

# Hedging Counterparties Policy

## Gleneagle Securities (Aust) Pty Limited

### trading as FXTRADING.com

### October 2021

#### **1. Introduction**

This policy document explains the methodologies used by Gleneagle Securities (Aust) Pty Limited trading as FXTRADING.com ('FXT', 'we', 'us', 'our') to manage market risk and to decide upon the size of our exposure limits for our hedging counterparties. The policy has been developed with consideration of the ASIC Regulatory Guide 227.

Market risk is the risk that adverse price changes result in financial loss, while credit risk is the risk that a counterparty to FXT fails to perform its obligations which results in financial loss for FXT. FXT'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 banks or brokers.

#### **2. Market risk mitigation, monitoring and reporting.**

We don't take proprietary positions based on expectations of market movements. However, not all client transactions are hedged on a back-to-back basis so we may have a net position in markets that we offer.

There are several factors which are taken into consideration determining, if, or how, we hedge. These factors include but are not limited to:

- Volume: If the size of an order is larger than internal limits;
- Toxic Trades: An order by a client or group of clients is placed to exploit errors or weaknesses within the platform and or pricing;
- Neutral Exposure: Whether an order is offsetting currently held residual positions;
- High Exposure: If internal thresholds have been reached for carrying market risk; and
- Liquidity: Should there be insufficient liquidity to be able to hedge in the underlying market

### **3. Credit Risk Mitigation and Reporting**

FXT has internal counterparty credit risk procedures for assessing credit risk and setting credit risk limits. These procedures are reviewed once every six months and are presented to the Board for approval should any changes be proposed.

The credit quality of our major counterparties is reviewed on an on-going basis, with a formal risk review for each counterparty performed at a minimum on an annual basis and more frequently if there is a significant change in market conditions or relevant news.

It is our policy to reduce the risk of losses from counterparty failure through diversification and by setting each counterparty a risk-assessed exposure limit.

### **4. Criteria for Accepting Hedging Counterparties**

We assess each of our hedging counterparties to confirm that they:

- Have adequate financial resources;
- Are appropriately licensed;
- Hold funds in a reputable bank; and
- Have a good reputation within the industry.

Where possible we will also seek to hold its account at the hedging counterparty on a segregated basis.

### **5. List of Current Hedging Counterparties**

Our primary hedging counterparties are:

- Global Prime Pty Ltd;
- CMC Markets Asia Pacific Pty Ltd;
- Invast Financial Services Pty Ltd;

If you need any additional information, please feel free to contact us at [service@fxtrading.com.com](mailto:service@fxtrading.com.com)