

**Date of Issue: 1 July 2024**

Changes to the PDS that are not considered to be materially adverse will be available from the Participant's website, where you can either download the updated information or request us to mail the updated information to you.

Alternatively, if you have any questions in relation to this PDS please contact us on the contact details found on the last page of this document.

**Important information**

This PDS has been prepared without taking account of your objectives, financial situation or needs. For that reason, before acting on the information in this PDS, you should consider its appropriateness to your objectives, financial situation and needs, and if necessary seek appropriate professional advice.

Trading Exchange Traded Options (ETOs, Options) can involve considerable risks. For that reason, you should only trade Options if you understand the nature of the product (especially your rights and obligations) and the extent of the risks you are exposed to. Before trading, carefully consider this PDS and the relevant booklets regarding Options from the Australian Securities Exchange (ASX). You should also carefully assess your experience, investment objectives, financial resources, and other relevant issues.

**Products offered by this PDS**

This PDS covers Exchange Traded Equity and Index Options that are traded on the ASX. It does not include Low Exercise Price Options (LEPOs) traded on the ASX, debt Options, foreign currency Options or Options traded on US exchanges.

Exchange Traded Equity Options are Options on quoted shares (or other securities) of a select group of stock exchange listed companies.

Exchange traded index Options are Options on a select group of stock exchange indexes. A complete list of companies and indexes over which Options are traded in Australia on the ASX can be found on the ASX website.

**Australian Investment Exchange Limited ABN 71 076 515 930, AFSL 241400 (AUSIEX, the Participant, we, us, our), a wholly owned subsidiary of Nomura Research Institute, Ltd. ("NRI"). AUSIEX is a Market Participant of ASX Limited ("ASX") and Cboe Australia Pty Ltd ("Cboe"), a Clearing Participant of ASX Clear Pty Limited and a Settlement Participant of ASX Settlement Pty Limited.**

Options Trading is a service provided by Australian Investment Exchange Limited (AUSIEX, the Participant, we, us, our) ABN 71 076 515 930 AFSL 241400, a Market Participant of the ASX Limited and Cboe Australia Pty Ltd, a Clearing Participant of ASX Clear Pty Limited and a Settlement Participant of ASX Settlement Pty Limited.

## Part A – Product Disclosure Statement

This Product Disclosure Statement (PDS) outlines important information you should consider before investing in Exchange Traded Options (ETOs, Options). This PDS includes features about Australian Investment Exchange Limited's (the Participant, we, us our) product, the fees that apply, the benefits and risks of the product, and other information that you should consider.

The information in this PDS does not take into account your personal objectives, financial and taxation situation and needs. Before trading in ETOs you should be satisfied that such trading is suitable for you in view of those objectives, and your financial and taxation situation and needs, and we recommend that you consult your investment advisor or obtain other external advice.

### Purpose of this PDS

This PDS has been prepared by Australian Investment Exchange Limited as the issuer of the ETOs. This PDS is designed to assist you in deciding whether the ETO products described in this PDS are appropriate for your needs. This PDS has also been prepared to assist you in comparing it with others you may be considering. It is an important document and we recommend you contact us should you have any questions arising from it prior to entering into any transactions with us.

This PDS is in two parts:

- Part A contains an explanation of our product
- Part B contains the Fees Schedule, Client Agreement, Risk Disclosure Statement and Customer Information and Privacy.

### What products does this PDS cover?

This is a PDS for ETOs traded on Australian Securities Exchange Limited (ASX) and settled and cleared by ASX Clear Pty Ltd (Clearing House).

It deals with Equity Options and Index Options but not Low Exercise Price Options. Exchange Traded Equity Options are options over quoted shares (or other securities) of a range of different companies listed on ASX. Exchange Traded Index Options are options over an index such as the S&P™ /ASX 200™ Index. A list of companies and indices over which ETOs are traded can be found on the ASX website.

### Introduction

ETOs are a versatile financial product that can allow investors to:

- hedge against fluctuations in their underlying share portfolio;
- increase the income earned from their portfolio; and
- to profit from speculation.

Their flexibility stems from the ability to both buy and sell an option contract and undertake multiple positions targeting specific movements in the overall market and individual equities. The use of

ETOs within an investor's overall investment strategy can provide great flexibility to take advantage of rising, falling and sideways markets. However, both the purchase and sale of ETOs involve risks that are discussed in this PDS.

Specific concepts which should be understood before engaging in an options strategy are:

- The effect time has on any one position/strategy;
- How volatility changes, both up and down, may change your payoff diagram for a position;
- How to calculate margins and worst-case scenarios for any position;
- The likelihood of early exercise and the most probable timing of such an event;
- The effect of dividends and capital reconstructions on an options position; and
- Liquidity of an options series, the role of market makers, and the effect this may have on your ability to exit a position.
- When buying an ETO, the initial outlay of capital may be small relative to the total contract value so that transactions are "leveraged" or "geared". Transactions should only be entered into by investors who understand the nature and extent of their rights, obligations and risks associated with trading ETOs.

When selling an ETO, the initial income may seem attractive but the downside may be unlimited. Risk minimisation strategies should be employed to mitigate losses when a position does not move in a favourable manner.

This PDS provides product information including information about the risks, characteristics and benefits of ETOs. Investors should inform themselves and if necessary obtain advice about the specific risks, characteristics and benefits of the ETO they intend to trade, and the relevant ASX rules.

Prior to trading ETOs with us, you are required to do the following:

- Read and understand the ASX Understanding Options Trading booklet;
- Read this PDS which explains our product, including the Client Agreement, Risk Disclosure Statement for derivatives traded on ASX and the Customer Information and Privacy;
- Open a trading account with us by completing the Main Application Form;
- Complete ETOs Application Form; and
- If you don't already have a Trading Account, open one with us by completing the Share Trading Account Application.

### Educational booklets

ETOs have traded in Australia since 1976 on the ASX. Over this time, ASX has prepared a number of educational booklets relating to ETOs which are available to you free from their website.

In addition to reading this PDS, investors are advised that the PDS cross reference certain ASX booklets. The ASX booklets that relate to options include:

- **Understanding Options Trading**

<https://www.asx.com.au/documents/resources/UnderstandingOptions.pdf>

- **ASX Index Options**

<https://www2.asx.com.au/content/dam/asx/investors/investment-tools-and-resources/education/index-options.pdf>

- **ASX Margins**

<https://www2.asx.com.au/content/dam/asx/participants/derivatives-market/equity-derivatives/understanding-margins.pdf>

- **Options Strategies**

<https://www2.asx.com.au/content/dam/asx/investors/investment-options/options/understanding-options-strategies.pdf>

These booklets provide useful information regarding options traded on the ASX, including option features, advantages of options, risks associated with options, option adjustments, option pricing, margins, taxation and option contract specifications.

One of the ASX booklets entitled “Understanding Options Trading” is a booklet which we must give you in accordance with the ASIC Market Integrity Rules (Securities Markets) 2017 (ASIC Market Integrity Rules) when you sign our ETOs Application Form. This booklet is also available from the ASX website.

If you cannot access the ASX booklets from the ASX website, please contact us immediately and we will arrange to forward copies of the booklets to you at no charge. If you have any questions on any aspect of the booklets you should consult us before making any investment decision.

## Who we are

Share Trading is a service provided by Australian Investment Exchange Limited (AUSIEX, the Participant, we, us, our) ABN 71 076 515 930 AFSL 241400, a Market Participant of the ASX Limited and Cboe Australia Pty Ltd, a Clearing Participant of ASX Clear Pty Limited and a Settlement Participant of ASX Settlement Pty Limited. AUSIEX is a wholly owned subsidiary of Nomura Research Institute Ltd (NRI).

We do not provide advice about a product's suitability for your particular needs, objectives, financial or taxation circumstances, even if we comment on the current or future market conditions or prospects for products.

## What are ETO contracts?

ETOs may be American or European style exercise. Most ASX options are American style, which means they are tradeable and can be exercised at any time prior to the expiry day. European options which includes index options, can only be exercised on the expiry day.

An ETO is a contract between two parties which gives the buyer (the taker) the right, but not the obligation, to buy or sell the shares underlying the option at a specified price (exercise price) on, or before a predetermined date. To acquire this right, the taker pays a premium to the seller (writer) of the contract. When considering Options over an index, the same concepts generally apply. The premium is not a standardised feature of the ETO contract and is established between the taker and writer at the time of the trade.

ETO sellers are referred to as “writers” because they underwrite

(or willingly accept) the obligation to deliver or accept the shares covered by an option. Similarly, buyers are referred to as “takers” of an ETO as they take up the right to buy or sell a parcel of shares. Every ETO contract has both a taker and a writer.

There are two types of ETOs, namely call options and put options. All option positions consist of one or more of either a bought call, a sold call, a bought put, or a sold put. A long (or bought) option position is created by the purchase of a call or put. A short (or sold) position is created by the sale of a call or put. By combining two or more of these basic positions, an investor can create a trading strategy that meets a range of investment objectives, including the protection of an existing portfolio of shares. For more information on possible trading strategies we refer you to the ASX Options Strategies booklet available on the ASX website.

Call options in relation to shares give the taker the right, but not the obligation, to buy a standard quantity of underlying shares at a predetermined price on or before a predetermined date. If the taker exercises their right to buy, the seller (writer) is required to sell a standard quantity of shares at the predetermined exercise price.

Put options in relation to shares give the taker the right, but not the obligation to sell a standard quantity of underlying shares at a predetermined price on or before a predetermined date. If the taker exercises their right to sell, the seller (writer) is required to buy a standard quantity of shares at the predetermined exercise price. The premium is the price of the option agreed to by the buyer and seller through the market.

The taker will always pay the writer a price (called the premium) to enter into the option contract. The writer receives and keeps the premium but has the obligation to buy from or deliver to the taker the underlying shares at the exercise price if the taker exercises the option. Index Options work in a similar way. The taker of an Index Option has the right to receive cash payment from the seller (writer) if a sharemarket index reaches a specified level (expressed in points) on a predetermined date.

## Deliverable or cash settled

Upon exercise or assignment ETOs can be either deliverable or cash settled. Most exchange traded equity options are deliverable, i.e. with physical delivery of the underlying security, whilst index options are cash settled. Cash settlement occurs in accordance with the rules of the Clearing House against the Opening Price Index Calculation (OPIC) as calculated on the expiry date.

## Standardised Contracts

ETOs are created by the exchange on which the underlying equity or index is listed. We trade ETOs in relation to companies and indices listed on the ASX. The ASX website provides a list of companies and indices over which ETOs are traded.

ASX determines the key contract specifications for each series of ETOs listed, including:

- the underlying security or underlying index;
- the contract size where 1 option contract on ASX usually represents 100 underlying shares;
- the exercise price (or strike price) – this is the specified price at which the taker (buyer) of an equity option can buy or sell the underlying shares. The ASX sets the range of exercise

prices at specific intervals according to the value of the underlying shares. It is important to note that the exercise price of an equity option may change during the life of an option if the underlying share is subject to a bonus or rights issue or other form of capital reconstruction. The number of underlying shares may also be subject to an adjustment; and

- d. the expiry date – ETOs have a limited pre-determined life span and generally follow one of four cycles, namely:
  - i. January/April/July/October
  - ii. February/May/August/November
  - iii. March/June/September/December
  - iv. weekly on Thursdays.

The ASX may in accordance with its operating rules make an adjustment to any of the above specifications if the listed entity over which the option relates makes a pro-rata change to its ordinary share capital structure (e.g. bonus issues or special dividends are declared). If ASX does make an adjustment it will endeavour to preserve the open positions of takers and writers at the time of the adjustment as best as possible. ASX has issued an “Explanatory Note for Option Adjustments” which can be found on the ASX website and which provides further information regarding ASX option adjustments.

Full details of all ETOs listed on the ASX and expiry date information can be found on the ASX website or alternatively through us. A list of current option codes and delayed price information is available on the ASX website. Details of the previous day’s trading are published in summary form in the Australian Financial Review and more comprehensively in *The Australian*.

Details of contract specifications for ETOs are published by the ASX on its website. The contract specifications detail the key standardised features of equity and index options traded on the ASX.

## Premium

The premium (price of the option) is not set by the ASX. It is negotiated between the buyer and seller of the ETO through the market. The premium for an equity option is quoted on a cents per share basis so the dollar value payment is calculated by multiplying the premium amount by the number of underlying shares (usually 100). For example, if you buy a call option with a premium quoted at 25c per share, the total premium will be \$25 (being  $0.25 \times 100$ ). The premium for an index option is calculated by multiplying the premium by the index multiplier. For example, a premium of 30 points, with an index multiplier of \$10, represents a total premium cost of \$300 per contract.

The option premium will fluctuate during the option’s life depending on a range of factors including the exercise price, the price of the underlying securities or the level of the index, the volatility of the underlying securities or the underlying index, the time remaining to expiry date, interest rates, dividends and general risks applicable to markets. For ETOs, market expectations and ultimately, the pressures of supply and demand determine the value of options.

## Time Value

Time value represents the amount an investor is prepared to pay for the possibility that the market might move in their favour during the life of the option.

The amount of time value will depend on whether the option is in-the-money (ITM), at-the-money (ATM) or out-of-the-money (OTM). At any given time, the ATM option will have the greatest time value. The further ITM or OTM the option is, the less time value it has.

- A call option is said to be ITM where the exercise price is less than the share price.
- A call option is said to be ATM where the exercise price equals the share price.
- A call option is said to be OTM where the exercise price is greater than the share price.
- A put option is said to be ITM where the exercise price is greater than the share price.
- A put option is said to be ATM where the exercise price equals the share price.
- A put option is said to be OTM where the exercise price is less than the share price.

An option’s time value is affected by the following factors:

**Time to expiry** – the longer the time to expiry, the greater the time value of the option. Time value declines as the expiry of the option draws closer. This erosion of time value is called time decay. It is not constant, but increases rapidly towards expiry.

**Volatility** – in general, the greater the volatility of the underlying asset, the greater the time value will be. This is due to the fact that the writer is exposed to a greater probability of incurring a loss, and will require higher premium income to compensate for the increased risk.

**Interest rates** – an increase in interest rates will lead to higher call option premiums and lower put option premiums, all else being equal. This reflects the cost of funding the underlying shares. The taker of a call option can defer paying for the shares until the option’s expiry date, and invest the funds elsewhere during this period. As interest rates rise, more interest can be earned on the funds, so the call option is worth more to the option taker. The effect of an interest rate rise is the opposite for put options, as the taker is deferring the receipt, rather than the expenditure of funds.

**Dividends** – if a dividend is payable during the life of an option, the premium of a call option will be lower, and the premium of a put option higher, than if no dividend was payable. This is because shares tend to fall in value on going ex-dividend, all else being equal. Anything that leads to lower share prices will make call options less valuable, and put options more valuable. In practice, option pricing is complex and involves the use of mathematical formulae to calculate the intrinsic and time value of options.

For more information on option pricing, you should refer to the section entitled “Option pricing fundamentals” in the ASX booklet “Understanding Options Trading”. ASX also provides a pricing calculator on the ASX website.

## No Dividends or Entitlements

ETOs do not entitle investors to dividends or other entitlements paid by the issuer of the underlying securities, unless the investor exercises the option to become the holder of the underlying securities at or before the relevant date for dividend or entitlement purposes.

## Opening an option position

The establishment of a contract is referred to as opening a position.

Once the taker of an ETO has an open position they have three alternatives:

1. The taker can exercise the option.
2. The taker can hold the option to expiry and allow it to lapse.
3. The taker can close out their position by writing (selling) an option in the same series as originally taken and instructing their broker to 'close out' the earlier open position.

The writer of an ETO has two alternatives:

1. Let the option go to expiry and risk being exercised against (if it is not exercised against, it will expire without any further obligation or liability on the writer); or
2. Close out the option by taking (buying) the option in the same series as originally taken (provided it has not been exercised against).

## Closing out of option contracts

An ETO position may be 'closed out' (cash settled) by placing an order equal and opposite in effect to your original order – this effectively cancels out the open position. An investor would close out an option contract:

- when there is a risk of unwanted early exercise (unless an index option as they can only be exercised on expiry day)
- to take a profit
- to limit a loss.

It is important that you advise us if you are seeking to close out an existing position when placing your order. Closing out can be achieved without reference to the original party to the trade because of the process of novation. The Clearing House is able to substitute a new buyer/seller as the contract party when an existing buyer sells to close their position. The process of novation is discussed in more detail below in the section entitled "Trading and clearing options".

## Expiry

ETOs have a limited life span and every option within the same series, which has not already been exercised, will expire on the expiry day. The expiry day is a standard day set by the ASX. Equity Options expire on the Thursday preceding the last Friday in the month, as long as both the Thursday and Friday are business days. Therefore, if the last day of the month is a Thursday the Equity Option will expire on the Thursday prior. For Index Options, expiry is usually the third Thursday of the contract month. Expiry day information is available on the ASX website.

## Exercise

Option takers make the decision to exercise the option contract. This means that an equity option writer may be exercised against at any time prior to expiry. The Clearing House will "randomly" allocate a writer for every exercised taken position. This means that if the taker wants to exercise the options and either buy or sell (depending on whether it is a call or a put) at the predetermined price then ASX randomly allocates a writer of that option and

allocates the exercise against them. The writer must then sell the shares at a predetermined price for a call or buy the shares at the predetermined price for a put. The taker of an option will generally only exercise for a profit and therefore the exercise may result in a loss to the writer of the option, depending on their initial costs. Once a writer has been allocated, the writer loses the opportunity to close their position and must effect the delivery or cash settlement obligations for the particular equity or index option contract.

## Automatic exercise

If you trade ETOs with us, we will automatically exercise your taken ETO contract if your contract is in-the-money. For call options, the option will be in the money where the exercise price is below the price of the underlying shares. For put options, the option will be in the money where the exercise price is higher than the price of the underlying shares. This arrangement aims to protect you in case you fail to instruct us to exercise your position or close out the spread and will take advantage of any intrinsic value remaining in that position. It is your responsibility to instruct us if you do not wish to exercise in-the-money positions by no later than 4.30pm (Sydney time) on the day of expiry. Please note that fees and charges may exceed the benefit from exercise of an option. You acknowledge that this will affect all your ETO positions and not only those that are part of a spread strategy.

If your in-the-money call ETO contract is automatically exercised, you will have the funds available in your settlement bank account on T+2 of the exercise date to settle the trade, otherwise fail fees and bank fees will apply. Alternatively, if your in-the-money put ETO is automatically exercised, you must deliver the underlying securities on settlement date T+2 of the exercise date. If you do not hold the underlying securities, we will buy the underlying securities for delivery on your behalf. You will be liable for the costs of that purchase, which may include fail fees, brokerage and bank charges. In the event you fail to complete a contract for the transfer of underlying securities or funds following the exercise of an open option contract, we may:

- Enter into one or more transactions to effect the close out of one or more open option contracts in accordance with the operating rules of the Clearing House;
- Exercise one or more options in accordance with the operating rules of the Clearing House; or
- At your risk, buy/sell or otherwise deal in any securities or withhold any monies and (if applicable) apply the proceeds after deducting costs to satisfy your financial obligations to us; and
- At our sole discretion, dispose of any or all of your securities with the clearing member and apply the proceeds against the default.

You must account to us as if these actions were taken on the instruction of you, and without limitation, you are liable for any deficiency and are entitled to any surplus, which may result.

You should review our Terms and Conditions of Share Trading Account which are available from our trading site and the Client Agreement for Exchange Traded Options in Part B of this PDS, so that you are aware of your obligation when trading ETOs and our rights with regard to the treatment of your ETO account including what we may do in the case of default.

## Settlement

We require that you settle any shortfall at T+1 (that is within one ASX settlement day from the time the trade occurred) for all cash positions which arise from premiums, interest, and other cash financial transactions. You are required to pay the shortfall in margin amounts we call from you by close of next business day of being advised of the margin amount by us.

Payment for and the delivery of underlying securities, on exercise of an open ETOs contract occurs via the ASX's Clearing House Electronic Subregister System (CHES) on T+2 (that is, within two ASX settlement days from the time the trade occurred). We are obligated to make payment to the ASX within this timeframe. For cash settled index options, a cash settlement amount calculated based on the opening price index calculation on expiry day, is paid to exercising takers on the day following the expiry date. The level used for settling index options is determined by a special formula. If you intend investing in index options you should take the time to understand these arrangements. For more information on settlement of index options see the ASX booklet Understanding Options Trading section on 'Trading index options'.

## Strategies and third party arrangements

We allow clients to perform different ASX approved strategies, which may include Buy and Write strategies, buying puts and calls.

Whilst we may make these strategies available, you should be aware of the associated risks that may apply with them. For more information on possible trading strategies we refer you to the ASX booklet Options Strategies available on the ASX website.

If you use a third party (such as a Margin Lender) to facilitate the trading and settlement of options, you should be aware of any procedures that they may adopt that are different to our own. The third party will be able to inform you of any specific procedures.

## Benefits of ETOs

ETOs have a number of advantages which include:

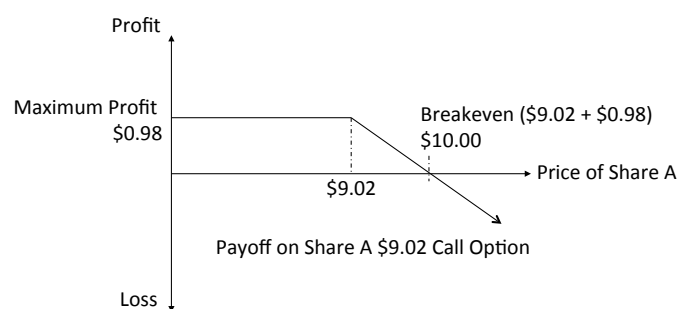
- Risk management where investors can hedge (protect) their share portfolio from a drop in value. Put options allow investors holding shares to hedge against a fall in the share price;
- Shareholders can earn income by writing call options over shares they already hold. As a writer of options, the investor will receive the premium amount up front. The risk is that the writer may be exercised against and be required to deliver their shares to the taker at the exercise price.
- By taking a call option, the purchase price for the underlying shares is locked in. This gives the call option holder time to decide whether or not to exercise the option and buy the shares. The holder has until the expiry date to make their decision. Likewise, the taker of a put option has time to decide whether or not to sell the shares;
- ETOs benefit from standardisation and registration with a clearing and settlement facility which reduces counterparty default risk. This process provides the benefit that the client's position can be closed out without reference to the original counterparty and the client's risk to that counterparty is transferred to the Clearing House;

- Speculation, where the flexibility of entering and exiting the market prior to expiry, permits an investor to take a view on market movements and trade accordingly. In addition the variety of option combinations allows investors to develop strategies regardless of the direction of the market;
- Options do not require a rising market to make money, rather investors can profit from both rising and falling markets depending on the strategy they have employed. Strategies may be complex and there will be different levels of risk associated with each strategy;
- The initial outlay for an options contract is not as much as investing directly in the underlying shares. Trading in options can allow investors to benefit from a change in the price of the share without having to pay the full price of the share. An investor can therefore purchase an option (representing a larger number of underlying shares) for less outlay and still benefit from a price move in the underlying shares. The ability to make a higher return for a smaller initial outlay is called leverage. Investors however, need to understand that leverage can also produce increased risks;
- Given the lower initial outlay attaching to options, investors can diversify their portfolios and gain a broad market exposure over a range of securities or the index itself.

## Example – Exchange Traded Options

### Scenario 1 – Income

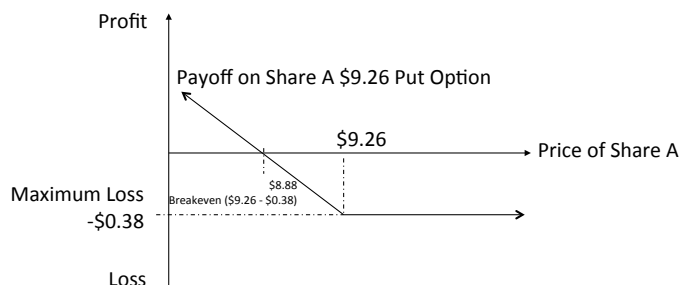
You are the holder of Share A and you wish to supplement your dividend income. You decide to write a call option. The current market price for Share A is \$8.72. You write a November Share A call option with an exercise price of \$9.02. The premium payable to you for the option is \$0.98. The total premium payable to you is \$98. The price of Share A has steadily fallen and at expiry, Share A is trading at \$8.47. The call option is not exercised but you have received \$98 by way of premium received for writing the option.



### Scenario 2 – Speculation

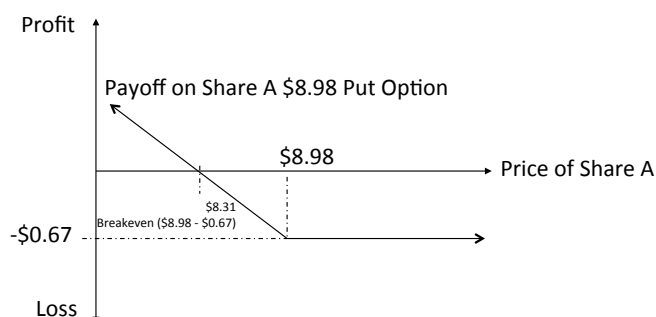
You believe that Share A will fall in value considerably in five months time. In June, Share A is trading at \$9.58 and you believe that at the end of November, Share A will be trading at \$8.42. A November Share A put option with an exercise price of \$9.26 costs \$0.38. You decide to purchase 1 November Share A put option. Premium payable for the November Share A put option =  $\$0.38 \times 100 = \$38$ . In November, the price of Share A has fallen to \$7.82. You exercise the put option and buy 100 Share A shares

at the current market price of \$7.82. You then sell 100 Share A shares at the exercise price of \$9.26. Your profit =  $(\$9.26 - \$7.82) \times 100 - \$38 = \$106$ .



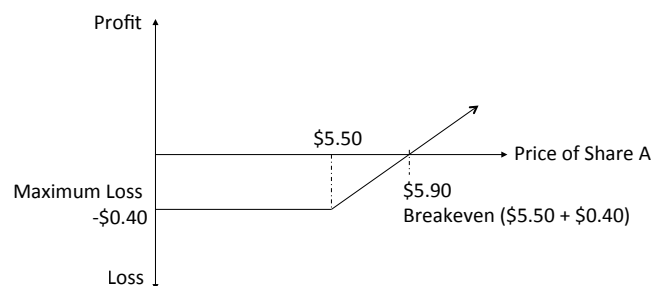
### Scenario 3 – Hedging

You own 100 Share A shares and you think the price will fall. Writing call options may offset some of the loss, but you would like to be able to lock in a sale price for your shares if the market does fall. You could take a Share A June \$8.98 put option for \$0.67 (\$67). The price of Share A does fall to \$7.97 prior to the expiry date and you decide to exercise your put option. In exercising the put option, you protected yourself and have reduced the impact of the fall in the share price of Share A by:  $(\$8.98 - \$7.97) \times 100 - \$67 = \$34$ .



### Scenario 4 – Leverage

Buying call options allows you to profit from an increase in the price of the underlying shares. Suppose you believe Share A shares will rise in price over the next few months. You don't want to pay the full \$557 to buy 100 shares so you decide to take a September \$5.50 call option for 40 cents (\$40 plus fees and commissions). If you are correct and the price of Share A shares rises then the value of your option will also rise. You can then write an equivalent call option to close out at any time prior to the expiry day and take your profit. You will not have to buy the Share A shares if you don't want to. If the market doesn't move as expected, you can either close out the option and recoup some of your initial investment, or you can simply let the option expire worthless in September. When you take a call option, the most you can lose is the premium you have paid in the first place.



### Advanced Trading Strategies

For more information on trading strategies please refer to the ASX booklet: Options Strategies 26 proven options strategies, available from the ASX website.

The booklet describes the most popular ETO trading strategies including a number of complex multi-leg strategies. Multi-leg strategies involve additional risks and it is important that you fully understand the risks associated with these strategies. You should obtain your own financial, legal, taxation and other professional advice about the risks of these strategies and whether they are suitable for you before you invest.

### Risks of ETOs

The risk of loss in trading in ETOs can be substantial. It is important that you carefully consider whether trading ETOs is appropriate for you in light of your investment objectives, and your financial and taxation circumstances. You should only trade ETOs if you understand the nature of the products and the extent of your exposure to risks. The risks attached to investing in ETOs will vary in degree depending on the option traded.

This PDS does not cover every aspect of risk associated with ETOs. For further information concerning risks associated with ETO trading you are referred to the ASX Understanding Options Trading booklet and in particular the section entitled "Risks of option trading" (the booklet can be found on the ASX website).

ETOs are not suitable for some retail investors, for example investors who have a low risk tolerance should not enter into ETO trades which have the potential for unlimited losses. When deciding whether or not you should trade ETO contracts, you should be aware of the following matters relating to risk:

- The high level of leverage that is obtainable in trading ETOs (due to the low level of initial capital outlay) can work against an investor as well as for an investor. Depending on the market movement, the use of leverage may lead to large losses as well as large gains;
- ETOs have a limited life span as their value erodes as the option reaches its expiry date. It is therefore important to ensure that the option selected meets the investor's investment objectives;
- ETOs are subject to movements in the underlying market. Options may fall in price or become worthless at or before expiry;
- Investors trading in index options need to be aware the volatility of an index may also be influenced by factors more general than those that can affect individual equities; these

can range from economic indicators such as but not limited to investor's expectations of changes in inflation, unemployment and interest rates;

- The maximum loss in taking (buying) an ETO is the amount of premium paid. If the option expires worthless, the taker will lose the total value paid for the option (the premium) plus transaction costs;
- Whilst writers (sellers) of ETOs earn premium income, they may also incur unlimited losses if the market moves against the option position. The premium received by the writer is a fixed amount; however the writer may incur losses greater than that amount. For example, the writer of a call option has increased risk where the market rises and the writer does not own the underlying shares. If the option is exercised, the writer of the option is forced to buy the underlying shares at the current (higher) market price in order to deliver them to the taker at the exercise price. Similarly where the market falls, the writer of a put option that is exercised is forced to buy the underlying shares from the taker at a price above the current market price;
- Writers of options could sustain a total loss of margin funds deposited with us. In addition, the writer may be obligated to pay additional margin funds (which may be substantial) to maintain the option position or upon settlement of the contract. Margining is discussed below;
- Under certain conditions, it could become difficult or impossible to close out a position. For example, a significant change in price over a short time period can result in reduced market liquidity and greater price volatility for that security;
- Market Makers play an important role in the liquidity of the options market. However, their obligations to provide quotes are not unqualified and your ability to trade out of a strategy may depend on your being able to obtain a quote from a Market Maker;
- The ASX and its Clearing House have discretionary powers in relation to the market. They have power to suspend the market operation, or impose market suspension in options while the underlying securities are in trading halt if the circumstances are appropriate, restrict exercise, terminate an option position or substitute another underlying security (or securities), impose position limits or exercise limits or terminate contracts – all to ensure fair and orderly markets are maintained as far as practicable. These actions can affect an investor's option positions;
- The placing of risk minimisation orders may not always limit an investor's losses to the amounts that are expected. Market conditions may make it impossible for us to execute the risk minimisation orders. Strategies using combinations such as 'spreads' or 'straddles' may be as risky as taking a simple 'long' or 'short' position;
- ETOs traded on the ASX may be subject to dispute. When a trade is subject to a dispute the ASX has powers, in accordance with its rules, to request that we amend or cancel a trade, which will in turn result in the contract with the client being amended or cancelled;

- We have the ability to amend or cancel a trade as stated in our Terms and Conditions of Share Trading Account and any Confirmation issued. This could cause you to suffer loss or increase your loss;
- We are entitled to cancel or reverse trades or orders without further reference to you where the ASX has recommended or required cancellation or reversal for market integrity reasons, or where the market was operating under an error, or where the cancellation or reversal is permitted under the ASX Operating Rules;
- ETOs traded on the ASX are traded on an electronic trading platform and cleared through the Clearing House. As with all such electronic platforms and systems, they are subject to failure or temporary disruption. If the system fails or is interrupted we will have difficulties in executing all or part of your order according to your instructions. An investor's ability to recover certain losses in these circumstances will be limited given the limits of liability imposed by the ASX and the Clearing House; and
- Investors should review both our "Terms and Conditions of Share Trading Account" and our "Client Agreement for Exchange Traded Options" which are available from our trading site so that they are aware of their obligation when trading ETOs and our rights with regard to the treatment of your ETO account including what we may do in the case of default.

### How we process your transactions

Participant Identification Numbers (PIDs) are used to identify organisations which are authorised by ASX, the Authorised Market Operator, to trade, clear and settle trades with the market. AUSIEX trades, clears and settles transactions using two Participant Identifiers (PIDs): 6381, or 6382.

Your account will be established on a PID nominated by AUSIEX, at its absolute discretion, and all your transactions on that account will be processed on that PID. If your Exchange Traded Options transactions have been executed or cleared via PID 6382, your trade confirmations and statements will contain the notation at the end of the document, "Traded, settled and/or cleared through AUSIEX's ASX Participant ID 6382." All other transactions are cleared through Participant ID 6381.

AUSIEX may transfer your account from PID 6381 to PID 6382 without prior notice. The Contract Fees which apply to your Exchange Traded Options transactions will depend on the PID on which your account is recorded for the trading, clearing and settlement of your transactions at the time at which the fee is applied. You agree to pay the applicable Contract Fee charged to your account, as outlined below.

### Costs and amounts payable associated with trading ETOs

Part B of this PDS contains information on the commission, brokerage and exchange fees relating to ETOs.

Our primary source of income is from the brokerage paid on transactions made through our services – up to 0.55% for



brokerage on ETOs. The ETO Contract fees of \$0.13 (**GST exclusive**) per contract also apply for Equity ETO transactions, and \$0.05 (**GST exclusive**) per contract For Equity ETO exercise/assignment. In the case of Index Options, the ETO Contract fees is \$0.45 (**GST exclusive**) per contract for Index ETO transactions, and \$0.35 (**GST exclusive**) per contract for Index ETO exercise/assignment.

Brokerage paid on transactions and ETO Contract fees will impact the profit or loss of an options transaction and you should consider this before determining whether an options trade is appropriate for you.

We charge our brokerage fees on the purchase and sale of executed transactions made through your account on a per leg basis. We will deduct any government charges from the proceeds of a sale or add applicable government charges to the purchase price of an order you make. Minimum brokerage rates apply depending on the total consideration of the contract and additional administration fees may also apply in certain circumstances.

Whenever you use our service, we may remit a referral fees (up to 18% of the brokerage value for equities and derivatives transactions) to a recognised referrer on the brokerage charged for your use of our service.

Our brokerage fees may vary depending on the cash account balance you may have with us, the type of market information you request, the level of service you require and the frequency of your executed transactions e.g options strategies which involve multiple legs or the rolling over of options positions. Our brokerage fees are included on our contract notes and cover various expenses we incur to deliver the services as well as a profit component. You may find further information about our products, services and fees through our trading site.

We are also required to maintain a trust account on behalf of our clients to hold funds that are used for your share trading account. We and the referrer will retain any interest that may be earned on this account.

## Margins

The Clearing House calculates margins. Writers of options will be obligated to pay margin. Margins are generally a feature of all exchange traded derivative products and are designed to protect the financial security of the market. A margin is the amount calculated by the Clearing House as necessary to cover the risk of financial loss on an options contract due to an adverse market movement. This means that if the price of your options moves against you, you will be asked to pay a margin which represents that adverse movement.

Total margin for ETOs is made up of two components:

- Premium margin – which is the amount required to close out your positions based on current market values; and
- Risk margin – which uses daily volatility of the underlying shares to calculate the potential change in the price of the underlying security and the amount required to cover this potential movement. We may call more margin from you, compared to the amount that it is obligated to be paid to the Clearing House – we do this as a risk management tool.

Clearing House margin obligations may be met by paying cash or by providing certain types of eligible collateral (e.g. shares and bank guarantees, subject to ASX approval). Clearing House applies a 'haircut' in relation to the value of such collateral as a risk management tool, e.g. Clearing House generally values collateral held by it at 70% of its full value. This means that if the shares used by you as collateral have a market value of \$10,000 only \$7,000 will be counted as collateral cover for your margin calls.

Margin must be paid by you before the close of the next business day of you being advised of the margin call by us. The margining process used by Clearing House is explained in detail in the ASX Margins booklet which is available on the ASX website. Please note that third party providers such as Margin Lenders may impose other requirements.

Any interest levied on late settlement and margin payments is due and receivable at the time the amount is levied and certainly within 1 business day of a demand being made by us. Interest received by us from the Clearing House for client cash covered margins may be distributed by us to clients at the end of each month.

## Other significant characteristics of ETOs

### Trading and clearing options

ETOs are traded on the ASX's trading platform and cleared through the Clearing House. Participants of ASX must comply with the ASX Operating Rules and the ASIC Market Integrity Rules. Participants who clear option contracts must comply with the operating rules of the Clearing House.

We are licensed to execute ETOs on the ASX's trading platform and to clear them through the Clearing House and will abide by the trading and settlement terms described in both our "Terms and Conditions of Share Trading Account" and our "Client Agreement for Exchange Traded Options" which are available from our trading site.

The Clearing House stands between the buying and selling brokers (the ASX Participants) and guarantees the performance to each of them. This process is known as 'novation'. Importantly the Clearing House does not have an obligation to you, the underlying client. The operating rules of the Clearing House govern arrangements once a deliverable ETO has been exercised.

### Client Trust Accounts and collateral

In order for us to trade an ETO contract for you, we require you to provide us with money or collateral to enable us to manage the risks associated with our dealings for you in ETOs. Client money and collateral paid or given by you in connection with our dealing in ETOs must be held by us in trust in accordance with the Corporations Act.

Money is held on trust for you in a trust account, however, this does not apply to money paid to reimburse us for payments we have had to make to the Clearing House (generally margin calls) in respect of dealings for you. The Corporations Act provides that money held in the trust account can be used for specific purposes such as meeting margin obligations, guaranteeing, securing, transferring, adjusting or settling dealings in cleared derivatives where we have incurred the obligation in connection with the derivative under the operating rules of an authorised clearing and settlement facility.

CHESSE securities (held by you) may be lodged in your name with the Clearing House as collateral for margin obligations relating to option trades. When CHESSE securities are lodged with the Clearing House, the securities are held by the Clearing House as a 'third party security'. The lodged securities cannot be used by us in relation to our dealings or for our other clients in relation to their dealings unless authorised by you as third party collateral. Shares in a client's superannuation fund cannot be used as third party collateral for any other account.

Cash collateral lodged in your name with the Clearing House as collateral for margin obligations may however be treated differently from CHESSE securities in the event of an occurrence which might threaten the maintenance of fair and orderly markets. Unlike CHESSE securities, cash collateral may be apportioned by the Clearing House in relation to our dealings or our other clients without your authorisation.

### Default

Paragraph 19 of the "Client Agreement for Exchange Traded Options" describes various default events. You should read this section of the Client Agreement carefully, because if a default event occurs, The Security Trustee and the Participant have various rights, including without limitation to:

- close out ETO positions or exercise ETOs;
- exercise rights under the "Client Agreement for Exchange Traded Options" or the Rules (as that term is defined in the "Client Agreement for Exchange Traded Options");
- reject your instructions to trade; or
- combine accounts or set off money owing by you to the Security Trustee or the Participant against money owing by them to you.

Also, any amounts due by the Security Trustee or the Participant to you will not become payable until you have satisfied your obligations under the "Client Agreement for Exchange Traded Options" in full.

### Security Interest

Under the Client Agreement you grant the Security Trustee and the Participant a separate first ranking security interest over:

- all of your interest in any of your Accounts (as that term is defined in the "Client Agreement for Exchange Traded Options"); and
- all of your rights and interest in any other account with the Security Trustee or the Participant;

to secure obligations owing by you under or in connection with the "Client Agreement for Exchange Traded Options" to the Security Trustee or the Participant.

### National Guarantee Fund

The National Guarantee Fund (NGF) provides investors with protection in the following circumstances:

- If a stock option is exercised, the NGF guarantees completion of the resulting trades in certain circumstances; and

- if you have entrusted property to us in the course of dealing in options, and we later become insolvent, you may claim on the NGF, in accordance with the rules governing the operation of the NGF, for any property which has not been returned to you or has not otherwise been dealt with in accordance with our obligations to you. There are limits on claims to the NGF for property entrusted. For more information on the possible protections offered by the NGF see [www.segc.com.au](http://www.segc.com.au).

### Significant Tax Implications

The Participant does not provide tax advice. The taxation information provided in this PDS is not to be construed as taxation advice and you should consult your own tax adviser or accountant on the tax implications of trading Options.

The taxation information provided below is based on existing tax law and established interpretations as at the date of this PDS. It is intended as a brief guide only and does not cover every aspect of taxation related with the trading of Options or the specific taxation circumstances of each individual investor.

Taxation laws are complex and the tax implications of trading Options may change over time and can vary widely, depending on your individual circumstances and the trading strategies you adopt. You should seek your own independent professional tax advice on the tax implications relevant to your own circumstances before trading Options.

The taxation information below applies to Australian resident investors only.

You may also wish to view a paper on the taxation treatment of Options available on the ASX website at <https://www2.asx.com.au/content/dam/asx/investors/investment-tools-and-resources/education/taxation-of-exchange-traded-options-may-2011.pdf>.

We do not take any responsibility for the contents of this document and this document should not be substituted for professional taxation advice.

### Revenue Account

#### Writer of the Option

Where a writer of an Option writes an Option in the ordinary course of business or the Option has been written over an underlying revenue asset, the Option will be treated as being on revenue account.

The premium received by the writer of the Option will be assessable on a due and receivable basis. Where any premium is credited to the writer's ASX Clear account the amount will still be assessable on this basis.

Any subsequent margin calls are not deductible when they are deposited by the writer into their ASX Clear account. These margins will merely reduce any net position of the writer upon the close-out, settlement or exercise of the Option by the taker.

Where interest is received by the writer on the margins held in their ASX Clear account, this is required to be included in the writer's assessable income.

#### Taker of the Option

A taker will generally hold an Option on revenue account when it is held or traded in the ordinary course of business, or the Option is

used to hedge an underlying revenue asset.

Where this is the case, any premium paid by the taker is generally regarded as being deductible on a due and payable basis. This will generally be at the time the Option is entered into.

Where an Option on revenue account lapses, there are no further tax implications. However, where an Option on revenue account is exercised, the Option strike price will form part of the acquisition cost or disposal proceeds for the underlying asset in question.

Alternatively, where the Option is closed-out prior to its expiration, any gain or loss on the Option position will be treated as assessable or deductible as the case may be.

## Capital Account

### Writer of the Option

Where a writer writes an Option over an underlying capital transaction, the Option will be held on capital account.

Consequently, any income tax implications will be determined in accordance with the Capital Gains Tax (CGT) provisions.

The premium received by the writer of the Option will give rise to an assessable capital gain on a received or a receivable basis. Where any premium is credited to the writer's ASX Clear account the amount will still be assessable on this basis.

Any subsequent margin calls will merely reduce any net position of the writer upon the close-out, settlement or exercise of the Option by the taker.

Where interest is received by the writer on the margins held in their ASX Clear account, this is required to be included in the writer's assessable income.

### Exercise of a call Option

Where a call Option is exercised, the Option premium and the proceeds on the sale of the underlying asset should be treated as a single transaction. Accordingly, both the premium and the proceeds received will form part of the writer's capital proceeds for CGT purposes.

This may have practical implications for writers of Options where the premium and sale proceeds are received in different financial years.

### Exercise of a put Option

Where a put Option is exercised, the Option premium paid and exercise price will form part of the cost base of the underlying asset for the investor. Accordingly, both the premium and the strike price paid will form part of the writer's cost base of the underlying asset for CGT purposes.

This may have practical implications for writers of Options where the premium is received in a different financial year to the payment of the strike price and acquisition of the underlying capital asset.

### Taker of the Option

A taker will generally hold an Option on capital account where an underlying capital transaction is being hedged. Consequently, any income tax implications will be determined in accordance with the CGT provisions.

At the time the premium is paid, there are no taxation consequences for the taker in respect of any premium paid for Options which are held on capital account.

Where an Option on capital account lapses, the taker will realise a

capital loss at this time, equal to the amount of the premium paid.

When an Option is settled or closed-out, the taker will realise a capital gain or loss depending on the amount paid (being the premium plus any incidental costs) for the Option and the amount received on settlement.

### Exercise of a call Option

Where a call Option is exercised, the Option premium and exercise price will form part of the cost base of the underlying asset for the taker.

### Exercise of a put Option

Where a put Option is exercised, the taker will generally deduct the Option price from the proceeds received on the disposal of the underlying asset.

## Index Options

From an income tax perspective there are no specific legislative rules when dealing with trading in respect to index ETOs.

Consequently, the taxation consequences of investing in index ETOs shall be determined by taking into account the investor's circumstances in accordance with general tax principles.

Generally, the taxation consequences of investing in index ETOs will be the same as those outlined above. However as the circumstances of each investor are different, investors should obtain professional tax advice relating to whether their index ETOs are held on revenue account and the timing of any tax consequences, particularly that index ETO will be cash settled. However there's an alternative view that any tax consequences don't occur until the index ETOs are closed out, exercised or expire. Using this alternative view may mean you need to account for index Options using a different approach.

## Complying superannuation Funds and Managed Investment Trusts

Certain investors (such as complying superannuation funds), or managed investments trusts that are eligible for, and make the capital account election, will generally be taxed on capital account for their ETOs.

## Taxation of Financial Arrangements

Since 1 July 2011 the taxation of financial arrangements in Australia has been governed by a new set of rules, Taxation of Financial Arrangements (TOFA). ETOs covered by this PDS will normally qualify as financial arrangements subject to the TOFA regime. The TOFA rules:

1. will generally deem gains and losses from financial arrangements to be on revenue account.
2. are likely to modify the timing of recognition of gains and losses; and
3. may, in some circumstances, require recognition on an unrealised basis.

Generally the TOFA rules do not apply to individuals, small superannuation funds and small securitisation vehicles. However, if a substantial tax deferral is obtained then the TOFA rules can potentially apply. Corporate taxpayers will be subject to the TOFA rules if they breach certain turnover requirements (currently A\$100 Million).

If you are within the TOFA rules the impact upon the timing of recognition of ETO profits and losses for taxation purposes will vary depending upon whether particular elections involving financial reports, fair value and hedging have been made. You should seek advice from your tax adviser about your particular circumstances.

### Goods and Services Tax

The purchase and disposal by investors of ETOs over financial products and indices is not subject to GST.

### Stamp Duty

Generally no stamp duty is payable on ETO transactions but ETOs may be subject to Marketable Securities duty on any secondary trading. You should seek advice from your Stamp Duty adviser.

### Placing an order or updating your personal details

You can provide your transaction instructions by telephone or through our trading site. All transactions are governed by our 'Share Trading Terms and Conditions' available from our website. You can update most of your personal details through our trading site.

In some instances, we may require you to provide us with written confirmation of changes to your personal details for security or regulatory reasons.

### Cooling off regime

No cooling off rights apply to your trading in ETOs.

### Derivatives

You may enter into or acquire a derivative as a result of an arrangement made by an intermediary licensee (within the meaning of subsection 1013A(5) of the Corporations Act) or their authorised representative.

If so:

- you may not have any direct contact or relationship with the Participant;
- there may be additional risks associated with holding the derivative;
- additional fees and costs may apply;
- additional rights, terms, conditions and obligations may attach to the derivative; and
- you will have access to a dispute resolution system maintained by the intermediary licensee that covers complaints made by holders of the derivative.

Further information about each of these matters may be obtained from the intermediary licensee.

### Complaints

If you are not satisfied with the service or advice you receive from us, you are entitled to complain. We have established procedures to ensure that all enquiries and complaints are properly considered and dealt with.

We accept that sometimes we can get things wrong, and when this happens we're determined to make them right again.

Most problems can be resolved quickly and simply by talking with us.

You can contact us using the details provided on the Trading Site, or alternatively write to us at:

Customer Relations  
Locked Bag 3005  
SYDNEY NSW 1215

### What we do when you make a complaint to us

- acknowledge your complaint and make sure we understand the issues
- do everything we can to fix the problem
- keep you informed of our progress
- keep a record of your complaint
- give you our name and contact details so that you can follow up if you want to, and
- provide an Internal Dispute Resolution response within 30 days.

### If we are unable to provide an Internal Dispute Resolution response to your complaint within 30 days, we will:

- inform you of the reasons for the delay
- advise of your right to complain to the Australian Financial Complaints Authority (AFCA), and
- provide you with the AFCA contact details.

### External dispute resolution

If you are not happy with the response we provide, you may refer your complaint to AFCA. AFCA offers a free, independent dispute resolution service for the Australian banking, insurance and investment industries.

### Where to get help

#### Contact AFCA

**Online:** [www.afca.org.au](http://www.afca.org.au)

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

**Phone:** 1800 931 678 (free call)

**Mail:** Australian Financial Complaints Authority  
GPO Box 3, Melbourne VIC 3001

Time limits may apply to complain to AFCA and so you should act promptly or otherwise consult the AFCA website to find out if or when the time limit relevant to your circumstances expires.

## Part B – Fees Schedule

### Brokerage

Your Adviser may charge you fees in respect of the ETO transactions executed by your Adviser through us. However, your Adviser determines the amount and structure of any such fees. Information concerning the fees which your Adviser may charge you may be obtained from your Adviser.

We charge your Adviser on the purchase and sale of executed transactions made on your account. We will deduct any government charges from the proceeds of a sale or add applicable government charges to the purchase price of orders you make.

Minimum fees apply on the total consideration of the contract and additional administration fees may also apply in certain circumstances.

The minimum fee is the greater of \$33 and 0.275% per premium. ETO Contract fees are additional to this. Remaining charges over and above these amounts are generally paid to your Adviser and attributed to any additional advice fees and/or service fees charged to you by your Adviser (where applicable). Refer to your Adviser for further details.

### Transactions Executed and Cleared via PID 6381

#### ETO Contract fees

ETO Contract fees of \$0.13 (**GST exclusive**) per contract also apply for Equity ETO transactions, and \$0.05 (**GST exclusive**) per contract for Equity ETO exercise/assignment. In the case of Index Options, ETO Contract fee of \$0.45 (**GST exclusive**) per contract for Index ETO transactions, and \$0.35 (**GST exclusive**) per contract for Index ETO exercise/assignment.

### Transactions Executed and Cleared via PID 6382

ASX Clear charges a registration fee of \$0.06 - \$0.31\* plus GST per listed single stock option contract.

A fee of between \$0.05 - \$0.25\* plus GST per contract for single stock option registrations reporting depending on the Tiered Fee category of the stock.

The ASX allocates each Single Stock Option into one of five Tiered Fee Categories.

The current list of stock per category can be found at:

ASX - Cost of trading options

<https://www2.asx.com.au/markets/market-resources/asx-schedule-of-fees/cost-of-trading-options>

The ASX reviews the allocation of stock approximately every 6 months.

Tiered Fee Category	ASX Registration Fee (\$ per Contract – excluding GST)*
1	\$0.06
2	\$0.10
3	\$0.13
4	\$0.21
5	\$0.31

\*Per contract fee of \$0.00 applies if premium is \$0.01 or lower.

If you exercise an equity option, ASX Clear will charge an exercise fee of \$0.05 plus GST per contract. If you are assigned on an options position, ASX Clear will charge a fee of \$0.05 plus GST per contract.

In the case of index options, ASX Clear will charge a registration fee of \$0.45 plus GST per contract for ETOs and an exercise fee of \$0.35 plus GST per contract. For index option registration, ASX Clear will charge a registration fee of \$0.40 plus GST per contract and an exercise fee of \$0.30 plus GST per contract.

### Government Taxes

GST will be charged on all brokerage and fees at the rate of 10%.

### Trust Account

We are also required to maintain a trust account on your behalf to hold funds that are used for your share trading account. We will retain any interest that may be earned on this account.

### How to calculate the cost of an options trade

	PID 6381	PID 6382
<b>Trade</b>	Buy 50 Contracts of XYZ March \$20 Call Options at \$1	Buy 50 Contracts of XYZ March \$20 Call Options at \$1
<b>Premium</b>	50 Contracts at 100 shares per contract	50 Contracts at 100 shares per contract (50 x 100 shares = 5,000) x \$1 = \$5,000
<b>Brokerage + Adviser Fee</b>	(50 x 100 shares = 5,000) x \$1 = \$5,000 (Greater of \$33 or 0.275% of the premium) = \$33 including GST + Adviser Fee	(Greater of \$33 or 0.275% of the premium) = \$33 including GST + Adviser Fee
<b>ETO Contract fees</b>	50 x \$0.13 (excl. GST) = \$7.15 including GST	50 x \$0.21 (excl. GST) = \$11.55 including GST
<b>Total Costs</b>	<b>\$5,040.15 + Adviser Fee</b>	<b>\$5,044.55 + Adviser Fee</b>

Options Trading is a service provided by Australian Investment Exchange Ltd (AUSIEX, the Participant, we, us, our) ABN 71 076 515 930 AFSL 241400, a Market Participant of the ASX Limited and Cboe Australia Pty Limited, a Clearing Participant of ASX Clear Pty Limited and a Settlement Participant of ASX Settlement Pty Limited.

## Part B – Client Agreement for Exchange Traded Options

### Terms and Conditions of Exchange Traded Options

If you have completed an Exchange Traded Options Application and your Application has been accepted by the Participant, then this agreement applies as an agreement between the Client and the Participant.

Your completion of an Exchange Traded Options Application and your use of the service to buy or sell Options will be taken to be your agreement to these Terms and Conditions. Please read this document carefully and retain it for future reference. Please note the Terms and Conditions of use which apply to your Share Trading Account, which have been made available to you and are available on our website.

You can only buy and sell Options where you have a Share Trading Account and have completed all relevant documentation in relation to that Share Trading Account. Your Options will be registered in the name of your Share Trading Account.

## 1. Application of Rules

The Client and the Participant are bound by:

- a. the ASIC Market Integrity Rules, the ASX Operating Rules, the ASX Clear Operating Rules, the Corporations Act and the Procedures, customs, usages and practices of ASX and its related entities, as amended from time to time, in so far as they apply to Options traded on ASX for the Client; and
- b. the Terms and Conditions of Share Trading Account and Online Access except to the extent that those conditions and rules are inconsistent with this agreement.

Any term used in this Agreement which is defined in, or given a meaning under, the ASIC Market Integrity Rules, the ASX Operating Rules and the ASX Clear Operating Rules (collectively 'Rules') has the meaning given in those rules.

## 2. Explanatory booklet, risk and financial objectives (retail investors only)

The Client has received and read a copy of the current explanatory booklet published by ASX in respect of Options. The Client acknowledges that dealing in derivatives incurs a risk of loss as well as a potential for profit. The Client acknowledges they have given consideration to their objectives, financial situation and needs and have formed the opinion that dealing in derivatives is suitable for their purposes.

## 3. Authority

The Client acknowledges that they are either:

- a. acting as principal; or
- b. acting as an intermediary on another's behalf and are specifically authorised to transact the Options, by the terms of:
  - i. a licence held by the Client;
  - ii. a trust deed (if the Client is a trustee); or
  - iii. an agency contract.

## 4. Nature of the Participant's obligations

Notwithstanding that the Participant may act in accordance with the instructions of, or for the benefit of, the Client, the Client acknowledges that any Derivatives Market Contract arising from any order submitted to the Market, is entered into by the Participant as principal.

Upon registration of a Derivatives Market Contract with ASX Clear in the name of the Participant, the Client acknowledges that the Participant incurs obligations to ASX Clear as principal, even though the Derivatives Market Contract may have been entered into on the Client's instructions.

The Client acknowledges that any benefit or right obtained by the Participant upon registration of a Derivatives Market Contract with ASX Clear by novation under the ASX Clear Operating Rules or any other legal result of registration is personal to the Participant and the benefit of that benefit, right or legal result does not pass to the Client. The Client has no rights, whether by way of subrogation or otherwise, against ASX Clear in relation to any dealings by the Participant (or any other Participant or Market Participant) in Derivatives Market Contracts and Derivatives CCP Contracts.

The Client acknowledges that orders placed through the internet may be limited, at the Participant's discretion, to specified types of dealings as determined by the Participant from time to time and notified to the Client in writing, electronically or otherwise.

Unless otherwise agreed, all orders or instructions to buy, sell, take, write, grant or close Derivatives Market Contracts given by the Client to the Participant will be on a day only basis, and if unexecuted, will automatically lapse at the close of normal trading on the business day that they are given.

## 5. Dealing as Principal or taking the opposite position

The Client acknowledges that the Participant may, in certain circumstances permitted under the Corporations Act, the ASIC Market Integrity Rules and the ASX Operating Rules, take the opposite position in a transaction in a Derivatives Market Contract, either acting for another client or on its own account.

## 6. Commissions and Fees

The Client must pay to the Participant commissions, fees, taxes and charges in connection with dealings for the Client in derivatives at the rates determined by the Participant from time to time and notified to the Client by postal or electronic address last notified to us by you, or at the Participant's website. We shall give you thirty (30) days notice of application of increases in fees, charges or commissions other than government fees or charges.

The Client agrees that the Participant commissions generally applicable for orders placed through the internet may not apply to Derivatives Market Contracts, at the discretion of the Participant.

The Client also understands that each individual order instruction incurs its own individual commissions, fees, taxes and charges. Multiple orders in the same series on the same day do not amalgamate to give one net instruction.

## 7. Tape recording of conversations

- a. You authorise us to record any telephone conversation/s between you and us, with or without an audible tone warning device. If there is a dispute between the Client and the Participant, the Client has the right to listen to any recordings of their conversations.
- b. You acknowledge that any recording is our property and that we reserve the right to charge you a cost recovery fee for access to a recording.
- c. You agree to record all relevant details of any conversation that you have with us, including the name of the operator and the date and time of the call, and you acknowledge that we will ask you for this information when you seek access to a recording.

## 8. Client to provide information

The Client will take all reasonable steps to deliver information or documentation to the Participant, or cause information or documentation to be delivered to the Participant concerning Derivatives Market Transactions which are requested by a person having a right to request such information or documentation. The Participant is authorised to produce the information or documentation to the person making the request.

The Client must provide the necessary identification information to

the Participant before the Derivatives Market Contract is registered with ASX Clear on behalf of the Client.

As part of Australia's international obligations in relation to combating tax evasion, we may require you to provide additional information. Until you provide us with this information, we may be unable to complete the opening of your account. For example, if you are the trustee for a trust, you need to tell us if the settlor or any beneficiary of the trust is a tax resident of a country other than Australia. If the settlor or any beneficiary is itself an entity, this requirement applies to all individuals who are an ultimate beneficial owner of that entity. We may then require you to obtain (and/ or provide on their behalf) each individual's name, address, date of birth and tax residency details. Where you are a trustee, you do not have to give us this information in relation to the settlor if their identity is not known or, if they have no ongoing involvement with the trust and their tax residency is not known. In this case, you confirm that after reasonable enquiry, you have no reason to believe that the settlor is a tax resident in a country outside Australia.

You must keep this information up to date, and notify us promptly of any change. If you need to get in touch with us:

Call 1800 252 351 or +61 2 8397 1801 (outside Australia)  
8:30am – 6:00pm, Monday – Friday (Sydney Time).

## 9. Right to refuse to deal

The Client acknowledges that the Participant may at any time refuse to deal in, or may limit dealings in, derivatives for the Client.

The Participant is not required to act in accordance with the Client's instructions, where to do so would constitute a breach of the Rules or would expose the Participant to unnecessary risk, as judged by the Participant in its absolute discretion. The Participant will notify the Client of any refusal or limitation as soon as practicable.

If you or a signatory appears to be a Proscribed Person, as defined in the 'Terms and Conditions', then we may immediately refuse to process or complete any transaction or dealing of yours; suspend the provision of a product or service to you; refuse to allow or to facilitate any of your assets held by us to be used or dealt with; refuse to make any asset available to you or to any other Proscribed Person or entity; or terminate these arrangements with you. We will be under no liability to you if we do any or all of these things. Our rights under this clause are in addition to all other rights we may have.

If we exercise our rights under this clause, you must pay us any damages, losses, costs, or expenses that we incur in relation to any action taken under this clause, including without limitation administrative costs and/ or costs of sale or purchase of any transaction or deal put in place for the purposes of meeting our obligations under this Agreement.

## 10. Termination of agreement

The Client may terminate this agreement by giving not less than seven (7) business days written notice to the Participant, subject to all outstanding obligations being duly discharged.

The Client acknowledges that the Participant may terminate this agreement by giving not less than seven (7) days prior notice, subject to all outstanding obligations being fully discharged.

## 11. Effect of termination

Subject to Clause 10, termination does not affect the existing rights and obligations of the Client or the Participant prior to termination. Upon termination of this Client Agreement, the Participant will close out all Derivatives CCP Contracts held by the Participant for the account of the Client, unless, in accordance with a direction from the Client, those contracts are transferred to another Participant in accordance with the ASX Clear Operating Rules and the ASX Operating Rules.

## 12. Revised terms prescribed by ASIC or ASX Clear

If ASIC or ASX Clear prescribe amended minimum terms for a Client Agreement for Exchange Traded Options, for the purposes of the ASIC Market Integrity Rules or the ASX Clear Operating Rules (the New Terms), to the extent of any inconsistency between these minimum terms and the New Terms, the New Terms will override the terms of the Client Agreement and apply as if the Client and the Participant had entered into an agreement containing the New Terms.

## 13. The Participant to provide client with copy of changes

The Participant will provide a copy of the New Terms to the Client as soon as practicable after ASIC or ASX Clear prescribes the New Terms.

## 14. Application of clearing rules

The Client acknowledges that each Option contract registered with ASX Clear is subject to operating rules and the practices, directions, decisions and requirements of ASX Clear.

## 15. Client funds and property

The Participant must deal with any money and property paid or given to the Participant in connection with the Participant/ Client relationship in accordance with the Rules.

The Client acknowledges that the Client's monies and the monies of other clients of the Participant may be combined and deposited by the Participant in a trust account or clients' segregated account. The Client acknowledges that all monies credited to the clients' segregated account maintained by the Participant may be used by the Participant to meet the default of any client of the Participant. The Client acknowledges that the Participant may retain interest paid by ASX Clear on money provided by the Client under Clause 24 of this Agreement.

## 16. Change of Participant

If the Client receives a Participant Change Notice from the Participant and the Participant Change Notice was received less than twenty (20) Business Days prior to the date proposed in the Participant Change Notice for the change of Participant, the Client is under no obligation to agree to the change of Participant, and may choose to do any of the things set out below.

The Client may choose to terminate this Client Agreement in accordance with Clause 10 or by giving instructions to the Participant, indicating that the Client wishes to transfer its Derivatives CCP Contracts to another Participant.

If the Client does not take any action to terminate this Client Agreement and does not give any other instructions to the

Participant which would indicate that the Client does not agree to the change of Participant then, on the Effective Date, this Client Agreement will have been taken to be novated to the new Participant and will be binding on all parties as if, on the Effective Date:

- the new Participant is a party to the Client Agreement in substitution for the Participant;
- any rights of the Participant are transferred to the new Participant; and
- the Participant is released by the Client from any obligations arising on or after the Effective Date.

The novation will not take effect until the Client has received a notice from the new Participant confirming that the new Participant consents to acting as the Participant for the Client. The Effective Date may as a result be later than the date set out in the Participant Change Notice.

The Client will be taken to have consented to the events referred to above by the doing of any act which is consistent with the novation of the Client Agreement to the new Participant (for example by giving an instruction to the new Participant), on or after the Effective Date, and such consent will be taken to be given as of the Effective Date.

The Client Agreement continues for the benefit of the Participant in respect of any rights and obligations accruing before the Effective Date and, to the extent that any law or provision of any agreement makes the novation not binding or effective on the Effective Date, then the Client Agreement will continue for the benefit of the Participant until such time as the novation is effective, and the Participant will hold the benefit of the Client Agreement on trust for the new Participant.

Nothing in this Clause 16 will prevent the completion of Derivatives Market Contracts and Derivatives CCP Contracts by the Participant where the obligation to complete those transactions arises before the Effective Date and the Client Agreement will continue to apply to the completion of those transactions, notwithstanding the novation of the Client Agreement to the new Participant under this Clause 16.

### 17. Appointment of ASX Clear and others as agent

The Client irrevocably appoints severally ASX Clear, and every director, manager and assistant manager for the time being of ASX Clear, at the option of ASX Clear (as applicable) to do all acts and execute all documents on the Client's behalf for the purpose of exercising the powers conferred on ASX Clear under ASX Clear Operating Rule 15.

### 18. ETO Settlement

The Client understands that settlement of a Derivatives CCP Contract occurs on T+1, and that the Client is required to ensure that sufficient cleared funds are available in their nominated account to meet the debit. The Client also understands that settlements through the Options account do not offset over more than 1 day, or from other trading accounts.

### 19. Partial trade execution

The Client acknowledges their understanding that an order may

not be completely executed in one single transaction. For orders that are partially executed, the parties agree that any remaining balance will remain in the market at the Client's nominated limit price until it is either executed, or it expires at the end of the day. If an order expires and it has been partially executed, the Client will be charged the minimum applicable brokerage for the executed transaction. Should the Client place a new order for the remaining balance on a subsequent trading day, such renewal is the responsibility of the Client and will be treated as a new instruction and the applicable brokerage will apply.

### 20. Default

If:

1. the Client fails to pay, or provide security for, amounts payable to the Participant or fails to perform any obligation arising pursuant to the exercise or settlement of a Derivatives CCP Contract; or
2. a guarantee or other security provided by the Client to the Participant is withdrawn or becomes ineffective and other replacement security not acceptable to the Participant is provided; or
3. any other event occurs which the Participant and the Client have agreed in their Client Agreement entitles the Participant to take action under this Clause 20; or
4. the Client or signatory appears to be a Proscribed Person (as defined in the Terms and Conditions of Online Access); or
5. the client dies or become incapacitated.

The Participant may, in addition to any other rights which they may have against the Client, without giving prior notice to the Client, take any action, or refrain from taking action, which it considers reasonable in the circumstances in connection with Derivatives Market Contracts registered in the Client Account of the Client (including, without limitation, Derivatives CCP Contracts arising from those contracts transacted) and, without limitation, the Participant may:

- a. enter into one or more transactions to effect the close-out of one or more Derivatives CCP Contracts in accordance with the Rules;
- b. exercise one or more Derivatives CCP Contracts in accordance with the Rules;
- c. exercise any other rights conferred by the Rules or the Client Agreement or perform any other obligations arising under the Rules or the Client Agreement in respect of those Derivatives CCP Contracts, and the Client must account to the Participant as if those actions were taken on the instructions of the Client and, without limitation, is liable for any deficiency and is entitled to any surplus which may result.
- d. enter into one or more transactions to effect the closeout of one or more short equities positions, and the Client must account to the Participant as if those actions were taken on the instructions of the Client and, without limitation, is liable for any deficiency and is entitled to any surplus which may result, the Client:
  - i. must, on demand, pay or reimburse the Participant for all costs, charges and expenses incurred by the



Participant including, without limitation, costs, charges and expenses in connection with the preparation and execution of this Agreement or any payment or other transaction contemplated by this Agreement;

- ii. agrees to indemnify the Participant against all costs, expenses and losses, including brokerage, ASX Clear fees and administration fees, incurred or suffered by it as a result of the Client's failure to settle or make a required payment or deposit a required margin within the prescribed time; and
- iii. agrees that if the Client fails to pay any amount payable under this Agreement or the Rules, on its due date, then the Client must pay on demand interest on that overdue amount from the due date up to the date of actual payment, calculated on daily balances and compounded monthly, both before and (as an independent obligation) after judgment or order at the "Reference Rate". "Reference Rate" means the overdraft interest rate as varied by the Participant from time to time.

## 21. The Participant may demand funds, security or evidence

In respect of any Derivatives CCP Contract entered into for the account of the Client, the Participant may do any one or more of the following in respect of obligations incurred by the Client (including the obligation to ensure the Derivatives CCP Contract is appropriately collateralised) or the Participant or both under that contract and/or the Rules:

- a. demand the payment of money;
- b. demand the provision of other security which the Participant considers, in its absolute discretion, appropriate in connection with the obligations incurred by the Client and/or AUSIEX or appropriate in connection with the under collateralised risk of the account; or
- c. demand evidence that the Client will, within a time determined by the Participant at its sole discretion, be able to comply with demands or future demands under (a) or (b) above.

The time by which the Client must comply with any demand by the Participant under this clause is of the essence and the Client must comply with the Participant's demand before 2pm (Sydney time) on the business day after the day on which the demand is made. If the Client fails to comply with the demand or if the Client cannot be contacted despite the Participant's reasonable enquiries, the Client agrees that the Participant, in accordance with Clause 20, may take any action, or refrain from taking action, which it considers reasonable and in accordance with the Rules in the circumstances to ensure the Client's and/or the Participant's obligations under the Derivatives CCP Contract and/or the Rules are fulfilled.

The Client acknowledges that in the event of an occurrence which might threaten the maintenance of fair and orderly markets, including but not limited to occurrences such as bank failures, payment breakdowns, and/or the failure of a large securities firm, the ASX or ASX Clear may notify the market of its intended actions or seek an immediate election regarding the treatment of open Derivatives CCP Contracts. The Client acknowledges that

in such event, there can be no assurance that disclosure will be made in a manner that will permit the Client to learn of the election or intended action in a timely way. The Participant will have no obligation or liability of any kind to the Client in respect of any loss or damage which the Client may suffer or incur, or which may arise in connection with the ASX exercising its discretion in regards to open Derivatives CCP Contracts of the Client.

## 22. Lodging scrip as collateral

The Client understands that if the Client needs to or wants to lodge scrip cover through the Participant for any open Derivatives CCP Contract, it is necessary for the Client to become CHESS Sponsored by the Participant. The Client authorises the Participant to lodge scrip cover on the Client's behalf for any open Derivatives CCP Contract. This means that the Client authorises:

- a. The Participant to reserve (or withdraw) Financial Products registered in the Client's name with ASX Clear as scrip cover for obligations in respect of the Client's Derivatives CCP Contracts (Scrip Collateral); and
- b. The Participant to grant a security interest over the Scrip Collateral in favour of ASX Clear to secure the performance by the Participant (or any other Clearing Participant acting on behalf of the Client); and
- c. any subsequent dealing (including, without limitation, any transfer) of the Scrip Collateral in accordance with the ASX Rules.

The Client acknowledges that the Scrip Collateral will remain subject to the security interest until ASX Clear permits it to be withdrawn.

The Client understands that scrip cover lodged through the Participant for any Derivatives CCP Contract will only be released by the Participant upon request and at the Participant's discretion.

## 23. Lodging cash as collateral

The Client understands that if the Client lodges cash instead of scrip as collateral, cash collateral may be treated differently from scrip in the event ASX Clear exercises its powers to close the open Derivatives CCP Contract/s of the Participant in the event of an occurrence which might threaten the maintenance of fair and orderly markets. Unlike scrip, cash collateral may be apportioned by ASX Clear in relation to the dealings of the Participant and all its clients without the authorisation of the Client.

## 24. Margins

The Client agrees that when the Client writes a Derivatives CCP Contract to open a position, then margins will be payable throughout the life of the Derivatives CCP Contract. It is the Client's responsibility to ensure they meet their margin obligations on a daily basis. The Client must close any open Derivatives CCP Contract immediately in the event that the Client cannot meet daily margin obligations. Without derogating from the rights of the Participant under Clause 21 the Client also agrees that the Participant may require the Client to pay to it margins in excess of those required by ASX Clear. The Participant may in its absolute discretion allow any such additional margin paid to be retained in an approved cash account on terms approved by the Participant.

## 25. Exercise

The Participant automatically exercises Derivatives Market Long Position Contracts (that is, any call or put that has been bought to open) on expiry that is at least 1 cent in the money or 1 point in the money for Index Options. It is the responsibility of the Client to instruct the Participant on the expiry date (only) if they do not wish to exercise their equity option contracts that are in the money by 1 cent or more. The Client also acknowledges that once the instruction is received that they do not wish to exercise their Long Position, that position is deemed to be worthless and therefore cannot be either traded on-market or exercised. Subsequent trades involving selling the same series will be considered to be the opening of a new position.

## 26. Assignment

The Client understands that during all times while a written (short) Derivatives CCP Contract is open, the writer is exposed to the risks of that Derivatives CCP Contract being assigned. Where a Derivatives CCP Contract is assigned, the Client must take delivery of (for short put contracts), or supply (for short call contracts), the required number of underlying shares at the exercise price on T+2. The Client also agrees that upon assignment of a naked Derivatives Market Contract whereby the Client is required to purchase additional shares (short call contract) or sell shares (short put contract) in order to satisfy delivery/settlement obligations, the Client must execute the required trade/s and notify the Participant on T+1.

## 27. Adjustments

The Client understands it is their responsibility to know about adjustments to the Derivatives CCP Contract that they trade. The Derivatives CCP Contract specifications that may be adjusted are: contract size, exercise price, expiry date, number of contracts and underlying securities. Where an adjustment to a Derivatives CCP Contract is announced by the ASX but the final details of the adjustment have not yet been calculated and announced by the ASX (for example, because the adjustment calculation depends on the closing price on the first day of trading after the adjustment announcement) the Client accepts all responsibility for their trading of that Derivatives CCP Contract, including (without limitation) the calculation of the fair value of the Derivatives CCP Contract.

## 28. Trading Tier

The Participant may assign the Client a particular Trading Tier at its sole discretion and may change that Trading Tier from time to time in its sole discretion based on the following factors:

- a. its assessment of the Client's level of experience in trading in Options;
- b. any application by the Client for an increase in Trading Tier;
- c. any breach by the Client of this Agreement or the Rules.

The Client agrees that the Participant will not be liable for any claim that its allocation of a particular Trading Tier caused or contributed to loss to the Client.

The Participant may at its sole discretion specify the types of Option trading permitted by Clients of any particular Trading Tier and from time to time vary those specifications.

## 29. Orders

The Client understands that the Participant does not offer straight through processing of exchange traded Option orders, and as such all exchange traded Options orders are placed into the Options market by an accredited Options dealer.

## 30. Email confirmation

By supplying an email address the Client acknowledges and authorises the Participant to send all Options Trading, Open Position, Collateral Holding and Current Account Statements to the Client's electronic address only. The Client may at any time notify us in writing that the Client wishes to withdraw their consent and revert to receiving the reports and statements by mail.

It is the Client's obligation to ensure that their email address is operational and available for receipt of above mentioned electronic confirmation statements. The Client also agrees that at any time the Participant may:

- issue a paper-based confirmation statement in lieu of electronic confirmation statements by email; and
- issue a further confirmation statement if the previous one/s contained any errors or omissions, and in this event, the further confirmation statement shall supersede the previous one/s in all respects.

## 31. Variation

The Participant reserves the right to vary these Client Agreement terms and conditions to the extent permitted by the Rules to:

- a. add, change or remove any concessions or benefits;
- b. adopt or implement any legal requirement, decision, recommendation, regulatory guidance or standard of any court, tribunal, ombudsman service regulator, or of the ASX;
- c. accommodate changes in the needs or requirements of our clients, such as new product features or services;
- d. correct errors, inconsistencies, inadvertent omissions, inaccuracies or ambiguities;
- e. bring us into line with our competitors, industry or market practice or best practice in Australia or overseas; or
- f. reflect changes in technology or our processes including our computer systems.

Each of the changes in paragraphs (a) to (f) is a separate right and this clause is to be read as if such change was a separately expressed right.

Without limiting the Participant's rights under paragraphs (a) to (f), the Participant may from time to time vary any of the terms and conditions for reasons other than the ones mentioned above (e.g. due to unforeseen events).

Any such variation of these Client Agreement terms and conditions will apply to all dealings between the Client and the Participant on and from the day on which the variation takes effect. If we vary these Client Agreement terms and conditions, we will give not less than seven (7) days notice to you at the postal or electronic address last notified to the Participant by you, or at the Participant's website.

If the Participant makes a change that is not acceptable to the

Client, the Client can cancel the agreement closing out all options contracts that are open at the time the Client wishes to cancel the agreement.

This may result in a substantial cost to the Client and fees and charges may be payable by the Client.

### 32. Provision of information to third parties

The Client acknowledges that where a third party has been nominated to lodge collateral as a third party collateral provider in the clients favour, the Participant may, at any time, provide to that third party a copy of any report or statement that they have provided to the Client. The Client authorises and directs the Participant to provide that information to the third party.

### 33. Client's obligations to the Security Trustee

- a. This clause applies despite anything to the contrary in any other provision of this Client Agreement.
- b. The Client irrevocably and unconditionally undertakes to the Security Trustee to perform, in favour of the Security Trustee and for the Security Trustee's benefit, each and every obligation owed by the Client to the Participant under or in connection with this Client Agreement. This undertaking is separate and independent to the Client's obligations to the Participant, and the Security Trustee will have an independent right to demand performance by the Client of each such obligation. However, any discharge of any such obligation to either the Security Trustee or the Participant will discharge the corresponding obligation to the other of them to the same extent.
- c. Without limiting paragraph (b), the Client irrevocably and unconditionally undertakes to pay to the Security Trustee on demand an amount that is equal to each amount that is due and payable by the Client to the Participant under or in connection with this Client Agreement from time to time. This undertaking is separate and independent to the Client's payment obligations to the Participant, and the Security Trustee will have an independent right to demand performance by the Client of each such undertaking. However, any discharge of any obligation to either the Security Trustee or the Participant will discharge the corresponding obligation to the other of them to the same extent.
- d. The Client agrees that it is also a default under clause 20 if:
  - i. the Client fails to pay, or provide security for, amounts payable to the Security Trustee or fails to perform any obligations arising pursuant to the exercise or settlement of a Derivatives CCP Contract;
  - ii. a guarantee or other security provided by the Client to the Security Trustee is withdrawn or becomes ineffective and other replacement security not acceptable to the Security Trustee is provided; or
  - iii. any other event occurs which the Participant and the Client have agreed in will entitle the Participant to take action under clause 20.
- e. Without limiting the Security Trustee's or the Participant's rights, powers, remedies or discretions under any other provision of this Client Agreement or otherwise:
  - i. if a default under clause 20 or any other part of this Client Agreement occurs, any one or both of the Security Trustee and the Participant, without notice to the Client, may combine any account that the Client holds with it at any branch or office (in Australia or elsewhere) with, or set off any amount in any currency that is or may become owing in any currency by it to the Client against, any amount owing by the Client to it; and
  - ii. any amounts deposited by the Client with any of the Security Trustee or the Participant (including amounts deposited by the Participant with the Security Trustee on account of the Client) will not fall due for repayment by the Security Trustee or the Participant, as the case may be, until the Client's obligations under this Client Agreement (and under any other account between the Participant and the Client) are satisfied in full. Until this time, those amounts will not constitute a debt due from the Security Trustee or the Participant to the Client nor will the Client have any right to receive payment of these funds.
- f. The Client grants each of the Security Trustee and the Participant a separate Security Interest in:
  - i. all of the Client's rights and interest in any of its Accounts;
  - ii. without limiting paragraph (i) above, all of the Client's rights and interest in any ADI account held with the Security Trustee or any cash account or other account held with the Participant, to secure obligations owing by the Client under or in connection with this Client Agreement to the Security Trustee and the Participant.
- g. The Security Interests provided for by this Client Agreement are first ranking Security Interests, and if a default under this Client Agreement occurs, the Security Trustee and the Participant, in addition to any other right that either of them may have, may severally enforce its Security Interest provided for by this Client Agreement.
- h. The Security Trustee's respective rights, powers, remedies and discretions under:
  - i. clause 33(e)(i);
  - ii. clause 33(e)(ii); and
  - iii. clause 33(f),
 are separate and independent from one another and the Security Trustee is not under any obligation to exercise or take any action under or in respect of any one or more of them before doing so under or in respect of any other of them.
- i. The Participant's respective rights, powers, remedies and discretions under this Client Agreement (including but not limited to its rights, powers, remedies and discretions under

the following provisions) are separate and independent from one another:

- i. clause 33(e)(i);
- ii. clause 33(e)(ii);
- iii. clause 33(f);
- iv. clause 15;
- v. clause 20;
- vi. clause 21; and
- vii. clause 24,

and the Participant is not under any obligation to exercise or take any action under or in respect of any one or more of them before doing so under or in respect of any other of them.

- j. Where the Client is acting in the capacity of trustee of a superannuation fund, this clause only applies to the extent it does not cause the Client to breach any applicable law.

### 34. Personal Property Securities Act

- a. Nothing in this Client Agreement may be taken as an agreement that any Security Interest provided for by this Client Agreement attaches later than the time contemplated by section 19(2) of the PPSA.
- b. The Client acknowledges that neither the Security Trustee nor the Participant has agreed to subordinate any Security Interest provided for by this Client Agreement in favour of any third party.
- c. The Client acknowledges that the Security Trustee and/or the Participant may register one or more financing statements in relation to their respective Security Interests. If permitted by the PPSA, the Client waives its right under section 157 of the PPSA to receive notice of any verification statement relating to the registration of any such financing statement or any related financing change statement.
- d. The Client, the Security Trustee and the Participant agree not to disclose information of the kind mentioned in section 275(1) of the PPSA, except in the circumstances required by sections 275(7) (b) to (e) of the PPSA. The Client agrees that it will only authorise the disclosure of information under section 275(7)(c) or request information under section 275(7) (d), if either the Security Trustee or the Participant approves. Nothing in this clause 34(d) will prevent any disclosure by the Security Trustee or the Participant that it believes is necessary to comply with its other obligations under the PPSA.
- e. To the extent that it is not inconsistent with clause 32(d) constituting a “confidentiality agreement” for the purposes of section 275(6)(a) of the PPSA, the Client agrees that the Security Trustee and/or the Participant may disclose information of the kind mentioned in section 275(1) of the PPSA to the extent that the Security Trustee or the Participant is not doing so in response to a request by an “interested person” (as defined in section 275(9) of the PPSA).
- f. To the extent that Chapter 4 of the PPSA would otherwise apply to an enforcement by the Participant or the Security Trustee of any Security Interest provided for by this Client Agreement, the parties agree that the following provisions of the PPSA do not apply:
  - i. to the extent that section 115(1) of the PPSA allows them to be excluded: sections 95, 118, 121(4), 125, 130, 132(3)(d), 132(4), 135, 138B(4), 142 and 143; and
  - ii. in addition, to the extent that section 115(7) of the PPSA allows them to be excluded: sections 127, 129(2) and (3), 132, 134(2), 135, 136(5) and 137.
- g. The Client must, at its own expense, whenever requested by either the Security Trustee or the Participant, promptly do or cause to be done anything which the Participant or the Security Trustee considers necessary or desirable to perfect and protect any Security Interest provided for by this Client Agreement.
- h. In clauses 31 and 32, terms that are defined in the PPSA have the same meanings (unless the context requires otherwise) and:
  - i. “Accounts” means the Client’s rights and interest in:
    - A. its Client Account, any client segregated account, trust account, cash account and any other account of the Client with the Participant and/or the Security Trustee in connection with the Client Agreement;
    - B. the entire balance of any such accounts from time to time; and
    - C. all amounts payable to the Client in respect of such accounts from time to time.
  - ii. “the Security Trustee” means Australian Investment Exchange Limited ABN 71 076 515 930;
  - iii. “PPSA” means the Personal Property Securities Act 2009 (Cth); and
  - iv. “Security Interest” means a security interest under the PPSA.

## Risk Disclosure Statement for derivatives traded on ASX's Markets

Acknowledgement of reading this Risk Disclosure Statement must be signed by all applicants.

This document does not disclose all aspects of risk associated with the trading of ASX Derivative Products. Trading in derivatives is not suitable for some private investors. In light of the risks associated with trading ASX Derivative Products, you should invest in them only if you understand the nature of the products (specifically, your rights and obligations) and the extent of your exposure to risk. Before you invest, you should carefully assess your experience, investment objectives, financial resources and all other relevant considerations and discuss these with the Participant. You should not rely on this Risk Disclosure Statement as a complete explanation of the risks of investing in ASX Derivatives Products including Options Market Contracts.

### 1. Effect of 'Leverage' or 'Gearing'

Transactions in all ASX Derivative Products carry a degree of risk. The initial outlay of capital may be small relative to the total contract value so that transactions are 'leveraged' or 'geared'. A relatively small market movement may have a proportionately larger impact on the value of the contract. This may work against you as well as for you. You may sustain a total loss of margin funds deposited with the Participant in relation to your positions.

If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position, or upon settlement of contracts. If you fail to comply with a request from the Participant for additional funds within the time prescribed, the Participant may close out your position and you will be liable to the Participant for any loss that might result.

### 2. Specific product risks

The purchaser of an Option Market Contract, whether it is a call Option or a put Option, has a known and limited potential loss. If a purchased Option Market Contract expires worthless, the purchaser will lose the total value paid for the Option (known as the premium), plus transaction costs.

Selling ("writing") Options may entail considerably greater risk than purchasing Options. The premium received by the seller of an Options Market Contract is fixed and limited; however, the seller may incur losses greater than that amount. For more information on Options Market Contracts, you should talk with the Participant and read the ASX publication, Understanding Options Trading, as provided.

### 3. Risks relevant to all ASX derivative products

#### i. Risk-reducing orders or strategies

The placing of certain orders (for example 'stop-loss' orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as 'spread' and 'straddle' positions may be as risky as taking simple 'long' or 'short' positions.

#### ii. Terms and conditions of contracts

You should ask the Participant about the terms and

conditions of all ASX Derivative Products contracts in which you are considering investing. Under certain circumstances the specifications of outstanding contracts may be modified by ASX or by ASX Clear or other relevant clearing and settlement facility.

#### iii. Suspension or restriction of trading and pricing relationships

Market conditions (for example, illiquidity) or actions by ASX or ASX Clear or other relevant clearing and settlement facility (for example, the suspension of trading in an ASX Derivative Product) may increase the risk of loss by making it difficult or impossible to effect transactions or close out existing positions. Normal pricing relationships may not exist in certain circumstances, for example, in periods of high buying or selling pressure, high market volatility or illiquidity in the market for a particular ASX Derivative Product. ASX and ASX Clear have broad powers under their respective rules to take action in the interests of maintaining fair and orderly markets and, in some circumstances, this may affect your positions.

#### iv. Margins, cash and property

You should familiarise yourself with the protections for money or other property you deposit for transactions, particularly in the event of a broker's insolvency or bankruptcy. The extent to which you may recover money or property which you provide to the Participant is governed by the Corporations Act and other legislation and rules. In certain circumstances you may have a claim against the National Guarantee Fund.

#### v. Trading facilities

As with all trading facilities and systems, the systems used in the market are vulnerable to temporary disruption or failure, which may result in your order not being executed according to your instructions or not executed at all. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, ASX, ASX Clear, another relevant clearing and settlement facility or the Participant.

### 4. Risks of margin loan covered call writing

Selling covered call Options over margined shares is an investment strategy for the confident investor and is not available to all clients. There are inherent risks to consider when implementing this strategy and you should ensure they are fully understood before proceeding. The maximum profit possible from writing a covered call Option is the premium earned from writing the Option. The main risk of this strategy is that the stock price falls significantly. You still hold the underlying shares, and the written call Option provides you protection only to the extent of the premium received. A second risk is that the stock shows unexpected strength. No matter how high the share price rises, as long as they are subject to the written call the most you will receive for your shares is the Option's exercise price (plus the Option premium). In regards to stock encumbered on a margin loan, the portfolio value of the stock is capped at the exercise price of the call Options. The downside of the stock is not protected and the normal conditions of the margin loan apply if the stock decreases in value. Buying shares on margin involves risks, which you should discuss with your margin lender or financial adviser.

## CUSTOMER INFORMATION AND PRIVACY

### What information we collect

In this clause 'you' includes our customer and any person who holds office in an entity which is a customer. We collect information about you (such as your name, address and contact details), and information about your interactions with us, such as activity on your account. We may also collect publicly available information about you.

### Why we collect your information and what we use it for

We collect your information because we are required to identify you in accordance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and in order to comply with taxation laws, such as the *Taxation Administration Act 1953* and the *Income Tax Assessment Act 1936*.

We also collect your information from you and others (such as service providers, advisors, brokers, or agents, acting on your, or our, behalf) when you apply for our products and services and when we interact with you to administer any products and services that you have with us. We also collect, use and disclose personal information when we administer:

- (i) our relationship with you;
- (ii) our customer relationships; and
- (iii) our systems and internal processes, including risk management and pricing, under our arrangements with government agencies, and to identify and tell you about products and services that you request from affiliated providers and external providers for whom we act as agent.

If you give us your electronic and telephone details, you agree we may use this to communicate with you electronically, by phone or SMS, including providing updates and reminders.

You must give us accurate and complete information; otherwise you may be breaking the law and we may not be able to provide you with the products and services that you require. If you change your personal details (e.g. address, name or email address) you must tell us straight away.

### Who we may exchange your information with

We may exchange your information with our related entities and certain third parties, for example:

- your representatives (such as consultants and technology service providers), advisers, brokers and agents, and their service providers;
- our service providers and those who refer business to us;
- co-branding or branding partners (organisations with whom we have agreements to provide products and services under a different brand name);
- market operators, operators of clearing and settlements facilities, share and other registries, regulatory and government authorities;
- platform providers (such as international share trade platform providers), issuers of financial products, other financial institutions, and other bodies (for example, if you do not perform your obligations under a share trade).

Sometimes it may be necessary to send your information overseas

– for example, where we outsource functions overseas, where we need to complete a transaction on your behalf or where this is required by laws and regulations in Australia or in another country. See our Privacy Policy for more information.

### Our Privacy Policy

Our Privacy Policy is available on the website and should be read in conjunction with the above. It contains further details about our information collection and handling practices including information about:

- other ways and reasons we may collect, use or exchange your information;
- how you may access and seek correction of the information; and
- how to make a complaint about a breach of your privacy rights, and our complaint handling procedures.


We encourage you to check our website regularly for any updates to the Policy.

### How to contact us

For privacy-related enquiries, please contact us on the details provided in the header of this document. We aim to resolve your query or complaint at your first point of contact with us, however if you have tried to resolve your complaint and are not satisfied with the outcome, you may contact our Customer Relations team directly by calling 1800 252 351, or write to Customer Relations, Locked Bag 3005, Sydney NSW 1215.

Share trading is a service provided by Australian Investment Exchange Limited ABN 71 076 515 930, AFSL 241400 (AUSIEX, the Participant, we, us, our), a wholly owned subsidiary of Nomura Research Institute, Ltd. ("NRI"). AUSIEX is a Market Participant of ASX Limited ("ASX") and Cboe Australia Pty Ltd ("Cboe"), a Clearing Participant of ASX Clear Pty Limited and a Settlement Participant of ASX Settlement Pty Limited.

## Have questions? Connect with us.

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