AVA Trade

Target Market Assessment and Distribution Strategy

Appendix 1: Target Market Assessment and Distribution Strategy of CFDs

Product: CFDs				
No.	**ASIC Requirement**	**Target Market**	**Result**	**Summary**
1.	Investor Type	Retail Professional Eligible Counterparty	Yes Yes Yes	AVA Trade provides CFDs to retail and wholesale clients. Derivatives are high risk investments with volatile returns and the possibility of substantial losses which, in the case of wholesale clients, could total more than the initial capital invested. CFDs are derivative OTC (over-the-counter) financial products which enable consumers to leverage small margin deposits for much greater market effect in relation to the exposure of price movements of an underlying instrument. Consumers can participate in the returns from movements in such underlying instruments without owning the actual instrument. Consumers who engage in such products will be likely trading for either speculative purposes in regard to profiting off price movements/fluctuations of the underlying instruments or for hedging exposures to underlying instruments. The strong possibility of volatile returns and losses means that these products do not guarantee consumers from losing capital. As such, consumers seeking capital guarantees will not be sought with these instruments. Retail clients must have passed AvaTrade's client qualification test in order to be suitable for trading CFDs. CFDs are generally not suitable for clients who: • cannot afford to lose the amount of money deposited without material impact on their standard of living; • have a low risk tolerance; • do not understand the risks of CFDs; • solely derive their income from benefits and/or borrowings; or • have not passed the client qualification tests.
2.	Client's financial situation with a	Investors with no tolerance for loss in their investment or initial amount	No	CFDs are not suitable for investors that are not willing to accept any loss of the investment or initial amount.

	focus on the ability to bear losses	Investors who tolerate a moderate loss in their investment or initial amount	No	CFDs are not suitable for investors who tolerate a moderate loss in their investment or initial amount.
		Investors who tolerate a loss of the entire investment or initial amount	Yes	CFDs are suitable for investors willing to accept large fluctuations in price and returns.
		Investors who tolerate losses exceeding their investment or initial amount	Yes	CFDs are suitable for investors willing to accept large fluctuations in price and returns and accept concentrated risk.
3.	Risk tolerance and compatibility of the risk/reward profile of the product with the target market	Compatible with Low Risk Investment (investor is not willing to accept any loss of the investment or initial amount)	No	These products provide the possibility of high returns to consumers as the cost of high risks. The volatility of the market and these products creates the tangible possibility that clients could possibly lose all of their initial investment, and in the case of wholesale clients, more than what was originally invested. Therefore, consumers who possess only low to medium risk appetites should not be seeking the volatility of the derivatives market. On the other hand, consumers with high-risk appetites and the ability to bear losses are suited to the high risk-high reward structure of these products. CFDs are not suitable for investors not willing to lose more than the initial amount.
		Compatible with High Risk investment (investor is willing to accept the risk of losses up to or exceeding the investment or initial amount)	Yes	CFDs are suitable for investors willing to accept large fluctuations in price and returns and accept concentrated risk.
4.	Clients' Objectives and Needs	Investment Tenor: Short (Less than or equal to one month)	Yes	These products require constant margin top-ups in the form of 'margin calls' which at times must be met within minutes of sudden adverse market movements. Furthermore, holding open long positions overnight with these products incurs charges and fees which are subject to interest and/or finance charges. As such, it would be extremely costly and counter-productive to a consumer if these products were held for a significant investment timeframe. CFDs can be traded for a short period of time to take advantage of price movement.
		Investment Tenor: Medium (Less than or equal to a year)	No	CFDs should not be traded for longer periods of time given the high volatility and fluctuating nature of CFDs.
		Investment Tenor: Long (Over a year)	No	CFDs are not traditionally used for periods longer than a year.
		Capital protection	No	CFDs are not used for the purpose of capital protection as they are volatile.

		Investment Objective	Appreciation	No	CFDs are not used for the purpose of appreciation as they are volatile.
			Income stream	Yes	The objective of CFD trading is to generate a profit by taking advantage of price movement. However, we warn that losses are just as likely to occur and it is important that you understand all the risks involved before choosing to invest in CFDs. Please refer to our PDS for an in-depth analysis of the risks involved in trading.
		Liquidity	Requires the possibility to exit the investment early	Yes	CFDs are highly liquid as investors can enter and exit a trade easily and quickly.
			Willing to hold the investment until its maturity	No	CFDs do not mature as they can rise or fall.
		Additional Criteria	Investment	No	
			Hedging	Yes	Long-term investors may consider using CFDs to hedge their portfolio against the risk of their stocks declining without having to liquidate their holdings.
			Financing	No	
			Portfolio diversification	No	
5.	Distribution Strategy	Execution only		No	Not appropriate
		Execution only with appropriateness test		Yes	
		Investment advice		No	Not authorised
		Portfolio management		No	Not authorised
7.	Review triggers	Material change to key attributes, investment objective and/or fees.			
		Determination by the issuer of an ASIC reportable Significant Dealing			
		Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the product or distribution of the product.			
		The use of Product Intervention Powers, regulator orders or directions that affects the product.			
8.	Mandatory review periods	Initial Review		1 year and 3 months	
		Subsequent Review		3 years and 3 months	
9.	Distributor reporting requirements	Complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution. The distributor should provide all the content of the complaint, having regard to privacy. The distributor will need to		Reporting period: as soon as practicable or within 10 business days following the end of the relevant reporting period.	

		specify a reporting period for reporting information about the number of complaints about the product.	
		Significant dealing outside of target market, under s994F(6) of the Act.	Reporting period: as soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.
		To the extent a distributor is aware of dealings outside the target market these should be reported to the issuer, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Reporting period: as soon as practicable or within 10 business days following the reporting period.