



# Target Market Determination

## CopyTrade

Issuer:	eToro AUS Capital Limited ACN 612 791 803, AFSL 491139
Product:	CopyTrade
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 CopyTrade™ issued by eToro Aus Capital Ltd ACN 612 791 803 AFSL 491139 ("eToro"). This document applies to retail clients only ("**Clients**"). This TMD should be read in conjunction with the TMD eToro has prepared for Contracts for Difference (CFDs). 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. financial products held within a CopyTrade (including CFDs) has 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 CopyTrade

CopyTrade enables Clients (a "**Copy Investor**") to copy or follow another client's portfolio (a "**Lead Investor**") i.e. "copying" each and every move (buy and sell) they make in real time. This means that the eToro trading platform facilitates the copying of trades, without the Client (Copy Investor) having to manually perform each individual trade. A full description of the service is shown here: <https://www.etoro.com/copytrader/how-it-works/>

Trades which Clients may copy may be CFD trades or trades in shares, meaning that clients should familiarise themselves with trading in those investments, including the relevant PDS, before engaging in any CopyTrading.

### 3. Target market for CopyTrade

Given the diverse nature of CopyTrade and different strategies that may be associated with copying other traders, we consider that the target market for CopyTrade is a Client that falls within one (or more) of the below categories, noting there may also be some overlap between categories:

- **Experienced Investors** – Only Clients who understand the risks of CopyTrade and the underlying investments should invest via CopyTrade.
- **Clients with medium to high risk tolerances** – Clients can follow (or copy) a Lead Investor(s) that matches their own risk appetite, be it aggressive or conservative, trading via CopyTrade generally medium to high risk.

- **Time Poor Investors** – Clients that lack the time or inclination to use traditional methods of online trading i.e. manually following other clients, calculating the details for their own orders and then placing the orders to follow the transactions of the client being followed.
- **Clients with good investment knowledge** - This includes Clients who have relevant industry experience, an academic degree in a financial related field, or have attended suitable trading courses.
- **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, CopyTrade suits the following Client characteristics:

##### Objectives:

- Clients seeking to use social trading to try better their circumstances i.e. those seeking to use “crowd-wisdom” to generate returns; or
- Clients seeking to grow capital over the short to long term, whilst accepting the risks associated with short term trading.

##### Financial situation:

- Clients who have disposable income or capital to invest. There is a risk of Clients losing some or all of their capital when copying (or following) others (Lead Investors).
- 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 CopyTrading is likely to be consistent with the likely objectives, financial situation and needs of the target market

There are many reasons why Clients may use CopyTrade offered by eToro. Some of these include the following (and for many Clients more than one of the following will apply):

1. Social trading - Clients seeking to benefit from other people's perspectives, and share their own i.e. Clients seek community-based tools in order to give them additional information needed for making investment and trading decisions.
2. Time saving - Clients that lack the time to commit to full-time investing and wish to leverage off experience of others.

3. Diversification – Clients seeking to diversify their investments and allocate a percentage of their available capital to following other investors.
4. Trading strategy – Clients who wish to follow the overall trading or investment strategy of a Lead Investor.

## 5.1 Excluded classes of Clients

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

1. any person under 18 years of age;
2. Clients who do not have sufficient relevant experience in trading;
3. Clients whose purpose for investing is not appropriate to the CopyTrade service;
4. Clients who have a low risk tolerance; or
5. Clients who have not passed eToro's Client Qualification testing criteria.

## 5.2 Clients for which CopyTrade may not be suitable

eToro recognises that social trading including CopyTrade is **not suitable for everyone**. At the same time, eToro does not want to preclude Clients from using CopyTrade where they fit into its target market (as set out above).

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

1. Clients who do not like aspects of social trading nor want to include leveraged products (such as CFDs) in their portfolio;
2. Clients who cannot afford to lose the amount of money deposited without a material impact on their standard of living;
3. Clients who have borrowed money to transact;
4. Clients who do not understand the risks of trading in CFDs;
5. Clients who require capital preservation;
6. Clients who have a low risk tolerance; or
7. Clients that have indicated to eToro that they may not be of sound mind or judgement or that they are suffering from an addiction or impairment that could prevent their clear comprehension of the risks associated with trading.

## **6. How this product is to be distributed**

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

Any person wanting to use the financial services and financial products offered by eToro must be a direct Client. Although eToro may market or promote its financial products through distributors, ultimately the issuer is eToro and any prospective Client must satisfy eToro's suitability criteria before that Client will be permitted to access CopyTrade.

### **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 CopyTrade 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, CopyTrade 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 CopyTrade to Clients outside the target market;</li><li>• Material changes to CopyTrade as a result of new or amended functionality, whereby the key attributes 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 CopyTrade;</li><li>• eToro becomes aware of a significant volume of complaints from Clients using CopyTrade;</li><li>• eToro becomes aware of significant losses by Clients using CopyTrade 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; or</li><li>• any other event or circumstance that would materially change a factor taken into account in making this TMD for CopyTrade.</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 CopyTrade

<b>Complaints</b>	Distributors will report all complaints in relation to the product(s) covered by this TMD on a <u>quarterly</u> basis. This includes the number and substance of complaints, including all details about the complaint, excluding personally identifiable information.
-------------------	--

**Significant  
dealings**

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.