



Counterparty Hedging Policy

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1. Introduction

This document explains the methodologies used to manage market risk and to decide upon the size of International Capital Markets Pty Ltd "IC Markets" exposure limits for its hedging counterparties.

The policy has been developed with consideration of the ASIC Regulatory Guide 227.

Credit risk is the risk that a counterparty to IC Markets fails to perform its obligations which results in financial loss for IC Markets. IC Markets management of credit risk is intended to protect the company and clients from any sudden changes in the liquidity, credit quality or solvency of our banks or brokers.

IC Markets primarily takes on market risk to facilitate instant execution of client trades; therefore, IC Markets market risk limits are generally conservative.

This policy covers how IC Markets deals with:

- market risk;
- credit risk; and
- selecting and assessing counterparties.

2. Market Risk Mitigation, Monitoring and Reporting

IC Markets does not take proprietary positions based on an expectation of market movements. However, not all client transactions are hedged and as a result, IC Markets may have a net position in any of the markets on which it offers products. IC Markets therefore has exposure to market risk to the extent that it has residual un-hedged positions.

IC Markets has in place internal market risk procedures for setting limits, for every financial market in which our clients trade, as well as certain groups of markets which we consider to be correlated. These rules limit the net exposure arising from client activities and hedging consistent with our risk appetite.

Our risk management systems allow us to continually monitor our exposure against these limits in real time. If our exposure exceeds the limits as a result of clients' activities, we will carry out sufficient hedging to bring the exposure back within the defined limit.

Changes to market risk policy require review by the Board of Directors.

3. Credit Risk Mitigation and Reporting

We have internal counterparty credit risk procedures for assessing credit risk and setting credit risk limits. These procedures are reviewed annually and presented to the Board for approval should any changes be proposed.

We review the credit quality of our major counterparties on an on-going basis, with a formal risk review for each counterparty performed at a minimum on an annual basis and more frequently if there is a significant change in market conditions or relevant news.

Our exposures to each counterparty are monitored on a daily basis and reported to our Risk Manager. It is our policy to reduce the risk of counterparty failure through diversification and by setting each counterparty a risk-assessed exposure limit.

4. Criteria for selecting a hedging counterparty

We assess a potential hedging counterparty against a list of qualifying criteria that address whether they are of adequate financial standing. We do not accept a potential hedging counterparty unless they meet the minimum qualification criteria, which require the hedging counterparty to:

- have adequate financial and compliance resources;
- have an adequate financial license in its jurisdiction;
- hold client funds in a reputable bank; and
- have a good reputation within the financial services industry.

Addition of new hedging counterparties or changes to existing counterparty limits require approval by the Board of Directors.

5. List of Current Hedging Counterparties

Currently we co-operate with the following hedging counterparties:

- IS Prime Limited;
- Invest Financial Services Pty Ltd;
- CMC Markets UK plc;
- LMAX Limited;
- FxOpen Limited; and
- Interactive Brokers (UK) Limited;
- Raw Trading Ltd; and
- IC Markets Ltd.

If you require any additional information, please feel free to contact us at support@icmarkets.com