



# Hedging Counterparties Policy

Decode Capital Pty Ltd

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AFSL No: 246796

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This policy explains the procedures of Decode Capital Pty Ltd (**Decode Capital, we, our or us**) to manage market risk and decide upon the size of our exposure limits to our counterparties. This policy has been developed referenced to the ASIC Regulatory Guide 227.

Credit risk is defined as the risk a counterparty of ours fails to perform its obligations, resulting in us incurring a financial loss. By managing our credit risk, we intend to protect our business and our clients from any sudden changes in our banks or brokers' liquidity, credit quality, or solvency.

We primarily take on market risk to facilitate instant execution of client trades. For this reason, our market risk limits are generally very conservative.

This policy covers how Decode Capital deals with:

- Market risk;
- Credit risk; and
- Counterparties selections

### **Market Risk Mitigation**

We do not take proprietary positions ahead of market movements. However, since we do not hedge all client transactions, we may have a net position in any of the markets we offer financial products. As such, we have exposure to market risk to the extent that it has a residual un-hedged positions.

We have internal market risk procedures for setting limits for every financial market in which our clients trade and particular groups of correlated markets. These rules limit the net exposure arising from client activities and hedging consistent with our risk appetite.

Our risk management systems allow us to continually monitor our exposure against these limits in real-time and on a group-wide basis. If our exposure exceeds the limits due to clients' activities, we will carry out sufficient hedging to minimise the exposure.

Changes to our internal market risk procedures require approval by the management of Decode Capital.

### **Credit Risk Mitigation and Reporting**

We have internal counterparty credit risk procedures for assessing credit risk and setting credit risk limits. These procedures are reviewed once every six (6) months and presented to the Board for approval should any changes be proposed.

We review our major counterparties' credit quality 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.

Our exposures to each counterparty are monitored daily and reported to our Risk Manager.

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

### **Qualifying Hedging Counterparties**

We only accept potential hedging counterparties that meet the following minimum criteria:

- have adequate financial and compliance resources;

- have a proper financial license in its jurisdiction;
- hold client funds in a reputable bank; and
- have a good reputation within the financial industry.

The addition of new hedging counterparties or changes to existing counterparty limits requires approval by the management.

#### **List of Current Hedging Counterparties**

- IS Prime

Please contact us at [support@decodecapital.com.au](mailto:support@decodecapital.com.au) for any additional information.