



COUNTERPARTY RISK HEDGING POLICY

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1. INTRODUCTION

STARTRADER Prime Global Pty Ltd, (ACN 156 005 668) (hereinafter referred to as “STARTRADER”, “us”, “we” or “our”) has robust risk management and compliance systems in place to manage its risks including but not limited to financial, operational and credit risks.

The Australian Securities & Investments Commission (“ASIC”) released Regulatory Guide 227– Over the-counter contracts for difference: Improving disclosure for retail investors (“**RG 227**”) in August 2011. RG 227 identifies seven disclosure benchmarks for over-the-counter contracts for difference and equivalent products, such as margin foreign exchange (“OTC CFDs”). These disclosure benchmarks are intended to help retail investors understand the risks associated with investing in these products, assess their potential benefits and decide whether investment in these products is suitable for them.

Benchmark 3 of RG 227 relates to Counterparty Risk – Hedging. This policy (“**Counterparty Risk – Hedging Policy**”) addresses Benchmark 3 of RG 227 by explaining:

- the practices utilised by STARTRADER in mitigating its market risk through the use of hedging;
- who our hedging counterparties are; and
- what factors we take into account when choosing our hedging counterparties.

STARTRADER understands that OTC CFDs are complex and risky products and that they are not suitable for everyone. We ensure that only those investors who have a sound understanding of the features and the risks of these products can open an account and begin trading in our products.

2. HEDGING AND MARKET RISK MITIGATION

STARTRADER’s clients rely on us taking appropriate measures to reduce the risk that we will not be able to meet our liabilities as they arise. These measures include having in place appropriate hedging and risk mitigation strategies with counterparties (“**Hedge Counterparties**”) that are of strong financial standing.

Clients (“You” and “Your”) deal with us as counterparty to every transaction you enter into on our trading platforms. STARTRADER acts as a market maker and may face exposure to its clients’ positions. You are reliant on our ability to meet our counterparty obligations to you to settle the relevant contract. We do not hedge all client positions by entering into back-to-back positions with a Hedge Counterparty, and our hedging strategies do not eliminate counterparty risk to investors. However, we may enter into arrangements with Hedge Counterparties

in order to mitigate market and client risk. The degree to which client positions are hedged is determined by STARTRADER's risk management personnel and company management, in consultation with our Hedge Counterparties.

When required, STARTRADER may pass on some or all of its client exposure to its Hedge Counterparty. In doing so, STARTRADER is able to reduce its overall risk to market fluctuations.

The diagram below may help you better understand how our hedging strategies operate in practice:



3. CHOOSING OUR COUNTERPARTIES

We take a number of factors into consideration when selecting our Hedge Counterparties and determining whether they are of sufficient financial standing.

These factors include, but are not limited to:

At STARTRADER, we have a rigorous process for selecting our hedging counterparties to ensure that they are of sufficient financial standing and can effectively help us mitigate market risk. Our due diligence process involves a comprehensive assessment of potential counterparties based on the following key factors and actions:

3.1. Financial Stability and Resources

- Review the counterparty's audited financial statements for the past three years to assess their financial performance, profitability, and stability;
- Analyse key financial ratios such as the counterparty's debt-to-equity ratio, liquidity ratios, and net capital to ensure they maintain a strong financial position;
- Require potential counterparties to provide proof of adequate capitalization;

- Verify that the counterparty has sufficient financial resources to handle the volume of transactions we anticipate and withstand potential market volatility;

3.2. Regulatory Compliance and Licensing

- Only consider counterparties that are properly licensed and regulated by reputable financial authorities in their jurisdiction;
- Verify the counterparty's regulatory status and ensure they maintain all necessary licenses and registrations;
- Review the counterparty's compliance history and check for any past regulatory actions, fines, or penalties;
- Assess the counterparty's compliance policies, procedures, and systems to ensure they meet industry standards and best practices;

3.3. Market Presence and Reputation

- Evaluate the counterparty's experience and track record in the OTC CFD market, considering factors such as years in operation, trading volumes, and market share;
- Assess the counterparty's reputation in the industry by reviewing media coverage, client testimonials, and references from other market participants;
- Consider the counterparty's partnerships, affiliations, and memberships with respected industry organizations and exchanges;

3.4. Operational Capabilities and Technology

- Assess the counterparty's trading platforms, systems, and technology to ensure they can handle our trading volumes and provide reliable execution;
- Review the counterparty's business continuity and disaster recovery plans to ensure they can maintain operations during market disruptions or emergencies;
- Evaluate the counterparty's risk management systems and controls to ensure they can effectively monitor and manage market risk;

3.5. Client Fund Segregation and Protection

- Only work with counterparties that segregate client funds from their own operating funds and hold them with reputable banks;
- Verify that the counterparty has adequate client fund protection measures in place, such as insurance or compensation schemes;

- Review the counterparty's policies and procedures for handling client funds to ensure they meet regulatory requirements and industry best practices;

3.6. Counterparty Risk Management

- Assess the counterparty's own risk management policies and procedures to ensure they can effectively manage their exposure to market risk and client positions;
- Review the counterparty's hedging strategies and the diversification of their own hedging counterparties;
- Consider the counterparty's credit ratings and any available credit default swap spreads to assess their perceived creditworthiness in the market;

By thoroughly evaluating potential hedging counterparties based on these factors, STARTRADER can select counterparties that are of strong financial standing and have the necessary resources, capabilities, and risk management practices to help us effectively mitigate market risk; We continuously monitor and review our hedging counterparties to ensure they continue to meet these standards over time.

4. LIST OF OUR CURRENT HEDGING COUNTERPARTIES

STARTRADER currently has an ongoing Hedge Counterparty arrangement with:

- STARTRADER Limited

5. COMPLIANCE WITH RG227

The table below demonstrates STARTRADER's compliance with Benchmark 3 of RG 227;

No;	RG227 Reference	Requirement	Has STARTRADER met this requirement?
1	227;51 (a)	Include the factors STARTRADER takes into account when determining if hedging counterparties are of sufficient financial standing	Yes; See Paragraph 3
2	227;51 (b)	Set out the names of those hedging counterparties (as they stand from time to time);	Yes; See Paragraph 4;