

## ayondo markets Limited (FRN 184333) – Identification of the Target Market

### Purpose

The aim of this document is to provide an outline of the target market of ayondo markets Limited's ("ayondo markets") product offering as required by the Markets in Financial Instrument Directive II ("MiFID II") implemented on 3<sup>rd</sup> January 2018.

### Product: Contract for Difference ("CFD") – also including a financial spread bet

A CFD is a contract agreed between a client and their counterparty to exchange, at the closing of the contract, the difference in price between the opening and closing price of the product. This means that in CFD trading, a client does not physically buy or hold the underlying asset; rather clients trade a contract whose value captures the change of the price of the underlying asset. The opening of a CFD position requires an initial deposit of margin; the amount of which depends on the particular leverage of the product.

Being a leveraged product means a relatively small change in the price of the underlying market may lead to a proportionally much larger movement in the profit/loss on a client's position relative to the capital invested. This may lead to losses exceeding a client's account balance. ayondo markets has waived its right to legally enforce and pursue any negative account balance that may arise however. A client's risk is therefore limited to his total account deposit but his loss on an individual trade basis may significantly exceed that of the initial margin investment in that trade. It must be stressed that ayondo markets is permitted to make a "margin call" - to request the client to pay additional margin - to cover against an adverse movement in the price of the contract or to protect against a perceived higher risk associated with the position.

For the purpose of this document and in accordance with the guidelines on MiFID II product governance requirements, ayondo markets has been classified as a manufacturer and distributor of such products.

### Target market

- The types of clients to whom the product is targeted:

ayondo markets is a Full Scope (€730k) investment firm and is authorised and regulated by the Financial Conduct Authority ('FCA'). It has regulatory permissions to allow it to provide investment services for CFDs to the following customer types:

- Retail;
- Professional; and
- Eligible counterparties.

ayondo markets continues to target the above customer types and in particular, retail and professional clients.

Retail and professional clients are the most likely individuals who are targeted directly by ayondo markets or its business partners. Eligible counterparties or some professional clients are the most likely regulated corporate entities that require ayondo markets to provide their clients liquidity or access to its trading platform via a white label partnership.

- Clients' knowledge and experience

A CFD is a complex product and comes with the possibility of losses that exceed initial investment due to the leveraged nature of the product. Only clients with the necessary knowledge and experience should invest in such a complex product. ayondo markets recommends that clients wanting to invest in CFDs should have:

- Prior knowledge or experience of investing in leveraged products such as Spread Betting, CFD or margin FX products;
- Understanding of the factors which drive the price of the underlying market and how the movement of the underlying market price may impact the value of the product;
- Understanding of the following risks and how they might impact the amount invested by the clients:
  - (i) Counterparty risk
  - (ii) Market Risk
  - (iii) Credit Risk

ayondo markets makes an assessment of the client's knowledge and experience at the on-boarding stage by requiring clients to provide relevant information within the application form. To ensure a fair assessment of the appropriateness of the product for the client, the application form is broken down into various sections:

- Personal Information
- Financial Information
- Trading Experience
- Accounts Details

A Client's response to the financial information and trading experience section is automatically analysed by the system and scored against a pre-set matrix to ascertain whether the product is appropriate for the applicant or not. Subject to successful processing of all other information, all applicants who pass the test are then on-boarded immediately and may start investing in CFDs. All applicants who fail the test are informed of their lack of knowledge and experience of investing in CFDs and warned of trading in such complex products and the possibility of losing their entire capital. These clients may then only continue with their application by accepting the extended risk warning and agreeing to develop their knowledge and experience prior to trading on a live account; else they must leave the application process.

- Clients' financial situation with a focus on the ability to bear losses:

A CFD is a leveraged product and therefore, clients may lose more than their account balance. However, ayondo has waived its right to legally recover any negative balance, if any. Therefore, clients should be able to bear losses of up to 100% of their invested capital (including any additional funds invested as a result of a margin call).

ayondo markets ensures that all of its financial promotions carry the wording ‘Your capital is at risk’ to warn of the risk of investing in CFDs.

- [Clients’ risk tolerance and compatibility of the risk/reward profile of the product with the target market:](#)

Clients normally invest in CFDs over a very short period of time in order to gain from the increase/decrease in price of an underlying market (i.e. for speculative purposes). However, some clients may also invest for hedging purposes. Irrespective of the trading purpose, clients should have relevant financial capacity and must be willing to put their entire invested capital at risk.

- [Clients’ objectives and needs:](#)

As mentioned above, clients normally invest in CFDs for speculative purposes; i.e. to gain from leveraged exposure to the rising or falling price of a particular underlying market without any physical ownership of the underlying product.

There is no recommended holding period for an investment in the product and there is no direct relationship between the product holding period and rate of return. Normally, clients hold their positions for a very short period of time (frequently intraday) with some holding a position for several days, weeks or sometimes (but rarely) years.

Some clients may also invest in CFDs to take advantage of other benefits. For example, in accordance with UK tax rules, investing in CFDs does not attract stamp duty; however monetary gains from trading may be subject to capital gains tax. It goes without saying that the tax treatment depends on an individual’s circumstances and tax law can change or may differ in a jurisdiction other than the UK.

- [Clients who should not invest \( the ‘negative-target market’\)](#)

In addition to clients who do not satisfy the above mentioned criteria, the following people should not open an account with ayondo markets.

- Individuals under 18 years old

ayondo markets does not allow individuals under 18 years old to open an account.

- People from high risk and/or regulatory restricted jurisdictions

ayondo markets, due to regulatory restrictions and/or money laundering concerns, does not on-board residents and/or citizens of certain jurisdictions, such as US, Belgium and Iran. The list is reviewed by the compliance department at regular intervals.

- [Distribution Strategy](#)

ayondo markets operates an “execution-only” trading platform and does not provide any advice to its clients. It distributes/markets the product to the identified target market directly or through business associates .i.e. business to client (B2C) or Business to business (B2B) partners respectively.

## **B2C**

ayondo markets conducts its own marketing efforts, marketing directly to the intended target group it wishes to engage. Note, the majority of marketing within the 'ayondo Group' relates to the social trading product and as such is prepared by or on behalf of its sister entity, ayondo GmbH (and subject to the review and distribution by ayondo markets compliance function). In this scenario, ayondo markets is in complete control of where it chooses to commit its marketing resources. ayondo markets engages in mixed media marketing activity, specifically online, indirect, performance, email, television marketing and general branding initiatives.

## **B2B**

ayondo markets is able to form partnerships/collaborations with other entities (either individuals or corporates) whose purpose is to then direct client flow to ayondo markets. In summary, the B2B partner (either an introducing agent, affiliate or white label) assumes the role of ayondo markets distribution function and directs clients towards ayondo markets' product. In return, a commercial agreement exists between ayondo markets and the B2B partner and the partner is remunerated proportionately based on the extent to which the partner succeeds in generating client flow (and ultimately trading activity). Again, all financial promotions are reviewed and approved (for unregulated partners) by the compliance team of ayondo markets and clients are only on-boarded if they fulfil the criteria of the intended target market as described within this document.

Regulated partners are expected to make and meet their own target market assessment which should be in line with the regulatory requirements and the target market of ayondo markets outlined within this document.

## **Definitions**

**Account balance:** The sum of a client's cash balance and their unrealised profit and loss.

**Retail Client:** A retail client is a client who is not a professional client or an eligible counterparty.

**Professional client:** A client that is either a per se professional client or an elective professional client.

**Eligible Counterparty:** A client that is either a per se eligible counterparty or an elective eligible counterparty.

**Margin:** Margin or deposit requirement is the deposit required by ayondo markets to cover a trading exposure.

**Manufacturer:** With reference to Recital 15 and Article 9(1) of the MiFID II Delegated Directive, a firm that 'manufactures' an investment product, including the creation, development, issuance or design of that product, including when advising corporate issuers on the launch of a new product.

**Distributor:** With reference to Recital 15 and Article 10(1) of the MiFID II Delegated Directive, a firm that offers, recommends or sells an investment product and service to a client.