



Target Market Determination

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Issuer	International Capital Markets Pty. Ltd. (“ IC Markets ”, “ we ”, “ us ” or “ our ”)
Product	OTC Derivatives – Contracts for Difference (“ CFDs ”).
TMD Effective Date	April 2023

1. Introduction

The purpose of this target market determination (“**TMD**”) is to describe the target market of clients for the CFD products issued by IC Markets and to meet our Design and Distribution (“**DDO**”) obligation as required under section 994B of the Corporations Act 2001.

This TMD applies to Retail Clients only (“**Clients**”).

This TMD is not a product disclosure statement (“**PDS**”) and does not take into account any particular Client’s objectives, financial situation or needs. CFDs are typically suitable for Clients who have sufficient experience and understanding of the product. Refer to the Product Overview section below, which covers the fundamental features and risks of trading CFDs. You should refer to our PDS at icmarkets.com/au as well as any other relevant IC Markets documents, to ensure you fully understand the risks involved, and consider seeking independent advice before deciding to engage in CFD trading.

2. Product Overview

CFDs are leveraged OTC derivative products which enable clients to trade on the speculation of price movement of underlying financial assets. With a CFD, an individual can trade an asset without having ownership of the Underlying Instrument.

IC Markets issues CFDs for the following underlying assets:

- **Forex**
- **Indices**
- **Commodities**
- **Stocks**
- **Cryptocurrencies**
- **Bonds**

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.

CFDs are subject to significant risks, including:

1) **Leverage:**

CFDs are leveraged as the amount the Client pay (the “**Margin**”) to IC Markets is typically less than the full-face value of the Underlying Instrument. The Client should be prepared for the greater risks from this kind of leveraged investment, including being liable to pay IC Markets more Margin than the initial outlay. Furthermore, Margin requirements can change rapidly due to changes in the market for the Underlying Instrument.

2) **Loss of your investment:**

The Client’s potential losses on (long or short) CFDs may exceed the amounts paid (as Margin) for opening CFD positions. Negative Balance Protection limits the Client’s maximum losses (including any costs) to the value of Account equity and prevents an Account from going into deficit or negative balance.

3) **Market Volatility:**

Financial markets are subject to high volatility causing rapid price fluctuations. This is primarily due to external influences and unforeseen events. This affects prices and spreads of CFDs (i.e. the gap between the buy and sell price is wider), and in some cases, it may even be difficult to obtain a price.

4) **Margining (position closure):**

A Client must meet margin requirements to trade CFDs with us. This means the client 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. A Client risks their positions being closed out if they don’t have enough margin on their account.

5) Holding Costs:

Depending on the positions held and how long they are held for, a client 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.

6) Counterparty Risk:

IC Markets is the issuer of CFDs subject to this TMD. This means that the client is dealing with IC Markets as the counterparty to every transaction. Accordingly, the client is exposed to the financial and business risks of trading with IC Markets.

[Refer to our PDS for further details in relation to risks associated with CFDs.](#)

3. Target Market for OTC Derivatives

Given the diverse nature of CFDs and different strategies that may be associated with trading CFDs, we consider that the target market for CFDs meets the following eligibility requirements:

- reside in any country or jurisdiction where IC Markets' financial products distribution or use would not be contrary to local law or regulation;
- above the age of 18;
- can accept losses that may be as great as the sum of their deposits without suffering financial hardship as a result;
- have the requisite knowledge and experience to trade/invest in CFDs as assessed by IC Markets' Client Suitability Test;
- have a high investment risk appetite;
- acknowledge and understand CFD products with all its associated risks; and
- wish to trade in CFDs to satisfy one (or more) of the following investment needs:
 - a) speculative trading;
 - b) hedging;
 - c) diversification;
 - d) using leverage to gain exposure to the price movement of the relevant underlying assets.

4. Likely objectives, financial situation and needs of Investors in the target market

CFDs issued by IC Markets and their key attributes are likely to be consistent with the likely objectives, financial situation and needs of investors who belong to one (or more) of the following categories:

- 1) **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).
 - **Likely objective:** To use leverage in order to seek higher returns while accepting higher risks.
 - **Likely financial situation:** Have disposable capital to use which would not materially impact their financial wellbeing and lifestyle should they lose these funds.
 - **Likely needs:** Clients who want to use disposable capital to make enhanced returns.
- 2) **Diversification Seeking Investors** are Clients who may be seeking to diversify their investment portfolio and use CFDs trading for speculative or hedging purposes.
 - **Likely objective:** To diversify their investment portfolio;
 - **Likely financial situation:** Clients who have existing or upcoming investments or exposures they wish to hedge;
 - **Likely needs:** Loss or profit protection from hedging strategy.

5. Explanation of why OTC Derivatives are likely to be consistent with the likely objectives, financial situation and needs of the target market

IC Markets expects that trading in CFDs will likely be consistent with the likely objectives, financial situation and needs of investors:

- 1) who appreciate and understand the higher risk of trading with leverage and in potentially volatile market conditions;

- 2) who want to use the product to hedge potential future loss given the varied ways and purposes for which CFDs can be traded;
- 3) who look for a cost-effective way to speculate on the price movement of an underlying asset which might otherwise not be available to them; and
- 4) who seek investment opportunities in a diverse range of markets from a single CFD account.

CFDs are also highly regulated and have many protections for Clients, including:

- Client qualification criteria
- Leverage restrictions
- Mandatory negative balance protection
- Prohibition on incentives

6. Investors for whom this product may be unsuitable for

CFDs will generally not be suitable for investors outside the target market. Potential categories of unsuitable clients would include:

- individuals who are below the age of 18;
- investors who cannot afford to lose the amount of money deposited without material impact on their standard of living;
- investors who do not understand the risks of CFDs;
- investors who solely derive their income from benefits and/or borrowings;
- investors who have not passed IC Markets' Client Qualification testing criteria;
- investors who have a low risk tolerance, other than those Investors who wish to use CFDs to hedge existing investments;
- investors who are seeking guaranteed capital protection or stability;
- investors who are seeking regular or otherwise predictable returns on their investments;
- investors who have low levels of financial literacy;
- investors who are in financial hardship or going through bankruptcy;
- investors who are unemployed or recently experienced job loss and are unable to meet their day-to-day financial needs;
- investors who are vulnerable due to an age-related impairment, physical or mental health illness affecting capacity, financial circumstances causing significant detriment, or any form of addiction.

Consumers who fall into any of the categories set out immediately above are not in the target market for CFDs issued by IC Markets.

7. Distribution conditions, restrictions, and reasons why these are appropriate

Any distribution of CFDs issued by IC Markets will be in accordance with procedures that we determine are reasonably likely to ensure that our CFDs are issued to Investors who are reasonably likely to be within our target market.

IC Markets takes reasonable steps to ensure that we distribute our CFDs to the outlined Target Market.

• Client Onboarding Controls

Before Investors are approved for an account and issued our CFD products, as part of the application process, applicants have to meet stringent requirements in respect to the following aspects during the onboarding process:

- 1) meet the minimum employment and income requirements;
- 2) demonstrate adequate investment experience and knowledge;
- 3) declare they have a high investment risk appetite and acknowledge all CFD associated risks; and
- 4) pass a Client Suitability Test.

- **Marketing Strategy Risk Controls**

IC Markets has implemented reasonable steps to ensure our marketing strategy is targeting Clients within our Target Market.

- **Compliance Training**

Training is provided to staff regarding the Target Market requirements, which includes training on the identification and handling of potential unsuitabilities or vulnerabilities.

8. Review triggers

IC Markets will review the TMD within ten (10) business days if we know, or ought to reasonably know, that an event or circumstance that reasonably suggests that the TMD is no longer appropriate, has occurred. This includes (but is not limited to):

- material changes to the key attributes of the CFDs;
- the occurrence of a significant dealing including when distribution occurs outside the target market;
- where the distribution conditions are found to be inadequate;
- external events such as adverse media coverage or regulatory attention;
- significant changes in metrics, including, but not limited to:
 - ✓ receipt of a large volume of complaints that indicate issues related to the distribution of our CFD products, client suitability and/or understanding of the product and its risks.
 - ✓ characteristics of the underlying products;
- where IC Markets detects issues with the distribution of the CFDs through the monitoring of daily business.

9. Change in Personal Circumstances

It is the client's responsibility to inform IC Markets of any changes to their personal or financial circumstances which may affect their suitability to invest in CFDs as per the Target Market. They can do so by contacting our Customer Support Team, who can be contacted via:

- Phone: +61 (0)2 8014 4280
- Email: support@icmarkets.com.au
- Mail: International Capital Markets Pty Ltd – Level 4, 50 Carrington Street, Sydney, NSW 2000, Australia.

10. Periodic reviews

The 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.