



***fpmarkets***

KEY POLICIES FOR CFDS  
WHOLESALE CLIENTS

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# 1. ABOUT THIS DOCUMENT

This document sets out the key policies of First Prudential Markets (FP Markets) when dealing with wholesale clients. It is based on selections from FP Markets' Risk Policy Manual and other policies and procedures adopted by FP Markets.

We note that certain parts of this document make references to FP Markets' Product Disclosure Statements (PDS'). Please note that these PDSs are designed for, and issued only to, retail clients. However, as these PDSs are freely available on our website and the information contained within them is highly informative of the financial products and services which FP Markets provides, these key policies will at times reference any relevant PDSs.

For the avoidance of any doubt, certain parts of FP Markets' PDS' do not apply to you whatsoever as a wholesale client. These parts include, but are not limited to, disclosures relating to how FP Markets deals with client money. These disclosures relate solely to FP Markets' retail client money procedures. Please refer to the 'Client Money Policy' contained herein for more details in relation to how FP Markets deals with wholesale client money.

These policies are operated in the context of a comprehensive risk management policy (Risk Policy) which addresses, among other things, the key factors of Market Risk, Counter Party Risk, Liquidity Risk and Regulatory Risks.

The hedge counterparty policy operates in the context of other parts of FP Markets' risk management policy and FP Markets' duties under its Australian Financial Services Licence, statutes and its contractual agreements with its clients. This policy does not prevail over other risk management policies or legal and compliance obligations.

Although FP Markets has adopted the policies and generally follows them, FP Markets may act differently from a policy, without prior notice of that and without liability for that, for any reason and without having to give any reason, including for the purposes of complying with its other policies or to comply with legal duties, its compliance policy and procedures and to manage its exposure to its hedge counterparties.

The existence of this document and its publication do not create legal responsibilities or liability for FP Markets or any of its directors and officers.

This document sets out the key policies and so as a policy document it is not binding, complete or represent that it will always be followed or followed in every respect or that everything that could be mentioned has been mentioned in it. It does not create terms of any agreement or any legal rights or expectations. As a policy document it might not be followed exactly and it might change from time to time without prior notice, since the nature of a risk policy is to set out principles to address complex and changing risks which cannot be anticipated in exact detail in written document or sometimes at all.

If it is not followed in any particular circumstance, or not strictly followed, or circumstances occur which are not covered by this policy, no person has any right to claim loss or damages, compensation, accounting for profits or any other remedy of any kind, however the claim arises.

Further, FP Markets in no way assures or guarantees the performance of its hedge counterparties or financial institutions that provide bank accounts to hold client moneys. Dealing with financial institutions and hedge counterparties is inherently risky and no policy can assure anyone that hedge counterparties will fully perform their obligations to FP Markets as and when they fall due.

## 2. CLIENT SUITABILITY POLICY

### The purpose of this policy

FP Markets maintains and applies a written client suitability (qualification) policy that:

- a) sets out the minimum qualification criteria that prospective investors will need to demonstrate they meet before the issuer will agree to open a new account on their behalf;
- b) outlines the processes the issuer has in place to ensure that prospective investors who do not meet the qualification criteria are not able to open an account and trade in CFDs; and
- c) requires the issuer to keep written records of client assessments. (RG 227.37)

### Minimum qualifying criteria

FP Markets will assess a prospective investor against qualifying criteria that address the investor's understanding of and experience with the product.

The criteria address the investor's:

- whether you have experience in trading in the Underlying Financial Products;
- whether you understand the terms of our CFDs and how they work;
- whether you understand the concepts of leverage, margins and volatility;
- whether you accept a high degree of risk in trading in CFDs;
- whether you understand the nature of CFD trading, including that CFDs do not provide investors with interests or rights in the Underlying Financial Products over which a position is taken;
- whether you understand the processes & technologies used in trading FP Markets' CFDs;
- whether you can monitor your CFD investments and manage them in a volatile market;
- whether you can manage the risks of trading in CFDs;
- whether you have financial resources to provide more Margin, especially on little or no notice; and
- whether you can bear substantial losses that might arise from trading in CFDs, especially the potentially unlimited losses on dealing in short CFDs.

### Context

FP Markets will determine the best method of conducting the assessment itself. ASIC considers that an online test, a face-to-face interview or a telephone interview would all be appropriate methods. FP Markets will document the assessment process in writing, and retain this assessment. FP Markets has established a process based on AFMA's guidelines and which FP Markets considers to be more comprehensive and more rigorous.

FP Markets will assist prospective investors by offering a practice account system, which allows investors to trade on a virtual basis for a period of time before proceeding to open an actual account,

and mirrors the functions of actual accounts offered by the issuer. However, any practice systems or equipment offered to prospective investors should be offered on a non-obligatory basis.

## Suitability process

FP Markets will assess prospective investors by asking a series of questions relating the five criteria specified by ASIC above. Each prospective investor will be asked questions in three sections, the first section is experience and is not graded, the second section requires a 75% or greater pass rate and third requires 100% to succeed.

## No personal advice

FP Markets does not give personal financial product advice.

As per Regulatory Guide 227.41, ASIC does not consider that just making an assessment about a prospective investor's understanding of and experience with the product, including the criteria listed above, constitutes the provision of personal financial product advice.

Note: 'Personal advice' is defined in section 766B(3) of the Corporations Act as financial product advice given or directed to a person (including by electronic means) in circumstances where:

- the provider of the advice has considered one or more of the person's objectives, financial situation and needs; or
- a reasonable person might expect the provider to have considered one or more of those matters.

## Assessment

Our assessment of your suitability is based on your information and any other information we ask and you give us. Our policy includes assessing the information you give us by your online responses, the information you give us and any responses you give us by email, telephone or in meetings. We may keep the information which you give us to help monitor our policy and for the requirements of a financial services licensee.

As a result of our assessment we might limit some features for your Account.

Our assessment of your suitability to trade in CFDs and any limits we set for your Account (or later change to those limits) should not be taken as personal advice to you to trade in CFDs nor does it imply that we are responsible for any of your losses from trading in CFDs.

To the extent permitted by law, we do not accept liability for your choice to invest in any CFDs so you should read all of this PDS carefully, consider your own needs and objectives for investing in these CFDs and take independent advice as you see fit.

Even if we assess you as suitable to commence trading CFDs with us, we urge you to experience trading on our (free) demonstration account for a while to ensure you are familiar with the terminology of our CFDs and how the Platforms work.

## 3. CLIENT MONEYS POLICY

### Regulatory context

The Corporations Act 2001 legislates how financial service licensees must operate in relation to holding client money. FP Markets identifies client money as money paid in connection with the provision of a financial service or product.

FP Markets, in accordance with regulations holds client money at a nominated Australian Approved Deposit-taking Institution (ADI) and complies with section 981B of the Corporations Act, which states, that an account must be established in order to separate FP Markets money from client money.

The legislation outlines that the money can only be used as permitted under the strict client money provisions.

### How FP Markets deals with wholesale money

The way FP Markets deals with client money differs between wholesale and retail clients. As a wholesale client, your funds are still afforded the protection of being held for your benefit on statutory trust by FP Markets.

However, FP Markets can, in its discretion, use wholesale client money for an expanded range of purposes (compared to retail client money) in accordance with Division 2 of Part 7.8 of the Corporations Act, including purposes authorised by you in writing.

In general, you should be aware that the money which you pay into the FP Markets client moneys trust account is not permanently retained in that account but is withdrawn to pay FP Markets for the CFDs even if you pay more than the minimum Margin required.

The moneys are withdrawn as payments to FP Markets, so please be aware that they are not retained on deposit for you in the FP Markets client moneys trust account and, once withdrawn, the statutory rules applying to the FP Markets client moneys trust account no longer apply to those withdrawn moneys.

Please review the relevant product disclosure statements for more detail on how we handle client moneys.

## 4. MARGIN CALL POLICY

### Margin calls and liquidation

FP Markets issues Margin call notices to clients in the event of there being insufficient free equity (however it is named in a Platform) in the client's account to maintain the margin requirement of their open CFD positions.

Margin requirements are valued on a real-time based on the intra day marked to market price of the client's CFD positions.

FP Markets reserves the right to liquidate all or some of the client's positions if they fail to maintain their margin obligation or to meet a Margin call. Those are two separate and distinct obligations a client has under the terms of their account.

This policy document is on Margin calls.

Liquidation orders can be manually entered into the market by FP Markets via the electronic trading platform. This process ordinarily aims to ensure a client's positions are closed before the account enters a deficit balance, thus reducing both credit and liquidity risk. This might not always occur and the reasons for that cannot be fixed in advance. Reasons include the market gapping before the orders can be executed.

The Head of Risk Management may set higher initial margin requirements for each individual CFD product based on the size, depth and liquidity of the market in the underlying instrument on which the CFD is based.

FP Markets reserves the right to alter the initial margin percentage required on a CFD at any time. This assessment occurs on a real time intraday basis.

### Margin call assessments

FP Markets calculates margin daily, on a real time basis as much as practical, using the day's positions and balances. If in any day the aggregate of:

- (a) market value of all securities credited to the account;
- (b) market values of all utilised securities; and
- (c) cash credited to the cash account

is less than the net exposure of FP Markets on that day, FP Markets may by notice to the customer demand that the customer deposit securities to the account or transfer cash into the account in order to reduce the net exposure to an acceptable amount in the discretion of FP Markets.

FP Markets is not limited by the above timing and may make Margin calls at any time and for any reason.

This may be made via email, fax, sms message, telephone or via post.



## Making margin calls

This may be made in person or via email, fax, sms message, telephone or via post. (It need not be in writing.) The Margin call is effective when made, and does not rely on being received or acknowledged by the client. Any number of Margin calls may be made, even on the same day, and all must be satisfied by the client.

## Obligations in respect of margin calls

If FP Markets makes a Margin call, the customer must do one of the things required by FP Markets.

A client does not have the right to choose which may be done, unless FP Markets allows the client a choice.

The things a client may do, when requested by FP Markets, may be one or more of the following (as specified by FP Markets):

- a) deposit additional securities acceptable to FP Markets for the credit of the customer account
- b) transfer cash for the credit of the cash account
- c) reduce positions/holdings.

In any case, FP Markets may require that the market value of all positions and the account's cash balance is equal to (or more than) the percentage (as determined by FP Markets in its absolute discretion) of the FP Markets net exposure at the time of the Margin call.

## Time for satisfying margin calls

If a Margin call is made, the customer must meet the request immediately or within any specific time specified in the notice to the client. If not specified time is given, assume that you must comply with it immediately.

The Margin call may give little or no notice of the time for payment. FP Markets seeks to act in good faith and responsibly, however it must also act prudently and with regard to its Risk Policy and the interests of clients generally so it is not obliged to give any particular period for compliance with a Margin call.

A margin is met only when the funds are received as cleared funds and paid to FP Markets. The client takes the risk of the payment system. It is not sufficient for a client merely to send instructions to its financial institution for payment or send evidence of funds having been transferred out of the client's bank account – a Margin call is satisfied if and when the cleared funds are received by FP Markets out of the client money account, unless FP Markets (in its absolute discretion) waives strict compliance.

## 5. HEDGE COUNTERPARTIES

### Risk management

All products issued by FP Markets are derivatives in accordance with section 981D of the Corporations Act and are entered into on a principal to principal basis with the underlying client, meaning that the client does not own the underlying security itself but has a derivative contract only with FP Markets.

All FP Markets' CFDs whose Underlying Financial Product can be Exchange-traded are 100% hedged by FP Markets using its direct market access to those Exchange-traded Underlying Financial Products which is provided by financial institution Hedge Counterparties. The pricing for those CFDs is based on the direct market access pricing available to FP Markets (known as "DMA-pricing").

If the CFD's Underlying Financial Products are not Exchange-traded, then FP Markets hedges those CFDs by accessing institutional markets available to FP Markets. The hedging might not be 100% and the pricing of the CFDs reflects the market pricing available to FP Markets. Since there is no Exchange for those Underlying Financial Product (such as FX, metals, bullion or other commodities), all price quotes by FP Markets for those CFDs are based on market (not any Exchange) prices offered to FP Markets. This is known as an "Electronic Communication Network" (or "ECN") and gives "ECN-pricing".

### Due diligence and approved counterparties

FP Markets uses a number of counterparties to hedge the market risk FP Markets has when offering derivative products to retail clients and wholesale clients.

The Board of Directors conducts a rigorous Due Diligence program on all potential counterparties.

The Due Diligence Program includes:

- Review of credit ratings of the counterparty
- Review of the latest financial reports
- Review of products offered
- Review of legal contract
- Review of the Communications Environment & Media Interest in the counterparty.

FP Markets may only use counterparties that have been approved by the Board of Directors.

## Counterparty monitoring and review

FP Markets completes annual reviews of all counterparties. The review encompasses:

- Review of the product and services provided
- Review of the latest financial reports
- Review of credit ratings
- Review of the Communications Environment and Media Interest in the counterparty.

## Diversification of counterparties

FP Markets has identified a number of risks relating to the use of any single counterparty for hedging purposes.

FP Markets has a policy of diversification and therefore does not rely on a single counterparty for hedging purposes. Diversification mitigates a number of risks such as:

- a counterparty ceasing to offer execution
- a counterparty's credit department increasing the credit requirement to that outside of FP Markets' tolerance and acceptance and therefore the ability to hedge with that counterparty
- A counterparty ceasing to offer the existing product and services.

## Margin requirements

FP Markets requires clients to meet Margin Requirements for each instrument according to Margin Tables determined by the FP Markets Risk Committee.

FP Markets enters into hedge positions with counterparties as a result of accepting CFD instructions from clients. It is FP Markets' policy to hedge 100% of all accepted client orders for CFDs whose Underlying Financial Products are Exchange-traded. Other CFDs may be hedged up to 100% initially or later have their hedging varied on a pooled basis to less than 100%. There are circumstances where FP Markets' hedging Margin Requirements may vary from those met by clients.

When accepting new clients FP Markets collects information & verifies data with third parties to determine risk profiles for individual clients. FP Markets monitors all transactions & the levels of equity supporting all positions using intraday reporting at an individual account level.

FP Markets ensures that the Margin Requirements are appropriate as a result of "Natural Hedging" and adjustments to the Margin Table for each instrument or account in order to suitably match FP Markets' client and counterparty Margin Requirements.

FP Markets currently determines the appropriate level of Margin Requirement by applying a "rules-based" approach according to set criteria.

A client order will only be accepted by FP Markets if the client account has sufficient Free Equity

(Available Funds) to meet the minimum Margin Requirements of the instrument as determined by the FP Markets Margin Table.

FP Markets' electronic trading platform calculates the minimum Margin Requirement per instrument by referencing the FNV (Full Notional Trade Value of the position) and the % Margin Requirement as set in the FP Markets Margin Table.

FP Markets' Hedging Counterparty requires FP Markets to post Margin Requirements based on the open hedged positions.

In certain circumstances incremental margin additions or reductions may occur as a result of concentration, liquidity or volatility measurements directed by the Credit Departments of FP Markets' counterparties.

FP Markets' hedging activities may incur Margin Requirements that vary from those imposed by FP Markets on FP Markets' clients.

FP Markets focuses on three key principles from an account and instrument level to manage Margin Tables and match its requirements imposed on its clients with counterparty requirements imposed on FP Markets.

- (a) FP Markets' Margin Requirement for a particular instrument may be less than the set requirement of the counterparty
- (b) FP Markets' Margin Requirement for a particular instrument may be greater than that of the set requirement of the counterparty
- (c) FP Markets Margin Requirement differs with the hedging counterparty due to Neutral Hedging

FP Markets' approach is based on setting margins at an instrument level as opposed to a uniform margin rate across all instruments as used by FP Markets' counterparties.

FP Markets monitors all client trading activity and positions using a number of intra-day and end of day (EOD) reports.

It is the role of the Risk Manager to monitor and prepare daily reports for Senior Management and present all documents to the Risk Committee on a monthly basis.

## Counterparty book monitoring against client positions

FP Markets' Operations Department staff reconcile FP Markets' counterparty book against underlying client trades every day on an instrument level and in accordance with the hedging policy. Both the quantity and the marked to market value are reconciled.

## Counterparty defaults

In the event of FP Markets becoming aware through the ongoing due diligence of the Board of Directors that a hedge counterparty default is imminent or has occurred the following action would be taken:

- assess the financial impact (if any) on FP Markets' financial resources to ensure that the licensing obligations and RG 166 Capital Adequacy Trigger Levels had not been breached. Escalation by the Operations Department/ Financial Controller to the Board of Directors would occur.
- Review of client positions.
- The Risk Manager's daily report may be used to identify the impact of positions that were hedged with the counterparty in question.  
The Risk Manager would identify the impact on FP Markets from the High Value Position Report, available on the FP Markets intranet which marks all positions to worst case 'zero' value.
- The Risk Manager would be required to run stress testing of FP Markets' portfolio after identifying positions hedged with the counterparty in question.
- The Risk Committee may instruct the provider of FP Markets' electronic trading platform(s) to redirect all hedging orders to an alternate gateway or counterparty.
- Cease or reduce hedging activities with the counterparty.
- The Operations Department would look to take action to withdraw (if possible) all available cash from FP Markets' account with the hedge counterparty and move hedge positions to an alternate counterparty. (FP Markets has experienced how to move hedge positions from one prime broker to another.)

## Documentation

FP Markets recognises that legal agreements with its hedge counterparties underpin the security of contractual rights against hedge counterparties.

FP Markets recognises that legal documentation may be complicated by cross-jurisdictional legal issues and discretions given to courts, particularly in the event of insolvency of a hedge counterparty.

FP Markets strives to achieve a suitable level of legal documentation with its hedge counterparties, having regard to standard legal documents, the role of the hedge counterparties. FP Markets reviews its legal documentation from time to time.

## No disclosures of confidential information

FP Markets recognises duties of confidentiality to its hedge counterparties and FP Markets cannot publically disclose trading details or other confidential information .

FP Markets recognises that the solvency of hedge counterparties is highly relevant to it and to FP Markets' clients; however, it is difficult to assess the solvency of hedge counterparties on the available information and that may change significantly from day to day and throughout the day. FP Markets cannot and does not attempt to make any statement or inference (expressly or by omission) that it makes financial assessments of the solvency of its hedge counterparties which may be disclosed or which may be relied upon by a client of FP Markets. The lack of disclosure by FP Markets of details about its hedge counterparties and FP Markets' assessments of its hedge counterparties may not be used to represent or imply that FP Markets believes at all times that the hedge counterparties is financially stable and will perform all of its obligations to FP Markets as and when they fall due.

## 6. MANAGING CONFLICTS OF INTEREST POLICY

### General policy

It is FP Markets' policy to avoid placing its own interests or that of its employees or authorised representatives in a position where there is a material conflict between their interests and that of FP Markets' clients.

### CFDs and FX

It is recognised that in issuing CFDs FP Markets has an unavoidable conflict of its interests as principal when issuing the CFDs and the interests a client may have.

This unavoidable conflict of interests is inherent in any OTC derivative and trading business. This is clearly disclosed in the product disclosure statements

Also, the pricing and hedging are clearly disclosed in the product disclosure statements. FP Markets operates a DMA-pricing model and 100% hedges all CFDs whose Underlying Financial Products are Exchange-traded. Other OTC contracts (that is, FX and other CFDs) do not have Underlying Financial Products that are Exchange-traded so there cannot be DMA-pricing and execution on an Exchange. If the CFD's Underlying Financial Products are not Exchange-traded, then FP Markets hedges those CFDs by accessing institutional markets available to FP Markets. The hedging might not be 100% and the pricing of the CFDs reflects the market pricing available to FP Markets. Since there is no Exchange for those Underlying Financial Product (such as FX, metals, bullion or other commodities), all price quotes by FP Markets for those CFDs are based on market (not any Exchange) prices offered to FP Markets. This is known as an "Electronic Communication Network" (or "ECN") and gives "ECN-pricing".

All price quotes by FP Markets for Share CFD and Futures CFDs are the same as the price or value of the Underlying Financial Product on the relevant Exchange if the Client has chosen live pricing (which incurs additional Fees, which the Client agrees to on accepting the sub- scription agreement, otherwise by default there will be delayed pricing).

FP Markets' hedge contracts for these CFDs are made with one of FP Markets' Hedge Counter-parties by reference to the underlying market for the Underlying Financial Product but there is no automatic direct linking of pricing to any Exchange. That is reflected in the pricing of those CFDs issued by FP Markets to you.

While FP Markets aims for competitive pricing, it is not acting as the agent of the client or the broker of the client to find the best prices for the Client. This is clearly disclosed in the product disclosure statements. The only other occasions for not fully hedging arises from managing error positions.

FP Markets makes full disclosure of its role and interests by way of the PDS.

FP Markets has discretions under the terms of its CFDs and Accounts. These are fully and expressly disclosed to clients before they apply for the Account and they are encouraged to seek independent legal and financial advice before investing.

In order to maintain a cost effective and prudent CFD platform which is efficient and reasonable, FP Markets does not expressly limit its discretions. Nevertheless, FP Markets operates under its duties as a holder of an Australian Financial Services Licence (including to act honestly, fairly and reasonably) within a competitive market.

The client suitability policy seeks to ensure that prospective new clients are assessed on AFMA-supported criteria as qualifying to trade CFDs.

A demonstration account is provided for free to facilitate experience in trading CFDs. Treatment of client moneys is fully disclosed in the Client Moneys Policy and/or the PDS, as applicable.

FP Markets has adopted additional protection for clients, as disclosed in Section 3.19 of the PDS in relation to the Security Trust.

## Other conflicts

The following policy outlines how FP Markets manages conflicts of interests that might arise which are in addition to the disclosed and managed role as issuer and principal of its CFDs.

The management of FP Markets' conflicts in respect of its CFDs can only properly be applied as a general policy across all of its businesses.

## Management

The directors and Responsible Officers of FP Markets, its employees and representatives will be made aware of their obligations under the Corporations Act and ASIC Policy to disclose any interests that they or their associates have and any potential conflicts of interest that may arise.

The Compliance Officer will be advised of the actual or potential conflict of interest and together with the Board will be responsible for deciding upon, and implementing, an appropriate response to the actual or potential conflict of interest. The Compliance Officer may also obtain external legal advice in order to resolve the conflict and determine whether and if so what action it should take.

Upon discovery of an actual or potential conflict of interest which needs further management, the Compliance Officer may recommend and the Board may implement measures which may include:

- disclosure of interests to clients;
- allocate another representative to provide the service to the client;
- establishing internal arrangements;
- declining to act for a customer;
- meeting with affected clients; and
- requiring that the directors give certain undertakings where necessary.



## Disclosure of interests to a customer

The following conflicts of interest have been identified and disclosed in FP Markets' Financial Services Guide (FSG), Product Disclosure Statement (PDSs) for its financial products.

- FP Markets may deal as principal in the security recommended and may engage in transactions inconsistent with advice/recommendation provided;
- FP Markets may be the issuer of a financial product or linked to the product recommended;
- FP Markets may not fully hedge some of its OTC contracts and does not disclose the extent of hedging, the exact pricing made available to FP Markets for its hedges, the identity of the Hedge Counterparty or their margin requirements for FP Markets;
- FP Markets may provide a (general) recommendation to buy or sell a security or derivative in which one of FP Markets' clients has given instructions to buy or sell;
- FP Markets may provide a (general) recommendation that is in conflict with a client's own interest.

It is FP Markets' policy to disclose all material interests or conflicts of interest to a client whether generally or in relation to a specific transaction before it deals with the customer. The fact that FP Markets could have an interest or conflict of interest in relation to transaction which it either trades or advises a client in is outlined in FP Markets' disclosure documentation FSG and PDS in the event of a financial product. This is also outlined in a disclaimer on third party research reports if provided.

At all times FP Markets is able to demonstrate that it has taken reasonable steps to ensure that the client does not object to the material interest or conflict of interest and, this is evidenced in writing upon receipt of a signed client declaration issued with FP Markets' account opening documentation.

FP Markets does not give personal advice to clients, so no conflicts arise in the course of making personal recommendations.

## Allocate another representative to provide the service to the customer

In the event of an employee or representative being unable to act for a client due to a conflict of interest the authorised representative must either decline to act for the client or refer the customer to another employee or representative.

## Establishing internal arrangements

FP Markets separates its risk management function which is responsible for derivatives market making from its dealing functions responsible for advising retail clients with respect to derivatives and securities. FP Markets also separates its back office functions from its dealing and market making functions. Departmental separation is to prevent free flow of information between divisions of the Head of Risk Management, Head of Dealing and Financial Controller along with the Compliance Officer. Each division is responsible for policing their own areas and ensuring that

procedures are correctly and properly followed.

## Declining to act for a client

In the event of FP Markets determining that it is unable to manage a conflict of interest using one of the methods described above, FP Markets will decline to act on behalf of a client. The decision to do so should be made by the Head of Dealing in consultation with the Compliance Officer.

## Meeting with affected clients

Meetings may be held with clients to discuss any conflict or potential conflict of interest likely to affect the client(s).

## Requiring that the directors give certain undertakings when necessary

The Compliance Officer may require that the board provide certain undertakings when necessary to ensure conflicts of interest are dealt with appropriately.

## Identifying possible conflicts of interests

FP Markets considers the following:

- Conflicts of interest may exist between FP Markets and its clients;
- Conflicts of interest may exist between FP Markets' officers and employees and its clients; &
- Conflicts of interest may exist between clients.

## Mechanisms to identify and manage conflicts

FP Markets employs the following mechanisms to identify and manage conflicts:

- internal guidance and training of all staff in the identification of possible issues of conflict as they arise;
- escalation of procedures for ensuring that issues identified are referred to and considered at the appropriate level within the firm;
- appropriate internal arrangements for regulating the flow of information between & within the business areas; and
- guidelines and procedures for supervisory and compliance review of research & recommendations from third party providers prior to publication.

## FP Markets' compliance officer will, on an ongoing basis, review operations to identify actual or potential conflicts of interest

Measures will include:

- periodically engaging an independent auditor to review operations;
- periodically reviewing client files and services provided; and
- periodically reviewing the terms and arrangements of agreements, in particular, those agreements with associated entities or entities with which the directors or representatives are associated.
- The Compliance Officer will review these measures on an ongoing basis.

## FP Markets' monitoring and supervision procedures take conflicts of interest management issues into account

In the event of the Head of Dealing, Head of Risk management, Financial Controller or other senior manager being affected in any way by a conflict of interest the Compliance Officer will have ultimate responsibility for determining the appropriate action to resolve the matter at hand.

## FP Markets has a clear reporting and supervisory structure with respect to conflicts management

The Directors, Employees and responsible Officers report to the Compliance Officer with respect to Conflicts Management, all are responsible for overseeing compliance with FP Markets' Conflicts management policy, with the Compliance Officer ultimately responsible. The Compliance Officer reports all conflicts to the Managing Director and Board monthly or on an as needs basis.

Where conflicts appear to be recurring or systemic, the Compliance Officer will report these issues directly to the Board of Directors with a recommendation as to what action should be taken to prevent these issues from arising. If the Compliance Officer believes that FP Markets' Conflicts management policy and procedures can be further improved, the improvements must be reported directly to the Board of Directors..

ALL FP Markets employees and representatives are trained and

## understand their obligations relating to compliance with FP Markets' conflicts management policy

FP Markets' conflicts management policy and procedures are addressed in FP Markets' Compliance Manual and Plan which is provided to all employees upon commencement of employment and during in-house training, upon induction and on an ongoing, as needs, basis. The Head of Dealing and the Compliance Officer are responsible for the provision of initial and ongoing training where necessary. All employees are required to sign and return a declaration upon receipt of FP Markets' Compliance Manual and Plan to the Compliance Officer.

Employees and Authorised Representatives responsible for providing financial product advice are required to undergo further training prior to providing financial product advice on behalf of FP Markets.

The financial product advice and conflicts management training will include, amongst other things, examination of:

- What constitutes financial product advice;
- General versus personal advice;
- Managing Conflicts of Interest
  - Identifying assessing and evaluating conflicts;
  - Managing Conflicts;
  - Controlling, avoiding and disclosing conflicts
- PDSs
  - When they are required;
  - Timing of giving an PDS;
  - Content requirements;
- FSGs:
  - When they are required;
  - The timing of giving an FSG;
  - Content requirements;
- SOAs:
  - When they are required;
  - Timing of giving an SOA;
  - Content requirements;
- Suitable Personal Advice:
  - The requirement to have a reasonable basis for the advice;
  - What client inquiries are required?
  - What is appropriate advice?

Training covers SOAs and Personal Advice even though FP Markets does not give personal advice. This is to ensure the training covers the distinction between general advice and personal advice.

Advisers will be required to read:

- *[RG 175] Licensing: Financial product advisers – Conduct and disclosure; and*
- *[RG 181] Licensing: Managing Conflicts of Interest*
- *[RG 36] Licensing: Financial product advice and dealing*

## FP Markets' conflicts management training includes training in the following policies:

- Gifts and Inducements;
- Improper payments; and
- Personal Account Trading.

All employees undergo training in conflicts management upon employment; FP Markets' Conflicts management training includes education in the following areas with respect to employees and representatives.

- Gifts and Inducements

FP Markets has in place a gifts and inducements policy and must not offer any inducements to conduct business, nor seek them from others. Although it is recognised that gifts and entertainment may be offered in the normal course of business, FP Markets has established procedures for dealing with them in order to avoid conflicts of interest.

- Personal Account trading

FP Markets has in place a Personal account trading policy and applies strict controls to prevent representatives trading on their own account, especially in products which FP Markets offers. Such personal trading can be perceived as involving front running or insider trading, and can create real or perceived conflicts of interest.

- Improper Payments

FP Markets ensures that representatives do not use their positions to seek personal gain (including a benefit to family members or other associates) from clients or potential clients, nor should they engage in any act that could be interpreted as seeking or receiving a bribe, secret commission or questionable payment.

FP Markets' Compliance Culture and encouragement of 'Whistle Blowing' ensures compliance with the above policies. Ongoing monitoring also occurs through direct supervision and appropriate staff recruitment.

## FP Markets' conflicts management policy is regularly reviewed and updated

FP Markets' conflicts management policy is internally reviewed and updated regularly by FP Markets' Compliance Officer to ensure changes in statutory requirements and obligations are incorporated, and the policy is in line with industry standards.

A formal annual review is also conducted by FP Markets' Compliance Officer who is also responsible for implementing, reviewing and updating FP Markets conflicts management policy. FP Markets' external auditors review its conflicts management policy annually. Recommendations resulting from internal and external audits and routine reviews are submitted by the Compliance Officer to the Managing Director and Board for review, acknowledgement and confirmation to implement the proposed changes. The changes are then communicated to the relevant departmental manager.

## FP Markets must ensure that its conflicts management policy is being adhered to and it has procedures in place for identifying and dealing with instances of non-compliance with its conflicts management arrangements

FP Markets fosters a “compliance culture”, encourages Whistle Blowing and has internal supervision, monitoring and reporting systems in place.

Employees and representatives are trained in recognising conflicts of interest and are required to report any conflicts of interest to the Compliance Officer or departmental manager as they arise.

The Head of Dealing conducts daily supervisory monitoring of employees and authorised representative as well as random audits of client files, records, SOAs, and disclosure documents to ensure clients have not been treated unfairly, appropriate disclosures have been provided and conflicts have been dealt with in accordance with FP Markets’ Conflicts management policy. All audits are supervised by the Compliance Officer.

Any breaches are reported to the Compliance Officer who will liaise with the Managing Director to determine appropriate action which may require meetings with affected staff or clients or the Managing Director referring the matter to ASIC. Serious breaches will lead to the termination of a director/employee’s services.

Where material, systematic and/or repeated breaches of FP Markets’ Conflicts Management policy have been the result of action(s) of employees or representatives, FP Markets applies the following disciplinary policy:

- Informal warning and counselling.
- Stage 1 - Formal Warning  
Disciplinary interview with verbal warning and counselling
- Stage 2 - Written warning  
Disciplinary interview and possibly external training
- Stage 3 - Final written warning  
Senior management consultation
- Stage 4  
Dismissal

This policy is applied rigorously and ensures, amongst other things, that employees are not rewarded in any shape or form, particularly financially, as a result of any policy breaches occurring.

## FP Markets' conflicts management policy is documented

FP Markets' conflicts management policy has been tailored according to the nature, scale and complexity of FP Markets business and is clearly documented in FP Markets' Compliance Manual and Plan which outlines procedures to ensure conflicts are effectively managed to meet regulatory and company policy. The Board has approved all documented procedures. Both the Compliance Manual and this Compliance Plan have been issued to all directors, employees and representatives, with the requirement that they acknowledge receipt and return those acknowledgements to the Compliance Department.

All Manuals will also be made available electronically with easy access by all FP Markets personnel.

Conflicts management measures are integrated into these manuals in an easy to read format.

## Compliance records associated with conflicts management are documented and kept

The Compliance Officer will establish and maintain a register recording all reported conflicts and potential conflicts of interest. This register will be updated on an ongoing basis and reported to the board of directors quarterly.

In addition to the following the database will contain records from audits and other monitoring conducted to ensure compliance with FP Markets' Conflicts management arrangements.

All records are retained for a period of seven (7) years.

- the conflicts identified and action taken;
- any oral disclosure scripts;
- reports given to FP Markets' Managing Director and Board about conflicts of interest matters; and copies of written conflicts of interest disclosures given to clients and the public.

## FP Markets has considered its remuneration practices (including non-monetary benefits) as part of ensuring that FP Markets operates efficiently, honestly & fairly, and has in place adequate conflicts management arrangements.

FP Markets ensures all remuneration practices are fully disclosed to clients to ensure efficient, honest and fair provision of financial services. FP Markets avoids all remuneration practices that place the interests of FP Markets and representatives in direct and significant conflict with those of FP Markets' clients.

All employees and authorised representatives receive a fixed salary that is subject to a yearly review by the Managing Director. FP Markets does not remunerate any employees or authorised representatives on a Commission basis.

FP Markets has in place a gifts and inducements policy to ensure that employees and authorised

representatives are not induced by the provision of soft dollar benefits from clients or other associated parties in exchange for preferential treatment. All employees and authorised representative are familiar with FP Markets' gifts and inducements policy and are responsible for declaring any gifts or inducements to the Compliance Officer upon receipt. The Compliance Officer will determine the intention of the gift or inducements and take appropriate action which may result in the confiscation of the gift or inducement. Failure to comply with this policy will result in disciplinary action which may require meetings with effected staff or clients. Serious breaches will lead to the termination of a director/employee's services.

## FP Markets ensures that clients are treated fairly

FP Markets ensures that all clients are treated fairly and receive the same service, in doing so FP Markets ensures the following:

- a) FP Markets provides financial services in a manner that does not put the interests of FP Market's employees and authorised representatives ahead of its clients;
- b) FP Markets provides financial services in a way that does not put the interests of one client ahead of other clients; and
- c) FP Markets does not use knowledge about its clients in a way that is likely to advance its own interests without sufficient disclosure to affected clients.

FP Markets conducts in-house training, upon induction and on an ongoing, as needs, basis on conflicts management. The Head of Dealing and the Compliance Officer are responsible for the provision of initial and ongoing training where necessary.

FP Markets ensures that there is no conflict between employees/representatives and clients arising from personal trading positions, FP Markets has in place a Personal Account trading policy. All employees are made aware of this policy prior to employment and once again during induction. All on FP Markets' employees/representatives are of good fame and character and are expected to adhere to this policy FP Markets' Compliance Officer relies on an honesty system to ensure compliance with FP Markets' Personal Trading policy, a breach of FP Markets' policy will lead to termination of the employee/representatives services.

Remuneration practices and benefits are fully disclosed in all disclosure documentation including PDS, FSG, SOAs. The head of Dealing conducts along with the Compliance Officer random audits of client files to ensure appropriate disclosures relating to conflicts have been made to clients and recorded on client files in file notes or SOAs. In the event of a breach the Compliance Officer will liaise with the Managing Director to determine appropriate action.

FP Markets provides disclosures to all clients. FP Markets' Compliance Officer and Managing Director liaise with FP Markets' legal advisers to ensure all appropriate disclosures are provided in the PDS, FSG and SOAs. PDSs and FSGs are only issued once approved by the Managing Director and legal signoff has been obtained from external legal advisors.



## FP Markets' conflicts management arrangements must enable FP Markets, its employees and representatives to identify those conflicts that must be avoided

Having undergone training in Conflicts Management, employees and representatives will be skilled in recognising and in identifying conflicts that must be avoided. In the event of the employee or representative being unable to make a determination as to whether the conflict should be avoided the employee or representative will seek the advice of the Compliance Officer who will make a final determination.

## FP Markets has implemented effective measure to disclose conflicts of interest and to ensure that clients are adequately informed about any conflicts of interest that may affect FP Markets' provision of financial services to them

Disclosure of a conflict of interest must be:

- timely;
- prominently communicated; and
- meaningful to the client.

In keeping with these requirements, disclosures must be clear, concise and effective. Disclosures must occur either prior to, or when FP Markets provides the financial service to the client; and FP Markets will provide the client with reasonable time to assess the effect of any conflict of interest. In order to avoid generic disclosures, FP Markets has identified the following broad categories that will require specific disclosure as and when it provides financial products to clients:

the extent to which FP Markets or an associated person has a legal or beneficial interest in a financial product or service the subject of, or recommended as a result of, the financial product advice;

- the extent to which FP Markets or an associated person is related to, or associated with the issuer of the financial product, or service the subject of the financial product advice; and
  - the extent to which FP Markets or an associated person is likely to receive a financial or other benefit if the financial product advice is followed.
- The Compliance Officer must ensure that disclosure is documented. When disclosing actual or potential conflicts to affected clients, the Compliance Officer will take into account the following factors:
- the level of financial sophistication of the client;
  - how much the client already actually knows about the specific conflict;
  - the complexity of the service; and
  - the relevance of the information and whether the information is of a confidential nature. The Compliance Officer will ensure that all benefits (monetary or non-monetary) will be prop-

## FP Markets provides disclosures for financial product advice

FP Markets provides disclosure at or about the time of providing financial product advice.

Disclosure will cover the following matters:

- a) The extent to which FP Markets or any associated person has a legal or beneficial interest in the financial products that are subject of the financial product advice;
- b) The extent to which FP Markets or any associated person is related to or associated with the issuer or provider of the financial products that are subject of the financial product advice;
- c) The extent to which FP Markets or any associated person is likely to receive financial

FP Markets' Compliance Officer ensures appropriate disclosures are made on all documents containing financial advice including research reports. Disclosures are also provided in FP Markets' FSG before financial product advice is given, and in FP Markets' PDS prior to the client dealing in financial products to which FP Markets is the issuer.

FP Markets makes no distinction between retail clients and wholesale clients for disclosure so all clients are given the same disclosure as is given to retail clients.

## FP Markets has mechanisms in place to deal in conflicts that are confidential in nature

If conflicts arise that are confidential in nature and may amount to 'inside information' FP Markets' Compliance Officer will assess whether disclosures can be given and the conflict managed through other mechanisms. Generally FP Markets will avoid such conflicts and decline to provide the effected service to the client.



Should you have any questions or enquiries,  
please don't hesitate to contact FP Markets.

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