

Options Trading Account Level, Investment Objectives and Risks



	Trading authorisation	Characteristics	Likely Investment objectives	Potential financial risks
Level 1	Buying calls & puts to open	Pays premium and fees to buy the right to exercise to buy or sell shares	<p>To hedge or protect value of shares</p> <p>Speculation – seeking to capitalise on market movements</p> <p>Gain time to decide whether to purchase or sell the shares</p> <p>Diversifying investment portfolio using leverage</p>	Your risk of financial loss is limited to the premiums and fees you have paid for your bought options. Depending on the strategy used, losses can be substantial.
Level 2	Level 1 + selling specific covered calls	Level 1 characteristics plus receives premium (minus fees) in exchange for entering into a contract to be obligated to sell existing shares already owned if assigned.	Level 1 likely investment objectives plus the opportunity to earn income (options premium)	Your risks of financial loss are limited to the premiums and fees you have paid for your bought option, or the upside in security value foregone when you sell a covered call.
Level 3	Level 2 + selling uncovered options (calls)	Level 1 and 2 characteristics plus receives premium (minus fees) in exchange for entering into a contract to be obligated to sell shares if exercised. If exercised the seller will be required to buy the underlying shares at the prevailing market price to deliver on their obligation. Seller is also required to pay margins and deposit cash or collateral to cover their obligations.	Level 1 and Level 2 likely investment objectives	Your risks of financial loss include the premiums and fees you have paid for your bought options, the upside in security value foregone when you sell a covered call. When selling uncovered calls you can be exposed to material risk, including potentially unlimited leveraged losses from securities increasing in value. Your liability in relation to a written option contracts is not limited to the amount of the margin paid. If the market moves against your position or margins are increased, you may be called upon to pay substantial additional funds or provide additional collateral on short notice to maintain your position, or upon settlement.

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Level 4	Level 3 + selling uncovered options (calls & puts)	Level 1, 2 and 3 plus receives premium in exchange for entering into a contract to be obligated to buy shares if exercised. If exercised the put seller will be required to buy the shares at the exercise price which may differ to the prevailing market price. Seller is also required to pay margins and deposit cash or collateral to cover their obligations.	Level 1, 2 and 3 likely investment objectives	Your risks of financial loss include the premiums and fees you have paid for your bought options, the upside in security value foregone when you sell a covered call. When selling uncovered calls you can be exposed to material risk, including potentially unlimited leveraged losses from securities increasing in value. When you sell an uncovered put you can be exposed to material risk including leveraged losses limited to the underlying securities decreasing in value to the maximum of zero. Your liability in relation to a written option contracts is not limited to the amount of the margin paid. If the market moves against your position or margins are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position, or upon settlement.

The information has been prepared without taking into account the objectives, financial or taxation situation or needs of any particular individual. For this reason, any individual should, before acting on the information consider the appropriateness of the information, having regards to the individual's objectives, financial situation and needs, and if necessary, seek appropriate professional advice.

The target market for this product can be found within the product's [Target Market Determination, available here](#).

A Product Disclosure Statement for Exchange Traded Options (Options) issued by Commonwealth Securities Limited ABN 60 067 254 399 AFSL 238814 is available from our website and should be considered before making any decision about the product. There can be high levels of risk associated with trading in Options; only investors familiar with the risks of Options trading should consider these products.

[Download an Exchange Traded Options Product Disclosure Statement](#)

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