

Target Market Determination

# Contracts for difference (CFDs) on Shares



**Quad Code AU Ltd**

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## Introduction

Quad Code AU Ltd (referred to as **Quad Code, us, our or we**) operates a contracts for difference (**CFDs**) business. Quad Code is a product issuer and issues CFDs to clients, including retail clients. The design and distribution obligations set out in Part 7.8A of the *Corporations Act 2001* (**DD Obligations**) apply to the issue and distribution of CFDs to retail clients (**Consumers**) from 5 October 2021.

We are authorised and regulated by the Australian Securities and Investments Commission (ASIC), with licence number 327075 and registered office located at Suite 23.03, Level 23, 259 George Street, Sydney, NSW 2000, Australia.

The DD Obligations aim to assist Consumers to obtain appropriate financial products by requiring product issuers and distributors to have a consumer-centric approach to the design and distribution of financial products.

The purpose of this target market determination (**TMD**) is to describe the target market of Consumers for our CFDs, and to address the DD Obligations that apply to TMDs.

If you are a retail client, you should refer to the relevant Product Disclosure Statement (**PDS**) before deciding whether to acquire or continue to hold the relevant product. You can get a copy of the relevant PDS from our website.

You should not base any decision to trade on the contents of this TMD, and this document is not suitable for the purpose of deciding whether to open a CFDs trading account or trade in CFDs.

## Financial products issued by us

CFDs are complex and leveraged financial products, which are traded over-the-counter (OTC) and not through a regulated market. CFDs are agreements to exchange the difference in the value of a particular underlying asset. This allows Consumers to speculate on rising or falling prices of an underlying asset.

### **We issue CFDs in respect of the following underlying assets:**

Currency Pairs;  
Commodities, including precious metals;  
Indices, including stock market indices;  
Securities; and  
Cryptocurrencies.

This TMD has been prepared specifically in relation to our CFDs on shares. We have issued separate TMDs in respect of each of our other CFD offerings. For more information about the TMDs of our other products which are issued by Quad Code, please refer to the Legal Documents page on our website.

## The target market

**The target market for our CFDs include the following classes of Consumers:**

**Consumers who satisfy each of the following criteria:**

- Consumers above the age of 18 and below the age of 75;
- Consumers who have the requisite knowledge for the purposes of trading in CFDs;
- Consumers who can accept losses that can be as great as the sum of their deposits;
- Consumers who have high investment risk appetites;
- Consumers with a short term investment horizon; and

**For those Consumers who satisfy the above criteria**

Those Consumers who satisfy the above criteria and wish to trade CFDs for investment purposes, including for one or more of the following purposes:

- speculative trading;
- hedging (including hedging exposure to underlying assets and hedging positions taken in relation to other CFDs); and
- gaining exposure to price movements of the underlying assets – shares, including where exposure to such underlying assets may not be otherwise as readily available, or where such exposure is required at short notice,

are in the target market for Quad Code's Shares CFDs.

## Target market – criteria, scope and key attributes

Further details regarding Quad Code’s target market for CFDs trading is set out below.

Criteria	Scope and key attributes
<b>Client type</b>	<p>Retail clients</p> <p>This target market determination does not apply to wholesale clients, including sophisticated investors and professional investors</p>
<b>Knowledge and experience</b>	<p>Only clients who have the requisite knowledge and experience to trade in CFDs, as assessed by Quad Code</p> <p>Quad Code undertakes assessment of the Consumer’s experience and knowledge trading in CFDs prior to approving and distributing the products to the client</p>
<b>Ability to bear losses</b>	<p>Clients who are prepared to lose amounts that can be as great as the sum of their total deposits</p>
<b>Tolerance to risk</b>	<p>CFDs are suitable for clients with high investment risk tolerance.</p> <p>Please note that there are particular risks associated with trading CFDs over shares.</p> <p>Those risks include the fact that fluctuations in the underlying asset could cause the value of the investment to diminish or increase. Further, the price of any financial products traded on international markets and, therefore, the potential profit and loss therein, may be affected by any variance in the foreign exchange rate between the time the order is placed and the time it is liquidated, offset or exercised.</p>
<b>Client needs</b>	<p>Our CFDs and their key attributes are likely to be consistent with the likely objectives, financial situation and needs of those Consumers who:</p> <ol style="list-style-type: none"> <li>1. have a short term investment horizon;</li> <li>2. wish to: <ol style="list-style-type: none"> <li>a) trade in CFDs, including for speculative or hedging purposes; or</li> <li>b) to gain exposure to price movements of the relevant underlying assets (for example, shares traded on the ASX and NYSE);</li> </ol> </li> <li>3. have a high investment risk tolerance; and</li> <li>4. can afford to bear losses.</li> </ol> <p>Our CFDs are designed to be suitable only for Consumers with the likely objectives, financial situation and needs described above. This is because our CFDs (and CFDs generally) are highly leveraged and volatile, and expected returns may be positive or negative.</p>

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Consumers who meet all of the requirements (1, 2(a) or 2(b), 3 and 4), as set out in the above bullet points are likely to be in the target market for our CFDs.

Consumers who do not meet all of the requirements (1, 2(a) or 2(b), 3 and 4), as set out above, are potentially in the target market for our CFDs, but may not be.

Consumers who do not satisfy both 3 and 4 above, are unlikely to be in the target market for the CFDs.

**Our products are not compatible with the needs of clients who:**

- are seeking capital protection or stability;
- are risk-adverse;
- are seeking regular or otherwise predictable returns on their investments;
- cannot afford to bear losses;
- are vulnerable clients as described below.

Consumers who fall into any of the categories set out immediately above, are not in the target market for Quad Code's Shares CFDs.

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## Consumers for whom CFDs are unsuitable

### CFDs are generally unsuitable for the following classes of Consumers:

- Consumers below the age of 18;
- Consumers who reside in a country which restricts or prohibits trading in CFDs;
- Consumers who are in financial hardship or going through bankruptcy;
- Consumers who do not have the requisite knowledge for trading in CFDs;
- Consumers who have a low tolerance to risk;
- Consumers who do not have the ability and willingness to lose the sum of their deposits;
- Consumers who have low levels of literacy or numeracy, financial literacy and technological literacy;
- Consumers who wish to trade using their retirement savings, income, or cash that the Consumer relies on for living expenses;
- vulnerable Consumers, including Consumers who are vulnerable for any of the following reasons:
  - > elderly or suffering an age-related impairment;
  - > suffering from elder or financial abuse;
  - > suffering from mental or other forms of serious illness affecting capacity;
  - > suffering from any form of addiction; or
  - > any other personal or financial circumstances causing significant detriment.

Consumers who are in any of the above categories are not in the target market for CFDs.

## Distribution conditions

Our CFDs are distributed by:

- Quad Code; and
- various third parties are also involved in the distribution of our CFDs, including various referrers (the **Distributors**)

We will take reasonable steps to ensure that both we and any Distributors, distribute the financial product to the identified target market.

To ensure that the distribution strategy is consistent with the identified target market, we have several processes in place to ensure that the Consumers who are potential clients fall within the identified target market. Quad Code has instituted a process by which all new customers are required to complete an onboarding questionnaire to determine their suitability for CFDs as well as this asset class being foreign exchange contracts. The questionnaire assesses an applicant's knowledge and understanding of CFDs, as well as requiring the applicant to disclose certain characteristics – for example, their risk tolerance, their financial resources, their employment status and other relevant considerations. Where necessary, trained Quad Code members of staff will contact the applicant to discuss their responses to ensure they satisfy the target market criteria for onboarding. Once Quad Code has verified that a potential client falls within the identified target market, they will be approved to trade CFDs on the Trading Platform.

We will also take reasonable steps to ensure that our marketing strategy and the marketing strategy of Distributors is targeting potential clients who fall within the identified target market. No Distributor may release marketing materials without obtaining our prior written consent. Quad Code requires any Distributor to provide all marketing material to the Compliance Department for review. The Compliance Department will ensure that the material includes any regulatory requirements (for example, relevant disclaimers); ensure that the material is not false, misleading or deceptive in any way; and ensure that the material is consistent with Quad Code's Target Market Determination – that is, to ensure that the material does not contain elements which may attract potential clients outside of the intended target market.

## Monitoring and reviewing the TMD

### Periodic reviews

**We will perform periodic reviews of this TMD.**

The first review of this TMD occurred on 10 December 2022.

Subsequent reviews of the TMD will occur on each anniversary of the first review date.

### Review triggers – additional reviews

**We will also review the TMD where the following review triggers occur:**

- where there are significant dealings (issuing of CFDs) in Quad Code's CFDs, which are not consistent with the target market of this TMD. This trigger occurs where significant distribution is occurring outside the target market, and does not refer to any one particular dealing in CFDs;
- where a Distributor has reported a significant number of complaints or noted any relevant complaint trends;
- where we have received a significant number of complaints or noted any relevant complaints trends;
- where we have detected significant issues with the distribution of our CFDs through our monitoring of our own day-to-day activities, or the monitoring and supervision of our Distributors;
- where there is a change to the product trading mechanism or the product offering;
- where we have identified a large number of applicants who are unable to pass the Quad Code qualification process, such as failing the client onboarding quiz.



## Contact

For more information about your Target Market Determination – CFDs, please contact:



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W [www.quadcodemarkets.com](http://www.quadcodemarkets.com)

*Quad Code reserves the right to amend the TMD at any time if such amendment is needed as a result of any changes to the law or regulations, regulatory guidance or for any reason Quad Code considers as a proper reason to amend the TMD.*