

# Target Market Determination - CFDs



# Target Market Determination – CFDs



## TOTALITY

### TARGET MARKET DETERMINATION CONTRACTS FOR DIFFERENCE

|                          |   |
|--------------------------|---|
| <b>Issuer</b>            | Totality Wealth Limited ('Totality', 'us' or 'we') issues Contract for Differences to its retail client customers.  |
| <b>Financial Product</b> | Contracts for Difference (CFDs)   |
| <b>Introduction</b>      | <p>A Target Market Determination (<b>TMD</b>) is a document which describes who a product is likely to be appropriate for (the target market), and any conditions around how the product can be distributed to customers. It also describes the events or circumstances where we may need to review the TMD for a financial product. The design and distribution obligations set out in Part 7.8A of the <i>Corporations Act 2001</i>(Cth) apply to the issue and distribution of the said derivatives to retail clients.</p> <p>This TMD is not a Product Disclosure Statement (<b>PDS</b>) and is not a summary of all of the product features and risks. This document does not consider any person's individual objectives, financial situation or needs. Persons interested in acquiring a CFD should consider our PDS prior to entering into a CFD transaction with us.</p> |

#### Overview of CFDs issued

A CFD is a leveraged over-the-counter (**OTC**) derivative that allows a client to speculate on the change in the value of an underlying asset, e.g., shares, indices, commodities, forex, options or cryptocurrencies. A CFD does not provide a client with any ownership of, or interest in, the underlying asset.

- Totality hedges all CFDs 1:1 and may elect not to provide quotes for any CFDs at any time if, for example, Totality is unable to secure a hedge in the reference underlying market.
- Totality offers a wide range of CFDs as set out below.
- Totality issued CFD's are typically open-ended contracts which means that the contract will be kept open until the client chooses to close it (subject to the applicable margin requirements continuing to be met). Fees and interest will accrue for so long as the CFD remains open.

A movement in the price or value of the CFD underlying asset will determine whether the client makes a profit or incurs a loss. Our CFDs are complex, leveraged financial products, which are traded OTC and not through an exchange. The 'gearing' or 'leverage' involved in trading CFDs means that a small initial margin payment can potentially lead to large losses. CFDs typically involve a variety of charges, including spreads and / or commission, and overnight funding.

We issue CFDs in respect of the following underlying assets:

- FX Currency pairs
- Commodities, including precious metals
- Indices, including stock market indices
- Crypto assets

# Target Market Determination – CFDs



- Shares
- ETFs
- Options
- Other assets as made available by us from time to time

Description of the underlying assets can be found on Totality Website (as amended from time to time).

## Target Market

### THE LIKELY OBJECTIVES, FINANCIAL SITUATION AND NEEDS OF CONSUMERS IN THE TARGET MARKET

1. **Income level:** clients who have taxable annual income of no less than AUD \$50,000.
2. **Liquid Net Worth** (total value of any assets you own that can be quickly converted into cash): clients who have liquid net worth of no less than AUD \$20,000.
3. **Age Group:** Above 21 years of age
4. **Risk Tolerance:** Experienced investors with a higher risk tolerance.
5. **Ability to bear losses:** Clients who have the ability to bear losses up to the account value of their Totality account.

**Investment horizon:** Clients who prefer shorter-term horizons, enabling them to capitalise on quick market movements and short-term trends. This approach involves holding positions for limited periods, which aligns with the high risk and volatility inherent in CFD trading, with attention to accumulating financing costs, making it ideal for capturing transient market opportunities without committing to long-term positions.

#### 6. Objectives and Needs:

##### Clients who:

- Wish to take positions in a product to hedge or offset the risk in another product and/or who wish to increase the principal value of their investments by assuming substantially higher risk to their investment capital;
- **Have the ability to bear:**
  - magnified exposures and losses that may arise from trading with leverage;
  - the risk of fluctuations in the value of the reference underlying, for example the fluctuation in the value of a stock over which a CFD might be issued;
  - the risk of being unable to maintain your hedge (protection) should a margin violation cause the CFD to be closed out;  
the counterparty risk of Totality not fulfilling its contractual obligations under the CFD, including the risk of Totality defaulting and not making the payment owed to the client under the CFD;
- Are able to assess the life span of a product against their investment time frame; and
- Have capacity to actively monitor their margin obligations.

### Class of persons that are not within the Target Market

- Below the age of 21.
- Inexperienced Retail Clients.
- Anyone who resides in a jurisdiction where trading in over-the-counter derivative products is prohibited.
- Retail Clients with a conservative or low risk appetite.
- Retail Clients who do not have the ability to bear losses.

# Target Market Determination – CFDs



|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Retail Clients who are unable to monitor and manage their margin obligations and to generate additional capital to meet margin calls as they arise.</li> <li>• Retail Clients with an investment time frame that is generally inconsistent with their objectives and needs.</li> </ul>   |   |
| <b>KNOWLEDGE AND EXPERIENCE</b>   |   |
| <p>Prior to being able to access this product, the applicant must have passed the basic appropriateness and knowledge questions. This will test the applicant's knowledge and experience of the product. Trading in CFDs requires knowledge and understanding of the impact of and risks associated with trading in OTC derivatives on margin. They must be able to demonstrate a knowledge of the product. The applicant must also be aware of and accept the risks associated with such trading</p>   |   |
|   |   |
| <b>Explanation of why CFDs, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market</b>  |   |
| <ul style="list-style-type: none"> <li>• CFDs are complex instruments that provide leveraged exposure to the underlying reference asset, instrument, index or rate. Accordingly, trading in CFDs will not be appropriate for everyone. CFDs are only appropriate for experienced or knowledgeable investors who have the ability to bear some losses.</li> <li>• CFDs can be used for a variety of purposes, including hedging, speculation, diversification, exposure to assets that would be challenging to acquire directly and generating trading profits, hence consumers with these investment objectives will likely be within the target market.</li> <li>• Given that CFDs are often used for speculation, some clients trading Totality issued CFDs will incur losses while others incur profits. These losses and gains are amplified because CFDs are leveraged instruments. Accordingly, consumers with a conservative or low risk appetite are likely to be outside of the target market for Totality issued CFDs.</li> <li>• Totality has the right to, and will generally, conduct automatic liquidations if minimum margin requirements are not satisfied. This, together with the requirement under the ASIC Product Intervention Order that clients not maintain negative balances, among other things, together mitigate the risk of consumers incurring losses exceeding their Totality account equity. However, clients who wish to avoid liquidations should actively monitor their accounts.</li> </ul> |   |
| <p>Accordingly, if a CFD is issued to a client in the target market, it would likely be consistent with the likely objectives, financial situation and needs of the consumer (s 994B(8)(b)).</p>  |   |
| <b>Conditions and restrictions relating to the distribution of this product – s 994B(5)(c)</b>  |   |
| <b>Outline of the conditions and restrictions relating to distribution of CFDs</b>  | <p>Totality has a high degree of control over the categories of persons to whom it issues CFDs. Where Totality uses introducing brokers they must ensure that clients have been onboarded correctly in line with the target market</p> <p>In particular, Totality only issues CFDs directly to clients who complete the online application and who satisfy the target market criteria to trade CFDs through its proprietary trading platform.</p> |
| <b>Explanation of why these distribution conditions and restrictions will make it more likely that the consumers who acquire the CFDs are in the target market</b>  | <p>Totality will seek to prevent any person that directly opens a Totality account and who is not within the target market from accessing Totality issued CFDs.</p> <p>In light of the above, we consider it highly likely that only the consumers who are within the target market will access Totality issued CFDs through Totality's trading platforms.</p>  |
| <b>Reviews</b>  |   |
| <b>Review Triggers– s 994B(5)(d)</b>  | <p>The following review triggers reasonably suggest that this TMD may no longer be appropriate and will prompt a review of the TMD:</p> <ul style="list-style-type: none"> <li>• occurrence of a significant dealing that is not consistent with the TMD;</li> <li>• a significant increase in the number of complaints;</li> </ul>   |

## Target Market Determination – CFDs



|   |  |
|---|--|
|   | <ul style="list-style-type: none"> <li>• a significant change in the nature of complaints;</li> <li>• a material variation of the product.</li> </ul>  |
| <b>When the first review of the TMD must occur - 994B(5)(e)</b>   | Within 12 months   |
| <b>When subsequent reviews of the TMD must occur - s 994B(5)(f)</b>   | Within 12 months   |
| <b>Reporting period for reporting information about the number of complaints about the product – s 994B(5)(g)</b> |  |
| <b>Reporting of information by the distributor - s 94B(5)(h)</b>  | Third party distributors must make available to Totality information that would assist in ensuring that clients within the target market are the primary targets for this financial product. Internal functions and divisions must also make available to Totality information that would assist in ensuring clients within the target market are the primary targets for this financial product.  |
| <b>Information that must be reported– s 994B(5)(h)(i)</b>   | <p>Significant dealings in the financial product by clients outside of the target market;</p> <ul style="list-style-type: none"> <li>• details of all complaints that relate to the financial product, including the nature, volume and outcomes of complaints;</li> <li>• the number of clients who are identified as potentially being outside of the target market based on client queries (e.g. queries communicated via calls or emails that indicate the client has a limited understanding of the product and its risks);</li> <li>• general feedback relating to the product and its performance, including any feedback from regulators; and</li> <li>• any other failures to comply with this TMD.</li> </ul>  |
| <b>When the distributor must report information</b>   | <ul style="list-style-type: none"> <li>• For any significant dealings, the distributor must notify Totality in writing as soon as practicable, and in any event within 10 business days of the distributor becoming aware.</li> <li>• For complaints, information including the nature, volume and outcomes must be reported within 10 business days following the end of every calendar quarter.</li> <li>• Within 10 business days following the end of every calendar quarter, distributors must report the number of clients who are identified as potentially being outside of the target market based on client queries (e.g. queries communicated via calls or emails that indicate the client has a limited understanding of the product and its risks).</li> <li>• If the distributor is aware of any failure to comply with this TMD, this must be reported in writing as soon as practicable, and in any event, within 10 business days of the distributor becoming aware.</li> <li>• Each year, the distributor will be required to provide to Totality a summary of the distribution of this product, the competence of staff to distribute and the processes in place to ensure ongoing compliance with their obligations under this TMD.</li> </ul> |
| <b>Update to TMD</b>  | We reserve the right to amend this 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.   |