wish to use OTC Derivatives to hedge existing investments.
Likely objectives, financial situation and needs of retail clients in the target market	<ol style="list-style-type: none"> 1. Investors who appreciate and understand the higher risk of trading with leverage and in potentially volatile market conditions <ol style="list-style-type: none"> a. Likely objective: To use leverage in order to seek higher returns while accepting higher risks b. Likely financial situation: Have disposable capital to use which would not materially impact their lifestyle should they lose these funds c. Likely needs: Investors who want to use disposable capital to make enhanced returns 2. Investors who use the product for risk mitigation <ol style="list-style-type: none"> a. Likely objective: To protect previous gains or mitigate against future losses b. Likely financial situation: Investors who have existing or upcoming investments or exposures they wish to hedge c. 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 OTC Derivatives 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 OTC Derivatives can be traded.</p> <p>OTC Derivatives 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>OTC Derivatives are also highly regulated and have many protections for Investors, including:</p> <ul style="list-style-type: none"> - Client qualification criteria - Leverage restrictions - Mandatory negative balance protection - Prohibited incentives
<p>Distribution conditions, restrictions and reasons why these are appropriate</p>	<p>Any distribution of OTC Derivatives by Pepperstone will be in accordance with procedures that Pepperstone determines are reasonably likely to ensure that OTC Derivatives are issued to Investors who are reasonably likely to be within our target market.</p> <p>These procedures include:</p> <ul style="list-style-type: none"> • distribution of OTC Derivatives will only occur in accordance with the Client Qualification criteria specified by Pepperstone; • Pepperstone will take steps to reasonably ensure that the distribution procedures target Investors who fall within the identified target market; and • with respect to distribution by third parties, Pepperstone has: <ul style="list-style-type: none"> ○ taken steps to identify referrers whose usual activities are consistent with our distribution strategy; or ○ informed third party referrers of our TMD and the need to establish, implement and maintain appropriate procedures, processes and controls with a view to ensuring that OTC Derivatives are distributed in accordance with this TMD <p>Pepperstone selects its distribution criteria depending on the medium used. The criteria selected for each medium allows Pepperstone to demonstrate that the target audience has or is highly likely to have an interest in and/or prior experience trading on financial markets.</p>
<p>Review triggers</p>	<p>The review triggers that may suggest the TMD is no longer appropriate, such that a review of the TMD should be undertaken, include where:</p> <ul style="list-style-type: none"> • we become aware of a significant issuance of OTC Derivatives to Investors outside our target market; • material changes to the OTC Derivative products result in the key attributes of the product being no longer consistent with the likely objectives, financial situation and needs of Investors in the target market; • material changes to law or regulation affecting OTC Derivatives; • we become aware of a significant volume of complaints from Investors in relation to the product; • we have a material change in the distribution conditions which makes it unlikely that Investors who are issued OTC Derivatives are in the target market; • where a distributor has reported a significant number of complaints or noted any relevant complaint trends; or • any other relevant event or circumstance that would materially change a factor taken into account in making this TMD for OTC Derivatives.

Periodic reviews	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.		
Distributor reporting requirements	The following information must be provided to Pepperstone by distributors who engage in retail product distribution conduct in relation to OTC Derivatives:		
	Type of information	Description	Reporting timeframe
	Complaints	Complaints related to OTC Derivatives are to be reported by distributors to Pepperstone within 5 days of receiving the complaint	As received
Significant dealing/s outside the target market	Distributors are to report date or date range of the significant dealing/s and description of the significant dealing to Pepperstone	As soon as practicable, and in any case within 10 business days after becoming aware	