



# Counterparty Risk-hedging Policy

## More Than Trading

PU Prime Trading PTY LTD

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ACN 151 613 839 | AFSL 410681

**Email:** [info@puprime.au](mailto:info@puprime.au)

**Web:** [www.puprime.au](http://www.puprime.au)

**Address:** Level 1, 17 Castlereagh Street, Sydney, NSW 2000, Australia

## 1. INTRODUCTION

PU Prime Trading Pty Ltd, (ACN 151 613 839) (hereinafter referred to as “PU Prime”, “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 PU Prime 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.

PU Prime understands that OTC CFDs are complex and risky products and that they are not suitable for every investor. 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

At PU Prime, we understand that our clients rely on us to manage the risk of not being able to meet our liabilities as they arise. To reduce this risk, we implement robust hedging and risk mitigation strategies in partnership with financial counterparties (“**Hedge Counterparties**”) that have strong financial standing.

As our client (“You” and “Your”), you engage with us as the counterparty for every transaction conducted on our trading platforms. PU Prime acts as a market maker, which means we may be exposed to the positions you hold. You rely on our ability to meet our obligations as a counterparty to settle your contracts.

It is important to note that PU Prime does not hedge every client position by entering into corresponding back-to-back positions with Hedge Counterparties. As a result, our hedging strategies do not eliminate counterparty risk for investors. However, we may enter into arrangements with Hedge Counterparties to manage and mitigate market and client risk.

The extent to which client positions are hedged is determined by our **risk management team** and **company management**, in consultation with our Hedge Counterparties. In certain cases, PU Prime may pass on some or all of its client exposure to a Hedge Counterparty, enabling us to reduce our overall exposure to market fluctuations.

### 3. CHOOSING OUR COUNTERPARTIES

At PU Prime, we take a number of factors into consider selecting our Hedge Counterparties and determining whether they are of sufficient financial standing.

These factors include, but are not limited to:

- Market presence and track record of the Hedge Counterparty with respect to OTC CFD products;
- The current financial position of the Hedge Counterparty;
- Adequate financial licence in their jurisdiction;
- A Hedge Counterparty's reputation;
- Fees and charges;
- Clients funds are held in a reputable bank; and
- Prior business dealings we may have had with a Hedge Counterparty.

### 4. LIST OF OUR CURRENT HEDGING COUNTERPARTIES

PU Prime currently has an ongoing Hedge Counterparty arrangement with:

- FinPrime Group Limited
- PU Prime Limited, a related body corporate

### 5. COMPLIANCE WITH RG227

The table below demonstrates PU Prime’s compliance with Benchmark 3 of RG 227;

No;	RG227 Reference	Requirement	Has PU Prime met this requirement?
1	227;51 (a)	Include the factors PU Prime 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;