Product Disclosure Statement CommSec Exchange-Traded Options

Issue Date: 07 December 2020

Important Information

Changes to this Product Disclosure Statement (PDS) that are not considered to be materially adverse to you will be available from the CommSec website at commsec.com.au. Alternatively, a paper copy of the updated information can be obtained by contacting a Client Service Officer on 1800 245 698 between 8am and 5:30pm (Sydney time) Monday to Friday. Certain changes may require us to issue a new or supplementary PDS. We will post any supplementary or new PDS on the CommSec website at commsec.com.au, or you can ask for a paper copy of the PDS or any of the documents referred to in the PDS, at no charge to you, by contacting us on 1800 245 698.

If you have any questions in relation to this PDS please contact us on 1800 245 698.

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 (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 indices.

A complete list of companies and indices over which Options are traded in Australia on the ASX can be found on the ASX website.

Commonwealth Securities Limited ABN 60 067 254 399 AFSL 238814 (CommSec) is a wholly owned but non-guaranteed subsidiary of the Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945 and a market Participant of the Australian Securities Exchange Limited (ASX) and Chi-X Australia Pty Ltd, a clearing participant of ASX Clear Pty Limited and a settlement participant of ASX Settlement Pty Limited.

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Contents

Discover a new way to trade

Exchange-traded Options (or ETOs or Options) are a versatile financial tool that you can use to:

- Protect your portfolio.
- Profit from market movements, even when the market is falling or flat.
- Earn extra income from your shares.
- Increase your returns through leverage.
- Diversify your portfolio.

Options derive their value from an underlying security, such as a share or an index. That makes them a flexible alternative to direct investing, giving experienced investors access to a range of strategies that might otherwise be unavailable.

This Product Disclosure Statement (PDS) is designed to help you understand the Options market and how you can use CommSec to trade Options. It provides you with the information you need to help you decide whether this financial product will meet your needs and how it compares with other products you might be considering. It does not cover Low Exercise Price Options (LEPOs) traded on the ASX, debt Options, foreign currency Options or Options traded on US exchanges.

The PDS includes features about Commonwealth Securities' (the Participant, we, us, our) Options product, the fees that apply, the benefits and risks of the product, tax treatment and other information that you should consider prior to trading options.

WHAT IS AN OPTION?

An equity Option is a contract between two parties that gives the buyer (taker) the right, but not the obligation, to buy or sell a bundle of shares at a specified price, on or before a predetermined date. The seller (writer) of the Option has an obligation to fulfil the requirements of the contract, if called upon by the buyer to do so. In exchange for the right to require fulfilment of the contract, the taker pays a premium to the writer.

A Call Option gives the taker the right, but not the obligation, to *buy* the underlying shares, while a Put Option gives the taker the right, but not the obligation, to *sell* them.

Index Options work in a similar way. The taker of an index Option has the right to receive a cash payment if a sharemarket index reaches a specified level (expressed in points) on a predetermined date.

Option writers are required to supply shares or cash as collateral. A *naked* position is one that is not specifically hedged.

ETOs can be American or European exercise style. Most ASX Options are American-style, which means that they can be exercised at any time prior to the expiry day. European-style exercise Options, which include index Options, can only be exercised on expiry day.

ETOs are either deliverable or cash settled. Most exchange-traded equity Options are deliverable, which requires the physical delivery of the underlying security when exercised. Exchange-traded index Options, on the other hand, are cash settled, which means cash settlement is required when they are exercised.

Option orders placed through CommSec are entered into the market for the remainder of that trading day only (good for a day).

THE BENEFITS OF TRADING OPTIONS

Profit from your view	Profit when your view of future market movements proves correct. Options give you the potential to profit in rising, falling and flat markets, using a range of strategies with varying levels of risk.
Earn income	Write Call Options over shares you already own and receive the premium immediately. Remember, if the Option is exercised you may be forced to sell the shares at the exercise price.
Manage risk	Use Options to hedge (or protect) your portfolio from a drop in value of a share or the market, by taking a Put Option to lock in the value of your shares.
Diversify with leverage	Diversify your portfolio and achieve a broader market exposure with a lower initial outlay than buying shares, potentially increasing your profits Leverage can multiply your profits, but it can also multiply your losses if your view of the market proves incorrect.
Gain time to decide	Options lock in the price of a share. If you are the taker of a Call Option, you have time to decide whether you want to buy the shares. If you are the taker of a Put Option, you have time to decide whether you want to sell your shares.
Trade in a regulated market	Unlike some other derivatives, Options are standardised and traded through a registered clearing and settlement facility. Not only does that give you greater certainty, it also means that you can close out a position without having to deal with the other party in the original contract.

THE RISKS OF TRADING OPTIONS

Trading in Options is typically viewed as a risky investment, suitable for experienced investors who have a high tolerance for risk and can access cash or shares to meet margin requirements. If you are a cautious investor, you should be particularly wary of entering into trades that have the potential for very large and unlimited losses — for example, writing uncovered Call and Put Options. Before you apply for an Options account, you are required to read the Risk Disclosure Statement on page 56 of this PDS.

Significant risks

Limited life	Options have a fixed expiry date, after which they are worthless. Their value can fall rapidly as they approach expiry.
Volatility	Changes in volatility can affect the price of an Options contract regardless of movements in the underlying security.
Market movement	Due to the volatile nature of Options prices there may be times where the market price of your Option moves significantly over a very short time. This may affect the price at which you are able to trade.
Difficulty closing positions	When the market moves against you, you may find it difficult to close an Option position if there is a significant change in its price over a short time period.
Leverage	While leverage can multiply your profits when you invest successfully, it can also multiply your losses when your view of the market proves incorrect.
Taking Options	When you take an Option and do not exercise, the maximum amount you can lose is the premium you pay plus any transaction costs, such as brokerage. Options expiring in the money will be auto-exercised unless you instruct CommSec on the date of expiry to not exercise the Option. Where your Option is auto-exercised, a corresponding share transaction will arise. You are responsible for making sure you have the money or security to settle that transaction.
Writing Options	When you write an uncovered (or *naked*) **Call** Option, your potential losses are unlimited if the market moves against your Option position. Although your potential losses when writing a **Put** Option are limited (since the price of the underlying share can't fall below zero), there is a real risk of substantial losses, given that the market tends to fall more sharply than it rises. To ensure that you can meet the obligations of writing a Call or Put Option, you will be required to pay margins (refer to page 38 of this PDS). As part of its risk management, CommSec conducts stress tests on all written Option positions to assess the impact of changes in market conditions (for example, market moves up; market moves down) on your Options portfolio. These stress tests may result in you being required to provide evidence of ability to meet additional margin requirements if called, or to reduce your exposure which will lead to additional transaction costs (refer to page 39 of this PDS).

Early exercise	Where a Call Option is deep in the money, with little chance of the underlying security falling below the strike price before expiry, the Option is a candidate for early exercise. This generally occurs where the dividend the investor would receive if they were to exercise the call is greater than the interest expense incurred in buying the shares ahead of the expiry date. The writer/seller of the Call Option would therefore be obligated to provide the holder/buyer of the Call Option the underlying security at the strike price including the dividend entitlement. As this generally occurs on the day before the ex-dividend date, if the writer of the Call Option does not already hold the underlying security which they need to provide (that is, they sold a naked call), they will need to purchase the underlying securities with the dividend entitlement attached in a specialised ‘cum-dividend’ market on the day that the underlying security has gone ex-dividend.
Adjustments	If the underlying security for an ETO makes a pro-rata change to its ordinary share capital structure the ASX may make adjustments to the specifications of the ETOs to preserve their total exercisable value. That means that the result of the number of contracts multiplied by the contract size and multiplied by the exercise price is kept as the same total exercise dollar amount before and after the underling security’s ex-date. Changes can be made to contract size, exercise price, expiry date, number of contracts, and even the underlying securities. As such changes can immediately affect important factors such as whether your ETO is ‘in’ or ‘out’ of the money, you will need to review all ETO adjustments to ensure that the position still falls within your investment strategy.
Discretionary powers	The ASX and ASX Clear Pty Ltd (ASX Clear) have discretionary powers to ensure the maintenance of fair and orderly markets. They can suspend the operation of the market, lift suspensions, restrict exercise, terminate an Option position, substitute another underlying security (or securities), impose position and exercise limits and terminate contracts, which can all affect your position.
Disputes	If a trade is subject to dispute, the ASX has the power to require a broker to amend or cancel the trade. A cancellation of a trade could mean that you suffer a loss or that your losses are increased.
Cancellations	CommSec reserves the right to amend, cancel or reject any trade at its sole discretion without notification to you. This could mean that you suffer a loss or that your losses are increased.
System disruptions	Options orders are entered into and transacted on an electronic trading platform and cleared through ASX Clear. As with all such electronic systems and platforms they are subject to temporary failure and disruption. If the system fails or is disrupted, causing CommSec not to receive your instructions, you may suffer a loss or increased losses. It is your responsibility to monitor whether your instructions have been effected in the market and contact the CommSec Options Desk on **1800 245 698 between 8am and 5:30pm (Sydney time) Monday to Friday)**, if any difficulties are experienced.
Legal	As Australia is a member state of the United Nations, we are obliged to implement United Nations Security Council sanctions. Consequently, CommSec may be prohibited from dealing with certain persons or entities. This means that if it appears that you are, or act on behalf of, a proscribed person or entity, then CommSec may be required to suspend, cancel or refuse you services or close or terminate any arrangement with you. We may also be required to freeze your assets. You could incur significant costs as a result of these actions.

Things you need to know – ASX Educational booklets

Before trading Options with CommSec, you are required to read the ASX Understanding Options Trading booklet, which can be found, free of charge, from the ASX website at **asx.com.au/documents/resources/UnderstandingOptions.pdf.** You can also request for a hard copy of this booklet to be sent to you free of charge, by calling the CommSec Options Desk on **1800 245 698 between 8am and 5.30pm (Sydney time) Monday to Friday**.

We also recommend that you read these educational booklets from the ASX, which are available free of charge from the ASX website, to ensure that you have a sufficient understanding of how the Options market operates:

- Options, a simple guide: **asx.com.au/documents/resources/options_simple_guide.pdf**
- Index Options: **asx.com.au/documents/resources/index_options.pdf**
- Explanatory Note for Option Adjustments: **asx.com.au/documents/resources/explanatory_note_option_adjustments.pdf**
- Options Strategies: **asx.com.au/documents/resources/UnderstandingStrategies.pdf**
- Options Margin Lending: **asx.com.au/documents/resources/options_margin_lending.pdf**
- Margins: **asx.com.au/documents/resources/Understanding_Margins.pdf**
- Taxation Treatment of Options: **asx.com.au/documents/products/taxation_of_exchange_traded_options_may_2011.pdf**

As Options are both complex and inherently risky, CommSec also recommends that all clients visit the ASX website (**https://www2.asx.com.au/investors/investment-tools-and-resources/brochures**) to access important information — including, but not limited to, pay-off diagrams and educational material — prior to placing any order instructions.

All materials referenced within the ASX website are considered to be presumed knowledge for you as a CommSec Options client. As a client, you agree to not enter into any position without first consulting the ASX educational material and fully understanding your position and obligations in their entirety.

Practical risk management

Below are some simple points to keep in mind when you are investing in Options:

- Options trading can be a valuable tool, but experienced investors know that speculative positions should form only part of a balanced investment strategy.
- When choosing your Options strategy, you need to take into account your potential losses as well as your potential profits, and consider carefully whether the level of risk suits you. For some strategies the maximum risk may be the loss of the premium (plus trading fees), while for others, the loss may be unlimited.
- It's especially important when trading Options to monitor your position carefully, and to take action as required. You can use the CommSecIRESS trading platform or the CommSec website to keep track of your position, the market and the expiry dates of your Options.

Remember that margin requirements can change from day to day, and you need to have collateral available to cover any increases. In addition, based on stress testing results, you may be required to provide evidence of ability to meet additional margin requirements if called, or to reduce your exposure. See Margins and Stress Testing on page 38 for more information.

Trading Options with CommSec

When you trade Options with CommSec, you'll benefit from our online research and investing tools, affordable brokerage and dedicated Client Service team. You may also qualify for a complimentary subscription to our advanced real-time trading platform with tools specially developed for Options traders.†

WHY TRADE OPTIONS WITH COMMSEC?

Save on brokerage	Trade Options from $34.95.*
Online tools	Trade Options using CommSecIRESS, our dynamic trading platform.†
Trade Options online	Place Option strategies online at the click of a button.
Use advanced strategies	Use a wide variety of investment strategies, including covered Calls, protective Puts, naked Calls and Puts, and multi-leg strategies. Use ASX acceptable equities on your CommSec Options account as collateral when writing Options.
Trade on your margin loan	Write covered Calls over shares bought with a CommSec Margin Loan. Financial settlement for Buy Premiums & Margins can be funded from your Margin Loan.
Multi-Leg Orders	Access to our designated dealing team for best price execution on multi-leg orders.

† To obtain free access to the CommSecIRESS trading platform, you will need to meet minimum qualification criteria. Call 1800 245 698 for details.

* For online trades up to $10,000.

CHOOSE HOW YOU TRADE

Online at commsec.com.au	Do your research, set up Option and share watchlists, monitor your open positions, view previous trading activity, obtain live quotes and **trade online** at **commsec.com.au**.
Online with CommSecIRESS trading platform	To retain free access to the CommSecIRESS trading platform, you will need to meet the minimum qualification criteria. Call **1800 245 698 between 8am and 5:30pm (Sydney time) Monday to Friday** for details.
Over the phone	Call **1800 245 698** to place orders or get quotes and position updates.

COMMSECIRESS TRADING PLATFORM

The CommSecIRESS trading platform offers you essential Options trading tools and more. You'll have access to the same information as a professional Options dealer, so you can respond to market movements as they happen. Key features of the CommSecIRESS trading platform include:

- **Options Market Monitor** provides a detailed view of all Options series over your selected share or index.
- **Options Valuation** gives you a theoretical valuation, with variable fields that make it simple to test different scenarios.
- Dynamic market depth.
- Live tickers.
- Advanced charting tools.
- Right-click trading.
- Customisable worksheets, so you can create a desktop to match your trading style.

CHOOSE HOW TO SETTLE YOUR TRADES

You need to meet all Options trade and margin settlements on the very next ASX settlement day after the day your trade has occurred or margins calculated (T+1 basis). Confirmation of the amounts owing for the Options trade and margin settlements may not be provided until the day you are required to pay these amounts.

CommSec, as part of its risk management program, requires you to settle all Options trades through either a Commonwealth Direct Investment Account (CDIA), a Commonwealth Bank of Australia (CBA) Account or a CommSec Margin Loan. If you do not have one of these accounts, you will need to open one. There are some benefits to choosing a CDIA as your preferred settlement account, as outlined below.

Commonwealth Direct Investment Account	A CDIA is a fully-featured cash management account specifically designed for CommSec share traders, allowing you to trade, save and transact, when and where it suits you. CDIA is available to holders of CommSec Share Trading accounts. For further details on the CDIA, visit **commsec.com.au.** To discuss this settlement option please call the CommSec Options Desk on **1800 245 698 between 8am and 5.30pm (Sydney time) Monday to Friday** or visit **commsec.com.au**.
Commonwealth Bank of Australia account	If you wish to use this option, you must settle your Options trades through any other CBA account that allows direct debiting and crediting.
CommSec Margin Loan	If you have a CommSec Margin Loan, you can settle your Options trades through your margin loan account. To discuss this settlement option or to obtain a CommSec Margin Loan brochure please call the CommSec Options Desk on **1800 245 698** or visit **commsec.com.au**.

TRADING WITH A COMMSEC MARGIN LOAN

ASX Clear Pty Ltd (ASX Clear) accepts shares used as security for a margin loan as collateral for covered Calls where the shares are held on a one-for-one basis. This means you can buy shares with your CommSec Margin Loan, then write a Call Option over those shares. Because your margin loan, your portfolio and your Options account are all with members of the Commonwealth Bank of Australia group, a single phone call is all it takes. And, if you have a CommSec Margin Loan, you can also trade online.

In the event you want to write Calls over shares that are used as security for a margin loan, your shares will continue to secure the margin loan as before, but ASX Clear will have the first entitlement to the shares in order to ensure you have met your obligations to the market. If you write an Option and it is later assigned, you might be required to provide additional cash or alternative securities to avoid your margin loan going into a margin call.

To find out more about trading Options with a margin loan, call the CommSec Options desk on **1800 245 698 between 8am and 5:30pm (Sydney time) Monday to Friday** or download the ASX booklet, Options — Margin Lending, from **asx.com.au/documents/resources/options_margin_lending.pdf.**

YOUR CLIENT LEVEL

Your client level determines which types of strategies you can use, depending on the level of risk involved. As you become more experienced, you can apply to move to a higher client level, so you can learn as you go.

With the higher client levels, you'll be able to use a wide variety of investment strategies, including covered Calls, protected Puts, naked Calls and Puts, and strategies involving multiple Options and Option series.

Options trading levels

	Client level			
Trade*	**Level 1**	**Level 2**	**Level 3**	**Level 4**
Buy to open	✓	✓	✓	✓
Sell Calls to open (fully covered)	–	✓	✓	✓
Sell Calls (cash or share collateral)	–	–	✓	✓
Sell Put to open (cash or share collateral) and more advanced strategies involving multiple Options series and shares	–	–	–	✓

* Under CommSec's terms and conditions you may be subject to a limit on the total number of open positions per account at any one time.

TRADING HOURS

CommSec's Options trading desk is open from 8am to 5.30pm (Sydney time), Monday to Friday. All ASX Option orders are good for that trading day only.

Market and limit orders can be placed within these hours:

Equity Options	8am to 4.20pm (Sydney time) Monday to Friday
Index Options	8am to 5pm (Sydney time) Monday to Friday

COOLING-OFF PERIOD

There is no cooling-off period for Options trading.

KNOW WHERE YOU STAND

Once you start trading, CommSec will update your Open Position and Financial Statement online for every day that you have a position open. The Open Position and Financial Statement allows you to monitor open positions, as well as margin obligations and settlements that are to be debited from or credited into your nominated settlement account. At the start of each month, CommSec will send you a Monthly Options Statement which summarises your Options account activities for the previous calendar month.

CommSec will also send you a Trading Statement, which is a tax invoice for Options trades, every day that you execute a trade plus a copy of your most recent Open Position and Financial Statement. You can also use the CommSecIRESS trading platform or the CommSec website to view statements and transactions performed on your account — so you can stay in touch, 24 hours a day.

How Options work

EQUITY OPTIONS AND INDEX OPTIONS

Equity Options are Option contracts over approved securities, while index Options are Option contracts over an approved ASX index. Index Options enable you to take up a position based on your view on the market as a whole, or on the sector covered by a particular index.

At a glance

	Equity Options	Index Options
Underlying security	ASX approved securities	ASX approved indices
Premium	Expressed in cents	Expressed in points
Contract size	Usually 100 shares	Exercise price of the Option multiplied by a dollar value
Settlement	Deliverable	Cash settled
Expiry date	Thursday before last business Friday of expiry month (Monthly Options) Thursday of each week provided Friday is a business day (Weekly Options)	The third Thursday of the expiry month (Monthly Options) Thursday of each week provided Friday is a business day (Weekly Options)
Exercise price	Expressed in dollars and cents	Expressed in points

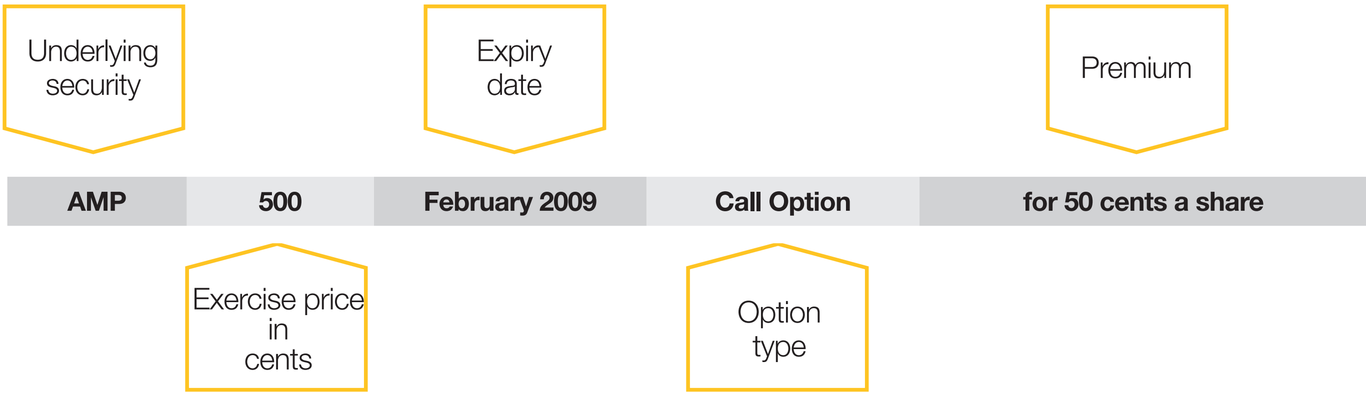
For a complete listing of securities for which Options are available, visit the ASX website at **asx.com.au**.

Premiums, exercise and settlement

Three of the most significant differences between equity and index Options are:

- The exercise price and premium of an equity Option are expressed in cents, while the exercise price and premium of an index Option are expressed in points. A multiplier is then applied to give a dollar figure. For example, if the multiplier is $10 per point and an index Option has a premium of 100 points, it would cost you a total of $1,000 to buy the Option ($10 x 100).
- When an equity Option is exercised, it is settled by delivery of the underlying security, while settlement of an index Option is generally by cash payment.
- Most equity Options can be exercised at any time up to and including the expiry date (American-style exercise), while index Options can only be exercised on the expiry date (European-style exercise).

KEY FEATURES OF AN OPTIONS CONTRACT



Underlying security	The underlying security is the share or index which can be bought or sold if the Option is exercised.
Contract size	The contract size is typically, but not always, 100 shares per contract over the underlying security. For index Options the contract size is $10 per index point. The contract size is set by ASX Clear.
Exercise price	The exercise (or strike) price is the price at which you buy or sell the underlying securities on exercise of the Option. There is typically a range of exercise prices available for Options with the same expiry date, established by the Options market and listed by ASX Clear.
Expiry date	The date on which all Options in a particular series expire. Expiry dates are fixed by the Options market. Index Options cease trading at 12pm on the expiry date. Equity Options continue trading until market close on the expiry date.
Type of Option	Options are either Put or Call Options. These are described below.
Premium	The price of the Option, determined by market forces, and usually quoted on a cents-per-share basis. The Option premium depends mainly on how far the underlying security is from the strike price, as well as how volatile the market thinks the underlying security price will be over the life of the Option. The more volatile the underlying security, the higher the Option premium.

PUT AND CALL OPTIONS

There are two kinds of Options: Puts and Calls. Each operates differently from the perspective of the taker and the writer.

	Writer	Taker
Call Option	Receives a premium from the taker for agreeing to **sell** the underlying security if exercised	Acquires the right, but not the obligation, to **buy** the underlying security at the exercise price on or before expiry
Put Option	Receives a premium from the taker for agreeing to **buy** the underlying security if exercised	Acquires the right, but not the obligation, to **sell** the underlying security at the exercise price on or before expiry

For examples of Call and Put Options in action, see 'Options trading strategies' on page 24.

HOW OPTIONS ARE VALUED

The taker of an Option pays the writer a premium to enter into the Option contract. The writer keeps the premium, whether or not the Option contract is exercised.

The value of the premium is determined by market forces and established in the market between the taker and the writer at the time of a trade.

Premiums are generally quoted on a cents-per-share basis for equity Options and a points basis for index Options. To calculate the total premium for an equity Option, multiply the Option price by the number of shares in the contract. For example, if an Option contract for 100 shares had a premium of $0.25 per share, the total premium would be:

$0.25 per share x 100 shares = $25 total premium

Intrinsic value and time value

Option prices are made up of two components, intrinsic value and time value:

Option price = Intrinsic value + Time value

Here's how they're defined:

Intrinsic value	The difference between the Option's exercise price and the market price of the underlying security. For example, if Woolworths is trading at $20 a share, and you have taken a Call Option giving you the right to buy Woolworths shares for $19 a share, then your Option has an intrinsic value of $1.
Time value	The amount a trader is willing to pay for the possibility that the market will move in their favour before the expiry date. Generally time value falls as the Option approaches expiry.

In the money or out of the money

Where the intrinsic value of the Option is positive, the Option is said to be *in the money*. Options with no intrinsic value are *at the money or out of the money*.

If the exercise price …	is less than the share price	equals the share price	is more than the share price
A Call Option is …	In the money	At the money	Out of the money
A Put Option is …	Out of the money	At the money	In the money

Understanding time value

The most important influence on time value is whether the Option is in, at, or out of the money. At-the-money Options have the greatest time value.

Other factors that affect time value include:

- The longer the time to expiry, the greater the relative time value.
- The more volatile the underlying security, the greater the time value.
- When interest rates rise, Call Option premiums will generally increase and Put Option premiums will decrease.
- If a dividend is payable during the life of the Option, the premium on a Call Option will be lower and the premium of a Put Option will be higher.
- During times of strong market demand for Options, premiums will be higher.

To learn more, download the ASX booklet Understanding Options Trading from **asx.com.au/documents/resources/UnderstandingOptions.pdf**

The ASX also provides a range of Options calculators on its website at **https://www2.asx.com.au/investors/learn-about-our-investment-solutions/options/buying-and-selling/prices-tools-calculators-corporate-actions-and-notices**

OPTIONS AND THEIR UNDERLYING SECURITIES

Because an Option is a derivative of an underlying security, it is important to understand the relationship between the two. In the case of equity Options, the underlying security refers to the listed shares of an approved company. An Option's price is affected not only by the volatility and market performance of the shares, but also by dividends and corporate events.

Dividends and entitlements

You are not entitled to dividends or other entitlements paid by the issuer of shares over which you hold Options, unless you exercise the Options to become the holder of the shares before the ex-dividend or ex-entitlement date.

Corporate actions

When a listed security announces a corporate event that results in some form of capital reconstruction, the ASX may make an adjustment on one or more of the contract specifications of any Options affected. This adjustment is necessary to ensure fairness to both the taker and writer of the Option, since the corporate action has affected the share price while the underlying value of the company may not have changed. The aim is to maintain, as much as possible, the value of Option positions held by takers and writers.

For example, if a company announced a one-for-one bonus issue, the ASX might adjust a $10 Call Option contract over the company's shares by converting it to two $5 Call Option contracts.

Standard and non-standard adjustments

Adjustments that may lead to a change in an Option contract are classified as either standard adjustments or non-standard adjustments.

Standard adjustments	Rights issue, de-merger, cash return to shareholders
Non-standard adjustments	Final payment of instalment securities, special dividend, buy back

Some events that are generally not classified as adjustment events are employee share purchase plans, ordinary dividends and takeover offers. It is important to remember, however, that the ASX reserves the right to determine any adjustment event it deems appropriate.

Corporate actions must be pro-rata

A corporate action must be a pro-rata event for an adjustment to be made to an Option contract. Pro-rata means that the action affects each individual share proportionally.

For example, a bonus issue of one share for each share held is a pro-rata event and would lead to an adjustment. But an entitlement issue of 100 shares for each shareholder, regardless of the number of shares they hold, would not cause an adjustment, since it is not pro-rata.

How an adjustment could affect your position

If an adjustment occurs, the ASX can change:

- The number of contracts and contract size.
- The exercise price.
- The underlying security.

Adjustments are generally applied to all open positions in different Option categories or products in the same way.

The ASX publishes contract adjustment notices on the ASX website at **https://www2.asx.com.au/markets/trade-our-derivatives-market/overview/equity-derivatives/single-stock-derivatives/eto-adjustments**

You can also visit the ASX website to download the Explanatory Note for ASX Option Adjustments, which contains additional information regarding adjustments, including details of typical adjustment events and the adjustment process.

Margin lending and ASX Options trading

You can write covered Calls over shares that are used as security for a margin loan. See 'Trading with a CommSec Margin Loan on page 11 for more information.

Options trading, step by step

PARTICIPANTS

The Options market is provided and regulated by the ASX and ASX Clear. ASX Clear is a wholly owned subsidiary of the ASX and is responsible for:

- The registration and clearing of all Options traded on the ASX's Options market.
- Overseeing the day-to-day operations of the market.
- Setting standardised Option components and minimum margin requirements.

When you trade Options, you use a broker, such as CommSec. Because CommSec is a participant of the ASX, ASX Clear and ASX Settlement Pty Ltd (ASX Settlement), we can offer you a full range of trading, clearing and settlement services.

Market makers

The volume of ETO trades is significantly lower than equities trades, so ASX Group rules ensure liquidity in the market by requiring market makers to provide quotes in particular Option series. This allows traders to trade in and out of a position more easily. Market makers compete against each other and are assigned shares in which they must meet certain obligations, such as quoting buy and sell prices or responding to requests from other market participants for prices. Note, however, that market makers are not obliged to quote on all ETO series all of the time. For more information about market makers and their roles, please refer to the ASX website at **https://www2.asx.com.au/markets/market-resources/market-maker-arrangements/equity-derivatives-market-maker-arrangements**

THE TRADING PROCESS

	Open	Next step
Writer	Write an option	Close Allow to expire
Taker	Buy an option	Close Exercise Allow to expire

Opening a position

When you first buy or write an Option contract, you are opening a position. You can open a position by calling CommSec or placing your order online. CommSec will update your statements online for every day that you have an open position.

THE NEXT STEP

Once you've opened a position, your next step depends on whether you are a taker or a writer of the Option, and whether your Option is in, at, or out of the money.

The taker (buyer) can:	The writer (seller) can:
› Exercise the Option. › Allow it to expire. › Close out the position by selling an Option in the same series.	› Allow the Option to expire, risking assignment. › Close out the position by buying an Option in the same series, provided it has not already been exercised against.

Closing a position

An open position is closed when an order is placed that is equal and opposite in effect to the original order. You might choose to close out a position to:

- Take a profit.
- Limit a loss.
- Remove the risk of unwanted early exercise. (Remember that index Options can only be exercised on their expiry date.)

Exercising Options

There are two styles of exercise, American and European. American-style Options can be exercised at any time on or before the expiry date — most ASX Options are American-style. European-style Options can only be exercised on the expiry date and not before. Index Options are European-style.

If you wish to exercise the Option contract, you need to notify CommSec. CommSec will then notify ASX Clear who will randomly determine which writer will be allocated to the trade (assigned). The writer will be required to deliver on the contract, either by delivering the underlying security for an equity Option, or by cash settlement if you are exercising an index Option.

If you decide to exercise your Option, you must notify CommSec by 4.30pm on a trading day (Sydney time) for it to be exercised on that day.

CommSec will automatically exercise any Option position that is in the money on the date of expiry by 1 cent or more (for equity Options) or one point (for index Options). Even though an Option is in the money, you could still make a loss after taking fees into account. If you do not want to exercise an in-the-money Option, it is your responsibility to notify CommSec by 4.30pm (Sydney time) on the Option's expiry date.

Settlement

When you open or close a position, payment occurs on the first ASX settlement day after the transaction is executed (T+1).

CommSec requires that you settle all amounts due which arise from premiums and other cash transactions within 24 hours of the time the trade occurred. This includes opening an Option position, closing an Option position and paying any margin calls. On exercise, payment for and delivery of the underlying securities occ on the second ASX settlement day after the date of exercise (T+2).

For cash-settled index Options, a cash settlement is paid to exercising takers on the first ASX settlement day after the expiry date.

A CALL OPTION IN ACTION

The situation > BHP is trading at $43.

	Writer	Taker
Market view	Thinks BHP will fall	Thinks BHP will rise
Action	Writes BHP 4300 Call and receives $1.00 per share	Buys BHP 4300 Call for $1.00 per share
If BHP price rises to $45	› Can allow Option to lapse, running the risk of being assigned › Can buy BHP 4300 Call to close the position	› Can exercise Option and buy BHP for $43 › Can sell a BHP 4300 Call to close the position, receiving a premium
If BHP price falls to $41	› Keeps premium as profit	› Can allow Option to lapse › Can sell a BHP 4300 Call to close the position, recouping some of the premium

A PUT OPTION IN ACTION

The situation > BHP is trading at $43.

	Writer	Taker
Market view	Thinks BHP will rise	Thinks BHP will fall
Action	Writes BHP 4300 Put and receives $1.00 per share	Buys BHP 4300 Put for $1.00 per share
If BHP price falls to $41	› Can allow Option to lapse, running the risk of being assigned › Can buy a BHP 4300 Put to close the position	› Can exercise Option and sell BHP for $43 › Can sell a BHP 4300 Put to close the position, receiving a premium
If BHP price rises to $45	› Keeps premium as profit	› Can allow option to lapse › Can sell a BHP 4300 Put to close the position, recouping some of the premium

Options trading strategies

There are a large number of Options trading strategies, some simple and some very complex. But even the most complicated strategies are constructed from these six building blocks:

Bullish strategies	› long Call › short Put
Bearish strategies	› long Put › short Call
Equity/Option combinations	› protective Put › covered Call

Some examples are given below, in order of the increasing level of risk that is incurred with each strategy.

Please note that one Options contract usually (but not always) covers 100 shares — known as 100 shares per contract (SPC). In all the examples of the Options trading strategies, each contract will be 100 SPC.

Also please note that, for simplicity transaction costs (such as brokerage and ASX Clear fees), tax considerations and cost of funding are not included in these examples.

TRADING STRATEGY 1: THE LONG CALL

You can use a *long Call* when you expect the price of the underlying share to rise. It gives you leveraged exposure to the expected price rise, and also locks in a maximum purchase price for the underlying share during the life of the Option.

You buy the Call Options and, if the share price rises as you expect, you decide whether to close out at a profit or maintain the position in the hope of further price rises – bearing in mind that the closer the expiry date, the greater the effect of time decay. If the share price doesn't rise, you may decide to close the position by selling the Option, recovering some of your premium.

If the Option is in the money at expiry, you have to choose whether to sell the Option or exercise it, which will depend on whether you wish to own the underlying shares.

You will break even if the share price at expiry is equal to the exercise price plus the premium you paid. Your maximum profit at expiry of the Option is unlimited, while your maximum loss is limited to the premium paid.

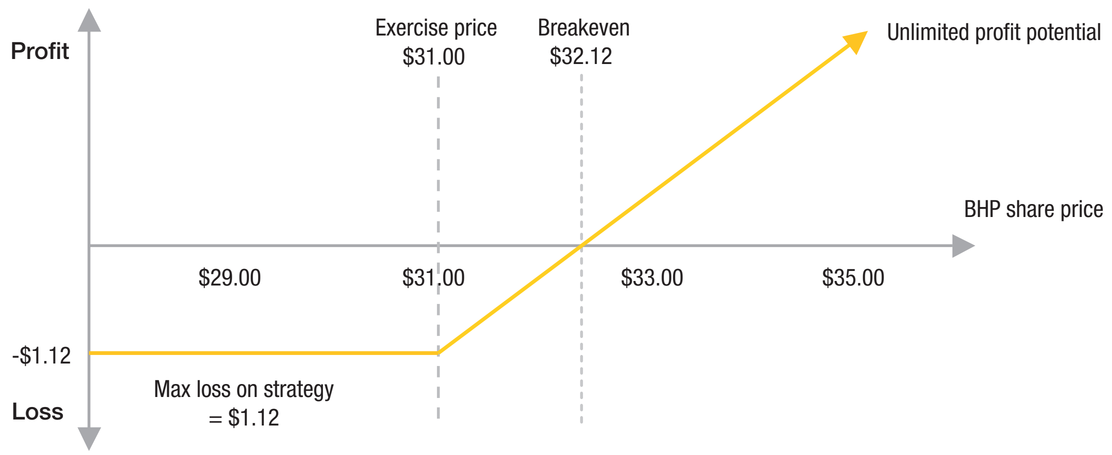
Example

Belinda has a bullish outlook for BHP Billiton (BHP) shares, currently trading at $30.50. She is expecting a sharp rise in the share price over the short term. To take advantage of this, Belinda decides to buy 10 February BHP $31.00 Call Options at a premium of $1.12.

Trade Date: 30 January

Buy 10 x February BHP $31.00 Call @ $1.12

Pay-off diagram



Notes

- Belinda's **profit potential is unlimited.** As long as the underlying BHP share price increases past $31.00, and she is holding the right to buy 10 x 100 BHP shares from the seller of the Call Options at $31.00, Belinda will benefit because she will be buying the 10 x 100 BHP shares at a price lower than the market price. Belinda has paid a $1.12 premium, so the underlying BHP share price would need to exceed $32.12 for her to break even.

Break-even = Option Strike Price + Option Purchase Price
($32.12 = $31.00 + $1.12)

› Call Options provide the buyer with **leveraged exposure to upward movements in the underlying share price**. If the BHP share price rises to $33.00 by the February expiry date, Belinda's profits will be much larger than if she invests the same amount of money in the underlying shares. Again, this is because the Option offers her the benefit of leverage, while direct purchase of the underlying security does not.

Comparison of this strategy vs direct investment in underlying shares

	Long share	Call Option
Initial investment	$1,116 (36 BHP Shares @ $31.00)	$1,120 (10 contracts February $31.00 Call @ $1.12 x 100 shares per contract)
Profit	= ($33.00 - $31.00) x 36 = $72	= (Market Price – Strike Price – Options Purchase Price) x SPC x number of contracts = ($33.00 - $31.00 - $1.12) x 100 x 10 = $880
Percentage return	= (Profit ÷ Cost) x 100 = ($72 ÷ $1,116) x 100 **= 6.45%**	= (Profit ÷ Cost) x 100 = ($880 ÷ $1,120) x 100 **= 78.57%**

› **Losses are limited** Belinda's maximum loss is the premium she paid for the Options contracts. So if the price of BHP falls to $30.00 by the February expiry date, it would be uneconomical for Belinda to exercise her right to buy 10 x 100 BHP shares at $31.00 when she could buy them more cheaply on the market. Therefore Belinda's BHP $31.00 Call Option would expire worthless, and her maximum loss would be 100% of the premium she paid for the Options contract. Of course, she can sell the $31.00 Call Option on the market at any time up to its expiry to limit her loss.

› **Time decay works against the buyer of Call Options.** Time decay is the cost of holding an Option from one day to the next. This means that for each day the Call Option is held there is one less day in which the underlying share price can increase to profit the trader. As this reduces the probability that the holder of the Option will receive a profit, the price of the Option will decrease, all else remaining constant.

For example, say BHP is trading at $30.50 on 30 January and Belinda buys the February $31.00 Call Options for $1.12. If she holds the Call Options up to one week before its February expiry, and the price of BHP is still $30.50, the value of her $31.00 Call Options will be substantially less than the $1.12 she originally paid, as there will be only five more trading days for the underlying BHP share price to increase.

TRADING STRATEGY 2: THE LONG PUT

The long Put is a strategy you can use when you expect the price of the underlying share to fall. Buying a Put over a share that falls in value gives you leveraged exposure to the price fall, and is one of only a few ways to profit from a falling share price.

The maximum you can lose on a long Put is the premium that you paid for the Option, which will happen if the share price at expiry is above the exercise price. You will break even if the share price at expiry is equal o the exercise price of the Option less the premium paid. And if the share price falls below this point you will profit, with your profits limited only by the share price falling to zero.

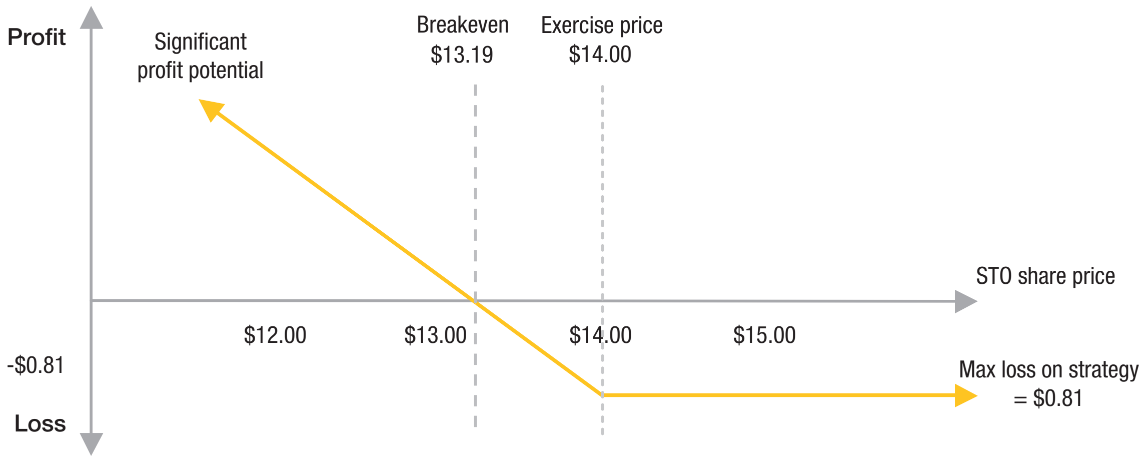
Example

Alex has a bearish outlook on Santos Ltd (STO) shares. They are currently trading at $14.00, but he is expecting a sharp fall in the share price over the short term. To take advantage of this, Alex decides to buy 10 STO February $14.00 Put Options for a premium of $0.81.

Trade Date: 30 January

Buy 10 x STO February $14.00 Put @ $0.81

Pay-off diagram



Notes

- Alex's **profit potential is large, but limited**, as the underlying share price cannot fall below $0.00. As Alex is holding the right to sell 10 x 100 STO to the seller of the Put Options at $14.00, as long as the underlying STO share price falls below $14.00, Alex will benefit, as he will effectively be selling 10 x 100 STO shares at a higher price than he could achieve on the market. It should be noted that as Alex has paid $0.81 to purchase the Puts, the underlying STO share price needs to fall *below* $13.19 for him to break even in this strategy.

Breakeven = Option Strike Price – Option Purchase Price

($13.19 = $14.00 - $0.81)

- Put Options provide the buyer with **leveraged exposure to downward movements in the underlying share price**. If the STO share price falls to $12.00 by the Option's February expiry date, Alex's profits will be much greater than if he had decided to invest the same amount in short selling the underlying shares. This is because the Put Option gives him the benefit of leverage, while short selling does not.

Comparison of this strategy vs short selling

	Short selling	Put Option
Initial investment	$798 (57 STO Shares @ $14.00)	$810 (10 contracts February $14.00 Put @ $0.81 x 100 shares per contract)
Profit	= ($14.00 - $12.00) x 57 = $114	= (Market Price – Strike Price – Options Purchase Price) x SPC x number of contracts = ($14.00 - $12.00 - $0.81) x 100 x 10 = $1,190
Percentage return	= (Profit ÷ Cost) x 100 = ($114 ÷ $798) x 100 **= 14.29%**	= (Profit ÷ Cost) x 100 = ($1,190 ÷ $810) x 100 **= 146.91%**

- **Losses are limited**, as the maximum loss is the Option premium paid. So if the price of STO rises to $15.00 by the February expiry date, it would be uneconomical for Alex to exercise his right to sell 10 x 100 STO at $14.00 when the STO share can be sold on the market for $15.00. In that situation, the STO $14.00 Put Options will expire worthless — and Alex will lose 100% of the premium he paid for the Options contracts. Of course, he can sell the $14.00 Put Options on the market at any time up to its expiry to limit his loss.
- **Time decay works against the buyer of Put Options**. Time decay is the cost of holding an Option from one day to the next. As Options exist for a limited time, their value diminishes as the expiry date approaches. This means that for each day the Put Option is held there is one less day in which the underlying share price can decrease, to profit the trader. As this reduces the probability that the holder of the Option will receive a profit, the price of the Option will decrease, all else remaining constant. In Alex's case, if STO is trading at $14.00 on 30 January and he has bought the February $14.00 Put Option for $0.81, if he holds the Put Option up until one week before its expiry, and the price of STO is still $14.00, the value of his $14.00 Put Option will be substantially less than the $0.81 he originally paid, as there are only five more trading days for the STO underlying share price to decrease.

TRADING STRATEGY 3: THE COVERED CALL

A *covered Call* is a Call Option written over shares you already own. Covered Calls can help you generate income from shares when the price is expected to remain flat, and can also provide some protection against a fall in the market as the premium received effectively lowers the break-even point for the share purchase.

Your maximum profit is the premium, and you will achieve this if the share price at expiry is at or above the exercise price. Because you already hold the shares, your potential loss is limited as the share price can only fall to zero. In other words, any fall in the share price will result in unrealised losses, but the premium can provide some protection from the decline in value of the shares.

It's important to realise that, in the case of a strong price rise, you will not be able to profit from the increased value of the shares above the exercise price of the Option because you will only receive the premium and will have to sell your shares at the exercise price. This s not a strategy to use if you do not want to be exercised.

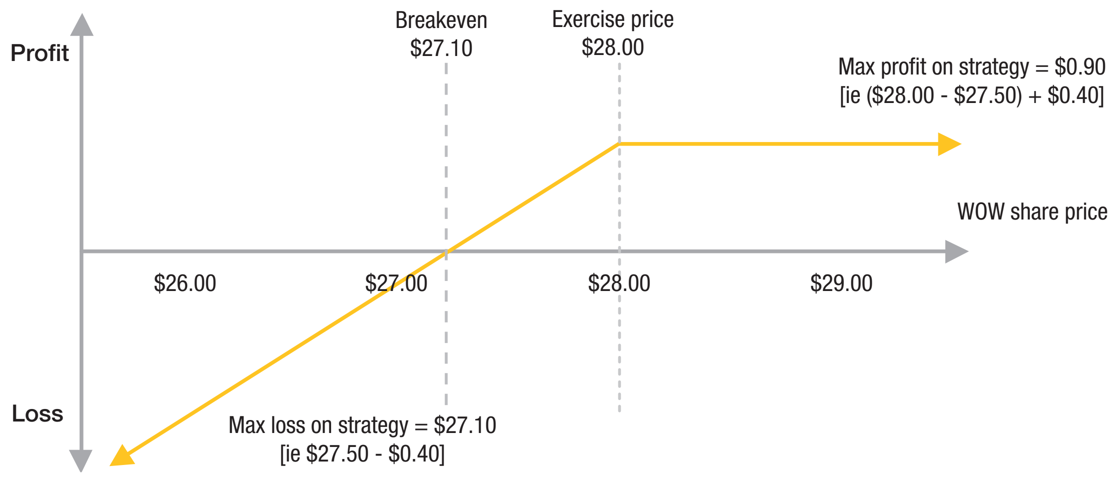
Example

Carl holds 1,000 Woolworths (WOW) shares, currently trading at $27.50. He receives company dividends as income from holding these shares, but he is looking for an opportunity to generate additional income from his investment. Carl's market outlook for WOW is for the share price to remain steady over the short term, so he decides to sell 10 February WOW $28.00 Call Options for a premium of $0.40.

Trade Date: 30 January

Sell 10 x February WOW $28.00 Call @ $0.40

Pay-off diagram



Notes

- If Carl's outlook for WOW proves to be correct, that is, WOW remains at $27.50 until the sold Call Options expire in February, he will successfully **generate additional income** from his shares. In this case Carl will generate $400.

Income = Premium received x Shares Per Contract x Number of Contracts
($400 = $0.40 x 100 x 10)

- Carl's **profit is limited beyond the exercise price of the sold Call**. In other words, if the WOW price rises above $28 before the February expiry date, say to $29.00, Carl's profit for selling the $28.00 Call is $0.90 — as opposed to a possible $1.50 profit if he were selling the underlying WOW shares. If the underlying WOW share price reaches $29.00, Carl will be assigned — meaning he is obligated to sell 1,000 WOW shares at $28.00 to the purchaser of the $28.00 Call Option. Therefore, for Carl:

Maximum Profit = Assignment Sale Price – Share Purchase Price + Premium
$0.90 = ($28.00 – $27.50 + $0.40)

- **Selling covered Calls effectively reduces the break-even point of buying the shares.** So if Carl bought 1,000 WOW at $27.50, and has now received an additional $0.40 for selling 10 covered Call Options, the break-even point is:

Net cost = Share Purchase Price – Premium
($27.10 = $27.50 – $0.40)

So the share price of WOW has to fall below $27.10 before Carl makes a loss.

- In this strategy, the **maximum loss is the cost of entering the strategy**. The maximum loss is derived from holding the underlying WOW shares. If the WOW share price falls to zero, Carl will lose everything he paid to enter this strategy:

Net cost = Share Purchase Price – Premium
($27.10 = $27.50 - $0.40)

Carl can sell his holding of 1,000 WOW shares and buy back the 10 February $28.00 Call Options at any time to limit his maximum loss.

TRADING STRATEGY 4: THE PROTECTIVE PUT

The *protective Put* is a strategy you can use when you hold a parcel of underlying shares and are concerned that the underlying share price may fall in the near term. The strategy consists of buying a Put Option against shares you hold in the underlying shares.

The Put Option acts as an insurance policy that you can execute at your discretion to sell your underlying shares at a predetermined price, should the underlying share price fall.

Because you already hold the shares your maximum profit is unlimited, and will be achieved if the share price at expiry is at or above the exercise price. Your potential loss is limited to the difference between the share purchase price and the Put strike price, plus the premium you paid for the Put.

If you are using the long Put as protection, it's worth remembering that this strategy is most effective for shorter periods when you expect a market downturn.

Example

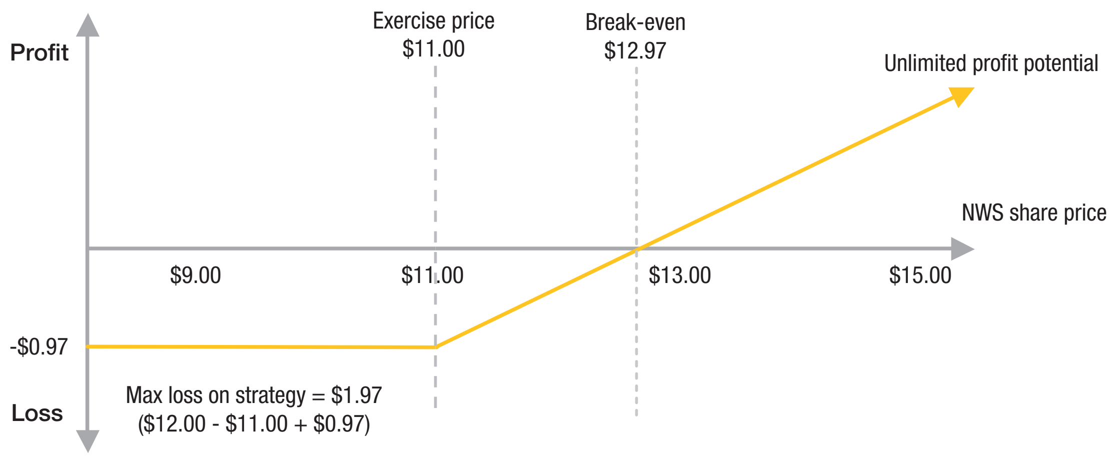
Danielle holds 1,000 News Corporation (NWS) shares, currently trading at $12.00. She is concerned that the share price of NWS may fall heavily over the next three months. But Danielle also feels that there is a possibility that the share price may rise sharply over the same period, and so she doesn't want to sell her shares. Danielle decides to buy 10 April NWS $11.00 Put Options for a premium of $0.97.

Trade date: 30 January

Holding 1,000 NWS underlying shares

Buy 10 x April NWS $11.00 Put @ $0.97

Pay-off diagram



Notes

- There is **unlimited profit potential** in Danielle's position. As she has a long share position, she maintains full exposure to any increases in the underlying share price.
- The **break-even point** for this strategy is:

Break-even = Underlying Share Price + Premium
($12.97 = $12.00 + $0.97)

So the share price will need to increase to $12.97 before Danielle covers the expense of the protected Put.

- If the share price falls below $11.00, Danielle can exercise the Options and sell the underlying share at the strike price of $11.00. In other words, if the share price falls to $9.00, Danielle still holds the right to sell her shares for $11.00. Her loss in this case will be $1,970 [($12.00 – $11.00 + $0.97) x 1,000]. If she hadn't bought the protected Puts, however, her loss would be $3,000 [($12.00 – $9.00) x 1,000]. Alternatively, if Danielle doesn't wish to sell her shares, she may decide to sell the Options back to the market using her profit on the Option positions to off-set her loss in the physical market.

Profit on Option position at expiry	Loss on underlying position
Exercise price – share price x 100 x 10 = ($11.00 - $9.00) x 100 x 10 = $2,000	Share price at commencement – share price x 1000 = ($12.00 - $9.00) x 1000 = $3,000
Net loss = profit on position – loss on underlying position	**= $1,000**

- In this example Danielle has chosen a strike price below the current market price. She will bear any difference between the share price at the commencement of the strategy and the exercise price as a loss. The cost of protection (the Put Option price) directly corresponds with the length and level of cover required; in other words, **the higher the strike price and the longer the time to expiry the higher the price for the Option**.

TRADING STRATEGY 5: THE SHORT CALL

You can use a *short Call* to profit when you correctly predict that the share price will fall.

Your profit from a short Call is limited to the premium that you receive for writing the Option, which you will achieve if the share price at expiry is below the exercise price. If the share price at expiry is equal to the exercise price plus the premium received, you will break even. But as the share price rises your losses are unlimited — so it's important to watch your position closely and be prepared to take corrective action if the market moves against you.

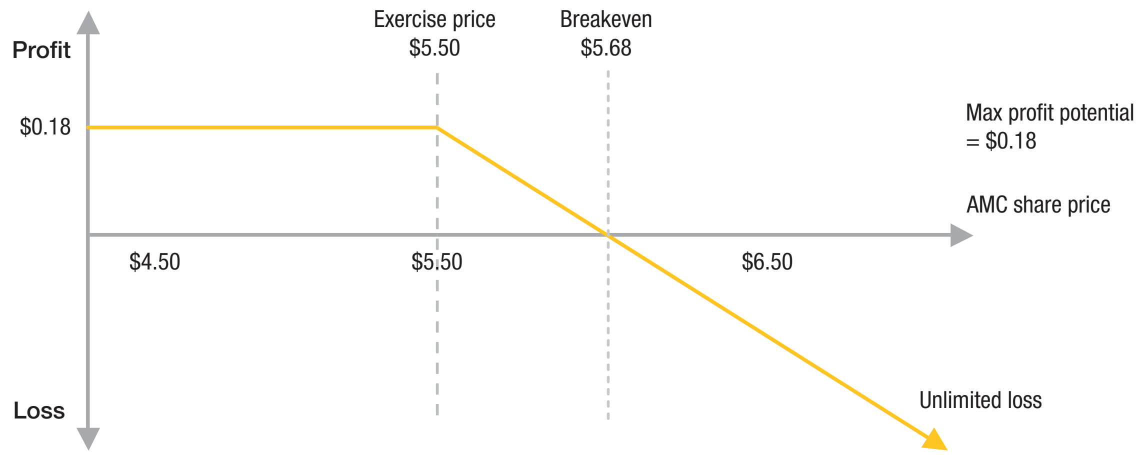
Example

Ed has a neutral to bearish outlook for Amcor (AMC), with shares trading at $5.50. That is, he is expecting the share price to remain steady or fall over the short term. To take advantage of this, he decides to implement the following strategy:

Trade date: 30 January

Sell 10 x February AMC $5.50 Call @ $0.18

Pay-off diagram



- The **profit potential is limited.** If Ed's outlook is correct and the underlying AMC share price remains at $5.50 or below, the Call Options will expire worthless and he will retain the full Option premium, and successfully generate income of $180 ($0.18 x 100 shares per contract x 10 contracts). The buyer of the Call Options will not exercise them when the share price is at $5.50 or below because they can simply buy the shares in the market at the cheaper price.
- The **break-even point** for this strategy is:

Break-even = exercise price + premium

($5.68 = $5.50 + $0.18)

Therefore the underlying AMC share price can rise to $5.68 before Ed incurs a loss.

- Ed's **loss potential as seller is unlimited.** If the share price rises above $5.50 Ed is at risk of being exercised. He will need to purchase the underlying shares in the market at the prevailing market price as he has an obligation to deliver the shares at the strike price of $5.50. So if the share price rises to $6.50 and the Buyer of the Call Option exercises their Option, Ed must buy AMC shares in the market at $6.50 and deliver the shares at $5.50. Ed's loss in this case would be $820 [($6.50 - $5.50 - $0.18) x 10 x 100].

- **Time decay works in favour of the seller of Call Options.** Time decay works as outlined in Trading strategies 1 and 2 above. From the perspective of the seller of the Call Option, as each day passes there is one less day in which the underlying share price can rise to the benefit of the holder of the Call Option. So each day the possibility that the holder will exercise the Option — forcing the seller of the Call Option to sell the underlying share at a price below what can be attained in the market — is reduced. For example, say AMC is trading at $5.50 on 30 January and Ed sells the February $5.50 Call Option for $0.18. If one week before its February expiry the price of AMC is still $5.50, not only is the value of the $5.50 Call Option substantially less than the $0.18 Alex originally sold it for due to the erosion of time value, but there will only be five more trading days for the underlying AMC share price to increase past $5.50 strike price (making it worthwhile for the holder to exercise the position). Therefore the possibility of Ed being assigned has also significantly reduced.

TRADING STRATEGY 6: THE SHORT PUT

The *short Put* can provide you with extra income in a flat or rising market, and can also be a way to buy shares cheaply. You might use a short Put when you expect the share price to remain steady or rise slightly. You could also use it to buy a share more cheaply by receiving a premium to partially offset the purchase price.

Your profit from a short Put is limited to the premium that you receive for writing the Option, which will occur if the share price at expiry is above the exercise price. If the share price at expiry is equal to the exercise price, less the premium paid, you will break even. As the price falls, your losses are limited only by a fall in the share price to zero. If you don't close out an in-the-money Put before expiry, the Option is likely to be exercised, in which case you will have to buy the underlying shares at the exercise price of the Option.

Investors often write Put Options as a way of buying shares more cheaply. If the share price falls and you are assigned, the purchase price is effectively the exercise price of the Option less the premium received. In other words, you buy the shares for less than its price at the time of writing the Option.

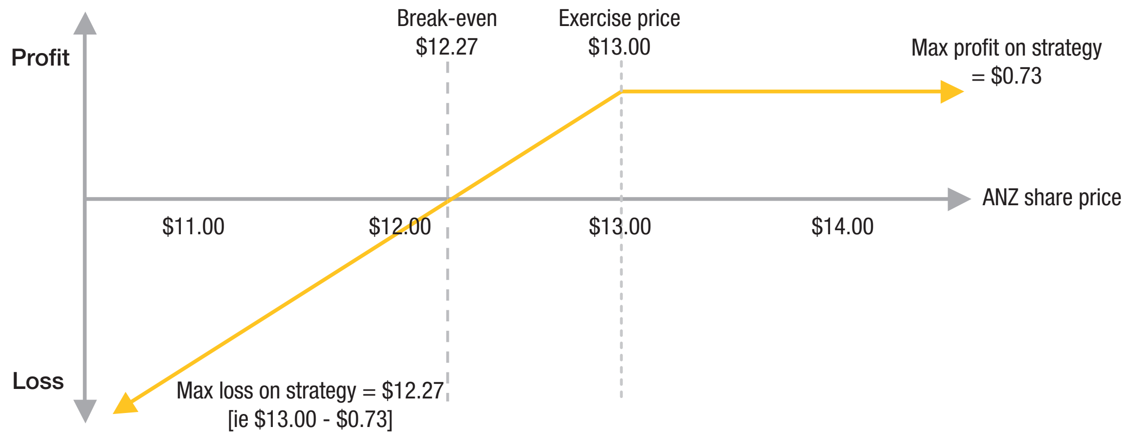
Example

Felicity has a neutral to bullish outlook for ANZ Banking Group (ANZ) trading at $13.00.
She is expecting the share price to remain steady or rise over the short term. To take advantage of this she decides to implement the following strategy:

Trade date: 30 January

Sell 10 x February ANZ $13.00 Put @ $0.73

Pay-off diagram



Notes

- There is **limited profit potential**. If Felicity's outlook is correct and the underlying ANZ share price remains at $13.00 or above the Put Option will expire worthless, and she will retain the full Option premium, successfully generating income of $730 ($0.73 x 100 shares per contract x 10 contracts). The buyer of the Put Options will not exercise them when the share price is at $13.00 or above because they can simply sell the shares in the market at the higher price.
- The break-even point is:

Break-even = exercise price – premium

($12.27 = $13.00 - $0.73)

Therefore the underlying ANZ share price can fall to $12.27 before Felicity incurs a loss.

- The **loss potential is limited but still has the potential to be very large**. If the share price falls below $13.00 Felicity is at risk of being assigned. In this case she will be obligated to buy the underlying shares at the strike price of $13.00. So if the share price falls to $11.00 and the buyer of the Put Options exercises their Options, Felicity must buy ANZ shares at $13.00 when their market value is only $11.00. Her loss in this case will be $1,270 [($13.00 - $11.00 - $0.73) x 100 x 10].
- **Time decay works in favour of the seller of Put Options.** Time decay works as outlined in Trading strategies 1 and 2 above. From the perspective of the seller of the Put Option, as each day passes there is one less day in which the underlying share price can decrease to the benefit of the holder of the Put Option. So each day the possibility that the holder will exercise the Option — forcing the seller of the Put Option to buy the underlying shares at a price above the market price — is reduced. For example, say ANZ is trading at $13.00 on 30 January and Felicity has sold the February $13.00 Put Option for $0.73. If one week before expiry of the Option, ANZ's price is still $13.00, not only will the value of the sold $13.00 Put Option will be substantially less than the $0.73 Felicity originally sold it for due to the erosion of time value, but there will only be five more trading days for the underlying ANZ share price to decrease below the $13.00 strike price (making it worthwhile for the holder to exercise the position). Therefore the possibility of Felicity being assigned has also significantly reduced.

OTHER TRADING STRATEGIES

Complex Options strategies may involve additional risks. The ASX 'Understanding Strategies' booklet describes the most popular ETO trading strategies and can be viewed or downloaded at:
asx.com.au/documents/resources/UnderstandingStrategies.pdf

What will it cost?

As well as the Option premium, trading Options involves costs including brokerage, ASX Clear fees, administration fees and, where applicable, margins. These costs and the frequency of executed transactions (for example options strategies which involve multiple legs or the rolling over of options positions) 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. Please note that brokerage is charged per order (identified by a unique order ID), and that orders that are only partially executed before being purged at the end of day will incur a brokerage charge based on the completed volume only. A new order would be required to trade the remaining balance on a subsequent trading day, for which brokerage will also be payable.

FEES AND CHARGES

Method	Type of trade	Trade value	Cost[1]
Trading fees			
Online	Opening trade Closing trade	Up to $10,000	$34.95 (including GST)
	Exercise of Option Assignment of Option	More than $10,000	0.35%
Over the phone	Opening trade Closing trade	Up to $10,000	$54.60 (including GST)
	Exercise of Option Assignment of Option	More than $10,000	0.54%

[1] Unless otherwise indicated, prices shown in this PDS incaable GST. In the case of charges incurred from the ASX Derivative Clearing System these have been set out on a GST exclusive basis as the total GST may be rounded in accordance with the GST Law.

ETO ASX Clear fees per contract Amount per contract[1]	
Equity Option Contract (Open/Close)	$0.13 (GST exclusive)
Equity Option Contract (Exercise/Assignment)	$0.05 (GST exclusive)
Index Option Contract (Open/Close)	$0.45 (GST exclusive)
Index Option Contract (Exercise/Assignment)	$0.35 (GST exclusive)

Other fees and charges (inclusive of GST)	
Option fail fee	$100 per day
Late settlement fee[2]	$100
Equity fail fee (assignment and exercise)	$100 per day
Rebooking fee	$25 per rebooking

[1] ASX Clear fees have been set out on a GST exclusive basis as the total GST may be rounded in accordance with the GST Law.

[2] Obligations require a working example of fees. Please note that CommSec requires that clients ensure cleared funds are available to meet settlement obligations. Multiple direct debit rejections may lead to trading restrictions being imposed on your account. A direct debit rejection will be treated as a late settlement.

How to calculate the cost of an Options trade	
Trade	Buy 50 Contracts of XYZ March $20 Call Options at $1
Premium	50 Contracts at 100 shares per contract (50 x 100 shares = 5,000) x $1 = $5,000
Brokerage	(Premium below $10,000) $34.95 including GST
ASX Clear fees	50 x $0.13 (excl. GST) = $7.15 including GST
Total	**$5,042.10**

COMMSECIRESS TRADING PLATFORM SUBSCRIPTION

You can use the CommSecIRESS trading platform to place Options orders online. It is complimentary to CommSec Options traders who are CHESS sponsored and meet certain Options trading criteria. Please call **1800 245 698 between 8am and 5:30pm (Sydney time) Monday to Friday** for details.

If you don't meet the criteria, you can still access the CommSecIRESS trading platform for a subscription fee of $82.50 per month.

The terms and conditions of CommSecIRESS are on page 62 of this PDS.

MARGINS AND STRESS TESTING

Margins are designed to protect the financial integrity of the market and are a tool to manage risks and exposures that arise in connection with writing Options. When you write an Option, you have an obligation to the market if the taker of the Option decides to exercise it.

Margin requirements are calculated on a daily basis. The Margin required is the sum of the amounts that each of ASX Clear and CommSec separately calculate as necessary to ensure that you can meet your obligations to the Market.

Margin = ASX Clear Margin + CommSec Margin

ASX CLEAR MARGIN

ASX Clear calculates margin requirements on a daily basis, with the margin calculation performed on your entire ASX Options portfolio. The margin required by ASX Clear (**ASX Clear Margin**) is the sum of:

- the premium margin, which is the amount required to close out your positions based on current market values; and
- the risk margin, which uses daily volatility of the underlying securities to calculate the potential change in the price of the underlying security and the amount required to cover this potential movement.

COMMSEC MARGIN

CommSec will generally require that you provide an additional amount of margin in addition to the ASX Clear Margin (CommSec Margin) - for example, where CommSec considers that the existing margin is insufficient to cover the risk of your Open Position and having regard to market volatility.

MEETING MARGIN OBLIGATION

You can view the total margin required on your Options portfolio on your Open Position and Financial Statements (sent daily to you while you have an open position) or from the CommSec website and from the CommSecIRESS trading platform.

ASX Clear accepts your collateral as third party security, as you are providing it to ASX Clear as security for the Participant's margin obligations to ASX Clear. Unless you direct CommSec to use eligible ASX-traded securities from your portfolio as collateral, cash will be debited from your nominated bank account or loan facility to provide security for your margin obligations. If you do direct CommSec to lodge securities as collateral to cover margin requirements, CommSec will use eligible ASX-traded securities from your portfolio as collateral to provide security for your margin obligations. Once securities are lodged as collateral to cover margin requirements, they are unavailable for further trading through the online trading facility. Any collateral that has been lodged to cover margin requirements can be released by calling the Options desk on **1800 245 698 between 8am and 5:30pm (Sydney time) Monday to Friday**. Alternatively, you can log into the CommSec website at **commsec.com.au** to lodge and recall shares.

It's important that you monitor your current margin requirements and ensure that they are covered from day to day. When you incur a margin obligation, you are required to provide cash or collateral (or, if CommSec allows it in its absolute discretion, proof that you can supply cash or collateral) to CommSec by 2pm on the trading day after you incur the margin obligations (note that margin calls will usually be made on the trading day following the trading day on which you incur the margin obligations – so you will usually need to meet your margin obligations by 2pm on the day a margin call is made). Collateral may include ASX-traded securities and shares bought on margin, subject to ASX approval.

ASX Clear will apply a percentage discount (haircut) to the valuation of the securities held as collateral.

CommSec may retain interest paid by ASX Clear on cash provided by you to cover your margin obligations.

Where you cannot provide security by 2pm on the day after incurring a margin obligation please contact the CommSec Options Desk on **1800 245 698 between 8am and 5:30pm (Sydney time) Monday to Friday** as soon as possible. Failure to meet the margin obligation within the stipulated time may be considered a default of your obligations and CommSec may exercise its rights in those circumstances, including closing your open positions to reduce margins at CommSec's discretion.

For more information about margin requirements and the margining process used by ASX Clear see the ASX Margins booklet available at **asx.com.au/documents/resources/Understanding_Margins.pdf**

STRESS TESTING

As part of risk management, CommSec conducts stress tests on all written Option positions to assess the impact of changes in market conditions and market events on your Options portfolio. Stress testing involves CommSec applying simulation models to then assess how the portfolio would perform if those conditions eventuated. If the result of the stress test exceed the limit set by CommSec, you will be notified of the result by telephone or in writing, and you will be required to, in the time stipulated by CommSec (usually (but not always) by 2pm on the trading day following the notification):

- provide evidence, in a form satisfactory to CommSec, that you have additional securities or cash collateral in your CommSec Share Trading Account or your CBA bank account respectively, which may be used to meet any additional margin obligation if called; or
- reduce your exposure by entering into offsetting positions or closing out open positions (and such transactions will incur additional brokerage and fees).

Failure to take either action above may result in a default of your obligations and CommSec may exercise its rights in those circumstances, including closing your open positions to bring your Options portfolio within the applicable limit for stress testing.

Other things you need to know

SIGNIFICANT TAX IMPLICATIONS

CommSec 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 **asx.com.au/documents/products/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 writers 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 ETO's 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 advisor.

Client Trust Accounts

Client money and securities paid or given by you in connection with our advising or dealing in Options must be held by us on trust in accordance with the Corporations Act 2001 (Cth) (Corporations Act) and the ASX rules. Money is held on trust for you in a trust account. However, this does not apply to money paid to reimburse us for payments which we have had to make to ASX Clear (generally margin calls) in respect of dealings for you.

The Corporations Act allows us to use your money held in our trust account to meet margin obligations and 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 (for example, ASX Clear).

CommSec is entitled to retain any interest we earn on client money held by us in a trust account. The rate of interest is determined by the relevant bank or financial institution where the trust account is held.

Refer to clause 15 of the Client Agreement.

RESOLVING DISPUTES

If you have a complaint or problem with CommSec Options, we'd like to hear from you.
To help us deal with the issue quickly and effectively, we suggest you start by:

- Gathering any supporting documents concerning your complaint, paying particular attention to the dates and times when the problem occurred.
- Noting the names of any CommSec or CBA staff who were involved.
- Clarifying what you would like CommSec to do to resolve the issue.

Next, contact the CommSec Options desk on **1800 245 698 between 8am and 5:30pm (Sydney time) Monday to Friday,** and explain the problem. A quick call is sometimes all that's required to resolve most issues. If at this stage your complaint hasn't been resolved to your satisfaction, please contact our Client Relations team:

Fax	1800 025 542
Email	www.commbank.com.au/feedback
Mail	CBA Group Customer Relations, Reply Paid 41 Sydney NSW 2001

You can view CommSec's internal dispute resolution and contact details in our Financial Services Guide.

While most issues are resolved quickly, under the rules governing complaints handling we have up to 45 days to deal with any complaint you may have. You'll be informed of our progress if your complaint takes longer than 45 days to resolve.

External dispute resolution

If your dispute is not satisfactorily resolved after 45 days, you can take the matter to the Australian Financial Complaints Authority (AFCA), a body recognised by the Australian Securities and Investment Commission. For further information please contact AFCA at:

Online	www.afca.org.au
Email	info@afca.org.au
Phone	1800 931 678 (free call)
Mail	Australian Financial Complaints Authority GPO Box 3, Melbourne VIC 3001

The National Guarantee Fund

The National Guarantee Fund (NGF) provides ASX Option traders with protection in the following circumstances:

- If a share is exercised, the NGF guarantees completion of the resulting trades in certain circumstances.
- If you have entrusted property to CommSec in the course of dealing in Options and CommSec later becomes insolvent, you may claim on 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.

For more information regarding the NGF, visit **segc.com.au** or call **(02) 9227 0424**.

Glossary

Adjustments: Occur for certain events such as a share split or a share dividend. An adjusted Option may cover more (or less) than the standard 100 shares per Options contract.

American style: An Option that can be exercised at any time prior to its expiration date.

Ask: The price at which a seller is offering to sell an Option or a share.

Assigned: When the written Option is exercised by the Option holder, the Option's writer is said to be assigned. The Option writer is required to fulfil their obligation by delivering the terms of the contract through buying or selling the underlying security.

Assignment: Notification by ASX Clear that an owner of an Option has exercised their Options contracts.

ASX: ASX Limited ACN 008 624 691 is the operator of the Australian Securities Exchange. The ASX Group is a multi-asset class, vertically-integrated exchange group whose activities span primary and secondary market services, including the raising, allocation and hedging of capital flows, trading and price discovery; central counterparty risk transfer; and securities settlement for both the equities and fixed income markets. Our use of 'ASX' generally refers to the activities undertaken by the Australian Securities Exchange.

ASX Clear: ASX Clear Pty Limited ACN 001 314 503, the Clearing House for all shares, structured products, warrants and ASX Equity Derivatives.

ASX Clear Margin: The margin required by ASX Clear and includes premium margin and risk margin.

At-the-money: A term that describes an Option with a strike price that is equal to the current market price of the underlying security.

Bearish: An adjective describing the opinion that a share, or a market in general, will decline in price – a negative or pessimistic outlook.

Bid: The price at which a buyer is willing to buy an Option or a share.

Breakeven point: The share price(s) at which an Option strategy results in neither a profit nor a loss.

Bullish: An adjective describing the opinion that a share, or the market in general, will rise in price – a positive or optimistic outlook.

Call Option: An Option contract that gives the buyer the right, but not the obligation, to buy the underlying security at a pre-determined price on or before a fixed date. For the seller of a Call Option, the contract represents an obligation to sell the underlying security if the Option is assigned.

Cash settled: A condition of an Options contract which requires a cash settlement on exercise rather than physical delivery of the underlying security.

Collateral: Securities or cash used to provide security for margin obligations.

CommSec Margin: The margin required by CommSec which is in addition to the ASX Clear Margin.

Contract: A holder of an Options contract has the right but not the obligation to buy or sell a specific amount of a given underlying asset at a specified price during a specified period of time.

Contract size: The amount of the underlying security covered by the Option contract. The current standard contract size on the ASX is 100 shares for one equity Option unless adjusted for a corporate action.

Corporate action: An event initiated by a public company that affects the securities issued by the company.

Covered: An open short Option position that is fully offset by a corresponding share or Option position. That is, a covered Call could be offset by long share or a long Call, while a covered Put could be offset by a long Put or a short share position. This insures that if the owner of the Option exercises, the writer of the Option will not have a problem fulfilling the delivery requirements.

Decay: A term used to describe how the theoretical value of an Option 'erodes' or reduces with the passage of time.

Deliverable: A condition of an Options contract which requires the physical exchange of the underlying security on exercise.

Early exercise: Where an Option is exercised prior to its expiration date.

Equity Option: An Option where the underlying security is an individual share listed on the ASX.

European style: An Option that can only be exercised on its expiry day.

Exchange-traded options or ETOs or Options: A financial derivative that represents a contract sold by one party (Option writer) to another party (Option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date).

Ex-dividend date: The day before which an investor must have purchased the shares in order to receive the dividend. Options holders are not entitled to dividends unless the Options holder exercised the Options to become the holder of the shares before the ex-dividend date.

Exercise: To invoke the rights granted to the owner of an Option contract. In the case of a Call, the Option owner buys the underlying security. In the case of a Put, the Option owner sells the underlying security.

Exercise price: The price at which the owner of an Option can purchase or sell the underlying security. Used interchangeably with strike price.

Expiration date: The date on which an Option and the right to exercise it cease to exist.

In-the-money: A term used to describe an Option with intrinsic value. A Call Option is in-the-money if the share price is above the strike price. A Put Option is in-the-money if the share price is below the strike price.

GST: A Goods and Services Tax, as defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Index: A statistical indicator that represents the value of a section in the share market.

Index Option: An Option where the underlying security is an index. Generally, index Options are cash settled.

Intrinsic value: The difference between the Option's strike price and the market value of the underlying security. Where an Option has an intrinsic value it is in-the-money.

Leverage: Also called gearing, leverage allows an investor to gain exposure to a larger value asset than their initial outlay. Leveraging can magnify an investor's gains and losses.

Long position: Where an investor buys to open (takes) an Option position. The taker of a Call has the right to buy shares and the taker of a Put has the right to sell shares at a specified price.

Market maker: Firms who compete against one another while trading on their own accounts and at their own risk. They are assigned shares in which they must meet certain obligations, such as quoting buy.

Monthly Options Statement: A statement generated by CommSec on the first business day of the month that relates to the current Options positions held and Options activity relating to the previous month made available to CommSec Options clients.

Multi-leg: A type of order allowing a trader to simultaneously buy and sell a variety of different Options all at once that could traditionally have been achieved had separate orders been placed for them. This type of order is primarily used in advanced Option trading strategies.

Naked: A short Option position that is not specifically hedged. A short Call position is uncovered if the writer does not have a long share or long call position. A short put position is uncovered if the writer is not short shares or long another Put.

Neutral: An adjective describing the belief that a share or the market in general will neither rise nor decline significantly.

Neutral strategy: An Option strategy expected to benefit from a neutral market outcome.

Open Position and Financial Statement: A statement generated by CommSec on a daily basis that relates to the current Options positions held and Options activity relating to the previous trading day made available to CommSec Options clients.

Out-of-the-money: A term used to describe an Option that has no intrinsic value. A Call Option is out-of-the-money if the share price is below its strike price. A Put Option is out-of-the-money if the share price is above its strike price.

Payoff diagram: A chart of the profits and losses for a particular Options strategy prepared in advance of the execution of the strategy. The diagram is a plot of expected profits or losses against the price of the underlying security.

Premium: Total price of an Option made up of the intrinsic value and the time value.

Protective: A reference to risk-management or hedging strategy that investors can utilise to guard against the loss of unrealised gains, or establish a floor price to the underlying shares.

Purchase price: The price that an investor pays for an underlying security.

Put Option: An Option contract that gives the buyer the right, but not the obligation, to sell the underlying security at a pre-determined price on or before a fixed date. For the seller of a Put Option, the contract represents an obligation to buy the underlying security if the Option is assigned.

Series: Option contracts on the same class having the same strike price and expiration date.

Settlement: Payment or receipt of funds as a result of buying or selling securities.

Short position: Where an investor sells to open (writes) an Option position. Writers of Options receive the premium upfront but have an obligation to buy (in the case of a Put) or sell (in the case of a Call) the underlying security if the Options contract is exercised.

Strike price: see exercise price.

Taker: An investor who buys an Option to open a position. The taker of a Call has the right to buy shares and the taker of a Put has the right to sell shares at a specified price.

Time decay: Time decay is the cost of holding an Option from one day to the next. For takers of options there is one less day in which the underlying security price moves to profit the trader. As this reduces the probability that the taker of the Option will receive a profit, the price of the Option will decrease, all else remaining constant. Writers of Options benefit from time decay as for each day that passes, the possibility of their position being assigned reduces.

Time value: The part of an Option's total price that exceeds its intrinsic value. The price of an out-of-the-money Option consists entirely of time value.

Total Margin: When an investor writes an Option, the investor has a potential obligation to the market if the taker of the Options decides to exercise it. The margin is the amount that CommSec calculates is necessary to ensure that the investor can meet that obligation, and includes ASX Clear Margin and CommSec Margin.

Trading Strategy: A trading strategy is a set of objective rules and specifications for entering and exiting trades.

Trading Statement: A statement generated by CommSec that confirms trading activity. Also commonly referred to as a Confirmation.

Transaction costs: All of the fees and charges associated with executing a trade and maintaining a position such as brokerage and ASX Clear fees.

Underlying Security: The financial instrument on which a derivative's value is based.

Volatility: A measure of share price fluctuation.

Writer: An investor who sells an Options position to open a position. While this position remains open, the writer is subject to fulfilling the obligations of that Option contract.

How to invest in Options with CommSec

STEP 1

To invest in Options* with CommSec, you need to have:

- A CHESS Sponsored CommSec share trading account; and
- One of the following settlement account: a Commonwealth Direct Investment Account (CDIA), a Commonwealth Bank of Australia (CBA) account, or a CommSec Margin Loan.

Apply online at **commsec.com.au** or call the CommSec Options Desk on **1800 245 698 between 8am and 5:30pm (Sydney time) Monday to Friday.**

*CommSec does not allow trading in Low Exercise Price Options (LEPOs)

STEP 2

Consider the risks and benefits

- Carefully consider all the information in this PDS and the Terms and Conditions commencing on page 49 including the Risk Disclosure Statement on page 56.
- Read the ASX booklet *Understanding Options Trading*.
  You can obtain a copy from
  asx.com.au/documents/resources/UnderstandingOptions.pdf
  or by calling CommSec on **1800 245 698**.
- Refer to the ASX Website **https://www2.asx.com.au/investors/learn-about-our-investment-solutions/options**,
  and the other ASX booklets available at
  asx.com.au/education/download-brochures.htm
  to ensure that you have a full understanding of the product.

STEP 3

Apply

Apply online at www.commsec.com.au or complete the Options application form, as well as a CommSec Share Trading or Margin Loan account if required, and return them to:

Email: commsecapps@commsec.com.au

Post: Reply Paid 60768, Australia Square NSW 1214

Fax: 1300 131 519

COMMONWEALTH SECURITIES LIMITED ABN 60 067 254 399

DEFINITIONS

'**We**', '**Broker**', '**Commonwealth Securities**' and '**CommSec**' refer to Commonwealth Securities Limited ABN 60 067 254 399.

'**Client**', '**You**' and '**Your**' refer to the applicant(s) whose name(s) appear on the CommSec Exchange Traded Options application form.

'**ASX Clear**' and '**Clearing House**' mean ASX Clear Pty Ltd

'**ASX**' refers to the ASX Limited.

'**ASX Group Rules**' and any reference to '**Rule**' means except where the context requires any or all of the rules and procedures of the member entities of the ASX group.

'ASIC' refers to the Australian Securities Investments Commission.

'**Proscribed Person**' means a person who appears to us either (a) to be a proscribed person or entity under the Charter of the United Nations Act 1945 (Cth); (b) to be in breach of the laws of any jurisdiction relating to money laundering or counter-terrorism; (c) to appear in a list of persons with whom dealings are proscribed by the government or a regulatory authority of any jurisdiction; or (d) act on behalf, or for the benefit of, a person listed in subclauses (a) – (c)

INTERPRETATION

Words and expressions defined in the Corporations Act, the ASX Group Rules, procedures, appendices and schedules, where appearing in this agreement, have the same meaning as in the Corporations Act, the ASX Group Rules, procedures, appendices and schedules.

DERIVATIVES CLIENT AGREEMENT

1. APPLICATION OF MARKET RULES

The Client and CommSec are bound by:

(a) the Operating Rules of ASX Limited (ASX), the Corporations Act (including the ASIC Market Integrity Rules) 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.

(b) the Commonwealth Securities General Conditions of Trade and Trading Rules except to the extent that those conditions and rules are inconsistent with this agreement.

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 that it has given consideration to its objectives, financial situation and needs and has formed the opinion that dealing in derivatives is suitable for its 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 COMMSEC'S OBLIGATIONS

Notwithstanding that CommSec 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 CommSec as principal.

Upon registration of a Derivatives Market Contract with ASX Clear in the name of CommSec, the Client acknowledges that CommSec 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 CommSec upon registration of a Derivatives Market Contract with ASX Clear by novation under the Rules or any other legal result of registration is personal to CommSec 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 CommSec (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 CommSec's discretion, to specified types of dealings as determined by CommSec 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 Commonwealth Securities 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

The Client acknowledges that CommSec may, in certain circumstances permitted under the Corporations Act and the 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 CommSec commissions, fees, taxes and charges in connection with dealings for the Client in derivatives at the rates determined by CommSec from time to time and notified to the Client by postal or electronic ("email") address last notified to us by you, or at our website. We shall give you 30 days' notice of application of increases in fees, charges or commissions other than government fees or charges.

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

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.

(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 CommSec, or cause information or documentation to be delivered to CommSec concerning derivatives transactions which are requested by a person having a right to request such information or documentation. CommSec is authorised to produce the information or documentation to the person making the request.

The Client must provide the necessary identification information to CommSec 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, CommSec may require you to provide additional information. Until you provide us with this information, CommSec 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. CommSec 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:

- From Australia call 1300 077 141 between 9am – 5pm, Monday – Friday (Sydney Time)

- From overseas call +61 2 9283 6096 between 9am – 8pm, Monday – Friday (Sydney Time). Call charges may apply

9. RIGHT TO REFUSE TO DEAL

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

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

If you or a signatory appears to be a Proscribed Person, 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 Clause 9, you must pay us any damages, losses, costs, or expenses that we incur in relation to any action taken under Clause 9, 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

Either the Client or CommSec may terminate this Agreement by giving not less than seven (7) days' notice in writing to the other. Termination will be effective upon receipt of the notice by the other party.

11. EFFECT OF TERMINATION

Subject to Clause 9, termination does not affect the existing rights and obligations of the Client or CommSec prior to termination. Upon termination of this Client Agreement, CommSec will close out all Derivatives CCP Contracts held by CommSec 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 Rules.

12. REVISED TERMS PRESCRIBED BY ASX

If ASX prescribes amended minimum terms for a Client Agreement for Options for the purposes of the 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 CommSec had entered into an agreement containing the New Terms.

13. COMMSEC TO PROVIDE CLIENT WITH COPY OF CHANGES

CommSec will provide a copy of the New Terms to the Client as soon as practicable after ASX prescribes the New Terms.

14. APPLICATION OF CLEARING RULES

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

15. CLIENT FUNDS AND PROPERTY

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

The Client acknowledges that the Client's monies and the monies of other clients of CommSec may be combined and deposited by CommSec in a trust account or clients' segregated account. The Client acknowledges that all monies credited to the clients' segregated account maintained by CommSec may be used by CommSec to meet the default of any client of CommSec. The Client acknowledges that CommSec 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 CommSec and the Participant Change Notice was received less than 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 CommSec, indicating that the Client wishes to transfer their 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 CommSec 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 CommSec;
- any rights of CommSec are transferred to the new Participant; and
- CommSec 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 CommSec 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 CommSec until such time as the novation is effective, and CommSec 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 CommSec 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 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 CommSec 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 CommSec or fails to perform any obligation arising pursuant to the exercise or settlement of a Derivatives CCP Contract; or

(2) fails to meet a demand under Clause 21; or

(3) a guarantee or other security provided by the Client to CommSec is withdrawn or becomes ineffective and other replacement security not acceptable to CommSec is provided; or

(4) the client dies or becomes incapacitated; or

(5) any other event occurs which CommSec and the Client have agreed in their Client Agreement entitles CommSec to take action under this Clause 20; or

(6) the Client or signatory appears to be a Proscribed Person.

CommSec 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, CommSec 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 CommSec 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 close-out of one or more short equities positions.

The Client:

(i) must, on demand, pay or reimburse CommSec for all costs, charges and expenses incurred by CommSec 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 CommSec against all costs, expenses and losses, including brokerage, clearing house 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 rate described as the Commonwealth Bank's Overdraft Index Rate as published from time to time or, if there is no such rate at any time, any substitute or replacement reference rate published by the Commonwealth Bank from time to time.

21. COMMSEC MAY DEMAND FUNDS, SECURITY OR EVIDENCE

CommSec may do any one or more of the following which CommSec considers, in its absolute discretion, appropriate in connection with the obligations incurred, or which may be incurred, by the Client or CommSec (or both) in respect of Derivatives CCP Contract entered into for the account of the Client:

(a) demand the payment of money;

(b) demand the provision of other security; or

(c) demand evidence, in a form satisfactory to CommSec, that the Client will, within a time determined by CommSec at its sole discretion, be able to comply with demands or future demands under (a) or (b) above.

The Client must comply with any demand made by CommSec under this clause as soon as possible and in any case must comply before 2pm (Sydney time) on the day on which the demand is made (unless CommSec specifies a different time), and time is of the essence. If the Client fails to comply with the demand or if the Client cannot be contacted despite CommSec's reasonable enquiries, the Client agrees that CommSec, in accordance with Clause 20, may take any action, or refrain from taking action, which it considers reasonable and in accordance with the ASX Group Rules in the circumstances.

22. MARKET EVENT

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.

23. LODGING SCRIP AS COLLATERAL

The Client understands that if the Client needs to or wants to lodge scrip cover through CommSec for any open Derivatives CCP Contract, it is necessary for the Client to become CHESS Participant Sponsored by CommSec.

The Client authorises CommSec to lodge scrip cover on the Client's behalf for any open Derivatives CCP Contract. This means that the Client authorises:

(a) CommSec 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) CommSec to grant a security interest over the Scrip Collateral in favour of ASX Clear to secure the performance by CommSec (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 CommSec for any Derivatives CCP Contract will only be released by CommSec upon request and at CommSec's discretion.

24. 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.

25. MARGINS

The Client agrees that when the Client writes a Derivatives Market Contract to open a position, then margins will be payable throughout the life of the Derivatives CCP Contract entered into for the account of the Client. CommSec may call for payment of margin which CommSec considers, in its absolute discretion, appropriate in connection with the obligations incurred by CommSec in respect of Derivatives CCP Contracts entered into for the account of the Client, which may be in excess of margin required by ASX Clear. For the avoidance of doubt a call for the Client to pay such margin is a demand for the purposes of Clause 21. It is the Client's responsibility to ensure they meet their margin obligations on a daily basis. The Client must elect to close any open Derivatives CCP Contract entered into for the account of the Client immediately in the event that the Client cannot meet daily margin obligations.

26. EXERCISE

CommSec automatically exercises Derivatives CCP Contract entered into for the account of the Client (that is, any Call or Put that has been bought to open) on expiry that are in the money by 1c or more. It is the responsibility of the Client to instruct CommSec on the expiry date (only) if they do not wish to exercise contracts that are in-the-money by 1c 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.

27. ASSIGNMENT

The Client understands that during all times while a written (short) Derivatives CCP Contract entered into for the account of the Client is open, the writer and the Client are 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 CCP Contract entered into for the account of the Client:

(i) the Client must purchase additional shares (short Call contract) or sell shares

(short Put contract) in order to satisfy delivery/settlement obligations; and

(ii) the Client must execute the required trade(s) and notify CommSec on T+1.

28. ADJUSTMENTS

The Client understands it is their responsibility to know about adjustments to the Derivatives CCP Contract entered into for the account of the Client. The Derivatives CCP Contract specifications that may be adjusted are: contract size, exercise price, expiry date, number of contracts and underlying securities. 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 in respect of that Derivatives CCP Contract, including (without limitation) the calculation of the fair value of the Derivatives CCP Contract.

29. CLIENT LEVEL

CommSec may assign the Client a particular Client Level at its sole discretion and may change that Client Level 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 Client Level;

(c) any breach by the Client of this Agreement or the Rules.

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

CommSec may at its sole discretion specify the types of Option trading permitted by Clients of any particular Client Level and from time to time vary those specifications.

30. ACCOUNTS

CommSec may require the Client (or Client Level of which the Client is a member) to open a Commonwealth Direct Investment Account or other account with CommSec or Commonwealth Bank of Australia or both in order to settle trades made pursuant to this Agreement and the Client must comply with any such requirement.

31. ORDERS

The Client understands that CommSec 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.

32. EMAIL CONFIRMATION

By supplying an email address the Client acknowledges and authorises CommSec to send all relevant statements to the Client's email 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 his, her or its email address is operational and available for receipt of abovementioned electronic confirmation statements. The Client also agrees that at any time CommSec may:

- issue a paper-based confirmation statement in lieu of electronic confirmation statements by email;
- 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.

33. VARIATION

CommSec may from time to time vary these Derivatives Client Agreement terms and conditions, to the extent permitted by the ASX Group Rules to:

(i) add, change or remove any concessions or benefits;

(ii) adopt or implement any legal requirement, decision, recommendation, regulatory guidance or standard of any court, tribunal, ombudsman service regulator, or of the ASX;

(iii) accommodate changes in the needs or requirements of our clients, such as new product features or services;

(iv) correct errors, inconsistencies, inadvertent omissions, inaccuracies or ambiguities;

(v) bring us into line with our competitors, industry or market practice or best practice in Australia or overseas; or

(vi) reflect changes in technology or our processes including our computer systems.

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

Without limiting our rights under paragraphs (i) to (vi), we 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). If we vary these terms and conditions the changes shall apply to all dealings between you and us on and from the day on which the variation takes effect. We will give not less than seven (7) days notice to you at the postal or email address last notified to us by you, or at our website.

Note – If we make a change that is not acceptable to you, you can cancel the agreement closing out all options contracts that are open at the time you wish to cancel the agreement. This may result in a substantial cost to you, and fees and charges may be payable by you.

34. CLIENT'S OBLIGATIONS TO COMMONWEALTH BANK OF AUSTRALIA

(a) This clause 34 applies despite anything to the contrary in any other provision of this Client Agreement.

(b) The Client irrevocably and unconditionally undertakes to CBA to perform, in favour of CBA and for CBA's benefit, each and every obligation owed by the Client to CommSec under or in connection with this Client Agreement. This undertaking is separate and independent to the Client's obligations to CommSec, and CBA will have an independent right to demand performance by the Client of each such obligation. However, any discharge of any such obligation to either CBA or CommSec 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 CBA on demand an amount that is equal to each amount that is due and payable by the Client to CommSec 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 CommSec, and CBA will have an independent right to demand performance by the Client of each such undertaking. However, any discharge of any obligation to either CBA or CommSec 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 CBA 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 CBA is withdrawn or becomes ineffective and other replacement security not acceptable to CBA is provided; or

  (iii) (any other event occurs which CommSec and the Client have agreed in will entitle CommSec to take action under clause 20.

(e) Without limiting CBA's or CommSec'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 CBA and CommSec, 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 CBA or CommSec (including amounts deposited by CommSec with CBA on account of the Client) will not fall due for repayment by CBA or CommSec, as the case may be, until the Client's obligations under this Client Agreement (and under any other account between CommSec and the Client) are satisfied in full. Until this time, those amounts will not constitute a debt due from CBA or CommSec to the Client nor will the Client have any right to receive payment of these funds.

(f) The Client grants each of CBA and CommSec a separate Security Interest in:

(i) all of the Client's rights and interest in any of its Accounts; and

(ii) without limiting paragraph (i) above, all of the Client's rights and interest in any ADI account held with CBA or any cash account or other account held with CommSec,

to secure obligations owing by the Client under or in connection with this Client Agreement to CBA and CommSec.

(g) The Security Interests provided for by this Client Agreement are first ranking Security Interests, and if a default under this Client Agreement occurs, CBA and CommSec, 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) CBA's respective rights, powers, remedies and discretions under:

(i) clause 34(e)(i);

(ii) clause 34(e)(ii); and

(iii) clause 34(f),

are separate and independent from one another and CBA 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) CommSec's respective rights, powers, remedies and discretions under this Client Agreement and the General Conditions of Trade (including but not limited to its rights, powers, remedies and discretions under the following provisions) are separate and independent from one another:

(i) clause 34(e)(i) of the Client Agreement;

(ii) clause 34(e)(ii) of the Client Agreement;

(iii) clause 34(f) of the Client Agreement;

(iv) clause 15 of the Client Agreement;

(v) clause 20 of the Client Agreement;

(vi) clause 21 of the Client Agreement;

(vii) clause 25 of the Client Agreement;

(viii) clause 30 of the Client Agreement;

(ix) clause 12 of the General Conditions of Trade,

and CommSec 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.

35. 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 CBA nor CommSec has agreed to subordinate any Security Interest provided for by this Client Agreement in favour of any third party.

(c) The Client acknowledges that CBA and/or CommSec 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, CBA and CommSec 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 CBA or CommSec approves. Nothing in this clause 35(d) will prevent any disclosure by CBA or CommSec 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 35(d) constituting a 'confidentiality agreement' for the purposes of section 275(6) (a) of the PPSA, the Client agrees that CBA and/or CommSec may disclose information of the kind mentioned in section 275(1) of the PPSA to the extent that CBA or CommSec 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 CommSec or CBA 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 CBA or CommSec, promptly do or cause to be done anything which CommSec or CBA considers necessary or desirable to perfect and protect any Security Interest provided for by this Client Agreement.

(h) In clauses 34 and 35, 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, Commonwealth Direct Investment Account, cash account and any other account of the Client with

CommSec and/or CBA 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) '**CBA**' means Commonwealth Bank of Australia ABN 48 123 123 124;

(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 CommSec. 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 CommSec 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 CommSec for additional funds within the time prescribed, CommSec may close out your position and you will be liable to CommSec 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 CommSec 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 CommSec 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 CommSec 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 CommSec.

4. RISKS OF MARGIN LOAN COVERED CALL WRITING

Selling covered Call Options over margined shares is an investment strategy for the confident investor. 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 down-side 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.

TERMS AND CONDITIONS OF CHESS SPONSORSHIP

These Terms and Conditions apply when a person (the Client) agrees to be sponsored by Commonwealth Securities Limited ABN 60 067 254 399 (the Broker) in the Clearing House Electronic Subregister System (CHESS).

1. INTERPRETATION

1.1 Any term used in this Agreement which is defined in, or given a meaning under, the ASX Settlement Operating Rules (the Rules) has the meaning given in the Rules. (Should you require a copy of these definitions please contact the Broker.)

1.2 In this Agreement, the Broker is referred to as the 'Participant' and the Client is referred to as the 'Participant Sponsored Holder'. These terms are defined in the Rules.

2. APPOINTMENT

The Participant Sponsored Holder appoints the Participant to provide, and the Participant agrees to provide, transfer and settlement services as agent for the Participant Sponsored Holder on the terms and conditions contained in this Agreement.

3. AUTHORISATIONS, PARTICIPANT RIGHTS AND PARTICIPANT SPONSORED HOLDER'S RIGHTS

3.1 Authorisations

3.1.1 Upon delivery to the Participant of all necessary certificates, marked or unmarked transfers and other documents in relation to Financial Products to be held in Participant Sponsored Holdings:

(a) the Participant Sponsored Holder authorises the Participant to effect any Transfers and Conversions necessary to register the Financial Products into Participant Sponsored Holdings; and

(b) the Participant must initiate the necessary Transfers or Conversions within the time prescribed under the Rules.

3.2 Participant Rights

3.2.1 Where the Participant Sponsored Holder authorises the Participant to buy Financial Products, the Participant Sponsored Holder will pay for those Financial Products on or before the date agreed with the Participant for payment. The Participant may require payment or a deposit before it executes the Participant Sponsored Holder's instructions to buy financial products.

3.2.2 Subject to Clause 3.2.3, the Participant is not obliged to transfer Financial Products into the Participant Sponsored Holding, where payment for those Financial Products has not been received, until payment is received.

3.2.3 Where a contract for the purchase of Financial Products remains unpaid, after the Participant has made a demand of the Participant Sponsored Holder to pay for the Financial Products, the Participant may sell those Financial Products that are the subject of that contract at the Participant Sponsored Holder's risk and expense and that expense will include brokerage.

3.2.4 Where the Participant claims that an amount lawfully owed to it has not been paid by the Participant Sponsored Holder, the Participant has the right to refuse to comply with the Participant Sponsored Holder's Withdrawal Instructions, but only to the extent necessary to retain Financial Products of the minimum value held in a Participant Sponsored Holding (where the minimum value is equal to 120% of the current market value of the amount claimed). Where the Participant exercises this right, it must inform the Participant Sponsored Holder, within a reasonable period, of the action it has taken.

3.3 Participant Sponsored Holder's Rights

3.3.1 Subject to Clauses 3.2.3 and 3.2.4, the Participant will initiate any Transfer, Conversion or other action necessary to give effect to Withdrawal Instructions within two (2) Business Days of the date of the receipt of the Withdrawal Instructions.

3.3.2 The Participant will not initiate any Transfer or Conversion into or out of the Participant Sponsored Holding without the express authority of the Participant Sponsored Holder.

3.3.3 The Participant will notify the Participant Sponsored Holder of the HIN for each CHESS Holding of the Participant Sponsored Holder to which this Agreement relates.

3.3.4 The regulatory regime which applies to the Participant is the regime established under the Corporations Act and Corporations Regulations, the ASIC Market Integrity Rules, the ASX Market Rules, the ASX Settlement Operating Rules and ASX Clear Operating Rules. The Participant Sponsored Holder can obtain information as to the status of the Participant from the relevant regulatory authorities under this regime, namely, the Australian Securities and Investments Commission (ASIC), the Australian Securities Exchange Limited (ASX), ASX Settlement Pty Ltd (ASX Settlement) and ASX Clear Pty Ltd (ASX Clear).

3.3.5 The Participant Sponsored Holder may lodge a complaint against the Participant with ASIC, ASX, ASX Settlement, ASX Clear or the Australian Financial Complaints Authority (AFCA). The Participant Sponsored Holder may lodge any claim for compensation:

(a) with the Participant in the first instance and if not satisfied with the Participant's response, the Participant Sponsored Holder may refer the claim to AFCA; and

(b) in relation to the National Guarantee Fund, with the Securities Exchange Guarantee Corporation Limited.

(Refer to Clause 7 below for further details with respect to claims for compensation).

4. OTHER RIGHTS AND DUTIES

4.1 Supply of Information

4.1.1 The Participant Sponsored Holder will supply all information and supporting documentation which is reasonably required to permit the Participant to comply with the registration requirements, as are in force from time to time, under the ASX Settlement Operating Rules.

4.1.2 Where statements of holding balances or other information are obtained by the Participant from ASX Settlement or Issuers at the Participant Sponsored Holder's request, the Participant Sponsored Holder will bear the reasonable costs incurred by the Participant in obtaining the statements or information.

4.1.3 The Participant Sponsored Holder authorises the Participant to provide information about the Participant Sponsored Holder and Participant Sponsored Holdings to ASX Settlement, ASX and ASIC as appropriate or necessary from time to time.

4.2 Exchange-traded Options, pledging and sub-positions

4.2.1 Where the Participant Sponsored Holder arranges with ASX Clear to lodge Financial Products in a Participant Sponsored Holding as Derivatives Cover, and informs the Participant of the arrangement, the Participant Sponsored Holder:

(a) authorises the Participant to reserve the Financial Products in the ASX Clear Subposition so that the Financial Products come under the control of ASX Clear and are subject to the security interest granted in favour of ASX Clear to secure the performance by the relevant Clearing Participant of its obligations to ASX Clear under and in accordance with ASX Clear Operating Rule 14.6.7;

(b) authorises any subsequent dealing (including, without limitation, any transfer) of the reserved Financial Products in accordance with the Rules and ASX Clear Operating Rules;

(c) acknowledges that the Financial Products will remain subject to that security interest for so long as those Financial Products remain reserved in the ASX Clear Subposition in accordance with ASX Clear Operating Rule 14.6.7; and

(d) authorises the Participant to take whatever other action is reasonably required by ASX Clear in accordance with the Rules to give effect to that arrangement.

4.2.2 Where the Participant Sponsored Holder arranges with any person to give a charge or any other interest in Financial Products in a Participant Sponsored Holding, the Participant Sponsored Holder authorises the Participant to take whatever action is reasonably required by the person in accordance with the Rules to give effect to that arrangement.

4.2.3 The Participant Sponsored Holder acknowledges that where, in accordance with this Agreement and/or the Participant Sponsored Holder's instructions, the Participant initiates any action which has the effect of creating a sub-position over financial products in the Participant Sponsored Holding, the right of the Participant Sponsored Holder to transfer, convert or otherwise deal with those financial products is restricted in accordance with the terms of the Rules relating to Sub-positions.

4.2.4 Nothing in this Agreement operates to override any interest of ASX Clear in the Financial Products.

5. NOTIFICATIONS AND ACKNOWLEDGEMENTS

5.1 General

5.1.1 The Participant Sponsored Holder acknowledges that if the Participant is not a Market Participant of ASX, neither ASX nor any Related Party of ASX has any responsibility for supervising or regulating the relationship between the Participant Sponsored Holder and the Participant, other than in relation to the Rules relating to Sponsorship Agreements.

5.1.2 The Participant Sponsored Holder acknowledges that if a Transfer is taken to be effected by the Participant under Section 9 of the ASX Settlement Operating Rules and the Source Holding for the Transfer is a Participant Sponsored Holding under the Sponsorship Agreement, then:

(a) the Participant Sponsored Holder may not assert or claim against ASX Settlement or the relevant Issuer that the Transfer was not effected by the Sponsoring Participant or that the Sponsoring Participant was not authorised by the Participant Sponsored Holder to effect the Transfer; and

(b) unless the Transfer is also taken to have been effected by a Participant of ASX or a Clearing Participant of ASX Clear, the Participant Sponsored Holder has no claim arising out of the Transfer against the National Guarantee Fund under Part 7.5, Division 4 of the Corporations Regulations.

5.1.3 In the event that the Participant breaches any of the provisions of this Agreement, the Participant Sponsored Holder may refer that breach to any regulatory authority, including ASX Settlement.

5.1.4 In the event that the Participant is suspended from CHESS participation, subject to the assertion of an interest in Financial Products controlled by the Participant, by the liquidator, receiver, administrator or trustee of that Participant:

(a) the Participant Sponsored Holder has the right, within twenty (20) Business Days of ASX Settlement giving Notice of suspension, to give notice to ASX Settlement requesting that any Participant Sponsored Holdings be removed either:

(i) from the CHESS Subregister; or

(ii) from the control of the suspended Participant to the control of another Participant with whom they have concluded a valid Sponsorship Agreement pursuant to Rule 12.19.10; or

(b) where the Participant Sponsored Holder does not give notice under Clause 5.1.4(a), ASX Settlement may effect a change of Controlling Participant under Rule 12.19.11 and the Participant Sponsored Holder will be deemed to have entered into a new Sponsorship Agreement with the substitute Participant on the same terms as the existing Sponsorship Agreement. Where a Participant Sponsored Holder is deemed to have entered into a Sponsorship Agreement, the new Participant must enter into a Sponsorship Agreement with the Participant Sponsored Holder within ten (10) Business Days of the change of Controlling Participant.

5.1.5 The Participant Sponsored Holder acknowledges that before the Participant Sponsored Holder executed the Sponsorship Agreement, the Participant provided the Participant Sponsored Holder with an explanation of the effect of the Sponsorship Agreement and that the Participant Sponsored Holder understood the effect of the Sponsorship Agreement.

5.1.6 The Participant Sponsored Holder acknowledges that in the event of the death or bankruptcy of the Participant Sponsored Holder, a Holder Record Lock will be applied to all Sponsored Holdings in accordance with the ASX Settlement Operating Rules, unless the Participant Sponsored Holder's legally appointed representative or trustee elects to remove the Participant Sponsored Holdings from the CHESS Subregister.

5.1.7 The Participant Sponsored Holder acknowledges that in the event of the death of the Participant Sponsored Holder, this Sponsorship Agreement is deemed to remain in operation, in respect of the legally appointed representative authorised to administer the Participant Sponsored Holder's estate, subject to the consent of the legally appointed representative, for a period of up to three calendar months after the removal of the Holder Record Lock applied pursuant to Clause 5.1.6.

5.1.8 The Participant Sponsored Holder acknowledges that the Participant shall not be required to provide an executed copy of this Agreement to the Participant Sponsored Holder unless requested by the Participant Sponsored Holder.

5.2 Joint Holdings only

5.2.1 The Participant Sponsored Holder acknowledges that in the event of the death of one of the Holders, the Participant will transfer all Holdings under the joint Holder Record into new Holdings under a new Holder Record in the name of the surviving Participant Sponsored Holder(s), and that this Sponsorship Agreement will remain valid for the new Holdings under the new Holder Record.

5.2.2 The Participant Sponsored Holder acknowledges that in the event of the bankruptcy of one of the Holders the Participant will:

(a) unless the legally appointed representative of the bankrupt Participant Sponsored Holder elects to remove the Participant Sponsored Holdings from the CHESS Subregister, establish a new Holder Record in the name of the bankrupt Participant Sponsored Holder, transfer the interest of the bankrupt Participant Sponsored Holder into new Holdings under the new Holder Record and request that ASX Settlement apply a Holder Record Lock to all Holdings under that Holder Record; and

(b) establish a new Holder Record in the name(s) of the remaining Participant Sponsored Holder(s) and transfer the interest of the remaining Participant Sponsored Holder(s) into new Holdings under the new Holder Record.

6. CHANGE OF CONTROLLING PARTICIPANT

6.1 If the Participant Sponsored Holder receives a Participant Change Notice from the Controlling Participant of the Participant Sponsored Holding and the Participant Change Notice was received at least twenty (20) Business Days prior to the date proposed in the Participant Change Notice for the change of Controlling Participant, the Participant Sponsored Holder is under no obligation to agree to the change of Controlling Participant, and may choose to do any of the things set out in Clauses 6.2 or 6.3.

6.2 The Participant Sponsored Holder may choose to terminate the Agreement by giving Withdrawal Instructions under the Rules to the Controlling Participant, indicating whether the Participant Sponsored Holder wishes to:

(a) transfer its Participant Sponsored Holding to another Controlling Participant; or

(b) transfer its Participant Sponsored Holding to one or more Issuer Sponsored Holdings.

6.3 If the Participant Sponsored Holder does not take any action to terminate the agreement in accordance with Clause 6.2 above, and does not give any other instructions to the Controlling Participant which would indicate that the Participant Sponsored Holder does not agree to the change of Controlling Participant then, on the Effective Date, the Agreement will have been taken to be novated to the New Controlling Participant and will be binding on all parties as if, on the Effective Date:

(a) the New Controlling Participant is a party to the Agreement in substitution for the Existing Controlling Participant;

(b) any rights of the Existing Controlling Participant are transferred to the new Controlling Participant; and

(c) the Existing Controlling Participant is released by the Participant Sponsored Holder from any obligations arising on or after the Effective Date.

6.4 The novation in Clause 6.3 will not take effect until the Participant Sponsored Holder has received a notice from the New Controlling Participant confirming that the New Controlling Participant consents to acting as the Controlling Participant for the Participant Sponsored Holder. The Effective Date may as a result, be later than the date set out in the Participant Change Notice.

6.5 The Participant Sponsored Holder will be taken to have consented to the events referred to in Clause 6.4 by the doing of any act which is consistent with the novation of the Agreement to the New Controlling Participant (for example by giving an instruction to the New Controlling Participant), on or after the Effective Date, and such consent will be taken to be given as of the Effective Date.

6.6 The Agreement continues for the benefit of the Existing Controlling 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 in Clause 6.3 not binding or effective on the Effective Date, then the Agreement will continue for the benefit of the Existing Controlling Participant until such time as the novation is effective, and the Existing Controlling Participant will hold the benefit of the Agreement on trust for the New Controlling Participant.

6.7 Nothing in this Clause 6 will prevent the completion of CHESS transactions by the Existing Controlling Participant where the obligation to complete those transactions arises before the Effective Date and the Agreement will continue to apply to the completion of those transactions, notwithstanding the novation of the Agreement to the New Controlling Participant under this Clause 6.

7. CLAIMS FOR COMPENSATION

7.1 With respect to the compensation arrangements that apply to the Participant Sponsored Holder, the Participant would seek to rely, to the extent possible, on the cover which it has under the professional indemnity insurance policy which applies to its activities as an Australian Financial Services licensee.

7.2 If the Participant breaches a provision of this Agreement and the Participant Sponsored Holder makes a claim for compensation pursuant to that breach, the ability of the Participant to satisfy that claim will depend on the financial circumstances of the Participant.

7.3 If a breach by the Participant of a provision of this Agreement falls within the circumstances specified under Part 7.5, Division 4 of the Corporations Regulations, the Participant Sponsored Holder may make a claim on the National Guarantee Fund for compensation. (For more information on the circumstances in which a Participant Sponsored Holder may make a claim on the National Guarantee Fund or for information on the National Guarantee Fund generally, contact the Securities Exchange Guarantee Corporation Limited.)

8. TERMINATION

8.1 Subject to the ASX Settlement Operating Rules, this Agreement will be terminated upon the occurrence of any of the following events:

(a) by notice in writing from either the Participant Sponsored Holder or the Participant to the other party to the Agreement;

(b) upon the Participant becoming insolvent; or

(c) upon the termination or suspension of the Participant; or

(d) upon the giving of Withdrawal Instructions by a Participant Sponsored Holder to a Controlling Participant in accordance with the Rule 7.1.10(c).

(e) upon termination under the General Conditions of Trade.

8.2 Termination under Clause 8.1(a) will be effective upon receipt of Notice by the other party to the Agreement.

9. RULES AND VARIATION

9.1 This Agreement is subject to the ASX Settlement Operating Rules in force from time to time, and the Participant Sponsored Holder shall not take any action which will prevent or impede the Participant from complying with its obligations under the Rules.

9.2 Should any provisions in this Agreement be inconsistent with the provisions of the ASX

Settlement Operating Rules, the Participant will, by giving the Participant Sponsored Holder not less than seven (7) Business Days written Notice, vary the Agreement to the extent to which in the Participant's reasonable opinion is necessary to remove any inconsistency.

9.3 Except as provided in Clause 9.2, this Agreement may be varied only by a written agreement signed by the Participant and the Participant Sponsored Holder.

DIRECT DEBIT REQUEST SERVICE AGREEMENT

DEBIT ARRANGEMENTS

1. We will advise you, in writing or electronically, in the form of a Confirmation, the drawing details that include the settlement amount due and the settlement date.
2. Where the settlement date falls on a non- business day, we will draw the amount on the following business day.
3. We reserve the right to charge a dishonour fee if any debit item already debited from your nominated account is returned as unpaid by the financial institution.
4. We will keep your information about your nominated account at the financial institution private and confidential unless this information is required by us to investigate a claim made on it relating to an alleged incorrect or wrongful debt, or as otherwise required by law.
5. In the event of a debit returned unpaid we may attempt a redraw on your nominated account.
6. We will advise you 14 days in advance of any changes to the Direct Debit arrangements.
7. If you provide an incorrect bank account number, you may incur a fee if we have processed a transaction to that account.

YOUR RIGHTS

8. You may terminate the Direct Debit arrangement of your trades with us, however, this termination must be in writing.
9. Where you consider the debit is incorrect in either the due date or amount or both, you should raise the matter with CommSec on **1800 245 698 between 8am and 5:30pm (Sydney time) Monday to Friday.**

YOUR RESPONSIBILITIES

10. It is your responsibility:

- to check with the financial institution where your account is held before completing the Direct Debit Request (DDR) as Direct Debiting through Bulk Electronic Clearing System (BECS) is not allowed on the full range of accounts. You should also complete your account details, including Bank State Branch (BSB) number, directly off a recent account statement from your financial institution;
- to ensure sufficient cleared funds are available in the nominated account to meet the debit on the due settlement date of your transactions executed by CommSec;
- to ensure that the authorisation to debit the nominated account is in the same name as the account signing the instruction held by the financial institution where the account is held;
- to advise us if the account you have nominated to debit is transferred or closed;
- to ensure that suitable arrangements are made if the Direct Debit is cancelled;
  - by yourself;
  - by your nominated financial institution; or
  - for any other reason.

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 it to administer our customer relationships 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 may interest you (unless you tell us not to). If you don't want to receive marketing information you can opt out on our website at **commsec.com.au**.

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, reminders and (unless you tell us not to) marketing information.

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 other members of the Group who may use your information for any of the purposes we can.

We may also exchange your information with others outside the Group, for example:

- your representatives, advisers, brokers and agents, and their service providers;
- our service providers and those who refer business to us;
- market operators, operators of clearing and settlements facilities, share and other registries, regulatory and government authorities;
- 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, send information to Group members 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. If you join our community forum we send your email address to our 3rd party service provider's data centre in the US to facilitate the direct sign on to the forum. See our Group Privacy Policy for more information.

OUR GROUP PRIVACY POLICY

Our Group Privacy Policy is available on our website at commsec.com.au (follow the Privacy Policy link) 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.

ADDITIONAL OBLIGATIONS

We may be subject to laws or regulations in Australia or another country that affect your relationship with us (e.g. laws that address taxation). So that we may comply with our obligations under these laws or regulations, we may:

- require you to provide information about you or your product;
- disclose any information we are required to concerning you (including sending your information overseas);

- withhold an amount from a payment to you if required to do so, and if we do, we will not reimburse you for the amount withheld; and/or
- take such other action as is reasonably required, including, for example, closing your account.

HOW TO CONTACT US

For privacy related enquiries, please contact us by calling **13 15 19** as 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 also contact our Customer Relations team directly by calling **1800 805 605**, or writing to the address in our Group Privacy Policy.

COMMSECIRESS SUBSCRIPTION AGREEMENT

CommSec permits you to use CommSecIRESS on the terms and conditions of this Subscription Agreement.

1. If you do not already have a Client ID, CommSec will provide you with a Client ID (linked to an existing CommSec account(s)). This Client ID must be used to access CommSecIRESS.
2. You agree not to reveal your Client ID, login password or trading password (Security Identification) to any person. You will be responsible for keeping your Security Identification secure and protected from unauthorised use. You should take adequate security precautions to protect your PC environment from unauthorised access.
3. You agree not to reverse engineer CommSecIRESS program or protocols used within. You must not save, reproduce or retransmit any data obtained via CommSecIRESS for purposes other than your own personal requirements. You acknowledge that all intellectual property rights in the content and service are owned by CommSec or its third party suppliers.
4. CommSec does not warrant that the CommSecIRESS application will execute and perform on all computers. You acknowledge that access to the service is subject to operation of the internet and may be subject to interruptions, errors or delays outside of CommSec's control. For maximum performance of CommSecIRESS, we recommend CommSecIRESS be run with a broadband connection.
5. CommSec is authorised to provide information by CommSecIRESS to you or anyone using your Security Identification.
6. You authorise any and each person using your Security Identification through CommSecIRESS, to act on your behalf for the purpose of giving any instructions, confirmations, notifications and requests to CommSec under these terms and conditions and you acknowledge any such person using your Security Identification through CommSecIRESS may give those instructions, confirmations, notifications and requests on behalf of all of you jointly and each of you separately.
7. CommSec is authorised to treat any instructions given to it using your Security Identification as an instruction given with your authority and CommSec will not be obliged in any circumstances to enquire whether an act purporting to be done using your Security Identification is a proper act in accordance with your authority.
8. The information available from CommSecIRESS on each day will include market information, account information and dynamic pricing details. CommSec makes no guarantees or warranties for the accuracy or timeliness of any data or information supplied in CommSecIRESS application.
9. To the full extent permitted by law CommSec will not be liable for your reliance on any information supplied by CommSecIRESS or any failure of CommSecIRESS to provide information to you.
10. To the full extent permitted by law CommSec is not liable for any loss or damage suffered by you arising from any transactions effected in accordance with instructions given to CommSec using your Security Identification.
11. Nothing in these Terms & Conditions shall exclude any implied condition or warranty for your benefit if it would contravene any statute. In some circumstances CommSec's liability for the breach of any warranty implied by the Australian Securities and Investment Commission Act may be limited to supplying the services again or the cost of having the service supplied again.
12. CommSec accepts no responsibility for Internet Service Provider (ISP) data download charges you incur whilst using the CommSecIRESS.
13. CommSec will not incur any liability for or in connection with its inability to receive or process instructions as a result of technical failure for any reason. It is your responsibility to use other means of effecting transactions and obtaining information if, for any reason, including a failure on our part, you are unable to use CommSecIRESS or access account information.
14. You agree to indemnify CommSec for all actions, suits, proceedings, claims, costs, expenses and demands that may be made brought against or incurred by CommSec arising from any unauthorised or incorrect instructions, confirmations, notifications or requests given to CommSec by any person using your Security Identification.
15. Where one or more applicants are parties hereto, all of them shall be bound jointly and each separately by these Terms and Conditions.
16. CommSec may cancel this subscription agreement, or cancel or suspend your CommSecIRESS access, at any time for any reason and without notice.
17. CommSec may vary these terms and conditions. Any variation of these terms and conditions shall apply to all dealings between you and us on and from the day on which the variation takes effect. If we vary these Terms and Conditions, we shall

give not less than seven (7) days notice to you at the postal or email address last notified to us by you, or at our website. However, we may make a variation without prior notice where such variation is necessary to restore or maintain the security of our systems or any accounts.

18. Content provided via this service may be subject to additional conditions imposed by third party data owners and third party service providers.

19. If any part of these Terms and Conditions is found to be void or enforceable for unfairness or any other reason (for example, if a court or other tribunal or authority declares it so), the remaining parts of these Terms and Conditions will continue to apply as if the void or enforceable part had never existed.

PAYMENT

20. You must nominate a CommSec account number to which the CommSecIRESS Platform Service will be allocated.

21. The CommSec account number to which this service is associated must be linked and remain linked to a bank account from which you have given CommSec written authority to deduct money by Direct Debit (Related Account).

    You must ensure that there is enough money in the Related Account for CommSec to draw the amounts you must pay us under this Subscription Agreement, when those amounts are due.

22. You agree that any current Direct Debit Request Service Agreement you have authorises CommSec to treat the bank account to which it relates as a Related Account.

23. Unless you qualify as an Active Trader client, there is a fee for CommSecIRESS, which is $82.50 per calendar month (GST incl.). The fee is collected from your Related Account at the end of the month to which it relates.

24. You must opt in on commsec.com.au each calendar month to access the CommSecIRESS platform. If you do not opt in you will not be able to access the CommSecIRESS platform that calendar month and you will not be Direct Debited for that calendar month.

25. We will advise you on commsec.com.au before you opt in each calendar month of the criteria required to qualify for complimentary access to CommSecIRESS for that calendar month.

GENERAL CONDITIONS OF TRADE

DEFINITIONS

'Proscribed Person' means a person who appears to us either (a) to be a proscribed person or entity under the Charter of the United Nations Act 1945 (Cth); (b) to be in breach of the laws of any jurisdiction relating to money laundering or counter-terrorism; (c) to appear in a list of persons with whom dealings are proscribed by the government or a regulatory authority of any jurisdiction; or (d) act on behalf, or for the benefit of, a person listed in subclauses (a) – (c).

GENERAL

1. These General Conditions apply to all dealings between you (the Client) and us (CommSec), Commonwealth Securities Limited.

2. All dealings between you and us are subject to:
    - (a) the Corporations Act 2001 (including the ASIC Market Integrity Rules);
    - (b) the Rules, directions, decisions and requirements from time to time of the ASX Limited (the ASX);
    - (c) the customs and usages of the market;
    - (d) the Rules and Procedures for the Clearing Facility operated by ASX Clear Pty Ltd (ASX Clear);
    - (e) the Rules and Procedures for the Settlement Facility operated by ASX Settlement Pty Ltd (ASX Settlement); and
    - (f) international and domestic anti money laundering and counter terrorism laws.

3(a). Each dealing between you and us is also subject to the provisions of the relevant Confirmation issued by us and if there is any conflict between these General Conditions and those provisions, the provisions of the Confirmation shall prevail.

    You acknowledge that the Confirmation is issued subject to
    - (i) the Rules, directions, decisions and requirements of ASX, the ASIC Market Integrity Rules and the Clearing Rules, and where relevant, the Settlement Rules
    - (ii) the customs and usages of the market; and
    - (iii) the correction of errors and omissions.

    When you provide us with an electronic address (email address) you authorise us to dispatch electronic Confirmations to your email address in respect of your dealings. It is your responsibility to ensure that your email address is operational and available for receipt of electronic Confirmations issued by us and to advise us of any change to your email address as soon as practicable after the change is made.

You further agree that at our discretion, we may:

- provide you with access to a standing facility (Standing Confirmation Facility), through which you can obtain or view an electronic version of a Confirmation;
- issue paper based Confirmation to your postal address in lieu of electronic Confirmation at your email address, or in lieu of a Standing Confirmation Facility;
- substitute electronic Confirmations with a Standing Confirmation Facility by giving you notice in accordance with these terms and conditions.

  If you do not wish to use the Standing Confirmation Facility, or you do not want to receive electronic Confirmations at your email address, you must notify us either in writing or through a facility provided by us.

3(b). We may issue a further Confirmation if the previous one(s) contained any errors or omissions and, in this event, the further Confirmation shall supersede the previous one(s) in all respects.

4. Each dealing between you and us is also subject to the Trading Rules at the time of dealing, and if there is any inconsistency between these General Conditions and the Trading Rules, the latter shall prevail.

5(a). We will not be responsible for any loss or liability incurred by you where we do not receive your instructions or where any dealing or proposed dealing is interrupted, unable to be completed or unable to take place due to the failure of any telephone, computer, other electronic or technological service.

5(b). We will not be responsible for any loss or liability incurred by you where we are unable to receive or act on your instructions due to circumstances that are beyond our reasonable control, e.g. riot, civil disturbance.

5(c). We do not enter into trades with you on our behalf, but we may trade with you on behalf of one of our related bodies corporate.

5(d). In the event that you appear to be a Proscribed Person, we will not be responsible for any loss, liability or costs incurred by you where we are unable to receive or act on your instructions.

YOUR COMMITMENTS

6. You warrant that all information provided by you in your application is complete and correct and is not misleading, and agree that we may rely on that information unless and until we receive written notice of any change signed by you or through a facility provided by us. Any such varied information will be covered by this warranty.

7. You warrant, if you are a company, that we are able to rely on the Australian Securities and Investments Commission company search of you as being up to date and correct at all times.

8. You agree to notify us either in writing or through a facility provided by us of changes in information that are relevant to any dealing or proposed dealing. Email is not an acceptable method of notification. Information which is relevant to any dealing includes your:
   (i) name
   (ii) postal address
   (iii) contact phone number, facsimile number and email address
   (iv) bank account details
   (v) settlement instructions
   (vi) authorised representatives and particulars of that authorised representative as set out in (i) to (ii) above.

9. If you are a trustee, you warrant that you have full power and authority to enter into these arrangements and to exercise the rights and perform the obligations under these arrangements.

10(a). You undertake not to reveal any access code, number or password for your account, and not to allow any unauthorised person to issue instructions on your account. You will abide by the following:

- do not tell anyone your code or let anyone find out your code – not even family or friends;
- do not let anyone watch you enter your code;
- if codes are advised by letter or electronically, we suggest that they be memorised as soon as the correspondence is received. The letter or electronic message should then be destroyed or deleted. This is the safest policy; and
- Make a reasonable attempt to disguise the code in any record – that is, scramble the details in such a way that others will not be able to decode.

  We are not liable to reimburse you if an unauthorised transaction occurs on your account and you or any other user have not made a reasonable attempt to disguise a code or to prevent unauthorised access to the code record. For example, we will not consider that a reasonable attempt has been made to disguise a code if you or any user only:

  – recorded the code in reverse order;
  – recorded the code as a 'phone' number where no other 'phone' numbers are recorded;
  – recorded the code as a number, prefixed by a telephone area code;
  – recorded the code as a series of numbers or words with any of them marked, circled or in some way highlighted to indicate the code;
  – recorded the code disguised as a date (e.g. 9/6/63) where no other dates are recorded;
  – recorded the code in an easily understood code (e.g. A=1, B=2);
  – self-selected a code which is an obvious word or number or one that can be found in

a purse or wallet or can be easily guessed by someone else (such as a date of birth, middle name, family member's name or driver's licence number).

10(b). You are responsible for fraudulent, illegal or unauthorised dealings on your account which are attributable to your conduct, and you release and discharge us and our Related Bodies Corporate (as defined in the Corporations Act 2001 (Cth)) (the Group) and our directors, employees, agents and representatives in relation to all liability in this regard.

11(a). You represent that at all times during your dealings with us you will be in a position to meet all your commitments and obligations arising from these dealings.

11(b). You represent that when you wish to sell shares, you own those shares and that they are available for delivery, and when you wish to buy shares, you will have sufficient funds to pay for those shares at the time the order is placed, and at the time the order is settled.

11(c). Where you have a margin lending account, you acknowledge that you are liable for:

(i) all settlement obligations irrespective of whether your margin lender is able to deliver sufficient securities or funds to satisfy your obligations;

(ii) any over-sold positions on your account;

(iii) payment of monies owing on your account irrespective of whether the margin lender will advance you those monies.

12. You agree that we may debit any of your accounts, or any margin lending facility, with monies that you owe us, e.g. unpaid settlement obligations.

13. You acknowledge and agree:

(a) that we are entitled to cancel or reverse a dealing or order 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.

(b) that the ASX is entitled under the ASX Operating Rules to require cancellation or amendment of a dealing or order.

(c) that if you or a signatory appears to be a Proscribed Person, 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.

(d) that if we exercise our rights under sub-clause 13(c), you must pay us any damages, losses, costs or expenses that we incur in relation to any action taken under sub-clause 13(c), 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 these General Conditions.

14. You acknowledge that we do not give personalised advice or make personalised recommendations and that it is therefore your responsibility, before ordering the purchase or sale of any securities through us, to assess and evaluate the proposed transaction in the light of your then current financial situation, investment objectives and particular needs.

15. You acknowledge that as soon as you become aware of an error or omission, you are responsible for taking necessary action to mitigate further loss within 24 hours of receipt of notification. See Clause 34(a) for the definition of receipt. You acknowledge that time is of the essence in dealings with us.

16. You acknowledge that these General Conditions are governed by the laws of New South Wales, and you submit to the non-exclusive jurisdiction of the courts of New South Wales.

MARKET INFORMATION

17(a). You acknowledge that:

(i) we make the market information we display at our website (the Market Information) available to you only for your personal use;

(ii) third parties who provide data, such as ASX Operations Pty Ltd ABN 42 004 523 782 and other exchanges, may assert proprietary interests in the Market Information;

(iii) the accuracy, timeliness or completeness of the Market Information is not guaranteed by us or any third party; and

(iv) we may in our absolute discretion terminate or suspend your access to the Market Information at any time without notice to you.

17(b). You must not make the Market Information available to any other person or company, in any manner, including by way of downloading, copying, reproducing, adapting, publishing, selling, or distributing the Market Information, without our express written consent, which we may grant with or without conditions.

17(c). You must not procure or assist another person or company to do an act prohibited by sub-clause 17(b).

ACCOUNT AGGREGATION

18. If we permit you to aggregate your accounts with one client ID and password, you authorise any one who has access to your account through aggregation to have full use of any of the accounts, including trading privileges. You also acknowledge that where

the accounts are aggregated, the person who is authorised to have access to your account will be able to have access to your personal information on any accounts that have been aggregated.

YOUR INSTRUCTIONS

19. We will only act within the parameters of your instructions

20. If you are a body corporate, you acknowledge that we reserve the right at any time to request a guarantee from all or any one of your directors in such form as we may reasonably require relating to your obligations under these arrangements

21. We are not obliged to accept any application or instruction to trade, nor are we obliged to provide you with reasons for refusing your application or instruction to trade. If we consider it is in our reasonable interest to do so, we may decline to act on your behalf in relation to any particular dealings, without explanation or advance notice. Additionally, we may decline to act on your behalf:
    - where the original instruction is more than 20 business days old and is not reconfirmed at that time;
    - where the basis of quotation for the security has changed and the order has not been reconfirmed;
    - where the security has been subject to a trading halt and the order has not been reconfirmed;
    - where the ASX has purged the order from the Integrated Trading System (ITS);
    - where we believe the transaction would result in no change of beneficial ownership;
    - where we believe the transaction would have the effect, or is likely to have the effect of creating a false or misleading appearance of active trading in any securities or with respect to the market for, or the price of, any securities; or
    - where we believe the instructions are ambiguous, incomplete or unclear.

22. If more than one person constitutes the Client, then they are jointly and severally bound by these arrangements and we are entitled to act upon the instructions of any one of those persons.

23. You acknowledge that we are not responsible for missed market opportunities during the time it takes us, acting reasonably to follow our internal procedures, for example, opening accounts, transferring Participant Sponsored Holdings, confirming your identity.

24(a). You acknowledge that we will make all reasonable attempts to enter your instructions to buy or sell securities as quickly as possible. However, should delays be experienced:

(i) in connection with the number of participants or persons attempting to participate in the market at a point in time;

(ii) due to verification or authorisation processes; or,

(iii) due to delays resulting from call waiting time or adherence to internal procedures; we will not be liable for any claims for lost opportunity.

24(b). You acknowledge that we will make all reasonable attempts to effect any instructions to cancel or amend orders as quickly as possible. However, should an order be filled prior to a cancellation or amendment instruction being effected you will be obliged to accept the transaction(s) on the original terms. Whilst all reasonable attempts will be made to inform you when the order is filled prior to an amendment or cancellation instruction being effected, we are not obliged to do so.

24(c). You acknowledge and accept that there may be delays in processing between the time an amendment or cancellation instruction is dealt with by us and the time the amendment or cancellation is effected on market. In the event an order is filled between the time it has been 'approved' by us and the time we effect the instruction on market, you will be obliged to accept the transaction on the original terms.

24(d). If you are uncertain as to whether your order has been received you will make all reasonable attempts to verify whether the order has been received, approved and effected prior to taking any further action. You agree to issue specific cancellation or amendment instructions with respect to an existing order and not to attempt to effect such changes by placing a second or duplicate order. You will be solely responsible and liable for any duplicate instruction that you place.

24(e). You acknowledge that we are not liable to you for any loss you incur under a share purchase plan due to a seller or buyer or their broker failing to complete a transaction in accordance with the rules or procedures of the market, the clearing facility or the settlement facility.

24(f). If you purchase on market a holding of rights for a security that is traded separately to the security, you acknowledge that we automatically exercise those rights on your behalf unless you tell us not to exercise them.

24(g). In the course of processing a sell order for a security, we may remove your holding of the security from the register before the due date for settlement under the ASX Operating Rules.

24(h). If, in our reasonable opinion, we believe there is a dispute between us about an order or instruction you have given us, for example, the number of shares you have asked us to buy, or the bid price for shares, we may take, without prior notice to you, any action which in our reasonable opinion we consider necessary to close any open position the subject of the dispute, for example, by selling shares.

24(i). You acknowledge that, due to market conditions, we may complete your order by multiple market transactions and you authorise us to accumulate those transactions on a single Confirmation and specify the volume weighted average price for those market transactions.

AUTHORITIES & INDEMNITIES

25(a). You authorise us to record any telephone conversation(s) between you and us, with or without an audible tone warning device.

25(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.

25(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.

26. You agree to pay our normal brokerage fees and to reimburse us for any extraneous costs, such as GST, for share transactions made on your behalf. You authorise us to appropriate any credits, payments and other receipts from you or your account in such manner and order as we think fit against any amounts due or owing by you to us or otherwise.

27. You will indemnify us against any actions, claims, demands, proceedings, costs, damages, expenses, liabilities and losses (including legal costs on a solicitor and client basis) paid, suffered or incurred by us directly or indirectly as a result of undertaking your instructions in respect of any dealings in securities or of any failure by you to comply with these conditions.

28. You acknowledge that we may pay money that we have received for you into a trust account, for example, if we cannot effect payment into your nominated bank account, and that we retain any interest earned on such money.

FAILURE TO SETTLE

29. If by the settlement date shown on any Confirmation we have not received the relevant payment due, you agree to pay us:
    - interest on the amount outstanding from time to time at the Commonwealth Bank Overdraft Index Rate plus 3%, calculated daily; and
    - a late settlement fee determined by us from time to time to cover our reasonable costs and expenses arising from your failure to settle by the due date together with any applicable GST.

30. If by the settlement date shown on any Confirmation you have not delivered to us the relevant certificates or security holder information, you agree to pay us:
    - any fail fees levied by a Market Operator or ASX Clear; and
    - a late settlement fee determined by us from time to time to cover our reasonable costs and expenses arising from your failure to settle by the due date together with any applicable GST.

31. We may suspend your account at any time and without notice to you if you fail to settle on time for orders we have executed for you.

32. If, after a demand, you have not delivered to us the relevant certificates or security holder information, or payment due, then:
    (a) you direct us to buy back or sell on your behalf any of the securities that are the subject of the contract;
    (b) you authorise us to sell any other securities outstanding on your account, or any securities in our control or possession (except, in each case, shares in the Commonwealth Bank of Australia, unless the shares are subject of a trade that has failed to settle); and
    (c) you agree to indemnify us against all costs, expenses and losses incurred, including brokerage, GST, fail fees levied by a Market Operator or ASX Clear and bank fees, resulting from your failure to settle by the due date.

VARIATION

33. We may from time to time vary these terms and conditions to:
    (i) add, change or remove any concessions or benefits;
    (ii) adopt or implement any legal requirement, decision, recommendation, regulatory guidance or standard of any court, tribunal, or ombudsman service regulator;
    (iii) accommodate changes in the needs or requirements of our clients, such as new product features or services;
    (iv) correct errors, inconsistencies, inadvertent omissions, inaccuracies or ambiguities;
    (v) bring us into line with our competitors, industry or market practice or best practice in Australia or overseas; or
    (vi) reflect changes in technology or our processes including our computer systems.

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

Without limiting our rights under paragraphs (i) to (vi), we 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).

If we vary these terms and conditions the changes shall apply to all dealings between you and us on and from the day on which the variation takes effect. We shall give not less than seven (7) days notice to you at the postal or email address last notified to us by you, or at our website.

Also, we may use our IVR facility to notify you of change(s), and provide information about where you can access full details of the change(s). However, we may make a variation without prior notice where such variation is necessary to restore or maintain the security of our systems or any accounts.

NOTICE

34(a). Any notice, request, demand or other communication may be sent to your postal, facsimile or email address last notified to us and the notice, request, demand or other communication shall be taken to have been received by you:

(i) when sent by email, one hour after we sent it;

(ii) when sent by facsimile transmission, when it has been sent;

(iii) when sent by mail, six business days after we sent it;

(iv) when delivered, on the day of delivery.

34(b). Notice, request, demand or other communication that you send to us is taken to have been received by us when we receive it.

TERMINATION

35. Subject to our other rights under these arrangements and the completion of any outstanding obligations, these arrangements may be terminated by either party giving not less than seven (7) days written notice to the other party.

LIABILITY

36. If you are a consumer, as defined in consumer protection laws, our service comes with a non-excludable warranty under those laws that it will be carried out with due care and skill, and be reasonably fit for the purpose. If we breach any of those warranties you may be entitled to compensation. If you are not a consumer as defined in consumer protection laws, our liability for loss or damage is limited to resupplying the service to you or paying the costs of having the service resupplied to you. When you are a consumer under consumer protection laws our liability is limited to resupplying the service to you or paying the costs of having the service resupplied to you, but only to the extent permitted by those laws.

SEVERANCE

37. If any part of any of these terms and conditions is found to be void or unenforceable for unfairness or any other reason (for example, if a court or other tribunal or authority declares it so), the remaining parts of these terms and conditions will continue to apply as if the void or unenforceable part had never existed.

IMPORTANT NOTICE

Commonwealth Securities Limited is a wholly owned but non-guaranteed subsidiary of the Commonwealth Bank of Australia.

TRADING RULES

We accept orders from registered clients on the CommSec Platform. To be accepted and qualify for our Internet brokerage rates, online orders must comply with these Trading Rules.

When an order is received that does not comply with these Trading Rules, we will endeavour to contact you. However, you are ultimately responsible for revising your order. We will not be held responsible for any loss that may arise when an order is not accepted.

These Trading Rules apply to all dealings between you as a client and us. We reserve the right to vary these Trading Rules at any time. Any such variation shall apply to any dealing by you after it takes effect.

MARKET / LIMIT ORDER

All orders must be submitted either ‘At Market’ or ‘At Limit’.

‘At Market’ orders cannot be accepted outside of market hours or when trading in a particular stock is halted/suspended.

An ‘At Limit’ order will not be accepted, without any advice to you, if we consider the limit price to be too far away from the prevailing market price of that stock.

Limit orders can be amended or cancelled provided the order has not already been executed. However, market orders cannot be amended or cancelled during market hours.

BUY ORDERS

Buy orders can be placed for all ASX listed securities. In some circumstances, a deposit may be required before your order is sent to market.

Unless otherwise advised, we provide each account with a limit. Part of this limit can be used for non-leading stocks.

If your order exceeds the limit, then a deposit may be required. The notional deposit amount is calculated by reference to:

- whether you are buying a leading or non-leading stock;
- the market value of the order; and
- other open or unsettled buy orders.

Where a deposit is required, we will automatically offset the notional deposit amount with the market value of your Participant Sponsored Holdings and any cleared funds held in your CommSec Cash Account or Commonwealth Direct Investment Account (CDIA). In many cases, no actual deposit will be needed and your order will be automatically sent to market.

SELL ORDERS

We do not accept short selling orders.

If selling issuer sponsored stock, it is your responsibility to ensure that the Shareholder Reference Number (SRN) of the holding is correct and that there are sufficient units available for settling the trade.

Sell orders may not be accepted if:

- there are insufficient units available for settlement in your Participant Sponsored Holdings sponsored by us; or
- there are insufficient units available for settlement in an Issuer-sponsored holding quoted by you; or
- an invalid SRN for Issuer-sponsored stock is supplied; or
- more than one valid SRN for Issuer-sponsored stock is supplied; or
- stock is Participant Sponsored by a broker other than us.

AMENDING ORDERS

If you wish to amend the price of an order to a new price that is further away from the prevailing market price, the change in the total value must be at least $20. Smaller limit price amendments will only be accepted if the new price is closer to the prevailing market price for the stock.

ORDERS NOT ACCEPTED ONLINE

Orders involving any of the following do not qualify for our Internet brokerage rates and must be placed over the telephone:

- limit price amendments away from the prevailing market price where the change in total value is less than $20; or
- registration details which are different from your CommSec account details; or
- payment in the name of a person or entity other than the account holder; or
- request for early settlement; or
- payment instructions which are different from the standing instructions for your CommSec account; or
- multiple SRNs.

GENERAL

Except as provided for in Clause 21 of our General Conditions of Trade, a limit order if not cancelled or executed earlier is valid for:

- warrants and day only orders – for that business day only;
- orders involving settlement through a margin lender, if accepted – a further five (5) Business Days (order day +5) after the date your order is placed in the market;
- share limit orders – 20 Business Days (order day +20) after the date your order is placed in the market.

Usually, an order received after market closing time is treated as an order received on the next ASX Business Day.

In the event of a change in the basis of quotation of a stock (e.g. the stock going ex-dividend), your outstanding order will be purged by the ASX prior to the expiry date.

We reserve the right to take such steps as we consider necessary to check the bona fides of any client, order or instruction before acting on that order or instruction.

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We're here to help

To find out more, call us on **1800 245 698**, 8am to 5.30pm (Sydney time), Monday to Friday, or visit our website at **commsec.com.au**

Contacts

1800 245 698
commsec.com.au

CommSec

MKTG542 (12/20)