AFSL No. 313016

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ZERO Markets Australia Pty Ltd

trading as Zero Markets

Hedging Counterparty Policy

Margin FX & CFD

Last updated: July 2026

1. INTRODUCTION AND PURPOSE

This Hedging Counterparty Policy ("**Policy**") sets out the framework adopted by Zero Markets Australia Pty Ltd (ABN 94 125 113 117), trading as Zero Markets ("**Zero Markets**", "**we**", "**us**", "**our**") for managing the market risk and credit risk that arises from our dealings in Margin Foreign Exchange Contracts ("**Margin FX Contracts**") and Contracts for Difference ("**CFDs**"). This Policy has been developed in accordance with, and addresses the requirements of, *ASIC Regulatory Guide 227 — Over-the-counter contracts for difference: Improving disclosure for retail investors* ("**RG 227**").

Credit risk is the risk that a counterparty to a transaction with Zero Markets fails to perform its obligations, resulting in financial loss to us and, ultimately, to our clients. Our management of credit risk is intended to protect both Zero Markets and our clients from sudden or unexpected changes in the liquidity, credit quality or solvency of our banks, prime brokers or liquidity providers.

Zero Markets primarily takes on market risk to facilitate the prompt execution of client trades. Accordingly, our market risk appetite is conservative, and our exposure limits are actively managed.

This Policy sets out Zero Markets' approach in relation to:

- Market risk management, monitoring and reporting;
- Credit risk management, monitoring and reporting;
- Minimum criteria for selecting, onboarding and periodically reviewing hedging counterparties; and
- Our current list of approved hedging counterparties.

This Policy is reviewed at least annually and is presented to the Risk Committee for approval. Any material amendments require approval from the Risk Committee prior to implementation.

2. MARKET RISK MANAGEMENT, MONITORING AND REPORTING

We act as the counterparty to each client trade in Margin FX Contracts and CFDs and, as a result, carry a net residual market risk to the extent that client positions are not fully hedged with an external liquidity provider. The size of this un-hedged residual position reflects our risk appetite and is actively managed within defined internal limits.

We have internal market risk procedures for setting limits, for every single financial market in which our clients trade, as well as certain groups of markets which we consider to be correlated. These rules limit the net exposure arising from client activities and implement hedging consistent with our risk appetite. These limits are calibrated to reflect the liquidity of each market, historical volatility, and the potential impact of adverse price movements on Zero Markets' financial resources.

Our risk management systems allow us to continually monitor our exposure against these limits in real time and on a company-wide basis. If our exposure exceeds the limits as a result of clients' activities, we will carry out sufficient hedging to bring the exposure back within the defined limit.

Changes to our internal market risk procedures require approval by the Risk Committee. Significant changes are documented and communicated to relevant staff. The risk management function is responsible for monitoring adherence to approved limits and escalating breaches to senior management without delay.

3. CREDIT RISK MANAGEMENT, MONITORING AND REPORTING

We maintain documented internal counterparty credit risk procedures covering the assessment of credit risk and the setting of credit risk limits for each approved counterparty. These procedures are reviewed at least once every twelve (12) months, and any proposed changes are presented to the Risk Committee for approval before implementation.

The Risk Committee, with the support of the risk management function, reviews the credit quality of our major hedging counterparties on a regular basis. A formal credit risk review is conducted for each approved counterparty at a minimum of once per year. Additional ad hoc reviews are triggered whenever there is:

- A significant change in market conditions that may affect counterparty solvency or liquidity;
- Material adverse news about a counterparty's financial health, regulatory standing, or ownership;
- A rating agency downgrade or placement on credit watch;
- Unusual delays or issues in the settlement of hedging transactions; or
- Any other event that, in the reasonable judgment of senior management, warrants a reassessment of a counterparty's credit quality.

Our net exposure to each hedging counterparty is monitored on a daily basis and reported to the Managing Director who is a member of the Risk Committee. This reporting includes open trade exposures, unrealised mark-to-market positions, and any collateral or margin held with or by each counterparty.

Where our exposure to a counterparty approaches its assigned limit, or where there are concerns about that counterparty's credit quality, the risk management function will seek to reduce exposure by redistributing hedging activity to other approved counterparties.

Zero Markets complies with the Australian Client Money Rules under Part 7.8 of the Corporations Act 2001 (Cth) and, where applicable, the ASIC Corporations (Client Money) Instrument. We do not use client money to fund our hedging activities with liquidity providers where not permitted by the applicable laws. All client monies are held in segregated trust accounts with reputable Australian authorised deposit-taking institutions (ADIs), separate from Zero Markets' own funds.

4. MINIMUM CRITERIA FOR SELECTING HEDGING COUNTERPARTIES

Before entering into any hedging arrangement with a new counterparty, Zero Markets conducts a thorough due diligence assessment. We will not approve a new hedging counterparty unless that counterparty satisfies all of our minimum qualification criteria, as set out below. The addition of any new hedging counterparty, or any change to an existing counterparty's exposure limit, requires the prior written approval of the Risk Committee.

Each prospective hedging counterparty must demonstrate, to Zero Markets' reasonable satisfaction, that it meets all of the following minimum criteria:

(a) Regulatory Authorisation

The counterparty must hold a valid financial services licence or equivalent regulatory authorisation in its home jurisdiction that is appropriate for the nature of the hedging activity proposed. We give preference to counterparties regulated by recognised tier-1 or tier-2 regulators, such as ASIC (Australia), FCA (United Kingdom), CySEC (Cyprus), MAS (Singapore), or equivalent authorities.

(b) Financial Adequacy

The counterparty must demonstrate adequate financial resources, including sufficient regulatory capital as required by its home regulator. We assess financial adequacy by reference to publicly available financial statements, regulatory capital disclosures, and any credit ratings assigned by recognised rating agencies. The counterparty should not be subject to any known regulatory investigation, censure, or remedial action that raises material concerns about its financial standing.

(c) Segregation and Custody of Funds

The counterparty must hold any client funds, collateral, or margin posted by Zero Markets in a reputable bank or custodian that is, at minimum, an authorised deposit-taking institution or equivalent in its jurisdiction. We will not engage with counterparties that commingle posted collateral with their own proprietary funds in a manner inconsistent with sound custody practice.

(d) Reputation and Industry Standing

The counterparty must have a good reputation within the financial services industry. We assess reputational standing by reference to publicly available information, industry feedback, the counterparty's history of regulatory compliance, and any publicly reported incidents of misconduct, fraud, or material operational failures.

(e) Operational Capability

The counterparty must demonstrate the operational infrastructure necessary to support our hedging requirements, including:

- Reliable and low-latency trading technology and execution infrastructure;
- Sufficient liquidity in the instruments for which they are to be used as a hedging counterparty;
- Robust business continuity and disaster recovery arrangements; and
- Appropriate anti-money laundering (AML) and know-your-customer (KYC) compliance frameworks.

(f) Legal and Contractual Framework

We require that appropriate legal documentation be in place prior to commencing hedging activity with any new counterparty.

Once a counterparty has been approved and added to our approved list, it remains subject to ongoing monitoring as described in Section 3 above. The formal annual review of each approved counterparty includes a reassessment against the minimum qualification criteria in Section 4. Any counterparty that fails to continue meeting these criteria will be suspended from receiving new hedging business pending remediation or, if appropriate, removed from the approved list entirely. Any such suspension or removal requires the approval of the Risk Committee.

5. CURRENT APPROVED HEDGING COUNTERPARTIES

Zero Markets currently maintains hedging arrangements with the following approved counterparties. Each of these counterparties has been assessed against the minimum qualification criteria set out in this document and has been approved by the Risk Committee.

In accordance with RG 227 Benchmark 3, the names of our current hedging counterparties are disclosed below and maintained in an accessible location (including on our website)

#	Counterparty Name	Jurisdiction
1	26 Degrees Global Markets Pty Ltd	Australia

Note: This list is current as at the date of this Policy. Zero Markets will update this list and our public disclosures whenever a new hedging counterparty is added, or an existing counterparty is removed. Changes to the approved counterparty list require the prior approval of the Risk Committee.