

HEDGING COUNTERPARTY POLICY

FOREXCFDS IS A REGISTERED BUSINESS NAME OF
SIRIUS FINANCIAL MARKETS PTY LTD
ABN 36 142 189 384
AUSTRALIAN FINANCIAL SERVICES LICENCE No. 439907

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INTRODUCTION

This document outlines the policy and procedures Sirius Financial Markets Pty Ltd (**SFM**), trading as ForexCFDs (ABN 36 142 189 384, AFSL 439907) uses to manage risk, hedging counterparty risk as well as determining the size of exposure limits with counterparties.

The Policy described below has been developed considering the ASIC RG 227 benchmarks and covers how SFM deal with:

1. Market Risk;
2. Credit Risk;
3. Counterparties selection and assessment; and
4. List of current hedging counterparties.

1. MARKET RISK

The client is dealing with SFM as counterparty to every transaction.

The client opens positions and have an exposure to SFM in relation to each transaction.

The client is exposed if SFM is not ready, willing or able to meet our obligations, for example, if SFM were to become insolvent. The client is reliant on SFM's ability to meet its counterparty obligations to the client to settle the relevant contract. SFM limits this exposure and may offset hedge some or all of its exposure to its' clients.

Changes to the current market risk hedging policy require review and are approved by the Board of Directors.

SFM may choose to offset, partially or completely hold risk on its own books. Completely offsetting risk does not entirely eliminate the counterparty risk to investors.

2. CREDIT RISK

Credit risk is the risk that a counterparty to SFM fails to perform its obligations which results in financial loss for SFM. SFM's management of credit risk is intended to protect the company and clients from any sudden changes in the liquidity, credit quality or solvency of our hedging counterparties.

SFM undertakes due diligence and reviews the credit quality of the counterparties on an on-going basis, with formal review on an annual basis and more frequently if SFM believes there is a reason to do so, for example, due to the significant change in market conditions or relevant news.

It should be noted that SFM's hedge counterparties have no contractual and/or any other relationship with the clients of SFM. SFM is the only party contractually responsible towards its clients with respect to their trading and financial services provided to them at all times. SFM also has responsibility in selecting its hedging counterparties.

It is possible that SFM’s hedge counterparties may become insolvent or it is possible that other clients of the hedge counterparty may cause a default which reduces the financial resources or capacity for the hedge counterparty to perform its obligations owed to SFM under the hedge contracts.

It is therefore possible that SFM might not fully recover money lodged with hedge counterparties due to reasons not arising from you, or that it may incur costs in seeking recovery or choose to terminate recovery efforts early, thereby reducing the proceeds available to SFM to allocate to you. It is important to understand that you have no rights or beneficial interests in any contract which SFM has with the hedge counterparties and you cannot force SFM to make recovery. SFM will act honestly, fairly and efficiently in deciding if and how to pursue that recovery action.

3. COUNTERPARTIES HEDGING AND ASSESSMENT

To mitigate the credit risk, SFM assesses a potential hedging counterparty against a list of qualifying criteria that address whether they are of adequate financial standing. We do not accept a potential hedging counterparty unless they meet the minimum qualification criteria, which require the hedging counterparty to:

1. have adequate financial and compliance resources;
2. have an adequate financial license in its jurisdiction;
3. have a demonstrated risk management system; and
4. have a good and sound reputation.

Addition of new hedging counterparties or changes to existing counterparty limits require approval by the Board of Directors.

4. LIST OF CURRENT HEDGING COUNTERPARTIES

Currently we co-operate with the following hedging counterparties:

Counterparty	Jurisdiction	License
CAPITAL INDEX (UK) LIMITED	United Kingdom	FCA: 709693

SFM assess counterparty risk with a risk-assessed exposure limit to each counterparty taking into consideration the trading volume, product concentration, client equity and other relevant factors.