



# Target Market Determination

## Contracts for Difference

Issuer:	eToro AUS Capital Limited ACN 612 791 803, AFSL 491139
Product:	Contracts for Difference ("CFD")
Date of TMD:	5 October 2021

### 1. About this document

This document is a target market determination ("**TMD**") for the purposes of section 994B of the Corporations Act 2001 (Cth) ("**Corporations Act**") in respect of CFDs issued by eToro Aus Capital Ltd ACN 612 791 803 AFSL 491139 ("**eToro**"). This document applies to retail clients only ("**Clients**"). This document is not a product disclosure statement ("**PDS**") and Clients should read the relevant PDS to ensure they fully understand the risks involved, and consider seeking independent advice before deciding to invest in this Product.

This TMD is to assist staff of eToro and distributors in understanding the class of Clients for which this product i.e. CFDs have been designed, having regard to the objectives, financial situation and needs of the target market. This document is not a client disclosure document and is not intended to provide financial product advice.

### 2. About CFDs

CFDs are leveraged derivative products which enable Clients to indirectly benefit from the price movement of a range of underlying financial assets such as foreign exchange currency pairs, indices, cryptocurrencies, shares and commodities ("**Underlying Instruments**").

A CFD is an agreement to exchange the difference in the value of an Underlying Instrument from the time the contract is opened until the time at which it is closed.

CFDs enable Clients to take a trading position with an exposure to a particular Underlying Instrument without needing to buy or sell the actual full value of the Underlying Instrument. CFDs involve the significant risks, including the risk of loss as well as a potential for profit.

CFD trading is typically only suitable for investors who have sufficient experience and understanding of the product.

### 3. Target market for CFDs

Given the diverse nature of CFDs, we consider that the target market for CFDs is a Client that falls within one (or more) of the below categories, noting there may also be some overlap between categories:

- **Medium to High Risk Tolerance Traders** – Clients seeking to make a profit via speculation.
- **Risk Mitigation Investors** – Clients seeking to hedge potential risks from other investments in or exposures to Instruments.

- **Experienced Investors** – Clients who understand the risks of CFDs and the underlying investments upon which they are derived.
- **Clients with prior trading experience** - Clients with prior experience in financial markets and experience in trading leveraged financial products and who pass eToro’s Trading Knowledge Assessment.
- **Appropriateness test** - Clients who pass the eToro Appropriateness test.

#### 4. Likely objectives, financial situation and needs of Clients in target market

Overall, CFD trading suits clients with a medium to high risk tolerance, or those seeking to mitigate risks (by employing hedging via CFD trading):

##### Objectives:

- Clients seeking to use their assets to support leverage in order to seek higher returns with corresponding higher risk.
- Clients seeking to hedge potential future losses from investments in other financial products.
- Clients seeking to grow capital over the short to medium term, whilst accepting the risks associated with short term trading.

##### Financial situation:

- Clients that can afford to lose some or all of their capital when trading CFDs in isolation or when copying (or following) others.
- Clients must be able to withstand losses from trading without causing distress or material impact to their living standards.

##### Needs:

- Clients who require or desire a higher return than that available from risk-free investments while accepting the returns are not guaranteed.

#### 5. Why Trading CFDs is likely to be consistent with the likely objectives, financial situation and needs of the target market

eToro expects that trading in CFDs will likely be consistent with the likely objectives, financial situation and needs of **Medium to High Risk Tolerance Investors** because, through trading on leverage, CFDs offer the potential for enhanced returns, and this class of Clients should be able to bear any potential losses without material hardship.

eToro also expects that trading in CFDs will likely be consistent with the likely objectives, financial situation and needs of **Risk Mitigation Investors** because these products offer the ability to economically protect any previous profits from exposure to an Instrument and/or protect against future losses. For example, by taking a short position in CFDs over an Instrument, a Client can attempt to make a profit from any downtrend to offset any loss from a Client’s existing long exposure to the same Instrument.

## 5.1 Excluded classes of Clients

Many categories of Clients will be outside the target market for CFDs. Likely categories of such Clients may include certain of the following criteria:

1. any person under 18 years of age;
2. Clients who didn't pass the eToro Appropriateness test;
3. Clients who do not have sufficient relevant experience in trading;
4. Clients whose purpose for investing is to save for a home residence or for future planning;
5. Clients who have a low risk tolerance;
6. Clients who cannot afford to lose the amount of money deposited without a material impact on their standard of living;
7. Clients who do not understand the risks of trading in CFDs; or
8. Clients who require capital preservation.

## 5.2 Clients for which CFD trading may not be suitable

The eToro trading platform is known for its social trading network, which allows users to interact, access financial education materials and make the financial markets more accessible. eToro provides Clients with the ability to interact with, follow and copy other traders. This includes CFDs.

eToro recognises that trading CFDs is **not suitable for everyone**. CFDs are considered risky financial products, whether traded as part of eToro's social trading network or in isolation. eToro does not want to preclude Clients from trading CFDs where they fit into its target market (as set out above).

The categories of Clients that eToro considers CFDs may not be suitable for includes:

1. Clients who cannot afford to lose the amount of money deposited without a material impact on their standard of living;
2. Clients who have borrowed money to transact;
3. Clients who do not understand the risks of trading in CFDs;
4. Clients who require capital preservation;
5. Clients that have indicated to eToro that they may not be of sound mind or judgement, or are suffering from an addiction or impairment that could prevent their clear comprehension of the risks associated with trading.

This list is not exhaustive and may change from time to time. Even though eToro is currently unable to detect if a Client falls into one (or more) of these categories, CFDs are likely unsuitable for that type of person and they should seek independent financial advice before transacting in CFDs.

## 6. How this product is to be distributed

eToro generally both issues and distributes the financial products and services it offers.

Any distribution of CFDs by eToro directly to Clients will be in accordance with procedures eToro determines are reasonably likely to ensure that CFDs are only issued to Clients who are reasonably likely to be within the target market.

Third party distribution of CFDs issued by eToro must only occur in accordance with the client suitability and understanding procedures specified by eToro. No third party distributor is permitted to distribute CFDs issued by eToro to Clients unless eToro considers on reasonable grounds that each relevant Client is likely to be within the target market.

eToro selects its distribution criteria depending on the medium used. The criteria selected for each medium allows eToro to demonstrate that the audience targeted has, or is highly likely to have, an interest in and/or prior experience trading on financial markets

### 6.1 Promotion and distribution channels

This product is designed to be promoted or distributed through the following means:

**1. Intermediaries**

Including introducing brokers and referrers who have engaged with eToro and are promoting our products and services.

**2. Online Sales**

Products promoted through websites, online financial channels and appropriate social media;

**3. Print Media**

Products promoted through print media such as magazines, newspapers, radio, television, various kinds of software and the Internet;

**4. Public Relations**

Products or services promoted via PR channel providing content or running targeted events; and

### 6.2 Distribution conditions

Distribution and promotion of CFDs can only take place where the distribution criteria have been overlaid to be reasonably likely to only reach Clients in the target market.

In any event, CFDs should only be distributed to a Client where they meet the eligibility requirements determined by eToro and the Client is reasonably likely to fall within the target market.

### 6.3 Adequacy of distribution conditions and restrictions

eToro has internal processes in place to assess the eligibility criteria of clients from different distribution channels. The distribution criteria ensure that only clients who fall within the target market of this TMD can access the financial products and services offered. Distribution conditions are reviewed regularly to ensure their adequacy.

## 7. Reviewing this target market determination

We will review this target market determination in accordance with the below:

<b>Initial review</b>	Within the 12 months of the effective date.
<b>Periodic reviews</b>	At least each year from the initial review.
<b>Review triggers or events</b>	<p>The review triggers that may suggest that the TMD is no longer appropriate, such that a review of the TMD should be undertaken, include:</p> <ul style="list-style-type: none"><li>● eToro becomes aware of a significant issuance of CFDs to Clients outside the target market;</li><li>● Material changes to the CFD product as a result of new or amended functionality, whereby the key attributes of CFDs are no longer consistent with the likely objectives, financial situation and needs of Clients in the target market;</li><li>● material changes to the business of eToro;</li><li>● material changes to law or regulation affecting CFDs;</li><li>● eToro becomes aware of a significant volume of complaints from Clients using CFDs;</li><li>● eToro becomes aware of significant losses by Clients trading CFDs where it has caused a distress or material impact to their standards of living;</li><li>● eToro becomes aware of an occurrence of a significant dealing outside the target market; or</li><li>● any other event or circumstance that would materially change a factor taken into account in making this TMD for CFDs.</li></ul>

Where a review trigger has occurred, this target market determination will be reviewed within 10 business days.

## 8. Reporting and monitoring this target market determination

The following information must be provided to eToro by distributors who engage in retail product distribution conduct in relation to CFDs

<b>Complaints</b>	Distributors will report all complaints in relation to the product(s) covered by this TMD on a <i>quarterly</i> basis. This includes the number and substance of complaints, including all details about the complaint, excluding personally identifiable information.
<b>Significant dealings</b>	Distributors will report if they become aware of a significant dealing in relation to this TMD within 10 business days. This includes the date or date range of the significant dealing(s) and a description of the significant dealing (e.g. why it is not consistent with the TMD). Whether or not a dealing is significant is a matter to be determined in the circumstances of each case.