

Target Market Determination

Contracts for difference (CFDs)

- Currency Pairs
- Commodities
- Indices
- Cryptoassets

Rakuten Securities Australia Pty Ltd

ABN 99 153 803 804

Australian Financial Services Licence No. 418036

22 November 2021 – Document Version 1.1

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Introduction

Rakuten Securities Australia Pty Ltd (referred to as Rakuten Securities Australia, **us**, **our** or **we**) operates a contracts for difference (**CFDs**) business. Rakuten Securities Australia is a product issuer and issues CFDs to consumers, including retail consumers. 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 consumers (**Consumers**) from 5 October 2021.

We are authorised and regulated by the Australian Securities and Investments Commission (ASIC), with licence number 418036 and registered office located at Tower 2 Darling Park, Level 16, 201 Sussex Street, Sydney, NSW, 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; and
- Cryptoassets

This TMD has been prepared specifically in relation to our Currency Pairs, Commodities, Indices and Cryptoassets CFDs.

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The target market

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

Consumers who satisfy each of the following criteria:

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

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 – Currency Pairs, Commodities, Indices and Cryptoassets, 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 Rakuten Securities Australia's CFDs.

Target market – criteria, scope and key attributes

Further details regarding Rakuten Securities Australia’s target market for CFDs trading is set out below.

Criteria	Scope and key attributes
Client type	<p>Retail consumers</p> <p>This target market determination does not apply to wholesale consumers, including sophisticated investors and professional investors</p>
Knowledge / experience	<p>Only consumers who have the requisite knowledge / experience to trade in CFDs, as assessed by Rakuten Securities Australia</p> <p>Rakuten Securities Australia undertakes assessment of the Consumer’s knowledge / experience trading in CFDs prior to approving and distributing the products to the consumer</p>
Ability to bear losses	<p>Consumers who are prepared to lose amounts that can be as equal as the sum of their total deposits</p>
Tolerance to risk	<p>CFDs are suitable for consumers with high investment risk tolerance.</p> <p>Please note that there are particular risks associated with trading CFDs over Currency Pairs, Commodities, Indices and Cryptoassets. Those risks include a margin call, loss-cut and loss of the sum of your deposit due to the market movement associated with Currency Pairs, Commodities, Indices and Cryptoassets.</p>
Client needs	<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"> 1. have a short term investment horizon; 2. wish to: <ol style="list-style-type: none"> a) trade in CFDs, including for speculative or hedging purposes, or b) to gain exposure to price movements of the relevant underlying assets (e.g. Currency Pairs, Commodities, Indices and Cryptoassets); 3. have a high investment risk tolerance; and 4. can afford to bear losses. <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>

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 consumers 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 consumers as described below.**

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

Consumers for whom CFDs are unsuitable

CFDs are generally unsuitable for the following classes of Consumers:

- Consumers below the age of 18;
- 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 or personal savings;
- 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;
 - > no source of income;
 - > 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:

- Rakuten Securities Australia; and
- various third parties are also involved in the distribution of our CFDs, including various introducing brokers and referrers (each a **Distributor**, and together, 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 consumers fall within the identified target market. We will verify whether potential consumers fall within the identified target market during the onboarding process, before approving them and allowing them to trade CFDs on the trading platform and provide appropriate training and scripts to staff operating in Rakuten Securities Australia.

We will also take reasonable steps to ensure that our marketing strategy and the marketing strategy of Distributors is targeting potential consumers who fall within the identified target market. No Distributor may release marketing materials without obtaining our prior written consent. Any new marketing campaign shall be reviewed and approved by the product issuer prior to its publication, to check that it does not contain elements which may attract potential consumers outside of the intended target market.

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Monitoring and reviewing the TMD

Periodic reviews

We will perform periodic reviews of this TMD.

The first review of this TMD will occur on 5 October 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 Rakuten Securities Australia's CFDs, which are not consistent with the target market or 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.

Distributors – information collecting and reporting requirements

As part of the process of monitoring and reviewing the TMD to determine whether it is still appropriate, each Distributor must provide the following to us on a semi-annually basis, within 10 business days of the end of each calendar semi-annual – 30 June and 31 December, each year:

Complains data

- complaints data – information about the complaints received, including the number of complaints received (but only where the Distributor received complaints in relation to the product during the reporting period);

Other data

- Consumer feedback, including regarding performance of the product (but only where such feedback was received during the reporting period);
- requests for information that the Distributor has received from consumers (but only where such requests were received during the reporting period);
- percentage of sales to consumers who are not in the target market (but only where such sales occurred during the reporting period); and
- volume of sales (but only where such sales occurred during the reporting period).

Further reporting requirements

- Any significant dealing outside the TMD, as soon as practicable and in any event within 10 business days of such dealing.

No party may engage in the distribution of our CFDs unless they have entered into an agreement with us.

Please contact us for further information and for a copy of our prescribed reporting template, if you wish to become a Distributor of our CFDs.

We reserve 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 we consider as a proper reason to amend the TMD.

Contact

For more information about our Target Market Determination for CFDs, please contact:



Rakuten Securities Australia



P (+61) 2 9247 2483



E support@sec.rakuten.com.au

W <http://sec.rakuten.com.au>

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