

# Target Market Determination

## Commodity Products

Effective date: 5 October 2021

## About this document

### When to use this target market determination

This target market determination (TMD) seeks to offer clients, distributors and staff with an understanding of the class of clients for which these products have been designed, having regard to the client's objectives, financial situation and needs.

This document is not intended to provide financial advice. Clients must refer to the Product Disclosure Statement (PDS), any supplementary documents and other relevant policy documents which outline the relevant terms and conditions under the product when making a decision about these products.

### Product to which this target market determination applies

This TMD applies to the following Commodity products which are provided under a Risk Management Facility:

- Commodity Swap
- Commodity Option – Purchase Calls, Puts, Collars

(the *Commodity Products*) and as referred to in the following documents:

- Risk Management Facility Product Disclosure Statement and Master Agreement
- Rabobank Australia Limited Financial Services Guide

### Date from which this target market determination is effective

5 October 2021.

## Class of clients that fall within this target market

The information below summarises the overall class of clients that fall within the target market for these products, based on the products' key attributes and the objectives, financial situation and needs of the client that it has been designed to meet.

### Class of clients

Commodity products are for clients who are seeking to manage the risks associated with commodity price fluctuations.

### Product description and key attributes

#### Commodity Swap

The Commodity Swap allows a producer or processor to protect against unfavourable movement in commodity prices by fixing the futures price component of their physical price on a proportion of future commodity production or needs.

The key attributes of this product are:

- The expiry of the product can be constructed to match the cash flows of the underlying commercial transactions
- Available for the following commodities: cotton, wheat, canola, rapeseed, corn, sorghum, sugar
- Contract durations of up to 3 years (4 years for sugar swaps), subject to the individual's needs and Rabobank Australia Limited's internal policy
- Transactions may be closed out early by the client subject to agreement and the payment of a calculated profit/loss where applicable
- Transactions are cash settled unless otherwise agreed

- The following minimum transaction values apply:
  - 100 tonnes of wheat, corn, sorghum, canola or rapeseed
  - 100 bales of cotton
  - 305 tonnes of sugar
- A series of swaps with different valuation dates occurring at regular intervals over a period of time can be contracted with the same swap price (a Commodity Price Par Swap)
- Clients must also have a Rabobank All in One Account

### **Commodity Option (Purchase Call, Put)**

The Commodity Option is a right but not an obligation to buy or sell a commodity swap at a designated strike price at the option expiry date. The buyer can exercise the option into a swap or cash settle the swap on the expiry date.

The key attributes of this product are:

- The expiry date of the product can be constructed to match the timing of the cashflows of the underlying physical transaction
- Available for the following commodities: cotton, wheat, canola, rapeseed, corn, sorghum, sugar
- Contract durations of up to 3 years (4 years for sugar contracts), subject to the individual's needs and Rabobank Australia Limited's internal policy
- Transactions may be terminated early by the client subject to agreement and the payment of a calculated termination fee where applicable
- The following minimum transaction values apply:
  - 100 tonnes of wheat, corn, sorghum, canola or rapeseed
  - 100 bales of cotton
  - 305 tonnes of sugar
- An up-front premium (the Option Premium) is payable and calculated on a transaction-by-transaction basis
- Clients must also have a Rabobank All in One Account

### **Commodity Option Collar**

The Commodity Option Collar is a combination of Put and Call Options and is used to provide price protection in a range between a minimum and maximum strike price

The key attributes of this product are:

- The expiry of the contract can be constructed to match the cashflows of the underlying physical transaction
- Available for the following commodities: cotton, wheat, canola, rapeseed, corn, sorghum, sugar
- Contract durations of up to 3 years (4 years for sugar contracts), subject to the individual's needs and Rabobank Australia Limited's internal policy
- Transactions may be terminated early by the client subject to agreement and the payment of a calculated termination fee where applicable
- Transactions are cash settled unless otherwise agreed
- The following minimum transaction values apply:
  - 100 tonnes of wheat, corn, sorghum, canola or rapeseed
  - 100 bales of cotton
  - 305 tonnes of sugar
- An up-front premium (the Option Premium) may be payable subject to strike rate parameters and is calculated on a transaction-by-transaction basis
- Clients must also have a Rabobank All in One Account

## Needs, Objectives and Financial Situation

These products have been designed for clients who have the following needs, objectives and financial situation:

Product	Needs	Objectives	Financial Situation
<b>Commodity Swap</b>	<ul style="list-style-type: none"> <li>• Protection against unfavourable movement in commodity prices by fixing the futures price component of their physical price on a proportion of future commodity production or needs</li> <li>• Access to the following commodities: cotton, wheat, canola, rapeseed, corn, sorghum, sugar</li> <li>• The ability to construct a series of Swap contracts with different settlement dates occurring at regular intervals that may be contracted with the same swap price (a Commodity Price Par Swap)</li> </ul>	Seeking to manage risks associated with commodity price fluctuations	<ul style="list-style-type: none"> <li>• Able to meet the minimum transaction value for the reference commodity</li> <li>• Able to meet Rabobank's credit requirements</li> <li>• Able to withstand opportunity loss as a result of favourable price movements beyond the settlement strike price</li> <li>• Able to pay an amount to exit the Swap in the event of production loss</li> <li>• Able to pay a calculated loss if required</li> </ul>
<b>Commodity Option (Put, Call)</b>	<ul style="list-style-type: none"> <li>• Protection against unfavourable commodity price movements beyond an agreed protected price level for future production or purchases</li> <li>• Ability to protect against negative price fluctuations as well as benefit from positive fluctuations</li> <li>• Access to the following commodities: cotton, wheat, canola, rapeseed, corn, sorghum, sugar</li> </ul>	Seeking to manage risks associated with commodity price fluctuations	<ul style="list-style-type: none"> <li>• Able to meet the minimum transaction value for the reference commodity</li> <li>• Able to pay the option premium</li> <li>• Able to pay a termination fee if required</li> </ul>
<b>Commodity Option (Collar)</b>	<ul style="list-style-type: none"> <li>• Protection against unfavourable price movements with the opportunity to obtain a more favourable price subject to minimum/maximum levels</li> <li>• Access to the following commodities: cotton, wheat, canola, rapeseed, corn, sorghum, sugar</li> </ul>	Seeking to manage risks associated with commodity price fluctuations	<ul style="list-style-type: none"> <li>• Able to meet the minimum transaction value for the reference commodity</li> <li>• Able to pay the option premium if required</li> <li>• Able to meet Rabobank's credit requirements</li> <li>• Able to withstand opportunity loss as a result of favourable price movements beyond the settlement strike price</li> <li>• Able to accept the risk that the price of the underlying physical commodity varies significantly from the settlement reference price</li> <li>• Able to pay a termination fee if required</li> </ul>

## Consistency between target market and product

These products are likely to be consistent with the likely objectives, financial situation and needs of the class of clients in the target market. This is based on an analysis of the key terms, features and attributes of these products, and a finding that these are consistent with the likely objectives, financial situation and needs of the identified class of clients.

## Applications are subject to Rabobank Approval

Applications for the Commodity Products are open to clients who meet the following requirements

- Meet Rabobank's lending and derivative trading requirements
- Be an existing lending client of Rabobank Australia
- Farmers and / or food and agribusinesses only
- Must have an understanding of the products
- Must have an underlying commercial requirement and not be speculative in nature
- Meet the minimum annual production size requirements
- Clients must be at least 18 years old

We may waive any of these requirements at our discretion.

# How these products are to be distributed

## Distribution conditions

These products have been designed to be distributed through the following means:

- Directly by Rabobank Australia Limited. Transactions can be entered into by calling the Rabobank Markets Team

These products should only be distributed under the following circumstances:

- Where clients meet Rabobank's credit criteria and have signed the Master Agreement for Risk Management Facilities

## Adequacy of distribution conditions and restrictions

By distributing the products through our qualified Markets Team, we are able to provide the client with relevant information about the products so that they are able to determine whether it meets their financial situation, needs and objectives. This makes it more likely that clients who acquire the products are in the target market.

We have therefore determined that the distribution conditions and restrictions are appropriate and will make it likely that clients who purchase the products are in the class of clients for which they have been designed.

## Reviewing this target market determination

We will review this target market determination in accordance with the below:

### Initial review

October 2022

### Periodic reviews

At least every two years from the previous review

### Review triggers or events

Any event or circumstances arise that Rabobank considers would suggest the TMD is no longer appropriate. This may include (but is not limited to):

- A material change to the design or distribution of the products, including related documentation;
- Occurrence of a significant dealing in the products which is not consistent with the product's TMD;
- Distribution conditions are found to be inadequate;
- External events such as adverse media coverage or regulatory attention; and/or
- Significant changes in metrics, including, but not limited to, complaints.

Where a review trigger has occurred, this target market determination will be reviewed within 10 business days.

## Distribution Reporting Requirements

The following reporting information is collected and monitored by Rabobank when it engages in retail product distribution in relation to these products:

Information	Description	Reporting Period
Complaints	The number of complaints, substance of complaints and general feedback relating to the product and its performance.	As soon as practicable, and in any case within 10 business days of the end of the relevant reporting period. The relevant reporting period is monthly by calendar month.
Significant dealing(s)	The date or date range of the significant dealing(s), a description of the significant dealing(s) including why it is not consistent with the TMD.	As soon as practicable, and in any case within 10 business days after becoming aware.