

# prospero



## Target Market Determination

Over the Counter Contracts for Difference

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## SECTION A – ABOUT THIS TARGET MARKET DETERMINATION

### 1. INTRODUCTION

- 1.1 Prospero Markets Pty Ltd (“**Prospero Markets**”, “**we**”, “**us**” or “**our**”) operates as a brokerage for over the counter (“**OTC**”) derivatives, being Contracts for Difference (“**CFDs**”), under its Australian Financial Services Licence (Number: 423034). Prospero Markets is an issuer and distributor of the OTC derivatives, meaning that Prospero Markets is a counterparty to all trades it conducts with its clients. Accordingly, we must comply with the Design and Distribution Obligations set out in Part 7.8A of the *Corporations Act 2001*.
- 1.2 This Target Market Determination is issued by Prospero Markets in respect of our offering of financial services in relation to CFDs only.
- 1.3 Prospero Markets is committed to creating and maintaining a client-centric approach to the design and distribution of its financial products, including CFDs.
- 1.4 This Target Market Determination applies to retail clients only (“**Retail Clients**”) and does not apply to wholesale clients as defined by section 761G and 761GA of the *Corporations Act 2001*.
- 1.5 This Target Market Determination does not contain all the information that a Retail Client may require prior to making a decision to acquire or continue to hold a financial product. This document does not provide financial product advice, does not take into account any particular Retail Client’s objectives, financial situation or needs, and does not contain a full summary of the financial product’s features, applicable fees, benefits or risks. You should refer to the relevant [Product Disclosure Statement \(“PDS”\)](#) and consider seeking independent advice before deciding whether to acquire or continue to hold a financial product.
- 1.6 You should also review the other documents relating to CFDs, including but not limited to the following:
  - [Financial Services Guide](#);
  - [Terms and Conditions](#).

### 2. FINANCIAL PRODUCTS ISSUED BY US

- 2.1 Prospero Markets offers the following types of CFDs:

- 2.1.1 Margin FX Contracts;
  - 2.1.2 Commodity CFDs;
  - 2.1.3 Equity CFDs; and
  - 2.1.4 Index CFDs.
- 2.2 Prospero Markets offers CFDs via the MetaTrader 4 trading platform.

## SECTION B –TARGET MARKET

### 3. PRODUCT DESCRIPTION AND KEY ATTRIBUTES

- 3.1 CFDs are complex and leveraged financial products, which are traded over the counter instead of through a regulated market. CFDs are agreements to exchange the difference in the value of a particular underlying asset. This allows a Retail Client to speculate on rising or falling prices of an underlying instrument without owning or having any interest or right in the underlying instrument or having the ability to trade it on an exchange by entering into a CFD.
- 3.2 Retail Clients who trade in CFDs may do so for a variety of reasons. The four main reasons why Retail Clients may trade CFDs are:
- 3.2.1 to speculate on the prices of the underlying instruments with a view to making a profit based on whether the price will rise or fall. For example, some traders may be short-term investors who are looking to profit from intra-day and overnight market movements in the underlying instrument. These traders may have no need to sell or purchase the underlying instrument themselves but may instead be looking to profit from market movements in the instrument concerned;
  - 3.2.2 to gain exposure to one or more of the underlying instruments without owning the underlying instruments themselves (e.g. a share, currency pair or commodity);
  - 3.2.3 to gain exposure to price movements in the underlying instruments with leverage, meaning that Retail Clients need only outlay a small amount (in the form of initial margin) to secure an exposure to the underlying instrument; and/or

3.2.4 to use as a risk management tool to hedge against their exposures in the underlying instruments (e.g. acquiring a share CFD in respect of a share to which the Retail Client is already exposed).

3.3 Please see below table setting out some of the key attributes of CFDs which should be taken into consideration:

<b>Highly complex and high levels of risk exposure</b>	CFDs are highly complex and carry a high level of risk. Retail Clients could sustain a total loss of the amount deposited with us. Under certain market conditions, the prices of CFDs may not maintain their usual relationship with the market of the underlying instrument. There is no clearing house for the CFDs offered by us and the performance of a CFD is not guaranteed by an exchange or clearing house.
<b>Liquidity</b>	Liquidity risk typically occurs in volatile markets or in circumstances where there is a major news announcement. When there is a lack of liquidity in the underlying instrument, you may not be able to enter or exit a CFD at the requested price or have the whole of a position filled or at the requested price.
<b>Leverage &amp; Margin</b>	<p>Please note that all of the CFDs we offer are leveraged. Please see below list of leverage caps that are applicable to each type of underlying instrument:</p> <ul style="list-style-type: none"> <li>• 30:1 for a CFD referencing an exchange rate for a major currency pair;</li> <li>• 20:1 for a CFD referencing an exchange rate for a minor currency pair, gold or a major stock market index;</li> <li>• 10:1 for a CFD referencing a commodity (other than gold) or a minor stock market index;</li> <li>• 2:1 for a CFD referencing crypto-assets; and</li> <li>• 5:1 for a Product referencing shares or other assets.</li> </ul> <p>This means that a slight price fluctuation in the underlying instrument to which a CFD is referable can result in proportionately much larger movements in the value of your investment leading to significant losses as well as gains.</p> <p>You could be required to provide further funds to sustain your open contracts. The prices of the CFDs may be volatile and fluctuate rapidly over wide ranges. The leveraged nature of CFDs means that your margin requirements may change rapidly.</p>
<b>No delivery of the underlying instrument</b>	CFDs do not allow ownership, rights or interest in the underlying instrument.
<b>Volatility and</b>	The prices of CFDs are derived from the prices of the underlying

<p><b>market risk</b></p>	<p>instruments in their respective markets. Where certain market conditions cause the value of the underlying instruments to fluctuate, this will also be reflected in the price of CFDs. For example, "gapping" may occur where market prices or rates do not follow a continuous path due to external factors and Retail Clients may therefore be unable to open or close out positions at the desired price (however, negative balance protection is provided to Retail Clients meaning that losses will be limited to the amount that has been deposited with us).</p> <p>The market for CFDs can also be particularly volatile and the price of these products may not maintain the usual relationship with the underlying instruments. There is no guarantee or assurance that you will make profits, or not make losses, or that unrealised profits or losses will remain unchanged.</p>
<p><b>No cooling off period</b></p>	<p>There are no cooling-off arrangements for our CFDs. This means that when we execute your order, you do not have the right to return the CFD, nor request a refund of the money paid to acquire the CFD.</p>
<p><b>Counterparty Risk</b></p>	<p>As the market maker (i.e. the issuer of CFDs subject of this document), we are the counterparty to each CFD transaction that a Retail Client enters into. Retail Clients are therefore exposed to the financial and business risks, including credit risk, associated in dealing with us and are reliant on our ability to settle open positions with Retail Clients.</p>
<p><b>Auto-liquidation or close out</b></p>	<p>We may, without prior notice to you, liquidate some or all your open positions if your account balance reaches or falls below a certain level. This can generate fees and realised losses in your account.</p>
<p><b>Fees and charges</b></p>	<p>Depending on the positions held and how long they are held for, a Retail Client may incur various fees and charges. In some cases, particularly if positions are held for a long time, the sum of these fees and charges, including any Administration Fees, may exceed the amount of any profits, or they could significantly increase losses.</p>
<p><b>Trading online</b></p>	<p>Retail Clients are required to trade with us via the online trading platform provided. While the internet and the World Wide Web are generally reliable, technical problems or other conditions may delay or prevent access to the trading platform. If a Retail Client is unable to access the internet and thus, the trading platform, it will mean the Retail Client may be unable to trade in a CFD when desired and may suffer a loss as a result.</p> <p>Furthermore, in unforeseen and extreme market situations, such as an event causing market disruption or a global catastrophe, we reserve the right to suspend the operation of the trading platform or any part or sections of it.</p>

<b>Execution risks</b>	<p>There may be times where, due to an increase in volatility or volume or other market conditions, some price 'slippage' may occur. This generally occurs during significant news events or 'gapping'.</p> <p>Execution delays may occur for a number of reasons such as technical issues with your internet connection to our servers. Connection strength may vary depending on the kind of device used. Interruptions may cause a delay in the transmission of data between our servers to the trading platform.</p>
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#### 4. LIKELY OBJECTIVES, FINANCIAL SITUATION AND NEEDS

- 4.1 Prospero Markets' CFDs have been designed for Retail Clients whose likely objectives, financial situation and needs (as outlined in this document) align with the CFDs (including its key attributes).
- 4.2 Considering the key attributes of CFDs, they will generally be suitable for a Retail Client that falls within one or more of the below categories. It is important to note that it is sufficient for a Retail Client to fall within one of the below categories to be within the target market for CFDs. The common likely characteristics of the two categories of Retail Clients are:
  - 4.2.1 have knowledge and experience in CFDs; and
  - 4.2.2 have a high risk tolerance level.
- 4.3 **High Risk Tolerance Investors** are Retail Clients who have a high investment risk appetite and who are less risk adverse. These Retail Clients are those who are willing to seek enhanced returns through riskier trading strategies and are prepared, and able to, withstand losses when they arise:
  - 4.3.1 Likely objectives: speculate on the prices of the underlying instruments with a view to making a profit.
  - 4.3.2 Likely financial situation: have a relatively high and regular disposable income and/or substantial holdings of spare capital available for trading CFDs. These Retail Clients must also be able to withstand losses from trading CFDs (to the maximum of their deposits with us) without causing distress or material impact on living standards.

4.3.3 Likely needs: use disposable income and/or spare capital to generate additional income or make profits.

4.4 **Risk Mitigation Investors** are Retail Clients who generally have a lower risk appetite than High Risk Tolerance Investors and seek to protect their other investments (i.e. avoid loss incurred to their other investments) through using CFDs:

4.4.1 Likely objectives: use CFDs as a risk management tool to manage risks and exposures relating to other investments they have.

4.4.2 Likely financial situation: have existing investments or exposures which the Retail Client wishes to hedge. These Retail Clients must also have sufficient funds to trade and be able to withstand losses from trading CFDs without causing distress or material impact on living standards.

4.4.3 Likely needs: risk management.

4.5 **Market Access Investors** are retail clients who are seeking to access specific financial markets or products on a single platform which are otherwise difficult or costly to access. The advantages of trading CFDs for Market Access Investors include exposure to the underlying asset at a lower cost than buying the asset outright, ease of execution, and the ability to go long or short.

For example, to set up a futures trading account in order to gain exposure to various commodities, currencies and other securities around the globe, a retail client would usually have to pay hundreds of AUD in fixed monthly costs, including software fees, exchange data fees and account maintenance fees. This scenario would typically only be affordable to active, professional traders with large amounts of capital.

4.5.1 Likely objectives: To use CFDs as an instrument to gain exposure to specific financial markets or underlying assets that are otherwise difficult or costly to access.

4.5.2 Likely financial situation: Possess relatively small amounts of capital; have a sufficient level of prior investment experience in CFDs or related derivative financial products; interested in access to specific financial markets or products but cannot afford to maintain an account to access comparable exchange-traded products.

- 4.5.3 Likely needs: Access to specific financial markets or products for the purposes of speculative trading or hedging, including hedging exposure to underlying assets, and hedging positions taking in relation to other CFDs.

## 5. **RETAIL CLIENTS FOR WHOM CFDS ARE NOT SUITABLE**

- 5.1 CFDs will generally not be suitable for Retail Clients outside the target market. Potential categories would include Retail Clients who:

5.1.1 do not have the ability and willingness to lose the sum of their deposits;

5.1.2 are seeking capital protection or stability;

5.1.3 are seeking regular or otherwise predictable returns on their investments;

5.1.4 do not understand the risks of CFDs;

5.1.5 solely derive their income from benefits and/or borrowings;

5.1.6 have either failed to satisfy the client qualification policy;

5.1.7 have low levels of financial literacy and technological literacy;

5.1.8 have a low risk tolerance or are risk-adverse;

5.1.9 are below the age of 18;

5.1.10 reside in a country which restricts or prohibits trading in the CFDs;

5.1.11 are in financial hardship or going through bankruptcy;

5.1.12 are vulnerable, including those who are:

- (a) elderly or suffering an age-related impairment;
- (b) suffering any form of cognitive impairment;
- (c) suffering from elder or financial abuse;
- (d) unemployed or who have recently experienced job loss;



(e) suffering from mental or other forms of serious illness affecting capacity;

(f) suffering from any form of addiction; or

5.1.13 suffering from any other personal or financial circumstances causing significant detriment.

## 6. CONSISTENCY BETWEEN THE TARGET MARKET AND CFDS

6.1 Prospero Markets has formed the view that CFDs, including its key attributes, are likely to be consistent with the likely objectives, financial situation and needs of Retail Clients in the target market, because:

6.1.1 For **High Risk Tolerance Investors**, CFDs offer the potential to achieve enhanced profits and this class of Retail Clients are able to sustain loss of their deposits with us without suffering any hardship;

6.1.2 For **Risk Mitigation Investors**, CFDs offer them the ability to manage risks and protect against losses from other investments, and this class of Retail Clients are able to sustain loss of their deposits with us without suffering any hardship.

6.1.3 For **Market Access Investors**, CFDs offer a cost effective and convenient alternative to certain financial markets or products which are typically difficult or costly to access for retail clients.

## SECTION C – DISTRIBUTION

### 7. DISTRIBUTION CHANNELS

7.1 Our CFDs are distributed by:

7.1.1 Prospero Markets;

7.1.2 Prospero Markets' website, including online and physical application forms in accordance with this document;

7.1.3 Corporate Authorised Representatives and/or Authorised Representatives;

7.1.4 Introducing Brokers (they may provide either personal or general advice); and

7.1.5 referrers (they will merely provide a referral without any accompanying advice).

## 8. DISTRIBUTION CONDITIONS

8.1 Prospero Markets takes reasonable steps to ensure that Prospero Markets as well as any distributors, distribute CFDs to the Target Market.

8.2 Prospero Markets has implemented the following processes to ensure distribution is consistent with Retail Clients who are reasonably likely to fall within the Target Market:

8.2.1 Additional on-boarding processes to ensure Retail Clients whose account applications are approved are reasonably likely to fall within the Target Market, and in particular to ensure they do not fall into a category of clients for whom CFDs are not suitable (as outlined in 4.4.3 above). As part of our other obligations, we also ascertain whether a Retail Client has knowledge and experience in CFDs by requiring each Retail Client to demonstrate his/her understanding and experience by:

- (a) taking a Client Qualification Test; or
- (b) providing trading statements or training course certificates to our satisfaction.

8.2.2 distributors are required to implement appropriate training and scripts to all client facing representatives; and

8.2.3 distributors are required to confirm their compliance with *RG246 Conflicted and other banned remuneration* and the *ASIC Corporations (Product Intervention Order – Contracts for Difference) Instrument 2020/986*.

8.3 Prospero Markets will take reasonable steps to ensure its marketing strategy and the marketing strategy of distributors is targeting Retail Clients who are reasonably likely to fall within Target Market. The following processes have been implemented by Prospero Markets:

8.3.1 marketing campaigns are reviewed and approved by Prospero Markets prior to publication;

8.3.2 conducting a compliance review on a sample of phone recordings and correspondence from client facing staff; and

8.3.3 all client onboarding is conducted by Prospero Markets directly to ensure the Target Market criteria is met.

8.4 Prospero Markets’ distributors cannot release marketing materials without obtaining Prospero Markets’ prior written consent.

**9. ADEQUACY OF DISTRIBUTION CONDITIONS**

9.1 Prospero Markets has determined that the distribution conditions and restrictions will make it likely that Retail Clients who purchase CFDs are reasonably likely to be in the Target Market. We consider that the distribution conditions are appropriate and will assist distribution being directed towards the Target Market.

**SECTION D – REVIEW AND MONITORING**

**10. REVIEW**

10.1 Prospero Markets reviews this Target Market Determination in accordance with the below:

<b>Initial Review:</b>	Within one (1) year of the effective date.
<b>Periodic Reviews:</b>	Annually after the initial review.
<b>Review Triggers:</b>	<p>When any event or circumstance arises that suggests the Target Market Determination is no longer appropriate. This includes (but is not limited to):</p> <ul style="list-style-type: none"> <li>• material changes to the key attributes of CFDs;</li> <li>• the occurrence of a significant dealing including when distribution occurs outside the Target Market;</li> <li>• where the distribution conditions are found to be inadequate;</li> <li>• external events such as adverse media coverage or regulatory attention;</li> <li>• significant changes in metrics, including, but not limited to, receipt of a large volume of complaints by Prospero Markets or one of our distributors; and</li> </ul>

	<ul style="list-style-type: none"> <li>where Prospero Markets detects issues with the distribution of the Financial Product through the monitoring of daily business activities as well as the monitoring and supervision of distributors.</li> </ul>
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## 11. DISTRIBUTOR REPORTING REQUIREMENTS

11.1 Prospero Markets collects the following information from distributors in relation to this Target Market Determination:

<b>Complaints</b>	Prospero Markets' distributors report all complaints in relation to the Financial Product covered by this Target Market Determination on a quarterly basis.
<b>Significant Dealings</b>	Prospero Markets' distributors report to Prospero Markets if they become aware of a significant dealing in relation to this Target Market Determination within ten (10) business days.
<b>Feedback</b>	Prospero Markets' distributors report all Retail Client feedback (including performance of a Financial Product) in relation to the Financial Product covered by this Target Market Determination on a quarterly basis.

## SECTION E – CONCLUSION

11.2 Prospero Markets reserves the right to amend this Target Market Determination at any time.

11.3 For further information please contact Customer Services Team by:

11.3.1 Email: support@prosperomarkets.com; or

11.3.2 Phone: 1300 768 888; or

11.3.3 Prospero Markets' website: <https://www.prosperomarkets.com>

11.3.4 Post: Prospero Markets, Level 4, 990 Whitehorse Road, Box Hill, Victoria 3128.