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Target Market Determination

Convera, is a global leader in foreign exchange products and services that does business in Australia through Convera Australia Pty Limited (ABN 24 150 129 749) (AFSL 404 092) (referred to in this document as Convera, we, us or our,) and is designed to help you decide whether to use the financial services and products that we are authorised to offer under our Australian Financial Services Licence (AFSL). Convera's products support clients to hedge an underlying exposure to market risk and are not used to speculate. Although the client is responsible for determining the extent and nature of their underlying exposure, Convera assists in determining the effectiveness of the product to hedge their exposure to market risk.

i. Forwards

Generic Category	Forward
Class of Customers - Hedging Objective	Conservative Objective
Sustainability Objective	Available at the customers discretion set as a percentage of gross revenue from transacting in the product.
Classification	Protect
Financial Situation	No or poor ability to incur opportunity loss
Hedging Strategy Needs	• Budget/Targeted exchange rate. • High exchange rate protection. • Tenors generally less than 12 months.
Challenge Objective	Threat/Challenge
Key Attributes	• Protection at all times at a known exchange rate at trade date. • High protection and cash flow certainty. • Favourable margin call properties.
Consistency with the likely objectives, financial situation and needs of Conservative Objective customers	A forward enables customers to fix exchange rates to hedge currency exposure by providing protection against unfavourable exchange rate movements between the trade date and the day when payment for currency is made (the "Value Date"). A forward may also assist customers in managing cash flow by negating the uncertainty associated with exchange rate fluctuations for the certainty of a specified cash flow.
Target Market Description	• Customers who have no or poor ability to incur opportunity loss. • Customers whose risk bearing capacity is set as limited free cash available. • Customer who requires a portfolio product mix that includes products with 100% protection and no participation. • Customers accepting of a less favourable protection rate than products in other generic categories. • Customers with OTM and tenor limits or who pay an agreed percentage of notional amount for initial margin. • Customers requiring more favourable margin call properties.
Historical Experience/Context	More suited for inexperienced customers with a conservative hedging objective or customers requiring certainty in their cash flows, to enter into a legally binding contract for the sale or purchase of specific amount of currency at a specific exchange rate; providing a set exchange rate that can be budgeted for.
Distribution Conditions	Representatives with Product Limits of Level 1 and above. Product Limits and restrictions make it likely that the customers who acquire forwards are in the target market due to.: • All Product Limits being determined by CH with knowledge and experience controls applied to representatives; • Representatives are instructed and trained on Product Limits and Target Markets; and • Line managers have oversight on FX product issuance.

TMD Review Triggers	• Customer complaints.
	• Significant Dealings.
	• New information.
	• Changes to Credit Policy.
	• Other events or circumstances
	  ○ Margining changes due to imposed regulations or currency volatility.
	  ○ Customer defaults increasing settlement risk.
	  ○ Customer allegations of mis-selling.

TMD Maximum Review period	5 years
Information on number of complaints	To be provided quarterly by Complaints Investigation team.
Provision of information on TMD remaining appropriate. (Escalated to Head of Corporate Hedging on determination of materiality by representatives, Markets Compliance or Legal).	Representatives and ancillary functions, not limited to Markets Compliance, must provide CH with information as it becomes known to allow CH to reasonably determine the appropriateness of the TMD including but not limited to: • Customer complaints; • Customer allegations of mis-selling; • Customer defaults; and • Customer general FX product feedback.

ii. Cash Optimisation (Protect)

Generic Category	Cash Optimisation (Protect)
Class of Customers - Hedging Objective	Conservative Objective
Sustainability Objective	Available at the customers discretion set as a percentage of gross revenue from transacting in the product.
Classification	Protect
Financial Situation	No or poor ability to incur opportunity loss
Hedging Strategy Needs	Budget exchange rate Cash Flow efficiencies Tenors generally up to 6 months.
Challenge Objective	Challenge/Opportunity
Key Attributes	• Reduce unfavourable outcomes of spot rate fluctuations. • Optimise cash flow for efficient use of funds. • No marked to market measured against the spot rate. • Canceling or reversing transactions will incur a cost.
Consistency with the likely objectives, financial situation and needs of Conservative Objective customers	Customers who have foreign currency receipts in the future or surplus currency at trade date can manage currency cash flows by entering into a Swap. Entering into a Swap may have positive or negative cost of funds subject to known variables at trade date and currency involved in the transaction.
Target Market Description	• Customer who historically do not hedge foreign currency receipts or surplus currency funds. • Customers wanting to manage cash flows in a hedging currency. • Customers utilising the product for commercial purposes that are connected to their business and not for investment or speculation. • Customers who can use favourable Swap outcomes to positively impact exchange rate targets in a hedging portfolio of other derivative products.
Historical Experience/Context	Enable customers to manage cash flow for surplus foreign currency amounts or future receivables/payables in foreign currency. Swaps used in conjunction with other hedge products as part of an overall hedging strategy where optimisation of cash flows is an objective to contribute to enhancement of exchange rates.
Distribution Conditions	Representatives with Product Limits of Level 2. Product Limits and restrictions make it likely that the customers who acquire Swaps are in the target market due to: • Swaps restricted to distribution by those who have obtained the prerequisite knowledge and experience to perform their role. • Representatives are instructed and trained on Product Limits and Target Markets; and • Line managers have oversight on FX product issuance.

TMD Review Triggers	• Customer complaints.
	• Significant Dealings.
	• New information.
	• Changes to Credit Policy.
	• Other events or circumstances
	  o Regulatory Reform.
	  o Customer feedback.
	  o Customer allegations of mis-selling.

TMD Maximum Review period	5 years
Information on number of complaints	To be provided quarterly by Complaints Investigation team.
Provision of information on TMD remaining appropriate. (Escalated to Head of Corporate Hedging on determination of materiality by representatives, Markets Compliance or Legal).	Representatives and ancillary functions, not limited to Markets Compliance, must provide CH information on an ongoing basis to allow them to reasonably determine the appropriateness of the TMD including but not limited to: • Customer complaints; • Customer allegations of mis-selling; • Customer defaults; and • Customer general FX product feedback.

iii. Cash Optimisation (Enhanced)

Generic Category	Cash Optimisation (Enhanced)
Class of Customers - Hedging Objective	Risk Orientated
Sustainability Objective	Available at the customers discretion set as a percentage of gross revenue from transacting in the product.
Classification	Enhanced
Financial Situation	Can incur opportunity loss for low protection and enhanced cashflows.
Hedging Strategy Needs	Market exchange rate. Cash Flow efficiencies Tenors generally up to 12 months.
Challenge Objective	Challenge/Opportunity
Key Attributes	• May require initial margin payment at trade date. • Optimise cash flow for efficient use of funds. • Canceling or reversing transactions will incur a cost. • Premium is paid to the customer at Expiry Date. • Does not provide protection against unfavourable exchange rates. • Will create an unfavourable customer exchange rate obligation if exercised.
Consistency with the likely objectives, financial situation and needs of Risk Orientated customers	Customers who sell Vanilla Options are willing to accept the risk of obtaining cash at expiry date, by accepting the risk of an unfavourable exchange rate at expiry. A Sold Vanilla Option can only have an unfavourable outcome possibility if exercised, which may not cover the premium received at expiry.
Target Market Description	• Customers who have the ability to incur opportunity loss in order to receive additional cash flow at expiry. • Customers accepting of less favourable margin call properties. • Customers whose risk bearing capacity is set as able to cover known risks to achieve positive cash flows. • Customers with a credit rating.
Historical Experience/Context	Only for sophisticated customers with a Risk Orientated hedging objective looking for cash flow in the form of premium payments, while willing to accept increased risk of poor outcomes at expiry date. Should only be used in conjunction with other hedge products as part of an overall hedging strategy.
Distribution Conditions	Representatives with Product Limits of Level 5. Product Limits and restrictions make it likely that the customers who acquire Sold Vanilla Options as a Cash Management tool are in the target market due to: • This FX product being restricted to distribution by CH managers only, who have obtained the prerequisite knowledge and experience to perform their role.

TMD Review Triggers	• Customer complaints.
	• Significant Dealings.
	• New information.
	• Changes to Credit Policy.
	• Other events or circumstances
	  o Margining changes due to imposed regulations or currency volatility.
	  o Customer defaults increasing settlement risk.
	  o Customer allegations of mis-selling.

TMD Maximum Review period	5 years

Information on number of complaints	To be provided quarterly by Complaints Investigation team.
Provision of information on TMD remaining appropriate. (Escalated to Head of Corporate Hedging on determination of materiality by representatives, Markets Compliance or Legal).	Representatives and ancillary functions, not limited to Markets Compliance, must provide CH information on an ongoing basis to allow them to reasonably determine the appropriateness of the TMD including but not limited to: • Customer complaints; • Customer allegations of mis-selling; • Customer defaults; and • Customer general FX product feedback.

iv. Participating Options

Generic Category	Participating Options
Class of customers - Hedging Objective	Balanced Objective
Sustainability Objective	Available at the customers discretion set as a percentage of gross revenue from transacting in the product.
Classification	Protect
Financial Situation	No or poor ability to incur opportunity loss
Hedging Strategy Needs	• Budget/Targeted/Market exchange rate. • High protection. • Potential participation in favourable exchange rates. • Tenors generally up to 24 months.
Challenge Objective	Threat/Challenge
Key Attributes	• Known worse case exchange rate outcome at trade date. • Medium cash flow certainty with protection and potential participation. • Can offer less favourable margin call properties.
Consistency with the likely objectives, financial situation and needs of Balanced Objective customers	Participating Options enable customers to hedge their currency exposure by providing protection against unfavourable currency movements between trade date and expiry date. At the same time, customers are also able to participate, to varying degrees, in favourable currency movements that exist up to the Expiry Date.
Target Market Description	• Customers who have a Conservative or Balanced Objective and have no or poor ability to incur opportunity loss by having high protection. • Customers whose risk bearing capacity is set as medium cash flow certainty and participation. • Customer who requires a portfolio product mix that includes products with 100% protection and some participation. • Customers accepting of a less favourable protection rate than products in other generic categories. • Customers with OTM and tenor limits or who pay an agreed percentage of notional amount for initial margin. • Customers requiring more favourable margin call properties.
Historical Experience/Context	More suited to customers who are considered risk averse and have a conservative or balanced hedging objective. 100% protection on the protected amount products are suitable for customers who want to hedge their foreign currency exposure but also want to apply their view about future price of the underlying currency.
Distribution Conditions	Representatives with Product Limits of Level 2 and above. Product Limits and restrictions make it likely that the customers who acquire Participating Options are in the target market due to: • All Product Limits being determined by CH with knowledge and experience controls applied to representatives; • Representatives are instructed and trained on Product Limits and Target Markets; and • Line managers have oversight on FX product issuance.
TMD Review Triggers	• Customer complaints. • Significant Dealings. • New information. • Changes to Credit Policy. • Other events or circumstances

	◦ Margining changes due to imposed regulations or currency volatility. ◦ Customer defaults increasing settlement risk. ◦ Customer allegations of mis-selling.
TMD Maximum Review period	5 years
Information on number of complaints	To be provided quarterly by Complaints Investigation team.
Provision of information on TMD remaining appropriate. (Escalated to Head of Corporate Hedging on determination of materiality by representatives, Markets Compliance or Legal).	Representatives and ancillary functions not limited to Markets Compliance must provide CH with information as it becomes known to allow CH to reasonably determine the appropriateness of the TMD including but not limited to: • Customer complaints; • Customer allegations of mis-selling; • Customer defaults; and • Customer general FX product feedback.

v. Knock-In Options

Generic Category	Knock-In
Class of Customers - Hedging Objective	Balanced Objective
Sustainability Objective	Available at the customers discretion set as a percentage of gross revenue from transacting in the product.
Classification	Participate
Financial Situation	Can incur opportunity loss for high protection, medium participation and better cash flows.
Hedging Strategy Needs	• Budget/Targeted/Market exchange rate. • High protection and participation. • Medium cash flow certainty • Tenors generally up to 24 months.
Challenge Objective	Challenge/Opportunity
Key Attributes	• Protection always at a known exchange rate at trade date. • Participation in favourable exchange rates possible although capped. • Protection rate can be less favourable than other conservative products.
Consistency with the likely objectives, financial situation and needs of Balanced Objective customers	Knock-Ins are Structured Option which allow customers to protect against the risk that the Spot Rate will be less favourable than a nominated Protection Rate. It also gives customers the ability to participate in favourable movements in the Spot Rate provided that a Knock-In Rate is not triggered. A Knock-In Option is a type of contract that does not incur any right or obligation until a Knock-In Rate is triggered. If the Knock-In Rate is not triggered it is as if the contract never existed. The payoff depends on the underlying Spot Rate and if a Knock-In Rate is triggered the outcome at expiry may be less favourable than market exchange rates at that time.
Target Market Description	• Customers who have a Balanced Objective and can incur some opportunity loss by having participation. • Customers whose risk bearing capacity is set as medium cash flow certainty and participation. • Customer who requires a portfolio product mix that includes products with 100% protection and some participation. • Customers accepting of a less favourable protection rate than products in other generic categories. • Customers with OTM and tenor limits or who pay an agreed percentage of notional amount for initial margin. • Customers willing to accept less favourable margin call properties.
Historical Experience/Context	A complex product category for more sophisticated customers. Provides customers participation in periods of low volatility and provides full protection. These products are more suitable for customers with a balanced objective, as likelihood of poor outcomes is increased with volatility due to trigger events if Option is knocked in.
Distribution Conditions	Representatives with Product Limits of Level 2 and above. Product Limits and restrictions make it likely that the customers who acquire Knock-In's are in the target market due to: • All Product Limits being determined by CH with knowledge and experience controls applied to representatives;

	• Representatives are instructed and trained on Product Limits and Target Markets; and • Line managers have oversight on FX product issuance.

TMD Review Triggers	• Customer complaints.
	• Significant Dealings.
	• New information.
	• Changes to Credit Policy.
	• Other events or circumstances
	  o Margining changes due to imposed regulations or currency volatility.
	  o Customer defaults increasing settlement risk.
	  o Customer allegations of mis-selling.

TMD Maximum Review period	5 years
Information on number of complaints	To be provided quarterly by Complaints Investigation team.
Provision of information on TMD remaining appropriate. (Escalated to Head of Corporate Hedging on determination of materiality by representatives, Markets Compliance or Legal).	Representatives must provide CH with information as it becomes known and to allow CH to reasonably determine the appropriateness of the TMD including but not limited to: • Customer complaints; • Customer allegations of mis-selling; • Customer defaults; and • Customer general FX product feedback.

vi. Knock-Out Options

Generic Category	Knock-Out
Class of Customers - Hedging Objective	Balanced Objective
Sustainability Objective	Available at the customers discretion set as a percentage of gross revenue from transacting in the product.
Classification	Participate
Financial Situation	Can incur opportunity loss for high protection, medium participation and better cash flows.
Hedging Strategy Needs	• Budget/Targeted/Market exchange rate. • High protection and participation. • Medium cash flow certainty. • Tenors generally up to 24 months.
Challenge Objective	Challenge/Opportunity
Key Attributes	• Protection always at a known exchange rate at trade date. • No participation in favourable exchange rates unless a trigger event occurs. • Protection rate can be more favourable than other participating products but less favourable than some protect products.
Consistency with the likely objectives, financial situation and needs of Balanced Objective customers	Knock-Outs are structured Options which allow customers to protect against the risk that the Spot Rate will be less favourable than the Protection Rate. It also gives customers the ability to participate in favourable movements in the Spot Rate provided that a Knock-Out Rate is triggered before expiry. A Knock-Out Option will have a positive payoff only if it is in the money and the knock-out rate has traded during the life of the Option.
Target Market Description	• Customers who have a Balanced Objective and can incur some opportunity loss by having participation. • Customers whose risk bearing capacity is set as medium cash flow certainty and participation. • Customers accepting of a less favourable protection rate than products in other generic categories. • Customer who requires a portfolio product mix that includes products with 100% protection and potentially some participation. • Customers with OTM and tenor limits or who pay an agreed percentage of notional amount for initial margin. • Customers willing to accept less favourable margin call properties.
Historical Experience/Context	The knock-out feature is very sensitive to the volatility of the spot rate. This product category is for relatively risk-averse customers who have a directional view of future

	exchange rates. More effective for customers with a balanced hedging objective, with the knock-out feature increasing potential from benefitting from favourable exchange rates.
Distribution Conditions	Representatives with Product Limits of Level 2 and above. Product Limits and restrictions make it likely that the customers who acquire Knock-Outs are in the target market due to: • All Product Limits being determined by CH with knowledge and experience controls applied to representatives; • Representatives are instructed and trained on Product Limits and Target Markets; and • Line managers have oversight on FX product issuance.
TMD Review Triggers	• Customer complaints. • Significant Dealings. • New information. • Changes to Credit Policy. • Other events or circumstances o Margining changes due to imposed regulations or currency volatility. o Customer defaults increasing settlement risk. o Customer allegations of mis-selling.
TMD Maximum Review period	5 years
Information on number of complaints	To be provided quarterly by Complaints Investigation team.
Provision of information on TMD remaining appropriate. (Escalated to Head of Corporate Hedging on determination of materiality by representatives, Markets Compliance or Legal).	Representatives and ancillary functions, not limited to Markets Compliance, must provide CH with information as it becomes known to allow CH to reasonably determine the appropriateness of the TMD including but not limited to: • Customer complaints; • Customer allegations of mis-selling; • Customer defaults; and • Customer general FX product feedback.

vii. Double Barrier Options

Generic Category	Double Barrier
Class of Customers - Hedging Objective	Balanced Objective
Sustainability Objective	Available at the customers discretion set as a percentage of gross revenue from transacting in the product.
Classification	Participate
Financial Situation	Can incur opportunity loss for high protection, medium participation and better cash flows.
Hedging Strategy Needs	• Budget/Targeted/Market exchange rate. • High protection and participation. • Medium cash flow certainty. • Tenors generally up to 24 months.
Challenge Objective	Challenge/Opportunity
Key Attributes	• Protection always at a known exchange rate at trade date. • Participation in favourable exchange rates is possible but may be limited depending upon trigger events. • Protection rate can be more favourable than other participating products but less favourable than some protect products.
Consistency with the likely objectives, financial situation and needs of Balanced Objective customers	A Double Barrier Option will always protect against the risk that the Spot Rate will be less favourable than a worse-case exchange rate regardless of whether the Knock-In Rate or Knock-Out Rate has been triggered. If a Knock-In or Knock-Out Rate is triggered, protection is always guaranteed at a potentially less favourable exchange rate than the spot rate at expiry. With a Knock-In Convertible, if a Knock-Out Rate is triggered then participation is possible in favourable exchange rates compared to the protection rate to the level of the Knock-In Rate. With a Knock-Out Reset and Knock-In Improver, if either the Knock-In Rate or Knock-Out Rate has been triggered the

	customer will be obligated to an exchange rate that is less favourable than the spot rate at expiry.
Target Market Description	• Customers who have a Balanced Objective and can incur some opportunity loss by having participation. • Customers whose risk bearing capacity is set as medium cash flow certainty and participation. • Customers accepting of a less favourable protection rate than products in other generic categories. • Customer who requires a portfolio product mix that includes products with 100% protection and potentially some participation. • Customers with OTM and tenor limits or who pay an agreed percentage of notional amount for initial margin. • Customers willing to accept less favourable margin call properties.
Historical Experience/Context	A complex product category for more sophisticated customers. Usually only traded as part of a structure for customers with some hedging experience. Provides customers participation in periods of low volatility. Whilst provides full protection, these products are more suitable for customers with a Balanced Hedging objective as risk is heightened of poor outcomes due to trigger events occurring.
Distribution Conditions	Representatives with Product Limits of Level 2 and above. Product Limits and restrictions make it likely that the customers who acquire Double Barrier Options are in the target market due to: • All Product Limits being determined by CH with knowledge and experience controls applied to representatives; • Representatives are instructed and trained on Product Limits and Target Markets; and • Line managers have oversight on FX product issuance.

TMD Review Triggers	• Customer complaints.
	• Significant Dealings.
	• New information.
	• Changes to Credit Policy.
	• Other events or circumstances
	  o Margining changes due to imposed regulations or currency volatility.
	  o Customer defaults increasing settlement risk.
	  o Customer allegations of mis-selling.

TMD Maximum Review period	5 years
Information on number of complaints	To be provided quarterly by Complaints Investigation team.
Provision of information on TMD remaining appropriate. (Escalated to Head of Corporate Hedging on determination of materiality by representatives, Markets Compliance or Legal).	Representatives and ancillary functions, not limited to Markets Compliance, must provide CH with information as it becomes known and at least quarterly to allow CH to reasonably determine the appropriateness of the TMD including but not limited to: • Customer complaints; • Customer allegations of mis-selling; • Customer defaults; and • Customer general FX product feedback.

viii. Options with loss of protection or unknown worst case exchange rate

Generic Category	Options with loss of protection or unknown worst case exchange rate
Class of Customers - Hedging Objective	Risk Orientated
Sustainability Objective	Available at the customers discretion set as a percentage of gross revenue from transacting in the product.
Classification	Enhanced
Financial Situation	Can incur opportunity loss for high participation and low protection and enhanced cashflows.
Hedging Strategy Needs	• Market exchange rate. • Low Protection. • Tenors generally up to 24 months.
Challenge Objective	Challenge/Opportunity
Key Attributes	• Full protection is not guaranteed.

	• Low Protection and cash flow certainty. • High participation.
Consistency with the likely objectives, financial situation and needs of Risk Orientated customers	A Knock-Out Option will have a positive payoff only if it is in the money and the knock-out trigger rate has never been reached or breached during the tenor of the Option. If the trigger rate has been reached the contract ceases to exist. An Accumulator will accumulate a forward position at a "fixing" only if the Spot Rate is more favourable than a Knock-Out Trigger Rate. No Accumulation will occur if the spot rate is at or less favourable than the Knock-Out Trigger Rate. A TARF Option will have a positive payoff only if it is in the money and on each expiry accumulated gain has not reached a set 'target'. If the 'target' is exceeded on any expiry date, the TARF is redeemed early, and the contract ceases to exist. If the strike price has not been reached for a Knock-Out or not redeemed early for a TARF, the customer is obliged to transact at the enhanced rate, which may be unfavourable to the customer. A Seagull and Capped Forward provides for limited participation with a level of protection at a rate that is potentially unknown. The enhanced rate achieved at trade date will depreciate as the Spot Rate moves unfavourably beyond an agreed variation rate throughout the tenor of the contract.
Target Market Description	• Customers who have can afford to lose protection. • Customers who have ability to incur opportunity loss. • Customers whose risk bearing capacity is set as able to cover known risks to achieve enhanced cash flows. • Customers accepting of an enhanced exchange rate in the absence of a trigger event or unfavourable exchange rate movements relative to the enhanced exchange rate. • Customer who requires a portfolio product mix that includes products where protection may cease or be at an exchange rate that is unknown. • Customers with OTM and tenor limits or who pay an agreed percentage of notional amount for initial margin. • Customers accepting of less favourable margin call properties.
Historical Experience/Context	A complex product category for more sophisticated customers with a Risk Orientated hedging objective looking for a forward style hedge. Customers who are willing to hedge to outperform the forward exchange rate at trade date and are flexible about the notional amount protected, while also potentially obtaining hedging at the protection rate, which will be less favourable than the spot rate. Usually used in conjunction with other hedge products as part of an overall hedging strategy.
Distribution Conditions	Representatives with Product Limits of Level 3 for Knock-Outs and Level 4 for TARFs. Product Limits and restrictions make it likely that the customers who acquire Accumulators, TARF's and Options with loss of protection or unknown worst case exchange rate are in the target market due to: • All Product Limits being determined by CH with knowledge and experience controls applied to representatives; • Representatives are instructed and trained on Product Limits and Target Markets; and • Line managers have oversight on FX product issuance.
TMD Review Triggers	• Customer complaints. • Significant Dealings. • New information. • Changes to Credit Policy. • Other events or circumstances o Margining changes due to imposed regulations or currency volatility. o Customer defaults increasing settlement risk. o Customer allegations of mis-selling.
TMD Maximum Review period	2 years
Information on number of complaints	To be provided quarterly by Complaints Investigation team.
Provision of information on TMD remaining appropriate.	Representatives and ancillary functions not limited to Markets Compliance must provide CH with information as it becomes known and at least quarterly to allow CH to reasonably determine the appropriateness of the TMD including but not limited to:

(Escalated to Head of Corporate Hedging on determination of materiality by representatives, Markets Compliance or Legal).	• Customer complaints; • Customer allegations of mis-selling; • Customer defaults; and • Customer general FX product feedback.

ix. Options with Leverage

Generic Category	Options with Leverage
Class of Customers - Hedging Objective	Risk Orientated
Sustainability Objective	Available at the customers discretion set as a percentage of gross revenue from transacting in the product.
Classification	Enhanced
Financial Situation	Can incur opportunity loss for high participation and low protection and enhanced cashflows.
Hedging Strategy Needs	• Target/Market Exchange rate. • Tenors generally up to 24 months.
Challenge Objective	Challenge/Opportunity
Key Attributes	• Leverage ratio enhances exchange rates compared to the underlying product without a Leverage Ratio. • Leverage ratio may result in less protection.
Consistency with the likely objectives, financial situation and needs of Risk Orientated customers	Leveraged Options allow for an Enhanced Rate and/or more favourable variables to be obtained, which is typically more favourable than the equivalent Forward Exchange Rate or comparable Structured Option (without a Leverage Ratio). Customers who apply leverage are willing to accept the risk of obtaining enhanced rates at trade date that may be unfavourable at expiry. A leverage Option can only have a favourable outcome possibility if the leverage ratio is not applicable.
Target Market Description	• Customers who have ability to incur opportunity loss. • Customers whose risk bearing capacity is set as able to cover known risks to achieve enhanced cash flows. • Customers seeking enhanced exchange rates at trade date by accepting the risk of unfavourable at outcomes if contracts are OTM. • Customers with a credit rating. • Customers accepting of less favourable margin call properties.
Historical Experience/Context	For more sophisticated customers with a Risk Orientated hedging objective looking for enhancement in exchange rates at trade date compared to the unleveraged product version while increasing risk of poor outcomes. Customers who are willing to be obligated to trade a multiple of the Notional Amount, determined by the Leverage Ratio, at the less favourable Enhanced Rate at the expiry date. When leverage is applied it is always unfavourable to the customer compared to market exchange rates. Usually used in conjunction with other hedge products as part of an overall hedging strategy.
Distribution Conditions	Representatives with Product Limits of Level 3 and Level 4 for leveraged TARFs. Product Limits and restrictions make it likely that the customers who acquire Options with Leverage are in the target market due to: • All Product Limits being determined by CH with knowledge and experience controls applied to representatives; • Representatives are instructed and trained on Product Limits and Target Markets; and • Line managers have oversight on FX product issuance.

TMD Review Triggers	• Customer complaints.
	• Significant Dealings.
	• New information.
	• Changes to Credit Policy.
	• Other events or circumstances
	  o Margining changes due to imposed regulations or currency volatility.
	  o Customer defaults increasing settlement risk.
	  o Customer allegations of mis-selling.

TMD Maximum Review period	Consistent with the unleveraged version.
Information on number of complaints	To be provided quarterly by Complaints Investigation team.
Provision of information on TMD remaining appropriate. (Escalated to Head of Corporate Hedging on determination of materiality by representatives, Markets Compliance or Legal).	Representatives and ancillary functions, not limited to Markets Compliance, must provide CH with information as it becomes known and at least quarterly to allow CH to reasonably determine the appropriateness of the TMD including but not limited to: • Customer complaints; • Customer allegations of mis-selling; • Customer defaults; and • Customer general FX product feedback.

x. Sold Vanilla Options

Generic Category	Vanilla Options
Class of Customers - Hedging Objective	Risk Orientated
Sustainability Objective	Available at the customers discretion set as a percentage of gross revenue from transacting in the product.
Classification	Enhanced - Vanilla Option – Client Sells
Financial Situation	Vanilla Option – Client Sells - can incur opportunity loss for high participation and low protection and enhanced cashflows.
Hedging Strategy Needs	Market exchange rate. Tenors generally up to 12 months.
Challenge Objective	Challenge/Opportunity
Key Attributes	• Premium is paid to the customer at trade date or at expiry date. • Does not provide protection against unfavourable exchange rates. • Will create an unfavourable customer exchange rate obligation if exercised.
Consistency with the likely objectives, financial situation and needs of Risk Orientated customers	Customers who sell Vanilla Options are willing to accept the risk of obtaining cash flow at trade date or at expiry date, by accepting the risk of an unfavourable exchange rate at expiry. A sold Vanilla Option can only have an unfavourable outcome possibility if exercised.
Target Market Description	• Customers who have ability to incur opportunity loss. • Customers whose risk bearing capacity is set as able to cover known risks to achieve upfront cash flows. • Customers with a credit rating. • Customers accepting of less favourable margin call properties.
Historical Experience/Context	Only for sophisticated customers with a Risk Orientated hedging objective looking for cash flow in the form of premium payments, while willing to accept increased risk of poor outcomes at expiry date. Should only be used in conjunction with other hedge products as part of an overall hedging strategy.
Distribution Conditions	Representatives with Product Limits of Level 5. Product Limits and restrictions make it likely that the customers who acquire Sold vanilla Options are in the target market due to: • This FX product restricted to distribution by CH managers only, who have obtained the prerequisite knowledge and experience to perform their role.
TMD Review Triggers	• Customer complaints. • Significant Dealings. • New information. • Changes to Credit Policy. • Other events or circumstances o Margining changes due to imposed regulations or currency volatility. o Customer defaults increasing settlement risk. o Customer allegations of mis-selling.
TMD Maximum Review period	2 years
Information on number of complaints	To be provided quarterly by Complaints Investigation team.
Provision of information on TMD remaining appropriate.	CH must obtain information at least annually to allow them to reasonably determine the appropriateness of the TMD including but not limited to: • Customer complaints;

(Escalated to Head of Corporate Hedging on determination of materiality by representatives, Markets Compliance or Legal).	• Customer allegations of mis-selling; • Customer defaults; and • Customer general FX product feedback.