CITY INDEX

Contracts for Difference
Target Market Determination

StoneX Financial Pty Ltd
ACN 141 774 727
AFSL 345646
Date: 1 March 2022

CITY INDEX

Important Notice

This Target Market Determination (**TMD**) dated 1 March 2022 has been issued by StoneX Financial Pty Ltd, ACN 141 774 727 (trading as City Index) (**SFA**). SFA holds an Australian financial services licence, number 345646. This TMD relates to contracts-for- difference (**CFD**) offered by SFA (collectively, the **Products**), which will be available on the basis described in the associated product disclosure statement (**PDS**) from 1 March 2022 to customers who use SFA's trading platform and are considered to be within SFA's target market as described in this TMD.

This TMD supersedes and replaces all previous versions of this document. This TMD should be reviewed in its entirety. Where SFA produces this document in a foreign language the English version shall prevail, to the extent of any inconsistency between the English version and the foreign language version.

Before dealing in the Products, you must first enter into a customer agreement (**Customer Agreement**) with SFA. You must read the Customer Agreement and complete an Application Form and be approved by SFA as a client. SFA has a separate Customer Agreement for clients who trade CFDs. In the event of any conflict between any provision of the Customer Agreement, the PDS and this TMD, the provisions of the Customer Agreement shall prevail to the extent of the inconsistency. Terms which are capitalized in this TMD and not otherwise defined have the meaning given to them in the Customer Agreement.

This TMD only relates to Products issued to retail clients and not wholesale clients. The information contained in this TMD and the PDS may not be relevant to wholesale clients and is not intended to be relied on by such clients.

Before dealing in SFA's Products you should also consider whether they are appropriate financial products for you, based on your investment needs, financial circumstances and trading experience. It is important for you to consider this document in the context of the Customer Agreement and applicable PDS and whether you would be part of SFA's target market when considering your objectives, financial situation and needs. It is also important for you to consider the PDS in deciding whether to acquire, or to continue to hold the Products.

SFA's Products are leveraged and speculative, and are not suitable for all investors. The prices of the Products and the Underlying Instruments may fluctuate rapidly and over wide ranges, which may reflect unforeseeable events or changes in conditions, none of which can be controlled. When you deal in SFA's Products, you do so on margin. Accordingly, you are advised that:

- by participating you will be required to pay margins to SFA;
- you may be required to deposit money as margin in order to maintain Open Positions; and
- relatively low margin requirements permit a high degree of leverage. Accordingly, a relatively small price movement in an SFA Product may result in an immediate and substantial loss to you. For Trades as to which applicable law and regulatory requirements apply (including under the ASIC Instrument) we are required to apply particular leverage restrictions and other consumer protection measures. Please refer to the CFD Customer Agreement as to how these will apply to any Trade undertaken by you.

In accordance with the Customer Agreement, this TMD is available on our website: www.cityindex.com.

The Application Form requires you to disclose personal information. You should refer to our Privacy Policy (see Section 17.13) which explains how SFA collects personal information and then maintains, uses and discloses that information.

Updating this TMD

Information in this TMD may be updated from time to time without notice where that information is not materially adverse to customers. SFA may provide updated information on the SFA website: www.cityindex.com. A copy of the updated information is also available upon request free of charge by contacting SFA.

This TMD is available in electronic form from our website at www.cityindex.com or you can call 1800 354 182 to obtain it in paper form.

Product Overview

SFA offers CFDs over a range of financial assets including Australian and international listed equities, cryptocurrencies, stock indices, commodities, and metals.

CFDs are margined OTC derivatives that allow you to gain exposure to, and therefore make a profit or loss from, price movements without ownership of the Underlying Instruments.

A CFD constitutes an agreement between two parties (ie. you and SFA) to exchange, at the close of the contract, the difference between the opening and closing prices of the contract, multiplied by the number of units specified within the contract.

Representations

SFA's Products are offered solely on the basis of the Customer Agreement and the PDS, as modified from time to time. No other information or representation is authorised by SFA, nor is any person authorised by SFA to give any information to Clients or prospective Clients or to make any representation.

SFA does not give personal advice

SFA will not give you personal advice. This TMD does not constitute a recommendation or opinion that SFA's Products are appropriate for you. Accordingly, this TMD should not be relied on as financial product advice which takes into account your personal objectives, financial situation and needs.

Accordingly, before applying to deal in SFA's Products, you must consider your objectives, financial situation and needs and the significant risks of loss which accompany the prospects of profit.

SFA recommends obtaining independent advice concerning this TMD, the Customer Agreement and the PDS.

The role of the Australian Securities and Investments Commission (ASIC)

ASIC regulates the provision of financial services in Australia, and the offer of financial products such as the Products. The Australian financial services licence under which SFA operates has been issued by ASIC.

ASIC's role in authorising SFA is limited and does not imply approval or endorsement of the business, trading or solvency of SFA.

ASIC has not approved this TMD, the Customer Agreement, the PDS or any other document issued by SFA.

Jurisdiction

The distribution of this TMD may be restricted in certain jurisdictions outside Australia. Persons into whose possession this TMD comes are required to inform themselves of, and to observe, such restrictions. This TMD does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

If you are dealing with SFA, you should note:

- the law governing your dealings with SFA is the law of New South Wales, Australia; and
- times are Australian Eastern Standard, unless stated otherwise.

CITY INDEX

Table of Contents

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1. Purpose of this Target Market Determination (TMD)

This TMD outlines the class of consumers that comprise the target market for each of the financial products offered by SFA under the City Index brand, being CFDs. The TMD also includes details of how the products are distributed, the key attributes of the products, details for ongoing review of this TMD and the record-keeping and reporting obligations imposed upon SFA by the law. The details of the product design and distribution obligations and the requirements for a TMD are set out in ASIC Regulatory Guide 274 – Product design and distribution obligations, which was first released by ASIC in December 2020.

To establish the target market, this TMD will provide a description of the class of consumers that comprise the target market by reference to the likely objectives, financial situation and needs of consumers within the target market. The TMD will outline the key attributes of the Products and provide an explanation of why the Product is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market.

2. Key Attributes of the Products

SFA, under the City Index brand, issues Contracts for Difference (CFDs) over a number of different underlying asset classes.

The following details the key attributes of CFDs in general (for a complete description of all the CFDs offered please refer to the PDS found at https://www.cityindex.com.au/terms-and-policies/):

No ownership of the underlying asset
The CFDs SFA offers are over-the counter financial products that give the holder exposure to price movements of an Underlying Instrument. Like other derivatives, CFDs allow investors to participate in the returns from movements in an Underlying Instrument, without the need to own that Underlying Instrument.

Potential in Rising and Falling Markets
CFD trading enables Clients to speculate on price movements in both rising (going long) and falling markets (going short).

Leveraged products
CFDs are a leveraged investment and trading instruments. While leverage can magnify losses, it can also magnify profits. Leverage allows Clients to take larger exposures, to more markets, than cash investors using the same capital base.

Variety of Trading Opportunities
SFA offers CFDs over domestic and international markets in shares, indices, foreign currencies, commodities, interest rates and cryptocurrencies. It allows Clients to trade multiple asset classes from a single account.

Lower Costs
Generally, CFD exposures come at lower transaction costs than the same exposure taken in the Underlying Instruments.

The following details some of the common investment objectives of those in the target market when using CFDs:

Looking for short term opportunities
CFDs can be used for both short-term and long-term trading. CFDs are suitable for short-term trading because they are margin products which magnify small price movements.

Looking to diversify their portfolio
SFA offers over 4,500 global markets to trade on including shares, indices, foreign currencies, commodities, interest rates and cryptocurrencies.

Manage their own portfolio
SFA provides an execution only service. You decide on what to trade and how much to trade.

Hedge investments, and reduce existing market risk
CFDs can be used to offset any potential loss in value of physical investments by going short.

Multiple Strategies
Leverage means that Clients can employ more investment and trading strategies than “long only” investors. These include trading “pairs”, trading across asset classes, going short and taking exposures around short term events.

3. Target Markets

The following provides the general characteristics of the class of consumers that will acquire the Products offered by SFA and their objectives, financial situation and needs:

- Generally aged between 25 and 60,
- Middle to high income earners,
- Individuals experienced in trading leverage financial market products,
- Individuals with savings and/or assets, and
- Due to the platforms and products being offered online, a minimum level of technological knowledge to use the platform.

The following provides the more specific characteristics of the class of consumer that will acquire the Products and an explanation of why the Products including their key attributes are likely to be consistent with the likely objectives, financial situation and needs of those within the target market of each underlying asset class over which SFA offers a CFD. Further details regarding the key attributes of individual asset classes are also provided.

The Risk Tolerance of a client is determined during onboarding when the client is asked questions regarding their financial situation and experience in trading financial products. A score is assigned to those answers and a risk rating and suitability score determined for each client. In general terms, risk tolerance refers to a consumer's willingness and ability to bear loss in light of the potential investment returns and is assessed as "low", "medium" or "high".

3.1 Share CFDs

Description and Key attributes':

- Share CFDs allow you to receive most of the economic benefits of owning the underlying security without having to actually own the security. Clients do not take delivery of the security and do not appear on the share register of the relevant company.
- SFA's prices for Share CFDs uses a pricing model to replicate prices seen on the exchange on which the underlying shares trade. Any change in the price of shares due to corporate actions or dividend payments will be reflected in the price of SFA's Share CFDs. SFA does not add a spread to the prices of Share CFDs, however the tradable price will be adjusted to account for the market.
- By buying a Share CFD, profit or loss will be made on the difference between when you open the CFD and when you close it and the sum of any notional adjustments representing dividends and interest, less our transaction fees and in the case of short positions additional borrow charges.
- Open Positions are revalued constantly, and profits or losses are credited / debited to client accounts only on closed positions.

Investment objectives and target market:
A client who:

- is seeking capital growth, regular income or a combination of both.
- does not wish to take ownership of the physical shares but still wishes to receive dividends.
- wishes to gain exposure to the global share markets which retail investors would otherwise find hard to access
- has a limited amount of capital or who only wishes to put up a fraction of the full value of the trade – the 'margin' – to gain full exposure.
- wishes to hedge their share positions by going short on markets.
- wishes to diversify their portfolios through trading a wide variety of global shares.
- wishes to use risk management tools such as Stop Loss, Trailing Stop, Limit Order, Guaranteed Stop Loss Order etc. offered by SFA to help limit potential losses without capping the profit potential.
- has a risk tolerance level of medium to high.

Why the Product is likely to be consistent with the target market:

- The objective of a Share CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying equity (whether up or down), without actually needing to buy or sell the underlying equity.
- The exposure is leveraged since the CFD only requires a proportion of the notional value of the contract to be paid up front as initial margin and is one of the key features of trading CFDs.
- SFA's Share CFDs allow an investor to use leverage to control larger positions with a small deposit; to get exposure to a wide range of global share markets; to use CFDs to hedge or diversify their current investment portfolio; to trade on falling markets (going short) as well as rising markets and to also trade opportunities over shorter time periods.
- The risk tolerance noted above is a guide to the level of risk of Share CFDs compared to other products. It shows how likely that the product will cause a capital loss because of movements in the markets.
- One of the distribution conditions is that during onboarding and ongoing reviews, SFA will undertake reasonable steps and use a scoring matrix to carefully assess a client's suitability and risk tolerance level, and to determine whether the key attributes of the products are likely to be consistent with the client's likely objectives, financial situation and needs, i.e. to determine if the client is likely to sit within or outside the target market.

3.2 Index CFDs

Description and Key attributes:

- Index CFDs are available on the indices of major countries stock markets. The Underlying Instrument of an Index CFD is not the relevant index itself, but over a futures contract over the relevant index.
- SFA's prices for Index Futures CFDs are based from a spread around the bid-offer spread in the underlying index, or from a fixed spread around the last traded price in the underlying index.
- The SFA price for Rolling Index CFDs is derived from the price of underlying index futures contract, with the addition or subtraction of a fair value to account for interest and dividend expectations.
- The bid-offer spread can be adjusted by SFA to accommodate market liquidity.
- By buying an Index CFD, profit or loss will be made on the difference between when you open the CFD and when you close it and the sum of any notional adjustments representing dividends and interest, less our transaction fees and in the case of short positions additional borrow charges.
- Your Open Positions are revalued constantly, and profits or losses are credited / debited to your Account only on closed positions.
- Adjustments relating to corporate actions, such as dividends, bonus issues and reconstructions in respect of the underlying shares are also applied to your Account should they occur.

Investment objectives and target market:
A client who:

- is seeking capital growth, regular income or a combination of both.
- wishes to gain exposure to the overall performance of a stock market or market segment, as opposed to individual stocks.
- wishes to diversify their portfolios through trading the performance of a group of shares that are listed on a stock market.
- does not wish to take ownership of the physical shares.
- wishes to gain exposure to the major world indices which retail investors would otherwise find hard to access.

- has limited amount of capital or who only wishes to put up a fraction of the full value of the trade – the 'margin' – to gain full exposure.
- wishes to hedge existing positions by going short on markets.
- wishes to use risk management tools such as Stop Loss, Trailing Stop, Limit Order, Guaranteed Stop Loss Order etc. offered by SFA to help limit potential losses without capping the profit potential.
- has a risk tolerance level of low to medium.

Why the Product is likely to be consistent with the target market:

- The objective of an Index CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying index (whether up or down), without actually needing to buy or sell the underlying index or its constituents.
- The exposure is leveraged since the CFD only requires a proportion of the notional value of the contract to be paid up front as initial margin and is one of the key features of trading CFDs.
- SFA's Index CFDs allow an investor to use leverage to control larger positions with a small deposit; to gain exposure to indices across a wide range of global markets and sectors; to use CFDs to hedge or diversify their current investment portfolio and to trade on falling markets (going short) as well as rising markets.
- The risk tolerance noted above is a guide to the level of risk of Index CFDs compared to other products. It shows how likely that the product will cause a capital loss because of movements in the markets.
- One of the distribution conditions is that during onboarding and ongoing reviews, SFA will undertake reasonable steps and use a scoring matrix to carefully assess a client's suitability and risk tolerance level, and to determine whether the key attributes of the products are likely to be consistent with the client's likely objectives, financial situation and needs, i.e. to determine if the client is likely to sit within or outside the target market.

3.3 Commodity CFDs

Description and Key attributes:

- Commodity CFDs are contracts over the price performance of commodities such as wheat, soy beans or copper.
- Clients do not take delivery of the commodity.
- SFA's prices for Commodity CFDs are based on the price of the underlying commodity futures contract with the application of a minimum spread applied at SFA's discretion.
- The SFA price for Rolling Commodity CFDs is derived from the price of underlying futures contract, with the addition or subtraction of a fair value to account for interest and storage costs.
- The bid-offer spread can be adjusted by SFA to accommodate market liquidity.
- The Expiry of the Index and Commodity CFDs may differ to that of the Underlying Instrument over which the CFD is based.
- Commodity CFDs allow you to benefit from market movements in the Commodity markets. Open Positions are valued every day at Trading Close. Profits or losses are credited / debited to your Account each day.

Investment objectives and target market:
A client who:

- is seeking capital growth.
- wishes to gain exposure to the volatility of commodities.
- does not wish to take ownership of the physical commodities.
- does not wish to take delivery of the physical commodities.
- has limited amount of capital or who only wishes to put up a fraction of the full value of the trade – the 'margin' – to gain full exposure.
- wishes to hedge their commodity positions by going short.
- wishes to gain exposure to the global commodities markets which retail investors would otherwise find hard to access.
- wishes to diversify their portfolios through trading a wide variety of global commodities.
- wishes to use risk management tools such as Stop Loss, Trailing Stop, Limit Order, Guaranteed Stop Loss Order etc. offered by SFA to help limit potential losses without capping the profit potential.
- has a risk tolerance level of medium to high.

Why the Product is likely to be consistent with the target market:

- The objective of a Commodity CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying commodity (whether up or down), without actually needing to buy or sell the underlying physical commodity.
- The exposure is leveraged since the CFD only requires a proportion of the notional value of the contract to be paid up front as initial margin and is one of the key features of trading CFDs.
- SFA's Commodity CFDs allow an investor to use leverage to control larger positions with a small deposit; to gain exposure to a wide range of global commodities such as oils, metals and other commodity markets; to use CFDs to hedge or diversify their current investment portfolio and to trade on falling markets (going short) as well as rising markets.
- The risk tolerance noted above is a guide to the level of risk of Commodity CFDs compared to other products. It shows how likely that the product will cause a capital loss because of movements in the markets.
- One of the distribution conditions is that during onboarding and ongoing reviews, SFA will undertake reasonable steps and use a scoring matrix to carefully assess a client's suitability and risk tolerance level, and to determine whether the key attributes of the products are likely to be consistent with the client's likely objectives, financial situation and needs, i.e. to determine if the client is likely to sit within or outside the target market.

3.4 Interest Rate and Government Bond CFDs

Description and Key attributes:

- Interest Rate CFDs and Government Bond CFDs allow you to take a position to profit from a rise or fall in interest rates or the prices of bonds.
- SFA's prices for Interest Rate CFDs are based on the price of the underlying futures contract with the application of a minimum spread applied at SFA's discretion.
- The bid-offer spread can be adjusted by SFA to accommodate market liquidity.
- The Expiry of the Interest Rate CFDs may differ to that of the Underlying Instrument over which the CFD is based.
- The profit or loss on an Open Position will depend on the fluctuations of the price of the Underlying Instrument.
- No Daily Financing Fee is calculated on long or short Interest Rate or Government Bond CFD positions.

Investment objectives and target market:
A client who:

- is seeking capital growth.

- wishes to gain exposure to the price performance of Interest Rate and Government Bond.
- does not wish to take ownership of the physical bonds.
- has limited amount of capital or who only wishes to put up a fraction of the full value of the trade – the 'margin' – to gain full exposure.
- wishes to hedge their existing Government Bond holdings by going short.
- wishes to gain exposure to the global Interest Rate and Government Bond markets which retail investors would otherwise find hard to access.
- wishes to diversify their portfolios through trading a wide variety of global Interest Rate and Government Bond.
- wishes to use risk management tools such as Stop Loss, Trailing Stop, Limit Order, Guaranteed Stop Loss Order etc. offered by SFA to help limit potential losses without capping the profit potential.
- has a risk tolerance level of low to medium.

Why the Product is likely to be consistent with the target market:

- The objective of an Interest Rate or a Government Bond CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying interest rate or bond (whether up or down), without actually needing to buy or sell in the underlying market.
- The exposure is leveraged since the CFD only requires a proportion of the notional value of the CFD to be paid up front as initial margin and is one of the key features of trading CFDs.
- SFA's Interest Rate and Government Bond CFDs allow an investor to use leverage to control larger positions with a small deposit; to gain exposure to a diverse range of global Interest Rate and Government Bond; to use CFDs to hedge or diversify their current investment portfolio; to trade on falling markets (going short) as well as rising markets and to also trade opportunities over shorter time periods.
- The risk tolerance noted above is a guide to the level of risk of Interest Rate and Government Bond CFDs compared to other products. It shows how likely that the product will cause a capital loss because of movements in the markets.
- One of the distribution conditions is that during onboarding and ongoing reviews, SFA will undertake reasonable steps and use a scoring matrix to carefully assess a client's suitability and risk tolerance level, and to determine whether the key attributes of the products are likely to be consistent with the client's likely objectives, financial situation and needs, i.e. to determine if the client is likely to sit within or outside the target market.

3.5 Cryptocurrency CFDs

Description and Key attributes:

- Cryptocurrency CFDs allow you to receive most of the economic benefits of owning the underlying cryptocurrency without having to actually own the cryptocurrency.
- SFA's prices for Cryptocurrency CFDs are based upon the combination of prices from underlying exchanges with the application of a minimum spread applied at SFA's discretion.
- The bid-offer spread can be adjusted by SFA to accommodate market liquidity.
- The profit or loss on an Open Position will depend on the fluctuations of the price of the Underlying Instrument.
- Open Positions are revalued constantly, and profits or losses are credited / debited to your Account only on closed positions.

Investment objectives and target market:
A client who:

- is seeking capital growth.
- wishes to gain exposure to the volatility of cryptocurrencies.
- wishes to avoid managing the digital wallets and does not wish to take ownership of the cryptocurrencies.
- has limited amount of capital or who only wishes to put up a fraction of the full value of the trade – the 'margin' – to gain full exposure.
- wishes to hedge their existing cryptocurrency positions by going short.
- wishes to gain exposure to the global cryptocurrencies markets which retail investors would otherwise find hard to access.
- wishes to diversify their portfolios through trading a wide variety of global cryptocurrencies.
- wishes to use risk management tools such as Stop Loss, Trailing Stop, Limit Order, Guaranteed Stop Loss Order etc. offered by SFA to help limit potential losses without capping the profit potential.
- has a risk tolerance level of high.

Why the Product is likely to be consistent with the target market:

- The objective of a Cryptocurrency CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying cryptocurrency (whether up or down), without actually needing to buy or sell underlying cryptocurrency.
- The exposure is leveraged since the CFD only requires a proportion of the notional value of the CFD to be paid up front as initial margin and is one of the key features of trading.
- SFA's Cryptocurrency CFDs allow an investor to use leverage to control larger positions with a small deposit; to gain exposure to a diverse range of cryptocurrencies; to use CFDs to hedge or diversify their current investment portfolio; to trade on falling markets (going short) as well as rising markets and to also trade opportunities over shorter time periods.
- The risk tolerance noted above is a guide to the level of risk of Cryptocurrency CFDs compared to other products. It shows how likely that the product will cause a capital loss because of movements in the markets.
- One of the distribution conditions is that during onboarding and ongoing reviews, SFA will undertake reasonable steps and use a scoring matrix to carefully assess a client's suitability and risk tolerance level, and to determine whether the key attributes of the products are likely to be consistent with the client's likely objectives, financial situation and needs, i.e. to determine if the client is likely to sit within or outside the target market.

3.6 FX CFDs

Description and Key attributes:

- A FX CFD is a rolling spot foreign exchange contract you and SFA in relation to an agreed currency pair.
- SFA's prices for FX CFDs are based on the price of the underlying currency pair and the application of our spreads. Our prices are derived from the best bids/offers from a number of bank and institutional feeds. SFA shows a fixed or variable spread based on these feeds. SFA reserves the right to adjust the spread with changes in liquidity and volatility in the underlying currency pair.
- Your FX CFD may be rolled until you decide to close out the Trade or it reaches Expiry, provided that you continue to meet your Margin Requirements and maintain the required Account balance.

Investment objectives and target market:
A client who:

- is seeking capital growth.

- wishes to gain exposure to the volatility of forex market.
- does not wish to take ownership of the physical currencies.
- has limited amount of capital or who only wishes to put up a fraction of the full value of the trade – the 'margin' – to gain full exposure.
- wishes to hedge their existing forex exposure and/or currency holdings by going short or trading pairs.
- wishes to diversify their portfolios through trading a wide range of forex pairs.
- wishes to use risk management tools such as Stop Loss, Trailing Stop, Limit Order, Guaranteed Stop Loss Order etc. offered by SFA to help limit potential losses without capping the profit potential.
- has a risk tolerance level of medium to high.

Why the Product is likely to be consistent with the target market:

- The objective of a FX CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying FX pair (whether up or down), without actually needing to buy or sell the underlying FX pair.
- The exposure is leveraged since the CFD only requires a proportion of the notional value of the contract to be paid up front as initial margin and is one of the key features of trading CFDs.
- SFA's FX CFDs allow an investor to use leverage to control larger positions with a small deposit; to gain exposure to a wide range of global FX pairs; to use CFDs to hedge or diversify their current investment portfolio and to trade on falling markets (going short) as well as rising markets.
- The risk tolerance noted above is a guide to the level of risk of FX CFDs compared to other products. It shows how likely that the product will cause a capital loss because of movements in the markets.
- One of the distribution conditions is that during onboarding and ongoing reviews, SFA will undertake reasonable steps and use a scoring matrix to carefully assess a client's suitability and risk tolerance level, and to determine whether the key attributes of the products are likely to be consistent with the client's likely objectives, financial situation and needs, i.e. to determine if the client is likely to sit within or outside the target market.

3.7 Option CFDs

Description and Key attributes:

- Option CFDs allow you to take a position to profit from a rise or fall in the price of an Underlying Instrument which is an option contract.
- SFA offers Option CFDs over a variety of Underlying Options. Option CFDs are available over both Call Options and Put Options, and with a range of Strike Prices and time frames (Expiries)
- You can close and open positions up to a specified time before Expiry by selling or buying at Our Price.
- At Expiry, open Option CFD positions will be settled at the Settlement Price (calculated by SFA by reference to the official settlement price of the option contract which is the Underlying Instrument).
- The profit or loss on an Open Position will depend on the fluctuations of the price of the Underlying Instrument.
- The Market Information in the trading platform provide full contract specifications.

Investment objectives and target market:
A client who:

- is seeking capital growth.
- wishes to get exposure to volatility of indices, commodities, forex and shares through options.
- does not wish to take ownership of the underlying instruments.
- has limited amount of capital or who only wishes to put up a fraction of the full value of the trade – the 'margin' – to gain full exposure.
- wishes to hedge their existing positions by going short.
- wishes to diversify their portfolios through trading options on a wide range of markets.
- has sound understanding of traditional Option's features and components.
- wishes to use risk management tools such as Stop Loss, Trailing Stop, Limit Order, Guaranteed Stop Loss Order etc. offered by SFA to help limit potential losses without capping the profit potential.
- has a risk tolerance level of medium to high.

Why the Product is likely to be consistent with the target market:

- There are three potential objectives when trading a CFD on an option: (1) to hedge a particular risk; (2) to protect against potential losses as part of a wider portfolio; or (3) to speculate on a particular underlying asset. CFDs on options can allow an investor to gain leveraged exposure to the movement in the value of an option (whether up or down), without actually needing to buy or sell the underlying option or the asset underlying the option.
- The exposure is leveraged since the CFD requires a proportion of the notional value of the contract to be paid up front as initial margin and is one of the key features of trading CFDs.
- SFA's Option CFDs allow an investor to use leverage to control larger positions with a small deposit; to gain exposure to a wide range of global markets; to use CFDs to hedge or diversify their current investment portfolio, to trade on falling markets (going short) as well as rising markets and to trade on volatility rather than the direction of a market.
- The risk tolerance noted above is a guide to the level of risk of Option CFDs compared to other products. It shows how likely that the product will cause a capital loss because of movements in the markets.
- One of the distribution conditions is that during onboarding and ongoing reviews, SFA will undertake reasonable steps and use a scoring matrix to carefully assess a client's suitability and risk tolerance level, and to determine whether the key attributes of the products are likely to be consistent with the client's likely objectives, financial situation and needs, i.e. to determine if the client is likely to sit within or outside the target market.

3.8 Knockout Options

Description and Key attributes:

- A Knockout Option is a limited-risk way to trade FX, Indices and Commodities, where the price moves one-for-one with the underlying City Index price.
- There are two types of Knockout Option – KO UP and KO DOWN. KO UP: If you think the price of the underlying market will rise you would buy a KO UP. KO DOWN: If you think the price of the underlying market will fall you would buy a KO DOWN
- Flexibility: By selecting a Knockout Level when you place the trade, you determine the maximum risk on the trade.
- Protection: The Knockout Level you choose on your trade is guaranteed, which ensures that your position is closed automatically at 0 if the underlying market reaches the Knockout Level. This means you always know your maximum risk when you place a trade.
- Transparent: The Knockout Option price is displayed at the time you place the trade – there are no hidden fees or costs.
- Expiry: Knockout Options have an expiry. The expiry month is stated in the name of the market e.g.

USD/JPY 2020/11 KO UP (this indicates the Knockout Option expires on the last trading day of November 2020).

Investment objectives and target market:
A client who:

- wishes to get exposure to volatility of FX, Indices and Commodities.
- does not wish to take ownership of the underlying instruments.
- has limited amount of capital or who only wishes to put up a fraction of the full value of the trade – the 'margin' – to gain full exposure.
- wishes to trade with fixed maximum risk.
- has a risk tolerance level of low.

Why the Product is likely to be consistent with the target market:

- Knockout Options are options trades with a unique feature whereby the price moves one-for-one with the underlying City Index price.
- Knockout Options offer an investor with greater flexibility and control when choosing their margin, maximum risk tolerance and Knockout Level. If the price reaches the Knockout Level, their trade is guaranteed to close at that price, making it a limited risk trade and losses will not exceed margin.
- SFA's Knockout Options allow an investor to decide their margin and risk by choosing their Knockout Level and trade size; to gain exposure to a wide range of global markets; to trade with fixed Maximum Risk with no slippage and to trade on falling markets (going short) as well as rising markets.
- The risk tolerance noted above is a guide to the level of risk of Knockout Options compared to other products. It shows how likely that the product will cause a capital loss because of movements in the markets.
- One of the distribution conditions is that during onboarding and ongoing reviews, SFA will undertake reasonable steps and use a scoring matrix to carefully assess a client's suitability and risk tolerance level, and to determine whether the key attributes of the products are likely to be consistent with the client's likely objectives, financial situation and needs, i.e. to determine if the client is likely to sit within or outside the target market.

4. Product Distribution Conditions and Restrictions

4.1 General

SFA is both the issuer of CFD products and the distributor of those products. The products are distributed via online trading platforms under SFAs City Index brand.

When the products are distributed to clients, no personal advice is provided. SFA only provides general advice in relation to the products issued and distributed. The platforms offered by City Index require clients to make their own decisions regarding the products to purchase and which underlying asset classes to invest in with CFDs.

The advisers and client management staff of SFA will not offer suggestions to clients of trades to place. Only general advice will be provided regarding the features of the product. However, if it is clear to SFA staff that the product will not meet the financial situation, objectives and needs of the Client, then the staff will advise the client accordingly.

In certain circumstances clients may have onboarded to City Index through a third-party introducing broker (IB). The IB has been made aware of the target market for SFAs products as detailed in this TMD. The IB will review the clients prior to introducing them to the products offered by SFA under the City Index brand. Any client deemed to be outside the target market, for whom SFA's products are deemed unsuitable, will not be allowed to open an account with City Index. SFA will perform ongoing due diligence with a view to taking reasonable steps to ensure the IB only onboards clients which are likely to be within the target market. Once a client has opened a City Index account via an IB, the IB will not place any trades on behalf of the client and is only permitted to provide general financial product advice should any ongoing relationship between the IB and the client exist.

The products offered by SFA are only suitable to those clients that have opened an online trading account in accordance with SFAs account opening policy, and have met the conditions of that policy The manner in which SFAs products are distributed, via online trading platforms, are appropriate for the target market as only clients which are assessed as reasonably likely to be within that target market will be allowed to open online accounts. As noted above, only those who meet the requirements for trading CFDs will be permitted to trade with SFA and any clients who are deemed unsuitable, as detailed in section 5 below, will not be allowed to open an account. Furthermore, SFA will take reasonable steps to ensure that products issued are to clients within the target market.

4.2 Consumers unsuitable for SFAs products

The products issued and distributed by SFA may not be suitable for certain consumers and as such, these consumers will specifically not be considered part of SFAs target market for the CFDs offered under its City Index brand.

Those consumers deemed unsuitable for SFAs products may include:

- Individuals under the age of 18;
- Individuals over the age of 80 (note: existing clients over 80 will be periodically reviewed to ensure the products offered meet their financial situation, objectives and needs);
- Individuals with a lack of technological knowledge to use the online trading platforms on which the products are issued and distributed;
- Vulnerable clients;
- Individuals that are unemployed;
- Individuals with a very low risk-appetite for trading their funds; and
- Individuals with no knowledge of financial markets or any experience in trading financial market products.

A vulnerable client is one that is unable to make reasoned investment decisions for reasons including, but not limited to, gambling addiction, health issues (both mental and physical) or those experiencing specific life events such as job loss or the death of a family member.

5. Reviewing this TMD

This TMD will be reviewed periodically, being every quarter. The next review will occur in July 2022 (if not earlier). Subsequent reviews will be undertaken on a [quarterly/annual] basis. The reviews will ensure that this TMD remains relevant and that the

target market for the products issued and distributed by SFA has not changed from that detailed within this TMD.

This TMD will also be reviewed should any one or more of the following "Review Triggers" occur:

- SFA receives more than 10 complaints regarding a specific asset class of CFD within one month;
- There is a material change in law or regulation affecting CFDs;
- SFA becomes aware of information that requires the TMD to be changed or makes the TMD no longer relevant;
- More than 80% of clients onboarded within one month lost all of their deposited funds;
- More than 20% of clients onboarded within one month are identified as being outside the target market.

Should a Review Trigger occur, SFA and those that distribute SFA products, will cease to issue and distribute the product until both the TMD and the product have been reviewed.

Upon completion of the review, and in any event within no later than 10 business days, one of three possible outcomes will be identified as follows:

1. No change is required to the way the product is distributed,
2. Changes will be required to the product design, target market or the way in which the product is distributed, and
3. The product will cease being distributed.

Should any changes be made to this TMD following the completion of a review, then the updated TMD will be published on the City Index website and all clients advised that an updated TMD is now available, free of charge.

6. Record keeping and reporting

Distributor reporting

Any distributor of SFAs products must adhere to the following reporting obligations:

(i) On a monthly basis the distributor must provide SFA with details of all complaints received about the products issued by SFA.
(ii) Immediately notify SFA of any significant dealings, as described below.
(iii) On a monthly basis advise SFA if any clients were onboarded that were subsequently identified as being outside of the target market.
(iv) Notify SFA as soon as reasonably possible if the distributor intends to use new channels of distribution for SFAs products or distribute the products to a new client base.

Significant dealings

Should any significant dealings occur in the financial products offered by SFA, SFA is required to notify ASIC in writing the details of that dealing with 10 business days.

A significant dealing includes any transaction that has any or all of the following factors:

- The trade size is ostensibly inconsistent with the clients stated net worth.
- The transaction requires in excess of $1million margin to open the trade.
- A particular product has been issued to clients outside of the target market for more than one month.
- Clients identified as being outside of the target market have lost all of their deposited funds.

Record keeping

SFA will keep all records relating to this TMD, including reviews and the reason for any decision made regarding the TMD, for a period of seven years.

SFA will collect and retain the following information in relations to the products issued:

- The number of complaints received.
- Records of the steps taken to ensure consistency with this TMD.
- All reports made to SFA by distributors of its products as required by this TMD
- All records relating to review triggers.
- All decisions made in relation to this TMD and the review periods contained within.